INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at			
$000	Note	**September 30, 2024**	**December 31, 2023**
ASSETS			
Current Assets			
Cash and cash equivalents		**14,787**	50,300
Restricted cash	4	**40,704**	32,944
Accounts receivable	12	**5,288**	8,002
Prepaid expenses and deposits		**2,371**	1,004
Derivative instruments	12	**-**	238
Total current assets		**63,150**	92,488
Right-of-use assets		**159**	198
Exploration and evaluation assets	5	**10,430**	8,870
Investment in associate	6	**22,893**	21,366
Deposit on acquisition	7	**34,301**	-
Property, plant and equipment	8	**123,492**	115,793
Total assets		**254,425**	238,715
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		**15,906**	15,671
Decommissioning liability	10	**2,310**	2,310
Taxes payable		**25,936**	24,931
Derivative instruments	12	**-**	1,076
Total current liabilities		**44,152**	43,988
Long-term debt	9	**9,999**	-
Lease liabilities		**258**	244
Decommissioning liability	10	**50,745**	42,979
Deferred taxes		**52,165**	55,151
Total liabilities		**157,319**	142,362
SHAREHOLDERS EQUITY			
Share capital	11	**62,745**	60,875
Warrants		**3,104**	3,203
Contributed surplus		**11,038**	10,918
Retained earnings		**18,943**	21,103
Accumulated other comprehensive income		**1,276**	254
Total shareholders' equity		**97,106**	96,353
Total liabilities and shareholders' equity		**254,425**	238,715

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

		Three months ended September 30,		Nine months ended September 30,	
(000's except per share amounts)	Note	**2024**	**2023**	**2024**	**2023**
REVENUE					
Petroleum and natural gas sales		**14,822**	15,051	**46,715**	43,591
Royalties		**(1,037)**	(1,004)	**(3,980)**	(3,157)
Petroleum and natural gas revenue		**13,785**	14,047	**42,735**	40,434
EXPENSES					
Transportation		**459**	803	**2,023**	2,155
Operating		**7,901**	6,789	**23,097**	16,873
Income from associate	6	**(1,418)**	(1,146)	**(3,466)**	(2,964)
General and administrative		**2,389**	2,221	**7,396**	5,932
Transaction costs		**1,315**	841	**2,822**	1,270
Interest and financing		**(104)**	(614)	**(1,407)**	(72)
Foreign exchange (gain) loss		**156**	(533)	**387**	(618)
Loss (gain) on derivative instruments	12	**(293)**	735	**(367)**	467
Share-based compensation	11	**628**	568	**1,980**	1,268
Depletion, depreciation and amortization		**5,581**	5,031	**15,487**	13,379
Accretion of decommissioning liability	10	**1,376**	1,755	**3,975**	3,991
Gain on acquisition		**-**	(22,781)	**470**	(22,781)
Total expenses		**17,990**	(6,331)	**52,397**	18,900
Net income (loss) before income taxes		**(4,205)**	20,378	**(9,662)**	21,534
Provision for income taxes					
Current (recovery)		**63**	544	**(3,263)**	2,079
Deferred (recovery)		**(1,814)**	(1,073)	**(4,723)**	(3,577)
Total income taxes		**(1,751)**	(529)	**(7,986)**	(1,498)
Net income (loss)		**(2,454)**	20,907	**(1,676)**	23,032
Other comprehensive (loss) income					
Currency translation adjustments		**919**	(240)	**1,022**	(223)
Comprehensive (loss) income		**(1,535)**	20,667	**(654)**	22,809
Net income (loss) per share					
Basic	11	**(0.09)**	0.77	**(0.06)**	0.83
Diluted	11	**(0.09)**	0.71	**(0.06)**	0.80

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

$000	Note	Share capital	Warrants	Contributed surplus	Retained earnings (Deficit)	AOCI[1]	Total Equity
December 31, 2022		63,831	3,203	8,871	(4,534)	-	71,371
Normal course issuer bid	11	(2,162)	-	-	(264)	-	(2,426)
Change in liability for share repurchase commitment		(394)	-	-	(269)	-	(663)
Share-based compensation	11	-	-	1,385	-	-	1,385
Net income		-	-	-	23,032	-	23,032
Currency translation adjustments		-	-	-	-	(223)	(223)
September 30, 2023		61,275	3,203	10,256	17,965	(223)	92,476
December 31, 2023		60,875	3,203	10,918	21,103	254	96,353
Normal course issuer bid	11	(746)	-	-	(484)	-	(1,230)
Share-based compensation	11	-	-	2,033	-	-	2,033
PSU's Vested	11	1,630	-	(1,630)	-	-	-
Options exercised	11	786	-	(283)	-	-	503
Warrants exercised	11	200	(99)	-	-	-	101
Net loss		-	-	-	(1,676)	-	(1,676)
Currency translation adjustments		-	-	-	-	1,022	1,022
September 30, 2024		**62,745**	**3,104**	**11,038**	**18,943**	**1,276**	**97,106**

(1) Accumulated other comprehensive income ("AOCI")

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

$000	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
OPERATING ACTIVITIES					
Net income (loss)		**(2,454)**	20,907	**(1,676)**	23,032
Items not involving cash:					
Income from associate	6	**(1,418)**	(1,146)	**(3,466)**	(2,964)
Deferred taxes		**(1,814)**	(1,073)	**(4,723)**	(3,577)
Depletion, depreciation and amortization		**5,581**	5,031	**15,487**	13,379
Accretion of decommissioning liability	10	**1,376**	1,755	**3,975**	3,991
Share-based compensation	11	**628**	568	**1,980**	1,268
Unrealized (gain) loss on derivative instruments	12	**85**	955	**(838)**	768
Unrealized foreign exchange (gain) loss		**(287)**	(536)	**824**	(619)
Loss (gain) on acquisition		**-**	(22,781)	**470**	(22,781)
Decommissioning liabilities settled	10	**(243)**	(2,319)	**(4,285)**	(2,861)
Change in non-cash working capital		**10,469**	(1,186)	**(1,527)**	(3,387)
Cash flow from (used in) operating activities		**11,923**	175	**6,221**	6,249
INVESTING ACTIVITIES					
Property and equipment asset expenditures	8	**(6,484)**	(14,992)	**(11,816)**	(20,726)
Exploration and evaluation asset expenditures	5	**(462)**	(246)	**(1,447)**	(1,162)
Cash acquired in acquisition		**-**	36,807	**-**	36,807
Property acquisition		**-**	-	**(2,779)**	-
Restricted cash for security arrangements	4	**(362)**	-	**(6,373)**	42,674
Dividend from associate		**2,679**	-	**2,679**	3,002
Deposit on acquisition		**(34,301)**	-	**(34,301)**	-
Change in non-cash working capital		**3,166**	5,458	**3,355**	6,288
Cash flow from (used in) investing activities		**(35,764)**	27,027	**(50,682)**	66,883
FINANCING ACTIVITIES					
Advance on (repayment of) revolving credit facility		**9,999**	-	**9,999**	(21,483)
Letter of credit posting		**(150)**	-	**(150)**	-
Exercise of stock options		**-**	-	**504**	-
Exercise of warrants		**100**	-	**100**	-
Normal course issuer bid	10	**(76)**	(816)	**(1,230)**	(2,426)
Principal payments on lease liabilities		**5**	4	**14**	(14)
Change in non-cash working capital		**-**	(663)	**-**	(663)
Cash flow from (used in) financing activities		**9,878**	(1,475)	**9,237**	(24,586)
Foreign exchange gain (loss) on cash held in foreign currencies		**616**	414	**(289)**	409
CHANGE IN CASH AND CASH EQUIVALENTS		**(13,347)**	26,141	**(35,513)**	48,955
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**28,134**	24,646	**50,300**	1,832
CASH AND CASH EQUIVALENTS, END OF PERIOD		**14,787**	50,787	**14,787**	50,787
Cash interest paid		**302**	22	**357**	692
Cash taxes (refunded) paid		**(13,740)**	2,585	**457**	7,441

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2024 and 2023

1. REPORTING ENTITY

Tenaz Energy Corp. (“Tenaz” or the “Company”) 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 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. Tenaz is the corporation resulting from the amalgamation of Tenaz Energy Corp. and Altura Energy Inc. on October 15, 2021 under the Business Corporations Act (Alberta) (“ABCA”). The Company is headquartered in Calgary with its common shares (“Common Shares”) listed on the Toronto Stock Exchange (“TSX”) under the symbol “TNZ”.

Tenaz’s principal place of business is located at 700, 605 5th Avenue SW, Calgary, Alberta, T2P 3H5.

2. BASIS OF PRESENTATION

These interim condensed consolidated financial statements (the "Financial Statements") have been prepared in accordance with IFRS® Accounting Standards as issued by the Internal Accounting Standards Board applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), and have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2023.

These Financial Statements should be read in conjunction with Tenaz’s audited consolidated financial statements for the year ended December 31, 2023, which are available on SEDAR at www.sedarplus.ca or on Tenaz’s website at www.tenazenergy.com.

These Financial Statements were approved by the Board of Directors on November 7, 2024.

All financial information is reported in Canadian dollars, unless otherwise noted. References to "EUR” or “€” are to Euros.

Use of judgments, estimates and assumptions

The preparation of financial statements requires management to use judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated.

There have been no significant changes to the use of judgments, estimates, and assumptions as detailed in Note 5 of the audited consolidated financial statements for the year ended December 31, 2023.

3. SEGMENTED INFORMATION

Tenaz has a business unit structure designed to manage assets in each country in which the Company operates. Tenaz's operating segments derive their revenues solely from the production and sale of petroleum and natural gas. Tenaz has two key operating segments: the Canadian business unit and the Netherlands business unit. Tenaz's Canadian business unit includes costs incurred at the Company's corporate head office located in Calgary, Alberta, Canada. Results from the Company's investment in associate are included in the Netherlands business unit.

Tenaz's chief operating decision maker regularly reviews funds flow from operations generated by each of Tenaz's operating segments. Funds flow from operations is a similar measure of earnings that provides the chief operating decision maker with the ability to assess the profitability of each operating segment and, correspondingly, the ability of each operating segment to fund its share of decommissioning liabilities and capital investments.

			Three months ended September 30 2024
($000)	Netherlands	Canada/ Corporate	**Total**
Total assets	164,016	90,409	**254,425**
Exploration and evaluation asset expenditures	462	-	**462**
Property, plant and equipment asset expenditures	1,831	4,653	**6,484**
Capital expenditures	2,293	4,653	**6,946**
Heavy crude oil	-	6,216	**6,216**
Natural gas liquids	28	253	**281**
Natural gas	8,035	290	**8,325**
Petroleum and natural gas sales	8,063	6,759	**14,822**
Royalties	-	(1,037)	**(1,037)**
Petroleum and natural gas revenue	8,063	5,722	**13,785**
Transportation expenses	(17)	(442)	**(459)**
Operating expenses	(5,779)	(2,122)	**(7,901)**
Midstream income(1)	1,663	-	**1,663**
General and administrative expenses	(749)	(1,640)	**(2,389)**
Current income taxes	(63)	-	**(63)**
Transaction costs	(236)	(1,079)	**(1,315)**
Interest and financing	-	104	**104**
Realized foreign exchange loss	-	(65)	**(65)**
Funds flow from operations	2,882	478	**3,360**

($000)	Netherlands	Canada/ Corporate	Three months ended September 30 2023 Total
Total assets	129,665	130,511	260,176
Exploration and evaluation asset expenditures	193	53	246
Property, plant and equipment asset expenditures	1,850	13,142	14,992
Capital expenditures	2,043	13,195	15,238
Heavy crude oil	-	5,700	5,700
Natural gas liquids	88	257	345
Natural gas	8,059	947	9,006
Petroleum and natural gas sales	8,147	6,904	15,051
Royalties	-	(1,004)	(1,004)
Petroleum and natural gas revenue	8,147	5,900	14,047
Transportation expenses	(525)	(278)	(803)
Operating expenses	(4,676)	(2,113)	(6,789)
Midstream income[(1)]	1,146	-	1,146
General and administrative expenses	(62)	(2,159)	(2,221)
Current income taxes	(544)	-	(544)
Transaction costs	-	(841)	(841)
Interest and financing	-	614	614
Realized foreign exchange loss	-	(3)	(3)
Realized gain on derivative instruments	-	220	220
Funds flow from operations	3,486	1,340	4,826

($000)	Nine months ended September 30 2024		
	Netherlands	Canada/ Corporate	**Total**
Exploration and evaluation asset expenditures	1,265	182	**1,447**
Property, plant and equipment asset expenditures	6,777	5,039	**11,816**
Capital expenditures	8,042	5,221	**13,263**
Heavy crude oil	-	21,451	**21,451**
Natural gas liquids	158	882	**1,040**
Natural gas	22,393	1,831	**24,224**
Petroleum and natural gas sales	22,551	24,164	**46,715**
Royalties	-	(3,980)	**(3,980)**
Petroleum and natural gas revenue	22,551	20,184	**42,735**
Transportation expenses	(511)	(1,512)	**(2,023)**
Operating expenses	(16,061)	(7,036)	**(23,097)**
Midstream income[(1)]	4,192	-	**4,192**
General and administrative expenses	(2,522)	(4,874)	**(7,396)**
Current income taxes	3,263	-	**3,263**
Transaction costs	(236)	(2,586)	**(2,822)**
Interest and financing	-	1,407	**1,407**
Realized foreign exchange loss	-	(34)	**(34)**
Funds flow from operations	10,676	5,549	**16,225**

($000)	Nine months ended September 30 2023		
	Netherlands	Canada/ Corporate	Total
Exploration and evaluation asset expenditures	1,109	53	1,162
Property, plant and equipment asset expenditures	2,758	17,968	20,726
Capital Expenditures	3,867	18,021	21,888
Heavy crude oil	-	17,480	17,480
Natural gas liquids	269	775	1,044
Natural gas	22,066	3,001	25,067
Petroleum and natural gas sales	22,335	21,256	43,591
Royalties	-	(3,157)	(3,157)
Petroleum and natural gas revenue	22,335	18,099	40,434
Transportation expenses	(1,107)	(1,048)	(2,155)
Operating expenses	(9,855)	(7,018)	(16,873)
Midstream income(1)	2,964	-	2,964
General and administrative expenses	(600)	(5,332)	(5,932)
Current income taxes	(2,079)	-	(2,079)
Transaction costs	-	(1,270)	(1,270)
Interest and financing	-	72	72
Realized foreign exchange loss	-	(1)	(1)
Realized gain on derivative instruments	-	301	301
Funds flow from operations	11,658	3,803	15,461

(1) Midstream income from Noordgastransport BV

Reconciliation of funds flow from operations to net income (loss)

($000)	**Three months ended September 30** **2024**	2023	**Nine months ended September 30** **2024**	2023
Funds flow from operations	**3,360**	4,826	**16,225**	15,461
Unrealized foreign exchange gain (loss)	**287**	536	**(824)**	619
Unrealized (loss) gain on derivatives	**(85)**	(955)	**838**	(768)
Share-based compensation	**(628)**	(568)	**(1,980)**	(1,268)
Amortization of fair value increment of NGT	**(245)**	-	**(726)**	-
Depletion, depreciation and amortization	**(5,581)**	(5,031)	**(15,487)**	(13,379)
Accretion of decommissioning liability	**(1,376)**	(1,755)	**(3,975)**	(3,991)
Gain on acquisition	**-**	22,781	**(470)**	22,781
Deferred tax recovery	**1,814**	1,073	**4,723**	3,577
Net income (loss)	**(2,454)**	20,907	**(1,676)**	23,032

4. RESTRICTED CASH

Restricted cash 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. 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.

5. EXPLORATION AND EVALUATION ASSETS

($000)	Total
Balance, December 31, 2023	8,870
Additions	1,447
Acquisitions	(182)
Foreign exchange	295
Balance, September 30, 2024	**10,430**
Netherlands	**10,430**

E&E assets consist of the Company's projects that have yet to be established as technically feasible and commercially viable.

6. INVESTMENT IN ASSOCIATE

Tenaz has the following associate at September 30, 2024 and December 31, 2023:

Name of associate	% Interest held	Jurisdiction
Noordgastransport BV ("NGT")	21.4%	Netherlands

The following table reconciles the carrying amount of the investment in associate:

($000)	Total
Balance, December 31, 2023	21,366
Income from associate	3,466
Dividend	(2,679)
Foreign exchange	740
Balance, September 30, 2024	**22,893**

Investments in associate include the unamortized excess of the fair value increment recorded in the purchase price over the underlying net book value of the investee's assets and liabilities at the purchase date.

7. DEPOSIT ON ACQUISITION

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 of 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 pipelines. The transaction has an effective date of January 1, 2024 and is expected to close mid-2025 following operational transition activities. On the date of execution, Tenaz paid a €23 million ($34 million) deposit using cash on hand and a drawing from a revolving facility from National Bank of Canada (see Note 14).

8. PROPERTY, PLANT AND EQUIPMENT

($000)	Total
Cost	
Balance, December 31, 2023	164,270
Additions	11,819
Acquisitions	3,170
Share-based compensation (Note 11)	52
Decommissioning cost additions and change in estimates (Note 10)	6,828
Foreign exchange	1,769
Balance, September 30, 2024	**187,908**
Depletion, depreciation, amortization and impairment	
Balance, December 31, 2023	(48,477)
Depletion and depreciation	(15,448)
Foreign exchange	(491)
Balance, September 30, 2024	**(64,416)**
Carrying amounts	
($000)	
As at December 31, 2023	115,793
Canada	73,639
Netherlands	42,154
As at September 30, 2024	**123,492**
Canada	**77,942**
Netherlands	**45,550**

At September 30, 2024 the Company had not identified any indicators of impairment.

In Q2 2024, Tenaz acquired a gas plant and proximal 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 unused capacity to process more gas. The leasehold assets have minor current production, but contain several potential drilling opportunities in the Rex Member and Ellerslie Formation of the Mannville Group. Tenaz owns 100% of the gas plant and 87.5% of the acquired leasehold assets. Tenaz applied the optional concentration test under IFRS 3 Business Combinations which resulted in the purchase being accounted for as an asset acquisition.

9. LONG-TERM DEBT

Bank debt is comprised of the following:

As at ($000)	**September 30** **2024**	December 31 2023
Revolving Facility	**9,999**	-
Total	**9,999**	-

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 NAM Offshore B.V (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 (refer to Note 7), 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.

10. DECOMMISSIONING LIABILITY

($000)	
Balance, December 31, 2023	45,289
Additions	2,723
Changes in estimates	4,105
Settled	(4,285)
Accretion	3,975
Foreign exchange	1,248
Balance, September 30, 2024	**53,055**
Canada	**5,580**
Netherlands	**47,475**

Tenaz calculated the present value of the decommissioning liability using a credit-adjusted risk-free rate, with risk-free rates based on long-term, risk-free government bonds. Tenaz's credit spread is determined using the Company's expected cost of borrowing at the end of the reporting period.

Tenaz has estimated the decommissioning liability based on current cost estimates of $124.3 million (December 31, 2023 - $114.2 million). Current cost estimates are inflated to the estimated time of abandonment using inflated cost estimates of $155.5 million (December 31, 2023 - $142.9 million).

The country specific rates used as inputs to inflate cost estimates and discount the obligations were as follows:

	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%

11. SHARE CAPITAL

Authorized

- Unlimited number of voting Common Shares.
- Unlimited number of preferred shares issuable in series, with rights and privileges to be designated by the Board of Directors at the time of issuance.

Issued and outstanding

	Number of Common Shares (000's)	Amount ($000)
Balance, December 31, 2023	26,793	60,875
PSU's Vested	721	1,630
Options Exercised	187	786
Warrants Exercised	55	200
Normal course issuer bid	(330)	(746)
Balance, September 30, 2024	**27,426**	**62,745**

Normal Course Issuer Bid ("NCIB")

On August 21, 2023, the Toronto Stock Exchange approved the commencement of an NCIB. The NCIB allows 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.

The following table summarizes the share repurchase activities during the period:

	Nine months ended September 30 2024	Year ended December 31 2023
Share repurchase activities (000's of Common Shares)		
Shares repurchased	**(330)**	(1,300)
Amounts charged to ($000):		
Share capital	**(746)**	(2,956)
Retained earnings	**(484)**	(910)
Share repurchase cost	**(1,230)**	(3,866)
Average cost per share ($)	**3.73**	2.97

Long-term Incentive Plans

A summary of the Company's outstanding stock options at September 30, 2024 is presented below:

	Number of Stock Options (000's)	Weighted Average Exercise Price ($)	Remaining contractual life (years)
Balance, December 31, 2023	1,525	2.70	2.89
Options Exercised	(187)	3.52	
Forfeited	(93)	2.70	
Balance, September 30, 2024	**1,245**	**2.70**	**2.14**

Tenaz Incentive Plan ("TIP")

The following table summarizes the number of awards under the TIP:

(000's)	PSUs	RSUs	DSUs	Total
	Number of TIP Awards			
Balance, December 31, 2023	1,008	65	43	1,116
Granted	1,005	62	54	1,121
Vested	(387)	(22)	-	(409)
Forfeited	(58)	-	-	(58)
Balance, September 30, 2024	**1,568**	**105**	**97**	**1,770**

The PSUs are subject to a performance factor on the annual vesting date which can be in the range of 0 to 2. This performance factor will be multiplied by the number of PSUs each employee holds at the time of vesting. The performance factor is determined by the Board of Directors based on the Company's performance during the vesting period.

At September 30, 2024, there were 0.1 million Common Shares available for issuance under the TIP.

Share-based Compensation

($000)	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Share-based compensation:				
Stock Option Plan	**51**	178	**200**	503
TIP	**577**	468	**1,832**	882
Total share-based compensation	**628**	646	**2,032**	1,385
Capitalized share-based compensation (Note 8)	**-**	(78)	**(52)**	(117)
Share-based compensation expensed	**628**	568	**1,980**	1,268

Weighted average Common Shares

	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Net income (loss) ($000)	**(2,454)**	20,907	**(1,676)**	23,032
Weighted average Common Shares (000s)				
Basic	**27,360**	27,292	**26,959**	27,587
Diluted	**27,360**	29,555	**26,959**	28,822
Net income (loss) per share				
Basic	**(0.09)**	0.77	**(0.06)**	0.83
Diluted	**(0.09)**	0.71	**(0.06)**	0.80

Per share information is calculated based on the weighted average number of Common Shares outstanding during the period.

Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted to Common Shares. Diluted per share information is calculated using a method which assumes that any proceeds received by the Company upon the exercise of in-the-money stock options or warrants plus unamortized share-based compensation expense would be used to buy back Common Shares at the average market price for the period.

12. FINANCIAL INSTRUMENTS

At September 30, 2024, Tenaz's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, derivative instruments, and accounts payable and accrued liabilities.

Risks associated with financial assets and liabilities

Tenaz is exposed to credit risk, liquidity risk and market risk as part of its normal course of business.

Credit Risk

The majority of the credit exposure on accounts receivable at September 30, 2024, pertain to revenue for accrued September 2024 crude oil and natural gas sales volumes and receivables from joint interest partners. Tenaz primarily transacts with four Canadian and three Dutch oil and natural gas purchasers. The Canadian and Dutch customers typically remit amounts to Tenaz by the 25th day of the month following delivery. As at September 30, 2024, receivables for revenue were $5.0 million, which are included in accounts receivable (December 31, 2023 - $6.8 million). For the nine months ended September 30, 2024, the Company received approximately 84% of its revenue from 7 purchasers (September 30, 2023 – 97% of its revenue from 7 purchasers).

As at September 30, 2024 and December 31, 2023, the Company's trade receivables have been aged as follows:

As at ($000)	**September 30** **2024**	December 31 2023
Current	**5,108**	6,835
31 – 60 days	**-**	198
61 – 90 days	**23**	820
> 90 days	**157**	149
Allowance for doubtful accounts	**-**	-
Total	**5,288**	8,002

When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount.

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 (Note 12) 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.

Market Risk

Market price movements that could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows include commodity price risk (crude oil and natural gas), foreign currency exchange risk and interest rate risk.

Commodity Price Risk

Tenaz is exposed to commodity price risk on its derivative assets and liabilities which are used as part of the Company's risk management program to mitigate the effects of changes in commodity prices on future cash flows. As such, changes in commodity prices impact the fair value of derivative instruments and the corresponding gains or losses recognized on derivative instruments. As at September 30, 2024, Tenaz had no outstanding commodity derivative contracts.

Foreign currency risk

Foreign currency risk is the risk that future cash flows will fluctuate because of changes in foreign currency exchange rates. In addition, the Company may be exposed to foreign exchange risk in relation to foreign denominated cash, foreign currency swaps as well as other foreign-denominated working capital. Tenaz may manage the risks associated with changes in foreign currency by entering foreign currency swaps. As at September 30, 2024, Tenaz had no outstanding foreign exchanges derivative contracts.

Subsequent to September 30, 2024, Tenaz entered into an agreement, expiring January 8, 2025, to swap €4M for $5.95MM.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's revolving bank debt is exposed to interest rate risk on floating interest rate indebtedness due to fluctuations in market interest rates.

13. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company's objectives when managing capital are to i) deploy capital in order to provide an appropriate return on investment to its shareholders; ii) maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and iii) maintain a capital structure that provides financial flexibility to execute strategic acquisitions.

The Company's strategy is designed to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying crude oil and natural gas properties. Tenaz considers its capital structure to include shareholders' equity, working capital and bank debt, if any. In order to maintain or adjust its capital structure, the Company may from time to time issue new Common Shares, seek debt financing and adjust its capital spending to manage adjusted working capital and liquidity.

In order to facilitate the management of its capital expenditures and adjusted working capital, the Company prepares annual budgets which are updated quarterly depending upon varying factors including current and forecast crude oil and natural gas prices, capital expenditures and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

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.

Adjusted working capital (net debt) at September 30, 2024 and December 31, 2023 is summarized as follows:

($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	**8,999**	49,338

CORPORATE INFORMATION

BOARD OF DIRECTORS

Marty Proctor
Chair

Anna Alderson
Independent Director

John Chambers
Independent Director

Mark Rollins
Independent Director

Varinia Radu
Independent Director

Anthony Marino
President and Chief Executive Officer and Director

OFFICERS

Anthony Marino
President and Chief Executive Officer and Director

Bradley Bennett
Chief Financial Officer

Jenson Tan
Chief Operating Officer

David Burghardt
Senior Vice President, Engineering

Jonathan Balkwill
Vice President, Business Development

Jennifer Russel-Houston
Vice President, Geoscience

Brian Giang
Vice President, Finance

LEGAL COUNSEL

Lawson Lundell LLP
Calgary, Alberta

Torys LLP
Calgary, Alberta

AUDITORS

Deloitte LLP
Calgary, Alberta

BANKERS

National Bank of Canada
Calgary, Alberta

EVALUATION ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Odyssey Trust Company
Calgary, Alberta

STOCK TRADING

Toronto Stock Exchange (“TSX”)
Trading Symbol: **TNZ**

TENAZ ENERGY