

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. (the "Company" or "Tenaz") is dated November 7, 2024 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, 2024 and 2023, the audited consolidated financial statements and related notes for the years ended December 31, 2023 and 2022, 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 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 ("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 might not 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. Tenaz has domestic operations in Canada along with offshore natural gas and midstream assets in the Netherlands. The domestic operations consist of a semi-conventional oil project in the Rex Member of the 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+ and its website at www.tenazenergy.com. Tenaz's Common Shares are listed for trading on the Toronto Stock Exchange under the symbol "TNZ".

Agreement to acquire NAM Offshore B.V. ("NOBV")

On July 18, 2024, Tenaz entered into an agreement with Nederlandse Aardolie Maatschappij B.V., a 50/50 joint venture between Shell PLC and ExxonMobil Corporation, to acquire all the issued and outstanding shares of NAM Offshore B.V. for base consideration of €165 million (\$246 million), prior to closing adjustments and contingent payments of up to €120 million (\$179 million). NAM Offshore BV's assets consist of a portfolio of production and exploration licenses in the Dutch North Sea and ownership interests in two pipeline systems. The transaction has an effective date of January 1, 2024 and is expected to close mid-2025 following operational transition activities. Tenaz paid a €23 million (\$34 million) deposit using cash on hand and a drawing from a revolving facility from National Bank of Canada.

PRODUCTION AND CAPITAL GUIDANCE

The following tables summarize our 2024 production and capital guidance. Tenaz's 2024 guidance was initially approved by the Tenaz Board of Directors on December 21, 2023 and was revised on November 7, 2024.

Tenaz reduced its drilling and development ("D&D") capital expenditure guidance by approximately 30% from \$23 to \$25 million to \$16 to \$18 million with no change to our production volume guidance range following a change in our Canadian drilling program. Including exploration and evaluation expenditures, the revised capital expenditure guidance is \$19 to \$21 million. The capital plan was revised to include two (1.75 net) horizontal multi-lateral wells targeting the Ellerslie formation, replacing the previously approved 4 (3.5 net) well Rex program. The new wells were identified by our technical team on the lands surrounding the Watelet gas plant, which were acquired in Q2 2024. The revised capital program provides an even more capital-efficient alternative and also preserves Rex location inventory for future drilling.

	Budget Guidance	Revised Guidance
2024 average production volumes (boe/d) ⁽¹⁾	2,700 to 2,900	2,700 to 2,900
Capital expenditures ⁽²⁾ (\$MM)	\$26 to \$28	\$19 to \$21
Wells:		
Drill	4 (3.5 net)	2 (1.75 net)
Complete	4 (3.5 net)	2 (1.75 net)

⁽¹⁾ 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.

⁽²⁾ Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

RESULTS OF OPERATIONS

(\$000 except as noted)	Q3 2024	Q2 2024	Q3 2023	YTD 2024	YTD 2023
Production					
Heavy crude oil (bbls/d)	794	911	675	951	774
Natural gas liquids (bbls/d)	54	71	60	65	60
Natural gas (Mcf/d)	10,119	9,206	9,823	9,777	8,223
Total (boe/d)	2,535	2,517	2,372	2,646	2,204
Net income (loss)					
Net income (loss)	(2,454)	1,335	20,907	(1,676)	23,032
Per share – basic	(0.09)	0.05	0.77	(0.06)	0.84
Per share – diluted	(0.09)	0.04	0.71	(0.06)	0.80
Cash flow from operating activities	11,923	(11,920)	175	6,221	6,249
Funds flow from operations ⁽¹⁾	3,360	5,822	4,826	16,225	15,461
Per basic share ⁽¹⁾	0.12	0.22	0.18	0.60	0.56
Per basic diluted share ⁽¹⁾	0.11	0.19	0.16	0.54	0.54
Adjusted working capital (net debt) ⁽¹⁾	8,999	44,343	44,937	8,999	44,937
Activity					
Drilling and development	6,484	2,034	14,992	11,816	20,726
Exploration and evaluation	462	467	246	1,447	1,162
Capital expenditures ⁽¹⁾	6,946	2,501	15,238	13,263	21,888
Property Acquisitions	-	2,776	-	2,776	-
Deposit pursuant to acquisition	34,301	-	-	34,301	-

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

Net Income

- Q3 2024 was lower than Q2 2024 due to an income tax recovery in the prior quarter for adjustments to prior period tax returns.
- The three and nine months ended September 30, 2024 were lower than the prior year periods as the comparative periods included a \$22.8 million gain on acquisition relating to the acquisition of additional Netherlands non-operated working interests in Q3 2023.

Funds Flows from Operations (FFO) and Cash Flow from Operating Activities

- FFO for Q3 2024 was lower than Q2 2024 due to a recovery in the prior quarter resulting from adjustments to prior period tax returns. The absence of the income tax recovery in Q3 was partially offset by higher midstream income and lower operating expenses.
- FFO for Q3 2024 was lower than Q3 2023 due to weaker benchmark commodity prices in Canada during the current quarter and an increase in general and administration expenses and transaction costs resulting from increased business development activity.
- FFO for the year-to-date ended September 30, 2024 was higher than the prior year due to higher production in Canada from the successful 2023 drilling program and in the Netherlands due to an acquisition that closed in Q3 2023 along with a recovery in the current year resulting from adjustments to prior period tax returns.
- Cash flow from operating activities for Q3 2024 was higher than Q3 2023 due to the changes in FFO as described above, lower decommissioning spending, and receipts in the current period for income tax over-instalments.

- Cash flow from operating activities for the nine months ended September 30, 2024 was relatively consistent with the prior year as higher FFO, as described above, was offset by an increase in decommissioning spending.

Capital Expenditures

- In Canada, current year spending mainly related to activity at the Watelet gas plant and on the additional leasehold acquired during Q2 2024, including the drilling of one gross (0.875 net) Ellerslie well and a turnaround at the gas plant. In the Netherlands, current year activity mainly related to the fracturing of the K12-G4 and K12-G9 vertical wells.

Property Acquisitions

- In Q2 2024, Tenaz acquired a gas plant and oil and gas leasehold assets from a private company for consideration of \$2.8 million, net to Tenaz. The acquisition provides Tenaz with ownership and operating control of the gas plant and pipeline infrastructure that processes our gas production from the Leduc Woodbend field. In addition, the plant generates processing revenue from third-party gas volumes, with significant available capacity to process more gas. The leasehold assets have minor current production but contain several potential drilling opportunities in the Rex, Ellerslie and Glauconite members of the Mannville Group.

Production

	Q3 2024	Q2 2024	Q3 2023	YTD 2024	YTD 2023
Canada					
Heavy crude oil (bbls/d)	794	911	675	951	774
Natural gas liquids (bbls/d)	50	66	47	58	50
Natural gas (Mcf/d)	4,155	4,491	3,317	4,317	3,365
Total Canada (boe/d)	1,537	1,726	1,275	1,729	1,385
Netherlands					
Natural gas liquids (bbls/d)	4	5	13	7	10
Natural gas (Mcf/d)	5,964	4,715	6,506	5,460	4,858
Total Netherlands (boe/d)	998	791	1,097	917	819
Total Company					
Heavy crude oil (bbls/d)	794	911	675	951	774
Natural gas liquids (bbls/d)	54	71	60	65	60
Natural gas (Mcf/d)	10,119	9,206	9,823	9,777	8,223
Total Company (boe/d)	2,535	2,517	2,372	2,646	2,204

Canada

- Production for the third quarter was below Q2 2024 rates, reflecting the impact of the Watelet gas plant turnaround in September and expected natural declines. Production for the three and nine months ended September 30, 2024 was above 2023 rates, reflecting production from our successful 2023 drilling program.
- One gross (0.875 net) Ellerslie well was drilled and brought on production in mid-September. The well is performing ahead of expectations, but had minimal impact on Q3 2024 due to timing of first production.

Netherlands

- Production for the third quarter was higher than Q2 2024 due to the absence of annual maintenance-related downtime and was in-line with Q3 2023. Production for the nine months ended September 30, 2024 was above the prior year due to an acquisition in the Netherlands that closed in Q3 2023.

FINANCIAL REVIEW

Petroleum and Natural Gas Sales

(\$000 except per boe)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Petroleum and natural gas sales				
Canada	6,759	6,904	24,164	21,256
Netherlands	8,063	8,147	22,551	22,335
Total Company	14,822	15,051	46,715	43,591
Average Realized Prices				
Heavy crude oil (\$/bbl)	85.07	91.77	82.33	82.77
Natural gas liquids (\$/bbl)	57.15	62.86	58.44	63.71
Natural gas (\$/Mcf)	8.94	9.96	9.04	11.17
Petroleum and natural gas sales (\$/boe)	63.57	68.97	64.45	72.45
Canada (\$/boe)	47.81	58.87	51.02	56.22
Netherlands (\$/boe)	87.86	80.70	89.77	99.88
Company	63.57	68.97	64.45	72.45
Average Benchmark Prices				
WTI crude oil (US\$/bbl)	75.20	82.18	77.56	77.38
WCS differential (US\$/bbl)	(12.90)	(12.80)	(15.27)	(16.24)
US\$/CAD\$ exchange rate	0.74	0.75	0.74	0.74
WCS (CAD\$/bbl)	85.02	93.12	84.78	82.26
AECO daily spot (CAD\$/Mcf)	0.71	2.61	1.35	2.76
TTF (CAD\$/Mcf)	15.66	14.43	13.74	17.46

Quarterly comparison

- Consistent sales in Q3 2024 as compared to Q3 2023 reflected the impact of lower AECO and WCS prices in the current year, partially offset by increased production volumes in Canada and stronger TTF pricing.
- Q3 2024 sales per boe were lower than Q3 2023 with increases in TTF pricing being more than offset by decreases in AECO and WCS commodity prices.

Year-to-date comparison

- Sales for the first nine months of 2024 increased as compared with the same period last year due to the additional contributions of the Netherlands assets acquired in Q3 2023 and the Canadian drilling program completed in Q3 2023, partially offset by lower AECO and TTF natural gas prices.
- Sales on a per boe basis decreased from Q3 2023 due to lower benchmark natural gas and crude prices in Canada. Sales per boe for the year-to-date period in 2024 were lower than 2023 due to lower pricing for both TTF and AECO natural gas partially offset by modestly stronger crude prices.

Royalties

(\$000 except per boe)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Royalties				
Canada	1,037	1,004	3,980	3,157
Netherlands	-	-	-	-
Total Company	1,037	1,004	3,980	3,157
As a percentage of sales				
Canada	15.3%	14.5%	16.5%	14.9%
Netherlands	-	-	-	-
Company	7.0%	6.7%	8.5%	7.2%

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. Royalties increased in the 2024 periods as compared to 2023 due to higher sales in Canada. As a percentage of sales, the increase in royalties resulted from wells which had benefited from a lower royalty rate on the initial production period, also known as the Crown royalty holiday, which are now at higher rates upon reaching payout under a calculation set by the Alberta government.

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/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. Netherlands royalties pertaining to 2024 year-to-date were nil.

Transportation Expenses

(\$000 except per boe)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Transportation expenses				
Canada	442	278	1,512	1,048
Netherlands	17	525	511	1,107
Total Company	459	803	2,023	2,155
Per boe				
Canada	3.12	2.37	3.19	2.77
Netherlands	0.19	5.20	2.03	4.95
Company	1.97	3.68	2.79	3.58

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

Consolidated transportation expenses decreased for the 2024 periods as compared to 2023 due to lower transportation expenses in the Netherlands resulting from increased recoveries from partners utilizing shared infrastructure, partially offset by higher crude oil production volumes coupled with increased fuel surcharges in Canada. On a per boe basis, transportation expense decreased for the 2024 periods as compared to 2023 as lower costs were paired with increased production volumes.

Operating Expenses

(\$000 except per boe)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Operating expenses				
Canada	2,122	2,113	7,036	7,018
Netherlands	5,779	4,676	16,061	9,855
Total Company	7,901	6,789	23,097	16,873
Per boe				
Canada	15.02	18.02	14.85	18.56
Netherlands	62.96	46.31	63.94	44.07
Company	33.89	31.11	31.86	28.04

Canada

- Operating expenses in Canada were relatively consistent for the 2024 periods as compared to 2023. Consistent overall spending coupled with higher production volumes resulted in lower costs on a per unit basis.

Netherlands

- Year-to-date 2024 operating expenses in the Netherlands increased due in large part to the acquisition of additional assets in the Netherlands in Q3 2023. On a per boe basis, costs in 2024 increased from 2023 due largely to the impact of relatively lower production volumes resulting from downtime.
- Q3 2024 operating expenses on a dollar and per boe basis in the Netherlands increased from Q3 2023 due to increased maintenance activity in the current year.

Other (Income) Expenses

(\$000 except per boe)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Income from associate ⁽¹⁾	(1,418)	(1,146)	(3,466)	(2,964)
Interest and financing	(104)	(614)	(1,407)	(72)

(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.

Income from associate

Tenaz recognizes its share of the net income of its affiliate Noordtgastransport 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 offshore natural gas. 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 gas market for our share of production. The ultimate realization of earnings to cash is completed through dividend payments (annually in recent periods).

Interest and financing

Both year-to-date ("YTD") 2024 and Q3 2024 reflect net interest income generated from our positive cash position, including both the restricted and unrestricted balances, which bear interest at market interest rates. During Q3 2024, Tenaz paid a €23 million (\$34 million) deposit for the acquisition of NOBV using cash on hand and a drawing from a revolving facility from National Bank of Canada. As a result, net interest income for Q3 2024 was lower than for Q3 2023.

General and Administrative Expenses (“G&A”) & Transaction Costs

(\$000)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
General and administrative	2,389	2,221	7,396	5,932
Transaction costs	1,315	841	2,822	1,270

General and Administrative

G&A costs were higher in the three and nine month periods ended September 30, 2024 as compared to the same periods in the prior year due to an increased headcount and an increase in expenses related to M&A activity.

Transaction Costs

Transaction costs stem from professional services, encompassing legal, tax advisory, and business consulting expenses, along with costs associated with technical and financial due diligence. Tenaz classifies these expenses as transaction costs once an opportunity advances beyond the offer stage and continues to classify as such until the transaction has closed. During this period, the Company anticipates that the costs incurred are more likely to be directly linked to the specific opportunity rather than the broad activities of the Company.

The differentiation between general and administrative expenses and transaction costs seeks to present the ongoing operational costs of Tenaz and the execution of its strategy as distinct from the costs tied to specific opportunities that may ultimately result in completed transactions.

Transaction costs during the three and nine months ended September 30, 2024 were higher than the prior year largely as a result of the negotiation, signing, and transition activities associated with the agreement to acquire NOBV.

Share-based compensation, Depletion, depreciation and amortization (“DD&A”), Accretion of decommissioning liability

(\$000)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Share-based compensation expense	628	568	1,980	1,268
Depletion, depreciation and amortization	5,581	5,031	15,487	13,379
Accretion of decommissioning liability	1,376	1,755	3,975	3,991

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 the 2024 periods compared with 2023 due to increased TIP issuances, increasing the number of awards outstanding for the current period.

DD&A for Q3 2024 and YTD 2024 was higher than both comparable periods in 2023. The increase in DD&A as compared to last year pertains to the acquisition of additional Netherlands working interests, which were acquired during Q3 2023. On a per barrel basis, DD&A per barrel was relatively consistent with the same periods in the prior year.

Accretion expense represents the increase in the decommissioning liability resulting from the passage of time. Accretion expense decreased for the 2024 periods as compared against 2023 as a result of lower discount rates.

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, complying with its banking covenants and reducing foreign currency risk.

(\$000)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Unrealized loss (gain) on derivative instruments	85	955	(838)	768
Realized loss (gain) on derivative instruments	(378)	(220)	471	(301)
Loss (gain) on derivative instruments	(293)	735	(367)	467

The derivative gain in both Q3 2024 and YTD 2024 pertains primarily to changes in the mark-to-market of foreign currency swaps outstanding in 2024 arising from the differences in the forward price compared to the contract price of outstanding contracts. Tenaz holds this position to maintain Euro as the primary underlying cash position. Excess Euro cash is swapped to Canadian dollars to maximize the interest yield on short term balances held within its bank accounts.

As at September 30, 2024, Tenaz had no outstanding derivative contracts. Subsequent to September 30, 2024, Tenaz entered into an agreement to swap €4 million for \$5.95 million, the swap is agreed to be unwound on January 8th, 2025.

Crude Oil and Natural Gas Physical Contracts

The following is a summary of the physical crude oil and natural gas sales contracts in place as at November 7, 2024:

Period	Type of Contract	Volume (Mcf/d)	Price (€/MWh)	Price (\$/Mcf)
TTF				
October 2024 to March 2025	Physical Swap	1,200	€32.50	\$14.36
October 2024 to March 2025	Physical Collar	1,200	€32.00-€40.75	\$14.14 - \$18.01
April 2025 to September 2025	Physical Swap	1,300	€38.48	\$17.00
October 2025 to March 2026	Physical Swap	1,300	€42.50	\$18.78
October 2025 to March 2026	Physical Collar	1,400	€36.00-€45.30	\$15.91 - \$20.02
AECO				
November 2024 to March 2025	Physical Swap	1,000		\$3.11
April 2025 to October 2025	Physical Swap	1,100		\$2.22
November 2025 to March 2026	Physical Swap	500		\$3.32

Income Taxes

The Company's income taxes are detailed below:

(\$000)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Income Taxes				
Current	63	544	(3,263)	2,079
Deferred	(1,814)	(1,073)	(4,723)	(3,577)
Total income tax recovery	(1,751)	(529)	(7,986)	(1,498)
Current Income Taxes				
Canada	-	-	-	-
Netherlands	63	544	(3,263)	2,079
Total Company	63	544	(3,263)	2,079

Current taxes

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 current tax recovery for the nine months ended September 30, 2024 relates to re-filed prior period tax returns.

Deferred taxes

The deferred tax recovery in the 2024 periods is primarily associated with the creation of loss carryforwards in the current year.

DECOMMISSIONING LIABILITY

At September 30, 2024, Tenaz's decommissioning liability was \$53 million (December 31, 2023 - \$45.3 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 change in the decommissioning liability resulted from the addition of the Watelet gas plant in Canada and lower discount rates, partially offset by decommissioning activities performed in the Netherlands during the period.

The calculation of decommissioning liability applied the following rates:

	September 30, 2024	December 31, 2023
Credit spread	8.1%	9.2%
Risk-free rates		
Canada	3.1%	3.0%
Netherlands	2.4%	2.3%
Inflation rates		
Canada	2.0%	1.6%
Netherlands	2.0%	2.0%

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.

CAPITAL RESOURCES AND LIQUIDITY

(\$000)	September 30 2024	December 31 2023
Current assets	63,150	92,488
Current liabilities	(44,152)	(43,988)
Net current assets	18,998	48,500
Fair value of derivative instruments	-	838
Long-term debt	(9,999)	-
Adjusted working capital (net debt) ⁽¹⁾	8,999	49,338

(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.

Adjusted working capital decreased from \$49 million at year-end 2023 to \$9.0 million as at September 30, 2024 due largely to the €23 million (\$34 million) deposit for the acquisition of NOBV using cash on hand and a drawing under a revolving facility from National Bank of Canada.

Restricted Cash

Current assets includes restricted cash. Restricted cash primarily consists of moneys 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 licenses. During the current year-to-date, Tenaz deposited an additional €4.4 million (\$6.4 million) pursuant to an increase in the required security amount under the DSAs.

Under the DSAs, decommissioning security is calculated and posted annually.

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.

Credit Facilities

National Bank Financial Revolving Facility

In Q3 2024, Tenaz discharged its credit facilities with ATB Financial and entered into a new credit and delayed draw term loan facility agreement with National Bank of Canada. The credit facility with National Bank of Canada consists of a revolving facility (the “Revolving Facility”) in the principal amount of up to \$20 million and \$90 million of debt capacity under a new delayed draw term loan (the “Term Loan”), which can be drawn to fund the closing of the acquisition of NOBV (in aggregate, the “Credit Facilities”). If drawn, the Term Loan will be repayable within twelve months of draw down. Upon signing of the agreement to acquire NAM Offshore B.V. in July 2024, Tenaz paid a €23 million (\$34 million) deposit using cash on hand and a drawing under the Revolving Facility.

The Revolving Facility is a committed facility available on a revolving basis until July 16, 2025 at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and any amounts outstanding would be repayable at the end of the non-revolving term, which is one year following the end of the revolving term. The Revolving Facility is subject to a semi-annual borrowing base review, occurring by May 31st and November 30th of each year, with the first borrowing base review to occur by December 31, 2024. The borrowing base is determined based on the lenders' evaluation of the Company’s petroleum and natural gas reserves and their commodity price outlook at the time of each renewal.

Advances under the Revolving Facility can be done in Canadian or US dollars and letters of credit and/or letters of guarantee can be issued not exceeding an aggregate of \$3.0 million. Advances under the Revolving Facility bear interest at a rate applicable to revolving loans plus applicable margins.

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 \$300.0 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, 2024, Company was in compliance with all debt covenants. The working capital ratio as defined was 1.35:1 and the Company was compliant with the LMR covenant.

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 are due in July 2026, unless extended.

Management believes that 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, 2024 and December 2023:

(000s)	September 30 2024	December 31 2023
Common Shares	27,426	26,793
Warrants	2,722	2,778
Options	1,245	1,525
TIP Awards		
PSUs	1,568	1,008
RSUs	105	65
DSUs	97	43

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

	Number of Common Shares
Balance, December 31, 2023	26,793
PSU’s Vested	721
Options Exercised	187
Warrants Exercised	55
Normal course issuer bid	(330)
Balance, September 30, 2024	27,426

Share Repurchases

On August 21, 2023, the Toronto Stock Exchange approved the Company to commence an NCIB. The NCIB allowed Tenaz to purchase up to 2.5 million 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 NCIB ended on August 22, 2024.

A summary of the Company's NCIB activities during the period is presented below:

(\$000, except as noted)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Share repurchase activities				
Common Shares repurchased (000's)	(21)	(233)	(330)	(948)
Amounts charged to:				
Share capital	(46)	(529)	(746)	(2,162)
Retained earnings	(30)	(287)	(484)	(264)
Share repurchase cost	(76)	(816)	(1,230)	(2,426)
Average cost per share (\$)	3.62	3.50	3.73	2.56

Tenaz Incentive Plan Awards

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

(000s)	November 7, 2024
Common Shares	27,426
Warrants	2,722
Options	1,245
TIP Awards	
PSUs	1,568
RSUs	105
DSUs	97

SUMMARY OF QUARTERLY RESULTS

Quarters Ended	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(\$000, except per share and per boe amounts)								
	2024	2024	2024	2023	2023	2023	2023	2022
Financial								
Petroleum and natural gas sales	14,822	14,007	17,886	21,261	15,051	10,614	17,926	10,852
Cash flow from operating activities	11,923	(11,920)	6,218	8,927	175	957	5,117	4,809
Funds flow from operations	3,360	5,822	7,043	13,401	4,826	3,361	7,274	3,236
Per share – basic	0.12	0.22	0.26	0.50	0.18	0.12	0.26	0.11
Per share – diluted	0.11	0.19	0.24	0.45	0.16	0.12	0.25	0.11
Net income (loss)	(2,454)	1,335	(557)	3,515	20,907	(757)	2,882	747
Per share – basic	(0.09)	0.05	(0.02)	0.13	0.77	(0.03)	0.10	0.03
Per share – diluted	(0.09)	0.04	(0.02)	0.12	0.71	(0.03)	0.10	0.03
Capital expenditures	6,946	2,501	3,816	2,967	15,238	5,967	683	4,988
Adjusted working capital (net debt)	8,999	44,343	48,740	49,338	44,937	17,094	18,763	14,149
Common shares outstanding (000)								
End of period – basic	27,426	27,345	26,703	26,793	27,145	27,378	27,733	28,093
Weighted average for period – basic	27,360	26,734	26,779	26,963	27,292	27,555	27,917	28,242
Weighted average for period – diluted	31,368	29,992	29,494	29,970	29,555	28,308	28,545	28,244
Operating								
<u>Average daily production</u>								
Heavy crude oil (bbls/d)	794	911	1,149	1,342	675	711	937	827
Natural gas liquids (bbls/d)	54	71	70	75	60	57	63	53
Natural gas (Mcf/d)	10,119	9,206	10,005	10,310	9,823	6,802	8,022	3,843
Total (boe/d)	2,535	2,517	2,887	3,135	2,372	1,903	2,337	1,520
<u>Netbacks (\$/boe)</u>								
Petroleum and natural gas sales	63.57	61.17	68.08	73.71	68.97	61.31	85.23	77.59
Royalties	(4.45)	(6.18)	(5.81)	(5.89)	(4.60)	(4.80)	(6.28)	(11.12)
Transportation expenses	(1.97)	(3.40)	(2.99)	(3.50)	(3.68)	(3.66)	(3.41)	(2.60)
Operating expenses	(33.89)	(36.47)	(26.05)	(19.36)	(31.11)	(28.25)	(24.69)	(21.56)
Midstream income	7.13	6.12	4.29	4.86	5.25	5.21	4.36	-
Operating netback	30.39	21.24	37.52	49.82	34.83	29.81	55.21	42.31

OPERATING NETBACK SUMMARY

(\$/boe)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Canada				
Petroleum and natural gas sales	47.81	58.87	51.02	56.22
Royalties	(7.33)	(8.57)	(8.40)	(8.35)
Transportation expenses	(3.12)	(2.37)	(3.19)	(2.77)
Operating expenses	(15.02)	(18.02)	(14.85)	(18.56)
Canada operating netback ⁽¹⁾	22.34	29.91	24.58	26.54
Netherlands				
Petroleum and natural gas sales	87.86	80.70	89.77	99.88
Transportation expenses	(0.19)	(5.20)	(2.03)	(4.95)
Operating expenses	(62.96)	(46.31)	(63.94)	(44.07)
Midstream income ⁽¹⁾	18.12	11.35	16.69	13.25
Netherlands operating netback ⁽¹⁾	42.83	40.54	40.49	64.11
Total Company				
Petroleum and natural gas sales	63.57	68.97	64.45	72.45
Royalties	(4.45)	(4.60)	(5.49)	(5.25)
Transportation expenses	(1.97)	(3.68)	(2.79)	(3.58)
Operating expenses	(33.89)	(31.11)	(31.86)	(28.04)
Midstream income ⁽¹⁾	7.13	5.25	5.78	4.92
Total Company operating netback ⁽¹⁾	30.39	34.83	30.09	40.50

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

On July 18, 2024, Tenaz entered into an agreement with Nederlandse Aardolie Maatschappij B.V., a 50/50 joint venture between Shell PLC and ExxonMobil Corporation, to acquire all the issued and outstanding shares of NOBV for base consideration of €165 million (\$246 million), prior to closing adjustments and contingent payments of up to €120 million (\$179 million). NAM Offshore BV's assets consist of a portfolio of production and exploration licenses in the Dutch North Sea and ownership interests in two pipelines. The transaction has an effective date of January 1, 2024 and is expected to close mid-2025 following operational transition activities. Tenaz paid a €23 million (\$34 million) deposit using cash on hand and a drawing from a revolving facility from National Bank of Canada.

In addition, Tenaz has contractual obligations in the normal course of operations including operating agreements, transportation commitments, royalty obligations, lease rental obligations, physical commodity sales contracts 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 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 International Financial Reporting 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, 2023.

Future Accounting Pronouncements

The Company monitors for new accounting standards and amendments to existing accounting standards issued by the IASB. To date, such developments are concluded to either not be applicable or concluded to not have a future material impact on the Company's financial reporting.

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, as a result 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, 2024. 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, 2023, 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, 2023 available on SEDAR+ at www.sedarplus.ca or on Tenaz's website at www.tenazenergy.com.

CONTROL ENVIRONMENT

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, 2024 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, 2024.

ADVISORIES

Notes Offering

The Notes are being offered for sale to qualified buyers in Canada on a private placement basis pursuant to certain prospectus exemptions. The Notes have not been registered under the U.S. Securities Act, or any state securities laws, and may not be offered and sold in the United States or to U.S. persons.

This MD&A does not constitute an offer to sell, or a solicitation of an offer to buy, any security and shall not constitute an offer, solicitation or sale in any jurisdiction in which such an offer, solicitation, or sale would be unlawful.

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 term 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 2024	Q2 2024	Q3 2023	YTD 2024	YTD 2023
Cash flow from (used in) operating activities	11,923	(11,920)	175	6,221	6,249
Change in non-cash operating working capital	(10,469)	14,896	1,186	1,527	3,387
Decommissioning liabilities settled	243	1,445	2,319	4,285	2,861
Midstream income	1,663	1,401	1,146	4,192	2,964
Funds flow from operations	3,360	5,822	4,826	16,225	15,461

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, plant and equipment expenditures 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 2024	Q2 2024	Q3 2023	YTD 2024	YTD 2023
Exploration and evaluation	462	467	246	1,447	1,162
Property, plant and equipment	6,484	2,034	14,992	11,816	20,726
Capital expenditures	6,946	2,501	15,238	13,263	21,888

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 2024	Q2 2024	Q3 2023	YTD 2024	YTD 2023
Funds flow from operations	3,360	5,822	4,826	16,225	15,461
Less: Capital expenditures	(6,946)	(2,501)	(15,238)	(13,263)	(21,888)
Free cash flow	(3,586)	3,321	(10,412)	2,962	(6,427)

Midstream Income

Tenaz considers midstream income an integral part of determining operating netback. Operating netbacks assists management and investors with evaluating operating performance. Tenaz's midstream income consists of the income from its associate, Noordtgastransport B.V. and excludes the amortization of fair value increment of NGT that is included in the equity investment on the balance sheet. 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.

(\$000)	Q3 2024	Q2 2024	Q3 2023	YTD 2024	YTD 2023
Income from associate	1,418	1,160	1,146	3,466	2,964
Plus: Amortization of fair value increment of NGT	245	241	-	726	-
Midstream income	1,663	1,401	1,146	4,192	2,964

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

- **“Operating expense per boe”** and **“Transportation expense per boe”** are comprised of the respective line item from the consolidated statements of net income, as determined in accordance with IFRS, divided by the Company’s or business units 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.
- **“Realized heavy crude oil price”, “Realized natural gas liquids price”, “Realized natural gas price”,** and **“Realized petroleum and natural gas sales price”** are comprised of commodity sales from the respective commodity, as determined in accordance with IFRS, divided by the Company’s production of the respective commodity.
- **“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.

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 Offering including, without limitation the expected timing of closing; our beliefs about liquidity; expectations for our base business and our financial position upon closing of the Offering and before and after closing of the NOBV acquisition; potential future debt offerings; Tenaz’s capital plans; activities and budget for 2024, and our anticipated operational and financial performance; expected well performance; potential drilling opportunities; our production and capital guidance including forecast average production volumes and capital expenditures for 2024; the ability to grow our assets domestically and internationally; statements relating to a potential CCS project; and the Company’s strategy. In addition, this MD&A and quarterly report contains forward-looking information and statements pertaining to the acquisition of NOBV including, without limitation: the timing of closing; expectations regarding estimated cash to close, and sources of funding thereof.

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.

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 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, except as may be required pursuant to applicable laws.