2023 THIRD QUARTER REPORT

FINANCIAL AND OPERATIONAL SUMMARY

($000 CAD, except per share and per boe amounts)	Three months ended **Sep 30 2023**	Jun 30 2023	Sep 30 2022	Nine months ended **Sep 30 2023**	Sep 30 2022
FINANCIAL					
Petroleum and natural gas sales	**15,051**	10,614	7,690	**43,591**	23,235
Cash flow from operating activities	**175**	957	1,444	**6,249**	4,538
Funds flow from operations[1]	**4,826**	3,361	2,280	**15,461**	5,376
Per share – basic[1]	**0.18**	0.12	0.08	**0.56**	0.19
Per share – diluted[1]	**0.16**	0.12	0.08	**0.54**	0.18
Net income (loss)	**20,907**	(757)	224	**23,032**	4,490
Per share – basic	**0.77**	(0.03)	0.01	**0.84**	0.16
Per share – diluted	**0.71**	(0.03)	0.01	**0.80**	0.15
Capital expenditures[1]	**15,238**	5,967	7,882	**21,888**	12,113
Adjusted working capital (net debt)[1]	**44,937**	17,094	13,887	**44,937**	13,887
Common shares outstanding (000)					
End of period – basic	**27,145**	27,378	28,405	**27,145**	28,405
Weighted average for the period – basic	**27,292**	27,555	28,520	**27,586**	28,486
Weighted average for the period – diluted	**29,555**	28,308	28,690	**28,822**	29,127
OPERATING					
Average daily production					
Heavy crude oil (bbls/d)	**675**	711	687	**774**	613
Natural gas liquids (bbls/d)	**60**	57	47	**60**	56
Natural gas (mcf/d)	**9,823**	6,802	2,929	**8,223**	2,679
Total (boe/d)[2]	**2,372**	1,903	1,222	**2,204**	1,116
($/boe)[2]					
Petroleum and natural gas sales	**68.97**	61.31	68.39	**72.45**	76.25
Royalties	**(4.60)**	(4.80)	(15.23)	**(5.25)**	(14.41)
Transportation expenses	**(3.68)**	(3.66)	(1.75)	**(3.58)**	(2.16)
Operating expenses	**(31.11)**	(28.25)	(17.04)	**(28.04)**	(17.37)
Midstream income[1]	**5.25**	5.21	-	**4.92**	-
Operating netback[1]	**34.83**	29.81	34.37	**40.50**	42.31
BENCHMARK COMMODITY PRICES					
WTI crude oil (US$/bbl)	**82.18**	73.77	91.64	**77.38**	98.09
WCS (CAD$/bbl)	**93.12**	78.93	93.72	**82.26**	105.58
AECO daily spot (CAD$/mcf)	**2.61**	2.43	4.45	**2.76**	5.49
TTF (CAD$/mcf)	**14.43**	15.24	79.08	**17.46**	53.80

(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 and nine months ended September 30, 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

Third Quarter Operating and Financial Results

- Tenaz closed the acquisition of XTO Netherlands Ltd (“XTO”) early in Q3 2023. The XTO acquisition increases our position in the Dutch North Sea (“DNS”), nearly doubling our working interest in the primary producing fields in which we already had ownership. The acquisition also increases our ownership in the NGT midstream assets to 21.4%, making Tenaz the second-largest shareholder in NGT. We view NGT infrastructure as a valuable midstream asset that is important for Netherlands economic security and the European energy transition.

- Production volumes averaged a record level of 2,372 boe/d(1) in Q3 2023. Production in Canada during the quarter of 1,275 boe/d was down 4% from Q2 2023, due to the shut-in of certain wells during our completion activity on our 2023 drilling campaign and downtime at a third-party gas plant. Production in the Dutch North Sea was 1,097 boe/d, up 89% from Q2 2023, driven by the absence of planned turnaround activity and the XTO acquisition.

  Production volumes averaged 2,204 boe/d in the nine months ended September 30, 2023, 97% higher than the first nine months of 2022. Production was higher due to the acquisition of Netherlands assets in two separate transactions and our ongoing development program at Leduc-Woodbend in Canada. Production from Leduc-Woodbend was 24% higher for the 2023 nine-month period, with only minimal contributions from 2023 drilling.

  Completion and tie-in activities were completed on our four gross well (3.35 net) development program at the end of Q3 2023. All of the wells have been successfully put on production and gross production rates from the four wells are currently averaging 230 boe/d (87% oil) per well(2), with the wells continuing to increase in production. For the first six weeks of Q4 2023, net production rate from the Leduc-Woodbend field has averaged approximately 2,000 boe/d.

  Total horizontal meterage in the four-well program was 14,900 meters, an average horizontal length of 2.3 miles, a record in Leduc-Woodbend drilling campaigns. We generated high drilling efficiency with 100% placement of the horizontal section within the reservoir. An average of 130 fracs were placed per well at a placement efficiency of 97%.

- Funds flow from operations (“FFO”)(3) for the third quarter was $4.8 million, 44% higher than Q2 2023 and 112% higher than Q3 2022. Higher quarter-over-quarter FFO resulted from higher production, lower expenses due to absence of facility turnarounds, coupled with higher prices for TTF(4) natural gas. FFO included recognition of approximately $1.8 million of transaction and G&A costs, including legal and other services for potential future acquisitions.

  FFO for the nine months ended September 30, 2023 was $15.5 million, 188% higher than in the comparable 2022 period. Higher 2023 FFO primarily resulted from contributions from the new Netherlands assets.

- Net income for Q3 2023 was $20.9 million, as compared to a loss of $0.8 million in Q2 2023 and profit of $0.2 million in Q3 2022. Higher net income resulted from the estimated gain on the acquisition of XTO, which is subject to adjustment pending final accounting for the transaction in a future period. Net income for the nine months ended September 30, 2023 of $23.0 million was higher than net income of $4.5 million in the comparable period of 2022, primarily due to the gain on acquisition booked in the third quarter.

- We ended Q3 2023 with positive adjusted working capital(3) of $44.9 million, an increase of $27.8 million over the prior quarter, attributable to the acquired balances in the XTO acquisition. We acquired positive adjusted working capital of $43.1 million with XTO. Uses of cash in Q3 2023 included $13.2 million for

Canadian development activities, $2.0 million for Netherlands capital investment including CCS design, and $0.8 for our Normal Course Issuer Bid ("NCIB") program. During Q3 2023, we repurchased and retired 233 thousand shares at an average price of $3.51 per share. Since the beginning of the NCIB program in Q2 2022, we have retired 1.53 million common shares (5.4% of basic common shares) at an average cost of $2.41 per share.

- Subsequent to the end of the third quarter, we initiated a hedging program for European gas. As of now, we have hedged approximately 40% of our expected European gas production for Q1 2024 through a physical swap at €55.75 per MWh (approximately $24.12 per Mcf).

Budget and Outlook

- Capital expenditures(3) during Q3 2023 were approximately $15.2 million. For 2023 year-to-date, capital expenditures total $21.9 million. This total includes both Drilling and Development capital expenditures ("D&D CAPEX") and Exploration and Evaluation capital expenditures ("E&E CAPEX").

  Our planned 2023 Canadian development program has been finished, with four gross (3.35 net) wells drilled, completed, equipped and tied-in. Combining our Canadian investment program with modest Netherlands workover and facility investment, year-to-date D&D CAPEX is $20.7 million. We expect our D&D CAPEX for 2023 to be at approximately the mid-point of our 2023 guidance range of $20 to $24 million.

  During Q3 2023, we elected to participate in FEED activities through the end of 2023 for the potential L10 CCS project in the Netherlands, which is classified as E&E CAPEX due to the project's unsanctioned status. Year-to date E&E CAPEX is $1.2 million, with a projected total of $2.9 million for full-year 2023.

- Production for Q4 2023 is expected to increase significantly from Q3 2023 levels, driven primarily by contributions from the new wells at Leduc-Woodbend. Annual production guidance, as updated following the XTO acquisition, is unchanged at 2,300 to 2,500 boe/d.

Corporate Update

- As at November 13, 2023, Tenaz common shares have recorded capital appreciation of 109% during 2023. This places Tenaz in the top 1% of TSX listed-issues in total return for 2023. Trading liquidity has also increased, with the average number of shares traded on North American exchanges up 211%, based on year-to date volume through October 2023 as compared to the same period in 2022.

- We are pleased to announce the appointment of Varinia Radu as an independent director of Tenaz. Mrs. Radu is a Partner and Deputy Head for Energy and Climate Change in Central and Eastern Europe for the international law firm CMS, and an accomplished energy advisor in the European oil and gas, power and renewables sectors. We expect her to add significantly to our Board expertise in legal and regulatory matters, M&A, and EU energy and ESG policy.

(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) For the period November 1, 2023 to November 10, 2023.
(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.
(4) Dutch TTF Gas is a leading European benchmark price as the volumes traded represent more than 14 times the amount of gas used by the Netherlands for domestic purposes.

PRESIDENT'S MESSAGE

We are pleased to provide this quarterly update along with our financial and operating results. During the quarter we further advanced our overseas acquisition strategy with the closing of the XTO Netherlands Ltd ("XTO") transaction, and in parallel, executed our 2023 development program in Canada. Along with the transition activities for the newly-added Netherlands assets, we have continued to advance our M&A strategy on both continuing acquisition projects and new prospect evaluations in our geographic areas of focus. We view the current M&A market as constructive for value-adding transactions, which is a sharp contrast with the challenging M&A conditions of 2022.

Macro conditions are also supportive for the energy sector, with a dawning realization of the importance of energy security, including hydrocarbon supply as a desirable source during the energy transition. The Russian invasion of Ukraine has removed a large amount of pipeline gas to Europe, necessitating a substantial draw on existing LNG capacity. New LNG projects are being sanctioned and are planned to be brought online during the rest of this decade, but the demand for secure supply of low carbon fuel is also rapidly growing. European governments have made a high priority of achieving natural gas security for this winter's heating season, and as a result, European natural gas storage is essentially full as of now, which is the traditional start of the withdrawal season.

Despite full inventory, spot TTF[(1)] is trading at €48 per MWh (approximately $20.75 per Mcf), suggesting to us underlying strength in this essential commodity. Moreover, this price strength is occurring against a backdrop of unusually warm November weather in most of Europe and North America. The winter supply position remains uncomfortably precarious, with continuing LNG flows required to balance demand and still significant supply coming from Russia to Europe via both LNG and pipelines. Further concerns are the impact of the Gaza war on Mediterranean supplies and the unfortunate possibility of wider Mideast conflict. Finally, each winter is a new ballgame, with inventories usually starting at a high percentage of storage capacity, but ending inventories always dependent on the severity of the winter, as Europe has relatively limited storage as compared to North America. If these inventories are burned down during the withdrawal season more significantly than market expectations, prices will likely be supported in the subsequent injection season.

Following the end of Q3 2023, we executed fixed price arrangements for approximately 40% of our expected European gas production for Q1 2024 with a physical swap at €55.75 per MWh (approximately $24.12 per Mcf). We may add to fixed price positions over the coming months to ensure cash flow for 2024. Other hedging positions in AECO and WCS differential have largely rolled off during 2023, but we continue to monitor both commodities for fixed price or downside protection opportunities.

<u>Netherlands Operations</u>

As announced prior to the end of Q2 2023, we acquired additional non-operated Netherlands assets from XTO with an effective date of January 1, 2023, closing this acquisition in early Q3 2023. In combination with our earlier acquisition of a private company in December 2022, our total production rate in Netherlands was approximately 1,100 boe/d[(2)] during Q3 2023, an 89% increase from Q2 2023. In the XTO purchase, we also increased our shareholding in the NGT midstream system by 10.1%, bringing our ownership in this high-reliability and valuable gathering business to 21.4%. Year-to-date earnings from NGT are approximately $4.3 million (inclusive of both ownership stakes). NGT's earnings have typically been distributable, with dividend payments occurring in the first half of the subsequent year.

Increased production from our Netherlands upstream assets in Q3 2023 was due to the closing of the XTO acquisition and the completion of scheduled annual turnaround activities which were carried out in Q2 2023. Drilling and Development capital expenditures[(3)] ("D&D CAPEX") of $1.8MM for the quarter was associated with well workovers (including installation of downhole sand screens), sub-surface safety valve replacement and testing, seismic reprocessing, and facility enhancement and debottlenecking.

Tenaz has an 11.35% participation right in the L10 CCS project, which is intended to store CO2 sourced from industrial emitters in a depleted offshore gas pool on the L10 license. This project has entered the initial phase of Front End Engineering Design (FEED), which is scheduled to continue until the end of 2023. The final phase of FEED has a separate decision point for participation and is projected to last until Q1 2025. The FEED phases are required for comprehensive project planning before making the Final Investment Decision (FID), with FID currently slated for Q2/Q3 2025. In the event of a positive FID, project start up is estimated to occur in 2028, with injection of up to five million tonnes per annum (Mtpa) of CO_2 from the Port of Rotterdam to the storage location. The L10 gas field, located approximately 50 km offshore in the Dutch North Sea, has a storage capacity of 96 Mt. The combined storage capacity of the L10 and other pools potentially amenable in the Tenaz license areas is approximately 150 Mt.

Canadian Operations

Production from the Leduc-Woodbend ("LWB") field averaged 1,275 boe/d in Q3 2023, a decrease of 4% compared to Q2 2023, driven primarily by downtime on existing pads to allow for completion of new wells and downtime at a third-party gas plant. Q3 2023 production was 4% higher than Q3 2022, as a result of incremental volumes from two (1.75 net) wells drilled and brought online in Q4 2022.

Drilling, completion, equipping and tie-in operations for our four well (3.35 net) summer-program finished in Q3, with the new wells brought on production in mid-September. These wells did not provide a meaningful contribution to Q3 2023 volumes due to the clean-up time required to recover completion fluids. These wells are the longest wells to date in the field, with total measured depths ranging from 5,000 to 5,700 meters. In addition to being the longest wells drilled to date, they also have the longest completed horizontal sections at Leduc-Woodbend, with completion intervals ranging from 3,600 to 4,200 meters. In aggregate, the wells were completed with a total of 524 fracs achieving 97% placement efficiency, with the number of frac stages ranging from 118 fracs in the shortest well to 150 fracs in the longest well. In one of the wells, we stuck completion tools on one of the final frac stages. Repair operations were partially successful, resulting in having 40% of the horizontal interval fully open to production. Even this well has proved to be a fairly strong oil producer despite its sub-optimal mechanical condition.

A number of geologic and engineering advancements have been made at Leduc-Woodbend since the recapitalization of Altura Energy in Q3 2021. Improved geologic description has allowed optimized positioning of horizontal laterals within the Rex Sandstone, resulting in nearly 100% in-zone placement. Frac design and execution continues to be very effective, with 97% of the attempted stages being placed. The use of longer horizontal wells from existing pads increases capital efficiency by reducing ultimate field development costs for well pad construction, drilling and completion, pumping equipment and pipeline infrastructure. It also minimizes our surface footprint and reduces carbon emissions in both the capital investment and operating phases of field life.

We continue to drill wells in diverse parts of the Leduc-Woodbend Rex pool to reduce concentration risk while expanding the developed area and to gather data that will assist long-term exploitation of the field. Two of the wells in this year's campaign were drilled in the north part of the field, and one in the middle and one in the southern part. All four wells were successful, producing relatively consistent results despite being drilled in different areas.

Gross production rate for the new wells averages 230 boe/d per well (87% oil)[(4)], with production continuing to increase as the wells clean up. We do not attempt to max out initial production rates from the Rex wells, preferring to use a less capital-intensive rod pump lift system rather than higher volume lift alternatives. The rod pump lift systems for new wells are sized for longer-term production performance, typically resulting in a production plateau or shallow decline for approximately six months after clean up. At the field level, Leduc-Woodbend production rates have continued to increase since the startup of the new wells. For the first six weeks of Q4 2023, the field has been producing approximately 2,000 boe/d net to Tenaz. We now expect full-year 2023 Leduc-Woodbend production to be between 1,500 to 1,550 boe/d, in the upper half of our guidance range.

Capital expenditures[(3)] for the 2023 Canadian drilling program was $16 million, 7% higher than our forecast. Approximately one-half of the overrun was for the partially-successful fishing job to recover stuck completion tools. The other half resulted from wet weather-driven downtime, modifications to frac design and an unplanned clean-out operation during the completion of one well.

Corporate Discussion

With respect to corporate liquidity, positive adjusted working capital[3] was $44.9 million at the end of Q3 2023, an increase of $27.8 million over the prior quarter, with the increase due to the XTO acquisition. Uses of cash in Q3 2023 included $13.2 million for Canadian development activities, $2.0 million for Netherlands capital investment including CCS design, and $0.8 for our Normal Course Issuer Bid ("NCIB") program. As an additional liquidity source, we remain undrawn on our $10 million bank facility.

Our NCIB program was renewed on August 23, 2023 for an additional year. During Q3 2023, we retired 233 thousand common shares at an average cost of $3.51 per share. As of the end of October 2023, we have retired 1.53 million common shares (5.4% of basic common shares) at an average cost of $2.41 per share.

On behalf of the Board of Directors, we are pleased to welcome Varinia Radu as an independent director of Tenaz. Mrs. Radu is an experienced international lawyer and business leader in the European energy industry. She has extensive experience in the oil and gas, power and renewables industries, and has advised numerous companies in negotiation and financing of M&A transactions. Mrs. Radu also has significant experience in the adoption of leading ESG practices in both traditional and renewable energy businesses in Europe. We expect her to add significantly to our Board expertise in legal and regulatory matters, M&A, and EU energy and ESG policy.

Mrs. Radu is a Partner and Deputy Head for Energy and Climate Change in Central and Eastern Europe for the international law firm CMS, and an accomplished energy advisor in the European oil and gas, power and renewables sectors. She is also the founder and proprietor of Energynomics, the leading publication and information platform for the energy sector in Central and Eastern Europe. Mrs. Radu holds a BA in Law from Babes-Bolyai University, an MA in International Relations from the National School of Political and Administrative Studies, and an MA in Petroleum Management from the University of Oil and Gas Ploesti in Romania. In addition, she received an MBA from the University of Chicago Booth School of Business and a Postgraduate Diploma in Board Practice and Directorship from the Henly Business School in Reading, UK.

In closing, we view our previous acquisitions as demonstration of our approach to finding real value in the overseas M&A market for producing properties. These transactions reflect our philosophy of issuing as little equity as possible, while maintaining or even improving our conservative balance sheet and liquidity. Our team of technical and finance professionals is dedicated to securing additional value-adding acquisitions and is fully aligned with our broader shareholder group in pursuit of our shared success. As we have previously stated, we can make no guarantees regarding the certainty or timing of the next transaction, but we are optimistic about bringing quality assets into our asset portfolio in the future. When we do so, we are confident that our acquisition investment will be consistent with our stated financial and strategic goals. We appreciate the support of our shareholders as we pursue realization of our vision for Tenaz.

/s/ Anthony Marino

President and Chief Executive Officer
November 13, 2023

(1) Dutch TTF Gas is a leading European benchmark price as the volumes traded represent more than 14 times the amount of gas used by the Netherlands for domestic purposes.
(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 this MD&A.
(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.
(4) For the period November 1, 2023 to November 10, 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 November 13, 2023 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2023 and 2022, the audited consolidated financial statements and related notes for the years ended December 31, 2022 and 2021, as well as the Company's Annual Information Form ("AIF") that is found on SEDAR+ at www.sedarplus.ca. The unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"), specifically International Accounting Standard 34, *Interim Financial Reporting*. IFRS, as issued by the International Accounting Standards Board ("IASB"), are sometimes referred to in this MD&A as Generally Accepted Accounting Principles or ("GAAP").

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

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

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

DESCRIPTION OF BUSINESS

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

RESULTS OF OPERATIONS

Operational and Financial Review

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

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

Production

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

Canada

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

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

Netherlands

- Q3 2023 production on the existing asset base (pre-acquisition of XTO) was higher than Q2 2023 with the resumption of production after completion of the annual spring maintenance campaign for the L10 production complex in Q2 2023. In addition to the higher volumes on the base assets, production increased overall due to the addition of the acquired XTO Netherlands volumes which were recorded for the first time in Q3 2023. These sources of increased production were partially offset by compressor and facility downtime in Q3 2023.

- Production-adding capital activity for the remainder of the year is expected to be limited, other than minor work to partially offset declines in existing fields through well interventions and facility works.

Net Income

Quarterly comparison

- Q3 2023 was higher than Q2 2023 based on the impacts of:
  - The gain on acquisition recorded in the current quarter.
  - Higher crude oil prices partially offset by lower production in Canada.
  - The absence of interest expense and lower overall tax expense.
  - The above factors are partially offset by higher G&A and transaction costs attributed to previously closed and ongoing acquisition-related activities.

- Q3 2023 was higher than Q3 2022 based on the impacts of:
  - The gain recorded on the XTO acquisition that occurred in Q3 2023, in addition to the incremental net income generated during the quarter from the acquired productive base, both of which resulted in increases in net income.
  - Incremental income earned through acquisition of equity in NGT (accounted for as an investment in associate).
  - Partially offsetting the increase was the impact of lower commodity prices for crude oil and natural gas in Canada, higher G&A associated with activity pertaining to business development and incremental transaction costs associated with acquisitions.

Year-to-date comparison

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

Benchmark Commodity Prices

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

(1) WTI represents posting price of West Texas Intermediate ("WTI") crude oil.
(2) WCS differential represents the difference between the average market price for the benchmark Western Canadian Select ("WCS") heavy crude oil and WTI.
(3) TTF represents posting price of Title Transfer Facility ("TTF") natural gas in the Netherlands.
(4) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Tenaz currently sells its crude oil on a monthly index basis based on western Canadian benchmark prices and natural gas production based on AECO prices in Alberta and TTF prices in the Netherlands. The average realized price the Company receives for its crude oil and natural gas production depends on several factors, including the average benchmark prices for crude oil and natural gas, the US-to-Canadian dollar exchange rate and transportation and product quality differentials.

The average benchmark prices for crude oil are impacted by global and regional events that dictate the level of supply and demand for these commodities. The principal crude oil benchmarks that Tenaz compares its oil price to are the WTI and WCS oil prices. The differential between WTI and WCS oil prices can be volatile due to several factors, including, but not limited to, downtime in North American refineries, rising domestic and international production, the US-to-Canadian dollar exchange rate, inventory levels in North America and scarcity of pipeline infrastructure or takeaway capacity connecting key consuming oil markets.

Quarterly comparison

- Q3 2023 commodity pricing was:
  - Higher than Q2 2023 for WCS with an 18% increase on a combination of better WTI benchmark pricing and tightening differentials.
  - Slightly higher than Q2 2023 for AECO with a 7% increase associated with storage levels decreasing from summer levels due to colder fall weather.
  - Slightly lower than Q2 2023 for TTF with a 7% decrease influenced by higher storage levels.

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

Year-to-date comparison

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

Financial Review

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

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

Funds Flow from Operations

Quarterly comparison

- Q3 2023 was higher than Q2 2023 due to the impacts of:
  - Incremental operating income from Netherlands production.
  - Higher crude oil pricing that increased revenue (net of royalties) in Canada.
  - Partially offset by higher current income taxes.

- Q3 2023 was higher than Q3 2022 based on the impacts of:
  - Additional after-tax operating income from the acquisitions of Netherlands production in late 2022 and at the beginning of Q3 2023.
  - Higher production and lower operating expense in Canada.

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

Year-to-date comparison

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

Operating Netback Summary

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

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

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

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

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

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

Petroleum and Natural Gas Sales

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

Quarterly comparison

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

Year-to-date comparison

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

Royalties

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

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

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

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

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

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

Transportation Expenses

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

Quarterly comparison

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

Year-to-date comparison

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

Operating Expenses

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

Quarterly comparison (Canada)

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

Quarterly comparison per boe (Canada)

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

Quarterly comparison (Netherlands)

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

Quarterly comparison per boe (Netherlands)

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

Year-to-date comparison (Canada)

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

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

Year-to-date comparison per boe (Canada)

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

Other (Income) Expenses

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

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

Transaction Costs

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

Income from Associate

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

Interest and Financing Expenses, Net of Income

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

General and Administrative Expenses (“G&A”)

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

Quarterly comparison

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

Year-to-date comparison

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

Realized Gain (Loss) on Derivative Instruments

The Company has a risk management program in place with the objectives of reducing the volatility of crude oil and natural gas sales, increasing the certainty of funds flow from operations, protecting development economics, and reducing foreign currency risk.

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

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

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

Net Income (Loss) and Funds Flow from Operations

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

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

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

Share-based Compensation

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

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

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

Depletion, Depreciation and Amortization ("DD&A")

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

Impairment Reversal

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

Gain on Acquisition

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

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

Accretion of Decommissioning Liability

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

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

Unrealized Gain (Loss) on Derivative Instruments

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

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

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

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

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

Crude Oil and Natural Gas Contracts

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

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

Foreign Currency Swaps

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

Income Taxes

The Company's income taxes are detailed below:

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

Current Taxes

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

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

Deferred Taxes

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

Capital Expenditures

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

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

Capital activity for the third quarter included the drilling of two wells (1.6 net) wells and completion, equipping and tie-in of four wells (3.4 net) at Leduc-Woodbend and capitalized costs in the Netherlands associated with well workovers (including installation of downhole sand screens), sub-surface safety valve replacement and testing, seismic reprocessing, and facility enhancement and debottlenecking.

Decommissioning Liability

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

The calculation of decommissioning liability applied the following rates:

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

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

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

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

CAPITAL RESOURCES AND LIQUIDITY

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

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

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

The Company's policy is to maintain a strong capital base to enhance investor, creditor and market confidence and to sustain the future development of the business. Tenaz's adjusted working capital of $46.1 million as at September 30, 2023 increased from $14.0 million as at December 31, 2022. The improved working capital position resulted mainly from acquired working capital from the acquisition completed in Q3 2023. Restricted cash is included within current assets on the consolidated balance sheet.

Restricted Cash

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

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

Credit Facilities

Bank debt is comprised of the following:

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

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

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

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

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

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

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

Tenaz is subject to certain reporting and financial covenants including:

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

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

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

Liquidity Risk

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

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

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

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

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

Shareholders' Equity

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

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

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

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

Share Repurchases

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

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

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

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

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

Tenaz Incentive Plan Awards

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

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

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

SUMMARY OF QUARTERLY RESULTS

Quarters Ended ($000, except per share and per boe amounts)	**Q3 2023**	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Financial								
Petroleum and natural gas sales[5]	**15,051**	10,614	17,926	10,852	7,690	9,344	6,201	5,453
Cash flow from operating activities	**175**	957	5,117	4,809	1,444	1,936	1,158	373
Funds flow from operations[1][7]	**4,826**	3,361	7,274	3,236	2,280	2,104	992	216
Per share - basic[1][3]	**0.18**	0.12	0.26	0.11	0.08	0.07	0.03	0.01
Per share - diluted[1][3]	**0.16**	0.12	0.25	0.11	0.08	0.07	0.03	0.01
Net income (loss)[6]	**20,907**	(757)	2,882	747	224	769	3,497	(258)
Per share - basic[3]	**0.77**	(0.03)	0.10	0.03	0.01	0.03	0.12	(0.01)
Per share - diluted[2][3]	**0.71**	(0.03)	0.10	0.03	0.01	0.03	0.12	(0.01)
Capital expenditures[1][8]	**15,238**	5,967	683	4,988	7,882	3,512	719	5,840
Adjusted working capital (net debt)[1]	**44,937**	17,094	18,763	14,044	13,887	19,431	20,995	20,688
Common shares outstanding (000)								
End of period - basic[3]	**27,145**	27,378	27,733	28,093	28,405	28,548	28,458	28,438
Weighted average for period - basic[3]	**27,292**	27,555	27,917	28,242	28,520	28,481	28,457	26,069
Weighted average for period - diluted[2][3]	**29,555**	28,308	28,545	28,244	28,690	29,241	29,361	27,450
Operating								
Average daily production								
Heavy crude oil (bbls/d)	**675**	711	937	827	687	636	515	502
Natural gas liquids (bbls/d)	**60**	57	63	53	47	61	62	78
Natural gas (mcf/d)	**9,823**	6,802	8,022	3,843	2,929	2,524	2,579	2,895
Total (boe/d)[4][5]	**2,372**	1,903	2,337	1,520	1,222	1,117	1,007	1,063
($/boe)[4]								
Petroleum and natural gas sales[5]	**68.97**	61.31	85.23	77.59	68.39	91,90	68.44	55.78
Royalties	**(4.60)**	(4.80)	(6.28)	(11.12)	(15.23)	(17.11)	(10.38)	(7.10)
Transportation expenses	**(3.68)**	(3.66)	(3.41)	(2.60)	(1.75)	(3.12)	(1.57)	(1.81)
Operating expenses	**(31.11)**	(28.25)	(24.69)	(21.56)	(17.04)	(14.47)	(21.02)	(12.20)
Midstream income[1]	**5.25**	5.21	4.36	-	-	-	-	-
Operating netback[1]	**34.83**	29.81	55.21	42.31	34.37	57.20	35.47	34.67

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.
(2) Basic weighted average shares are used to calculate diluted per share amounts when the Company is in a loss position.
(3) On December 23, 2021, the Company completed a 10 to 1 common share consolidation. All per share and common share values have been presented on a post-consolidation basis.
(4) The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 mcf) of natural gas to one barrel (1 bbl) of crude oil. Refer to "Barrels of Oil Equivalent" section included in the "Advisories" section of the MD&A.
(5) Over the past eight quarters, Tenaz's petroleum and natural gas sales fluctuated due to changes in production (including the timing of acquisitions and dispositions), volatility in benchmark commodity prices and realized pricing. Tenaz's production has fluctuated due to changes in capital expenditures, the Netherlands acquisitions in December 2022 and July 2023, dispositions, voluntary shut-ins and subsequent reactivations and natural declines.
(6) Net income (loss) has fluctuated over the past eight quarters mainly due to the gain on the Netherlands acquisition in July 2023, changes in impairment and impairment reversals, changes in operating netback, derivative instrument gains and losses (which fluctuate with changes in future market prices), gains on dispositions, transaction costs incurred, share-based compensation, general and administrative expenses and income taxes recognized.
(7) Funds flow from operations has fluctuated over the past eight quarters, primarily due to fluctuations in operating netback, general and administrative expenses, transaction costs incurred, realized derivative instrument gains and losses, and current income taxes recognized.
(8) Capital expenditures have also fluctuated throughout the above periods due to changes in the Company's capital spending levels which vary based on several factors, including the prevailing commodity price environment, capital resources, availability of alternative investment opportunities and the timing of dispositions.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Tenaz has contractual obligations in the normal course of operations including operating agreements, transportation commitments, royalty obligations, lease rental obligations and employee agreements. These obligations are of a recurring, consistent nature and impact Tenaz's cash flows in an ongoing manner.

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

OFF BALANCE SHEET ARRANGEMENTS

Tenaz does not have any off-balance sheet arrangements that would result in a material change to its financial position, performance or funds flow from operations during the reporting periods.

ACCOUNTING STANDARDS, CHANGE IN ACCOUNTING POLICIES AND PRONOUNCEMENTS

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

New Accounting Policies

Amendments to IAS 12 Income Taxes

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

CRITICAL ACCOUNTING ESTIMATES

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

RISK FACTORS, RISK MANAGEMENT AND UNCERTAINTIES

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

CONTROL ENVIRONMENT

Internal Control Update

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

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

Netherlands Acquisition – December 20, 2022

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

As at ($000)	**September 30** **2023**
Total assets	**89,613**
Total liabilities	**(89,031)**

($000)	**Q3 2023**	**YTD 2023**
Petroleum and natural gas sales	**5,117**	**19,305**
Transportation expense	**(309)**	**(891)**
Operating expense	**(2,737)**	**(7,916)**
Midstream income(1)	**468**	**2,286**
Operating netback(1)	**2,539**	**12,784**
Net income	**521**	**3,624**

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

Netherlands Acquisition – July 3, 2023

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

As at ($000)	**September 30** **2023**
Total assets	**83,435**
Total liabilities	**(60,854)**

($000)	**Q3 2023**	**YTD 2023**
Petroleum and natural gas sales	**3,030**	**3,030**
Transportation expense	**(216)**	**(216)**
Operating expense	**(1,939)**	**(1,939)**
Midstream income(1)	**678**	**678**
Operating netback(1)	**1,553**	**1,553**
Net income	**26**	**26**

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

ADVISORIES

Non-GAAP and Other Financial Measures

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

Non-GAAP Financial Measures

Funds flow from operations (“FFO”)

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

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

Capital Expenditures

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

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

Free Cash Flow ("FCF")

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

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

Midstream Income

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

Non-GAAP Financial Ratio

Operating Netback

Tenaz calculates operating netback on a dollar or per boe basis, as petroleum and natural gas sales less royalties, operating costs and transportation costs, plus midstream income (income from associate, as described above). Operating netback is a key industry benchmark and a measure of performance for Tenaz that provides investors with information that is commonly used by other crude oil and natural gas producers. The measurement on a per boe basis assists management and investors with evaluating operating performance on a comparable basis. Tenaz's operating netback is disclosed in the "Operating Netback" section of this MD&A.

Capital Management Measure

Adjusted working capital (net debt)

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

Supplementary Financial Measures

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

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

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

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

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

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

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

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

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

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

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

Barrels of Oil Equivalent

The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 mcf) of natural gas to one barrel (1 bbl) of crude oil. The boe conversion ratio of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Forward-looking Information

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

The forward-looking information and statements contained in this MD&A and quarterly report reflect several material factors and expectations and assumptions of Tenaz including, without limitation: the continued performance of Tenaz's oil and gas properties in a manner consistent with its past experiences; that Tenaz will continue to conduct its operations in a manner consistent with past operations; expectations regarding future development; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; expectations regarding future acquisition opportunities; the accuracy of the estimates of Tenaz's reserves and resource volumes; certain commodity price and other cost assumptions; the continued availability of oilfield services; and the continued availability of adequate debt and equity financing and cash flow from operations to fund its planned expenditures and obligations and commitments.

Tenaz believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations, and assumptions will prove to be correct.

The forward-looking information and statements included in this MD&A and quarterly report are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Tenaz's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Tenaz or by third party operators of Tenaz's properties, increased debt levels or debt service requirements; inaccurate estimation of Tenaz's oil and gas reserve or resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; a failure to obtain necessary approvals as proposed or at all and certain other risks detailed from time to time in Tenaz's public documents.

The forward-looking information and statements contained in this MD&A and quarterly report speak only as of the date of this MD&A and quarterly report, and Tenaz does not assume any obligation to publicly update or revise them to reflect new events or circumstances or otherwise, except as may be required pursuant to applicable laws.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

As at

($000)	Note	**September 30 2023**	December 31 2022
ASSETS			
Current assets			
Cash and cash equivalents		**50,787**	1,832
Restricted cash	4	**31,743**	59,091
Accounts receivable	12	**8,469**	10,251
Prepaid expenses and deposits		**1,569**	1,099
Derivative instruments	12	**385**	44
		92,953	72,317
Exploration and evaluation assets	6	**20,846**	14,706
Property, plant and equipment	7	**122,664**	104,275
Right-of-use assets		**211**	12
Investment in associate	8	**23,502**	12,591
Total assets		**260,176**	203,901
LIABILITIES			
Current liabilities			
Bank debt	9	**-**	21,483
Accounts payable and accrued liabilities		**20,210**	14,396
Current portion of lease liabilities		**6**	66
Taxes payable		**27,415**	22,284
Derivative instruments	12	**1,629**	520
		49,260	58,749
Lease liabilities		**234**	59
Decommissioning liability	10	**56,101**	30,435
Deferred taxes		**62,105**	43,287
Total liabilities		**167,700**	132,530
SHAREHOLDERS' EQUITY			
Share capital	11	**61,275**	63,831
Warrants		**3,203**	3,203
Contributed surplus		**10,256**	8,871
Retained earnings (Deficit)		**17,965**	(4,534)
Accumulated other comprehensive loss		**(223)**	-
Total shareholders' equity		**92,476**	71,371
Total liabilities and shareholders' equity		**260,176**	203,901

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 September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
REVENUE					
Petroleum and natural gas sales		**15,051**	7,690	**43,591**	23,235
Royalties		**(1,004)**	(1,712)	**(3,157)**	(4,392)
Petroleum and natural gas revenue		**14,047**	5,978	**40,434**	18,843
EXPENSES					
Transportation		**803**	197	**2,155**	657
Operating		**6,789**	1,917	**16,873**	5,293
Income from associate	8	**(1,146)**	-	**(2,964)**	-
General and administrative		**2,221**	1,183	**5,932**	3,839
Transaction costs	5	**841**	295	**1,270**	1,752
Interest and financing, net of income		**(614)**	103	**(72)**	99
Foreign exchange gain		**(533)**	(326)	**(618)**	3
Loss on derivative instruments	12	**735**	295	**467**	1,224
Share-based compensation	11	**568**	339	**1,268**	981
Depletion, depreciation and amortization		**5,031**	1,702	**13,379**	4,596
Impairment reversal		**-**	-	**-**	(4,240)
Accretion of decommissioning liability	10	**1,755**	49	**3,991**	149
Gain on acquisition	5	**(22,781)**	-	**(22,781)**	-
Total expenses		**(6,331)**	5,754	**18,900**	14,353
Net income before income taxes		**20,378**	224	**21,534**	4,490
Provision for income taxes					
Current		**544**	-	**2,079**	-
Deferred		**(1,073)**	-	**(3,577)**	-
Total income taxes		**(529)**	-	**(1,498)**	-
Net income		**20,907**	224	**23,032**	4,490
Other comprehensive income (loss)					
Currency translation adjustments		**(240)**	-	**(223)**	-
Net comprehensive income		**20,667**	224	**22,809**	4,490
Net income per share					
Basic	11	**0.77**	0.01	**0.84**	0.16
Diluted	11	**0.71**	0.01	**0.80**	0.15

See accompanying notes to the interim condensed consolidated financial statements.

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

For the periods ended September 30

($000)	Note	Share capital	Warrants	Contributed surplus	Retained earnings (Deficit)	AOCI[1]	Total Equity
Balance, January 1, 2022		64,503	3,203	7,661	(10,052)	-	65,315
Exercise of stock options		363	-	(132)	-	-	231
Normal course issuer bid	11	(324)			69		(255)
Share-based compensation							
- Expensed	11	-	-	981	-	-	981
- Capitalized	11	-	-	57	-	-	57
Net income for the period		-	-	-	4,490	-	4,490
Balance, September 30, 2022		64,542	3,203	8,567	(5,493)	-	70,819
Balance, December 31, 2022		63,831	3,203	8,871	(4,534)	-	71,371
Normal course issuer bid	11	(2,162)	-	-	(264)	-	(2,426)
Change in liability for share repurchase commitment	11	(394)	-	-	(269)	-	(663)
Share-based compensation							
- Expensed	11	-	-	1,268	-	-	1,268
- Capitalized	11	-	-	117	-	-	117
Net income for the period		-	-	-	23,032	-	23,032
Currency translation adjustments		-	-	-	-	(223)	(223)
Balance, September 30, 2023		**61,275**	**3,203**	**10,256**	**17,965**	**(223)**	**92,473**

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

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

		Three months ended September 30		Nine months ended September 30	
($000)	Note	**2023**	2022	**2023**	2022
OPERATING ACTIVITIES					
Net income		**20,907**	224	**23,032**	4,490
Items not involving cash:					
Share-based compensation	11	**568**	339	**1,268**	981
Depletion, depreciation and amortization		**5,031**	1,702	**13,379**	4,596
Impairment reversal		**-**	-	**-**	(4,240)
Income from associate	8	**(1,146)**	-	**(2,964)**	-
Accretion of decommissioning liability	10	**1,755**	49	**3,991**	149
Unrealized foreign exchange gain		**(536)**	(329)	**(619)**	-
Unrealized (gain) loss on derivative instruments	12	**955**	295	**768**	(600)
Gain on acquisition	5	**(22,781)**	-	**(22,781)**	-
Deferred taxes		**(1,073)**	-	**(3,577)**	-
Decommissioning liabilities settled	10	**(2,319)**	-	**(2,861)**	-
Change in non-cash working capital		**(1,186)**	(836)	**(3,387)**	(838)
Cash flow from operating activities		**175**	1,444	**6,249**	4,538
INVESTING ACTIVITIES					
Exploration and evaluation	6	**(246)**	-	**(1,162)**	-
Property, plant and equipment	7	**(14,992)**	(7,882)	**(20,726)**	(12,113)
Cash acquired in acquisition	5	**36,807**	-	**36,807**	-
Restricted cash for security arrangements	4	**-**	39,499	**42,674**	-
Dividend from associate	8	**-**	-	**3,002**	-
Change in non-cash working capital		**5,458**	467	**6,288**	(518)
Cash flow from (used) in investing activities		**27,027**	32,084	**66,883**	(12,631)
FINANCING ACTIVITIES					
Advance (repayment) of bank debt	9	**-**	(15,946)	**(21,483)**	-
Normal course issuer bid	11	**(816)**	(255)	**(2,426)**	(255)
Proceeds from the exercise of stock options		**-**	-	**-**	231
Principal payments on lease liabilities		**4**	(12)	**(14)**	(38)
Change in non-cash working capital		**(663)**	-	**(663)**	-
Cash flow used in financing activities		**(1,475)**	(16,213)	**(24,586)**	(62)
Foreign exchange gain on cash held in foreign currencies		**414**	-	**409**	-
CHANGE IN CASH AND CASH EQUIVALENTS		**26,141**	17,315	**48,955**	(8,155)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**24,646**	-	**1,832**	25,470
CASH AND CASH EQUIVALENTS, END OF PERIOD		**50,787**	17,315	**50,787**	17,315
Cash interest paid		**22**	162	**692**	176
Cash taxes paid		**2,585**	-	**7,441**	-

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 common shares ("Common Shares") listed on the Toronto Stock Exchange ("TSX") under the symbol "TNZ".

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 IFRS Accounting 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.sedarplus.ca or on Tenaz's website at www.tenazenergy.com.

These Financial Statements were approved by the Board of Directors on November 13, 2023.

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

Acquisition of private companies 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 "2022 Acquisition"). On July 3, 2023, pursuant to a share purchase agreement, Tenaz completed the acquisition of 100% of the issued and outstanding shares of XTO Netherlands Ltd., a private U.S. company with additional working interest in the Netherlands upstream and midstream assets mentioned above (the "2023 Acquisition") (Note 5).

During the nine months ended September 30, 2023, no adjustments have been made to the preliminary purchase price allocation for these acquisitions. 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.

Tenaz is continuing to obtain and verify information required to determine the fair value of certain assets and liabilities and the amount of deferred taxes arising on their recognition, including property plant and equipment, exploration and evaluation assets as well as taxes.

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 2022 Acquisition and 2023 Acquisition, Tenaz commenced business in the Netherlands through wholly-owned subsidiaries 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 funds flow from operations generated by each of Tenaz's operating segments. Funds flow from operations is a measure the Company considers to be comparable to earnings in that it provides the chief operating decision maker with the ability to assess the profitability of each operating segment and, correspondingly, the ability of each operating segment to fund its share of decommissioning liabilities and capital investments.

			Three months ended September 30	
			2023	2022
($000)	**Netherlands**	**Canada/ Corporate**	**Total**	**Canada/Total**
Total assets	129,665	130,511	**260,176**	79,860
Exploration and evaluation asset additions	193	53	**246**	-
Property, plant and equipment additions	1,850	13,142	**14,992**	7,882
Heavy crude oil	-	5,700	**5,700**	6,304
Natural gas liquids	88	257	**345**	307
Natural gas	8,059	947	**9,006**	1,079
Petroleum and natural gas sales	8,147	6,904	**15,051**	7,690
Royalties	-	(1,004)	**(1,004)**	(1,712)
Revenue	8,147	5,900	**14,047**	5,978
Transportation expenses	(525)	(278)	**(803)**	(197)
Operating expenses	(4,676)	(2,113)	**(6,789)**	(1,917)
Income from associate(1)	1,146	-	**1,146**	-
General and administrative expenses	(62)	(2,159)	**(2,221)**	(1,183)
Current income taxes	(544)	-	**(544)**	-
Transaction costs	-	(841)	**(841)**	(295)
Interest and financing, net of income	-	614	**614**	(103)
Realized foreign exchange gain (loss)	-	(3)	**(3)**	(3)
Realized loss on derivative instruments	-	220	**220**	-
Funds flow from operations	3,486	1,340	**4,826**	2,280

(1) Midstream income from Noordgastransport BV

			Nine months ended September 30	
			2023	2022
($000)	**Netherlands**	**Canada/ Corporate**	**Total**	**Canada/Total**
Total assets	129,665	130,511	**260,176**	79,860
Exploration and evaluation asset additions	1,109	53	**1,162**	-
Property, plant and equipment additions	2,758	17,968	**20,726**	12,113
Heavy crude oil	-	17,480	**17,480**	17,938
Natural gas liquids	269	775	**1,044**	1,160
Natural gas	22,066	3,001	**25,067**	4,137
Petroleum and natural gas sales	22,335	21,256	**43,591**	23,235
Royalties	-	(3,157)	**(3,157)**	(4,392)
Revenue	22,335	18,099	**40,434**	18,843
Transportation expenses	(1,107)	(1,048)	**(2,155)**	(657)
Operating expenses	(9,855)	(7,018)	**(16,873)**	(5,293)
Income from associate[(1)]	2,964	-	**2,964**	-
General and administrative expenses	(600)	(5,332)	**(5,932)**	(3,839)
Current income taxes	(2,079)	-	**(2,079)**	-
Transaction costs	-	(1,270)	**(1,270)**	(1,752)
Interest and financing, net of income	-	72	**72**	(99)
Realized foreign exchange gain	-	(1)	**(1)**	(3)
Realized gain (loss) on derivative instruments	-	301	**301**	(1,824)
Funds flow from operations	11,658	3,803	**15,461**	5,376

(1) Midstream income from Noordgastransport BV

Reconciliation of funds flow from operations to net income

	Three months ended September 30		Nine months ended September 30	
($000)	**2023**	2022	**2023**	2022
Funds flow from operations	**4,826**	2,280	**15,461**	5,376
Unrealized foreign exchange gain (loss)	**536**	329	**619**	-
Unrealized gain (loss) on derivative instruments	**(955)**	(295)	**(768)**	600
Share-based compensation	**(568)**	(339)	**(1,268)**	(981)
Depletion, depreciation and amortization	**(5,031)**	(1,702)	**(13,379)**	(4,596)
Impairment reversal	**-**	-	**-**	4,240
Accretion of decommissioning liability	**(1,755)**	(49)	**(3,991)**	(149)
Gain on acquisition	**22,781**	-	**22,781**	-
Deferred tax recovery	**1,073**	-	**3,577**	-
Net income	**20,907**	224	**23,032**	4,490

4. RESTRICTED CASH

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

Under the DSAs, decommissioning security is calculated annually and posted by parties to licenses where the future costs of decommissioning are higher than the estimated future cash flows from producing assets. On February 28, 2023, the security required pursuant to the DSAs decreased from €40.9 million to €11.8 million. As part of the XTO NL acquisition, Tenaz acquired a further restricted cash position of $15.1 million (€10.4 million) on July 3, 2023 (Note 5).

5. BUSINESS COMBINATION

Acquisition of XTO Netherlands Ltd. (“XTO NL”)

On July 3, 2023, pursuant to a Share Purchase Agreement (“SPA”), Tenaz completed the acquisition of 100% of the issued and outstanding shares of XTO Netherlands Ltd. (“XTO NL”) from XH, LLC (“XH”), a wholly owned subsidiary of ExxonMobil Corporation (the “2023 Acquisition”).

Pursuant to the 2023 Acquisition, the Company acquired: (i) an additional non-operated working interest in certain offshore natural gas licenses in the Dutch North Seas; and (ii) an additional ownership interest in Noordgastransport B.V. (“NGT”), a private limited company formed in the Netherlands which holds gas gathering and processing networks in the DNS and an associate of Tenaz (Note 8).

Prior to July 3, 2023, the acquired assets were held in a U.S. corporation that was converted into a private U.S. Delaware limited liability corporation immediately prior to the closing of the 2023 Acquisition and renamed Tenaz Energy (US) II LLC and, on July 4, 2023, migrated and continued as a Luxembourg private limited liability company, renamed “Tenaz Energy Netherlands Offshore II S.A.R.L” (“TENO II”). TENO II is a wholly owned subsidiary of the Company.

The above business combination was recognized in accordance with IFRS 3 *Business Combinations* using the acquisition method.

Pursuant to the SPA, Tenaz acquired all of the private company’s issued and outstanding shares in exchange for $0.2 million consideration payable to the vendor upon final working capital adjustments based on the private company’s surplus working capital as at January 1, 2023. The payable to the vendor was settled in September 2023.

The 2023 Acquisition increases Tenaz’s working interest in in each of the L10/L11a, K9, K12 and N7b license blocks in the Dutch North Sea as follows: L10/L11a: from 11.35% to 21.43%; K9a and K9b: from 8.44% to 15.94%; K9c: from 6.49% to 12.26%; K12: from 5.67% to 10.71%; and N7b: from 9.45% to 17.86%.

Tenaz’s interest in the undeveloped F10, F11a, F17, and F18 licenses remains unchanged as a result of the 2023 Acquisition.

Tenaz also acquired an additional 10.1% ownership interest in NGT bringing Tenaz’s total interest to 21.4% (Note 8).

Preliminary purchase price allocation

The following preliminary purchase price allocation was based on the assets acquired and liabilities assumed:

($000)	**July 3, 2023**
Identifiable net assets	
Cash acquired	36,807
Restricted cash	15,083
Accounts receivables	1,928
Exploration and evaluation assets (Note 6)	5,200
Property, plant and equipment – Developed and producing assets (Note 7)	11,554
Investment in NGT (Note 8)	11,182
Accounts payable and accrued liabilities	(1,418)
Income taxes payable	(9,051)
Decommissioning liabilities (Note 10)	(25,284)
Deferred tax liability	(23,027)
Total identifiable net assets	**22,974**
Consideration	
Payable to vendor for surplus working capital	193
Total consideration	**193**
Gain on acquisition	**22,781**

Tenaz’s acquisition of XTO NL resulted in a $22.8 million gain included in the gain on acquisition line item in the statement of net income and comprehensive income as the consideration was less than the value of the identifiable net assets acquired. The gain is primarily due to the fair value of the decommissioning liabilities recognized by Tenaz as compared to the remaining cash in the acquired entity.

The above preliminary purchase price allocation is based on management’s best estimate at the time of the preparation of these Financial Statements. Given the complexity of the 2023 Acquisition, the valuation of the net assets acquired and associated purchase price allocation is not final as Tenaz is continuing to obtain and verify information required to determine the fair value of certain assets and liabilities and the amount of deferred taxes arising on their recognition, including property plant and equipment, exploration and evaluation assets and taxes as well as finalization of working capital adjustments. 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.

As a result of completing the 2023 Acquisition, the private company became a wholly-owned subsidiary of Tenaz, and is subsequently consolidated with Tenaz as of July 3, 2023, the acquisition date.

If the business combination had occurred on January 1, 2023, pro forma revenue and operating netback (revenue less transportation and operating expenses plus midstream income) were estimated to be approximately $50.5 million and $31.2 million, respectively, for the nine months ended September 30, 2023. However, these estimates may not be representative of the actual results if combined on January 1, 2023.

Included in Tenaz’s consolidated results for the three and nine months ended September 30, 2023 is $3.0 million of revenue and $1.6 million of operating netback, respectively, relating to the 2023 Acquisition.

Transaction costs

For the three and nine months ended September 30, 2023, Tenaz incurred transaction costs of $0.8 million and $1.3 million, respectively, in connection with the Company’s mergers and acquisitions activity (including the 2023 Acquisition and 2022 Acquisition), all of which have been expensed in the respective periods.

6. EXPLORATION AND EVALUATION

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

($000)	**Total**
Balance, December 31, 2022	14,706
Additions	1,162
Acquisition (Note 5)	5,200
Foreign exchange	(222)
Balance, September 30, 2023	**20,846**
Canada	**53**
Netherlands	**20,793**

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

At September 30, 2023 and December 31, 2022, the Company had not identified any indicators of impairment.

7. 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	20,669	57	20,726
Acquisition (Note 5)	11,554	-	11,554
Share-based compensation (Note 11)	117	-	117
Decommissioning cost additions and change in estimates (Note 10)	(146)	-	(146)
Foreign exchange	(624)	-	(624)
Balance, September 30, 2023	**164,066**	**334**	**164,400**
Depletion, depreciation, amortization and impairment			
Balance, December 31, 2022	(28,332)	(166)	(28,498)
Depletion and depreciation	(13,328)	(29)	(13,357)
Foreign exchange	119	-	119
Balance, September 30, 2023	**(41,541)**	**(195)**	**(41,736)**
Carrying amounts			
As at December 31, 2022	104,164	111	104,275
Canada	61,645	111	61,756
Netherlands	42,519	-	42,519
As at September 30, 2023	**122,525**	**139**	**122,664**
Canada	**74,954**	**139**	**75,093**
Netherlands	**47,571**	**-**	**47,571**

Estimated future development costs of $96.9 million (December 31, 2022 – $111.7 million) associated with the development of the Company’s proved and probable crude oil and natural gas reserves were added to the Company’s net book value in the depletion and depreciation calculations.

At September 30, 2023 and December 31, 2022, the Company had not identified any indicators of impairment.

8. INVESTMENT IN ASSOCIATE

Tenaz has the following associate at September 30, 2023 and December 31, 2022:

		% Interest held	
Name of associate	**Jurisdiction**	**September 30 2023**	December 31 2022
Noordgastransport BV ("NGT")	Netherlands	**21.4%**	11.3%

As part of the acquisition of XTO Netherlands Ltd. on July 3, 2023, Tenaz acquired an additional 10.1% interest in NGT (Note 5).

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

($000)	**Total**
Balance, December 31, 2022	12,591
Acquisition (Note 5)	11,182
Income from associate	2,964
Dividend	(3,002)
Foreign exchange	(233)
Balance, September 30, 2023	**23,502**

Summarized financial information in respect of NGT includes:

As at ($million)	**September 30 2023**	December 31 2022
Total assets	**176**	184
Total liabilities	**(130)**	(133)
Net assets	**46**	51
Tenaz's share of net assets	**10**	6

	Three months ended September 30		**Nine months ended September 30**	
($million)	**2023**	2022	**2023**	2022
Total revenue	**18**	16	**58**	55
Net income	**7**	2	**22**	17
Tenaz's share of net income	**1**	-	**3**	-

9. BANK DEBT

Bank debt is comprised of the following:

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

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

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

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

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

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

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

Tenaz is subject to certain reporting and financial covenants including:

- the Company is required to maintain a working capital ratio of at least 1.00:1, but for the purposes of the covenant, the Credit Facilities drawn and the fair value of any risk management contracts are excluded and the unused portion of the Credit Facilities is added to current assets; and
- the Company will maintain a liability management rating ("LMR") in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0.

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

10. DECOMMISSIONING LIABILITY

A reconciliation of the decommissioning liability is provided below:

($000)	
Balance, December 31, 2022	30,435
Additions	20
Acquisition	25,284
Changes in abandonment timing and costs	(804)
Settled	(2,861)
Accretion	3,991
Changes in discount rates	638
Foreign exchange	(602)
Balance, September 30, 2023	**56,101**
Canada	**1,979**
Netherlands	**54,122**

Tenaz calculated the present value of the decommissioning liability using a credit-adjusted risk-free rate, calculated using a credit spread of 9.4% as at September 30, 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 $107.0 million (December 31, 2022 - $61.3 million) with the majority of costs anticipated to be incurred between 2024 and 2036. Current cost estimates are inflated to the estimated time of abandonment using inflated cost estimates of $129.6 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:

	September 30 2023	December 31 2022
Risk-free rates		
Canada	**3.8%**	3.3%
Netherlands	**2.8%**	2.9%
Inflation rates		
Canada	**1.8%**	1.4%
Netherlands	**2.5%**	2.9%

11. SHARE CAPITAL

Authorized

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

Issued and outstanding

	Number of Common Shares	**Amount ($000)**
Balance, December 31, 2022	28,093,174	63,831
Normal course issuer bid	(948,200)	(2,162)
Change in liability for share repurchase commitment	-	(394)
Balance, September 30, 2023	**27,144,974**	**61,275**

Normal Course Issuer Bid ("NCIB")

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

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

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

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

($000, except as noted)	**Nine months ended September 30 2023**	Year ended December 31 2022
Share repurchase activities (number of Common Shares)		
Shares repurchased	**(948,200)**	(454,900)
Amounts charged to:		
Share capital	**(2,162)**	(1,035)
Retained earnings	**(264)**	281
Share repurchase cost	**(2,426)**	(754)
Average cost per share ($)	**2.56**	1.66

Under the ASPP, the Company has recorded the following liability for share repurchases that may take place during its internal blackout period, included in accounts payable and accrued liabilities:

($000)	**September 30 2023**	December 31 2022
Amounts charged to:		
Share capital	**(394)**	-
Retained earnings	**(269)**	-
Liability for share purchase commitment	**(663)**	-

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 September 30, 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, September 30, 2023	**1,525,000**	**2.70**

The range of exercise prices for stock options outstanding and exercisable under the plan at September 30, 2023 is as follows:

Exercise Prices	Stock Options Outstanding			Stock Options Exercisable		
	Quantity	Remaining contractual life (years)	Weighted Average Exercise Price ($)	Quantity	Remaining contractual life (years)	Weighted Average Exercise Price ($)
$2.70	**1,525,000**	**3.1**	**2.70**	**508,700**	**3.1**	**2.70**

Tenaz Incentive Plan

The Company can 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 TIP Awards			
	PSUs	RSUs	DSUs	Total
Balance, December 31, 2022	179,500	-	-	179,500
Granted	830,000	65,000	42,500	937,500
Forfeited	(1,500)	-	-	(1,500)
Balance, September 30, 2023	1,008,000	65,000	42,500	1,115,500

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.

During the nine months ended September 30, 2023, the Company issued 830,000 PSUs to officers and employees of the Company, 42,500 DSUs to Directors of the Company and 65,000 RSUs to Directors and employees of the Company with a grant date fair value of $2.10 per award using a 5-day volume weighted average price. The PSUs and RSUs vest over a period of one to three years and DSUs vest immediately upon granting.

At September 30, 2023, there were 73,997 Common Shares available for issuance under the TIP.

Share-based Compensation

($000)	Three months ended September 30 **2023**	2022	Nine months ended September 30 **2023**	2022
Share-based compensation:				
Stock Option Plan	**178**	341	**503**	1,022
Tenaz Incentive Plan	**468**	16	**882**	16
Total share-based compensation	**646**	357	**1,385**	1,038
Capitalized share-based compensation (Note 7)	**(78)**	(18)	**(117)**	(57)
Share-based compensation expensed	**568**	339	**1,268**	981

Net Income per Share

Weighted average Common Shares ($000, except Common Shares and per share amounts)	Three months ended September 30 **2023**	2022	Nine months ended September 30 **2023**	2022
Net income – Basic and diluted	**20,907**	224	**23,032**	4,490
Weighted average Common Shares				
Basic	**27,291,778**	28,519,700	**27,585,619**	28,485,801
Diluted	**29,555,281**	28,689,688	**28,821,908**	29,126,905
Net income per share				
Basic	**0.77**	0.01	**0.84**	0.16
Diluted	**0.71**	0.01	**0.80**	0.15

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. Diluted net loss per share is calculated using the basic weighted average Common Shares.

For the three months ended September 30, 2023, no outstanding stock options and no outstanding TIP awards were excluded from the weighted average number of diluted Common Shares as they were anti-dilutive (2022 – 1,845,500 outstanding stock options and 119,800 outstanding PSUs were excluded).

For the nine months ended September 30, 2023, 1,525,000 outstanding stock options and no outstanding TIP awards were excluded from the weighted average number of diluted Common Shares as they were anti-dilutive (2022 – 1,605,500 outstanding stock options and nil PSUs were excluded).

12. FINANCIAL INSTRUMENTS

At September 30, 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 September 30, 2023, pertains to revenue for accrued September 2023 production volumes and receivables from joint interest partners. Tenaz primarily transacts with four Canadian and three Dutch crude 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 September 30, 2023, 56% of total outstanding accounts receivable pertains to the top 7 purchasers. As at September 30, 2023, receivables for revenue were $5.8 million and joint venture receivables were $2.6 million, which are included in accounts receivable (December 31, 2022 - $9.7 million). For the nine months ended September 30, 2023, the Company received approximately 97% of its revenue from 7 purchasers (2022 – 92% of its revenue from 4 purchasers).

At September 30, 2023 and December 31, 2022, the Company's trade receivables have been aged as follows:

As at ($000)	**September 30 2023**	December 31 2022
Current	**8,251**	10,081
31 – 60 days	**75**	169
61 – 90 days	**93**	-
> 90 days	**50**	1
Allowance for doubtful accounts	**-**	-
Total	**8,469**	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 13) and an actively managed operating and capital expenditure budgeting process.

Accounts payable and accrued liabilities are due in less than one year and amounts outstanding on the Credit Facilities, if any, are due on demand. At September 30, 2023, Tenaz had a current tax liability of $27.4 million related to the Netherlands operations, which is net of instalments paid to the Dutch Tax Authority. The current tax liability consists of $1.0 million related to corporate income tax ("CIT") and state profit share ("SPS") along with $26.4 million owing in accordance with 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 September 30, 2023, the Company was holding $50.8 million in cash and cash equivalents, $31.7 million (€22.2 million) in restricted cash and had $10 million available on undrawn Credit Facilities (Note 9).

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 September 30, 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 September 30, 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 September 30 2023** ($000)
WCS vs WTI Basis Swap Contracts						
Oct 1/23─Dec 31/23	Crude Oil	Swap	200 bbls/d	WCS	WTI less USD $16.50	43
Natural Gas Swap Contracts						
Oct 1/23─Oct 31/23	Natural Gas	Swap	500 GJ/d	AECO 5A	CAD $2.85	14
Derivative instrument asset						**57**

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 $0.03 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

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. In addition, the Company may be exposed to foreign exchange risk in relation to foreign denominated cash, foreign currency swaps as well as other foreign-denominated working capital. Tenaz may manage the risks associated with changes in foreign currency by entering into foreign currency swaps.

At September 30, 2023, Tenaz held the following foreign currency swaps (December 31, 2022 - $0.4 million liability):

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

Interest rate risk

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

At September 30, 2023, Tenaz had not drawn on its interest-bearing credit facilities and had no risk management contracts that would be affected by interest rates in place.

Derivative instruments

The table below summarizes the fair values as at September 30, 2023 and December 31, 2022 on the balance sheet:

($000)	**Commodity**	**Foreign currency**	**September 30 2023**
Derivative instrument assets	57	328	**385**
Derivative instrument liabilities	-	(1,629)	**(1,629)**
Net financial derivative instrument asset (liability)	57	(1,301)	**(1,244)**

($000)	**Commodity**	**Foreign currency**	**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:

	Three months ended September 30		Nine months ended September 30	
($000)	**2023**	2022	**2023**	2022
Realized gain (loss)				
Commodity contracts	**(72)**	-	**100**	(1,824)
Foreign currency swaps	**292**	-	**201**	-
Realized gain (loss) on derivatives	**220**	-	**301**	(1,824)
Unrealized gain (loss)				
Commodity contracts	**177**	-	**105**	600
Foreign currency swaps	**(1,132)**	(295)	**(873)**	-
Unrealized gain (loss) on derivatives	**(955)**	(295)	**(768)**	600
Gain (loss) on derivatives	**(735)**	(295)	**(467)**	(1,224)

13. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company's objectives when managing capital are to i) deploy capital 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 12). Adjusted working capital (net debt) is calculated as current assets less current liabilities, excluding the fair value of derivative instruments.

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

($000)	**September 30 2023**	December 31 2022
Current assets	**92,953**	72,317
Current liabilities	**(49,260)**	(58,749)
Net current assets	**43,693**	13,568
Exclude fair value of derivative instruments	**1,244**	476
Adjusted working capital	**44,937**	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 11. Details of the Company's restricted cash pertaining to decommissioning security for Tenaz's Netherlands assets are described in Note 4.

14. COMMITMENTS AND CONTINGENCIES

The Company's bank debt commitments at September 30, 2023 are described in Note 9.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Marty Proctor
Chair

Anna Alderson
Independent Director

John Chambers
Independent Director

Mark Rollins
Independent Director

Varinia Radu
Independent Director

Anthony Marino
President and Chief Executive Officer and Director

OFFICERS

Anthony Marino
President and Chief Executive Officer and Director

Bradley Bennett
Chief Financial Officer

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