2024

FINANCIAL STATEMENTS

Proven Principles, New Opportunities

TENAZ ENERGY

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Independent Auditor's Report

To the Shareholders and the Board of Directors of
Tenaz Energy Corp.

Opinion

We have audited the consolidated financial statements of Tenaz Energy Corp. (the "Company"), which comprise the consolidated balance sheet as at December 31, 2024, and the consolidated statements of net income (loss) and comprehensive income (loss) , changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Property, Plant and Equipment - Refer to Notes 5 and 12 to the financial statements

Key Audit Matter Description

The Company's property, plant and equipment includes crude oil and natural gas properties. Oil and natural gas properties are measured by depleting the assets using the unit-of-production method ("depletion") based on total estimated proved plus probable reserves. The Company engages independent reserve evaluators to estimate the proved plus probable reserves using estimates, assumptions, and engineering data. The determination of the Company's proved plus probable reserves used to evaluate depletion requires management to make significant estimates and assumptions related to forecasted oil and gas commodity prices, forecasted production, forecasted operating costs, royalty costs, and future development costs.

Given the significant judgments made by management related to forecasted oil and gas commodity prices, forecasted production and forecasted operating and development costs used to determine depletion of the Company's oil and natural gas properties, these estimates and assumptions are subject to a high degree of estimation uncertainty. Auditing these estimates and assumptions required auditor judgment in applying audit procedures, and in evaluating the results of those procedures. This resulted in an increased extent of audit effort.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to forecasted oil and gas commodity prices, forecasted production, and forecasted operating and development costs used to determine depletion included the following, among others:

- Evaluated forecasted oil and gas commodity prices by independently developing a reasonable range of forecasts based on reputable third-party forecasts and market data and comparing those to the forecasted oil and gas commodity prices selected by management;
- Assessed forecasted production rates by evaluating the Company's independent reserve evaluators by:
    - Examining reports and assessing their scope of work and findings; and
    - Assessing the competence, capability, and objectivity by evaluating their relevant professional qualifications and experience;
- Evaluated the reasonableness of forecasted production by testing the source financial information underlying the forecasted production and comparing the forecasted production volumes to historical production volumes;
- Evaluated the reasonableness of forecasted operating and development costs by testing the source financial information underlying the estimate, comparing forecasted operating and development costs to historical results, and evaluating whether they are consistent with evidence obtained in other areas of the audit.

Other Matter

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 28, 2024.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Christopher Gill.

/s/ Deloitte LLP

Chartered Professional Accountants
March 12, 2025
Calgary, Alberta

CONSOLIDATED BALANCE SHEETS

As at $000	Note	December 31, 2024	December 31, 2023
ASSETS			
Current Assets			
Cash		**139,906**	50,300
Restricted cash	7	**40,252**	32,944
Accounts receivable	17	**6,230**	8,002
Prepaid expenses and deposits		**2,144**	1,004
Derivative instruments	17	**5**	238
Total current assets		**188,537**	92,488
Prepaid expenses	19	**2,622**	-
Right-of-use assets		**155**	198
Exploration and evaluation assets	9	**10,830**	8,870
Investment in associate	10	**21,460**	21,366
Deposit on acquisition	11	**34,036**	-
Property, plant and equipment	12	**133,187**	115,793
Total assets		**390,827**	238,715
LIABILITIES			
Accounts payable and accrued liabilities		**20,994**	15,671
Decommissioning liability	14	**2,311**	2,310
Taxes payable		**16,999**	24,931
Derivative instruments	17	**-**	1,076
Total current liabilities		**40,304**	43,988
Long-term debt	13	**138,275**	-
Lease liabilities		**268**	244
Decommissioning liability	14	**61,896**	42,979
Deferred taxes	16	**57,959**	55,151
Total liabilities		**298,702**	142,362
SHAREHOLDERS EQUITY			
Share capital	15	**63,405**	60,875
Warrants		**2,774**	3,203
Contributed surplus		**12,090**	10,918
Retained earnings		**12,906**	21,103
Accumulated other comprehensive income		**950**	254
Total shareholders' equity		**92,125**	96,353
Total liabilities and shareholders' equity		**390,827**	238,715

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

/s/ Anna Alderson
Director

/s/ Anthony Marino
Director

CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

			Year ended
(000's except per share amounts)	Note	**December 31, 2024**	**December 31, 2023**
REVENUE			
Petroleum and natural gas sales		**63,000**	64,852
Royalties		**(5,275)**	(4,856)
Petroleum and natural gas revenue		**57,725**	59,996
EXPENSES			
Transportation		**2,796**	3,165
Operating		**31,740**	22,459
Income from associate	10	**(4,383)**	(3,507)
General and administrative		**9,570**	7,384
Transaction costs		**4,763**	3,759
Interest and financing		**448**	(1,002)
Foreign exchange loss		**471**	308
Gain on derivative instruments	17	**(372)**	(241)
Share-based compensation	15	**3,033**	1,858
Depletion, depreciation and amortization		**20,871**	19,962
Accretion of decommissioning liability	14	**5,361**	5,505
Loss (gain) on acquisition	8	**470**	(20,652)
Total expenses		**74,768**	38,998
Net income (loss) before income taxes		**(17,043)**	20,998
Provision for income taxes			
Current (recovery) expense	16	**(10,907)**	338
Deferred (recovery) expense	16	**1,577**	(5,887)
Total income taxes		**(9,330)**	(5,549)
Net income (loss)		**(7,713)**	26,547
Other comprehensive income			
Currency translation adjustments		**696**	254
Comprehensive income (loss)		**(7,017)**	**26,801**
Net income (loss) per share			
Basic	15	**(0.28)**	0.97
Diluted	15	**(0.28)**	0.91

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

$000	Note	Share capital	Warrants	Contributed surplus	Retained earnings (Deficit)	AOCI	Total Equity
December 31, 2022		63,831	3,203	8,871	(4,534)	-	71,371
Normal course issuer bid	15	(2,956)	-	-	(910)	-	(3,866)
Share-based compensation	15	-	-	2,047	-	-	2,047
Net income		-	-	-	26,547	-	26,547
Currency translation adjustments		-	-	-	-	254	254
December 31, 2023		60,875	3,203	10,918	21,103	254	96,353
Normal course issuer bid	15	(746)	-	-	(484)	-	(1,230)
Share-based compensation	15	-	-	3,085	-	-	3,085
PSUs and RSUs vested[2]	15	1,631	-	(1,631)	-	-	-
Options exercised	15	786	-	(282)	-	-	504
Warrants exercised	15	859	(429)	-	-	-	430
Net loss		-	-	-	(7,713)	-	(7,713)
Currency translation adjustments		-	-	-	-	696	696
December 31, 2024		**63,405**	**2,774**	**12,090**	**12,906**	**950**	**92,125**

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

[2] Performance share units ("PSUs") and restricted share units ("RSUs")

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

$000	Note	Year ended December 31, 2024	December 31, 2023
OPERATING ACTIVITIES			
Net income (loss)		**(7,713)**	26,547
Items not involving cash:			
Income from associate	10	**(4,383)**	(3,507)
Deferred taxes		**1,577**	(5,887)
Depletion, depreciation and amortization		**20,871**	19,962
Accretion of decommissioning liability	14	**5,361**	5,505
Share-based compensation	15	**3,033**	1,858
Unrealized (gain) loss on derivative instruments	17	**(843)**	361
Unrealized foreign exchange loss		**862**	311
Gain on acquisition		**470**	(20,652)
Decommissioning liabilities settled	14	**(5,350)**	(9,048)
Change in non-cash working capital	19	**(7,641)**	(274)
Cash flow from operating activities		**6,244**	15,176
INVESTING ACTIVITIES			
Property and equipment asset expenditures	12	**(16,277)**	(23,336)
Exploration and evaluation asset expenditures	9	**(1,948)**	(1,519)
Cash acquired in acquisition	8	**-**	36,807
Property acquisition	12	**(2,532)**	-
Restricted cash for security arrangements	7	**(6,320)**	42,187
Dividend from associate		**4,804**	6,140
Deposit on acquisition	11	**(34,301)**	-
Change in non-cash working capital	19	**2,454**	(2,083)
Cash flow from (used in) investing activities		**(54,120)**	58,196
FINANCING ACTIVITIES			
Repayment of revolving credit facility	13	**-**	(21,483)
Issuance of senior unsecured notes	13	**138,275**	-
Letter of credit posting		**(150)**	-
Exercise of stock options		**503**	-
Exercise of warrants		**430**	-
Normal course issuer bid	15	**(1,230)**	(3,866)
Principal payments on lease liabilities		**22**	(9)
Cash flow from (used in) financing activities		**137,850**	(25,358)
Foreign exchange gain (loss)		**(368)**	454
CHANGE IN CASH		**89,606**	48,468
CASH, BEGINNING OF YEAR		**50,300**	1,832
CASH, END OF YEAR		**139,906**	50,300
Cash interest paid		**758**	692
Cash taxes paid		**1,432**	7,441

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

1. REPORTING ENTITY

Tenaz Energy Corp. (“Tenaz” or the “Company”) is an energy company focused on the acquisition and sustainable development of international oil and gas assets capable of returning free cash flow to shareholders. Tenaz has domestic operations in Canada along with offshore natural gas and midstream assets in the Netherlands. Tenaz produces crude oil and natural gas from a number of formations within the Mannville Group at Leduc-Woodbend in central Alberta. . The Netherlands natural gas assets are located in the Dutch sector of the North Sea. Tenaz is the corporation resulting from the amalgamation of Tenaz Energy Corp. and Altura Energy Inc. on October 15, 2021 under the Business Corporations Act (Alberta) (“ABCA”). The Company is headquartered in Calgary with its common shares listed on the Toronto Stock Exchange (“TSX”) under the symbol “TNZ”.

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

2. BASIS OF PRESENTATION

These consolidated financial statements (the "Financial Statements") have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB”). All financial information is reported in Canadian dollars, unless otherwise noted. References to "EUR” or “€” are to Euros.

The Financial Statements have been prepared on a historical cost basis, except those items that are presented at fair value as detailed in the accounting policies disclosed in Note 3.

The Financial Statements include the accounts of Tenaz Energy Corp. and its subsidiaries. Subsidiaries are entities over which Tenaz has control. Subsidiaries are consolidated from the date of acquisition of control and continue to be consolidated until the date that there is a loss of control. All intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Tenaz’s subsidiaries include entities in each of the jurisdictions that Tenaz operates as described in Note 6 (Segmented information), including Canada and the Netherlands.

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. Significant estimates and judgments used in the preparation of the Financial Statements are detailed in Note 5.

These financial statements were authorized for issue by Tenaz's Board of Directors (the "Board") on March 12, 2025.

3. MATERIAL ACCOUNTING POLICIES

Financial instruments

Classification and measurement of financial instruments

Tenaz's financial assets and financial liabilities are classified into two categories: Amortized cost and fair value through profit and loss ("FVTPL"). The classification of financial assets is determined by their context in Tenaz's business model and by the characteristics of the financial asset's contractual cash flows. Tenaz does not classify any of its financial instruments as fair value through other comprehensive income.

Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price, unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification.

Amortized cost

Cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt are subsequently measured at amortized cost using the effective interest rate method. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows.

FVTPL

Derivative instruments are measured initially at FVTPL and are subsequently measured at fair value with changes in fair value immediately charged to net income.

Exploration and evaluation ("E&E") assets

E&E costs are capitalized until the technical feasibility and commercial viability, or otherwise, of the relevant projects have been determined. E&E costs may include costs of seismic and land acquisitions, technical services and studies, exploratory drilling and testing, and the estimate of any related decommissioning. Costs incurred prior to obtaining the legal right to explore are expensed in net income as E&E expense. Assets classified as E&E may have sales of crude oil and natural gas products associated with production from test wells. These operating results are recognized in net income. A depletion charge, included in net income, is recognized on these test wells. Non-producing assets classified as E&E are not depleted.

When a project classified as E&E is determined to be technically feasible and commercially viable, the cost is transferred from E&E to property, plant and equipment ("PP&E") on the balance sheet. The assets are assessed for impairment prior to any such transfer, by comparing the carrying amount to the greater of the applicable fair value less costs of disposal or value in use. If a decision is made by management not to continue an E&E project, the E&E is derecognized and all associated costs are charged to net income at that time.

Property, plant and equipment (“PP&E”)

Items of PP&E, are measured at cost less accumulated depletion, depreciation and amortization and accumulated impairment charges, if any.

Depletion, depreciation and amortization (“DD&A”)

PP&E is organized into groups of assets with similar useful lives for the purposes of performing DD&A calculations. Depletion expense is measured using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring these reserves into production. This calculation is based on:

- total estimated proved plus probable reserves calculated in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101");
- total capitalized costs plus estimated future development costs of proved plus probable reserves, including future estimated decommissioning costs; and
- relative volumes of reserves and production, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of crude oil.

Business combinations

Tenaz accounts for business combinations using the acquisition method. The cost of an acquisition is measured as the fair value of the assets received/transferred, equity instruments issued, and liabilities incurred or assumed at the acquisition date. Identifiable assets and liabilities assumed are measured and recognized at their fair value at the date of the acquisition, with the exception of income taxes, right-of-use ("ROU") assets, and lease liabilities. Any deferred tax asset or liability arising from a business combination is recognized at the acquisition date. Transaction costs associated with a business combination are expensed as incurred. Results of acquisitions are included in the financial statements from the closing date of the acquisition. Any excess of purchase price over the fair value of net assets acquired is recognized as goodwill and any excess of the fair value of net assets acquired compared to consideration paid is recognized as a gain on acquisition.

Investments in associates

Associates are entities for which Tenaz has significant influence, but not control or joint control over the financial and operational decisions. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost and adjusted thereafter for the change in the Company’s share of the investee’s net income and other comprehensive income less distributions received until the date that significant influence ceases.

Joint arrangements

Certain exploration, development and production activities are conducted jointly with others. These financial statements reflect only the Company’s interests in such activities. A jointly controlled operation involves the use of assets and other resources of the Company and those of other joint venture participants through contractual arrangements rather than through the establishment of a corporation, partnership or other entity. The Company has no interests in jointly controlled entities. The Company recognizes in its financial statements its interest in assets that it owns, the liabilities and expenses that it incurs, and its share of income earned by the joint arrangement.

Impairment of Non-Financial Assets

PP&E

Tenaz's PP&E is grouped into cash-generating units ("CGUs") for the purpose of assessing impairment. A CGU is a grouping of assets that generate cash inflows independently of other assets held by the Company.

Tenaz assesses at each reporting date whether there is an indication that PP&E within the CGUs may be impaired or that historical impairment may be reversed. When such indicators exist, an impairment test is performed by comparing the CGU's carrying value to its estimated recoverable amount, defined as the greater of a CGU's fair value less costs of disposal and its value in use. Any excess of carrying value over the recoverable amount is recognized in net income as impairment of property, plant and equipment.

If there is an indicator that a previously recognized impairment charge may no longer exist or may have decreased, the recoverable amount of the relevant CGU is calculated and compared against the carrying amount. An impairment charge is reversed to the extent that the asset's recoverable amount does not exceed the carrying amount that would have been determined, net of accumulated DD&A, if no impairment charge had been recognized. A reversal of impairment of PP&E is recognized in net income as reversal of impairment of property, plant and equipment.

E&E

E&E assets are assessed for impairment at the CGU level and are reviewed at each reporting date for indicators of potential impairment, or in the case of previously impaired E&E assets, reversal of impairment. An impairment charge on E&E assets is recognized if the carrying value of the E&E assets exceeds the recoverable amount defined as the greater of a CGU's fair value less costs of disposal and its value in use. Impairment of E&E assets is recognized in net income as impairment of E&E.

If there is an indicator that a previously recognized impairment charge may no longer exist or may have decreased, the recoverable amount of the relevant E&E asset is calculated and compared against the carrying amount. An impairment charge is reversed to the extent that the asset's recoverable amount does not exceed the carrying amount that would have been determined, if no impairment charge had been recognized. A reversal of impairment of E&E assets is recognized in net income as reversal of impairment.

Investment in associates

The investment in associates are assessed for indicators of impairment at each reporting date. If such indicators exist, an impairment test is conducted by comparing the carrying value of the investment to its estimated recoverable amount. The recoverable amount is determined as the higher of the associate's fair value less costs of disposal and its value in use. Any excess of the carrying value over the recoverable amount is recognized in net income as impairment of the investment in associates. Similarly, if there are indications that a previously recognized impairment loss may no longer exist or has decreased, the recoverable amount of the associate is reassessed and compared against its carrying amount. An impairment loss is reversed to the extent that the recoverable amount exceeds the carrying amount, net of any accumulated impairment losses. This reversal of impairment of associates is recognized in net income as a reversal of impairment of investments in associates.

Decommissioning liability

Provisions for decommissioning and restoration obligations associated with Tenaz's E&E and PP&E assets are recognized as decommissioning liabilities. Decommissioning liabilities are measured at present value at the balance sheet date, based on management's best estimate of expenditures required to settle the liability, at the end of the asset's useful life discounted at the liability-specific credit-adjusted risk-free discount rate. On a periodic basis, management reviews these estimates and changes, if any, are applied prospectively. These changes are recognized as an increase or decrease to the liability, with a corresponding increase or decrease to the carrying amount of the related asset. The capitalized amount in PP&E is depreciated on a unit-of-production basis over the life of the associated proved plus probable reserves. The long-term liability is increased each reporting period with the passage of time and the associated accretion charge is recognized in net income. Periodic revisions to the liability-specific credit-adjusted risk-free discount rate, estimated timing of cash flows, or to the estimated undiscounted cost can also result in an increase or decrease to the decommissioning liabilities and the related asset. Actual costs incurred upon settlement of the liability are recorded against the decommissioning liability to the extent of the liability recognized.

Provisions and contingent liabilities

Provisions are recognized when Tenaz has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be determined for the obligation.

Share capital

Common shares are classified as equity. Costs directly attributable to the issuance of shares are recognized as a deduction from equity, net of tax. When Tenaz repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. If the average carrying value of the shares exceeds the purchase price, the difference is recognized as contributed surplus. If the purchase price exceeds the average carrying value of the shares, any previous contributed surplus related to such transactions is reversed. To the extent there is none, the difference is recognized as a reduction to retained earnings. Shares are cancelled upon repurchase.

Revenue recognition

Tenaz principally generates revenue from the sale of petroleum and natural gas commodities, which include crude oil, natural gas, condensate, and natural gas liquids ("NGLs"). Revenue associated with the sale of commodities is recognized when control is transferred from Tenaz to its customers. Tenaz's commodity sales contracts represent a series of distinct transactions. Tenaz considers its performance obligations to be satisfied and control to be transferred when all of the following conditions are satisfied:

- Tenaz has transferred title and physical control of the commodity to the buyer;
- Tenaz has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- Tenaz has the present right to payment.

Revenue represents Tenaz's share of commodity sales. Tenaz sells its production pursuant to fixed and variable-priced contracts. The transaction price for variable-priced contracts is based on the commodity price, adjusted for quality, location, or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under these contracts, the Company is required to deliver a fixed volume of crude oil, natural gas, condensate, or NGLs to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed upon transaction price, whereby any variability in revenue is related specifically to the Company's efforts to deliver production. Therefore, the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of Tenaz's variable revenue is considered to be constrained.

Share-based compensation

Share-based compensation expense results from equity-settled awards issued under Tenaz’s long-term incentive plans.

Compensation expense associated with equity-settled awards is determined based on the fair value of the award at grant date and is recognized over the period that the awards vest, with a corresponding increase to contributed surplus. At the time the awards are exercised, the associated contributed surplus is transferred to share capital.

Income taxes

Provision for, or recovery of, income tax comprises current and deferred income taxes and are recognized in the statements of net income, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income ("OCI").

Current tax is the expected tax payable on taxable income for the year, using enacted or substantively enacted tax rates at the reporting date, and any adjustment to tax payable in respect of previous years. Tenaz recognizes the financial statement impact of a tax filing position when it is probable that the position will be sustained upon audit. The liability is measured based on an assessment of possible outcomes and their associated probabilities.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Software-as-a-Service (SaaS) costs

License costs for software provided under a SaaS model are expensed when the software is available for its intended use. License costs incurred prior to the software being available for its intended use are recorded as a prepaid expense and recognized in expense over the period of the SaaS license.

Costs incurred for the configuration and customization of software provided under a SaaS model are recorded as a prepaid expense and recognized in expense over the period of the SaaS license if the configuration and customization is performed by the SaaS provider or agent of the SaaS provider and configuration and customization services are not distinct from the SaaS license.

Foreign currency translation

Tenaz Energy Corp.'s functional and presentation currency is the Canadian dollar. Tenaz has subsidiaries that transact and operate in countries other than Canada and have functional currencies other than the Canadian dollar.

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the period average rates of exchange. Translation gains and losses are recognized in net income in the period in which they arise.

The financial statements of subsidiaries with a functional currency other than the Canadian dollar are translated into Canadian dollars. The assets and liabilities are translated at the exchange rates at the reporting date. The revenue and expenses are translated at the exchange rates that approximate the dates of those transactions. Foreign currency differences are recognized in OCI and accumulated in the translation reserve, unless or until such time as the subsidiary is disposed or liquidated, upon which the cumulative translation adjustment is recognized in net income.

4. CHANGES IN ACCOUNTING POLICIES

New and Amended Accounting Standards and Interpretations

The Company adopted amendments to IAS 1 *Presentation of Financial Statements* on January 1, 2024. IAS 1 was amended to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That the right to defer settlement must exist at the end of the reporting period; and
- That classification is unaffected by the likelihood that an entity will exercise its deferral right

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Company's financial statements.

Future Accounting Pronouncements

The Company monitors for new accounting standards and amendments to existing accounting standards issued by the IASB.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024 by the IASB and replaces IAS 1 Presentation of Financial Statements. The Standard introduces a defined structure to the statements of comprehensive income and specific disclosure requirements related to the same. The Standard is required to be adopted retrospectively and is effective for fiscal years beginning on or after January 1, 2027, with early adoption permitted. The Company is evaluating the impact that this standard will have on the consolidated financial statements.

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures were amended in May 2024 to clarify the date of recognition and derecognition of financial assets and liabilities. The amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The Company is evaluating the impact that these amendments will have on the consolidated financial.

5. MANAGEMENT JUDGMENTS AND ESTIMATION UNCERTAINTY

The timely preparation of financial statements in accordance with IFRS Accounting Standards requires management to use judgments, estimates, and assumptions. These estimates and judgments are subject to change and actual results could differ from those estimated. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingencies are discussed below.

Crude oil, condensate, natural gas, and natural gas liquids reserves and contingent resources

There are a number of inherent uncertainties associated with estimating reserves. Reserve estimates are based on engineering data, forecasted oil and gas commodity prices, forecasted production, forecasted operating costs, royalty costs and future development costs, all of which are subject to many uncertainties, interpretations, and judgments. Estimates reflect market and regulatory conditions existing at December 31, 2024 and 2023, which could differ significantly from other points in time throughout the year, or future periods. Tenaz's reserves have been evaluated by an independent, third-party reserve evaluator. The key assumptions include forecasted oil and gas commodity prices, forecasted production, forecasted operating costs, royalty costs, and future development costs.

The quantity of contingent resources are estimated based on engineering data, which are subject to many uncertainties, interpretations and judgments. Estimates reflect market and regulatory conditions existing at acquisition date, which could differ significantly from other points in time throughout the year, or future periods.

Recoverability of asset carrying amounts

Management applies judgment in assessing the existence of indicators of impairment and reversal of impairment based on various internal and external factors. The assessment of these factors considers estimated proved and probable oil and gas reserves. The recoverable amount of a CGU or of an individual asset is determined as the greater of fair value less costs of disposal and value in use. The significant estimates involved in determining an acceptable range of recoverable amounts include the estimate of cash flows associated with proved and probable oil and gas reserves as determined annually by the Company’s independent third-party reserve evaluators and discount rate.

In estimating the recoverable amount of a CGU, the following information is incorporated:

- The net present value of the after-tax cash flows from proved plus probable reserves of each CGU based on reserves estimated by an independent third-party reserve evaluator based on estimated remaining reserve life.
- The fair value of undeveloped land based on estimates including recent sales of similar properties in the same general area, recent exploration and discovery activity in the general area and the remaining term of undeveloped land.

- Data pertaining to ongoing and completed transactions within the industry on assets with similar geological and geographic characteristics within the relevant CGU.

Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, future production costs, future development expenditures, or recovery rates may change the economic status of reserves and may ultimately result in reserves being revised.

Nature of crude oil and natural gas investments

Management applies judgment when classifying the nature of crude oil and natural gas investments as E&E or PP&E, and when determining whether capitalization of the initial costs of these investments is appropriate. The Company uses historical drilling results, project economics, resource quantities, production technology expectations, production costs, and future development costs to make judgments about future events and circumstances.

E&E assets

The accounting for E&E assets requires management to make judgments as to whether E&E investments have discovered a sufficient amount of economically recoverable reserves, which requires the quantity and realizable value of such reserves to be estimated and could be impacted by a shift in demand as global energy markets transition to a lower carbon-based economy. Previous estimates are sometimes revised as new information becomes available.

E&E assets remain capitalized as long as ongoing activities are being conducted to assess the technical feasibility and commercial viability of reserves. The determination of whether these activities demonstrate progress towards establishing technical feasibility and commercial viability is a judgmental area. It is common for E&E assets to remain classified as such for extended periods while additional exploration and evaluation activities are undertaken, or while the Company awaits government, regulatory, or internal approvals for development plans. These assets undergo continuous management review to confirm the ongoing intent to establish technical feasibility and commercial viability. When making this assessment, management considers factors such as changes to project economics, expected capital investments, production costs, results of other operators in the region, and access to infrastructure.

Provisions and contingent liabilities

The determination of provisions and disclosure of contingent liabilities involves management judgments about the probability of outcomes of future events and estimates on timing and amount of expected future outflows. Such disclosure could relate to predicted outcomes of ongoing legal matters, ongoing or completed asset dispositions, and current regulatory processes.

Decommissioning liabilities

The provision for site restoration and abandonment for Tenaz's PP&E and E&E assets is based on estimated inflation and discount rates, current legal and regulatory requirements, technology, cost of services, and expected plans for remediation expenditures. Actual costs and timing of cash outflows can differ from estimates because of changes in laws and regulations, public expectations, and market conditions, all of which could be influenced by the rate at which global energy markets transition to a lower carbon-based economy. Additionally, further discovery, analysis of site conditions, and changes in technology could also cause estimates to differ from actual costs.

Share-based compensation

Compensation expense accrued for performance share units ("PSUs") and restricted share units (“RSUs) awarded pursuant to the Tenaz Incentive Plan (“TIP”) is dependent on an adjustment to the final number of PSU awards that eventually vest based on a performance multiplier that is estimated by management. Large fluctuations in compensation expense may occur due to changes in the underlying share price or revised management estimates of relevant performance factors.

Compensation expense recognized for stock option awards under the Stock Option Plan is based on a Black-Scholes option pricing model. The inputs to this model, including dividend yield, expected volatility, forfeitures, and discount rates, rely on management judgment. Forfeitures are estimated through the vesting period based on past experience and future expectations and adjusted upon actual forfeitures.

Income taxes

Tax regulations and legislation are subject to change and there are interpretations requiring management judgment. Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in future periods, which requires management judgment. Deferred tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods, which requires management judgment. Income tax filings are subject to audits and re-assessments and changes in facts, circumstances, and interpretations of the standards may result in a material increase or decrease in the Company's provision for income taxes.

Business combinations

Management judgment may be required to determine whether acquired assets and liabilities constitute a business and to determine the fair value of the acquired assets and liabilities. The determination of fair value is estimated based on information available at the date of acquisition and requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of PP&E using a value in use model generally require significant judgment and estimation including cash flows associated with the proved and probable oil and gas reserves and discount rate. The assumptions and estimates with respect to determining the fair value of E&E using a value in use model generally require significant judgment and estimation including the quantity of contingent resources and the fair value metrics per barrel of oil equivalent (“boe”). Management judgment is also required in determining the fair value of investments in associated entities and decommissioning liabilities associated with the properties.

Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, and goodwill (or net assets acquired in excess of purchase consideration). Future net income could also be affected as the fair value on initial recognition impacts carrying amounts for assets and liabilities.

6. SEGMENTED INFORMATION

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

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

			Year ended December 31 2024
($000)	Netherlands	Canada/ Corporate	**Total**
Total assets	170,713	220,114	**390,827**
Exploration and evaluation asset expenditures	1,711	237	**1,948**
Property, plant and equipment asset expenditures	7,858	8,419	**16,277**
Capital expenditures	9,569	8,656	**18,225**
Heavy crude oil	-	29,549	**29,549**
Natural gas liquids	225	1,181	**1,406**
Natural gas	29,394	2,651	**32,045**
Petroleum and natural gas sales	29,619	33,381	**63,000**
Royalties	-	(5,275)	**(5,275)**
Petroleum and natural gas revenue	29,619	28,106	**57,725**
Transportation expenses	(724)	(2,072)	**(2,796)**
Operating expenses	(21,816)	(9,924)	**(31,740)**
Midstream income(1)	5,289	-	**5,289**
General and administrative expenses	(3,394)	(6,176)	**(9,570)**
Current income taxes	10,907	-	**10,907**
Transaction costs	(1,165)	(3,598)	**(4,763)**
Interest and financing	-	(448)	**(448)**
Realized foreign exchange loss	-	(80)	**(80)**
Funds flow from operations	18,716	5,808	**24,524**

			Year ended December 31 2023
($000)	Netherlands	Canada/ Corporate	Total
Total assets	158,239	80,476	238,715
Exploration and evaluation asset expenditures	1,519	-	1,519
Property, plant and equipment asset expenditures	4,286	19,050	23,336
Capital expenditures	5,805	19,050	24,855
Heavy crude oil	-	27,380	27,380
Natural gas liquids	380	1,074	1,454
Natural gas	32,131	3,887	36,018
Petroleum and natural gas sales	32,511	32,341	64,852
Royalties	-	(4,856)	(4,856)
Petroleum and natural gas revenue	32,511	27,485	59,996
Transportation expenses	(1,612)	(1,553)	(3,165)
Operating expenses	(13,113)	(9,346)	(22,459)
Midstream income[(1)]	4,364	-	4,364
General and administrative expenses	(893)	(6,491)	(7,384)
Current income taxes	(338)	-	(338)
Transaction costs	-	(3,759)	(3,759)
Interest and financing	-	1,002	1,002
Realized foreign exchange gain	-	3	3
Realized gain on derivative instruments	-	602	602
Funds flow from operations	20,919	7,943	28,862

(1) Midstream income from Noordgastransport BV

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

	Year ended December 31	
($000)	**2024**	2023
Funds flow from operations	**24,524**	28,862
Unrealized foreign exchange (loss)	**(391)**	(311)
Unrealized (loss) gain on derivatives	**372**	(361)
Share-based compensation	**(3,033)**	(1,858)
Amortization of fair value increment of NGT	**(906)**	(857)
Depletion, depreciation and amortization	**(20,871)**	(19,962)
Accretion of decommissioning liability	**(5,361)**	(5,505)
Gain on acquisition	**(470)**	20,652
Deferred tax recovery	**(1,577)**	5,887
Net income (loss)	**(7,713)**	26,547

7. RESTRICTED CASH

As at	**December 31 2024**	December 31 2023
Restricted cash (€000)	**26,964**	22,500
Restricted cash ($000)	**40,252**	32,944

Restricted cash consists of moneys deposited with the operator as decommissioning security for Tenaz's interest in Netherlands assets, pursuant to decommissioning security agreements ("DSA") in place for the offshore licenses. Under the DSAs, decommissioning security is calculated and posted annually

The decommissioning security, currently held in restricted cash, can be provided in various acceptable forms, such as letters of credit and decommissioning surety bonds. The calculation of required security is determined through agreed-upon calculations within the DSAs.

8. BUSINESS COMBINATIONS

Acquisition of XTO Netherlands Ltd.

On July 3, 2023, the Company completed the acquisition of 100% of the issued and outstanding shares of XTO Netherlands Ltd., a private U.S. Delaware corporation ("XTO"), holding Netherlands upstream and midstream assets in the DNS from XH, LLC (the "Vendor"), a wholly owned subsidiary of ExxonMobil Corporation (the " XTO Acquisition"). The XTO Acquisition had an effective date of January 1, 2023 (the "Effective Date").

Pursuant to the XTO Acquisition , the Company acquired:

(i) additional non-operated working interest in certain offshore natural gas licenses in the DNS (the "Upstream Assets"); 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, bringing Tenaz's total interest to 21.4% (Note 10).

Consideration for the XTO Acquisition was $1 cash plus the net settlement of working capital of €0.1 million ($0.2 million).

As part of the XTO Acquisition, Tenaz acquired a further restricted cash position of €10.4 million ($15.1 million) on July 3, 2023. The restricted cash is decommissioning security required pursuant to the decommissioning security agreements ("DSAs") for the Upstream Assets (Note 7).

The XTO Acquisition resulted in a $20.2 million gain on acquisition being recognized in the statements of net income and comprehensive income as the consideration was less than the fair value of the identifiable net assets acquired..

The business combination was accounted for on a preliminary basis for the year ended December 31, 2023 and was finalized for the year ended December 31, 2024.

($000)	Final
Identifiable net assets	
Cash acquired	36,807
Restricted cash	15,083
Accounts receivable	1,928
Exploration and evaluation assets	1,363
Property, plant and equipment	11,737
Investment in NGT	11,182
Accounts payable and accrued liabilities	(2,146)
Income taxes payable	(7,687)
Decommissioning liabilities	(21,754)
Deferred tax liability	(26,138)
Total identifiable net assets	**20,375**
Consideration	
Payable to vendor for surplus working capital	193
Total consideration	**193**
Gain on acquisition	20,182

9. EXPLORATION AND EVALUATION ASSETS

($000)	Total
Balance, December 31, 2022	5,545
Additions	1,519
Acquisitions	1,545
Foreign exchange	261
Balance, December 31, 2023	8,870
Additions	1,948
Acquisitions	(182)
Foreign exchange	194
Balance, December 31, 2024	**10,830**
Netherlands	**10,830**

10. INVESTMENT IN ASSOCIATE

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

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

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

($000)	Total
Balance, December 31, 2022	12,591
Acquisition (Note 8)	11,182
Income from associate	3,507
Dividend	(6,140)
Foreign exchange	226
Balance, December 31, 2023	21,366
Income from associate	4,383
Dividend	(4,804)
Foreign exchange	515
Balance, December 31, 2024	**21,460**

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

($millions)	**December 31, 2024**	December 31, 2023
Total assets	**189**	184
Total liabilities	**(153)**	(132)
Net assets	**36**	52
Tenaz's share of net assets	**8**	11

($millions)	**December 31, 2024**	December 31, 2023
Total revenue	**73**	80
Net income	**25**	27
Tenaz's share of net income	**5**	6

11. DEPOSIT ON ACQUISITION

On July 18, 2024, Tenaz entered into an agreement with Nederlandse Aardolie Maatschappij B.V., a 50/50 joint venture between Shell PLC and ExxonMobil Corporation to acquire all of the issued and outstanding shares of NAM Offshore B.V. for base consideration of €165 million ($250 million), prior to closing adjustments and contingent payments of up to €120 million ($180 million) based on a percentage of future free cash flow for 2025, 2026, and 2027. NAM Offshore BV's assets consist of a portfolio of production and exploration licenses in the Dutch North Sea and ownership interests in two pipelines. The transaction has an effective date of January 1, 2024 and is expected to close mid-2025. On the date of execution, Tenaz paid a €23 million ($34 million) deposit using cash on hand and a drawing from a revolving facility from National Bank of Canada.

12. PROPERTY, PLANT AND EQUIPMENT

($000)	**Total**
Cost	
Balance, December 31, 2022	132,773
Additions	23,336
Acquisitions	11,343
Share-based compensation (Note 15)	189
Decommissioning cost additions and change in estimates (Note 14)	(3,988)
Foreign exchange	617
Balance, December 31, 2023	164,270
Additions	16,278
Acquisitions	2,926
Share-based compensation (Note 15)	52
Decommissioning cost additions and change in estimates (Note 14)	18,114
Foreign exchange	1,132
Balance, December 31, 2024	**202,773**
Depletion, depreciation, amortization and impairment	
Balance, December 31, 2022	(28,498)
Depletion and depreciation	(19,926)
Foreign exchange	(53)
Balance, December 31, 2023	(48,477)
Depletion and depreciation	(20,819)
Foreign exchange	(290)
Balance, December 31, 2024	**(69,585)**

Carrying amounts

($000)	
As at December 31, 2023	115,793
Canada	73,639
Netherlands	42,154
As at December 31, 2024	**133,187**
Canada	**78,243**
Netherlands	**54,944**

At December 31, 2024 and 2023 the Company has not identified any indicators of impairment.

In Q2 2024, Tenaz acquired a gas plant and proximal oil and gas leasehold assets from a private company for consideration of $2.5 million, net to Tenaz. The acquisition provides Tenaz with ownership and operating control of the gas plant and pipeline infrastructure that processes our gas production from the Leduc Woodbend field. In addition, the plant generates processing revenue from third-party gas volumes, with significant unused capacity to process more gas. Tenaz owns 100% of the gas plant and 87.5% of the acquired leasehold assets. Tenaz applied the optional concentration test under IFRS 3 Business Combinations which resulted in the purchase being accounted for as an asset acquisition.

13. LONG-TERM DEBT

Bank debt is comprised of the following:

As at ($000)	December 31 2024	December 31 2023
Revolving facility	**-**	-
Senior unsecured notes	**138,275**	-
Total	**138,275**	-

National Bank Financial Revolving Facility

In Q3 2024, Tenaz discharged its credit facilities with ATB Financial and entered into a new credit and delayed draw term loan facility agreement with National Bank of Canada. The credit facility with National Bank of Canada initially consisted of a revolving facility (the “Revolving Facility”) in the principal amount of up to $20 million and $90 million of debt capacity under a new delayed draw term loan (the “Term Loan”)(in aggregate, the “Credit Facilities”). The Term Loan was discharged following the issuance of the senior unsecured notes.

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

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

The Credit Facilities are secured by a general security agreement providing a security interest over all present and after acquired property, a floating charge on all lands, and a $300.0 million debenture with a first floating charge over all assets of the Company.

Tenaz is subject to certain reporting and financial covenants including:

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

At December 31, 2024, Company was in compliance with all debt covenants.

As at December 31, 2024, the Company had $nil (2023 - $nil) outstanding on the Revolving Facility. In 2024, the Revolving Facility was drawn upon and fully repaid during the course of the year. In 2023, the Revolving Facility balance outstanding from December 31, 2022 was fully repaid.

Senior unsecured notes

In Q4 2024, Tenaz issued $140 million of senior unsecured notes by way of private placement with institutional investors. The notes bear interest at a rate of 12%, to be paid semi-annually on May 14 and November 14. The notes were placed at par and mature on November 14, 2029.

The senior unsecured notes were recognized at amortized cost and include the transaction costs directly related to the issuance.

Tenaz may, at its option, redeem the notes prior to maturity at the redemption prices set forth below, together with accrued and unpaid interest.

Period	Redemption price
May 14, 2027 to May 13, 2028	**106%**
May 14, 2028 to May 13, 2029	**103%**
May 14, 2029 and thereafter	**100%**

Prior to May 14, 2027, early redemption is permitted at 106% of principal plus the present value of future interest payments. This redemption feature is an embedded derivative that has been separately accounted for, however a fair value of zero has been determined given it is out of the money.

As at December 31, 2024, the senior unsecured notes had a fair value of $140 million as at December 31, 2024.

14. DECOMMISSIONING LIABILITY

($000)	
Balance, December 31, 2022	30,435
Additions	20
Changes in estimates	(4,009)
Acquisition (Note 8)	21,754
Settled	(9,048)
Accretion	5,505
Foreign exchange	632
Balance, December 31, 2023	45,289
Additions	2,747
Changes in estimates	15,375
Settled	(5,350)
Accretion	5,361
Foreign exchange	785
Balance, December 31, 2024	**64,207**
Canada	**5,913**
Netherlands	**58,294**

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

Tenaz has estimated the decommissioning liability based on current cost estimates of $131.9 million (December 31, 2023 - $114.2 million). Current cost estimates are inflated to the estimated time of abandonment using inflated cost estimates of $162.9 million (December 31, 2023 - $142.9 million).

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

	December 31 2024	December 31 2023
Credit spread	**7.4%**	9.2%
Risk-free rates		
Canada	**3.3%**	3.0%
Netherlands	**2.6%**	2.3%
Inflation rates		
Canada	**2.0%**	1.6%
Netherlands	**2.0%**	2.0%

15. SHARE CAPITAL

Authorized

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

Issued and outstanding

	Number of Common Shares (000's)	Amount ($000)
Balance, December 31, 2022	28,093	63,831
Normal course issuer bid	(1,300)	(2,956)
Balance, December 31, 2023	26,793	60,875
PSU's vested	721	1,631
Options exercised	187	786
Warrants exercised	239	859
Normal course issuer bid	(330)	(746)
Balance, December 31, 2024	**27,610**	**63,405**

Normal Course Issuer Bid ("NCIB")

On August 21, 2023, the Toronto Stock Exchange approved the commencement of an NCIB. The NCIB allows Tenaz to purchase up to 2.5 million common shares (approximately 9.1% of the outstanding Common Shares) over a twelve-month period beginning August 23, 2023 with a daily maximum purchase of 18,926 Common Shares. The NCIB ended on August 22, 2024.

Subsequent to year-end, on February 11, 2025, the Toronto Stock Exchange approved the Company to commence an NCIB. The NCIB allowed Tenaz to purchase up to 2.5 million Common Shares (approximately 9.0% of the outstanding common shares) over a twelve-month period beginning February 14, 2025 with a daily maximum purchase of 15,896 common shares.

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

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

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. 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 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 December 31, 2024 is presented below:

	Number of Stock Options (000's)	Weighted Average Exercise Price ($)	Remaining contractual life (years)
Balance, December 31, 2022	1,531	2.70	
Forfeited	(6)	3.86	
Balance, December 31, 2023	1,525	2.70	2.71
Options exercised	(187)	2.70	
Forfeited	(93)	2.70	
Balance, December 31, 2024	**1,245**	**2.70**	**1.71**

Tenaz Incentive Plan ("TIP")

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 available for issuance from treasury pursuant to the exercise or redemption of Awards, existing options granted under the prior stock option plan and all other security based compensation arrangements is 10% of the total issued and outstanding common shares from time to time (on a non-diluted basis), provided that the aggregate maximum number of shares available for issuance from treasury pursuant to the redemption of all granted RSUs, PSUs, and DSUs (and related dividend equivalent rights (as applicable)) shall not exceed 5% of the total number of issued and outstanding common shares from time to time (on a non-diluted basis).

PSUs are subject to a performance multiplier of between zero and two. This performance multiplier applies to the applicable PSUs at the time of vesting. The performance multiplier is determined by the Board of Directors based on the Company's performance during the vesting period. PSUs and RSUs vest over a period of one to three years. DSUs vest immediately upon granting but no payment in respect of DSUs is made until (the earlier of) the participant's death or ceasing to be a director.

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

	Number of TIP Awards			
(000's)	PSUs	RSUs	DSUs	Total
Balance, December 31, 2022	180	-	-	180
Granted	830	65	43	938
Forfeited	(2)	-	-	(2)
Balance, December 31, 2023	1,008	65	43	1,116
Granted	1,032	77	54	1,163
Vested	(387)	(22)	-	(409)
Forfeited	(58)	-	-	(58)
Balance, December 31, 2024	**1,595**	**120**	**97**	**1,812**

At December 31, 2024, there were 0.09 million common shares available for issuance under the TIP.

Share-based compensation

($000)	2024	Year ended December 31 2023
Stock Option Plan	**239**	638
TIP	**2,846**	1,409
Total share-based compensation	**3,085**	2,047
Capitalized share-based compensation (Note 12)	**(52)**	(189)
Share-based compensation expensed	**3,033**	1,858

Weighted average common shares

	2024	Year ended December 31 2023
Net income (loss) ($000)	**(7,713)**	26,547
Weighted average common shares (000s)		
Basic	**27,105**	27,429
Diluted	**27,105**	29,053
Net income (loss) per share		
Basic	**(0.28)**	0.97
Diluted	**(0.28)**	0.91

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

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

16. INCOME TAXES

The provision for income tax in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial income tax rates to the Company's income before taxes. This difference results from the following items:

As at ($000)	**December 31 2024**	December 31 2023
Net earnings (loss) before taxes	**(17,043)**	20,998
Statutory Tax Rate	**23%**	23%
Expected Income Tax Expense (Recovery)	**(3,920)**	4,830
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based compensation	**709**	471
Non-deductible expenses	**4**	2
Change in estimates and other	**(698)**	(37)
Gain on acquisition	**236**	(10,468)
Netherlands State Profit Share ("SPS") uplift	**(4,236)**	(2,231)
Netherlands decommissioning liability	**2,608**	(3,217)
Income from associate	**(2,191)**	(1,763)
Netherlands tax rate differential	**(3,039)**	6,749
Change in unrecognized deferred tax asset	**1,197**	115
Total Income Tax Expense (Recovery)	**(9,330)**	(5,549)

The current tax recovery for the year ended December 31, 2024 relates to re-filed prior period tax returns in the Netherlands.

Tenaz's combined Canadian federal and provincial income tax rate is 23% (December 31, 2023 – 23%). 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 allowed to decrease taxable profit from certain deductions, including operating expenses, general and administrative, depletion and decommissioning.

As at December 31, 2024, the Company has $17.0 million taxes payable related to the Netherlands operations (December 31, 2023 - $24.9 million).

The components of the deferred tax liability are as follows:

As at ($000)	**December 31** **2024**	December 31 2023
Decommissioning liability	**(51,588)**	(40,480)
PP&E and E&E assets	**(34,567)**	(26,434)
Non-capital losses	**28,076**	11,303
Share Issue costs	**68**	231
Lease liabilities	**63**	56
Investment in associate	**-**	11
Derivative instruments	**9**	203
Other	**(20)**	(41)
Deferred tax asset (liability)	**(57,959)**	**(55,151)**

As at December 31, 2024, Tenaz had Canadian non-capital losses of $44.7 million (December 31, 2023 – $36.9 million) that expire between 2029 and 2042 and $29.1 million of Netherlands losses (December 31, 2023 - $6.8 million). Tenaz has not recognized a deferred tax asset at December 31, 2024 of $1.3 million (December 31, 2023 – $0.5 million) resulting from temporary differences associated with the Canadian oil and gas assets.

17. FINANCIAL INSTRUMENTS

At December 31, 2024, Tenaz's financial instruments include cash, restricted cash, accounts receivable, derivative instruments, accounts payable and accrued liabilities, and long-term debt.

Classification of financial instruments

The carrying value of accounts receivable, derivative instruments, and accounts payable and accrued liabilities are a reasonable approximation of their fair value due to the short maturity of these financial instruments.

Fair value measurements are categorized into a fair value hierarchy based on the lowest level input that is significant to the fair value measurement:

- Level 1 inputs are determined by reference to unadjusted quoted prices in active markets for identical assets or liabilities. Inputs used in fair value measurement of cash are categorized as Level 1.

- Level 2 inputs are determined based on inputs other than unadjusted quoted prices that are observable, either directly or indirectly. The fair value of Tenaz's derivative assets and senior unsecured notes are determined using pricing models that incorporate future price forecasts (supported by prices from observable market transactions) and credit risk adjustments.

- Level 3 inputs are not based on observable market data. Tenaz does not have any financial instruments classified as Level 3.

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

Tenaz is exposed to credit risk on cash, restricted cash, and accounts receivable. The credit exposure on cash and restricted cash pertain to cash deposited with financial institutions with high third party credit ratings. Cash and restricted cash balances held with these institutions are subject to credit risk, which is the risk that the counterparty may default on its obligations, leading to a loss of the Company's cash assets.

Management mitigates this risk by maintaining cash balances with reputable financial institutions with strong credit ratings and a proven track record of financial stability and reliability. The aforementioned banks are globally recognized banking institutions with robust risk management practices and strong capital positions. These banks are well-regarded for their stability, liquidity, and adherence to regulatory standards.

The Company regularly monitors the financial health and credit ratings of its banking partners and limits the concentration of cash deposits with any single institution to manage exposure. As of December 31, 2024 the Company has assessed the credit risk associated with its cash balances and considers the risk of default to be low.

The majority of the credit exposure on accounts receivable at December 31, 2024, pertain to revenue for accrued December 2024 crude oil and natural gas sales volumes and receivables from joint interest partners. Tenaz primarily transacts with four Canadian and two Dutch natural gas purchasers. The Canadian and Dutch customers typically remit amounts to Tenaz by the 25th day of the month following delivery. As at December 31, 2024, receivables for revenue were $5.8 million, which are included in accounts receivable (December 31, 2023 - $6.8 million). For the year ended December 31, 2024, the Company received approximately 84% of its revenue from 6 purchasers (December 31, 2023 – 89% of its revenue from 7 purchasers). As at December 31, 2024 and December 31, 2023, 3.0% (2023 – 1.8%) of the accounts receivable balance was outstanding for more than 90 days.

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. Tenaz considers the balance of accounts receivable to be collectible.

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. The senior unsecured notes are due in November 2029.

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

Market risk

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

Commodity price risk

Tenaz is exposed to commodity price risk on its derivative assets and liabilities which are used as part of the Company’s risk management program to mitigate the effects of changes in commodity prices on future cash flows. As such, changes in commodity prices impact the fair value of derivative instruments and the corresponding gains or losses recognized on derivative instruments. As at December 31, 2024, Tenaz had no outstanding financial commodity derivative contracts.

Foreign currency risk

Foreign currency risk is the risk that future cash flows will fluctuate because of changes in foreign currency exchange rates. In addition, the Company may be exposed to foreign exchange risk in relation to foreign denominated cash, foreign currency swaps as well as other foreign-denominated working capital. Tenaz may manage the risks associated with changes in foreign currency by entering foreign currency swaps. As at December 31, 2024, Tenaz had the following outstanding foreign exchange derivative contract.

Period	Type	Sell	Buy	Fixed Price	Fair Value at 31-Dec 2024 ($000)
January 25	Swap	EUR 4,000,000	CAD 5,962,400	1.4906	**5**
Derivative instrument asset					**5**

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.

Derivative instruments

The table below summarizes the fair values as at December 31, 2024 and December 31, 2023 in the balance sheet:

($000)	**2024**	2023
Derivative instrument assets		
Commodity contracts	**-**	238
Foreign currency swaps	**5**	-
Derivative instrument assets	**5**	238
Derivative instrument liabilities		
Commodity contracts	**-**	-
Foreign currency swaps	-	(1,076)
Derivative instrument liabilities	-	(1,076)
Net financial derivative instrument asset (liability)	**5**	(838)

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

($000)	**2024**	**Year ended December 31,** 2023
Realized gain (loss)		
Commodity contracts	**-**	243
Foreign currency swaps	**-**	359
Realized gain (loss) on derivatives	**-**	602
Unrealized gain (loss)		
Commodity contracts	**-**	48
Foreign currency swaps	(372)	(409)
Unrealized gain (loss) on derivatives	(372)	(361)
Gain (loss) on derivatives	**(372)**	241

18. CAPITAL MANAGEMENT

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

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

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

Management views adjusted working capital (net debt) as a key industry benchmark and measure to assess the Company's financial position and liquidity. Adjusted working capital (net debt) is calculated as current assets less current liabilities, excluding the fair value of derivative instruments, plus long-term debt.

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

($000)	**December 31 2024**	December 31 2023
Current assets	**188,537**	92,488
Current liabilities	**(40,304)**	(43,988)
Net current assets	**148,233**	48,500
Fair value of derivative instruments	**(5)**	838
Long-term debt	**(138,275)**	-
Adjusted working capital	**9,953**	49,338

19. SUPPLEMENTAL INFORMATION

Cash flow

The following table details the components of changes in non-cash working capital:

($000)	**December 31 2024**	December 31 2023
Provided by (used in):		
Accounts receivable	**1,821**	3,929
Prepaid expenses and deposits	**(3,356)**	103
Accounts payable and accrued liabilities	**4,590**	(941)
Taxes payable	**(8,242)**	(5,448)
	(5,187)	(2,357)
Provided by (used in):		
Operating activities	**(7,641)**	(274)
Investing activities	**2,454**	(2,083)
	(5,187)	(2,357)

Prepaid expenses

As at December 31, 2024, the Company had $2.6 million (2023 - $nil) in non-current prepaid expenses relating to costs incurred for the configuration and customization of software provided under a SaaS model that will be amortized over a period of greater than 1 year.

Contractual obligations and commitments

As at December 31, 2024, we had the following contractual obligations and commitments:

	Less than 1 year	1-3 years	3-5 years	Total
Long-term debt and associated interest payments	16,800	50,400	156,800	224,000
Lease obligations	334	653	-	987
Software subscriptions	3,160	6,655	2,163	11,977
Total contractual obligations and commitments	**20,294**	**57,708**	**158,963**	**236,964**

20. RELATED PARTY DISCLOSURES

Key management personnel compensation

The compensation of directors and management is reviewed annually by the independent Governance and Human Resources Committee against industry practices for oil and gas companies of similar size and scope.

The following table summarized the compensation of directors and other members of key management personnel during the years ended December 31, 2024 and 2023:

(000s)	**December 31 2024**	December 31 2023
Short-term benefits	**3,007**	2,865
Share-based compensation	**1,757**	1,542
Total	**4,764**	4,407

CORPORATE INFORMATION

BOARD OF DIRECTORS

Marty Proctor
Chair

Anna Alderson
Independent Director

John Chambers
Independent Director

Mark Rollins
Independent Director

Varinia Radu
Independent Director

Anthony Marino
President and Chief Executive Officer and Director

OFFICERS

Anthony Marino
President and Chief Executive Officer and Director

Bradley Bennett
Chief Financial Officer

Jenson Tan
Chief Operating Officer

David Burghardt
Senior Vice President, Engineering

Jonathan Balkwill
Vice President, Business Development

Jennifer Russel-Houston
Vice President, Geoscience

Brian Giang
Vice President, Finance

Adam Iwanicki
Vice President, Marketing

Jamie Gagner
Vice President and General Counsel

LEGAL COUNSEL

Torys LLP
Calgary, Alberta

AUDITORS

Deloitte LLP
Calgary, Alberta

BANKERS

National Bank of Canada
Calgary, Alberta

EVALUATION ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Odyssey Trust Company
Calgary, Alberta

STOCK TRADING

Toronto Stock Exchange ("TSX")
Trading Symbol: **TNZ**

TENAZ ENERGY