2023 FIRST QUARTER REPORT

TENAZ ENERGY

FINANCIAL AND OPERATIONAL SUMMARY

($000 CAD, except per share and per boe amounts)	Three months ended Mar 31 2023	Dec 31 2022	Mar 31 2022
FINANCIAL			
Petroleum and natural gas sales	**17,926**	10,852	6,201
Cash flow from operating activities	**5,117**	4,809	1,158
Funds flow from operations(1)	**7,274**	3,236	992
Per share – basic(1)(2)	**0.26**	0.11	0.03
Per share – diluted(1)	**0.25**	0.11	0.03
Net income	**2,882**	747	3,497
Per share – basic	**0.10**	0.03	0.12
Per share – diluted	**0.10**	0.03	0.12
Capital expenditures(1)	**683**	4,988	719
Adjusted working capital (net debt)(1)	**18,763**	14,044	20,995
Common shares outstanding (000)			
End of period – basic	**27,733**	28,093	28,458
Weighted average for the period – basic	**27,917**	28,242	28,457
Weighted average for the period – diluted	**28,545**	28,244	29,361
OPERATING			
Average daily production			
Heavy crude oil (bbls/d)	**937**	827	515
Natural gas liquids (bbls/d)	**63**	53	62
Natural gas (mcf/d)	**8,022**	3,843	2,579
Total (boe/d)(2)	**2,337**	1,520	1,007
($/boe)(2)			
Petroleum and natural gas sales	**85.23**	77.59	68.44
Royalties	**(6.28)**	(11.12)	(10.38)
Transportation expenses	**(3.41)**	(2.60)	(1.57)
Operating expenses	**(24.69)**	(21.56)	(21.02)
Midstream income(1)	**4.36**	-	-
Operating netback(1)	**55.21**	42.31	35.47
BENCHMARK COMMODITY PRICES			
WTI crude oil (US$/bbl)	**76.11**	82.63	94.29
WCS (CAD$/bbl)	**74.52**	77.39	101.03
AECO daily spot (CAD$/mcf)	**3.24**	5.23	4.52
TTF (CAD$/mcf)	**22.78**	50.12	41.45

(1) This is a non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section of the Management's Discussion & Analysis for the three months ended March 31, 2023 ("MD&A").

(2) 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.

HIGHLIGHTS

First Quarter Operating and Financial Results

- Production volumes averaged 2,337 boe/d[1] in Q1 2023, up 54% from Q4 2022 and 132% from Q1 2022. The production increase was due to the acquisition of Netherlands assets at the end of 2022 and continued organic growth in our Canadian assets.
- Funds flow from operations ("FFO")[2] for the first quarter was $7.3 million, up 125% from Q4 2022 and 633% from Q1 2022. Higher 2023 funds flow from operations resulted from contributions from the new Netherlands assets.
- Free cash flow[2] in Q1 2023 was $6.6 million, compared to negative free cash flow of $1.8 million in Q4 2022. The improvement was driven by contributions from both our Netherlands and Canadian assets.
- Net income for Q1 2023 was $2.9 million, as compared to $0.7 million in Q4 2022, an increase that was the result of both higher operating netback[2] and higher production. Q1 2023 net income was lower than net income of $3.5 million in Q1 2022, due to a $4.2 million impairment reversal which occurred in Q1 2022.
- We ended the quarter with positive adjusted working capital[2] of $18.8 million, an increase of $4.7 million over year-end 2022 as a result of the free cash flow[2] generated in Q1 2023.
- Our Normal Course Issuer Bid ("NCIB") program retired 360,100 common shares (1.3% of basic common shares) at an average cost of $2.27 per share during the first quarter of 2023. As of the end of April 2023, we have retired 926,200 shares at an average cost of $1.95 per share.

Budget and Outlook

- Capital expenditures[2] during the first quarter totalled $0.7 million. Annual guidance for capital expenditures remains unchanged at $20 to $24 million.
- Production for Q2 2023 may be modestly lower than Q1 2023 due to turnarounds in both Netherlands and Canada. Our planned 2023 Canada drilling program is expected to start in late Q2 or early Q3, with four gross (3.35 net) wells brought on production later in the year.
- Annual production guidance of 2,200 to 2,300 boe/d remains unchanged.

[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 of this MD&A.

[2] This is a non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section of this MD&A.

PRESIDENT'S MESSAGE

We are pleased to provide this update along with our results for the first quarter of 2023. We generated significant funds flow from operations ("FFO")[3] in Q1 2023 which was coupled with low seasonal capital expenditures[3] ("CAPEX"). As a result, our positive adjusted working capital (net debt)[3] position improved to $18.8 million, providing further liquidity to assist in the financing of future acquisitions. We continue to focus our efforts towards our strategy of acquiring international upstream assets to provide full-cycle value additions for our shareholders.

Our Canadian asset at Leduc-Woodbend continues to produce as expected, with first quarter production of 1,560 boe/d, up from 1,423 boe/d in Q4 2022. Uptime was strong, and reservoir performance has continued to meet or exceed our expectations. Our Leduc-Woodbend production guidance for full-year 2023 remains as previously announced at 1,450 to 1,550 boe/d.

Our 2023 drilling program will commence in late Q2 or early Q3, with production contributions from the four (3.35 net) well program expected later in the second half of 2023. While the wells to be drilled in 2023 can be brought online within our overall existing facility capacity, part of our 2023 CAPEX will go toward localized facility modifications to optimize our producing operations and enhance long-term processing capabilities at Leduc-Woodbend.

Our Netherlands natural gas asset also performed as expected with high uptime and limited CAPEX activity. We continue to target production of approximately 750 boe/d for 2023.

Netherlands maintenance activity will increase beginning in Q2, though capital requirements could be lower than first projected at the time of the acquisition. At present, we are maintaining our CAPEX guidance range at $4 to $6 million for 2023. Our CAPEX plan for Netherlands contemplates production-enhancing workovers and recompletions, well hydraulics optimizations, and compression modifications, with no new drilling planned at present.

Neptune Energy, as operator of the L10 field in offshore Netherlands, continues to study the technical requirements and assess the commercial viability of carbon capture and storage ("CCS"). The project's proximity to other mature gas reservoirs allows for cooperation between potential CCS operators in the Dutch North Sea which may provide additional economies of scale. If commercially viable, the CCS project has the potential to store a significant amount of CO2, with contemplated annual capacity of up to 5 million tonnes ("mt") (0.55 mt net to Tenaz).

Our current asset portfolio is bearing fruit from our team's technical work, which is now being applied to both our operated assets in Canada and non-operated assets in Netherlands. The asset base currently within Tenaz has a quality set of development opportunities including:

- Organic development of the Leduc-Woodbend field which has a significant number of future drilling locations within the established reservoir boundaries.
- Longer-term development of discovered oil resource at production license F17a in the Netherlands, operated by Wintershall, which is currently being evaluated for the most effective development plan.
- Short- and medium-term projects to extend the producing life of our production licenses in the Dutch North Sea. Current natural gas prices have enhanced the economic viability of both tied-in fields and those that require additional gathering lines or new production installations.
- In most cases, our offshore processing facilities and gas transmission pipelines to shore have more than sufficient capacity to handle additional volumes from several discovered but not tied-in fields. These fields are not included in our reserve report under NI 51-101, but may be recordable as Contingent Resources. Tenaz has commissioned independent assessments of Contingent and Prospective Resources for our Netherlands assets.

[3] This is a non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section of this MD&A.

To summarize our financial performance, Q1 2023 delivered record FFO[4] due to strong well performance, high uptime in our two regions, supportive commodity prices and continued focus on cost control. Positive adjusted working capital (net debt)[4] of $18.8 million reflects the excess cash flow after deducting share repurchases for the period. The positive adjusted working capital balance does not reflect income earned on the NGT pipeline system, as cash is received from that investment through the payment of annual dividends. Including our undrawn bank credit facility, we now have more cash and available liquidity than we had at the time of the recapitalization of Altura in 2021. At the same time, our production is approximately 2.3x 2021 levels, our annualized FFO (based on Q1 2023) as compared to full-year 2021 is approximately 8.3x, and we have retired 3.3% of our shares under the NCIB.

Despite recent decreases in commodity prices, realized prices remain at levels that generate significant free cash and provide strong project returns. The spot price for TTF gas is $14.22 per mcf, with a forward price for the remainder of 2023 at $18.63 per mcf and calendar 2024 at $24.01[5]. Our other major product is Canadian oil, where WTI is currently priced at approximately US$70 per bbl and WCS differentials have contracted to US$15.50 per bbl. While Canadian natural gas is a less-significant product in our mix, a meaningful portion of our AECO gas exposure is fixed for 2023 at prices well above current market levels.

We will seek to expand our asset base in our regions of strategic interest by pursuing additional value-adding transactions. We believe the asset market is more conducive to this goal today than at any time in Tenaz's history. Because commodity prices have receded from the highs of early 2022, asset sellers now have greater realism regarding their price expectations. Although we can make no guarantees with respect to timing, we are optimistic that we will be able to bring additional opportunities to fruition from the high-quality acquisition projects in our transaction pipeline.

/s/ Anthony Marino

President and Chief Executive Officer
May 15, 2023

[4] This is a non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section of this MD&A.

[5] As of close of markets on May 9, 2023.

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 May 15, 2023 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 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.sedar.com. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting 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 and its 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

	Q1 2023	Q4 2022	Q1 2022
Production			
Heavy crude oil (bbls/d)	**937**	827	515
Natural gas liquids (bbls/d)	**63**	53	62
Natural gas (mcf/d)	**8,022**	3,843	2,579
Total (boe/d)	**2,337**	1,520	1,007
Net income	**2,882**	747	3,497
Per share – basic	**0.10**	0.03	0.12
Per share – diluted	**0.10**	0.03	0.12
Cash flow from operating activities	**5,117**	4,809	1,158
Funds flow from operations(1)	**7,274**	3,236	992
Per basic share(1)	**0.26**	0.11	0.03
Per basic diluted share(1)	**0.25**	0.11	0.03
Adjusted working capital (net debt)(1)	**18,763**	14,044	20,995
Activity			
Capital expenditures ($000)(1)	**683**	4,988	719
Wells drilled - Gross/(Net)	**-**	-	-
Wells completed - Gross/(Net)	**-**	-	-

(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

	Q1 2023	Q4 2022	Q1 2022
Canada			
Heavy crude oil (bbls/d)	**937**	827	515
Natural gas liquids (bbls/d)	**54**	51	62
Natural gas (mcf/d)	**3,414**	3,273	2,579
Total Canada (boe/d)	**1,560**	1,423	1,007
Netherlands			
Natural gas liquids (bbls/d)	**9**	2	-
Natural gas (mcf/d)	**4,608**	570	-
Total Netherlands (boe/d)	**777**	97	-
Total Company			
Heavy crude oil (bbls/d)	**937**	827	515
Natural gas liquids (bbls/d)	**63**	53	62
Natural gas (mcf/d)	**8,022**	3,843	2,579
Total Company (boe/d)	**2,337**	1,520	1,007

Canada

- Production of 1,560 boe/d was above the high end of the guidance-range.
- Production increased over both comparable periods due to our successful 2022 drilling program.
- No additional wells were brought on production during Q1 2023, with our 2023 capital program expected to commence in the summer once ground conditions allow for mobilization of drilling services.
- Wells drilled in Q3 2022 and brought online during Q4 2022 are producing on their expected type curves
- New wells are restricted as to peak production potential, as we size artificial lift equipment to a longer-term production profile to enhance capital efficiency.

Netherlands

- Q1 2023 was the first full quarter of production from our newly acquired assets, which contributed 777 boe/d (4.6 mmcf/d).
- Scheduled annual maintenance activity is currently underway with 14 days of expected downtime during Q2 2023 on the processing platform at L10 that services the producing fields.
- There was no major workover or drilling activity in the Netherlands. The operator of the producing assets in the Dutch North Sea ("DNS") has planned workover activity for 2023 that will mitigate natural declines starting later in the year.

Net Income

Quarterly comparison

- Q1 2023 was lower than Q1 2022 based on the impacts of:
  - Full quarter of Netherlands production.
  - Partially offset by the impact of higher G&A, transaction costs and interest expense primarily associated with the integration of the DNS assets and financing activity for placing decommissioning security.
  - Absence of prior period impairment reversals, which occurred in Q1 2022 and without which we would have recorded a net loss in the year-earlier quarter.
- Q1 2023 was higher than Q4 2022 based on the impacts of:
  - Full quarter of Netherlands production.
  - Offsetting the impact of weaker commodity prices in Canada, higher G&A, transaction costs and interest expense primarily associated with the integration of the DNS assets and financing activity for placing decommissioning security.

Benchmark Commodity Prices

	Q1 2023	Q4 2022	Q1 2022
Average Benchmark Prices			
WTI crude oil (US$/bbl)(1)	**76.11**	82.63	94.29
WCS differential (US$/bbl)(2)	**(21.01)**	(25.64)	(14.48)
US$/CAD$ exchange rate	**0.740**	0.737	0.790
WCS (CAD$/bbl)	**74.52**	77.39	101.03
AECO daily spot (CAD$/mcf)	**3.24**	5.23	4.52
TTF (CAD$/mcf)(3)	**22.78**	50.12	41.45
Average Realized Prices(4)			
Heavy crude oil ($/bbl)	**80.09**	90.04	100.92
Natural gas liquids ($/bbl)	**78.13**	65.75	58.74
Natural gas ($/mcf)	**14.86**	10.41	5.15
Petroleum and natural gas sales ($/boe)	**85.23**	77.59	68.44

(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

- Q1 2023 commodity pricing was:
    - Weaker than Q1 2022 for WCS in CAD terms with a decrease of 26% on macro-economic driven weakness in oil markets during the first quarter.
    - Weaker than Q1 2022 for AECO with a decrease of 28% driven by high storage levels for natural gas following a weaker winter period for consumption and less LNG volumes being shipped from North America.
    - Weaker than Q1 2022 for TTF with a decrease of 45% as a result of a warmer-than-normal winter and mandated gas conservation measures in Europe, creating less urgency for the refilling of storage. The first quarter of 2022 had significant supply uncertainty from the Russian invasion of Ukraine which led to a large price spike for European gas.
- Q1 2023 commodity pricing was:
    - Weaker than Q4 2022 for WCS with a 4% decrease on global macro worries that decreased WTI pricing. WCS differentials partially offset the change in WTI with a tightening of the differential during the second half of Q1 2023.
    - Weaker than Q4 2022 for AECO with a 38% decrease associated with high seasonal storage levels in the second half of the winter heating season.
    - Weaker than Q4 2022 for TTF with a 55% decrease as a result of a warmer-than-normal winter and mandated gas conservation measures in Europe.
- Consolidated realized pricing was higher by 12% and 27% when comparing against Q1 2022 and Q4 2022, respectively, from the inclusion of stronger European gas pricing from our Netherlands asset versus the prior period production mix.

Financial Review

($000)	**Q1 2023**	Q4 2022	Q1 2022
Sales			
Heavy crude oil	**6,754**	6,851	4,681
Natural gas liquids	**443**	319	326
Natural gas	**10,729**	3,682	1,194
Petroleum and natural gas sales	**17,926**	10,852	6,201
Royalties	**(1,322)**	(1,555)	(940)
Transportation expenses	**(718)**	(363)	(142)
Operating expenses	**(5,193)**	(3,015)	(1,905)
Midstream income[(1)(2)]	**917**	-	-
General and administrative expenses	**(1,687)**	(1,217)	(1,246)
Transaction costs	**(52)**	(932)	-
Exploration and evaluation expenses	**(441)**	-	-
Interest and financing, net of income	**(604)**	-	(5)
Realized foreign exchange loss	**(8)**	(7)	-
Realized gain (loss) on derivatives	**91**	-	(971)
Current income taxes	**(1,635)**	(527)	-
Funds flow from operations[(1)]	**7,274**	3,236	992

(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

Review of results

- Q1 2023 of $7.3 million ($0.26 per share) which is a new quarterly record for the Company with the combined contributions of:
    - Full quarter of Netherlands production
    - Higher production in Canada from our successful 2022 drilling campaign
- Offsetting the operational increases were higher G&A, transaction costs and interest as a result of the execution of closed and prospective acquisition activity.

Quarterly comparison

- Q1 2023 was higher than Q1 2022 based on the impacts of:
    - Full quarter of Netherlands production.
    - Offsetting impact of higher G&A, transaction costs and interest expense primarily associated with the integration of the DNS assets and financing activity to place decommissioning security.
- Q1 2023 was higher than Q4 2022 based on the impacts of:
    - Full quarter of Netherlands production.
    - Offsetting impact of higher G&A, transaction costs and interest expense primarily associated with the integration of the DNS assets and financing activity to place decommissioning security.

Operating Netback Summary

($/boe)	**Q1 2023**	Q4 2022	Q1 2022
Canada			
Petroleum and natural gas sales	**58.32**	67.22	68.44
Royalties	**(9.42)**	(11.88)	(10.38)
Transportation expenses	**(3.11)**	(2.41)	(1.57)
Operating expenses	**(18.44)**	(18.13)	(21.02)
Canada operating netback(1)	**27.35**	34.80	35.47
Netherlands			
Petroleum and natural gas sales	**139.25**	229.94	-
Transportation expenses	**(4.03)**	(5.38)	-
Operating expenses	**(37.24)**	(71.83)	-
Midstream income(1)	**13.11**	-	-
Netherlands operating netback(1)	**111.09**	152.73	-
Total Company			
Petroleum and natural gas sales	**85.23**	77.59	68.44
Royalties	**(6.28)**	(11.12)	(10.38)
Transportation expenses	**(3.41)**	(2.60)	(1.57)
Operating expenses	**(24.69)**	(21.56)	(21.02)
Midstream income(1)	**4.36**	-	-
Total Company operating netback(1)	**55.21**	42.31	35.47

(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 stronger in Q1 2023 as compared to both comparable periods due to:

- Stronger realized pricing for European gas increasing the overall realized price for Q1 2023.
- Higher operating and transportation costs per boe partially offset the realized pricing enhancement associated with European gas exposure.
- Income from NGT interest partially offset the higher cost structure of the offshore gas assets.

Petroleum and Natural Gas Sales

($000 except per boe)	**Q1 2023**	Q4 2022	Q1 2022
Petroleum and natural gas sales			
Canada	**8,188**	8,800	6,201
Netherlands	**9,738**	2,052	-
Total Company	**17,926**	10,852	6,201
Per boe			
Canada	**58.32**	67.22	68.44
Netherlands	**139.25**	229.94	-
Company	**85.23**	77.59	68.44

Quarterly comparison per boe

- Higher sales in Q1 2023 reflect the additional contribution from the acquisition closed in December 2022 for assets in the DNS.
- Sales for the current quarter increased by 69% and 196% as compared to Q4 2022 and Q1 2022, respectively.
- Sales for Canada for Q1 2023 were also higher, as compared to Q1 2022, as the higher production for Q1 2023 was only partially offset by a weakening of both WCS and AECO prices.

Quarterly comparison per boe

- Realized price on a per boe basis increased due to the shift of the producing asset composition by adding European gas exposure.

Royalties

($000 except per boe)	**Q1 2023**	Q4 2022	Q1 2022
Royalties			
Canada	**1,322**	1,555	940
Netherlands	**-**	-	-
Total Company	**1,322**	1,555	940
As a percentage of sales			
Canada	**15.2%**	17.7%	15.2%
Netherlands	**-**	-	-
Company	**7.2%**	14.3%	15.2%

Quarterly comparison

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:

- Q1 2023 royalty expense was lower than Q4 2022 both on a per boe and percentage of sales basis.
- The reduction in royalties resulted from a greater proportion of production in the first quarter benefiting from a lower royalty rate applicable in the initial production period. The lower royalty rate on the initial production period, also known as crown royalty holiday, is applicable until the well has reached payout under a prescribed calculation set by the Alberta government.

Netherlands royalties expected to be incurred pertaining to Q1 2023 were nil. Royalties 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 is to partially subsidize the impact of higher domestic natural gas prices on consumers.

Operating Expenses

($000 except per boe)	**Q1 2023**	Q4 2022	Q1 2022
Operating expenses			
Canada	**2,589**	2,374	1,905
Netherlands	**2,604**	641	
Total Company	**5,193**	3,015	1,905
Per boe			
Canada	**18.44**	18.13	21.02
Netherlands	**37.24**	71.83	-
Company	**24.69**	21.56	21.02

Quarterly comparison (Canada)

- Operating expense for the three months ended March 31, 2023, was $2.6 million, an increase of 9% and 36%, from $2.1 million and $1.9million, for Q4 2022 and Q1 2022, respectively.
- The increase in Canadian Q1 2023 operating expense over the prior period was a result of increases associated with carbon tax, higher equipment rentals, field activities to ramp up new well production, and an equalization payment to a third-party gas processor, partially offset by lower utilities and field maintenance expense. Q1 2023 operating expense was higher than the prior-year period because of carbon tax incurred and additional variable operating costs associated with higher production volumes, primarily electricity and consumables.
- Carbon taxes are a major contributor to higher operating expense as the third-party plant that processes our natural gas volumes flows the cost of carbon taxes to its customers as they are incurred. The cost of carbon continues to increase annually on a per ton of carbon dioxide equivalent emissions which creates higher costs for producers even when emissions are held flat or decrease year-over-year.

Quarterly comparison per boe (Canada)

- Operating expense per boe for the three months ended March 31, 2023 was $18.44 per boe, an increase of 1% and decrease of 12%, from $18.33 per boe and $21.02 per boe, for Q4 2022 and Q1 2022, respectively.
- On a per unit basis, Q1 2023 expenses were nearly flat to the prior period as increased expenses were offset by increased production. The decrease in Q1 2023 per unit operating expense versus the prior-year period primarily reflects higher production volumes spreading fixed field costs over a bigger base.

Quarterly comparison (Netherlands)

- Operating costs in Q1 2023 represent the first full quarter of operating costs for the acquired assets.
- Relatively high fixed costs are typically found in these types of offshore operations compared to onshore installations. There is seasonality of costs depending on activity levels offshore and the timing of maintenance campaigns.
- Costs associated with turnaround activities can lead to higher costs during periods of planned shutdowns and annual maintenance will result in a variability of operating costs allocated to Tenaz by the operator.

Quarterly comparison per boe (Netherlands)

- Operating costs on a per boe basis in Q1 2023 are consistent with our expectation for the cost of operating and maintaining the existing asset base. Prior period operating expense for Netherlands reflected only a partial month of production in December 2023.

Transportation Expenses

($000 except per boe)	**Q1 2023**	Q4 2022	Q1 2022
Transportation expenses			
Canada	**436**	315	142
Netherlands	**282**	48	-
Total Company	**718**	363	142
Per boe			
Canada	**3.11**	2.41	1.57
Netherlands	**4.03**	5.38	-
Company	**3.41**	2.60	1.57

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 the market. Increases in Q1 2023 as compared to both the prior periods presented reflect increases in the variable trucking rates and the shipment of certain volumes to more distant sales points to obtain higher realized sales prices for our crude oil.

Other (Income) Expenses

($000 except per boe)	**Q1 2023**	Q4 2022	Q1 2022
Transaction costs	**52**	932	-
Income from associate – NGT(1)	**(917)**	-	-
Exploration and evaluation expenses	**441**	-	-
Interest and financing, net of income	**604**	-	5

(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

Transaction costs for the periods were incurred for the acquisition in Netherlands which closed during December 2022. The costs in the most recent and preceding quarter relate to professional services including legal and tax advisory, as well costs pertaining to technical and financial due diligence.

Business development costs associated with pursuing the Company's international acquisition strategy are included in G&A until a definitive agreement is reached, after which time they are classified as transaction costs.

Income from associate - NGT

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. For Tenaz's interest in NGT, we recognized $0.9 million of after-tax earnings for the first quarter of 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 gas market for our share of production. The ultimate realization of earnings to cash is completed through dividend payments (annually in recent periods). Tenaz expects that it will receive its share of the available dividends during 2023 related to profits recognized for fiscal year 2022.

Exploration and evaluation expenses

Tenaz recognizes the costs of projects in expense prior to the initiatives reaching commercial certainty or when under evaluation for potential design and development. Exploration and evaluation expenses include the study of the technical requirements and assessment of the commercial viability of carbon capture and storage ("CCS") at the L10 field in offshore Netherlands.

Interest and Financing Expenses, net of income

Interest expenses for the current quarter were incurred for the cost of borrowing under our revolving credit facilities during Q1 2023. Borrowing under the facilities was executed at the closing of the acquisition 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)	**Q1 2023**	Q4 2022	Q1 2022
Gross G&A	**2,057**	1,443	1,509
Capitalized G&A and overhead recoveries	**(370)**	(226)	(263)
Net G&A	**1,687**	1,217	1,246

Quarterly comparison

- Q1 2023 increased in response to our expanded asset portfolio, including the number of legal entities, and additional services required for operating in multiple jurisdictions.
- Continued focus on business development activities contributed to increases with higher spending on contract professional and legal services.
- G&A as a percentage of sales has decreased significantly from 11% and 20%, for the above respective periods, as compared to the current quarterly run rate of approximately 9%. The decrease in the administrative and overhead costs relative to the cash flow generating ability of the business reflects the growing scale and efficiency of our growth to-date.

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

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

($000)	**Q1 2023**	Q4 2022	Q1 2022
Commodity contracts			
Crude oil contracts	**(67)**	(48)	(817)
Natural gas contracts	**249**	(428)	(154)
Foreign Exchange	**(91)**		(154)
Realized gain (loss) on derivative instruments	**91**	(476)	(971)

A summary of the derivative instruments in place as at March 31, 2023 are shown in the "Unrealized gain (loss) on derivative instruments" section below.

Net Income and Funds Flow from Operations

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

($000)	**Q1 2023**	Q4 2022	Q1 2022
Funds flow from operations(1)	**7,274**	3,236	992
Unrealized foreign exchange gain	**47**	334	-
Unrealized gain (loss) on derivative instruments	**446**	(476)	(23)
Share-based compensation expense	**(191)**	(287)	(312)
Depletion, depreciation and amortization	**(4,782)**	(1,837)	(1,349)
Impairment reversal	**-**	-	4,240
Accretion of decommissioning liability	**(1,132)**	(92)	(51)
Deferred tax expense	**1,220**	(131)	-
Net income	**2,882**	747	3,497

(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)	**Q1 2023**	Q4 2022	Q1 2022
Share-based compensation:			
Options	**158**	256	337
Performance share units (“PSUs”)	**49**	48	-
Total share-based compensation	**207**	304	337
Capitalized share-based compensation	**(16)**	(17)	(25)
Share-based compensation expense	**191**	287	312

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 decreased for the first quarter of 2023 as a result of forfeited and expired options that lowered the number of awards outstanding for the current period.

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

DD&A for the first quarter of 2023 increased as compared to both of the comparable quarters due to incremental depletion for the first full quarter of production from the Netherlands assets. Per boe DD&A is also higher as the DD&A per boe for the new reserves is higher than that attributed to the Canadian asset base.

Impairment reversal

In Q1 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. Subsequent to the impairment reversal in Q1 2022, no cash-generating units had any prior impairments that could be reversed in future periods.

Accretion of decommissioning liability

Accretion expense represents the increase in the decommissioning liability resulting from the passage of time. The increase in accretion for Q1 2023 is mainly due to additional accretion from the Netherlands decommissioning liability acquired prior to year-end 2022.

Unrealized gain (loss) on derivative instruments

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

($000)	**Q1 2023**	Q4 2022	Q1 2022
Commodity contracts	**18**	(48)	(23)
Foreign currency swaps	**428**	(428)	-
Unrealized gain (loss) on derivative instruments	**446**	(476)	(23)

In Q4 2022, Tenaz entered into fixed price commodity contracts in order to reduce the volatility of crude oil and natural gas sales and entered into a foreign currency swap to mitigate the exchange rate on euro-denominated restricted cash. The foreign currency swap was settled in Q1 2023.

The unrealized derivative gain in Q1 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 March 31, 2023:

Crude oil and natural gas contracts

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at March 31 2023 ($000)
WCS vs WTI Basis Swap Contracts						
Apr 1/23─Dec 31/23	Crude Oil	Swap	200 bbls/d	WCS	WTI less USD $16.50	(90)
Natural Gas Swap Contracts						
Apr 1/23─Oct 31/23	Natural Gas	Swap	500 GJ/d	AECO 5A	CAD $2.85	60
Net derivative instrument liability						**(30)**

In addition to financial hedges Tenaz enters into physical commodity sales arrangements from time-to-time. Tenaz has 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.

Income Taxes

The Company’s income taxes are detailed below:

($000)	**Q1 2023**	Q4 2022	Q1 2022
Income Taxes			
Current	**1,635**	527	-
Deferred	**(1,220)**	131	-
Total income tax expense	**415**	658	-
Current Income Taxes			
Canada	**-**	-	-
Netherlands	**1,635**	527	-
Total Company	**1,635**	527	-

Current taxes

For Q1 2023, Tenaz recorded current income tax expense of $1.6 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.

On September 30, 2022, the counsel of the European Union implemented a temporary “solidarity” contribution on excess profits of energy companies. During Q4 2022, the legislation outlining a solidarity contribution of 33%, calculated above a 20% increase in the average yearly taxable profits for 2018 to 2021, became substantively enacted. For the year ended December 31, 2022, Tenaz was subject to the 33% solidarity contribution on profits earned by the acquired legal entity. Income taxes on taxable profits earned after the closing of the Netherlands acquisition were recorded in net income beginning in December of 2022.

Deferred taxes

For Q1 2023, Tenaz recognized deferred tax recovery of $1.2 million primarily associated with reduced accounting differences in Netherlands arising from the current quarter DD&A and accretion expense.

Capital Expenditures

($000)	**Q1 2023**	Q4 2022	Q1 2022
By classification			
Exploration and evaluation expenditures	**36**	-	-
Property, plant and equipment expenditures	**647**	4,988	719
Capital expenditures(1)	**683**	4,988	719
By country			
Canada	**577**	-	-
Netherlands	**106**	4,988	719
Capital expenditures(1)	**683**	4,988	719
By category			
Geological and geophysical	**15**	6	2
Land	**12**	24	45
Drilling and completions	**4**	2,912	93
Workovers and recompletions	**2**	180	37
Equipping and tie-in	**116**	674	310
Facilities and pipelines	**369**	1,239	164
Other	**165**	(47)	68
Capital expenditures(1)	**683**	4,988	719

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

Decommissioning Liability

At March 31, 2023, Tenaz's decommissioning liability was $32.5 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 the recognized accretion expense and a strengthening of the Euro versus the Canadian dollar which increased the reported amount on the balance sheet.

The calculation of decommissioning liability applied the following rates:

		March 31 2023		December 31 2022
Country	**Inflation**	**Credit-adjusted risk-free rate**	Inflation	Credit-adjusted risk-free rate
Canada	**1.7%**	**14.4%**	1.4%	15.1%
Netherlands	**2.5%**	**13.8%**	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.

CAPITAL RESOURCES AND LIQUIDITY

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

($000)	**March 31 2023**	December 31 2022
Current assets	**48,546**	72,317
Current liabilities	**(29,813)**	(58,749)
Net current assets	**18,733**	13,568
Exclude fair value of derivative instruments	**30**	476
Adjusted working capital (net debt)(1)	**18,763**	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 $18.8 million as at March 31, 2023 increased from $14.0 million as at December 31, 2022. The improved working capital position resulted from positive cash flow during the quarter in combination with lower capital expenditures.

Restricted Cash

At March 31, 2023, Tenaz held restricted cash of €11.8 million ($17.3 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 licenses.

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 the assets. On February 28, 2023, the security required pursuant to the DSAs decreased from €40.9 million to €11.8 million. The decrease in the required security was due to several factors that go into the DSA determination, including completion of decommissioning activities and higher estimated future cash flows arising from the increase in European natural gas prices during the first half of 2022.

Credit Facilities

Bank debt is comprised of the following:

As at ($000)	**March 31 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 March 31, 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 May 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 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 March 31, 2023, Company was in compliance with all debt covenants. The working capital ratio as defined was 1.97:1 and the Company was compliant with the LMR covenant (7.84 at April 1, 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 March 31, 2023, Tenaz had a current tax liability of $22.0 million related to the Netherlands operations, which is net of net of instalments paid to the Dutch Tax Authority. The $22.0 million liability consists of $4.9 million related to corporate income tax ("CIT") and state profit share ("SPS") along with $17.1 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.

As at March 31, 2023, the Company was holding $25.0 million in cash and cash equivalents, $17.3 million in restricted cash (€11.8 million) and had $10 million available on undrawn Credit Facilities.

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 March 31, 2023 and December 2022:

	March 31 2023	December 31 2022
Common Shares	**27,733,074**	28,093,174
Warrants	**2,778,000**	2,778,000
Options	**1,525,000**	1,530,500
TIP Awards		
PSUs	**178,000**	179,500

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	(360,100)
Balance, March 31, 2023	**27,733,074**

Share Repurchases

On August 5, 2022, the Toronto Stock Exchange approved the Company to commence a normal course issuer bid (“NCIB”). The NCIB allows 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.

The Company has entered into 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 three months ended March 31, 2023 Tenaz purchased 360,100 Common Shares under the NCIB for total consideration of $0.8 million. The Common Shares purchased under the NCIB were cancelled following settlement of the transactions.

($000, except as noted)	**Q1 2023**	Q4 2022	Q1 2022
Share repurchase activities			
Common Shares repurchased	**(360,100)**	(312,200)	-
Amounts charged to:			
Share capital	**(825)**	(710)	-
Retained earnings	**9**	211	-
Share repurchase cost	**(816)**	(499)	-
Average cost per share ($)	**2.27**	1.60	

Tenaz Incentive Plan Awards

Subsequent to the end of the quarter 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 performance share units and the restricted share units vest over a 3-year period with the deferred share units 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:

	May 15 2023
Common Shares	27,561,974
Warrants	2,778,000
Options	1,525,000
TIP Awards	
PSUs	916,000
RSUs	65,000
DSUs	42,500

SUMMARY OF QUARTERLY RESULTS

Quarters Ended ($000, except per share and per boe amounts)	**Q1 2023**	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Financial								
Petroleum and natural gas sales[5]	**17,926**	10,852	7,690	9,344	6,201	5,453	4,717	4,220
Cash flow from operating activities	**5,117**	4,809	1,444	1,936	1,158	373	1,982	763
Funds flow from operations[1][7]	**7,274**	3,236	2,280	2,104	992	216	1,349	1,125
Per share - basic[1][3]	**0.26**	0.11	0.08	0.07	0.03	0.01	0.12	0.10
Per share - diluted[1][3]	**0.25**	0.11	0.08	0.07	0.03	0.01	0.12	0.10
Net income (loss)[6]	**2,882**	747	224	769	3,497	(258)	10,105	(532)
Per share - basic[3]	**0.10**	0.03	0.01	0.03	0.12	(0.01)	0.93	(0.05)
Per share - diluted[2][3]	**0.10**	0.03	0.01	0.03	0.12	(0.01)	0.93	(0.05)
Capital expenditures[1][8]	**683**	4,988	7,882	3,512	719	5,840	2,614	427
Adjusted working capital (net debt)[1]	**18,763**	14,044	13,887	19,431	20,995	20,688	(3,462)	(2,200)
Common shares outstanding (000)								
End of period - basic[3]	**27,733**	28,093	28,405	28,548	28,458	28,438	10,892	10,892
Weighted average for period - basic[3]	**27,917**	28,242	28,520	28,481	28,457	26,069	10,892	10,892
Weighted average for period - diluted[2][3]	**28,545**	28,244	28,690	29,241	29,361	27,450	10,892	10,892
Operating								
Average daily production								
Heavy crude oil (bbls/d)	**937**	827	687	636	515	502	496	528
Natural gas liquids (bbls/d)	**63**	53	47	61	62	78	72	57
Natural gas (mcf/d)	**8,022**	3,843	2,929	2,524	2,579	2,895	2,861	2,543
Total (boe/d)[4][5]	**2,337**	1,520	1,222	1,117	1,007	1,063	1,045	1,009
($/boe)[4]								
Petroleum and natural gas sales[5]	**85.23**	77.59	68.39	91,90	68.44	55.78	49.04	45.97
Royalties	**(6.28)**	(11.12)	(15.23)	(17.11)	(10.38)	(7.10)	(5.53)	(5.15)
Transportation expenses	**(3.41)**	(2.60)	(1.75)	(3.12)	(1.57)	(1.81)	(1.75)	(2.45)
Operating expenses	**(24.69)**	(21.56)	(17.04)	(14.47)	(21.02)	(12.20)	(14.44)	(13.96)
Midstream income	**4.36**	-	-	-	-	-	-	-
Operating netback[1]	**55.21**	42.31	34.37	57.20	35.47	34.67	27.32	24.41

(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 acquisition in December 2022, dispositions, voluntary shut-ins and subsequent reactivations and natural declines.
(6) Net income (loss) has fluctuated over the past eight quarters mainly due to 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 a number of 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 as a result of 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.

SUBSEQUENT EVENTS

TIP Awards

In April 2023, pursuant to the Tenaz Incentive Plan, the Company issued 660,000 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.

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, 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, 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 months ended March 31, 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.sedar.com 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.sedar.com 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 March 31, 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 months ended March 31, 2023.

Tenaz has limited the scope of disclosure controls and procedures ("DC&P") and ICFR to exclude controls, policies and procedures of the private U.S. corporation acquired through the Netherlands Acquisition on December 20, 2022. 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.

The table below presents the summary financial information of the private U.S. corporation acquired through the Netherlands Acquisition included in Tenaz's financial statements as at and for the three months ended March 31, 2023:

As at ($000)	**March 31** **2023**
Total assets	**106,043**
Total liabilities	**(97,711)**

($000)	**Three months ended** **March 31, 2023**
Petroleum and natural gas sales, net of royalties	**9,738**
Transportation expense	**(282)**
Operating expense	**(2,604)**
Midstream income(1)	**917**
Operating netback(1)	**7,769**
Net income	**2,335**

(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 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)	**Q1 2023**	Q4 2022	Q1 2022
Cash flow from operating activities	**5,117**	4,809	1,158
Change in non-cash operating working capital	**907**	(1,829)	(166)
Decommissioning liabilities settled	**333**	256	-
Income from associate	**917**	-	-
Funds flow from operations	**7,274**	3,236	992

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)	**Q1 2023**	Q4 2022	Q1 2022
Exploration and evaluation expenditures	**36**	-	-
Property, plant and equipment expenditures	**647**	4,988	719
Capital expenditures	**683**	4,988	719

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)	**Q1 2023**	Q4 2022	Q1 2022
Funds flow from operations	**7,274**	3,236	992
Less: Capital expenditures	**(683)**	(4,988)	(719)
Free cash flow	**6,591**	(1,752)	273

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. 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.

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.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

As at

($000)	Note	**March 31 2023**	December 31 2022
ASSETS			
Current assets			
Cash and cash equivalents		**24,989**	1,832
Restricted cash	4	**17,282**	59,091
Accounts receivable	11	**5,337**	10,251
Prepaid expenses and deposits		**878**	1,099
Derivative instruments	11	**60**	44
		48,546	72,317
Exploration and evaluation assets	5	**14,996**	14,706
Property, plant and equipment	6	**101,594**	104,275
Right-of-use assets		**11**	12
Investment in associate	7	**13,613**	12,591
Total assets		**178,760**	203,901
LIABILITIES			
Current liabilities			
Bank debt	8	**-**	21,483
Accounts payable and accrued liabilities		**7,634**	14,396
Current portion of lease liabilities		**73**	66
Taxes payable	11	**22,016**	22,284
Derivative instruments	11	**90**	520
		29,813	58,749
Lease liabilities		**36**	59
Decommissioning liability	9	**32,451**	30,435
Deferred taxes		**42,807**	43,287
Total liabilities		**105,107**	132,530
SHAREHOLDERS' EQUITY			
Share capital	10	**63,006**	63,831
Warrants		**3,203**	3,203
Contributed surplus		**9,078**	8,871
Deficit		**(1,643)**	(4,534)
Accumulated other comprehensive income		**9**	-
Total shareholders' equity		**73,653**	71,371
Total liabilities and shareholders' equity		**178,760**	203,901

Subsequent events	14		

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME (unaudited)

($000, except per share amounts)	Note	Three months ended March 31 2023	2022
REVENUE			
Petroleum and natural gas sales		**17,926**	6,201
Royalties		**(1,322)**	(940)
Petroleum and natural gas revenue		**16,604**	5,261
EXPENSES			
Transportation		**718**	142
Operating		**5,193**	1,905
Income from associate	7	**(917)**	-
General and administrative		**1,687**	1,246
Transaction costs		**52**	-
Interest and financing, net of income		**604**	5
Exploration and evaluation		**441**	-
Foreign exchange gain		**(39)**	-
(Gain) loss on derivative instruments	11	**(537)**	994
Share-based compensation	10	**191**	312
Depletion, depreciation and amortization		**4,782**	1,349
Impairment reversal		**-**	(4,240)
Accretion of decommissioning liability	9	**1,132**	51
Total expenses		**13,307**	1,764
Net income before income taxes		**3,297**	3,497
Provision for income taxes			
Current		**1,635**	-
Deferred		**(1,220)**	-
Total income taxes		**415**	-
Net income		**2,882**	3,497
Other comprehensive income			
Currency translation adjustments		**9**	-
Net comprehensive income		**2,891**	3,497
Net income per share			
Basic	10	**0.10**	0.12
Diluted	10	**0.10**	0.12

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY (unaudited)

For the periods ended March 31

($000)	Note	Share capital	Warrants	Contributed surplus	Deficit	AOCI[1]	Total Equity
Balance, January 1, 2022		64,503	3,203	7,661	(10,052)	-	65,315
Exercise of stock options		66	-	(24)	-	-	42
Share-based compensation							
- Expensed	10	-	-	312	-	-	312
- Capitalized	10	-	-	25	-	-	25
Net income for the period		-	-	-	3,497	-	3,497
Balance, March 31, 2022		64,569	3,203	7,974	(6,555)	-	69,191
Balance, December 31, 2022		63,831	3,203	8,871	(4,534)	-	71,371
Normal course issuer bid	10	(825)	-	-	9	-	(816)
Share-based compensation							
- Expensed	10	-	-	191	-	-	191
- Capitalized	10	-	-	16	-	-	16
Net income for the period		-	-	-	2,882	-	2,882
Currency translation adjustments		-	-	-	-	9	9
Balance, March 31, 2023		**63,006**	**3,203**	**9,078**	**(1,643)**	**9**	**73,653**

(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	2023	Three months ended March 31 2022
OPERATING ACTIVITIES			
Net income		**2,882**	3,497
Items not involving cash:			
Share-based compensation	10	**191**	312
Depletion, depreciation and amortization		**4,782**	1,349
Impairment reversal		**-**	(4,240)
Income from associate	7	**(917)**	-
Accretion of decommissioning liability	9	**1,132**	51
Unrealized foreign exchange gain		**(47)**	-
Unrealized (gain) loss on derivative instruments	11	**(446)**	23
Deferred taxes		**(1,220)**	-
Decommissioning liabilities settled	9	**(333)**	-
Change in non-cash working capital		**(907)**	166
Cash flow from operating activities		**5,117**	1,158
INVESTING ACTIVITIES			
Exploration and evaluation asset expenditures	5	**(36)**	-
Property, plant and equipment expenditures	6	**(647)**	(719)
Restricted cash for security arrangements	4	**42,674**	-
Change in non-cash working capital		**(1,774)**	(4,134)
Cash flow used in investing activities		**40,217**	(4,853)
FINANCING ACTIVITIES			
Advance (repayment) of bank debt	8	**(21,483)**	-
Normal course issuer bid	10	**(816)**	-
Proceeds from the exercise of stock options		**-**	42
Principal payments on lease liabilities		**(16)**	(13)
Cash flow from financing activities		**(22,315)**	29
Foreign exchange gain (loss) on cash held in foreign currencies		**138**	-
CHANGE IN CASH AND CASH EQUIVALENTS		**23,157**	(3,666)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**1,832**	25,470
CASH AND CASH EQUIVALENTS, END OF PERIOD		**24,989**	21,804
Cash interest paid		**598**	5
Cash taxes paid		**2,254**	-

See accompanying notes to the interim condensed consolidated financial statements.

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 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. 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 shares listed on the Toronto Stock Exchange (“TSX”) under the symbol “TNZ”. On May 12, 2022, following approval from the TSX, Tenaz’s common shares (“Common Shares”) were listed on the TSX and commenced trading at which time trading on the TSX Venture Exchange ceased (the “TSX Graduation”).

Tenaz's principal place of business is located at 1100, 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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") 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, 2022.

These Financial Statements should be read in conjunction with Tenaz’s audited consolidated financial statements for the year ended December 31, 2022, which are available on SEDAR at www.sedar.com or on Tenaz’s website at www.tenazenergy.com.

These Financial Statements were approved by the Board of Directors on May 11, 2023.

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

Acquisition of private company with Netherlands upstream and midstream assets

On December 20, 2022, pursuant to a Share Purchase Agreement, Tenaz completed the acquisition of 100% of the issued and outstanding shares of a private U.S. company with Netherlands upstream and midstream assets (the “Acquisition”).

During the three months ended March 31, 2023, no adjustments have been made to the preliminary purchase price allocation for the Acquisition. Upon finalizing the value of the net assets acquired, liabilities assumed and total consideration, adjustments may be required as values subject to estimate are finalized, including the finalization of income taxes for working capital adjustments affecting consideration.

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 since December 31, 2022, as detailed in Note 5 of the audited consolidated financial statements for the year ended December 31, 2022.

3. SEGMENTED INFORMATION

Following the Acquisition on December 20, 2022, Tenaz commenced business in the Netherlands through a wholly-owned subsidiary acquired with a Euro functional currency. Tenaz has a business unit structure designed to manage assets in each country in which the Company operates. Tenaz's operating segments derive its revenues solely from the production and sale of petroleum and natural gas. Tenaz has two key operating segments: 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.

Tenaz's chief operating decision maker regularly reviews fund flows from operations generated by each of Tenaz's operating segments. Fund flows 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 March 31	
			2023	2022
($000)	**Netherlands**	**Canada/ Corporate**	**Total**	**Canada/Total**
Total assets	106,043	72,717	**178,760**	76,080
Exploration and evaluation asset expenditures	36	-	**36**	-
Property, plant and equipment expenditures	70	577	**647**	719
Heavy crude oil	-	6,754	**6,754**	4,681
Natural gas liquids	143	300	**443**	326
Natural gas	9,595	1,134	**10,729**	1,194
Petroleum and natural gas sales	9,738	8,188	**17,926**	6,201
Royalties	-	(1,322)	**(1,322)**	(940)
Revenue	9,738	6,866	**16,604**	5,261
Transportation expenses	(282)	(436)	**(718)**	(142)
Operating expenses	(2,604)	(2,589)	**(5,193)**	(1,905)
Income from associate(1)	917	-	**917**	-
General and administrative expenses	(288)	(1,399)	**(1,687)**	(1,246)
Exploration and evaluation expenses	(441)	-	**(441)**	-
Current income taxes	(1,635)	-	**(1,635)**	-
Transaction costs	-	(52)	**(52)**	-
Interest and financing, net of income	-	(604)	**(604)**	(5)
Realized foreign exchange gain (loss)	-	(8)	**(8)**	-
Realized gain (loss) on derivative instruments	-	91	**91**	(971)
Funds flow from operations	5,405	1,869	**7,274**	992

(1) Midstream income from Noordgastransport BV

Reconciliation of funds flow from operations to net income

	Three months ended March 31	
($000)	**2023**	2022
Funds flow from operations	**7,274**	992
Unrealized foreign exchange gain (loss)	**47**	-
Unrealized gain (loss) on derivative instruments	**446**	(23)
Share-based compensation	**(191)**	(312)
Depletion, depreciation and amortization	**(4,782)**	(1,349)
Impairment reversal	**-**	4,240
Accretion of decommissioning liability	**(1,132)**	(51)
Deferred tax expense	**1,220**	-
Net income	**2,882**	**3,497**

4. RESTRICTED CASH

At March 31, 2023, Tenaz held restricted cash of €11.8 million ($17.3 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 - €40.9 million or $59.1 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.

5. EXPLORATION AND EVALUATION

The following table reconciles Tenaz's E&E assets:

($000)	**Total**
Balance, December 31, 2022	14,706
Additions	36
Foreign exchange	254
Balance, March 31, 2023	**14,966**
Netherlands	**14,996**

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

6. PROPERTY, PLANT AND EQUIPMENT

The following table reconciles Tenaz's PP&E:

($000)	**Developed and Producing Assets**	**Corporate Assets**	**Total**
Cost			
Balance, December 31, 2022	132,496	277	132,773
Additions	612	35	647
Share-based compensation (Note 10)	16	-	16
Decommissioning cost additions and change in estimates (Note 9)	710	-	710
Foreign exchange	737	-	737
Balance, March 31, 2023	**134,571**	**312**	**134,883**
Depletion, depreciation, amortization and impairment			
Balance, December 31, 2022	(28,332)	(166)	(28,498)
Depletion and depreciation	(4,772)	(9)	(4,781)
Foreign exchange	(10)	-	(10)
Balance, March 31, 2023	**(33,114)**	**(175)**	**(33,289)**
Carrying amounts			
($000)			
As at December 31, 2022	104,164	111	104,275
Canada	61,645	111	61,756
Netherlands	42,519	-	42,519
As at March 31, 2023	**101,457**	**137**	**101,594**
Canada	**60,722**	**137**	**60,859**
Netherlands	**40,735**	**-**	**40,735**

Estimated future development costs of $111.7 million (December 31, 2022 – $111.7 million) associated with the development of the Company's proved and probable oil and gas reserves were added to the Company's net book value in the depletion and depreciation calculations. In the period ended March 31, 2023, Tenaz capitalized costs directly attributable to property and equipment of $0.2 million which are included in the additions above (2022 – $0.2 million).

At March 31, 2023 and December 31, 2022, the Company had not identified any indicators of impairment.

7. INVESTMENT IN ASSOCIATE

Tenaz has the following associate at March 31, 2023 and December 31, 2022:

Name of associate	**% Interest held**	**Jurisdiction**
Noordgastransport BV ("NGT")	11.34%	Netherlands

Although Tenaz holds less than 20% of the equity shares of NGT, the Company exercises significant influence by virtue of shareholder co-operation agreements, including voting blocks.

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

($000)	**Total**
Balance, December 31, 2022	12,591
Income from associate	917
Foreign exchange	105
Balance, March 31, 2023	**13,613**

Summarized financial information in respect of NGT includes:

As at ($000)	**March 31** **2023**	December 31 2022
Total assets	**186,165**	183,606
Total liabilities	**(125,019)**	(132,450)
Net assets	**61,146**	51,156
Tenaz's share of net assets	**6,934**	5,801

		Three months ended **March 31**
($000)	**2023**	2022
Total revenue	**19,945**	20,335
Net income	**8,086**	5,237
Tenaz's share of net income	**917**	-

8. BANK DEBT

Bank debt is comprised of the following:

As at ($000)	**March 31** **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 March 31, 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 May 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 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 March 31, 2023, Company was in compliance with all debt covenants. The working capital ratio as defined was 1.97:1 and the Company was compliant with the LMR covenant (7.84 at April 1, 2023).

9. DECOMMISSIONING LIABILITY

A reconciliation of the decommissioning liability is provided below:

($000)	
Balance, December 31, 2022	30,435
Changes in abandonment timing and costs	358
Settled	(333)
Accretion	1,132
Changes in discount rates	352
Foreign exchange	507
Balance, March 31, 2023	**32,451**
Canada	**1,689**
Netherlands	**30,762**

Tenaz calculated the present value of the decommissioning liability using a credit-adjusted risk-free rate, calculated using a credit spread of 11.4% as at March 31, 2023 (December 31, 2022 – 11.8%) added to 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 $62.3 million (December 31, 2022 - $61.3 million). Current cost estimates are inflated to the estimated time of abandonment using inflated cost estimates of $73.9 million (December 31, 2022 - $75.2 million).

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

	March 31, 2023	December 31, 2022
Risk-free rates		
Canada	**3.0%**	3.3%
Netherlands	**2.4%**	2.9%
Inflation rates		
Canada	**1.7%**	1.4%
Netherlands	**2.5%**	2.9%

10. 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	**Amount ($000)**
Balance, December 31, 2022	28,093,174	63,831
Normal course issuer bid	(360,100)	(825)
Balance, March 31, 2023	**27,733,074**	**63,006**

Normal Course Issuer Bid ("NCIB")

On August 5, 2022, the Toronto Stock Exchange approved the Company to commence a NCIB. The NCIB allows 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.

The Company has entered into 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.

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

($000, except as noted)	**Three months ended March 31 2023**	Year ended December 31 2022
Share repurchase activities (number of Common Shares)		
Shares repurchased	**(360,100)**	(454,900)
Amounts charged to:		
Share capital	**(825)**	(1,035)
Retained earnings	**9**	281
Share repurchase cost	**816**	754
Average cost per share ($)	**2.27**	1.66

Long-term Incentive Plans

Stock Option Plan

The Company has a Stock Option Plan for Directors, employees and service providers. Under the plan, stock options were granted to purchase Common Shares of Tenaz and the maximum term of stock options granted is five years. The Board of Directors determined the vesting schedule at the time of grant. Unless otherwise determined by the Board of Directors at the time of grant, stock options vest as to one-third on each of the first, second and third anniversary dates of the date of grant.

On May 31, 2022, the Tenaz Incentive Plan, as described below, replaced the Company's existing Stock Option Plan and no further stock options ("Options") may be granted under the Stock Option Plan. Outstanding Options granted under the Stock Option Plan will continue to be governed by the Stock Option Plan.

A summary of the Company's outstanding stock options at March 31, 2023 is presented below:

	Number of Stock Options	**Weighted Average Exercise Price ($)**
Balance, December 31, 2022	1,530,500	2.70
Forfeited	(5,500)	3.86
Balance, March 31, 2023	**1,525,000**	**2.70**

The range of exercise prices for stock options outstanding and exercisable under the plan at March 31, 2023 is as follows:

Exercise Prices	**Awards Outstanding**			**Awards Exercisable**		
	Quantity	**Remaining contractual life (years)**	**Weighted Average Exercise Price ($)**	**Quantity**	**Remaining contractual life (years)**	**Weighted Average Exercise Price ($)**
$2.70	**1,525,000**	**3.6**	**2.70**	**508,700**	**3.6**	**2.70**

Tenaz Incentive Plan

The Company is able to issue share-based long-term incentives pursuant to the Tenaz Incentive Plan (the "TIP") implemented in 2022. The TIP is administered by the Board of Directors or a committee of the Board. Directors, officers, employees and independent contractors of the Company and/or its affiliates (collectively, "Service Providers") are eligible to receive awards under the TIP. The purpose of the TIP is to: (i) promote the interest of Service Providers in the growth and development of the Company by providing such persons with the opportunity to acquire a proprietary interest in the Company; (ii) attract and retain valuable Service Providers to the Company through a competitive compensation program; and (iii) align the interests of Service Providers with those of Shareholders by devising a compensation program which encourages the long-term growth of the Company and returns to shareholders.

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"). Under the TIP, the maximum number of Common Shares issuable from treasury pursuant to Awards shall not exceed 10% of the total outstanding Common Shares from time to time (on a non-diluted basis) less the number of Common Shares issuable pursuant to all other security-based compensation arrangements of the Company (being the Stock Option Plan).

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

	Number of PSUs
Balance, December 31, 2022	179,500
Forfeited	(1,500)
Balance, March 31, 2023	**178,000**

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 March 31, 2023, there were 1,070,307 Common Shares available for issuance under the TIP.

Share-based Compensation

	Three months ended March 31	
($000)	**2023**	2022
Share-based compensation:		
Options	**158**	337
PSUs	**49**	-
Total share-based compensation	**207**	337
Capitalized share-based compensation (Note 6)	**(16)**	(25)
Share-based compensation expensed	**191**	312

Weighted average Common Shares

	Three months ended March 31	
($000, except Common Shares and per share amounts)	**2023**	2022
Net income – Basic and diluted	**2,882**	3,497
Weighted average Common Shares		
Basic	**27,916,594**	28,457,407
Diluted	**28,545,689**	29,361,207
Net income per share		
Basic	**0.10**	0.12
Diluted	**0.10**	0.12

Per share information is calculated on the basis of 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.

For the three months ended March 31, 2023, 1,525,000 outstanding stock options and no outstanding PSUs were excluded from the weighted average number of Common Shares as they were anti-dilutive (2022 – 1,680,500 stock options were excluded).

11. FINANCIAL INSTRUMENTS

At March 31, 2023, Tenaz's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, derivative instruments, accounts payable and accrued liabilities and lease 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 March 31, 2023, pertain to revenue for accrued March 2023 production 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 production. At March 31, 2023, 92% of total outstanding accounts receivable pertains to the top 7 purchasers. As at March 31, 2023, receivables for revenue were $5.1 million, which are included in accounts receivable (December 31, 2022 - $9.7 million). At March 31, 2023, Tenaz had a $0.04 million net joint venture receivable pertaining to capital expenditures that was settled in full subsequent to period end. For the three months ended March 31, 2023, the Company received approximately 95% of its revenue from 7 purchasers (2022 – 88% of its revenue from 4 purchasers).

At March 31, 2023 and December 31, 2022, the Company's trade receivables have been aged as follows:

As at ($000)	**March 31** **2022**	December 31 2022
Current	**4,971**	10,081
31 – 60 days	**366**	169
61 – 90 days	**-**	-
> 90 days	**-**	1
Allowance for doubtful accounts	**-**	-
Total	**5,337**	10,251

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, if any, are due on demand. At March 31, 2023, Tenaz had a current tax liability of $22.0 million related to the Netherlands operations, which is net of net of instalments paid to the Dutch Tax Authority. The $22.0 million liability consists of $4.9 million related to corporate income tax ("CIT") and state profit share ("SPS") along with $17.1 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.

As at March 31, 2023, the Company was holding $25.0 million in cash and cash equivalents, $17.3 million in restricted cash (€11.8 million) and had $10 million available on undrawn Credit Facilities (Note 8).

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.

As at March 31, 2023, the Company was in compliance with all its bank debt covenants.

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

At March 31, 2023, Tenaz held the following crude oil and natural gas financial contracts:

Period	**Commodity**	**Type of Contract**	**Quantity**	**Pricing Point**	**Contract Price**	**Fair Value at March 31 2023** ($000)
WCS vs WTI Basis Swap Contracts						
Apr 1/23—Dec 31/23	Crude Oil	Swap	200 bbls/d	WCS	WTI less USD $16.50	(90)
Natural Gas Swap Contracts						
Apr 1/23—Oct 31/23	Natural Gas	Swap	500 GJ/d	AECO 5A	CAD $2.85	60
Net derivative instrument liability						**(30)**

If the forward price curves for WTI and AECO 5A increase or decrease by 10%, it is estimated that Tenaz's net income would change by approximately $0.06 million. The sensitivity is hypothetical and based on management's assessment of reasonably possible changes in commodity prices after the balance sheet date. The result of the sensitivity is not predictive of future performance. Changes in the fair value of risk management contracts cannot generally be extrapolated because the relationship of change in certain variables to a change in fair value may not be linear.

Foreign currency risk

At March 31, 2023, Tenaz held no foreign exchange swaps as the foreign exchange swap held at December 31, 2022 ($0.4 million liability) matured in March 2023.

Interest rate risk

If interest rates were to increase or decrease by 1%, it is estimated that Tenaz's net income would change by approximately $0.04 million for the three months ended March 31, 2023.

Derivative instruments

The table below summarizes the fair values as at March 31, 2023 and December 31, 2022 on the balance sheet:

($000)	**Commodity**	**Foreign exchange**	**March 31 2023**
Derivative instrument assets	60	-	**60**
Derivative instrument liabilities	(90)	-	**(90)**
Net financial derivative instrument asset (liability)	(30)	-	**(30)**

($000)	**Commodity**	**Foreign exchange**	**December 31 2022**
Derivative instrument assets	44	-	44
Derivative instrument liabilities	(92)	(428)	(520)
Net financial derivative instrument asset (liability)	(48)	(428)	(476)

The table below summarizes the gain (loss) on derivative instruments in net income:

($000)	Three months ended March 31 2023	2022
Realized gain (loss)		
Commodity contracts	**182**	(971)
Foreign exchange swaps	**(91)**	-
Realized gain (loss) on derivative instruments	**91**	(971)
Unrealized gain (loss)		
Commodity contracts	**18**	(23)
Foreign exchange swaps	**428**	-
Unrealized gain (loss) on derivative instruments	**446**	(23)
(Gain) loss on derivative instruments	**537**	(994)

12. 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 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 assets. 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 working capital.

In order to facilitate the management of its capital expenditures and 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 (Note 11). 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 March 31, 2023 and December 31, 2022 is summarized as follows:

($000)	March 31 2023	December 31 2022
Current assets	**48,546**	72,317
Current liabilities	**(29,813)**	(58,749)
Net current assets	**18,733**	13,568
Exclude fair value of derivative instruments	**30**	476
Adjusted working capital	**18,763**	14,044

The Company has not paid or declared any dividends since the date of incorporation. Details of the Company's NCIB are described in Note 10. Details of the Company's restricted cash pertaining to decommissioning security for Tenaz's Netherlands assets are described in Note 4.

13. COMMITMENTS AND CONTINGENCIES

The Company’s bank debt commitments at March 31, 2023 are described in Note 8.

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 as a result of any legal action is considered by management to be remote.

14. SUBSEQUENT EVENTS

TIP Awards

In April 2023, pursuant to the Tenaz Incentive Plan, the Company issued 660,000 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Marty Proctor
Chair

Anna Alderson
Independent Director

John Chambers
Independent Director

Mark Rollins
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

Michael Kaluza
Chief Operating Officer

David Burghardt
Senior Vice President, Engineering

Jonathan Balkwill
Vice President, Business Development

Jennifer Russel-Houston
Vice President, Geoscience

AUDITORS

KPMG LLP
Calgary, Alberta

BANKERS

ATB Financial
Calgary, Alberta

LEGAL COUNSEL

Lawson Lundell LLP
Calgary, Alberta

Torys LLP
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