

2023

SUSTAINABILITY REPORT

Proven Principles, New Opportunities



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CEO Message

On behalf of Tenaz Energy Corp., I am honored to share our performance and our vision for the future in our fourth annual sustainability report, now titled our Environmental, Social, and Governance (“ESG”) Report.

Tenaz’s purpose is to develop and produce oil and natural gas safely, responsibly, and profitably, while leaving a positive impact on our stakeholder groups to the largest extent possible. We believe that our sustainability commitment is the long-term key to our success as a company. Tenaz has a culture founded on the values of environmental protection, social advancement, and responsible governance. These values have been established by our Board of Directors, and I believe that they are embraced by every member of our team. From senior leadership to our field operators, Tenaz focuses on continuous improvement and excellence in all these critical aspects of our business.

We strongly believe that profitability and sustainability performance go hand-in-hand. The companies that emphasize and deliver sustainability performance will be the only ones that survive for the long-term, especially in an industry as fundamental to the world economy as energy. Tenaz has demonstrated operational strength and capital discipline while delivering the safety and environmental performance outlined in this report. Our concentration on important operating competencies like employee training, contractor management, hazard identification, and emergency preparedness has created a culture that enables everyone to return home safely at the end of the day and to be proud of our role in environmental stewardship.

We employ a business model of conservation, innovation, and reuse to minimize environmental impacts and maximize value from the resources we produce. We have invested significant time, energy, and economic resources to reduce emissions. Although we’re a small company today, I believe our results have demonstrated leadership on this important objective.

We recognize the value of stakeholder feedback during this important transition phase in the industry. We believe that in-depth disclosure of Environmental, Social, and Governance performance will allow our stakeholders to better evaluate and challenge our approach to sustainability. We look forward to your opinions and advice as we seek out new ways to maximize value and well-being for our stakeholders.

To summarize this important topic, Tenaz recognizes the critical importance of environmental, social, and economic sustainability to our company’s future. We correspondingly place a high priority on performance and leadership in these areas. We are committed to the long-term sustainability of the energy industry and to the vitality of the communities in which we invest and operate.

Thank you for your interest in Tenaz’ sustainability approach. We look forward to your feedback and suggestions about how we can do better.

Yours very truly,

Anthony Marino
President, Chief Executive Officer and Director

About this Report

This is the Corporation’s fourth sustainability report, now titled our ESG Report, and is intended to capture the many topics and data that illustrate corporate sustainability for the year ended December 31, 2022.

- Financial data is reported in Canadian dollars. For more information on Tenaz’s financial performance please refer to Tenaz’s Management Discussion and Analysis (“MD&A”) for the year ended December 31, 2022, as well as our Annual Information Form (“AIF”), both of which are available on SEDAR and our website.
- The term “ESG” used throughout the report refers to Environmental, Social, and Governance.
- This report includes Tenaz performance data for the year ended December 31, 2022. Quantitative data from 2018, 2019, 2020, and 2021 is included to provide relative performance.
- This 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", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy", and similar expressions are intended to identify forward-looking information or statements. Refer to the section entitled, “Forward-looking Statements” within this report.
- This report follows the Sustainability Accounting Standards Board’s Extractives & Minerals Processing Sector: Oil and Gas – Exploration & Production Sustainability Accounting Standard framework. Refer to the section entitled, “SASB Performance Table” within this report.
- This report utilizes the Global Reporting Initiative (“GRI”) Standards index for the sustainability issues that are of interest to Tenaz stakeholders. Refer to the section entitled, “GRI Content Index” within this report.
- References to ‘employees’ represent full-time, permanent employees and ‘workers’ reflects all employees, consultants, and contractors.
- The information contained within this report has been reviewed and approved by Tenaz’s relevant staff, senior management, President and CEO, and the Sustainability, HSE, and Reserves Committee of the Corporation.

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About Tenaz Energy Corp.

Tenaz is a public energy company focused on the acquisition and sustainable development of international oil and gas assets. Tenaz Energy's common stock trades on the Toronto Stock Exchange under the symbol TNZ.

Tenaz has domestic operations in Canada along with non-operated offshore gas assets in the Netherlands. The domestic operations consist of an oil development project in the Rex member of the Upper Mannville group at Leduc-Woodbend in central Alberta. The Netherlands gas assets are located in the Dutch sector of the North Sea. Tenaz also has an ownership interest in Noordgastransport B.V., which holds one of the largest gas gathering and processing networks in the Dutch North Sea.

Our vision is to apply our technical capabilities in mergers and acquisitions to build a leading intermediate-size E&P. Tenaz targets high quality oil and gas assets in overseas markets. Our leadership team has a long record of success in making value-adding transactions and subsequently improving operating and sustainability performance from the acquired assets. Our primary areas of focus for acquisitions are Europe, Latin America, and Middle East/North Africa ("MENA").

Additional information regarding Tenaz is available on SEDAR and on our website at www.tenazenergy.com.

About Tenaz Energy Corp.

Financial Summary as at December 31, 2022 (\$000 CAD unless otherwise noted)

2022 Petroleum and natural gas sales	34,087
2022 Cash flow from operating activities	9,347
2022 Funds flow from operating activities ⁽¹⁾	8,612
2022 Operating Netback (\$/boe) ⁽¹⁾⁽²⁾	42.31
2022 Capital expenditures ⁽¹⁾	17,101
Adjusted working capital (net debt) ⁽¹⁾	14,044
Present value of abandonment, decommissioning, and reclamation costs (inflated at 2%, discounted at 10%)	37,200

Common Shares Outstanding (000)

End of period – basic	28,093
Weighted average for the period – basic	28,424
Weighted average for the period – diluted	28,878

Operating Summary as at December 31, 2022

2022 Average daily production (boe/d) ⁽²⁾ (59% oil and liquids)	1,218
2022 Wells drilled	4 gross (3.5 net)
2022 Wells completed	4 gross (3.5 net)

Company Gross Reserves as at December 31, 2022

Total Proved (Mboe) ⁽²⁾	8,756
Total Proved + Probable (Mboe) ⁽²⁾	13,629

Well Inventory as at December 31, 2022

Producing	66 gross (26.3 net)
Proved and Probable undeveloped drilling locations ⁽³⁾	49 gross (43 net)

Personnel as at December 31, 2022

Full-time employees	12
Consultants	4

Footnotes:

- 1) This is a non-GAAP and other financial measure. Refer to “Non-GAAP and Other Financial Measures” included in the “Advisories” section of this report.
- 2) The term barrels of oil equivalent (“boe”) may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel (1 bbl) of crude oil. Refer to “Barrels of Oil Equivalent” section included in the “Advisories” section of this press release.
- 3) Tenaz management estimate of 1.5 mile equivalent horizontal wells.

About Tenaz Energy Corp.

Significant Operational Changes

On May 9, 2022, Tenaz received conditional approval from the Toronto Stock Exchange (“TSX”) to list its common shares on the TSX and cease trading on the TSX Venture exchange. Tenaz Common Shares commenced trading under the symbol “TNZ” on the TSX on May 12, 2022.

On August 5, 2022, the TSX approved the Company to commence a normal course issuer bid (“NCIB”). The NCIB will allow Tenaz to purchase up to 2,619,970 common shares (approximately 9.2% of the outstanding common shares) over a twelve-month period beginning August 12, 2022, with a daily maximum purchase of 6,108 Common Shares.

Strategic Acquisition

On December 20, 2022, Tenaz acquired 100% of the issued and outstanding shares of a private company with upstream and midstream assets in the Netherlands (the “Netherlands Acquisition”).

Upstream Assets

The Netherlands Acquisition provided Tenaz with five mmcf/d of natural gas production from nine offshore licenses in the Dutch North Sea (“DNS”). The producing fields are located on the K9ab, K9c, K12, and L10/L11a licenses operated by Neptune Energy (“Neptune”), with a production-weighted average working interest of 8.4%. The producing fields include a number of unbooked optimization, development, and exploration opportunities, which have the potential to improve the production rate profile and reserves over time. In addition to the licenses that are currently producing, Tenaz acquired a position in five non-producing licenses consisting of 9.85% interest in the N7a license and 5% interest in the F10, F11a, F17a Deep, and F18a Deep licenses. The F17a Deep license contains the undeveloped Rembrandt and Vermeer oil discoveries operated by Wintershall Dea BG. At year-end 2022, McDaniel and Associates updated their independent assessment of the reserves associated with the upstream assets and assigned 771 mboe (99% natural gas) of Proved Developed Producing and 1,156 mboe (99% natural gas) of Total Proved + Probable reserves based on an effective date of December 31, 2022. McDaniel’s assessment projects that the upstream assets have a remaining productive life of 10 years.

Midstream Assets

The Netherlands Acquisition also included an 11.34% ownership interest in Noordgastransport B.V. (“NGT”), which holds one of the largest gas-gathering and processing networks in the DNS. NGT has been in operation for over forty-five years, with nearly 500 km of pipelines in the DNS. Gas transported through the NGT pipeline network is treated at NGT’s onshore gas plant at Uithuizen before entering the Netherlands national grid. Tariff revenue generated through Tenaz’s NGT ownership is expected to provide a stable income stream to partially offset operating costs from the producing assets.

About Tenaz Energy Corp.

Carbon Reduction Projects

In December 2023, Neptune Energy Netherlands B.V. (acting as operator), Tenaz Energy Corp., and the Netherlands government (represented by state-owned energy producer EBN Capital B.V.) signed a collaboration agreement to advance the L10 Carbon Capture and Storage Project (referred to as the "CCS Project") to the Front-end Engineering and Design (FEED) stage. The final phase of FEED includes a decision point for participation and is anticipated to extend until the second quarter of 2025. The FEED stage will generate a comprehensive project plan and guide the Final Investment Decision (FID), currently scheduled for the second or third quarter of 2025.

Assuming a positive FID, the project is projected to commence operations in 2028, facilitating the injection of up to five mega tonnes per annum (Mtpa) of CO₂ from the Port of Rotterdam via the Aramis CCS pipeline into the designated storage location. The Aramis pipeline, spanning 200 km offshore, will be engineered to transport a maximum of 22 million tonnes of CO₂ annually, equivalent to 13% of the Netherlands' emissions, for secure storage in various depleted gas fields beneath the North Sea. This capacity marks a substantial step up from other CCS initiatives currently underway in Europe.

The L10 gas field, situated roughly 50 km offshore in the Dutch North Sea and buried 3 to 4 kilometers below the seabed, provides a CO₂ storage capacity of 96 Mt. When combined with additional storage potential in other reservoirs within the Tenaz license areas, the total storage capacity amounts to approximately 150 Mt.

Tenaz's 11.35% stake in the L10 CCS project, would make Tenaz carbon neutral at corporate production levels surpassing 50,000 boe/d, equivalent to the annual CO₂ emissions of 1.3 million cars.

The CO₂ to be stored in the depleted offshore gas pools will be procured from regional industrial emitters including those in and around the Port of Rotterdam, a key industrial hub in Europe. Additionally, emitters will transport CO₂ to the Port of Rotterdam via ships.

Strategy Update

We view 2022 as a year in which the newly-created Tenaz Energy made significant advancements in three critical areas: development of our asset base in Canada, closing our first international acquisition, and strengthening our organizational capability. These three areas are important to both the near and long-term performance of Tenaz.

Our Canadian asset base consists of a single, high-quality oil project at Leduc-Woodbend. In this field, we achieved significant technical advancements in several key geological, engineering, and operational aspects of our development program.

About Tenaz Energy Corp.

A substantially improved geologic description and frac design changes made it possible to increase the length of our development wells and simultaneously improve frac geometry and placement success. We reached lateral lengths in excess of two miles in our 2022 program while achieving frac placement efficiency of nearly 100%. The ability to drill longer laterals and confidently place more frac stages substantially increased our capital efficiency as evidenced by a very strong 2P F&D cost (including FDC) of \$14.69 per boe, with a corresponding recycle ratio of 2.9. We have prepared the Leduc-Woodbend field for enhanced long-term growth through new land acquisition and by building production scale, with related reductions in unit cost expected in 2023 and beyond.

Our Netherlands acquisition is directly in line with our strategy of making high-return acquisitions in Europe. In this case, we acquired a private company with upstream and midstream offshore assets by posting decommissioning security as the primary form of consideration. With no share issuance, this acquisition enhances our per share metrics for production, reserves, FFO, and NPV10. The transaction diversified our production base, giving us an approximately one-third weighting to high-value European natural gas, which currently has a calendar-year 2023 strip of €47 per mwh (\$20.37 per mmbtu). In addition, we acquired 11.3% ownership in Noordgastransport B.V. (“NGT”), which holds one of the largest gas-gathering and processing networks in the DNS, and exposure to a large potential Carbon Capture and Storage (“CCS”) project.

We will seek to expand our asset base in our regions of strategic interest by pursuing additional value-adding transactions. We believe the asset market is more conducive to this objective than at any time in our company’s history.

Organizational capability is the essential requirement for success in both our organic and acquisition activities. We started Tenaz in autumn 2021 with a strong officer corps of aligned and technically capable oil and gas professionals. During 2022 and early 2023, we made several key additions to our production engineering and acquisition evaluation technical ranks. Our new production engineering personnel are among the key drivers of our capital efficiency improvements in Leduc-Woodbend. In the acquisition side of our business, other new engineering colleagues give us the ability to evaluate more transactions as we scour our target regions for the highest return projects. Our goal is to take the controllable risk out of the M&A process to the largest extent possible, and our enhanced organization furthers that objective. We believe Tenaz is positioned for success in both elements of our business plan, international M&A, and domestic organic development.

Materiality Assessment

To understand the topics that are relevant to the Corporation and stakeholders, Tenaz annually conducts an internal materiality assessment. The Corporation reviews a wide array of ESG topics and financial metrics to determine those having the highest importance to the Corporation.

There are many important issues to address in the constantly changing regulatory and governance frameworks. Given the nature of our operations and our areas of geographic emphasis, we believe focusing on these topics of importance will have the highest impact on our business. Our topics of importance are:

- Environment
- Emissions
- Asset Retirement
- Asset Integrity and Spill Prevention
- Workforce Health and Safety
- Governance and Business Practices

Approach to ESG

Environmental, Social and Governance

Tenaz recognizes that to deliver consistent and long-term shareholder value, we must operate in a safe, healthy, ethical, and environmentally responsible manner. Our commitment to ESG initiatives is embedded in the strategy and the delivery of shareholder returns. We implement and employ best-in-class standards for social and governance practices for Canadian public companies.

Our Corporate Social Responsibility Policy guides us in how we conduct our business. Our strong environmental stewardship, proven safety culture, and governance practices have created strong relationships with our stakeholders, improved our financial performance, and enhanced our contributions to our communities.

We are committed to conducting our activities in a manner that safeguards the health and safety of our employees, contractors, service providers, public, and the environment. We operate our business in a responsible, transparent, and respectful way, and comply with all applicable laws, regulations, and industry standards.

Highlights

- We continued our 2021 program to eliminate fugitive emissions and reduce direct energy inputs to the production process. We proactively reduced well site methane emissions with the commissioning of a new test separator at the 01-23-49-26W4M pad that serves four producing wells. An electrically-powered air compressor provides instrument air to operate the separator process valves, rather than using natural gas, thereby reducing 100% of the fugitive methane emissions from this process.
- In our operated asset at Leduc-Woodbend, we completed 2022 with no injuries, reportable incidents or vehicle accidents. We have established a practical and forward-looking safety program placing emphasis on personal responsibility, hazard identification, investigation of “near misses” as learning opportunities, and regulatory compliance.
- We note that our share of the potential CCS project in the Dutch North Sea could offset carbon emissions for a Tenaz production level of 50,000 boe/d or more, compensating for a significant amount of our targeted long-term growth through acquisition and development activity.

Earlier sustainability initiatives by the Tenaz management team in engagements with previous companies:

- Management has recognized the opportunity to apply critical oil and gas infrastructure to support the energy transition.
- Utilization of waste heat from oil and gas operations in local agriculture and housing initiatives to significantly reduce power consumption and overall emissions.
- In past engagements, management has received strong ESG ratings from independent rating agencies.

Tenaz continually implements practices and technologies that improve our environmental performance. We undertake these actions to improve the quality of life in our operating jurisdictions, to set a positive example within our industry, and to enhance our financial sustainability.

Environmental Management

We understand the importance of managing our environmental footprint. Having accurate and timely data enables us to proactively manage that footprint. We dedicated resources to collect data, identify trends, and assess the following:

- Sources of fugitive emissions and methane venting;
- Converting natural gas combustion engines to electrical drivers;
- Wellsite, facility and infrastructure decommissioning, abandonment and reclamation obligations.
- In addition, Tenaz has enrolled in the following Alberta Energy Regulator (“AER”) programs to reduce emissions and promote environmental stewardship:
- Fugitive Emissions Management Program (“FEMP”): The Fugitive Emissions Management Program is a regulatory initiative aimed at reducing emissions of greenhouse gases and other air pollutants from oil and gas operations across the province. Operators are required to monitor and report fugitive emissions from their oil and gas facilities, which helps identify and quantify leaks of methane and other pollutants, allowing for timely repair and mitigation. The program implements Leak Detection and Repair protocols to identify and address fugitive emissions from equipment such as valves, connectors, and pipelines. By minimizing fugitive emissions, the program helps improve air quality and protect the environment. Additionally, it conserves valuable natural resources and reduces waste in the oil and gas industry.; and
- Methane Reduction Retrofit Compliance Plan (“MRRCP”): The Methane Reduction Retrofit Compliance Plan aims to reduce methane emissions from oil and gas operations across the province. The program establishes specific targets for methane emission reduction from oil and gas facilities in Alberta. Operators are mandated to develop and implement methane reduction retrofit plans to help achieve these targets. Operators prioritize high-emission equipment and facilities for retrofitting, which may include installing methane detection and repair equipment, upgrading equipment seals, and improving ventilation systems. Additionally, operators are required to monitor and report methane emissions from their facilities, along with the progress of their retrofit activities. Participation in the program aids in reducing methane emissions, a potent greenhouse gas, from oil and gas operations, thereby contributing to improved air quality and environmental protection. Furthermore, it supports Alberta's efforts to achieve greenhouse gas emission reduction targets.

The results and actions taken from this work are regularly communicated within our executive team and to our Sustainability, HSE, and Reserves Committee of the Board of Directors.

Emissions

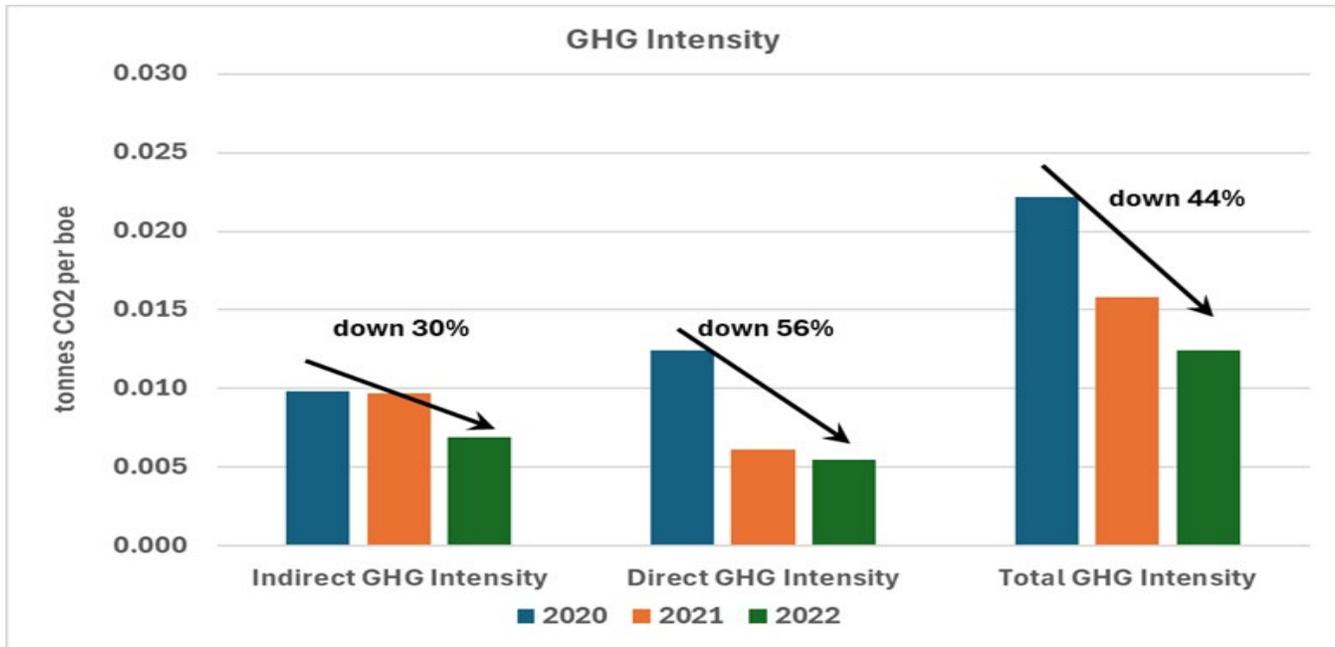
New regulations introduced in Canada target methane (i.e. natural gas venting) emission reductions of 45% by 2030. We believe these regulations will have minimal impact on our operations as our facilities and infrastructure already meet gas conservation requirements. New wells that are drilled and brought on production are immediately pipeline-connected to gas gathering infrastructure to conserve the gas.

In 2019, Tenaz completed a baseline emissions assessment and identified sources of fugitive methane emissions in our operations. The methane fugitive emissions identified were minimal and related to high-bleed controllers and pneumatic chemical injection pumps on producing well locations. To further reduce emissions, we installed electrical power at our Leduc-Woodbend well and facility sites in 2019. By utilizing grid electricity, we eliminated the combustion of natural gas to power our operations. The GHG reduction from this project is estimated at 1,378 TCO₂e per year.

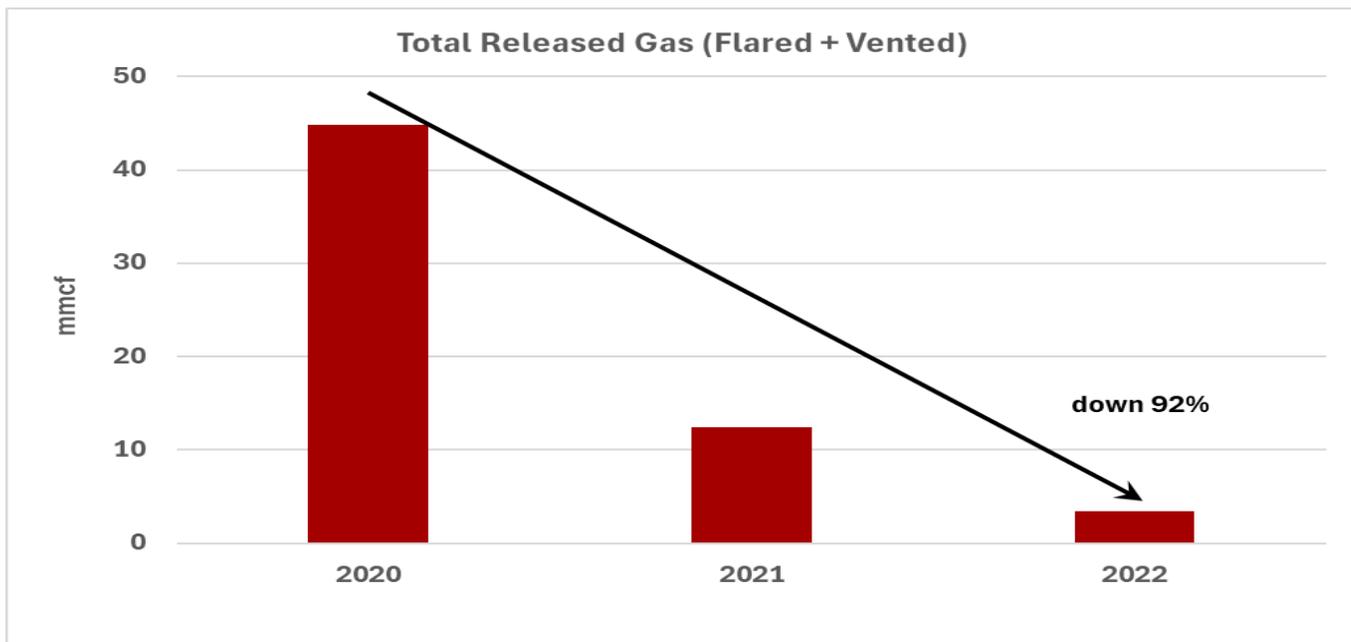
In 2021, Tenaz further reduced emissions by replacing existing equipment with low-bleed controllers, retrofitting high-bleed controllers, retrofitting chemical injection pumps, and improved maintenance practices to mitigate or eliminate fugitive methane emissions.

In 2022, we proactively reduced well site methane emissions with the commissioning of a new test separator at the 01-23-49-26W4M pad that serves four producing wells. The separator process valves are supported by an electric air compressor that provides instrument air rather than natural gas thereby reducing 100% of the fugitive methane emissions from this process. Tenaz will continue wellsite and facility inspections using Optical Gas Imaging, among other surveillance techniques, annually or as set forth in the FEMP to ensure compliance with work already completed.

These efforts have led to a significant reduction in our greenhouse gas (“GHG”) intensities across all categories. From 2020 to 2022, we achieved a 30% reduction in indirect GHG emissions intensity, a 56% reduction in direct GHG emissions intensity, and a 44% reduction in total GHG emissions intensity, as illustrated in the following graph:



Furthermore, reducing flaring and venting is a top priority for Tenaz, in line with our environmental sustainability objectives. Through innovation and strong commitment, we are actively reducing our environmental footprint while generating value for our stakeholders. Leveraging advanced technologies and best practices, we have achieved a 92% reduction in our flared and vented volumes from 2020 to 2022, as illustrated in the following graph:



Tenaz will continue to evaluate our wells, facilities, and new well drilling and completion operations to identify further emission reduction opportunities.

Water Management

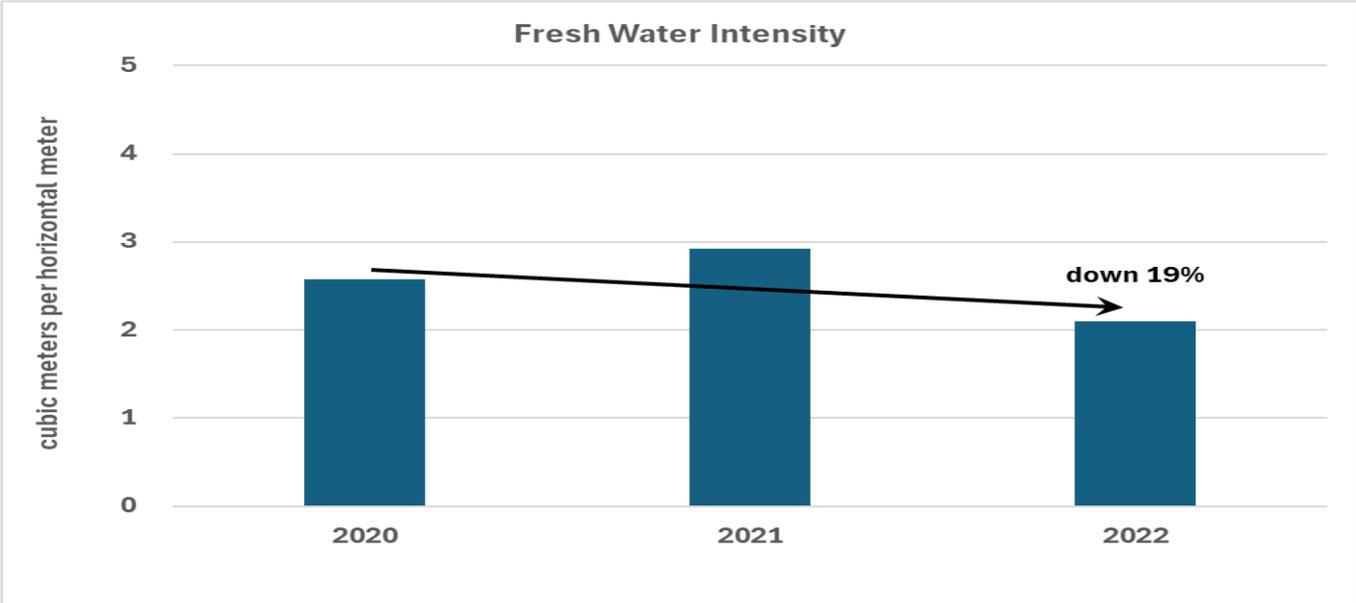
Water is used in Tenaz’s drilling and completion operations, including hydraulic fracturing and reservoir pressure maintenance in Enhanced Oil Recovery (“EOR”) schemes. We understand the significance of safeguarding water resources and adhere to regulatory standards to safeguard water quality throughout all stages of our operations, aiming to reduce our impact on both groundwater and surface waters in several keyways:

Activity	Description
Responsible Well Stimulation	<p>We perform hydraulic fracturing at depths and distances from groundwater wells that are regulated to protect groundwater.</p> <p>The wellbores are encased in cemented steel to prevent contamination from well fluids.</p>
Safe Disposal of Produced Water	<p>Should the produced water not be recycled, we transport it to a certified disposal well for treatment and safe disposal. This water is injected into geological formations that are chosen to minimize risks to freshwater sources.</p> <p>We also monitor well data to ensure hydraulic isolation and the secure disposal of saltwater generated by our activities.</p>
Minimizing Surface Impacts	<p>Our drilling sites are strategically placed at regulated distances from surface water bodies to safeguard aquatic and riparian ecosystems.</p> <p>Additionally, we test any collected rainwater or snowmelt on our sites to ensure it meets provincial environmental standards.</p>
Spill Prevention	<p>Our strategy for spill prevention includes extensive measures to prevent the accidental release of oilfield fluids from tanks, trucks, and pipelines into water bodies.</p>

Environment

Activity	Description
Reuse Water	<p>We endeavour to reuse water and establish sources of non-potable and produced water wherever possible to minimize the amount of fresh water used in our operations.</p> <p>This includes working with area stakeholders to use run-off water or other sources of water such as greywater or waste-water from industrial processes.</p>

In addition, Tenaz continues to optimize our drilling and hydraulic fracturing techniques with the goal of reducing the water intensity. In 2022, our efforts have successfully decreased our water intensity by 19 percent compared to 2020.



Land Management

The development of Tenaz’s mineral acreage involves the use of relatively small multi-well surface locations to accommodate the necessary drilling, completion, and production infrastructure. Tenaz is dedicated to minimizing environmental impact while maximizing efficiency in our oil and gas operations. One method we employ is horizontal drilling, which significantly reduces the surface disturbance compared to traditional vertical wells. Horizontal drilling allows us to access a larger area of oil and gas reserves from a single well pad, thus reducing the need for additional well pads and minimizing surface disturbance.

For instance, while a vertical well development in the Leduc-Woodbend area typically results in approximately 13 hectares of surface disturbance per section of land developed, our horizontal well development has resulted in only 1.6 hectares of surface disturbance. This represents an 87% reduction in land usage. Furthermore, with the full field development of the Leduc-Woodbend asset, we anticipate only 31 hectares of surface disturbance, resulting in a 92% reduction compared to a vertical development.

Once all wells on a multi-well site have been drilled and are in production, the surface footprint is typically minimized to a teardrop shape, which is less than half of its original size. The reclaimed wellsite area is then restored for cultivation or grazing purposes. By minimizing surface disturbance, we effectively balance resource extraction with environmental conservation, contributing to a sustainable future for multiple stakeholders.

Reduced surface disturbance brings additional environmental benefits, including the preservation of wildlife habitats and migration corridors, contributing to the overall health and biodiversity of the area. Moreover, it reduces the number of well pads visible on the landscape, minimizing visual disruption and safeguarding the natural landscape of the surrounding areas. Additionally, it leads to reduced noise and traffic associated with oil and gas operations, contributing to a quieter and safer community.

Asset Retirement Obligations ("ARO")

When assets are no longer productive, Tenaz prioritizes and undertakes an abandonment and reclamation program to restore the land to its original state. This includes the abandonment of wells and facilities, removal of any contaminants and the restoration of original soil and vegetation conditions.

To further these efforts, Tenaz participates in the AER's Inventory Reduction Plan. The Inventory Reduction Program aims to streamline the regulatory process and enhance efficiency in managing oil and gas well inventory across the province. Operators must assess their inventory of inactive and abandoned wells, prioritizing them based on environmental risk and regulatory compliance. The program facilitates the proper abandonment and reclamation of these wells, thereby reducing environmental risks and liabilities. By mitigating risks associated with inactive and abandoned wells, the program safeguards Alberta's land and water resources, while also lowering administrative costs and improving the efficiency of well abandonment and reclamation activities. At December 31, 2022, the present value of Tenaz's decommissioning liability was \$37.2 million for the future abandonment and reclamation of Tenaz's properties. The estimated decommissioning liability includes cost assumptions to abandon wells and reclaim sites, 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 Company's Liability Management Rating ("LMR") with the AER was 8.4 as at December 31, 2022. The LMR is the ratio of the Company's deemed assets to its deemed liabilities and is updated monthly. An LMR rating less than 1.0 would require the Company to pay a deposit to the AER. Tenaz engages in planning for asset retirement obligations ("ARO") when assets are producing and incorporates ARO into the design of its capital programs and asset acquisition economics.

Asset Integrity and Spill Prevention

Tenaz follows a comprehensive asset integrity program to prevent, detect, and manage leaks and spills from our surface equipment and pipelines. We have invested capital and resources in the proactive management of our pipeline and facility infrastructure to mitigate the risk of any such release. This process includes completing annual pipeline risk assessments, in-line pipeline inspections, right-of-way inspections, water crossing inspections, corrosion protection, evaluating leak detection systems, and tank and pressure vessel inspections.

We employ automated gauges, level/pressure alarms, emergency shut-down processes, and other technologies to alert our operators or shut down equipment in the event of an operational upset. These technologies give us the tools to respond to an incident before it escalates, limiting potential safety or environmental impacts. In the event of a release, regardless of the volume, all spills are reported internally, investigated, and corrective actions implemented.

Spill Response

If there is a release, we have site-specific Emergency Response Plans ("ERP") in place to notify all relevant staff, regulators, and members of the community in a timely fashion. These plans include contacts with local service providers for spill response control to ensure rapid response time.

Field operators are required to complete annual leak detection and maintenance training as well as review spill response procedures and regulatory reporting requirements. Tenaz is a member in good standing of the Western Canadian Spill Services ("WCSS") and attends annual training exercises for our area. All member companies in these cooperatives have access to strategically placed spill recovery equipment and spill response support.

Workforce Health and Safety

Tenaz is committed to protecting the health and safety of our employees, contractors, consultants, and the public. Safety is an essential and non-negotiable element for our leadership team and everyone in the Company.

Safety Performance

Our prime objective is to ensure that our workers and the communities potentially impacted by our operations remain safe and healthy at the end of each day. To make this happen, Tenaz created a Corporate Social Responsibility Policy that is shared with our employees and contractors to ensure everyone understands our level of safety standards.

In Canada, our COO, Asset Development Engineer, Senior Production Technologist, independent safety consultant, and field contractors meet quarterly to review incidents and concerns. As a result of these meetings, we generate or revise safety procedures as necessary. The quarterly reports and action list generated from these meetings are then reviewed with the Sustainability, HSE, and Reserves Committee and further revised if required.

All incidents, including near misses, are reviewed to determine if they had the potential to result in a serious injury or fatality. Tenaz utilizes contractors and consultants to execute many of the field operations to advance our business objectives. To ensure safe operations, Tenaz also utilizes contractor management software called ComplyWorks® to pre-approve and monitor contractor safety and regulatory compliance.

Serious Injury and Fatality (“SIF”) Risks

While all incidents are tracked and reported, we believe those of greater severity, or those with the potential for greater severity, should be given additional focus. By identifying situations that have the highest risk of serious injury or fatality, we can ensure that we have selected the most competent contractors that have the appropriate training and policies in place to prevent incidents.

Hazard Identification

Complacency, communication breakdown, and the fast-paced nature of oil and gas operations are common contributors to high-risk or high-consequence incidents. To mitigate these risks, Tenaz conducts proactive task observations, site inspections, audits, and pre-job safety meetings.

Right to Stop Work

Our leadership team believes that every job can and must be done safely, that everyone is accountable for safety performance, and that all employees have the obligation to refuse unsafe conditions and

voice concerns about potential hazards. Contractors are made aware of the expectation to refuse unsafe work or any tasks they feel uncomfortable undertaking.

We also require contractors and consultants to use job-specific hazard assessments, safe work permits, and daily tailgate meetings to report hazards and raise any safety concerns they may have. Should a refusal to work be initiated, an investigation will be undertaken, and appropriate measures implemented to ensure the work environment is safe. Investigation teams are formed based on the situation and may include technical experts, health and safety advisors, supervisors, and management. The team evaluates the hazard, assesses the risk, and determines corrective actions.

Safety Training

At a minimum, all field workers must complete Tenaz's General Safety Orientation or a Common Safety Orientation ("CSO") training on how to work safely around sour gas (H₂S Alive), First Aid, resuscitation ("CPR"), and safety in handling hazardous materials or chemicals (WHMIS 2018).

Additionally, Tenaz provides individualized training based on the tasks or potential tasks each worker will be required to carry out during their work. This may include safety around excavations or earth works (ground disturbance), precautions in confined space, defensive driving, Naturally Occurring Radioactive Material ("NORM"), incident investigation training, and any specific equipment related training.

Public Safety

The safety of the communities where we operate is paramount to Tenaz. As such, we have a robust and strategically managed ERP in place to effectively handle emergencies and critical events. The ERP is routinely tested to make certain that all relevant stakeholders are prepared to carry out their roles in the event of an emergency. In addition, Tenaz regularly conducts multi-stakeholder ERP drills that include regulators, first responders, and community members.

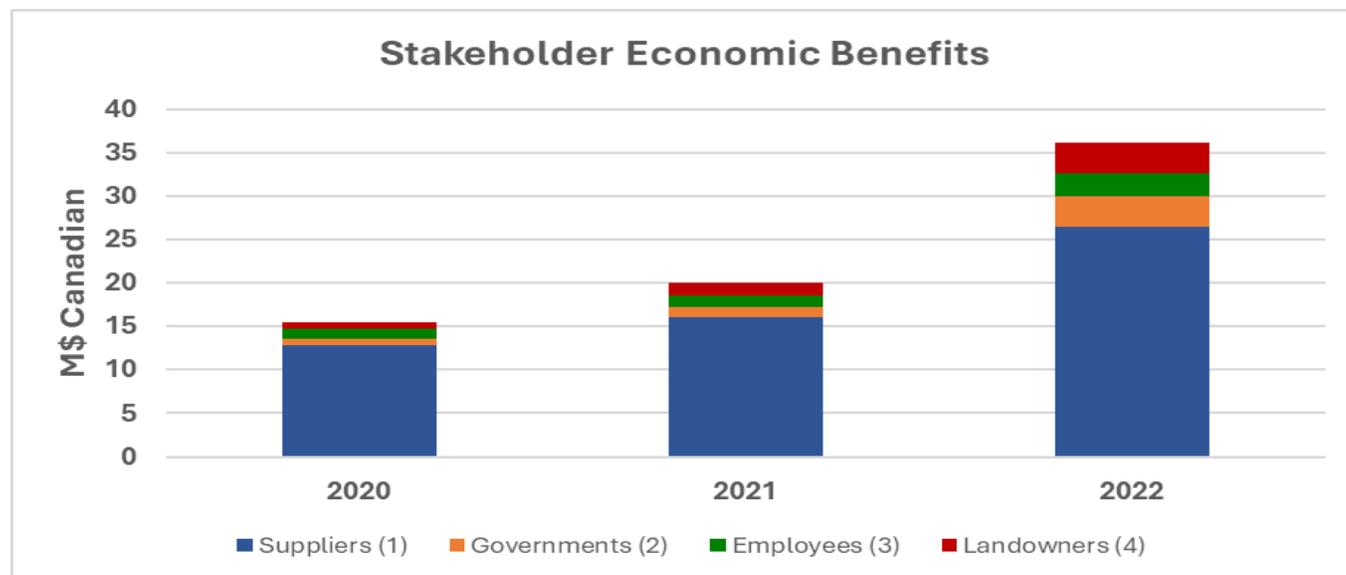
Community and Local Impacts

Tenaz contributes to community prosperity through project development, job creation, and community investment. We believe these business practises contribute to reducing costs, increasing shareholder value, and enhancing trust from all stakeholders.

Tenaz plays an important role in the economic strength of our communities. Through the payment of royalties and taxes, providing local employment, and investing time and funding for local charities and non-profit organizations, we contribute to the overall strength and sustainability of the communities where we operate.

We recognize both the economic and social benefits of contracting staff and suppliers that live in the communities that are close to our operations, and we implement these local hiring practices whenever possible. Our policy also increases safety, reduces environmental footprints, and improves family conditions by reducing commuting times.

The graph below illustrates the significant value contributions we have made to our communities and other stakeholders.



- (1) Economic value distributed to suppliers comprises; operating cost, transportation costs, general and administrative costs, and capital expenditures that are paid to suppliers other than employees, landowners, and governments.
- (2) Economic value distributed to governments includes; Crown royalty obligations, corporate income taxes, property and business taxes, carbon taxes, provincial sales taxes, and consideration paid to governments for surface rights of Crown-owned land government licenses, fees and permits. Due to the use of different reporting structures the figures presented may not conform to those represented in our annual Extractive Sector Transparency Measures Act (“ESTEMA”).
- (3) Economic value distributed to employees comprises; salaries, employee benefits, and compensation associated with TNZ’s share-based compensation plans.
- (4) Economic value distributed to landowners comprises; land access payments, land rentals, and royalty obligations to individuals and corporations associated with non-Crown owned lands.

Starting in 2023, we commit to actively engaging in social responsibility by supporting community initiatives in the areas where we operate. We recognize the importance of giving back to the communities that sustain our business, and we aim to make a meaningful impact through strategic donations. These contributions will be aligned with our financial capabilities to ensure sustainability and effectiveness. By investing in the well-being of our local communities, we reinforce the principles of corporate accountability and community partnership that are essential to our values and long-term success.

People Strategy

Our people are our greatest asset. At the core of our operations, we depend on the dedication and expertise of our employees and contractors to execute our short and long-term business strategies. Recognizing the pivotal role they play, we have recruited and engaged high-potential professionals that are committed to the long-term success and sustainability of the Corporation. To support and enhance their skills, Tenaz is committed to promoting the training and development of our team members through on-line and local professional seminars, courses, and conferences where applicable. Our investment in professional development not only enriches our team's capabilities but also ensures they remain at the forefront of industry standards and innovations.

Furthermore, our performance management systems are carefully designed to encourage and reinforce positive behaviours, particularly for ESG-related issues. These systems are comprehensive, encompassing the assessments of our Board, executive management, and all employees, ensuring alignment with our ESG philosophies. By integrating ESG considerations into our performance metrics, we not only promote a culture of responsibility and sustainability but also position Tenaz to meet the evolving expectations of our stakeholders and the broader community. This strategic alignment is crucial as it bridges our daily operations with our commitment to long-term sustainability goals, thereby fostering a holistic approach to business excellence and ethical leadership.

Stakeholder Engagement

Many stakeholders contribute to Tenaz's overall success. We make every effort to build strong and respectful relationships with our stakeholders by regularly engaging in dialogue to understand their concerns, inform them of our plans, and identify solutions to ensure they remain part of our decision-making process.

Stakeholder	Action	Focus Areas
Employees	<ul style="list-style-type: none"> Annual and quarterly employee career progress and evaluation process Ongoing safety training for all workers 	<ul style="list-style-type: none"> Safety Executive communication Training and development
Shareholders	<ul style="list-style-type: none"> Quarterly and ad hoc press releases Annual General Meeting open to all shareholders Quarterly update meetings with research analysts Attend conferences and independent meetings with investors 	<ul style="list-style-type: none"> Financing and operational performance Board diversity Executive compensation ESG reporting

Stakeholder	Action	Focus Areas
Communities	<ul style="list-style-type: none"> • 24-hour emergency number • Training for local emergency response personnel • Proactive communication and consultations regarding access to resources, well abandonments, and road use 	<ul style="list-style-type: none"> • Emergency preparedness • Environmental performance • Community relations and governance
Government and Regulatory Bodies	<ul style="list-style-type: none"> • Consultation on new projects and proposals • Participation in public policy and regulatory discussions where applicable 	<ul style="list-style-type: none"> • Regulations concerning energy development • Climate policy • Market access
Suppliers and Contractors	<ul style="list-style-type: none"> • Safety meetings and ERP drills for staff and contractors • Clear safety expectations through master service agreements and pre-qualification process 	<ul style="list-style-type: none"> • Safety performance • Financial performance • Supply chain transparency

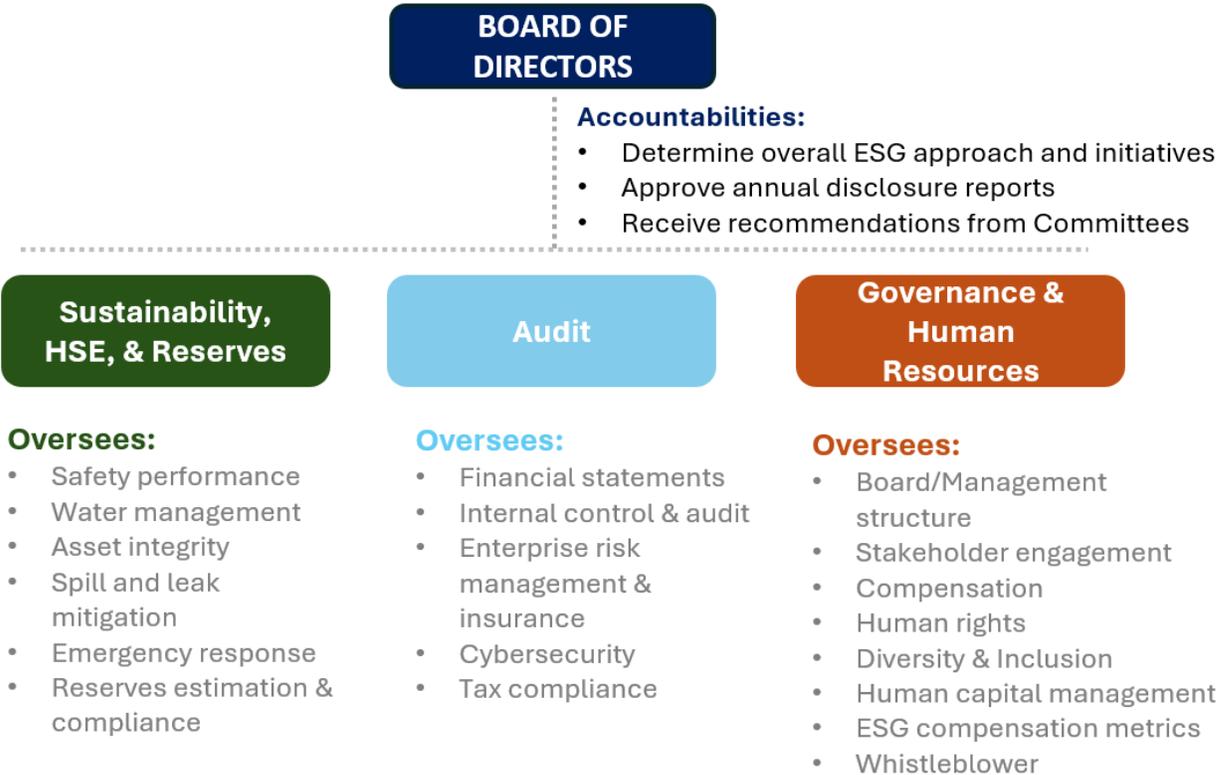
Governance and Business Practices

Governance and Best Practices

Tenaz, as a committed energy producer, holds the belief that the best way to provide long-term value is by operating sustainably — economically, environmentally, and socially — while acknowledging the importance of all stakeholders. Incorporating sustainability principles into our operations not only increases shareholder returns but also enhances development opportunities, minimizes long-term risks, and benefits the well-being of essential stakeholders, including the communities where we operate.

Our governance starts with our Board of Directors and its Committees, which have clearly defined and distinct oversight roles to protect the interests of our shareholders and the best interests of the company as a whole.

The Board and its Committees have access to the executive officers and senior management on a regular basis. At each regularly scheduled Board meeting, the Board meets with the executive officers and senior management, who are invited to attend and provide information on specific areas of the business.



Governance and Business Practices

Role of the Board of Directors

The fundamental responsibility of our Board of Directors is to foster the long-term success of the Corporation consistent with the Board's responsibility to the shareholders to maximize shareholder value. The Board works diligently to uphold this responsibility by:

- Managing the affairs of the Board;
- Developing the succession plan for the President and CEO as well as the appointment plan, monitoring of performance, review of compensation and providing advice and counsel to the President and CEO in the execution of his or her duties;
- Approving and evaluating corporate short-term and long-term performance scorecards;
- Ensuring succession planning programs are in place, including programs to train and develop key personnel;
- Participating with management, in the development of, and ultimately the approval of the Corporation's strategic plan including its targeted capital structure;
- Approving capital and operating budgets which support the Corporation's ability to meet its strategic objectives;
- Monitoring the Corporation's progress towards its goals;
- Reviewing operating and financial performance relative to budgets or objectives;
- Approving annual and quarterly financial statements, related Management's Discussion & Analysis and related press releases and approve release thereof by management;
- Approving the Management Proxy Circular in respect of annual and special meetings, Annual Information Form and documents incorporated by reference therein;
- Ensuring management identifies the principal risks of the Corporation's business and implements appropriate systems to manage these risks;
- Approving and monitoring compliance with all significant policies and procedures by which the Corporation is operated;
- Directing management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- Ensuring the Corporation has in place effective communication processes with shareholders and other stakeholders, the public in general and financial, regulatory, and other recipients;

Governance and Business Practices

- Ensuring that the financial performance of the Corporation is adequately reported to shareholders, other security holders, and regulators on a timely and regular basis;
- Ensuring the financial results are reported fairly and in accordance with applicable accounting and reporting standards;
- Ensuring the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;
- Directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained;
- Approving matters requiring shareholder approval at shareholder meetings;
- Acting honestly and in good faith with a view to the best interests of the Corporation;
- Exercising the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances.

Sustainability, HSE, and Reserves Committee

The Sustainability, HSE, and Reserves Committee plays a pivotal role in overseeing the company's sustainability efforts, health, safety, and environmental protection policies, as well as reserves management. The Committee ensures that sustainability initiatives are effectively implemented, compliant with legislation, and supportive of business objectives. It reviews sustainability performance, internal and external communication practices, and emerging risks and opportunities. Additionally, the Committee assesses health, safety, and environmental policies for compliance, reviews performance and activities in these areas, and evaluates insurable risks. Furthermore, it oversees reserves estimation processes, disclosure practices, compliance with engineering standards, and the relationship with independent engineering firms. Through these responsibilities, the Committee assists the Board in addressing sustainability, health, safety, and reserves-related matters.

Governance and Business Practices

Audit Committee

The Audit Committee oversees the efficiency and integrity of Tenaz's internal controls, which include the systems for financial and management reporting, as well as internal controls over business processes. The Committee also examines and evaluates financial reports and related financial issues, and it authorizes specific financial decisions as a delegate of the board. Furthermore, the Committee is responsible for choosing, supervising, and assessing the independence and performance of external auditors. It also provides broad oversight for the internal audit function.

Governance and Human Resources Committee

The Governance and Human Resources Committee manages issues regarding executive pay, incentive schemes, and talent oversight. It sets the direction for executive compensation aligned with Tenaz's strategic business goals. The Committee also handles succession planning for the CEO and other key executive positions. Additionally, the Committee assesses industry trends, regulatory requirements, and compensation governance standards to understand their impact on Tenaz's HR policies and practices. It oversees human capital management, focusing on cultural alignment, employee engagement, and promotes initiatives for equity, inclusion, and diversity. Additionally, the Committee examines issues related to corporate culture, values, beliefs, and ethical standards, as well as any key risks assigned to it for oversight.

The Committee is responsible for overseeing all aspects of Tenaz's corporate governance practices and principles. It evaluates and recommends changes regarding the board's compensation, structure, composition, and processes. The Committee also assesses the board's effectiveness and supports the onboarding of directors as well as their ongoing educational needs. It serves as a consultative body for management on major strategic initiatives and oversees the review and assessment of long-range planning and budgeting processes.

For more information on the role of our Board and its Committees, please refer to our Terms of Reference on our website at www.tenazenergy.com under the Governance section.

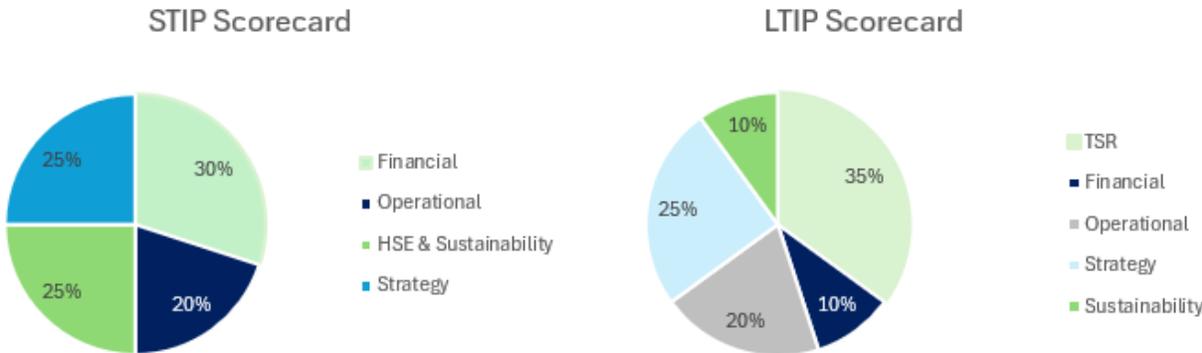
Governance and Business Practices

Executive Compensation

In 2022, the Board approved corporate performance scorecards strategically designed to encourage market competitiveness and employee retention. The new scorecards ensure that the interests of all employees, including executives, are closely aligned with those of our stakeholders. Our comprehensive compensation framework is directly linked to financial, operational, HSE, and sustainability performance.

At the heart of our compensation strategy is integrating HSE and sustainability measures, which hold a significant weighting in our Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP) scorecards.

The strategic emphasis on HSE & sustainability at all organizational levels is a testament to our commitment to a sustainable future. Our corporate scorecards reflect our collective efforts and directly influence the annual bonuses and equity performance multiples for employees and executives, inspiring and motivating them to contribute to our sustainability goals.



By tying a considerable portion of the potential bonuses and equity incentives for executives and senior leaders to the fulfillment of these comprehensive corporate performance targets, we reinforce our commitment to sustainability. This approach not only incentivizes responsible and sustainable leadership but also ensures long-term corporate success and enhances shareholder value through adherence to sustainability practices.

Risk Management

Tenaz has developed a corporate risk register to organize and understand the major risks to the Corporation. The executive team meets annually to discuss any changes to the risks and to review emerging trends in individual areas. The daily management of risk is the responsibility of the relevant vice president given their expertise and authority to ensure that all risks in their areas have been identified and that management plans are in place.

Governance and Business Practices

The following table summarizes various key risks that pertain to key risks:

Key Risks	Potential Impact	Mitigation
Changes in Legislation	New regulations could result in additional costs or restrict our ability to develop our asset base.	Regular review of government and regulatory directives and information circulars.
Public Perception of the Oil and Gas Industry	Increased concern from stakeholders about the impact of our business on the environment could negatively impact our reputation and investor sentiment.	Reporting on ESG related topics.
Carbon Pricing	The implementation of federal and provincial carbon taxes will have a near-term financial impact on our operations. Carbon pricing will be added directly to our operating costs and due to the nature of oil and gas sales, no portion of this added cost will be passed on to our customers.	Reduce GHG Emissions Enrolled in the Alberta Technology Innovation Emissions Reduction (TIER) program which exempts Tenaz from certain aspects of the federal carbon pricing.
Major HSE Incident	The nature of our business at times involves operational and natural hazards that have the potential to cause harm to the environment or to the public.	HSE performance and policies regularly reviewed by senior management and the Board; Experienced and well-trained staff; Regular inspection and review of asset integrity; Regular review of our ERP, including drills and training exercises.
Cyber Security	Failure of our information technology systems could result in financial loss, business disruption, physical damage and reputation risk.	Proactive network defense strategies; Internal audits and penetration testing of systems; End user education and awareness.

Governance and Business Practices

Ethics

An important element of governance is ensuring appropriate policies and procedures are in place to mitigate risk and ensure ethical conduct. Tenaz has the following policies and procedures in place:

- Code of Business Conduct and Ethics Policy – outlines the expectations of our directors, officers and workers who conduct business on behalf of Tenaz. The policy outlines a framework of guiding principles for directors, officers, and employees of the Corporation;
- Corporate Disclosure, Confidentiality & Trading Policy – ensures communications to the investing public about the Corporation are broadly disseminated in accordance with all applicable legal and regulatory requirements and are timely, factual, accurate and balanced;
- Whistleblower Policy – encourages stakeholders to raise concerns regarding financial controls and audit measures, fraud and/or theft, harassment, workplace violence, conflict of interest, discrimination, and safety concerns, while maintaining their confidentiality and anonymity. Individuals may report concerns to the Corporate Secretary via telephone or anonymous email, all of which are listed in the policy on our website;
- Majority Voting Policy – this policy applies to the election of directors at a meeting of shareholders of the Corporation other than at a contested meeting. A “contested meeting” means a meeting at which the number of directors nominated for election is greater than the number of seats available on the board of directors of the Corporation (the “Board”);
- Advance Notice By-Law – provides shareholders, directors, and management of the Corporation with a clear framework for nominating directors.

The above policies have been reviewed and accepted by the Board, officers, and employees of the Corporation.

Payments to Governments

Tenaz is required to publicly disclose on an annual basis, specific payments made to governments in Canada and abroad as outlined by the Extractive Sector Transparency Measures Act (“ESTMA”). ESTMA delivers on Canada’s international commitments to contribute to global efforts to increase transparency and deter corruption in the extractive sector. Our ESTMA report can be found on our website at www.tenazenergy.com.

ESG Data Table

ENVIRONMENT	Units	2018	2019	2020	2021	2022
ENERGY CONSUMPTION						
Direct Energy Consumption ⁽¹⁾⁽⁴⁾	GJ/yr	63,524	68,825	31,821	32,159	46,205
Direct Energy Consumption ⁽¹⁾⁽⁴⁾	GJ/day	174	189	87	88	127
Direct Energy Consumption Intensity	GJ/Boe	0.1307	0.0952	0.0803	0.0725	0.0887
GHG EMISSIONS						
Direct GHG Emissions ⁽²⁾⁽⁴⁾	tonnes CO ₂ e/yr	3,668	4,499	4,918	2,723	2,861
Indirect GHG Emissions ⁽³⁾⁽⁴⁾	tonnes CO ₂ e/yr	800	3,755	3,883	4,292	3,585
Total GHG Emissions	tonnes CO ₂ e/yr	4,468	8,254	8,801	7,015	6,445
Direct GHG Intensity	tonnes CO ₂ e/Boe	0.0075	0.0062	0.0124	0.0061	0.0055
Direct GHG Intensity	kg CO ₂ e/Boe	8	6	12	6	5
Indirect GHG Intensity	tonnes CO ₂ e/Boe	0.0016	0.0052	0.0098	0.0097	0.0069
Total GHG Intensity	tonnes CO ₂ e/Boe	0.0092	0.0114	0.0222	0.0158	0.0124
Total GHG Intensity	kg CO ₂ e/Boe	9	11	22	16	12
Flared Gas ⁽⁴⁾⁽⁵⁾	10 ³ m ³	26	246	1,242	322	2
Vented Gas ⁽⁴⁾⁽⁵⁾	10 ³ m ³	21.8	41.8	29.4	29.4	96.3
Methane (CH ₄) ⁽⁶⁾	tonnes CH ₄ /yr	0.12	0.22	0.17	0.17	0.54
Methane (CH ₄) ⁽⁶⁾	kg CH ₄ /yr	116	222	166	166	543
Methane (CH ₄) Intensity	tonnes CH ₄ /Boe	2.38E-07	3.07E-07	4.18E-07	3.73E-07	1.04E-06
Methane (CH ₄) Intensity	kg CH ₄ /Boe	0.0002	0.0003	0.0004	0.0004	0.0010
Sulfur Dioxide (SO ₂)	tonnes SO ₂ /yr	<i>not measured</i>				
Sulfur Dioxide (SO ₂) Intensity	tonnes SO ₂ /Boe	<i>not measured</i>				
Nitrogen Oxide (NO _x)	tonnes NO _x /yr	<i>not measured</i>				
Nitrogen Oxide (NO _x) Intensity	tonnes NO _x /Boe	<i>not measured</i>				
WATER						
Fresh Water Use	m ³	36,924	8,587	10,276	21,118	21,908
Fresh Water Intensity	m ³ /Boe	0.0759	0.0119	0.0259	0.0476	0.0421
New Wells Drilled ⁽⁷⁾	count	9	3	2	3	4
New Well Fresh Water Usage	m ³ /well	4,103	2,862	5,138	7,039	5,477
Horizontal Section Completed	meters	19,648	4,578	4,211	9,449	10,697
Fresh Water Usage - Horizontal Section	m ³ /meter	1.9	1.9	2.4	2.2	2.0

ESG Data Table

ENVIRONMENT	Units	2018	2019	2020	2021	2022
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SPILLS AND LEAKS						
Number of Reportable Spills	count	0	1	0	1	0
Volume of Reportable Spills	m ³	0	2.9	0.0	0.2	0.0
Total Gross Operated Oil Produced	bbls	303,445	438,858	205,087	229,713	298,984
Total Gross Operated Fluid Produced	bbls	1,468,841	1,988,342	1,435,487	1,812,195	2,307,755
Spill Intensity	m ³ spilled/1,000 bbls fluid produced	0.0000	0.0015	0.0000	0.0001	0.0000
Pipeline Operated Distance (gross)	kms	100.4	100.4	100.4	101.1	104.2
Pipeline Incident Frequency Rate	incidents/km	0.0000	0.0100	0.0000	0.0099	0.0000

RECLAMATION						
Number of Active Wells	gross count	33	30	28	30	36
Number of Inactive Wells	gross count	20	28	26	27	26
Number of Abandoned Wells	gross count	3	3	8	8	8
Total Wells	gross count	56	61	62	65	70
Active Reclamation Ongoing	gross count	0	0	3	0	0
Reclamation Certificates Received	gross count	1	1	1	0	0
Alberta Licensee Liability Rating ("LLR") ⁽⁸⁾	ratio	6.87	9.50	5.68	6.06	8.35

SOCIAL	Units	2018	2019	2020	2021	2022
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HEALTH AND SAFETY						
Lost-time Injuries (Employee & Contractor)	count	0	0	0	0	0
Recordable Injuries (Employee & Contractor)	count	0	0	0	0	0
Fatalities (Employee & Contractor)	count	0	0	0	0	0

WORKFORCE PROFILE						
Full Time	count	7	6	6	12	12
Part Time	count	4	4	3	3	4
Board of Directors	count	5	5	5	5	5

ESG Data Table

SOCIAL

	Units	2018	2019	2020	2021	2022
DIVERSITY						
<i>Head Office</i>						
Total Female	count	4	4	3	5	5
Total Male	count	6	6	6	8	8
<i>Field Office</i>						
Total Female	count	0	0	0	0	0
Total Male	count	2	2	2	2	2
<i>Board of Directors</i>						
Total Female	count	0	0	0	1	1
Total Male	count	5	5	5	4	4

GOVERNANCE

	Units	2018	2019	2020	2021	2022
ECONOMIC						
Petroleum and Natural Gas Sales	\$ Thousands	16,847	25,757	8,615	17,830	34,087
Freehold Royalties	\$ Thousands	874	1,862	506	1,294	3,366
Crown Royalties	\$ Thousands	806	785	148	782	2,581
Operating Expenses	\$ Thousands	3,805	5,248	4,273	4,978	8,308
Transportation Expenses	\$ Thousands	866	2,214	755	737	1,020
Hedging, G&A, Interest and Exploration Expenses	\$ Thousands	2,240	1,654	431	6,540	9,663
Funds Flow From Operations	\$ Thousands	8,256	13,994	2,502	3,499	8,615
Expenditures on Property, Plant and Equipment	\$ Thousands	33,456	12,884	7,874	10,391	17,101
Net Income (Loss)	\$ Thousands	2,693	2,215	-22,313	8,339	5,237
Expenditures on Acquisitions (Dispositions)	\$ Thousands	-24,089	-3,140	-1,746	-1,750	0

STAKEHOLDER ECONOMIC BENEFITS

Employee Payroll and Benefits	\$ Thousands	1,618	1,292	1,255	1,313	2,614
Landowner Rentals	\$ Thousands	180	192	175	207	171
Freehold Royalties	\$ Thousands	874	1,853	506	1,294	3,366
Crown Royalties	\$ Thousands	806	794	148	782	2,581
Federal Carbon Tax ⁽⁹⁾	\$ Thousands	0	0	0	0	152
Community Investment	\$ Thousands	0	0	0	0	0
Dividends	\$ Thousands	0	0	0	0	0

ESG Data Table

PRODUCTION	Units	2018	2019	2020	2021	2022
Net Production Rate	Boe/d	1,172	1,742	880	1,015	1,194
Gross Operated Production Rate	Boe/d	1,332	1,980	1,086	1,216	1,427

Direct Emissions by Type	2018		2019		2020		2021		2022	
	tCO2e/yr	% total								
Natural Gas Fuel	3,453	94.15%	3,742	83.17%	1,635	33.24%	1,748	64.19%	2,387	83.44%
Propane Fuel	0	0.00%	0	0.00%	103	2.10%	3	0.11%	123	4.29%
Diesel Fuel	101	2.76%	70	1.56%	168	3.41%	136	4.99%	124	4.33%
Flaring	61	1.67%	587	13.05%	2,942	59.83%	766	28.13%	5	0.18%
Venting	52	1.42%	100	2.22%	70	1.42%	70	2.57%	222	7.76%
Total	3,668	100%	4,499	100%	4,918	100%	2,723	100%	2,861	100%

Indirect Emissions by Type	2018		2019		2020		2021		2022	
	tCO2e/yr	% total								
Electricity	800	100.00%	3,755	100.00%	3,883	100.00%	4,292	100.00%	3,585	100.00%
Steam		0.00%		0.00%		0.00%		0.00%		0.00%
Heat		0.00%		0.00%		0.00%		0.00%		0.00%

Footnotes:

- Direct energy consumption includes natural gas fuel for processing oil, temporary power generation, propane consumption and other minor heating.
- Direct or Scope 1 emissions are defined as emissions from equipment that is owned or controlled by the company such as flaring, combustion, venting and diesel.
- Indirect or Scope 2 emissions are defined as emissions from electricity, steam or heat purchased by the company. Tenaz only purchases grid electricity.
- Scope 1 and 2 consumption intensity conversion factors from Environment Canada National Inventory Report
- 2020 flared gas is higher due to an isolated flow test evaluation in Entice.
- Vented gas is estimated annually by a third-party company and includes pneumatic devices, chemical pumps and tank vents.
- Methane emissions are directly linked to the vented gas using the methane composition in the natural gas.
- Well drilling activity by year:
 - 2018 - 9 horizontal drills, 9 horizontal completions
 - 2019 - 3 horizontal drills, 1 vertical drill, 2 horizontal completions
 - 2020 - 2 horizontal drills, 2 horizontal completions
 - 2021 - 3 horizontal drills, 4 horizontal completions
 - 2021 - 3 horizontal drills, 4 horizontal completions
 - 2022 - 4 horizontal drills, 4 horizontal completions
- 2018 LLR as at Jan 5, 2019; 2019 LLR as at Jan 4, 2020; 2020 LLR as at Jan 2, 2021; 2021 LLR as at Dec 4, 2021, 2022 LLR as at December 31, 2022.
- Tenaz is registered in Alberta's Technology Innovation and Emissions Reduction (TIER) program.

GRI Content Index

The Global Reporting Initiative (GRI) is an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruption.

GRI 102 GENERAL DISCLOSURES	
ORGANIZATIONAL PROFILE	SOURCE
102-1 Name of the organization	pp.
102-2 Activities, brands, products and services	pp. 1, 3-4
102-3 Location of headquarters	p. 2
102-4 Location of operations	pp. 3-4
102-5 Ownership and legal form	pp. 3-4
102-6 Markets served	p. 3
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102-15 Key impacts, risks and opportunities	pp. 5-12, 15
ETHICS AND INTEGRITY	
102-16 Values, principles, standards and norms of behavior	p. 16
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102-18 Governance structure	pp. 5, 13-14
102-19 Delegating authority	pp. 5, 10-14
102-20 Executive-level responsibility for economic, environmental, and social topics	pp. 1, 5-14
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102-22 Composition of the highest governance body and its committees	pp. 5, 13-14
102-23 Chair of the highest governance body	2022 Information Circular
102-24 Nominating and selecting the highest governance body	2022 Information Circular
102-26 Role of highest governance body in setting purpose, values, and strategy	pp. 5, 10-11, 13-16
102-27 Collective knowledge of highest governance body	2022 Information Circular
102-28 Evaluating the highest governance body's performance	2022 Information Circular
102-29 Identifying and managing economic, environmental and social topics	pp. 1, 5, 6-16
102-30 Effectiveness of risk-management processes	p. 15
102-31 Review of economic, environmental and social topics	pp. 1, 5-12
102-32 Highest governance body's role in sustainability reporting	pp. 1, 5-6, 11-14
102-33 Communicating critical concerns	pp. 1, 5-7, 10-16
102-34 Nature and number of critical concerns	pp. 1, 5-13, 15-16
102-35 Remuneration policies	2022 Information Circular
102-36 Process for determining remuneration	2022 Information Circular
102-37 Stakeholders' involvement in remuneration	2022 Information Circular
102-38 Annual total compensation ratio	2022 Information Circular
102-39 Percentage increase in annual total compensation ratio	2022 Information Circular
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102-40 List of stakeholder groups	p. 12
102-41 Collective bargaining agreements	Tenaz does not have any collective bargaining agreements.
102-42 Identifying and selecting stakeholders	p. 12
102-43 Approach to stakeholder engagement	p. 12
102-44 Key topics and concerns raised	p. 12

GRI Content Index

REPORTING PRACTICE	SOURCE
102-45 Entities included in consolidated financial statements	Dec 31, 2021 AIF
102-46 Defining report content and topic boundaries	pp. 1-2
102-47 List of material topics	pp. 1, 5-16
102-50 Reporting period	p. 2
102-52 Reporting cycle	p. 2
102-53 Contact point for questions regarding the report	p. 2
102-54 Claims of reporting in accordance with GRI Standards	This report references the GRI Standard 2016 but has not met all criteria to be in attendance.
102-56 External assurance	Under review
GRI 200 ECONOMIC TOPICS	
201-1 Direct economic value generated and distributed	pp. 3, 19
201-2 Financial implications and other risks and opportunities due to climate change	pp. 5-7, 15
GRI 205 ANTI-CORRUPTION	
205-2 Communication and training about anti-corruption policies and procedures	p. 16
GRI 206 ANTI-COMPETITIVE BEHAVIOR	
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Tenaz was not involved in any legal actions related to anti-competitive practices in 2021.
GRI 300 ENVIRONMENTAL TOPICS	
GRI 302 ENERGY	
302-1 Energy consumption within the organization	p. 18
302-3 Energy intensity	p. 18
GRI 303 WATER	
303-1 Water withdrawal by source	pp. 8, 18
GRI 305 EMISSIONS	
305-1 Direct (scope 1) GHG emissions	pp. 5, 18, 20
305-2 Energy indirect (scope 2) GHG emissions	pp. 5, 18, 20
305-4 GHG emissions intensity	p. 18
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	pp. 18, 20
GRI 306 EFFLUENTS AND WASTE	
306-3 Significant spills	p. 18
GRI 307 ENVIRONMENTAL NON-COMPLIANCE	
307-1 Non-compliance with environmental laws and regulations	Tenaz received no fines or non-monetary sanctions for non-compliance in 2021.
GRI 400 SOCIAL TOPICS	
GRI 401 EMPLOYMENT	
401-1 New employee hires and employee turnover	p. 19
GRI 403 OCCUPATIONAL HEALTH AND SAFETY	
403-2 Hazard identification, risk assessment, and incident investigation	pp. 7-10, 12, 15
403-5 Worker training on occupational health and safety	pp. 10-12
403-9 Work related injuries	p. 19
GRI 404 TRAINING AND EDUCATION	
404-3 Percentage of employees receiving regular performance and career development reviews	pp. 11-13
GRI 405 DIVERSITY AND EQUAL OPPORTUNITY	
405-1 Diversity of governance bodies and employees	pp. 11, 13-16, 19
GRI 411 RIGHTS OF INDIGENOUS PEOPLES	
411-1 Incidents of violations involving rights of indigenous peoples	Tenaz had no incidents of violations involving the rights of Indigenous peoples in 2021.
GRI 413 LOCAL COMMUNITIES	
OG11 Number of sites that have been decommissioned and sites that are in the process of being decommissioned.	p. 18

SASB Performance Table

The Sustainable Accounting Standards Board (SASB) is an organization that has established industry specific disclosure standards across environmental, social and governance topics that facilitate, communication between companies and investors.

GHG EMISSIONS	SOURCE
EM-EP-110a.1: Gross global scope 1 emissions	ESG Data Table
% methane	ESG Data Table
% covered under emissions-limiting regulations	ESG Data Table
EM-EP-110a.2: Amount of gross global scope 1 emissions from:	ESG Data Table
1. Flared hydrocarbons	
2. Other combustion	
3. Process emissions	
4. Fugitive emissions	
EM-EP-110a.3: Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets and an analysis of performance against those targets	pp. 5, 7, 8
AIR QUALITY	
EM-EP-120a.1: Air emissions of the following pollutants:	ESG Data Table
1. NO _x	
2. SO _x	
3. VOCs	
4. PM10	
WATER MANAGEMENT	
EM-EP 140a.1:	ESG Data Table
1. Total freshwater withdrawn	
2. Total freshwater consumed	
BIODIVERSITY IMPACTS	
EM-EP-160a.2: Number and aggregate volume of hydrocarbon spills	ESG Data Table
HUMAN RIGHTS AND RIGHTS OF INDIGENOUS PEOPLES	
EM-EP-210a.2: Percentage of proved and probable reserves in or near indigenous land	N/A
EM-EP-210. 3: Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights and operation in areas of conflict	pp. 11, 12
OCCUPATIONAL HEALTH AND SAFETY	
EM-EP-320a.1:	ESG Data Table
(1) Total recordable incident rate (TRIR), (2) Fatality Rate, and (3) Near Miss Frequency Rate for (a) full-time employees, (b) contract employees, and (c) short-service employees	
Average hours of health, safety, and emergency training for:	p. 11
1. Full-time employees	
2. Contract employees	
3. Short-service employees	
EM-EP-320a.2: Discussion of management systems used to integrate a culture of safety	pp. 10-12
RESERVES EVALUATION & CAPITAL EXPENDITURES	
EM-EP-420a.4: Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition and development of assets	pp. 1, 5, 7-9, 13
BUSINESS ETHICS & TRANSPARENCY	
EM-EP-510a.2: Description of the management system for prevention of corruption and bribery throughout the value chain	p. 16
MANAGEMENT OF THE LEGAL AND REGULATORY ENVIRONMENT	
EM-EP-530a.1: Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	pp. 1, 5-9, 11-13, 15-16
CRITICAL INCIDENT RISK MANAGEMENT	
EM-EP-540a.2: Description of management systems used to identify and mitigate catastrophic and tail-end risks	pp. 5, 7, 9-13, 15

Readers Advisory

Forward Looking Information and Statements This 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", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this press release contains forward looking information and statements pertaining to: Tenaz's capital plans and budget for 2022; forecasted average production volumes for 2022; and the corporate strategy proposed by the new management team.

The forward-looking information and statements contained in this report reflects several material factors and expectations and assumptions of the Company including, without limitation: the continued performance of the Company's oil and gas properties in a manner consistent with its past experiences; that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of the Company'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. The Company 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 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 the Company'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 the Company or by third party operators of the Company's properties, increased debt levels or debt service requirements; inaccurate estimation of the Company's oil and gas reserve volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in the Company's public documents.

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

Non-GAAP and Financial Measures

This report contains references to measures used in the oil and natural gas industry such as “funds flow from operations”, “net debt”, and “operating netback”. The data presented in this report is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with International Financial Reporting Standards (“IFRS”) and sometimes referred to in this press release as Generally Accepted Accounting Principles (“GAAP”) as issued by the International Accounting Standards Board. These reported non-GAAP measures and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used, they should be given careful consideration by the reader.

Funds flow from operations

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 to repay debt. Funds flow from operations is calculated as cash flow from operating activities, before changes in non-cash operating working capital. Funds flow from operations is not intended to represent cash flows from operating activities calculated in accordance with IFRS.

Capital expenditures

Management uses the terms “capital expenditures” as measures of capital investment in exploration and production activity, as well as property acquisitions and dispositions, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable GAAP measure for capital expenditures and capital expenditures, net of dispositions is cash flow used in investing activities.

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 financial instruments.

Oil and Gas Definitions

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.

