

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 13, 2023 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, 2023 and 2022, the audited consolidated financial statements and related notes for the years ended December 31, 2022 and 2021, as well as the Company's Annual Information Form ("AIF") that is found on SEDAR+ at www.sedarplus.ca. The unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"), specifically International Accounting Standard 34, *Interim Financial Reporting*. IFRS, as issued by the International Accounting Standards Board ("IASB"), are sometimes referred to in this MD&A as Generally Accepted Accounting Principles or ("GAAP").

This MD&A includes references to certain financial and performance measures which do not have standardized meanings prescribed by IFRS ("Non-GAAP"). In addition, this MD&A includes references to certain Non-GAAP financial measures, Non-GAAP financial ratios, capital management measures and supplementary financial measures which are not specified, defined, or determined under IFRS and are therefore considered Non-GAAP and other financial measures. These Non-GAAP and other financial measures are unlikely to be comparable to similar financial measures presented by other issuers. For a full description of these Non-GAAP and other financial measures and a reconciliation of these measures to their most directly comparable GAAP measures, please refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in this MD&A.

Readers are cautioned that the MD&A also contains forward-looking statements and should be read in conjunction with Tenaz's disclosure under "Forward-Looking Information" included in this MD&A.

All figures are in thousands of Canadian dollars unless otherwise noted.

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. Tenaz has domestic operations in Canada along with offshore natural gas assets in the Netherlands. The domestic operations consist of a semi-conventional oil project in the Rex member of the Upper Mannville group at Leduc-Woodbend in central Alberta. The Netherlands natural gas assets are located in the Dutch sector of the North Sea. Additional information regarding Tenaz is available on SEDAR+ at www.sedarplus.ca and Tenaz's website at www.tenazenergy.com. Tenaz's Common Shares are listed for trading on the Toronto Stock Exchange under the symbol "TNZ".

RESULTS OF OPERATIONS

Operational and Financial Review

| | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|--|----------|---------|----------|----------|----------|
| Production | | | | | |
| Heavy crude oil (bbls/d) | 675 | 711 | 687 | 774 | 613 |
| Natural gas liquids (bbls/d) | 60 | 57 | 47 | 60 | 56 |
| Natural gas (mcf/d) | 9,823 | 6,802 | 2,929 | 8,223 | 2,679 |
| Total (boe/d) | 2,372 | 1,903 | 1,222 | 2,204 | 1,116 |
| Net income (loss) | | | | | |
| | 20,907 | (757) | 224 | 23,032 | 4,490 |
| Per share – basic | 0.77 | (0.03) | 0.01 | 0.84 | 0.16 |
| Per share – diluted | 0.71 | (0.03) | 0.01 | 0.80 | 0.15 |
| Cash flow from operating activities | 175 | 957 | 1,444 | 6,249 | 4,538 |
| Funds flow from operations ⁽¹⁾ | 4,826 | 3,361 | 2,280 | 15,461 | 5,376 |
| Per basic share ⁽¹⁾ | 0.18 | 0.12 | 0.08 | 0.56 | 0.19 |
| Per basic diluted share ⁽¹⁾ | 0.16 | 0.12 | 0.08 | 0.54 | 0.18 |
| Adjusted working capital (net debt) ⁽¹⁾ | 44,937 | 17,094 | 13,887 | 44,937 | 13,887 |
| Activity | | | | | |
| Capital expenditures (\$000) ⁽¹⁾ | 15,238 | 5,967 | 7,882 | 21,888 | 12,113 |
| Exploration and evaluation | 246 | 880 | - | 1,162 | - |
| Drilling and development | 14,992 | 5,087 | 7,882 | 20,726 | 12,113 |
| Wells drilled – Gross/(Net) | 2 (1.6) | 2 (1.8) | 2 (1.75) | 4 (3.35) | 4 (3.50) |
| Wells completed – Gross/(Net) | 4 (3.35) | - | 2 (1.75) | 4 (3.35) | 2 (1.75) |

(1) Non-GAAP and other financial measure. Refer to “Non-GAAP and Other Financial Measures” included in the “Advisories” section in the MD&A.

Production

| | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|------------------------------|---------|---------|---------|----------|----------|
| Canada | | | | | |
| Heavy crude oil (bbls/d) | 675 | 711 | 687 | 774 | 613 |
| Natural gas liquids (bbls/d) | 47 | 51 | 47 | 50 | 56 |
| Natural gas (mcf/d) | 3,317 | 3,360 | 2,929 | 3,365 | 2,679 |
| Total Canada (boe/d) | 1,275 | 1,323 | 1,222 | 1,385 | 1,116 |
| Netherlands | | | | | |
| Natural gas liquids (bbls/d) | 13 | 6 | - | 10 | - |
| Natural gas (mcf/d) | 6,506 | 3,442 | - | 4,858 | - |
| Total Netherlands (boe/d) | 1,097 | 580 | - | 819 | - |
| Total Company | | | | | |
| Heavy crude oil (bbls/d) | 675 | 711 | 687 | 774 | 613 |
| Natural gas liquids (bbls/d) | 60 | 57 | 47 | 60 | 56 |
| Natural gas (mcf/d) | 9,823 | 6,802 | 2,929 | 8,223 | 2,679 |
| Total Company (boe/d) | 2,372 | 1,903 | 1,222 | 2,204 | 1,116 |

Canada

- Quarterly production of 1,275 boe/d was lower than Q2 2023 as a result of expected field declines, incremental downtime on wells that were shut-in for our drilling program, and downtime at a third-party gas plant. Partially offsetting the above was the impact of facility upgrades in Q2 2023 for both facilities in Canada which are now capable of handling increased throughput from the recently drilled wells.
- Production increased over Q3 2022 due to our ongoing development of the Leduc-Woodbend field, including our 2022 drilling program.

Year-to-date 2023 production volumes were higher than the prior year as a result of additional wells added from the 2022 drilling program, partially offset by higher downtime in Q2 2023 to upgrade and maintain facilities, and the aforementioned mentioned sources of downtime in Q3 2023.

Netherlands

- Q3 2023 production on the existing asset base (pre-acquisition of XTO) was higher than Q2 2023 with the resumption of production after completion of the annual spring maintenance campaign for the L10 production complex in Q2 2023. In addition to the higher volumes on the base assets, production increased overall due to the addition of the acquired XTO Netherlands volumes which were recorded for the first time in Q3 2023. These sources of increased production were partially offset by compressor and facility downtime in Q3 2023.
- Production-adding capital activity for the remainder of the year is expected to be limited, other than minor work to partially offset declines in existing fields through well interventions and facility works.

Net Income

Quarterly comparison

- Q3 2023 was higher than Q2 2023 based on the impacts of:
 - The gain on acquisition recorded in the current quarter.
 - Higher crude oil prices partially offset by lower production in Canada.
 - The absence of interest expense and lower overall tax expense.
 - The above factors are partially offset by higher G&A and transaction costs attributed to previously closed and ongoing acquisition-related activities.
- Q3 2023 was higher than Q3 2022 based on the impacts of:
 - The gain recorded on the XTO acquisition that occurred in Q3 2023, in addition to the incremental net income generated during the quarter from the acquired productive base, both of which resulted in increases in net income.
 - Incremental income earned through acquisition of equity in NGT (accounted for as an investment in associate).
 - Partially offsetting the increase was the impact of lower commodity prices for crude oil and natural gas in Canada, higher G&A associated with activity pertaining to business development and incremental transaction costs associated with acquisitions.

Year-to-date comparison

- The first nine months of 2023 was higher than 2022 based on the impacts of:
 - The gain recorded on the XTO acquisition that occurred in Q3 2023.
 - Increase in net income from the inclusion of the Dutch assets acquired in two separate transactions in late Q4 2022 and in early Q3 2023.
 - Partially offsetting the increase was the absence of prior period impairment reversals, which occurred in Q2 2022, and without which the year-earlier period net income would have been nil.
 - Further offset by lower commodity prices for crude oil and natural gas in Canada and higher operating costs due to the addition of the Netherlands assets.
 - Higher G&A and transaction costs arising from our corporate business development and recently completed acquisitions.

Benchmark Commodity Prices

| | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|--|----------------|---------|---------|----------------|----------|
| Average Benchmark Prices | | | | | |
| WTI crude oil (US\$/bbl) ⁽¹⁾ | 82.18 | 73.77 | 91.64 | 77.38 | 98.09 |
| WCS differential (US\$/bbl) ⁽²⁾ | (12.80) | (15.01) | (19.79) | (16.24) | (15.71) |
| US\$/CAD\$ exchange rate | 0.746 | 0.745 | 0.766 | 0.743 | 0.780 |
| WCS (CAD\$/bbl) | 93.12 | 78.93 | 93.72 | 82.26 | 105.58 |
| AECO daily spot (CAD\$/mcf) | 2.61 | 2.43 | 4.45 | 2.76 | 5.49 |
| TTF (CAD\$/mcf) ⁽³⁾ | 14.43 | 15.24 | 79.08 | 17.46 | 53.80 |
| Average Realized Prices⁽⁴⁾ | | | | | |
| Heavy crude oil (\$/bbl) | 91.77 | 77.66 | 99.73 | 82.77 | 107.14 |
| Natural gas liquids (\$/bbl) | 62.86 | 48.94 | 71.12 | 63.71 | 75.24 |
| Natural gas (\$/mcf) | 9.96 | 8.61 | 4.00 | 11.17 | 5.66 |
| Petroleum and natural gas sales (\$/boe) | 68.97 | 61.31 | 68.39 | 72.45 | 76.25 |

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

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

(3) TTF represents posting price of Title Transfer Facility ("TTF") natural gas in the Netherlands.

(4) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Tenaz currently sells its crude oil on a monthly index basis based on western Canadian benchmark prices and natural gas production based on AECO prices in Alberta and TTF prices in the Netherlands. 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 and WCS oil prices. The differential between WTI and WCS oil prices can be volatile 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, inventory levels in North America and scarcity of pipeline infrastructure or takeaway capacity connecting key consuming oil markets.

Quarterly comparison

- Q3 2023 commodity pricing was:
 - Higher than Q2 2023 for WCS with an 18% increase on a combination of better WTI benchmark pricing and tightening differentials.
 - Slightly higher than Q2 2023 for AECO with a 7% increase associated with storage levels decreasing from summer levels due to colder fall weather.
 - Slightly lower than Q2 2023 for TTF with a 7% decrease influenced by higher storage levels.
- Q3 2023 commodity pricing was:
 - Consistent with Q3 2022 for WCS in CAD terms, with a decrease of the WTI pricing being offset by the narrowing of the WCS differential. The WCS differential improvement was driven by many factors, including OPEC supply cuts impacting heavy crude oil supply and anticipation of expanded export capacity with the TMX pipeline scheduled to be brought online in 2024.
 - Lower than Q3 2022 for AECO, with a decrease of 41% driven by higher storage levels for natural gas in North America.
- Consolidated realized prices were higher by 12% and nil% when comparing to Q2 2023 and Q3 2022, respectively. Increased realized prices were mainly attributable to the narrowing of WCS differential, combined with the inclusion of higher priced European natural gas into the production mix from the Netherlands acquisitions.

Year-to-date comparison

- The first nine months of 2023 commodity pricing was:
 - Lower than 2022 for WCS in CAD terms with a decrease of 22% on macro-economic driven weakness in world oil markets.
 - Lower than 2022 for AECO with a decrease of 50% driven by abundant gas supply from the Western Canadian Sedimentary Basin.
 - Lower than 2022 for TTF with a decrease of 68% because of continued high storage levels caused by a warmer-than-normal winter and mandated gas conservation measures in Europe, creating less urgency for the refilling of storage. In addition, the first half of 2022 had significant supply uncertainty from the Russian invasion of Ukraine which led to a large price spike for European natural gas.
- Consolidated realized prices were 5% lower for the first nine months of 2023 as compared to the same period in 2022 due to the decrease in North American crude oil and natural gas prices, partially offset by the inclusion of our higher priced Netherlands production into our overall production mix.

Financial Review

| (\$000) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|---|--------------|--------------|--------------|---------------|--------------|
| Sales | | | | | |
| Heavy crude oil | 5,700 | 5,026 | 6,304 | 17,480 | 17,938 |
| Natural gas liquids | 345 | 256 | 307 | 1,044 | 1,160 |
| Natural gas | 9,006 | 5,332 | 1,079 | 25,067 | 4,137 |
| Petroleum and natural gas sales | 15,051 | 10,614 | 7,690 | 43,591 | 23,235 |
| Royalties | (1,004) | (831) | (1,712) | (3,157) | (4,392) |
| Transportation expenses | (803) | (634) | (197) | (2,155) | (657) |
| Operating expenses | (6,789) | (4,891) | (1,917) | (16,873) | (5,293) |
| Midstream income ⁽¹⁾⁽²⁾ | 1,146 | 901 | - | 2,964 | - |
| General and administrative expenses | (2,221) | (2,024) | (1,183) | (5,932) | (3,839) |
| Transaction costs | (841) | (377) | (295) | (1,270) | (1,752) |
| Exploration and evaluation expenses | - | 441 | - | - | - |
| Interest and financing, net of income | 614 | 62 | (103) | 72 | (99) |
| Realized foreign exchange gain (loss) | (3) | 10 | (3) | (1) | (3) |
| Realized gain (loss) on derivatives | 220 | (10) | - | 301 | (1,824) |
| Current income taxes | (544) | 100 | - | (2,079) | - |
| Funds flow from operations⁽¹⁾ | 4,826 | 3,361 | 2,280 | 15,461 | 5,376 |

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

(2) Tenaz includes the income from its associate, Noordgastransport BV, in midstream income. Midstream income is a non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Funds Flow from Operations

Quarterly comparison

- Q3 2023 was higher than Q2 2023 due to the impacts of:
 - Incremental operating income from Netherlands production.
 - Higher crude oil pricing that increased revenue (net of royalties) in Canada.
 - Partially offset by higher current income taxes.
- Q3 2023 was higher than Q3 2022 based on the impacts of:
 - Additional after-tax operating income from the acquisitions of Netherlands production in late 2022 and at the beginning of Q3 2023.
 - Higher production and lower operating expense in Canada.

- Partially offset by incremental G&A associated with business development activity and weaker crude oil and natural gas prices in Canada.

Year-to-date comparison

- The first nine months of 2023 was higher than 2022 based on the impacts of:
 - Newly acquired Netherlands assets contributing operating income during 2023.
 - Increased production in Canada resulting from additional wells drilled and put on production in the second half of 2022.
 - Partially offset by reduced commodity prices in Canada and incremental G&A associated with increased scope of operations and incremental business development activity.

Operating Netback Summary

| (\$/boe) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|--|---------|---------|---------|----------|----------|
| Canada | | | | | |
| Petroleum and natural gas sales | 58.87 | 51.21 | 68.39 | 56.22 | 76.25 |
| Royalties | (8.57) | (6.91) | (15.23) | (8.35) | (14.41) |
| Transportation expenses | (2.37) | (2.77) | (1.75) | (2.77) | (2.16) |
| Operating expenses | (18.02) | (19.24) | (17.04) | (18.56) | (17.37) |
| Canada operating netback ⁽¹⁾ | 29.91 | 22.29 | 34.37 | 26.54 | 42.31 |
| Netherlands | | | | | |
| Petroleum and natural gas sales | 80.70 | 84.34 | - | 99.88 | - |
| Transportation expenses | (5.20) | (5.70) | - | (4.95) | - |
| Operating expenses | (46.31) | (48.80) | - | (44.07) | - |
| Midstream income ⁽¹⁾ | 11.35 | 17.08 | - | 13.25 | - |
| Netherlands operating netback ⁽¹⁾ | 40.54 | 46.92 | - | 64.11 | - |
| Total Company | | | | | |
| Petroleum and natural gas sales | 68.97 | 61.31 | 68.39 | 72.45 | 76.25 |
| Royalties | (4.60) | (4.80) | (15.23) | (5.25) | (14.41) |
| Transportation expenses | (3.68) | (3.66) | (1.75) | (3.58) | (2.16) |
| Operating expenses | (31.11) | (28.25) | (17.04) | (28.04) | (17.37) |
| Midstream income ⁽¹⁾ | 5.25 | 5.21 | - | 4.92 | - |
| Total Company operating netback ⁽¹⁾ | 34.83 | 29.81 | 34.37 | 40.50 | 42.31 |

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Total Company operating netback was higher in Q3 2023 than that of Q2 2023:

- Higher commodity prices in Canada.
- Lower operating costs per boe in both Canada and Netherlands.
- Partially offset by higher transportation expenses in Netherlands and reduced income from the NGT equity interest.

Total Company operating netback was lower in the year-to-date period as compared to 2022 due to:

- Lower commodity prices in Canada partially offset by the resulting lower royalties.
- Higher operating and transportation costs per boe partially offset by the realized pricing enhancement associated with European natural gas exposure.

Petroleum and Natural Gas Sales

| (\$000 except per boe) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|--|---------|---------|---------|----------|----------|
| Petroleum and natural gas sales | | | | | |
| Canada | 6,904 | 6,164 | 7,690 | 21,256 | 23,235 |
| Netherlands | 8,147 | 4,450 | - | 22,335 | - |
| Total Company | 15,051 | 10,614 | 7,690 | 43,591 | 23,235 |
| Per boe | | | | | |
| Canada | 58.87 | 51.21 | 68.39 | 56.22 | 76.25 |
| Netherlands | 80.70 | 84.34 | - | 99.88 | - |
| Company | 68.97 | 61.31 | 68.39 | 72.45 | 76.25 |

Quarterly comparison

- Higher sales in Q3 2023 as compared to Q3 2022 reflected the additional contributions from both the acquisition closed in December 2022 and the recently closed acquisition in July 2023, both of which were for assets in the Dutch North Sea (“DNS”).
- Realized prices per boe increased in Q3 2023 as compared to Q2 2023 on stronger prices across both European gas and crude oil as well as a higher relative weighting to European gas following the recently completed acquisition of assets in the DNS.

Year-to-date comparison

- Higher sales year to date reflect the additional contributions from both the acquisition closed in December 2022 and the recently closed acquisition in July 2023 both of which were for assets in the DNS. These impacts were partially offset by lower commodity prices in Canada.
- Sales for Canada for the year-to-date 2023 period were lower than 2022 despite higher production due to a 22% decrease in WCS prices and 50% decrease in AECO prices.

Royalties

| (\$000 except per boe) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|---------------------------------|---------|---------|---------|----------|----------|
| Royalties | | | | | |
| Canada | 1,004 | 831 | 1,712 | 3,157 | 4,392 |
| Netherlands | - | - | - | - | - |
| Total Company | 1,004 | 831 | 1,712 | 3,157 | 4,392 |
| As a percentage of sales | | | | | |
| Canada | 14.5% | 13.5% | 22.3% | 14.9% | 18.9% |
| Netherlands | - | - | - | - | - |

Royalties are payable in Canada under standard terms depending on the underlying mineral rights. Royalties payable are influenced by a number of factors including capital spending and commodity prices realized. The royalties payable in Canada had the following impacts:

- Q3 2023 royalty expense was higher than Q2 2023 both on a per boe and percentage of sales basis for Canada.
- The increase in royalties resulted from higher royalties on wells which utilized their capital allowances. In periods where wells are initially brought on production, certain of our wells with Alberta Crown royalties have a reduced initial royalty rate to allow for recovery of the capital investment on those wells. Following

that initial period, the wells revert to a higher royalty rate which increases the percentage of revenue paid in overall royalties for Canadian production.

- Royalties for the three and nine month periods ending in September 2023 were lower than the comparable periods in 2022 which had higher average royalty rates on Crown lands where the royalty rates vary depending on the product reference price, well production rates and the vintage of wells coming off royalty holidays.

Netherlands royalties pertaining to YTD 2023 were nil. Royalty rates for offshore natural gas are typically nil in Netherlands. However, for the annual periods of 2023 and 2024, natural gas production is subject to a 65% royalty above a realized pricing threshold (approximately \$21 per mcf). The addition of the temporary royalty for calendar years 2023 and 2024 was in response to the European Union's initiative for member countries to levy a "Solidarity Contribution" or windfall tax on natural gas producers. The objective of the Solidarity Contribution was to partially subsidize the impact of higher domestic natural gas prices on consumers.

Transportation Expenses

| (\$000 except per boe) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|--------------------------------|---------|---------|---------|----------|----------|
| Transportation expenses | | | | | |
| Canada | 278 | 334 | 197 | 1,048 | 657 |
| Netherlands | 525 | 300 | - | 1,107 | - |
| Total Company | 803 | 634 | 197 | 2,155 | 657 |
| Per boe | | | | | |
| Canada | 2.37 | 2.77 | 1.75 | 2.77 | 2.16 |
| Netherlands | 5.20 | 5.70 | - | 4.95 | - |
| Company | 3.68 | 3.66 | 1.75 | 3.58 | 2.16 |

Quarterly comparison

- Transportation costs are incurred in both regions to get processed oil and gas to markets.
- Netherlands transportation is a function of pipeline tariffs in which we also have a benefiting interest through our ownership interest in NGT. Cashflows from the equity income at NGT typically more than offsets any transportation costs incurred in the Dutch assets.
- Canadian transportation costs are a function of the cost of trucking clean oil to sales points and offsets to get natural gas to market.

Year-to-date comparison

- Year-to-date 2023 has higher costs for transportation overall and per boe as compared to 2022 due to the additional volumes acquired in the Netherlands, which have higher costs to get to market, increasing the Company per boe average.
- In Canada, increases in transportation per boe are attributed to increased trucking rates for crude oil year-over-year.

Operating Expenses

| (\$000 except per boe) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|---------------------------|---------|---------|---------|----------|----------|
| Operating expenses | | | | | |
| Canada | 2,113 | 2,316 | 1,917 | 7,018 | 5,293 |
| Netherlands | 4,676 | 2,575 | - | 9,855 | - |
| Total Company | 6,789 | 4,891 | 1,917 | 16,873 | 5,293 |
| Per boe | | | | | |
| Canada | 18.02 | 19.24 | 17.04 | 18.56 | 17.37 |
| Netherlands | 46.31 | 48.80 | - | 44.07 | - |
| Company | 31.11 | 28.25 | 17.04 | 28.04 | 17.37 |

Quarterly comparison (Canada)

- Operating expense for Q3 2023 was \$2.1 million, a decrease of 9% and an increase of 10%, from \$2.3 million and \$1.9 million for Q2 2023 and Q3 2022, respectively.
- The reduction in Canadian Q3 2023 operating expense over Q2 2023 was mainly due to lower utility and chemical costs, as well as lower maintenance and well servicing activity in the current quarter. Q3 2023 operating expense was higher than the prior-year period because of higher overall field activity driven by higher production volume which resulted in additional variable operating costs, primarily electricity, gas processing, and chemicals.

Quarterly comparison per boe (Canada)

- Operating expense per boe for Q3 2023 was \$18.02 per boe, a decrease of 6% and increase of 6%, from \$19.24 per boe and \$17.04 per boe for Q2 2023 and Q3 2022, respectively.
- On a per unit basis, Q3 2023 expenses were lower when compared to Q2 2023 as lower production volumes and the associated higher allocation of fixed costs was offset by lower utility and chemical costs, as well as lower maintenance and well servicing activity.
- On a per unit basis Q3 2023 expenses were higher when compared to in Q3 2022 due to increased costs incurred on facilities maintenance in Q2 2023.

Quarterly comparison (Netherlands)

- Operating costs in Q3 2023 were higher in Q2 2023 due to additional charges for the spring maintenance campaign as well as additional operating costs incurred for the additional acquired interest in the DNS, which closed in early July 2023.

Quarterly comparison per boe (Netherlands)

- Operating expense on a per boe basis in Q3 2023 was lower than in the prior quarter, reflecting the increase in absolute costs mentioned above but partially offset by increased production due to the absence of downtime for maintenance which occurred in the prior quarter.

Year-to-date comparison (Canada)

- Operating expense for the first nine months of 2023, was \$7.0 million, an increase of 35% from \$5.2 million in 2022.

- The first nine months of 2023 operating expense was higher than the prior-year because of carbon tax, planned facility maintenance, and additional variable operating costs associated with higher production volumes, primarily electricity, gas processing, and consumables.

Year-to-date comparison per boe (Canada)

- Operating expense for the first nine months of 2023 was \$18.56 per boe which was 6% higher than the prior year.
- Per boe operating expenses were impacted by more significant turnaround costs at our facilities in Q2 2023, and higher consumable costs. Higher variable and turnaround costs were offset by lower well servicing and repair costs.

Other (Income) Expenses

| (\$000 except per boe) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|---------------------------------------|---------|---------|---------|----------|----------|
| Transaction costs | 841 | 377 | 295 | 1,270 | 1,752 |
| Income from associate ⁽¹⁾ | (1,146) | (901) | - | (2,964) | - |
| Interest and financing, net of income | (614) | (62) | 103 | (72) | 99 |

(1) Tenaz includes the income from its associate, NGT, in midstream income. Midstream income is a non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Transaction Costs

The costs in the most recent and preceding quarter relate to professional services including legal and tax advisory, as well as costs pertaining to technical and financial due diligence.

Income from Associate

Tenaz recognizes its share of the net income of its affiliate Noordgastransport BV ("NGT") in income for its proportionate share of the underlying results. NGT is a company that owns and operates one of the three main pipeline networks servicing the DNS for gathering and processing of natural gas. For Tenaz's interest in NGT, we recognized \$3.0 million of after-tax earnings for the nine months ended September 30, 2023. The primary revenue stream for NGT includes tariffs and throughput-based recoveries for its pipeline network from upstream producers of natural gas in its operating area. The combination of the upstream working interest and the equity interest in NGT results in economic benefits from the wellhead to onshore delivery to the European natural gas market for our share of production. The ultimate realization of earnings to cash is completed through dividend payments (annually in recent periods). Tenaz received the 2022 dividend declared from NGT in June 2023 and recorded the receipt as a change within investing activities in the statement of cash flows.

Interest and Financing Expenses, Net of Income

Current period interest reflects interest income from our positive cash position which bears interest at market interest rates. Q2 2023 interest charges were incurred for the cost of borrowing under our revolving credit facilities, which were drawn to facilitate the posting of decommissioning security for the DNS assets. The decommissioning security was reduced under the terms of the agreements on February 28, 2023, after which, Tenaz fully repaid its borrowings under the credit facilities.

General and Administrative Expenses ("G&A")

| (\$000) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|---|---------|---------|---------|----------|----------|
| Gross G&A | 2,538 | 2,283 | 1,385 | 6,823 | 4,453 |
| Capitalized G&A and overhead recoveries | (317) | (259) | (203) | (891) | (615) |
| Net G&A | 2,221 | 2,024 | 1,183 | 5,932 | 3,839 |

Quarterly comparison

- Q3 2023 was higher than Q2 2023 with the increase being attributable to the Netherlands business unit and ongoing business development activities, including higher spending on contract professional and legal services.
- Q3 2023 was also higher than Q3 2022 as a result of additional G&A for the Netherlands assets acquired in Q4 2022 and for the recently closed acquisition in July 2023. In addition to additional assets under management, we had continued increases in activity including engineering, legal and other professional services in support of our evaluation of ongoing business development opportunities.

Year-to-date comparison

- The first nine months of 2023 increased over the prior year in part due to increased costs for the expanding asset portfolio, including the number of legal entities, and additional services required for carrying on business in multiple jurisdictions.
- Continued focus on business development activities contributed to increases with higher spending on contract professional and legal services.

Realized Gain (Loss) on Derivative 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 reducing foreign currency risk.

The Company's realized gain (loss) on derivative instruments is detailed in the following table:

| (\$000) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|-------------------------------------|---------|---------|---------|----------|----------|
| Commodity contracts | (72) | (10) | - | 100 | (1,824) |
| Foreign currency swaps | 292 | - | - | 201 | - |
| Realized gain (loss) on derivatives | 220 | (10) | - | 301 | (1,824) |

A summary of the derivative instruments in place as at September 30, 2023 are shown in the "Unrealized Gain (Loss) on Derivative Instruments" section below.

Net Income (Loss) and Funds Flow from Operations

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

| (\$000) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|---|---------|---------|---------|----------|----------|
| Funds flow from operations ⁽¹⁾ | 4,826 | 3,361 | 2,280 | 15,461 | 5,376 |
| Unrealized foreign exchange gain | 536 | 36 | 329 | 619 | - |
| Unrealized gain (loss) on derivatives | (955) | (259) | (295) | (768) | 600 |
| Share-based compensation expense | (568) | (509) | (339) | (1,268) | (981) |
| Depletion, depreciation and amortization | (5,031) | (3,566) | (1,702) | (13,379) | (4,596) |
| Impairment reversal | - | - | - | - | 4,240 |
| Accretion of decommissioning liability | (1,755) | (1,104) | (49) | (3,991) | (149) |
| Deferred tax recovery | 1,073 | 1,284 | - | 3,577 | - |
| Gain on acquisition | 22,781 | - | - | 22,781 | - |
| Net income (loss) | 20,907 | (757) | 224 | 23,032 | 4,490 |

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Share-based Compensation

| (\$000) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|--------------------------------------|---------|---------|---------|----------|----------|
| Share-based compensation: | | | | | |
| Stock Option Plan | 178 | 167 | 341 | 503 | 1,022 |
| Tenaz Incentive Plan | 468 | 365 | 16 | 882 | 16 |
| Total share-based compensation | 646 | 532 | 357 | 1,385 | 1,038 |
| Capitalized share-based compensation | (78) | (23) | (18) | (117) | (57) |
| Share-based compensation expense | 568 | 509 | 339 | 1,268 | 981 |

The Company has in place a shareholder approved Tenaz Incentive Plan (the “TIP”) pursuant to which the Company is able to issue share-based long-term incentives to directors, officers, employees and independent contractors of the Company and/or its affiliates. The types of awards available under the TIP include options, restricted share units (“RSUs”), performance share units (“PSUs”), deferred share units (“DSUs”) and dividend-equivalent rights (collectively, “Awards”).

Share-based compensation expense increased for Q3 2023 as a result of a new grant of TIP Awards. In Q2 2023, the Company issued 830,000 PSUs to officers and employees of the Company, 42,500 DSUs to Directors of the Company and 65,000 RSUs to Directors and employees of the Company with a grant date fair value of \$2.10 per award using a 5-day volume weighted average price. The PSUs and RSUs vest over a period of one to three years and DSUs vest immediately upon granting.

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

DD&A for Q3 2023 and YTD 2023 increased as compared to both comparable periods in 2022 due to incremental depletion from the Netherlands assets acquired in December 2022. Per boe DD&A is also higher as the DD&A per boe for the acquired Dutch assets is higher than that attributed to the Canadian assets which previously were the sole assets in our portfolio.

Impairment Reversal

In Q2 2022, the significant increases in forecast benchmark commodity prices were identified as indicators of impairment reversal. The ensuing impairment reversal test resulted in the Company recognizing an impairment reversal of \$4.2 million, net of depletion, for Tenaz’s Leduc-Woodbend cash-generating unit. After the impairment reversal in Q2 2022, no cash-generating units had any prior impairments that could be reversed in future periods.

Gain on Acquisition

On July 3, 2023, Tenaz closed the acquisition of XTO Netherlands Ltd., increasing our position in the DNS by nearly doubling our working interest in the primary producing fields in which we participate today. The XTO acquisition also increased our ownership in the NGT midstream assets to 21.4%, making Tenaz the second-largest shareholder in NGT.

The preliminary purchase price allocation under IFRS resulted in an estimated gain on acquisition of \$22.8 million which was included in net income as the consideration was less than the value of the identifiable net assets acquired. The gain is primarily due to the fair value of the decommissioning liabilities recognized by Tenaz as compared to the remaining cash in the acquired entity. Tenaz is continuing to obtain and verify information required to determine the fair value of certain assets and liabilities and the amount of deferred taxes arising on their recognition, including property plant and equipment, exploration and evaluation assets as well as taxes. The recognition of the final amounts will be subject to completing the final purchase allocation and other adjustments to assumptions made in determining the fair values of net assets acquired.

Accretion of Decommissioning Liability

Accretion expense represents the increase in the decommissioning liability resulting from the passage of time. The increase in accretion for Q3 2023 as compared to Q3 2022 is mainly due to additional accretion from the Netherlands decommissioning liability acquired on December 20, 2022 and July 3, 2023.

The increase in accretion for YTD 2023 as compared to YTD 2022 is mainly due to additional accretion from the Netherlands decommissioning liability acquired on December 20, 2022 and July 3, 2023.

Unrealized Gain (Loss) on Derivative Instruments

The Company's unrealized gain (loss) on derivative instruments is detailed in the following table:

| (\$000) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|---------------------------------------|---------|---------|---------|----------|----------|
| Commodity contracts | 177 | (90) | - | 105 | 600 |
| Foreign currency swaps | (1,132) | (169) | (295) | (873) | - |
| Unrealized gain (loss) on derivatives | (955) | (259) | (295) | (768) | 600 |

Tenaz executed fixed price commodity contracts in Q4 2022 in order to reduce the volatility of crude oil and natural gas sales, entered into a foreign currency swap in Q4 2022 to mitigate the exchange rate risk on euro-denominated restricted cash, which was settled in Q2 2023, and entered into foreign currency swaps in Q3 2023 to repatriate cash to Canadian dollars for higher deposit yields. The foreign currency swap allows Tenaz to exchange the Canadian dollars back to the original Euro amount in support of potential future requirements for its acquisition strategy.

The unrealized derivative gain in Q2 2023 pertains to the maturity of the foreign currency swap settled in the quarter, maturity of commodity contracts in the quarter, and the differences in the forward price compared to the contract price of outstanding commodity contracts.

The following is a summary of the derivative instruments in place as at September 30, 2023:

Crude Oil and Natural Gas Contracts

| Period | Commodity | Type of Contract | Quantity | Pricing Point | Contract Price | Fair Value at September 30 2023 (\$000) |
|--|-------------|------------------|------------|---------------|----------------------|---|
| WCS vs WTI Basis Swap Contracts | | | | | | |
| Oct 1/23—Dec 31/23 | Crude Oil | Swap | 200 bbls/d | WCS | WTI less USD \$16.50 | 43 |
| Natural Gas Swap Contracts | | | | | | |
| Oct 1/23—Oct 31/23 | Natural Gas | Swap | 500 GJ/d | AECO 5A | CAD \$2.85 | 14 |
| Derivative instrument asset | | | | | | 57 |

In addition to financial hedges Tenaz enters into physical commodity sales arrangements from time-to-time. Tenaz had contracted a fixed price of \$3.85/GJ for the summer 2023 period (April 1, 2023 to October 31, 2023) for physical delivery of 1,000 GJ/d of natural gas in Alberta. Following the end of the quarter Tenaz executed fixed price arrangements for 2.5 mmcf/d of European Gas production for Q1 2024 with a physical swap at €55.75/MWh (\$24.12 /Mcf).

Foreign Currency Swaps

| Period | Type of Contract | Notional Amount | Notional Amount | Average Rate | Fair Value at September 30 2023 (\$000) |
|--|------------------|------------------|------------------|--------------|---|
| Foreign Currency Swaps | | | | | |
| October 2023 | Swap | EUR 33,000,000 | CAD 48,510,000 | 1.4700 | (1,272) |
| October 2023 | Swap | EUR (34,000,000) | CAD (48,453,400) | 1.4251 | (357) |
| November 2023 | Swap | EUR 34,000,000 | CAD 48,518,000 | 1.4270 | 328 |
| Derivative instrument liability | | | | | (1,301) |

Income Taxes

The Company's income taxes are detailed below:

| (\$000) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|-------------------------------------|---------|---------|---------|----------|----------|
| Income Taxes | | | | | |
| Current | 544 | (100) | - | 2,079 | - |
| Deferred | (1,073) | (1,284) | - | (3,577) | - |
| Total income tax expense (recovery) | (529) | (1,384) | - | (1,498) | - |
| Current Income Taxes | | | | | |
| Canada | - | - | - | - | - |
| Netherlands | 544 | (100) | - | 2,079 | - |
| Total Company | 544 | (100) | - | 2,079 | - |

Current Taxes

For the nine months ended September 30, 2023, Tenaz recorded current income tax expense of \$2.1 million related to our Netherlands upstream assets. In the Netherlands, a 50% effective income tax rate is applied to taxable profit from upstream oil and gas activity. In calculating taxable profit, an additional 10% uplift deduction is applied to decrease taxable profit from certain deductions, including operating, general and administrative, depletion and decommissioning costs.

The Q3 2023 current tax expense was influenced by the absence of the turnaround activity that occurred in Q2 2023 in the Netherlands, which elevated the anticipated full-year cash taxes.

Deferred Taxes

Tenaz recognized a deferred tax recovery for the three and nine month period ending September 30, 2023 primarily associated with reduced accounting differences in Netherlands arising from the current quarter DD&A and accretion expense.

Capital Expenditures

| (\$000) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|-------------------------------------|---------|---------|---------|----------|----------|
| By classification | | | | | |
| Exploration and evaluation | 246 | 880 | - | 1,162 | - |
| Drilling and development | 14,992 | 5,087 | 7,882 | 20,726 | 12,113 |
| Capital expenditures ⁽¹⁾ | 15,238 | 5,967 | 7,882 | 21,888 | 12,113 |
| By country | | | | | |
| Canada | 13,195 | 4,249 | 7,882 | 18,021 | 12,113 |
| Netherlands | 2,043 | 1,718 | - | 3,867 | - |
| Capital expenditures ⁽¹⁾ | 15,238 | 5,967 | 7,882 | 21,888 | 12,113 |
| By category | | | | | |
| Geological and geophysical | 20 | 24 | 7 | 59 | 39 |
| Land | 11 | 90 | 81 | 113 | 283 |
| Drilling and completions | 12,481 | 3,096 | 7,086 | 15,581 | 10,498 |
| Workovers and recompletions | 1,772 | 169 | 4 | 1,943 | 41 |
| Equipping and tie-in | 592 | 318 | 510 | 1,026 | 831 |
| Facilities and pipelines | 230 | 1,305 | 277 | 1,904 | 444 |
| Carbon capture and storage project | 193 | 916 | - | 1,109 | - |
| Other | (61) | 49 | (83) | 153 | (23) |
| Capital expenditures ⁽¹⁾ | 15,238 | 5,967 | 7,882 | 21,888 | 12,113 |

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Capital activity for the third quarter included the drilling of two wells (1.6 net) wells and completion, equipping and tie-in of four wells (3.4 net) at Leduc-Woodbend and capitalized costs in the Netherlands associated with well

workovers (including installation of downhole sand screens), sub-surface safety valve replacement and testing, seismic reprocessing, and facility enhancement and debottlenecking.

Decommissioning Liability

At September 30, 2023, Tenaz's decommissioning liability was \$56.1 million (December 31, 2022 - \$30.4 million) for the future abandonment and reclamation of Tenaz's properties. The estimated decommissioning liability includes cost assumptions for costs to abandon wells or reclaim property and the time frame in which such costs will be incurred, as well as annual inflation factors used to calculate the undiscounted total future liability. The increase in the decommissioning liability resulted from decommissioning liability acquired in the XTO acquisition, the recognized accretion expense and change on discount rates offset by changes in abandonment timing and costs, settlements and a strengthening of the Canadian dollar versus the Euro which decreased the reported amount on the balance sheet. The amount recognized in the quarter for the acquisition was \$25.3 million (€17.5 million) based on the assumptions applied to similar obligations and reflective of the expected timing of the activities included within the estimate.

The calculation of decommissioning liability applied the following rates:

| Country | September 30 2023 | | December 31 2022 | |
|-------------|----------------------|-----------------------------------|---------------------|-----------------------------------|
| | Inflation | Credit-adjusted risk-free rate | Inflation | Credit-adjusted risk-free rate |
| Canada | 1.8% | 13.2% | 1.4% | 15.1% |
| Netherlands | 2.5% | 12.2% | 2.9% | 14.7% |

Abandonment cost estimates are derived from both industry and government sources and operational knowledge of the properties.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time.

During Q3 2023, Tenaz incurred \$2.3 million on decommissioning activities, primarily in Netherlands for the abandonment of wells in depleted fields. Year to date spending was \$2.9 million, which included the minimum required spending in Alberta (\$0.3 million), which targeted downhole abandonment activities. The remaining spending in 2023 was attributable to offshore activities in Netherlands.

CAPITAL RESOURCES AND LIQUIDITY

Adjusted working capital (net debt) as at September 30, 2023 and December 31, 2022 is summarized as follows:

| (\$000) | September 30 2023 | December 31 2022 |
|--|----------------------|---------------------|
| Current assets | 92,953 | 72,317 |
| Current liabilities | (49,260) | (58,749) |
| Net current assets | 43,693 | 13,568 |
| Exclude fair value of derivative instruments | 1,244 | 476 |
| Adjusted working capital (net debt) ⁽¹⁾ | 44,937 | 14,044 |

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

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 adjusted working capital of \$46.1 million as at September 30, 2023 increased from \$14.0 million as at December 31, 2022. The improved working capital position resulted mainly from acquired working capital from the acquisition completed in Q3 2023. Restricted cash is included within current assets on the consolidated balance sheet.

Restricted Cash

At September 30, 2023, Tenaz held restricted cash of \$31.7 million (€22.2 million) deposited with the operator as decommissioning security for Tenaz's interest in Netherlands assets, pursuant to decommissioning security agreements ("DSA") in place for the offshore Dutch North Sea licenses (December 31, 2022 - \$59.1 million (€40.9 million) restricted cash).

Under the DSAs, decommissioning security is calculated annually and posted by parties to licenses where the future costs of decommissioning are higher than the estimated future cash flows from producing assets. On February 28, 2023, the security required pursuant to the DSAs decreased from €40.9 million to €11.8 million. As part of the XTO acquisition, Tenaz acquired a further \$15.1 million (€10.4 million) on July 3, 2023.

Credit Facilities

Bank debt is comprised of the following:

| As at (\$000) | September 30 2023 | December 31 2022 |
|--------------------------|----------------------|---------------------|
| Credit Facilities | | |
| Operating Loan | - | 6,483 |
| Commercial Term Loan | - | 8,750 |
| EDC Term Loan | - | 6,250 |
| Total bank debt | - | 21,483 |

At September 30, 2023, Tenaz's credit facilities (the "Credit Facilities") with ATB Financial (the "Lender") consists of a revolving operating demand loan (the "Operating Loan") in the principal amount of up to \$10.15 million (December 31, 2022 - \$10.15 million) accruing interest at a rate of prime + 3.5% per annum and subject to redetermination at least annually with the next redetermination date expected to be held on or before December 31, 2023.

On March 10, 2023, the following loans were repaid in full:

- a non-revolving facility in the principal amount of up to \$8.75 million accruing interest at a rate of prime + 5.5% per annum until February 28, 2023 and prime + 7.5% per annum thereafter, repayable on or before April 30, 2023 (the "Commercial Term Loan"); and
- a non-revolving facility under Export Development Canada's Program in the principal amount of up to \$6.25 million accruing interest at a rate of prime + 5.5% per annum until February 28, 2023 and prime + 7.5% per annum thereafter, repayable on or before April 30, 2023 (the "EDC Term Loan").

The Operating Loan is revolving, payable on demand and contains customary material adverse change clauses. The borrowing base of the Operating Loan is based on the Lenders' interpretation of Tenaz's estimated proved and probable crude oil and natural gas reserves and forecasted commodity prices. As a result, there can be no assurance as to the amount of available limit that will be determined at each scheduled review. The Operating Loan can be drawn in whole multiples of a minimum of \$0.01 million, and letters of credit and/or letters of guarantee can be issued not exceeding an aggregate of \$0.75 million.

Fees for Letters of Credit issued under the Operating Loan are 3.5% and standby fees on the unused portion of the authorized amount of the Operating Loan are 0.875%.

The Credit Facilities are secured by a general security agreement providing a security interest over all present and after acquired property, a floating charge on all lands, and a \$30.0 million debenture with a first floating charge over all assets of the Company.

Tenaz is subject to certain reporting and financial covenants including:

- the Company is required to maintain a working capital ratio of at least 1.00:1, but for the purposes of the covenant, the Credit Facilities drawn and the fair value of any risk management contracts are excluded and the unused portion of the Credit Facilities is added to current assets; and

- the Company will maintain a liability management rating (“LMR”) in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0.

At September 30, 2023, the Company was in compliance with all debt covenants. The working capital ratio as defined was 2.15:1 and the Company was compliant with the LMR covenant (8.20 at October 7, 2023).

Liquidity Risk

Liquidity risk is the risk that Tenaz will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through its capital management and an actively managed operating and capital expenditure budgeting process.

Accounts payable and accrued liabilities are due in less than one year and amounts outstanding on the Credit Facilities, if any, are due on demand. At September 30, 2023, Tenaz had a current tax liability of \$27.4 million related to the Netherlands operation, which is net of instalments paid to the Dutch Tax Authority. The current tax liability consists of \$1.0 million related to corporate income tax (“CIT”) and state profit share (“SPS”) along with \$26.4 million owing as part of the temporary solidarity contribution imposed by the European Union. The Solidarity contribution is a tax on excess profits of energy companies due to the high price environment in 2022 and not payable until May 2024.

The decommissioning security, currently held in restricted cash, can be provided in various acceptable forms, such as letters of credit and decommissioning surety bonds. The calculation of required security is determined through agreed-upon calculations within the DSAs. As decommissioning activities progress, the necessary security amounts required by license holders are reduced.

As at September 30, 2023, the Company was holding \$50.8 million in cash and cash equivalents, \$31.7 million (€22.2 million) in restricted cash and had \$10 million available on undrawn Credit Facilities.

Management believes that the funds available from its credit and working capital facilities are adequate to settle the Company’s financial liabilities and obligations as they come due.

Shareholders’ Equity

Tenaz had the following outstanding instruments as at September 30, 2023 and December 2022:

| | September 30 2023 | December 31 2022 |
|---------------|----------------------|---------------------|
| Common Shares | 27,144,974 | 28,093,174 |
| Warrants | 2,778,000 | 2,778,000 |
| Options | 1,525,000 | 1,530,500 |
| TIP Awards | | |
| PSUs | 1,008,000 | 179,500 |
| RSUs | 65,000 | - |
| DSUs | 42,500 | - |

A summary of the Company's change in Common Shares during the period is presented below:

| | Number of Common Shares |
|------------------------------------|----------------------------|
| Balance, December 31, 2022 | 28,093,174 |
| Normal course issuer bid | (948,200) |
| Balance, September 30, 2023 | 27,144,974 |

Share Repurchases

On August 5, 2022, the Toronto Stock Exchange approved the Company to commence an initial NCIB. The NCIB allowed Tenaz to purchase up to 2,619,970 Common Shares (approximately 9.2% of the outstanding Common Shares) over a twelve-month period beginning August 12, 2022 with a daily maximum purchase of 6,108 Common Shares. During this period, Tenaz repurchased 1,242,400 Common Shares.

On August 21, 2023, the Toronto Stock Exchange approved the Company to commence a normal course issuer bid ("NCIB"). The NCIB allows Tenaz to purchase up to 2,473,464 Common Shares (approximately 9.1% of the outstanding Common Shares) over a twelve-month period beginning August 23, 2023 with a daily maximum purchase of 18,926 Common Shares.

The Company has contracted an automatic share purchase plan ("ASPP") with National Bank Financial which allows for continued and consistent purchases of Common Shares at pre-determined levels. The ASPP allows for the purchase of Common Shares at times when Tenaz would not be active in the market due to applicable regulatory restrictions or internal trading black-out periods.

During the nine months ended September 30, 2023, Tenaz purchased 948,200 Common Shares under the NCIB for a total consideration of \$2.4 million. The Common Shares purchased under the NCIB were cancelled following settlement of the transactions.

| (\$000, except as noted) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|------------------------------------|------------------|-----------|-----------|------------------|-----------|
| Share repurchase activities | | | | | |
| Common Shares repurchased | (232,600) | (355,500) | (142,700) | (948,200) | (142,700) |
| Amounts charged to: | | | | | |
| Share capital | (529) | (808) | (324) | (2,162) | (324) |
| Retained earnings | (287) | 14 | 69 | (264) | 69 |
| Share repurchase cost | (816) | (794) | (255) | (2,426) | (255) |
| Average cost per share (\$) | 3.51 | 2.23 | 1.79 | 2.56 | 1.79 |

Tenaz Incentive Plan Awards

In Q2 2023, the Board of Directors authorized a new grant of awards under the Tenaz Incentive Plan. The awards were granted as a combination of performance share units, deferred share units and restricted share units. The PSUs and the RSUs vest over a period of one to three years with the DSUs vesting immediately. The deferred share units are only redeemable by directors following the retirement of the individual from the Board of Tenaz.

As of the date of this MD&A, the following instruments were outstanding:

| | November 13 2023 |
|---------------|---------------------|
| Common Shares | 26,966,774 |
| Warrants | 2,778,000 |
| Options | 1,525,000 |
| TIP Awards | |
| PSUs | 1,008,500 |
| RSUs | 65,000 |
| DSUs | 42,500 |

SUMMARY OF QUARTERLY RESULTS

| Quarters Ended | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| (\$000, except per share and per boe amounts) | 2023 | 2023 | 2023 | 2022 | 2022 | 2022 | 2022 | 2021 |
| Financial | | | | | | | | |
| Petroleum and natural gas sales ⁽⁵⁾ | 15,051 | 10,614 | 17,926 | 10,852 | 7,690 | 9,344 | 6,201 | 5,453 |
| Cash flow from operating activities | 175 | 957 | 5,117 | 4,809 | 1,444 | 1,936 | 1,158 | 373 |
| Funds flow from operations ⁽¹⁾⁽⁷⁾ | 4,826 | 3,361 | 7,274 | 3,236 | 2,280 | 2,104 | 992 | 216 |
| Per share - basic ⁽¹⁾⁽³⁾ | 0.18 | 0.12 | 0.26 | 0.11 | 0.08 | 0.07 | 0.03 | 0.01 |
| Per share - diluted ⁽¹⁾⁽³⁾ | 0.16 | 0.12 | 0.25 | 0.11 | 0.08 | 0.07 | 0.03 | 0.01 |
| Net income (loss) ⁽⁶⁾ | 20,907 | (757) | 2,882 | 747 | 224 | 769 | 3,497 | (258) |
| Per share - basic ⁽³⁾ | 0.77 | (0.03) | 0.10 | 0.03 | 0.01 | 0.03 | 0.12 | (0.01) |
| Per share - diluted ⁽²⁾⁽³⁾ | 0.71 | (0.03) | 0.10 | 0.03 | 0.01 | 0.03 | 0.12 | (0.01) |
| Capital expenditures ⁽¹⁾⁽⁸⁾ | 15,238 | 5,967 | 683 | 4,988 | 7,882 | 3,512 | 719 | 5,840 |
| Adjusted working capital (net debt) ⁽¹⁾ | 44,937 | 17,094 | 18,763 | 14,044 | 13,887 | 19,431 | 20,995 | 20,688 |
| Common shares outstanding (000) | | | | | | | | |
| End of period - basic ⁽³⁾ | 27,145 | 27,378 | 27,733 | 28,093 | 28,405 | 28,548 | 28,458 | 28,438 |
| Weighted average for period - basic ⁽³⁾ | 27,292 | 27,555 | 27,917 | 28,242 | 28,520 | 28,481 | 28,457 | 26,069 |
| Weighted average for period - diluted ⁽²⁾⁽³⁾ | 29,555 | 28,308 | 28,545 | 28,244 | 28,690 | 29,241 | 29,361 | 27,450 |
| Operating | | | | | | | | |
| <u>Average daily production</u> | | | | | | | | |
| Heavy crude oil (bbls/d) | 675 | 711 | 937 | 827 | 687 | 636 | 515 | 502 |
| Natural gas liquids (bbls/d) | 60 | 57 | 63 | 53 | 47 | 61 | 62 | 78 |
| Natural gas (mcf/d) | 9,823 | 6,802 | 8,022 | 3,843 | 2,929 | 2,524 | 2,579 | 2,895 |
| Total (boe/d) ⁽⁴⁾⁽⁵⁾ | 2,372 | 1,903 | 2,337 | 1,520 | 1,222 | 1,117 | 1,007 | 1,063 |
| <u>(\$/boe)⁽⁴⁾</u> | | | | | | | | |
| Petroleum and natural gas sales ⁽⁵⁾ | 68.97 | 61.31 | 85.23 | 77.59 | 68.39 | 91.90 | 68.44 | 55.78 |
| Royalties | (4.60) | (4.80) | (6.28) | (11.12) | (15.23) | (17.11) | (10.38) | (7.10) |
| Transportation expenses | (3.68) | (3.66) | (3.41) | (2.60) | (1.75) | (3.12) | (1.57) | (1.81) |
| Operating expenses | (31.11) | (28.25) | (24.69) | (21.56) | (17.04) | (14.47) | (21.02) | (12.20) |
| Midstream income ⁽¹⁾ | 5.25 | 5.21 | 4.36 | - | - | - | - | - |
| Operating netback ⁽¹⁾ | 34.83 | 29.81 | 55.21 | 42.31 | 34.37 | 57.20 | 35.47 | 34.67 |

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

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

(3) On December 23, 2021, the Company completed a 10 to 1 common share consolidation. All per share and common share values have been presented on a post-consolidation basis.

(4) The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 mcf) of natural gas to one barrel (1 bbl) of crude oil. Refer to "Barrels of Oil Equivalent" section included in the "Advisories" section of the MD&A.

(5) Over the past eight quarters, Tenaz's petroleum and natural gas sales fluctuated due to changes in production (including the timing of acquisitions and dispositions), volatility in benchmark commodity prices and realized pricing. Tenaz's production has fluctuated due to changes in capital expenditures, the Netherlands acquisitions in December 2022 and July 2023, dispositions, voluntary shut-ins and subsequent reactivations and natural declines.

(6) Net income (loss) has fluctuated over the past eight quarters mainly due to the gain on the Netherlands acquisition in July 2023, changes in impairment and impairment reversals, changes in operating netback, derivative instrument gains and losses (which fluctuate with changes in future market prices), gains on dispositions, transaction costs incurred, share-based compensation, general and administrative expenses and income taxes recognized.

(7) Funds flow from operations has fluctuated over the past eight quarters, primarily due to fluctuations in operating netback, general and administrative expenses, transaction costs incurred, realized derivative instrument gains and losses, and current income taxes recognized.

(8) Capital expenditures have also fluctuated throughout the above periods due to changes in the Company's capital spending levels which vary based on several factors, including the prevailing commodity price environment, capital resources, availability of alternative investment opportunities and the timing of dispositions.

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.

The Company operates in a regulatory and commercial environment that exposes it to regulatory, contractual and litigation risks. As a result, the Company is involved in certain disputes and legal proceedings, including litigation, arbitration and regulatory investigations. Such cases are subject to many uncertainties, and the outcomes are often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. The Company makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reliably estimated. The probability of a material outflow due to any known legal action is considered by management to be remote.

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.

ACCOUNTING STANDARDS, CHANGE IN ACCOUNTING POLICIES AND PRONOUNCEMENTS

Tenaz's interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with IFRS Accounting Standards as issued by the IASB. These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022.

New Accounting Policies

Amendments to IAS 12 Income Taxes

In May 2021, the IASB issued amendments to IAS 12 *Income Taxes*, which require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Tenaz adopted the amendments on January 1, 2023. The adoption of the amendments did not have a material impact on the financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect reported assets, liabilities, revenues and expenses, gains and losses, and disclosures of any possible contingencies. These estimates and assumptions are developed based on the best available information which management believed to be reasonable at the time such estimates and assumptions were made. As such, these assumptions are uncertain at the time estimates are made and could change, resulting in a material impact on Tenaz's consolidated financial statements. Estimates are reviewed by management on an ongoing basis and as a result may change from period to period due to the availability of new information or changes in circumstances. Additionally, because of the unique circumstances of each jurisdiction that Tenaz operates in, the critical accounting estimates may affect one or more jurisdictions. There have been no material changes to our critical accounting estimates used in applying accounting policies for the three and nine months ended September 30, 2023. Further information, including a discussion of critical accounting estimates, can be found in the notes to the audited consolidated financial statements and annual MD&A for the year ended December 31, 2022, available on SEDAR+ at www.sedarplus.ca or on Tenaz's website at www.tenazenergy.com.

RISK FACTORS, RISK MANAGEMENT AND UNCERTAINTIES

Tenaz is exposed to various market and operational risks. For a discussion of these risks, please see “Forward-Looking Information” in this MD&A and Tenaz’s MD&A and Annual Information Form, each for the year ended December 31, 2022 available on SEDAR+ at www.sedarplus.ca or on Tenaz’s website at www.tenazenergy.com.

CONTROL ENVIRONMENT

Internal Control Update

Tenaz is required to comply with National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (“NI 52-109”). The certification of interim filings for the interim period ended September 30, 2023 requires that Tenaz disclose in the interim MD&A any changes in Tenaz’s internal control over financial reporting (“ICFR”) that occurred during the period that have materially affected, or are reasonably likely to materially affect, Tenaz’s ICFR. Tenaz confirms that no such changes were made to its ICFR during the three and nine months ended September 30, 2023.

Tenaz has limited the scope of disclosure controls and procedures (“DC&P”) and ICFR to exclude controls, policies and procedures of the entities acquired through the Netherlands acquisitions on December 20, 2022 and July 3, 2023, respectively. The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109 which allows an issuer to limit the design of DC&P and ICFR to exclude controls, policies, and procedures of a business that the issuer acquired not more than 365 days before the end of the fiscal period.

Netherlands Acquisition – December 20, 2022

The table below presents the summary financial information of the Netherlands acquisition on December 20, 2022 included in Tenaz’s financial statements as at and for the three and nine months ended September 30, 2023:

| As at | September 30 | |
|----------------------------------|---------------------|-----------------|
| (\$000) | 2023 | |
| Total assets | 89,613 | |
| Total liabilities | (89,031) | |
| <hr/> | | |
| (\$000) | Q3 2023 | YTD 2023 |
| Petroleum and natural gas sales | 5,117 | 19,305 |
| Transportation expense | (309) | (891) |
| Operating expense | (2,737) | (7,916) |
| Midstream income ⁽¹⁾ | 468 | 2,286 |
| Operating netback ⁽¹⁾ | 2,539 | 12,784 |
| Net income | 521 | 3,624 |

(1) Non-GAAP and other financial measure. Refer to “Non-GAAP and Other Financial Measures” included in the “Advisories” section in the MD&A.

Netherlands Acquisition – July 3, 2023

The table below presents the summary financial information of the Netherlands acquisition on July 3, 2023 (XTO acquisition) included in Tenaz's financial statements as at and for the three and nine months ended September 30, 2023:

| As at (\$000) | September 30 2023 | |
|----------------------------------|----------------------|----------|
| Total assets | 83,435 | |
| Total liabilities | (60,854) | |
| <hr/> | | |
| (\$000) | Q3 2023 | YTD 2023 |
| Petroleum and natural gas sales | 3,030 | 3,030 |
| Transportation expense | (216) | (216) |
| Operating expense | (1,939) | (1,939) |
| Midstream income ⁽¹⁾ | 678 | 678 |
| Operating netback ⁽¹⁾ | 1,553 | 1,553 |
| Net income | 26 | 26 |

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

ADVISORIES

Non-GAAP and Other Financial Measures

This MD&A and quarterly report contains the terms funds flow from operations and capital expenditures which are considered "non-GAAP financial measures" and operating netback which is considered a "non-GAAP financial ratio". These terms do not have a standardized meaning prescribed by GAAP. In addition, this MD&A contains the measure adjusted working capital (net debt), which is considered a "capital management measure". Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to net income (loss) determined in accordance with GAAP and these measures should not be considered to be more meaningful than GAAP measures in evaluating the Company's performance.

Non-GAAP Financial Measures

Funds flow from operations ("FFO")

Tenaz considers funds flow from operations to be a key measure of performance as it demonstrates the Company's ability to generate the necessary funds for sustaining capital, future growth through capital investment, and settling liabilities. Funds flow from operations is calculated as cash flow from operating activities plus income from associate and before changes in non-cash operating working capital and decommissioning liabilities settled. Funds flow from operations is not intended to represent cash flows from operating activities calculated in accordance with IFRS. A summary of the reconciliation of cash flow from operating activities to funds flow from operations, is set forth below:

| (\$000) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|--|---------|---------|---------|----------|----------|
| Cash flow from operating activities | 175 | 957 | 1,444 | 6,249 | 4,538 |
| Change in non-cash operating working capital | 1,186 | 1,294 | 836 | 3,387 | 838 |
| Decommissioning liabilities settled | 2,319 | 209 | - | 2,861 | - |
| Income from associate | 1,146 | 901 | - | 2,964 | - |
| Funds flow from operations | 4,826 | 3,361 | 2,280 | 15,461 | 5,376 |

Capital Expenditures

Tenaz considers capital expenditures to be a useful measure of the Company's investment in its existing asset base calculated as the sum of drilling and development costs and exploration and evaluation costs. Exploration and evaluation asset additions (being exploration and evaluation costs) and property, plant and equipment additions (being drilling and development costs) from the consolidated statements of cash flows that is most directly comparable to cash flows used in investing activities. The reconciliation to primary financial statement measures is set forth below:

| (\$000) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|-------------------------------|---------|---------|---------|----------|----------|
| Exploration and evaluation | 246 | 880 | - | 1,162 | - |
| Property, plant and equipment | 14,992 | 5,087 | 7,882 | 20,726 | 12,113 |
| Capital expenditures | 15,238 | 5,967 | 7,882 | 21,888 | 12,113 |

Free Cash Flow ("FCF")

Tenaz considers free cash flow to be a key measure of performance as it demonstrates the Company's excess funds generated after capital expenditures for potential shareholder returns, acquisitions, or growth in available liquidity. FCF is a non-GAAP financial measure most directly comparable to cash flows used in investing activities and is comprised of funds flow from operations less capital expenditures. A summary of the reconciliation of the measure, is set forth below:

| (\$000) | Q3 2023 | Q2 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
|----------------------------|----------|---------|---------|----------|----------|
| Funds flow from operations | 4,826 | 3,361 | 2,280 | 15,461 | 5,376 |
| Less: Capital expenditures | (15,238) | (5,967) | (7,882) | (21,888) | (12,113) |
| Free cash flow | (10,412) | (2,606) | (5,602) | (6,427) | (6,737) |

Midstream Income

Tenaz considers midstream income an integral part of determining operating netback. Operating netback assists management and investors with evaluating operating performance. Tenaz's midstream income consists of the income from its associate, Noordgastransport B.V. Under IFRS, investments in associates are accounted for using the equity method of accounting. Income from associate is Tenaz's share of the investee's net income and comprehensive income. Operating netback is disclosed in the "Operating Netback" section of this MD&A.

Non-GAAP Financial Ratio

Operating Netback

Tenaz calculates operating netback on a dollar or per boe basis, as petroleum and natural gas sales less royalties, operating costs and transportation costs, plus midstream income (income from associate, as described above). 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.

Capital Management Measure

Adjusted working capital (net debt)

Management views adjusted working capital (net debt) as a key industry benchmark and measure to assess the Company's financial position and liquidity. Adjusted working capital (net debt) is calculated as current assets less current liabilities, excluding the fair value of derivative instruments. Tenaz's adjusted working capital (net debt) is disclosed in the "Capital Resources and Liquidity" section of this MD&A.

Supplementary Financial Measures

“**DD&A expense per boe**” is comprised of DD&A expense, as determined in accordance with IFRS, divided by the Company's total production.

“**Funds flow from operations per basic share**” is comprised of funds flow from operations divided by basic weighted average Common Shares.

“**Funds flow from operations per diluted share**” is comprised of funds flow from operations divided by diluted weighted average Common Shares.

“**Operating expense per boe**” is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total production.

“**Realized heavy crude oil price**” is comprised of heavy crude oil commodity sales from production, as determined in accordance with IFRS, divided by the Company's crude oil production.

“**Realized natural gas liquids price**” is comprised of natural gas liquids commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas liquids production.

“**Realized natural gas price**” is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas production.

“**Realized petroleum and natural gas sales price**” is comprised of total commodity sales from production, as determined in accordance with IFRS, divided by the Company's total production.

“**Royalties as a percentage of sales**” is comprised of royalties, as determined in accordance with IFRS, divided by commodity sales from production as determined in accordance with IFRS.

“**Royalties per boe**” is comprised of royalties, as determined in accordance with IFRS, divided by the Company's total production.

“**Transportation expense per boe**” is comprised of transportation expense, as determined in accordance with IFRS, divided by the Company's total production.

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 quarterly 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", "guidance", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "potential", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A and quarterly report contains forward-looking information and statements pertaining to: the TIP and Awards thereunder; the NCIB and expected share buybacks thereunder; Tenaz's capital plans; activities and budget for 2023, and our anticipated operational and financial performance; expected well performance; expected economies of scale; forecasted average production volumes and capital expenditures for 2023; the ability to grow our assets domestically and internationally; statements relating to a potential CCS project; and the Company's strategy.

The forward-looking information and statements contained in this MD&A and quarterly 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; expectations regarding future development; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; expectations regarding future acquisition opportunities; 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 and obligations and commitments.

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 quarterly 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 or resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; a failure to obtain necessary approvals as proposed or at all 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 quarterly report speak only as of the date of this MD&A and quarterly report, and Tenaz does not assume any obligation to publicly update or revise them to reflect new events or circumstances or otherwise, except as may be required pursuant to applicable laws.