MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Tenaz Energy Corp. (the "Company" or "Tenaz") is dated March 28, 2024 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended December 31, 2023 and 2022, as well as the Company's Annual Information Form ("AIF") that is found on SEDAR+ at www.sedarplus.ca. These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the IASB and are sometimes referred to in this MD&A as Generally Accepted Accounting Principles ("GAAP").

This MD&A includes references to certain financial and performance measures which do not have standardized meanings prescribed by IFRS ("Non-GAAP"). In addition, this MD&A includes references to certain Non-GAAP financial measures, Non-GAAP financial ratios, capital management measures and supplementary financial measures which are not specified, defined, or determined under IFRS and are therefore considered Non-GAAP and other financial measures. These Non-GAAP and other financial measures 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. Tenaz commenced operations in the Netherlands with the acquisition of a private U.S company on December 20, 2022 ("2022 Acquisition") and XTO Netherlands Ltd. on July 3, 2023 ("XTO Acquisition"). 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".

PRODUCTION AND CAPITAL GUIDANCE

The following tables summarize our 2023 and 2024 production and capital guidance. Production guidance for 2023 was updated on June 26, 2023 with the announcement of our XTO Netherlands acquisition. Production and capital guidance for 2024 was approved by the Tenaz Board of Directors on December 21, 2023.

	Updated Guidance June 26, 2023	**2023 Results**
2023 average production volumes (boe/d)(1)	2,300 to 2,500	**2,439**
D&D Capital expenditures(2) ($000)	20,000 to 24,000	**23,336**
Wells:		
Drilled	4 (3.35 net)	**4 (3.35 net)**
Completed	4 (3.35 net)	**4 (3.35 net)**

	2024 Guidance
2024 average production volumes (boe/d)	2,700 to 2,900
Capital expenditures(2) ($000)	26,000 to 28,000
Wells:	
Drilled	4 (3.5 net)
Completed	4 (3.5 net)

(1) The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel (1 bbl) of crude oil. Refer to "Barrels of Oil Equivalent" section included in the "Advisories" section.
(2) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

RESULTS OF OPERATIONS

Operational and Financial Review

	Q4 2023	Q3 2023	Q4 2022	**2023**	2022
Production					
Heavy crude oil (bbls/d)	**1,342**	675	827	**917**	667
Natural gas liquids (bbls/d)	**75**	60	53	**64**	56
Natural gas (Mcf/d)	**10,310**	9,823	3,843	**8,749**	2,972
Total (boe/d)	**3,135**	2,372	1,520	**2,439**	1,218
Net income	**3,515**	20,907	747	**26,547**	5,237
Per share – basic(1)	**0.13**	0.77	0.03	**0.97**	0.18
Per share – diluted(1)	**0.12**	0.71	0.03	**0.91**	0.18
Cash flow from operating activities	**8,927**	175	4,809	**15,176**	9,347
Funds flow from operations(2)	**13,401**	4,826	3,236	**28,862**	8,612
Per basic share(1)(2)	**0.50**	0.18	0.11	**1.05**	0.30
Per basic diluted share(1)(2)	**0.45**	0.16	0.11	**0.99**	0.30
Adjusted working capital (net debt)(2)	**49,338**	44,937	14,149	**49,338**	14,149
Activity					
Capital expenditures ($000)(2)	**2,967**	15,238	4,988	**24,855**	17,101
Exploration and evaluation	**357**	246	-	**1,519**	-
Drilling and development	**2,610**	14,992	4,988	**23,336**	17,101
Wells drilled – Gross/(Net)	-	2 (1.60)	-	**4 (3.35)**	4 (3.50)
Wells completed – Gross/(Net)	-	4 (3.35)	-	**4 (3.35)**	4 (3.50)

(1) Per share metrics calculated using the weighted average common shares for the applicable period.
(2) Non-GAAP and other financial measures. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Production

	Q4 2023	Q3 2023	Q4 2022	**2023**	2022
Canada					
Heavy crude oil (bbls/d)	**1,342**	675	827	**917**	667
Natural gas liquids (bbls/d)	**61**	47	51	**53**	55
Natural gas (Mcf/d)	**3,755**	3,317	3,273	**3,463**	2,828
Total Canada (boe/d)	**2,028**	1,275	1,423	**1,547**	1,193
Netherlands					
Natural gas liquids (bbls/d)	**14**	13	2	**11**	1
Natural gas (Mcf/d)	**6,555**	6,506	570	**5,285**	144
Total Netherlands (boe/d)	**1,107**	1,097	97	**892**	25
Total Company					
Heavy crude oil (bbls/d)	**1,342**	675	827	**917**	667
Natural gas liquids (bbls/d)	**75**	60	53	**64**	56
Natural gas (Mcf/d)	**10,310**	9,823	3,843	**8,749**	2,972
Total Company (boe/d)	**3,135**	2,372	1,520	**2,439**	1,218

Canada

- Quarterly production of 2,028 boe/d was higher than Q3 2023 due to the contributions from the four gross wells (3.35 net) during Q4 2024. The wells were drilled, competed, equipped and tied in as part of our 2023 drilling campaign which was commenced in Q3 2023. The newly producing wells contributed 750 boe/d to Q4 2023. Production increased over Q4 2022 due to our ongoing development of the Leduc-Woodbend field, including the contribution from our 2023 drilling program.
- Full year 2023 production volumes increased by 30% from 2022 as a result of the additional wells brought on production from the 2023 drilling program, partially offset by higher downtime in Q2 2023 to upgrade and maintain facilities, the temporary shut in of certain wells during Q3 2023 for frac operations and natural declines on base production.

Netherlands

- Q4 2023 production was up slightly from Q3 2023 with limited well work completed during the quarter. Both quarters were lower than full operational capability due to unexpected downtime on certain wells which lowered overall volumes delivered.
- Production for full year 2023 reached 892 boe/d. This rate encompasses the full year impact of the interest acquired in the Dutch North Sea in December 2022, along with six months of production from the XTO Acquisition. The latter contributed to our working interest ownership in the asset base as of July 2023. For 2022, production from the first acquisition was only accounted for as of late December 2022.

Net Income

Quarterly comparison

- Q4 2023 was lower than Q3 2023 based on the impacts of:
  - The increase in transaction costs recognized in Q4 2023 for specific M&A opportunities which were actively being negotiated during the quarter.
  - The absence of the gain on the XTO Acquisition recorded in the previous quarter.
  - Partially offset by higher production in Canada and income tax recoveries.

- Q4 2023 was higher than Q4 2022 based on the impacts of:
    - Incremental earnings from higher production from Canada and the income associated with the Netherlands upstream assets acquired in two transactions, the earlier of which was completed in late December 2022.
    - Incremental income earned through the acquisition of equity in NGT (accounted for as an investment in associate).

Year-over-year comparison

- The year-ended 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 at the beginning of Q3 2023.
    - Partially 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.
    - 2023 results included higher G&A and transaction costs arising from our ongoing corporate business development and recently completed acquisitions.

Benchmark Commodity Prices

	Q4 2023	Q3 2023	Q4 2022	**2023**	2022
Average Benchmark Prices					
WTI crude oil (US$/bbl)(1)	**78.83**	82.18	82.63	**77.62**	94.23
WCS differential (US$/bbl)(2)	**(21.94)**	(12.80)	(25.64)	**(17.68)**	(18.20)
US$/CAD$ exchange rate	**0.735**	0.746	0.737	**0.741**	0.769
WCS (CAD$/bbl)	**76.86**	93.12	77.39	**80.90**	98.53
AECO daily spot (CAD$/Mcf)	**2.30**	2.61	5.23	**2.64**	5.43
TTF (CAD$/Mcf)(3)	**18.52**	14.43	50.12	**17.72**	52.84
Average Realized Prices(4)					
Heavy crude oil ($/bbl)	**80.21**	91.77	90.04	**81.83**	101.79
Natural gas liquids ($/bbl)	**59.15**	62.86	65.75	**62.36**	72.96
Natural gas ($/Mcf)	**11.54**	9.96	10.41	**11.28**	7.21
Petroleum and natural gas sales ($/boe)	**73.71**	68.97	77.59	**72.85**	76.67

(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) Supplementary 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

- Q4 2023 commodity pricing was:
    - Lower than Q3 2023 for WCS with weakening WTI prices compounded with wider differentials. Weakening differentials arose due to delays in the commencement of TMX pipeline commissioning and resulting increase in heavy oil inventories.
    - Lower than Q3 2023 for AECO with a decline in pricing associated with lower Q4 2023 demand and a weaker outlook on the remaining winter heating demand.
    - Higher than Q3 2023 for TTF with an increase in pricing due to the start of the winter season despite nearly full inventory levels starting position.

- Q4 2023 commodity pricing was:
    - Consistent with Q4 2022 for WCS, with a decrease of the WTI pricing being offset by the narrowing of the WCS differential.
    - Lower than Q4 2022 for AECO, with a decrease driven by higher storage levels for natural gas in North America entering the winter withdrawal season.
    - Lower than Q4 2022 for TTF, with the normalization of pricing during 2023 following the extreme price volatility that arose in 2022 following the reduction of Russian supply of natural gas into Europe due to the invasion of Ukraine in Q1 2022.

- Consolidated realized prices were higher by 7% and lower by 5% when comparing to Q3 2023 and Q4 2022, respectively.

Year-over-year comparison

- The full year 2023 commodity pricing was:
    - Lower than 2022 for WCS in CAD terms with a decrease due to macro-economic driven demand concerns in world oil markets.
    - Lower than 2022 for AECO with a decrease driven by abundant gas supply from the Western Canadian Sedimentary Basin and anticipation of continuing high inventory levels in North America.
    - Lower than 2022 for TTF with continuing 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 year-over-year 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)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Sales					
Heavy crude oil	**9,900**	5,700	6,851	**27,380**	24,789
Natural gas liquids	**410**	345	319	**1,454**	1,479
Natural gas	**10,951**	9,006	3,682	**36,018**	7,819
Petroleum and natural gas sales	**21,261**	15,051	10,852	**64,852**	34,087
Royalties	**(1,699)**	(1,004)	(1,555)	**(4,856)**	(5,947)
Transportation expenses	**(1,010)**	(803)	(363)	**(3,165)**	(1,020)
Operating expenses	**(5,586)**	(6,789)	(3,015)	**(22,459)**	(8,308)
Midstream income(1)(2)	**1,400**	1,146	-	**4,364**	-
General and administrative expenses	**(1,452)**	(2,221)	(1,217)	**(7,384)**	(5,056)
Transaction costs	**(2,489)**	(841)	(932)	**(3,759)**	(2,684)
Interest and financing, net of income	**930**	614	-	**1,002**	(99)
Realized foreign exchange gain (loss)	**4**	(3)	(7)	**3**	(10)
Realized gain (loss) on derivatives	**301**	220	-	**602**	(1,824)
Current income taxes	**1,741**	(544)	(527)	**(338)**	(527)
Funds flow from operations(1)	**13,401**	4,826	3,236	**28,862**	8,612

(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

- Q4 2023 was higher than Q3 2023 due to the impacts of:
    - Incremental revenue from Netherlands production coupled with higher TTF pricing in the current period.
    - Higher revenue in Canada driven by higher production but partially offset by weaker WCS and AECO pricing.
    - A recovery of current taxes recognized in the quarter resulting from increased deductions for the provision on future decommissioning costs which lowered full year Netherlands taxes.
    - Higher costs for G&A and transactions costs primarily related to increased levels of business development activity as compared to Q3 2023.

- Q4 2023 was higher than Q4 2022 based on the impacts of:
    - Additional after-tax funds flow from operations from the acquisitions of Netherlands production and midstream assets in late 2022 and at the beginning of Q3 2023.
    - Higher production and lower operating expense in Canada.
    - Partially offset by incremental G&A and transaction costs associated with business development activity and weaker crude oil and natural gas prices in Canada.

Year over year comparison

- The year-ended 2023 was higher than 2022 based on the impacts of:
    - Newly acquired Netherlands assets contributing additional revenue during 2023.
    - Increased production in Canada resulting from additional wells drilled during the year and continued strong performance from the production base.
    - Partially offset by reduced commodity prices in Canada and increased asset scope and incremental business development activity which increased G&A and transaction costs.

Operating Netback Summary

($/boe)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Canada					
Petroleum and natural gas sales	**59.41**	58.87	67.22	**57.28**	73.54
Royalties	**(9.10)**	(8.57)	(11.88)	**(8.60)**	(13.65)
Transportation expenses	**(2.71)**	(2.37)	(2.41)	**(2.75)**	(2.29)
Operating expenses	**(12.47)**	(18.02)	(18.13)	**(16.55)**	(17.59)
Canada operating netback(1)	**35.13**	29.91	34.80	**29.38**	40.01
Netherlands					
Petroleum and natural gas sales	**99.89**	80.70	229.94	**99.88**	233.23
Transportation expenses	**(4.97)**	(5.20)	(5.38)	**(4.95)**	(5.46)
Operating expenses	**(31.99)**	(46.31)	(71.83)	**(40.29)**	(72.97)
Midstream income(1)	**13.75**	11.35	-	**13.41**	-
Netherlands operating netback(1)	**76.68**	40.54	152.73	**68.05**	154.80
Total Company					
Petroleum and natural gas sales	**73.71**	68.97	77.59	**72.85**	76.67
Royalties	**(5.89)**	(4.60)	(11.12)	**(5.46)**	(13.38)
Transportation expenses	**(3.50)**	(3.68)	(2.60)	**(3.56)**	(2.29)
Operating expenses	**(19.36)**	(31.11)	(21.56)	**(25.23)**	(18.69)
Midstream income(1)	**4.86**	5.25	-	**4.90**	-
Total Company operating netback(1)	**49.82**	34.83	42.31	**43.50**	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 Q4 2023 than that of Q3 2023:

- Lower operating costs per boe in both Canada and Netherlands.
- Stronger TTF pricing and a higher production weighting to crude oil, both of which increased average realized price per boe for the Company. The year ended 2022 netback had limited contribution from the Netherlands because closing of the first Netherlands acquisition only occurred late in December 2022.
- Partially offset by weaker WCS and AECO prices.

Total Company operating netback was consistent in the year ended 2023 as compared to 2022 due to:

- Higher netback production from the Netherlands acquisitions completed in two separate transactions.
- Lower operating costs per boe in Canada driven by higher production rates which spread fixed costs over more units of production.
- And partially offset by weakness in WCS and AECO pricing during 2023.

Petroleum and Natural Gas Sales

($000 except per boe)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Petroleum and natural gas sales					
Canada	**11,086**	6,904	8,800	**32,342**	32,035
Netherlands	**10,175**	8,147	2,052	**32,510**	2,052
Total Company	**21,261**	15,051	10,852	**64,852**	34,087
Per boe					
Canada	**59.41**	58.87	67.22	**57.28**	73.54
Netherlands	**99.89**	80.70	229.94	**99.88**	233.23
Company	**73.71**	68.97	77.59	**72.85**	76.67

Quarterly comparison

- Higher sales in Q4 2023 as compared to Q4 2022 reflected the higher production in Canada including a higher proportion of crude oil as a result of new wells brought online from the 2023 drilling campaign. Partially offsetting the strong volume increase were lower prices for WCS and AECO in Q4 2023 versus Q4 2022.
- Realized prices per boe increased in Q4 2023 as compared to Q3 2023 on stronger prices in European gas and a higher proportion of crude oil, which has a higher price per boe than natural gas in Canada. Partially offsetting the increase in realized price was a decrease to both WCS and AECO in the most recent quarter.

Year-over-year comparison

- Higher sales year-over-year reflect the additional contributions from both the Netherlands acquisitions closed in December 2022 and July 2023. These impacts were partially offset by lower commodity prices in Canada.
- Sales for Canada for the year ended 2023 were similar to 2022 despite higher production due to a 18% decrease in WCS prices and 51% decrease in AECO prices.

Royalties

($000 except per boe)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Royalties					
Canada	**1,699**	1,004	1,555	**4,856**	5,947
Netherlands	**-**	-	-	**-**	-
Total Company	**1,699**	1,004	1,555	**4,856**	5,947
As a percentage of sales					
Canada	**15.3%**	14.5%	17.7%	15%	18.5%
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:

- Q4 2023 royalty expense was higher than Q3 2023 both on a per boe and percentage of sales basis for Canada.
- The increase in royalties resulted from higher royalties on wells which fully 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 year ending December 2023 were lower than for the comparable periods in 2022, which had higher average royalty rates on Crown lands where the royalty rates vary with product reference price, well production rates and the vintage of wells coming off royalty holidays.

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. Netherlands royalties pertaining to 2023 were nil.

Transportation Expenses

($000 except per boe)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Transportation expenses					
Canada	**505**	278	315	**1,553**	972
Netherlands	**505**	525	48	**1,612**	48
Total Company	**1,010**	803	363	**3,165**	1,020
Per boe					
Canada	**2.71**	2.37	2.41	**2.75**	2.23
Netherlands	**4.97**	5.20	5.38	**4.95**	5.46
Company	**3.50**	3.68	2.60	**3.56**	2.29

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-over-year comparison

- 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)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Operating expenses					
Canada	**2,328**	2,113	2,374	**9,346**	7,667
Netherlands	**3,258**	4,676	641	**13,113**	641
Total Company	**5,586**	6,789	3,015	**22,459**	8,308
Per boe					
Canada	**12.47**	18.02	18.13	**16.55**	17.59
Netherlands	**31.99**	46.31	71.83	**40.29**	72.97
Company	**19.36**	31.11	21.56	**25.23**	18.69

Quarterly comparison (Canada)

- Operating expense for Q4 2023 was marginally higher than Q3 2023 and slightly lower than the same period in 2022, despite a significant increase in production rates during the most recent quarter. The Q4 2023 expense reflects higher field labour, and additional gas processing charges and chemical usage from higher production but is partially offset with lower electricity prices during the 2023 period.

Quarterly comparison per boe (Canada)

- Operating expense per boe for Q4 2023 was $12.47/boe, a decrease of 31% from both Q3 2023 and Q4 2022.
- On a per unit basis, Q4 2023 expenses were lower when compared to Q3 2023 and Q4 2022 as the significant increase in production volumes were allocated over relatively consistent fixed costs, as well as lower maintenance activity.
- On a per unit basis Q4 2023 expenses also benefited from lower electricity prices year-over-year.

Quarterly comparison (Netherlands)

- Operating costs in Q4 2023 were lower than in Q3 2023 due to additional charges for the compressor maintenance incurred in the Q3 2023.
- Q4 2022 is not comparable with the 2023 periods as only a small portion of December 2022 results from the first Netherlands acquisition was recorded due to the timing of closing of the transaction.

Quarterly comparison per boe (Netherlands)

- Operating expense on a per boe basis in Q4 2023 was lower than in the prior quarter, reflecting the decrease in absolute costs pertaining to the Q3 compressor maintenance in combination with higher production for Q4 2023.

Full year comparison (Canada)

- Operating expense for 2023 was $9.3 million, an increase of 22% from $7.7 million in 2022.
- Operating expense was higher than the prior-year because of carbon taxes, planned facility maintenance, and additional variable operating costs associated with higher production volumes, primarily labour, gas processing, and consumables.

Full year comparison per boe (Canada)

- Operating expense for 2023 was $16.55/boe, 6% lower than the prior year.
- Operating expenses improved year-over-year on higher production volumes which decreased fixed field costs per boe. In addition, lower well servicing and facility expenses were realized on a per boe basis from enhancements to the design of lifting equipment and improvements in facility performance following upgrades that were completed mid-year.

Other (Income) Expenses

($000 except per boe)	**Q4 2023**	Q3 2023	Q4 2022	2023	2022
Transaction costs	**2,489**	841	932	3,759	2,684
Income from associate[1]	**(543)**	(1,146)	-	(3,507)	-
Interest and financing, net of income	**(930)**	(614)	103	(1,002)	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 incurred in both the most recent and preceding quarter primarily stem from professional services, encompassing legal and tax advisory expenses, along with costs associated with technical and financial due diligence. Tenaz classifies these expenses as transaction costs once an opportunity advances beyond the offer stage. At the offer stage of a process, the Company anticipates that the costs incurred are more likely to be directly linked to the specific opportunity rather than the routine activities of the Company.

The differentiation between General and Administrative expenses and transaction costs seeks to present the ongoing operational costs of Tenaz and the execution of its strategy, distinct from the costs tied to specific opportunities that may ultimately result in completed transactions. This approach allows for a transparent delineation between the routine operational expenses of the Company and the costs associated with pursuing and finalizing distinct business opportunities.

Income from Associate

Tenaz recognizes its proportionate share of the net income of its affiliate Noordgastransport BV (“NGT”) in income. NGT is a company that owns and operates one of the three main pipeline networks servicing the Dutch North Sea (“DNS”) for gathering and processing of natural gas. For Tenaz’s interest in NGT, we recognized $3.5 million of after-tax earnings for the year ended December 31, 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).

Interest and Financing Expenses, Net of Income

2023 periods reflect interest income from our positive cash position, including both the restricted and unrestricted balances, which bear interest at market interest rates. Q4 2022 and full year 2022 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)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Gross G&A	**1,751**	2,538	1,443	**8,574**	5,897
Capitalized G&A and overhead recoveries	**(299)**	(317)	(226)	**(1,190)**	(841)
Net G&A	**1,452**	2,221	1,217	**7,384**	5,056

Quarterly comparison

- Q4 2023 was lower than Q3 2023, primarily due to the absence of additional costs incurred during Q3 2023 that were specifically related to establishing the Netherlands business unit. Furthermore, the decline can be attributed to active business development activities being classified as transaction costs during the quarter.
- Q4 2023 was higher than Q4 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.

Year-over-year comparison

- G&A expenses for the year-ended 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.
- Higher average number of contract and full-time staff increased G&A-related labour costs as the scope of our operations increases coupled with inflation in wages and other administrative costs.
- 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)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Commodity contracts	**143**	(72)	-	**243**	(1,423)
Foreign currency swaps	**158**	292	-	**359**	(401)
Realized gain (loss) on derivatives	**301**	220	-	**602**	(1,824)

A summary of the derivative instruments in place as at December 31, 2023 are shown in the "Unrealized Gain (Loss) on Derivative Instruments" section below.

Net Income and Funds Flow from Operations

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

($000)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Funds flow from operations(1)	**13,401**	4,826	3,236	**28,862**	8,612
Unrealized foreign exchange gain	**(929)**	536	334	**(310)**	334
Unrealized gain (loss) on derivatives	**407**	(955)	(476)	**(361)**	124
Share-based compensation expense	**(590)**	(568)	(287)	**(1,858)**	(1,268)
Depletion, depreciation and amortization	**(6,583)**	(5,031)	(1,837)	**(19,962)**	(6,433)
Amortization of fair value increment recognized on acquisition of NGT	**(857)**	-	-	**(857)**	-
Impairment	-	-	-	-	4,240
Accretion of decommissioning liability	**(1,514)**	(1,755)	(92)	**(5,505)**	(241)
Deferred tax expense	**2,310**	1,073	(131)	**5,887**	(131)
Gain on acquisition	**(2,130)**	22,781	-	**20,652**	-
Net income	**3,515**	20,907	747	**26,547**	5,237

(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)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Share-based compensation:					
Stock Option Plan	**135**	178	256	**638**	1,278
Tenaz Incentive Plan	**527**	468	48	**1,409**	64
Total share-based compensation	**662**	646	304	**2,047**	1,342
Capitalized share-based compensation	**(72)**	(78)	(17)	**(189)**	(74)
Share-based compensation expense	**590**	568	287	**1,858**	1,268

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 stock options, restricted share units (“RSUs”), performance share units (“PSUs”), deferred share units (“DSUs”) and dividend-equivalent rights (collectively, “Awards”).

Share-based compensation expense was consistent from Q4 to Q3. 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, employees and contractors 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 Q4 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 and July 2023.

Impairment

During the fourth quarter of 2023, our Netherlands Cash Generating Unit (“CGU”) exhibited indicators of impairment, primarily stemming from a sustained decline in the forward gas benchmark prices (“TTF”) observed throughout the reporting period. In response to this impairment indicator, the Company conducted an assessment of the carrying amounts associated with the CGU as of December 31, 2023.

Based on the assessment conducted in accordance with IAS 36 the Company determined that the recoverable amount, determined based on the value-in-use methodology, exceeds the carrying value of the CGU's assets. Consequently, no impairment was recorded in the financial statements for the year ending December 31, 2023.

Gain on XTO 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 $20.7 million The gain was due to the fair value of the assets acquired, including a significant cash position, exceeding the fair value of the decommissioning liabilities assumed.

Accretion of Decommissioning Liability

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

The increase in accretion for 2023 as compared to 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)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Commodity contracts	**(57)**	177	(48)	**48**	552
Foreign currency swaps	**464**	(1,132)	(428)	**(409)**	(428)
Unrealized gain (loss) on derivatives	**407**	(955)	(476)	**(361)**	124

The unrealized derivative gain in Q4 2023 pertains primarily to changes in the mark-to-market of foreign currency swaps outstanding in Q4 2023 arising from the differences in the forward price compared to the contract price of outstanding contracts. Tenaz holds this position to maintain Euro as the primary underlying cash position. Excess Euro cash is swapped to Canadian dollars in order to maximize the interest yield on short term balances held within its bank accounts.

The following is a summary of the derivative instruments in place as at December 31, 2023:

Foreign Currency Swaps

Period	**Type of Contract**	**Notional Amount**	**Notional Amount**	**Average Rate**	**Fair Value at December 31 2023** ($000)
Foreign Currency Swaps					
January 2024	Swap	EUR 34,000,000	CAD 50,320.000	1.4800	(812)
January 2024	Swap	EUR (1,000,000)	CAD (1,465,950)	1.4660	4
January 2024	Swap	EUR (33,000,000)	CAD (48,477,000)	1.4690	234
February 2024	Swap	EUR 33,000,000	CAD 48,543,000	1.4710	(264)
Derivative instrument liability					(838)

Crude Oil and Natural Gas Contracts

In addition to financial hedges, Tenaz enters into physical commodity sales arrangements from time-to-time. In Q4 2024, 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). Also in Q4 2024, Tenaz executed fixed price arrangements for a further 1.2 MMcf/d of European Gas production through summer 2024 (April-September) with a physical swap at €34.00/MWh ($14.58/Mcf).

Income Taxes

The Company's income taxes are detailed below:

($000)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Income Taxes					
Current	**(1,741)**	544	527	**338**	527
Deferred	**(2,310)**	(1,073)	131	**(5,887)**	131
Total income tax expense (recovery)	**(4,051)**	(529)	658	**(5,549)**	658
Current Income Taxes					
Canada	**-**	-	-	**-**	**-**
Netherlands	**(1,741)**	544	527	**338**	527
Total Company	**(1,741)**	544	527	**338**	527

Current Taxes

For the year ended December 31, 2023, Tenaz recorded current income tax expense of $0.3 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 lower full year 2023 taxes resulted from an increase in the tax provision on decommissioning liabilities deducted for taxable income. Netherlands taxable income deducts the impact of the future decommissioning liabilities using an accrual basis similar to that used under IFRS, and an increase in the estimated future costs results in a taxable deduction in the period of the change in estimate.

Deferred Taxes

Tenaz recognized a deferred tax recovery for the quarter and full-year periods due to the unwinding of accounting differences in Netherlands arising from the current quarter DD&A and accretion expense.

Capital Expenditures

($000)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
By classification					
Exploration and evaluation	**357**	246	-	**1,519**	-
Drilling and development	**2,610**	14,992	4,988	**23,336**	17,101
Capital expenditures[(1)]	**2,967**	15,238	4,988	**24,855**	17,101
By country					
Canada	**963**	13,195	4,988	**18,982**	17,101
Netherlands	**2,004**	2,043	-	**5,873**	-
Capital expenditures[(1)]	**2,967**	15,238	4,988	**24,855**	17,101
By category					
Geological and geophysical	**(47)**	20	6	**12**	45
Land	**388**	11	24	**501**	307
Drilling and completions	**1,038**	12,481	2,912	**16,619**	13,410
Workovers and recompletions	**1,722**	1,772	180	**3,665**	221
Equipping and tie-in	**51**	592	674	**1,077**	1,505
Facilities and pipelines	**(546)**	230	1,239	**1,358**	1,683
Carbon capture and storage project	**357**	193	-	**1,519**	-
Other	**4**	(61)	(47)	**104**	(70)
Capital expenditures[(1)]	**2,967**	15,238	4,988	**24,855**	17,101

(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 during Q4 2023 at Leduc-Woodbend included land acquisition, expansion of water injection capacity, and two capitalized workovers. Capitalized costs in the Netherlands were associated with well workovers (including installation of downhole sand screens), replacement of a sub-surface safety valve, seismic reprocessing, and facility debottlenecking.

Capital activity for the full year 2023 included the drilling, completion, equipping and tie-in of four wells (3.35 net), production battery turnarounds and upgrades, expanded water injection capabilities, and land acquisition costs at Leduc-Woodbend. Capitalized costs in the Netherlands pertained to well workovers (including installation of downhole sand screens), replacement of a sub-surface safety valve, seismic reprocessing, and facility debottlenecking.

Expenditures in E&E for Netherlands consist primarily of Pre-FEED activity for the L10 CCS project. Spending towards studies and engineering continues as the group of partners works towards a decision in the future for FID.

Impairment

At December 31, 2023, the Company determined there to be indicators of impairment in its Netherlands CGU due to a sustained decline in the forward gas benchmark prices (TTF) during the current reporting period. As a result of this indicator of impairment, management has performed an assessment of the carrying amounts of its oil and gas assets to determine whether any impairment exists.

The estimated Netherlands recoverable amount for the Netherlands CGU was based on the proved and probable reserve values from Tenaz's December 31, 2023 reserve report prepared by its independent third-party reserve evaluator, using forecast commodity prices at December 31, 2023, forecast operating expenses and future development costs. The estimated recoverable amount was determined to be value in use and was based on after-tax discount rates specific to the underlying composition of reserve categories and risk profile residing in the Netherlands CGU, excluding decommissioning obligations. The after-tax discount rate used in the valuation as at December 31, 2023 was 10% (pre-tax 21.7%). The impairment test concluded that the recoverable amount of the Netherlands CGU exceeds the carrying value and accordingly there is no impairment.

The Company prepared sensitivities to determine what impact a change the key assumptions would have on the result of the impairment test. The estimated value in use for the Company's Netherland CGU was sensitive to an increase in the discount rate. An increase to the discount rate by 1% would result in an impairment in the CGU of $1 million.

Acquisitions

2022 Acquisition

On December 20, 2022, Tenaz announced the closing of the acquisition of 100% of the issued and outstanding shares of a private company with Netherlands upstream and midstream assets (the “2022 Acquisition”), acquiring all of the private company’s issued and outstanding shares in exchange for $3.3 million consideration payable to the vendor in early 2023, and based on the private company’s surplus working capital as at November 1, 2022. The payable to the vendor was settled in 2023. As part of the acquisition, excluding the effect of restricted cash which was applied for decommissioning security for the acquired company’s decommissioning liability, Tenaz acquired $1.8 million in cash.

During the current period, the Company finalized the estimates of fair value of the net assets acquired, resulting in a decrease of $9.1 million to deferred tax liability, an increase in accounts payable of $0.2 million and a decrease in exploration and evaluation assets of $9.2 million. The prior year comparative information has been restated to reflect these adjustments. The adjustments arose primarily from the finalization of applicable exploration and evaluation asset valuation and income tax pool balances.

XTO Acquisition

In 2023, Tenaz completed the XTO Acquisition acquiring all of the private company’s issued and outstanding shares in exchange for $1 cash plus the net settlement of working capital of $0.2 million. The payable to the vendor was settled in September 2023. As part of the XTO Acquisition, Tenaz acquired a further restricted cash position of $15.1 million (€10.4 million) on July 3, 2023. The restricted cash is decommissioning security required pursuant to the decommissioning security agreements (“DSAs”) for the assets acquired.

The XTO Acquisition resulted in a $20.7 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 fair 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 XTO.

Decommissioning Liability

At December 31, 2023, Tenaz's decommissioning liability was $45.2 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 calculation of decommissioning liability applied the following rates:

	December 31 2023		December 31 2022	
Country	**Inflation**	**Credit-adjusted risk-free rate**	Inflation	Credit-adjusted risk-free rate
Canada	**1.6%**	**12.2%**	1.4%	15.1%
Netherlands	**2.0%**	**11.5%**	2.9%	14.7%

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

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

Tenaz incurred $9.0 million on decommissioning activities for the year ended 2023. Decommissioning activities in Netherlands totaled $8.7 million and were related to the abandonment of wells in depleted fields. In Canada, Tenaz executed downhole abandonment activities on legacy wells totaling $0.3 million.

CAPITAL RESOURCES AND LIQUIDITY

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

($000)	**December 31 2023**	December 31 2022[2]
Current assets	**92,488**	72,317
Current liabilities	**(43,988)**	(58,644)
Net current assets	**48,500**	13,673
Exclude fair value of derivative instruments	**838**	476
Adjusted working capital (net debt)[1]	**49,338**	14,149

(1) Non-GAAP and other financial measures. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A..
(2) Restated for impact of adjustment of prior year PPA adjustment.

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 $49.3 million as at December 31, 2023 increased from $14.0 million as at December 31, 2022. The improved working capital position resulted mainly from acquired working capital from the XTO acquisition completed in Q3 2023. Restricted cash is included within current assets on the consolidated balance sheet as security, currently in the form of cash, placed under the DSAs are replaceable with other forms of security including letters of credit, and other guarantees as long as the credit rating is greater than A- equivalent. The redetermination of the required security for each license is reassessed annually by the joint venture participants with new security required to be posted by the end of February each year.

Restricted Cash

At December 31, 2023, Tenaz held restricted cash of $32.9 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 which have calculated that a net security amount exists. Net security amounts are calculated by estimating the discounted future cash flows from the licenses and measuring that future value against the estimated future decommissioning costs times a risk factor. 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 recognized a further $15.1 million (€10.4 million) restricted cash deposit on July 3, 2023. DSA update was performed by the operator effective February 2024 resulting in additional cash security posted of €3.7 million. As at March 28th, 2024 the Company holds restricted cash of $38.5 million (€26.2 million).

Credit Facilities

Bank debt is comprised of the following:

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

At December 31, 2023, Tenaz's credit facilities (the "Credit Facilities") with ATB Financial (the "Lender") consists of a revolving operating demand loan (the "Operating Loan") in the principal amount of up to $10.15 million (December 31, 2022 - $10.15 million) accruing interest at a rate of prime + 3.5% per annum and subject to redetermination at least annually with the next redetermination date expected to be held on or before May 31, 2024.

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 December 31, 2023, the Company was in compliance with all debt covenants. The working capital ratio as defined was 2.38:1 and the Company was compliant with the LMR covenant (9.28 at March 2, 2024).

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 December 31, 2023, Tenaz had a current tax liability of $24.9 million related to the Netherlands operation, which is net of instalments paid to the Dutch Tax Authority. The current tax liability consists of a receivable of $2.1 million related to corporate income tax ("CIT") and state profit share ("SPS") along with $27.0 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 31, 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 Company can access the restricted cash at the point in time another acceptable from of security has been provided. 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 December 31, 2023, the Company was holding $50.3 million in cash and cash equivalents, $32.9 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 the years ended:

	December 31 2023	December 31 2022
Common Shares (000's)	**26,793**	28,093
Warrants (000's)	**2,778**	2,778
Options (000's)	**1,525**	1,531
TIP Awards (000's)		
PSUs	**1,008**	180
RSUs	**65**	-
DSUs	**43**	-

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

	Number of Common Shares (000's)
Balance, December 31, 2022	**28,093**
Normal course issuer bid	**(1,300)**
Balance, December 31, 2023	**26,793**

Share Repurchases

On August 5, 2022, the Toronto Stock Exchange approved the Company to commence an initial normal course issuer bid ("NCIB"). The NCIB allowed Tenaz to purchase up to 2.6 million 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 1.2 million Common Shares.

On August 21, 2023, the Toronto Stock Exchange approved the Company to commence an NCIB. The NCIB allows Tenaz to purchase up to 2.5 million Common Shares (approximately 9.1% of the outstanding Common

Shares) over a twelve-month period beginning August 23, 2023 with a daily maximum purchase of 18,926 Common Shares.

The 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 year-ended December 31, 2023, Tenaz purchased 1.3 million Common Shares under the NCIB for a total consideration of $3.9 million. The Common Shares purchased under the NCIB were cancelled following settlement of the transactions.

($000, except as noted)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Share repurchase activities					
Common Shares repurchased (000’s)	**(352)**	(233)	(312)	**(1,300)**	(455)
Amounts charged to:					
Share capital	**(794)**	(529)	(710)	**(2,956)**	(1,034)
Retained earnings	**(646)**	(287)	211	**(910)**	280
Share repurchase cost	**(1,440)**	(816)	(499)	**(3,866)**	(754)
Average cost per share ($)	**4.09**	3.51	1.60	**2.97**	1.66

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:

	March 28 2024
Common Shares (000’s)	**26,706**
Warrants (000’s)	**2,778**
Options (000’s)	**1,525**
TIP Awards (000’s)	**1,108**
PSUs	**988**
RSUs	**71**
DSUs	**49**

SUMMARY OF QUARTERLY RESULTS

Quarters Ended ($000, except per share and per boe amounts)	**Q4 2023**	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Financial								
Petroleum and natural gas sales(4)	**21,261**	15,051	10,614	17,926	10,852	7,690	9,344	6,201
Cash flow from operating activities	**8,927**	175	957	5,117	4,809	1,444	1,936	1,158
Funds flow from operations(1)(6)	**13,401**	4,826	3,361	7,274	3,236	2,280	2,104	992
Per share - basic(1	**0.50**	0.18	0.12	0.26	0.11	0.08	0.07	0.03
Per share - diluted(1	**0.45**	0.16	0.12	0.25	0.11	0.08	0.07	0.03
Net income (loss) (6)	**3,515**	20,907	(757)	2,882	747	224	769	3,497
Per share - basic	**0.13**	0.77	(0.03)	0.10	0.03	0.01	0.03	0.12
Per share - diluted(2)(3)	**0.12**	0.71	(0.03)	0.10	0.03	0.01	0.03	0.12
Capital expenditures(1)(7)	**2,967**	15,238	5,967	683	4,988	7,882	3,512	719
Adjusted working capital (net debt)(1)	**49,338**	44,937	17,094	18,763	14,149	13,887	19,431	20,995
Common shares outstanding (000)								
End of period - basic	**26,793**	27,145	27,378	27,733	28,093	28,405	28,548	28,458
Weighted average for period - basic	**26,963**	27,292	27,555	27,917	28,242	28,520	28,481	28,457
Weighted average for period - diluted	**29,970**	29,555	28,308	28,545	28,244	28,690	29,241	29,361
Operating								
Average daily production								
Heavy crude oil (bbls/d)	**1,342**	675	711	937	827	687	636	515
Natural gas liquids (bbls/d)	**75**	60	57	63	53	47	61	62
Natural gas (Mcf/d)	**10,310**	9,823	6,802	8,022	3,843	2,929	2,524	2,579
Total (boe/d)(3)(4)	**3,135**	2,372	1,903	2,337	1,520	1,222	1,117	1,007
Netbacks ($/boe)(3)								
Petroleum and natural gas sales(5)	**73.71**	68.97	61.31	85.23	77.59	68.39	91,90	68.44
Royalties	**(5.89)**	(4.60)	(4.80)	(6.28)	(11.12)	(15.23)	(17.11)	(10.38)
Transportation expenses	**(3.50)**	(3.68)	(3.66)	(3.41)	(2.60)	(1.75)	(3.12)	(1.57)
Operating expenses	**(19.36)**	(31.11)	(28.25)	(24.69)	(21.56)	(17.04)	(14.47)	(21.02)
Midstream income(1)	**4.86**	5.25	5.21	4.36	-	-	-	-
Operating netback(1)	**49.82**	34.83	29.81	55.21	42.31	34.37	57.20	35.47

(1) Non-GAAP and other financial measures. 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) 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.
(4) 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.
(5) 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.
(6) 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.
(7) 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.

SELECTED ANNUAL INFORMATION

($000, except per share and per boe amounts)	2023	2022(4)	2021
Financial			
Petroleum and natural gas sales	**64,852**	34,087	17,830
Cash flow from operating activities	**15,176**	9,347	3,945
Funds flow from operations(1)	**28,862**	8,612	3,499
Per share – basic(1)(2)	**1.05**	0.30	0.24
Per share – diluted(1)(2)	**0.99**	0.30	0.24
Net income (loss)	**26,547**	5,237	8,339
Per share – basic(2)	**0.97**	0.18	0.57
Per share – diluted(2)	**0.91**	0.18	0.56
Capital expenditures(1)	**24,855**	17,101	10,391
Total assets	**238,715**	194,740	75,401
Total liabilities	**142,362**	123,369	10,086
Adjusted working capital (net debt)(1)	**49,338**	14,149	20,688
Common Shares outstanding (000)			
End of period – basic(2)	**26,793**	28,093	28,438
Weighted average for the period – basic(2)	**27,429**	28,424	14,718
Weighted average for the period – diluted(2)	**29,053**	28,878	14,876
Operating			
Average daily production			
Heavy crude oil (bbls/d)	**917**	667	506
NGLs (bbls/d)	**64**	56	65
Natural gas (Mcf/d)	**8,749**	2,972	2,666
Total (boe/d)(3)	**2,439**	1,218	1,015
($/boe)(3)			
Petroleum and natural gas sales	**72.85**	76.67	48.12
Royalties	**(5.46)**	(13.38)	(5.60)
Transportation expenses	**(3.56)**	(2.29)	(1.99)
Operating expenses	**(25.23)**	(18.69)	(13.43)
Midstream income	**4.90**	-	-
Operating netback(1)	**43.50**	42.31	27.10

(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) 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.
(3) 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.
(4) Restated for impact of adjustment of prior year PPA adjustment

Tenaz's petroleum and natural gas sales over the past three years fluctuated due to volatility in benchmark commodity prices and realized pricing, including the impact of the COVID-19 pandemic, and changes in production. Tenaz's production has fluctuated due to changes in capital expenditures, dispositions, voluntary shut-ins and subsequent reactivations, and natural declines.

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

Funds flow from operations has fluctuated over the past three years, 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.

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

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

RELATED PARTY TRANSACTIONS

Key management personnel compensation

Tenaz's key management personnel consists of its officers and directors. Short-term benefits are composed of salaries and directors' fees, annual bonuses, and other benefits. In addition, the Company provides share-based compensation to its key management personnel under the Stock Option Plan and the TIP. The compensation relating to key management personnel is as follows:

($000)	**Year ended December 31, 2023**	Year ended December 31, 2022
Short-term benefits	2,865	2,844
Share-based compensation	1,542	1,248
	4,407	4,092

ACCOUNTING STANDARDS, CHANGE IN ACCOUNTING POLICIES AND PRONOUNCEMENTS

Tenaz’s audited consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB. There was no material change in accounting policies for the year ended December 31, 2023.

A summary of material accounting policies can be found in Note 3 to the annual consolidated financial statements for the year ended December 31, 2023.

Future Accounting Pronouncements

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make certain judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

A summary of Tenaz's critical judgments, estimates and assumptions can be found in Note 5 to the annual consolidated financial statements for the year ended December 31, 2023, which includes:

- Crude oil, condensate, natural gas, and natural gas liquids reserve and contingent resources;
- Recoverability of asset carrying amounts;
- Nature of crude oil and natural gas investments;
- Determination of exploration and evaluation assets;
- Determination of provisions and contingent liabilities;
- Determination of decommissioning liabilities;
- Determination of share-based compensation;
- Determination of income taxes;
- Determination of fair value estimates in business combinations; and

RISK FACTORS AND RISK MANAGEMENT

Tenaz monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations or taxation. In addition, Tenaz maintains a level of liability, and property insurance, which is believed to be adequate for the Company's size and activities but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims.

Natural disasters, wars, terrorist attacks, riots or civil unrest, could materially and negatively impact the Company's business, its revenues and ultimately its profitability. Such events or occurrences may have a materially negative affect on one or more factors upon which the Company's business relies, including without limitation the demand for, and therefore the price of, the natural resource products produced by the Company, supply chains operate its business, and the availability of capital required by the Company to fund its operations.

See "Forward-Looking Information" in this MD&A and "Risk Factors" in Tenaz's most recently filed AIF information, available on SEDAR+ at www.sedarplus.ca, for additional information.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures (DC&P)

As of December 31, 2023, Tenaz conducted evaluation of the effectiveness of Tenaz's DC&P as defined in Canada by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that the information required to be disclosed in the reports that Tenaz files or submits under securities legislation is recorded, processed, summarized, and reported, within the time periods specified in the rules and forms therein. DC&P include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by Tenaz in the reports that it files or submits under securities legislation is accumulated and communicated to Tenaz's management as appropriate to allow timely decisions regarding the required disclosure.

Internal Control over Financial Reporting ("ICFR")

ICFR generally is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, and includes policies and procedures pertaining to the maintenance of records and that are designed to provide reasonable assurance (i) that transactions are recorded to permit the preparation of financial statements and receipts and expenditures are made within corporate authorizations, and (ii) regarding the prevention or timely detection of unauthorized acquisition, use or disposition of corporate assets that could have a material effect on the financial statements. Because of its inherent limitations, ICFR may not prevent or detect misstatements. The *Internal Control - Integrated Framework (2013)* was used to design Tenaz's ICFR. The Company's certifying officers evaluated, or caused to be evaluated under their supervision, the effectiveness of Tenaz's ICFR at December 31, 2023 and concluded that Tenaz's ICFR was effective as of December 31, 2023. During the period from October 1, 2023 to December 31, 2023 Tenaz's ICFR included policies and procedures reflecting acquired assets which included specific matters related to the consolidation and reporting of assets outside of Canada. Other than in respect of policies and procedures reflecting acquired assets, no changes were made to Tenaz's ICFR during the period beginning on October 1, 2023 and ending December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ADVISORIES

Non-GAAP and Other Financial Measures

This MD&A and quarterly report contains the terms funds flow from operations, capital expenditures, free cash flow and midstream income 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 midstream income 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)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Cash flow from operating activities	**8,927**	175	4,809	**15,176**	9,347
Change in non-cash operating working capital	**(3,113)**	1,186	(1,826)	**274**	(991)
Decommissioning liabilities settled	**6,187**	2,319	256	**9,048**	256
Midstream income	**1,400**	1,146	-	**4,364**	-
Funds flow from operations	**13,401**	4,826	3,236	**28,862**	8,612

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) are taken 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)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Exploration and evaluation additions	**357**	246	-	**1,519**	-
Property, plant and equipment additions	**2,610**	14,992	4,988	**23,336**	17,101
Capital expenditures	**2,967**	15,238	4,988	**24,855**	17,101

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)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Funds flow from operations	**13,401**	4,826	3,236	**28,862**	8,612
Less: Capital expenditures	**(2,967)**	(15,238)	(4,988)	**(24,855)**	(17,101)
Free cash flow	**10,454**	(10,412)	(1,752)	**4,007**	(8,489)

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 equity-accounted income from its associate, Noordgastransport B.V. prior to the amortization of the fair value increment recognized on NGT at the time of the acquisition. 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.

($000)	**Q4 2023**	Q3 2023	Q4 2022	**2023**	2022
Income from associate	**543**	1,146	-	**3,507**	-
Plus: Amortization of fair value increment of NGT	**857**	-	-	**857**	-
Midstream income	**1,400**	1,146	-	**4,364**	-

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

"**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 2024, and our anticipated operational and financial performance; expected well performance; expected economies of scale; forecasted average production volumes and capital expenditures for 2024; the ability to grow our assets domestically and internationally; statements relating to a potential CCS project; and the Company’s strategy.

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.

M\ANAGEMENT'S REPORT

Management's Responsibility for the Financial Statements

The annual consolidated financial statements of Tenaz Energy Corp. as at and for the years ended December 31, 2023 and 2022 were prepared by management within acceptable limits of materiality and are in accordance with IFRS Accounting Standards as issued by the IASB. Management is responsible for the integrity, consistency, objectivity and reliability of the consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with the accounting policies as described in the notes to the consolidated financial statements. Timely release of financial information sometimes necessitates the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. When necessary, such estimates are based on informed judgments made by management. Management has designed and maintains an appropriate system of internal controls to provide reasonable assurance that all assets are safeguarded and financial records are properly maintained to facilitate the preparation of consolidated financial statements for reporting purposes.

KPMG LLP, an independent firm of Chartered Professional Accountants appointed by the shareholders, have conducted an examination of the corporate and accounting records to express their audit opinion on the consolidated financial statements. The Audit Committee, consisting of non-management directors, has met with representatives of KPMG LLP and management to determine if management has fulfilled its responsibilities in the preparation of the consolidated financial statements. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized, and to facilitate the preparation of relevant, reliable, and timely information. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the internal control over financial reporting for Tenaz Energy Corp. The assessment was based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management concluded that the Company's internal control over financial reporting was effective as of December 31, 2023.

/s/ Anthony Marino
President and Chief Executive Officer

/s/ Bradley Bennett
Chief Financial Officer

March 28, 2024
Calgary, Alberta