



Environmental  
Social  
Governance  
2021 Report

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# CEO Message

On behalf of Tenaz Energy Corp. (“Tenaz”, the “Company”, or the “Corporation”), I am pleased to share our story and vision for the future in our third annual sustainability report, now called our Environmental, Social, and Governance (“ESG”) Report. Our goal is to develop and produce oil and natural gas safely, responsibly, and profitably, while leaving a positive impact on all of our stakeholder groups. We believe that this sustainable approach is the long-term key of our success as a company. Tenaz has created a culture rooted in values of environmental protection, social advancement, and responsible governance. From our senior leadership to our front-line consultants, we focus on continuous improvement and excellence in all of these aspects of our business.

Tenaz has demonstrated operational strength and capital discipline while delivering on the safety performance commitment outlined in our Corporate Social Responsibility Policy. Our focus and commitment to hazard identification, emergency preparedness and communication regarding safety standards and expectations has created a culture that enables everyone to return home safely at the end of the day.

We have a vision of conservation and innovation to minimize environmental impacts and maximize value from the resources we produce. We have invested time and resources to reduce emissions and, although we are a small company today, I believe the 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 (ESG) performance will allow our stakeholders to better evaluate and challenge our approach to sustainability. We look forward to your feedback as we find new and exciting ways to maximize value and well-being for all stakeholders.

In closing, Tenaz recognizes the critical importance of environmental, social and economic sustainability to our company’s future, and will place a correspondingly high priority on performance and leadership in these areas. The Company is committed to the long-term sustainability of the jurisdictions in which it invests and the local communities in which it operates.

Thank you for your continued support. Again, we are looking forward to your feedback.

Yours very truly,

Anthony Marino  
President, Chief Executive Officer and Director

# About this Report

This is the Corporation's third sustainability report, now called our ESG Report, and is intended to capture the many topics and data that illustrate corporate sustainability for the year ended December 31, 2021.

- 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, 2021 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, 2021. Quantitative data from 2018, 2019, and 2020 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 capable of returning free cash flow to shareholders. In addition, Tenaz conducts development of a semi-conventional oil project in the Rex member of the Upper Mannville group at Leduc-Woodbend in central Alberta. Tenaz Energy's common stock trades on the Toronto Stock Exchange under the symbol TNZ.

Our vision is to apply technical and commercial capabilities in mergers and acquisition to build a leading intermediate-size E&P. Tenaz targets high quality conventional and semi-conventional assets in overseas markets. We will prioritize free cash flow generation to support a balanced growth-and-income model.

Additional information regarding Tenaz is available on SEDAR and on our website at [www.Tenazenergy.com](http://www.Tenazenergy.com).

## Financial Summary as at December 31, 2021 (\$000 CAD unless otherwise noted)

2021 Petroleum and natural gas sales	17,830
2021 Cash flow from operating activities	3,945
2021 Funds flow from operating activities <sup>(1)</sup>	3,499
2021 Operating Netback (\$/boe) <sup>(1)(3)</sup>	27.10
2021 Capital expenditures <sup>(1)</sup>	10,391
Adjusted working capital (net debt) <sup>(1)</sup>	20,688
Abandonment, decommissioning, and reclamation costs	5,600 (uninflated, undiscounted)
Common Shares Outstanding (000)	
End of period – basic <sup>(2)</sup>	28,438
Weighted Average for the period – basic <sup>(2)</sup>	14,718
Weighted average for the period – diluted <sup>(2)</sup>	14,876

## Operating Summary as at December 31, 2021

2021 Average daily production (boe/d) <sup>(3)</sup>	1,015 (56% oil and liquids)
2021 Wells drilled	3 gross (2.6 net)
2021 Wells completed	4 gross (3.5 net)

## Company Gross Reserves as at December 31, 2021

Total Proved (Mboe) <sup>(3)</sup>	6,762
Total Proved + Probable (Mboe) <sup>(3)</sup>	11,324

## Wells Inventory as at December 31, 2021

Producing	30 gross (23.4 net)
Proved and Probable undeveloped drilling locations	47 gross (37.4 net)
Additional drilling opportunities <sup>(4)</sup>	140 gross (114 net)

## Personnel as at December 31, 2021

Full-time employees	10
Consultants	6



## 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) On December 23, 2021, the Company completed a 10 to 1 common share consolidation. All per share and common share values have been presented on a post-consolidation basis.
- 3) The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel (1 bbl) of crude oil. Refer to "Barrels of Oil Equivalent" section included in the "Advisories" section of this press release.
- 4) Tenaz management estimate.

# About Tenaz Energy Corp.

## Significant Operational Changes

### Recapitalization Transaction

On October 7, 2021, shareholders approved a recapitalization transaction (the “Recapitalization Transaction”) which was completed on October 8, 2021. As part of the Recapitalization Transaction, the Company completed a non-brokered private placement pursuant to which 2,777,800 units were issued at a price of \$1.80 per unit for gross proceeds of \$5.0 million. Concurrently with the closing of the non-brokered private placement, the appointment of a new management team and reconstitution of the board of directors was completed.

On October 8, 2021, immediately following the completion of the change of management and the non-brokered private placement, the Company issued 13,611,200 Common Shares pursuant to the conversion of the 13,611,200 Subscription Receipts and \$24.5 million in gross proceeds was released from escrow.

On October 15, 2021, the Company’s name was changed from “Altura Energy Inc.” to “Tenaz Energy Corp.” through an amalgamation and the symbol for trading on the TSX Venture Exchange was changed to TNZ (formerly ATU).

On December 17, 2021, the Company completed a rights offering pursuant to which 1,017,984 Common Shares were issued at a price of \$1.80 per Common Share for gross proceeds of \$1.8 million.

Pursuant to the Recapitalization Transaction and the rights offering, the Company incurred \$1.8 million of share issue costs and \$1.2 million of transaction costs.

For more information on the Recapitalization Transaction, please refer to our Annual Information Form, for the year ended December 31, 2021, dated March 24, 2022 on SEDAR and our website.

### Share Consolidation

On December 23, 2021, the Company completed a 10-to-1 common share consolidation. The number of shares, warrants and options outstanding have been adjusted on a retroactive basis. All per share and common share values have been presented on a post-consolidation basis.

### Strategy Update

In addition to the continued development of the Company’s existing assets, Tenaz intends to target the acquisition of conventional and semi-conventional oil and gas assets in global markets. The Company will focus on building a portfolio of free cash flow assets that have the potential to provide returns to shareholders via a growth-and-income capital markets model.

With the completion of the Recapitalization Transaction, the Company has established itself as a viable public vehicle for the acquisition of oil and gas producing assets. We intend to leverage our team’s experience to pursue international opportunities across multiple jurisdictions where there is the potential for less competition, greater opportunity for operational improvements, and higher returns on capital as compared to the North American industry.



# 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 Environmental, Social and Governance initiatives is embedded in the strategy and the delivery of shareholder returns.

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, improve our financial performance and enhance 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.

In 2021 Tenaz established the Sustainability, Health, Safety, Environment and Reserves Committee (“SHSER Committee”) which is responsible for maintaining and overseeing robust sustainability performance. The SHSER Committee is comprised of three directors, two of whom are independent. The purpose of the Committee is to assist the Board of Directors in carrying out its responsibilities to ensure that Tenaz’s activities are conducted in an environmentally responsible manner and that the Corporation maintains the integrity of its environmental, social and governance programs.

## Highlights

- In 2021, Tenaz reduced its Total GHG Emissions (Scope 1 and 2) by 20% and Total GHG Intensity by 29% relative to 2020.
- We are focused on elimination of fugitive emissions and reduction of direct energy inputs to the production process.
- Utilize Best-in-class standards for social and governance practices for Canadian public companies.
- Our acquisition strategy includes identifying and supporting sustainability projects contributing to higher rates of return.

## Previously executed projects by management team include:

- Management sees opportunity in using 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.

# Materiality

## 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:

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



# Environment

Tenaz continually implements practices and technologies that improve our environmental performance because doing so improves the quality of life in our jurisdictions, sets a positive example within our industry and enhances 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 programs in accordance with Directive 60 regulations:

- Fugitive Emissions Management Program (FEMP) to detect and repair fugitive emission sources; and
- Methane Reduction Retrofit Compliance Plan (MRRCP) to identify methane vent sources and implement solutions to minimize and eliminate, where possible, methane venting.

The results and actions taken from this work is regularly communicated within the executive team and the Sustainability, HSE, and Reserves Committee.

## 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 wellsites. Tenaz is evaluating reducing these emissions by replacing existing equipment with low-bleed controllers, retrofitting high-bleed controllers, retrofitting chemical injection pumps and improving maintenance practices to mitigate or eliminate fugitive methane emissions.

The next steps will be to create an action plan to address further reductions and, where possible, elimination of the remaining minimal emission sources. In the interim, Tenaz will continue with 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.

# Environment

In 2019, Tenaz completed an electrification project. We installed electrical power at our Leduc-Woodbend well and facility sites to utilize grid electricity and eliminate combustion of natural gas to power our operations. The GHG reduction from this project is estimated at 1,378 TCO<sub>2</sub>e per year.

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. Tenaz endeavours 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. 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. In addition, Tenaz continues to optimize our drilling and hydraulic fracturing techniques with the goal of reducing the water intensity for the Corporation.

## **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. The surface footprint of a typical multi-well site can vary in size from one to two hectares depending on the number of wells to be drilled from that surface location. Once all the wells, on a multi-well site, have been drilled and are on production, the surface footprint is often reduced to a minimal teardrop shape that is less than half of its original size. The reclaimed wellsite area is then returned to cultivation or grazing.

## **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.

At December 31, 2021, the present value of Tenaz's decommissioning liability was \$2.6 million (December 31, 2020 - \$2.1 million) for the future abandonment and reclamation of Tenaz's properties. The estimated decommissioning liability includes cost assumptions to abandon wells or reclaim the property, 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 future liability has been inflated at 1.7% (December 31, 2020 – 1.5%) and discounted at a credit-adjusted risk-free rate of 8.4% (December 31, 2020 – 9.2%). Abandonment cost estimates are derived from both industry and government sources and operational knowledge of the properties.

# Environment

The Company's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 6.23 as at March 24, 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. The Corporation addresses asset retirement obligations ("ARO") as assets produce 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 opportunity for 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, tank and pressure vessel inspections and then making recommendations to our operations teams.

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 needed to respond to an incident before it escalates to minimize any 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 procedures and 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.

# Social

## **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.

The COO, SVP Canadian Business Unit, VP Engineering, a third-party 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)**

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 SIF events.

### **Hazard Identification**

Complacency, communication breakdown and the fast-paced nature of our 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 during their orientation.

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 have. Should a refusal to work be initiated, a full investigation will be undertaken, and appropriate measures taken 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.

# Social

## **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) and 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 role 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 value good governance practises, proactive risk management and high ethical standards. We believe strong 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 local to our operations and do so whenever possible.

## **People Strategy**

Our people are our greatest asset, and we rely on them to execute our short- and long-term business strategies. We have recruited and engaged high-potential professionals that are committed to the long-term success and sustainability of the Corporation. Tenaz is committed to the development and further training of our leadership team and encourages annual training and learning from local professional seminars and conferences where applicable.

Our performance management systems incorporate elements that encourage positive behaviours in relation to ESG related issues. The Board, executive management, and employee's assessments are aligned with our ESG philosophies.

## 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"> <li>Annual and quarterly employee career progress and evaluation process</li> <li>Ongoing safety training for all workers</li> </ul>	<ul style="list-style-type: none"> <li>Safety</li> <li>Executive communication</li> <li>Training and development</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Quarterly and ad hoc press releases</li> <li>Annual General Meeting open to all shareholders</li> <li>Quarterly update meetings with research analysts</li> <li>Attend conferences and independent meetings with investors</li> </ul>	<ul style="list-style-type: none"> <li>Financing and operational performance</li> <li>Board diversity</li> <li>Executive compensation</li> <li>ESG reporting</li> </ul>
Communities	<ul style="list-style-type: none"> <li>24-hour emergency number</li> <li>Training for local emergency response personnel</li> <li>Proactive communication and consultations regarding access to resources, well abandonments, and road use</li> </ul>	<ul style="list-style-type: none"> <li>Emergency preparedness</li> <li>Environmental performance</li> <li>Community relations and governance</li> </ul>
Government and Regulatory Bodies	<ul style="list-style-type: none"> <li>Consultation on new projects and proposals</li> <li>Participation in public policy and regulatory discussions where applicable</li> </ul>	<ul style="list-style-type: none"> <li>Regulations concerning energy development</li> <li>Climate policy</li> <li>Market access</li> </ul>
Suppliers and Contractors	<ul style="list-style-type: none"> <li>Safety meetings and ERP drills for staff and contractors</li> <li>Clear safety expectations through master service agreements and pre-qualification process</li> </ul>	<ul style="list-style-type: none"> <li>Safety performance</li> <li>Financial performance</li> <li>Supply chain transparency</li> </ul>



# Governance & 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, approving compensation and providing advice and counsel to the President and CEO in the execution of their 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;
- 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.

# Governance & Business Practices

The Board performs its mandated responsibilities in part through the activities of the following committees:

- Audit Committee,
- Governance and Human Resources Committee,
- Sustainability, HSE, and Reserves Committee.

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.

For more information on the role of our Board, please refer to our Terms of Reference for the Board, updated November 17, 2021, on our website.

## **Executive Compensation**

The Company's compensation program is administered by the Governance and Human Resources Committee which consists of John Chambers (Chair), Marty Proctor, and Mark Rollins, each of whom are highly experienced executives, directors and/or businesspeople who have dealt with compensation issues in the course of their respective leadership roles and each of whom is independent. The management team, together with the Governance and Human Resources Committee, considered an appropriate compensation structure for the executive officers given the Company's go-forward international strategy. In the near term, Tenaz has operations in Canada at the same time it intends to focus on making strategic global acquisitions in the areas identified by management. As a result, the compensation structure in the near term is focused on maintaining general and administrative expenses at a relatively low level, preserving the Company's balance sheet strength for acquisition opportunities in the short-term and aligning the interests of the executive officers with the Shareholders' interests in increasing the value of the Corporation's common shares over the long-term.

The Corporation's compensation policies are comprised of the following principal components:

- Base salary;
- Bonus payments under a discretionary bonus plan; and
- Options, Restricted Share Units, Performance Share Units, Deferred Share Units, and Dividend-Equivalent Rights under the Tenaz Incentive Plan.

For more information on our Executive Compensation, please refer to our 2022 Information Circular dated April 27, 2022 on SEDAR and on our website.

# Governance & Business 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.

The following table summarizes various key risks that pertain to ESG.

Risk	Potential Impact	Mitigation
Changes in Legislation	New regulations could result in additional costs or restrict our ability to develop our asset base.	<ul style="list-style-type: none"> <li>Regular review of government and regulatory directives and information circulars.</li> </ul>
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.	<ul style="list-style-type: none"> <li>Reporting on ESG related topics.</li> </ul>
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.	<ul style="list-style-type: none"> <li>Reduce GHG Emissions</li> <li>Enrolled in the Alberta Technology Innovation Emissions Reduction (TIER) program which exempts Tenaz from certain aspects of the federal carbon pricing.</li> </ul>
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.	<ul style="list-style-type: none"> <li>HSE performance and policies regularly reviewed by senior management and the Board;</li> <li>Experienced and well-trained staff;</li> <li>Regular inspection and review of asset integrity;</li> <li>Regular review of our ERP, including drills and training exercises.</li> </ul>
Cyber Security	Failure of our information technology systems could result in financial loss, business disruption, physical damage and reputation risk.	<ul style="list-style-type: none"> <li>Proactive network defense strategies;</li> <li>Internal audits and penetration testing of systems;</li> <li>End user education and awareness.</li> </ul>

For additional information on risks, please refer to our Annual Information Form (AIF) for the year ended December 31, 2021 on SEDAR and on our website.

# Governance & 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. As with any statement of policy, the exercise of judgment is required in determining applicability of this Code of Conduct to each individual situation;
- 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.

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

## Payments to the Government (ESTMA)

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

# Appendix

# ESG Data Table

	Units	2018	2019	2020	2021
<b>ENVIRONMENT</b>					
<b>ENERGY CONSUMPTION</b>					
Direct Energy Consumption <sup>(1)</sup>	GJ/yr	63,524	68,825	31,821	32,159
Direct Energy Consumption <sup>(1)</sup>	GJ/day	174	189	87	88
Consumption Intensity	GJ/Boe	0.1307	0.0952	0.0803	0.0725
<b>GHG EMISSIONS</b>					
Direct GHG Emissions <sup>(2)</sup>	tonnes CO <sub>2</sub> e/yr	3,668	4,499	4,918	2,723
Indirect GHG Emissions <sup>(3)</sup>	tonnes CO <sub>2</sub> e/yr	800	3,755	3,883	4,292
Total GHG Emissions	tonnes CO <sub>2</sub> e/yr	4,468	8,254	8,801	7,015
Direct GHG Intensity	tonnes CO <sub>2</sub> e/Boe	0.0075	0.0062	0.0124	0.0061
Indirect GHG Intensity	tonnes CO <sub>2</sub> e/Boe	0.0016	0.0052	0.0098	0.0097
Total GHG Intensity	tonnes CO <sub>2</sub> e/Boe	0.0092	0.0114	0.0222	0.0158
Flared Gas <sup>(4)</sup>	10 <sup>3</sup> m <sup>3</sup>	26	246	1,242	322
Vented Gas <sup>(5)</sup>	10 <sup>3</sup> m <sup>3</sup>	21.8	41.8	29.4	29.4
Methane (CH <sub>4</sub> ) <sup>(6)</sup>	tonnes CH <sub>4</sub> /yr	0.12	0.22	0.17	0.17
Methane (CH <sub>4</sub> ) Intensity	tonnes CH <sub>4</sub> /Boe	0.000087	0.000112	0.000153	0.000136
Sulfur Dioxide (SO <sub>2</sub> )	tonnes SO <sub>2</sub> /yr	not measured	not measured	not measured	not measured
Sulfur Dioxide (SO <sub>2</sub> ) Intensity	tonnes SO <sub>2</sub> /Boe	not measured	not measured	not measured	not measured
Nitrogen Oxide (NO <sub>x</sub> )	tonnes NO <sub>x</sub> /yr	not measured	not measured	not measured	not measured
Nitrogen Oxide (NO <sub>x</sub> ) Intensity	tonnes NO <sub>x</sub> /Boe	not measured	not measured	not measured	not measured
<b>WATER</b>					
Fresh Water Use	m <sup>3</sup>	36,924	8,587	10,276	21,118
Fresh Water Intensity	m <sup>3</sup> /Boe	0.0759	0.0119	0.0259	0.0476
New Wells Drilled <sup>(7)</sup>	count	9	3	2	3
New Well Fresh Water Usage	m <sup>3</sup> /well	4,103	2,862	5,138	7,039
<b>SPILLS AND LEAKS</b>					
Number of Reportable Spills	count	0	1	0	1
Volume of Reportable Spills	m <sup>3</sup>	0	2.9	0.0	0.2
Total Gross Operated Oil Produced	bbbls	303,445	438,858	205,087	229,713
Total Gross Operated Fluid Produced	bbbls	1,468,841	1,988,342	1,435,487	1,812,195
Spill Intensity	m <sup>3</sup> spilled/1000 bbbls fluid produced	0.0000	0.0015	0.0000	0.0001
Pipeline Operated Distance (gross)	kms	100.4	100.4	100.4	101.1
Pipeline Incident Frequency Rate	incidents/km	0.0000	0.0100	0.0000	0.0099
<b>RECLAMATION</b>					
Number of Active Wells	gross count	33	30	28	30
Number of Inactive Wells	gross count	20	28	26	27
Number of Abandoned Wells	gross count	3	3	8	8
Total Wells	gross count	56	61	62	65
Active Reclamation Ongoing	gross count	0	0	3	0
Reclamation Certificates Received	gross count	1	1	1	0
Alberta Licensee Liability Rating ("LLR") <sup>(8)</sup>	ratio	6.87	9.50	5.68	6.06



# ESG Data Table

	Units	2018	2019	2020	2021
<b>SOCIAL</b>					
<b>HEALTH AND SAFETY</b>					
Lost-time Injuries (Employee & Contractor)	count	0	0	0	0
Recordable Injuries (Employee & Contractor)	count	0	0	0	0
Fatalities (Employee & Contractor)	count	0	0	0	0
<b>WORKFORCE PROFILE</b>					
Full Time	count	7	6	6	12
Part Time	count	4	4	3	3
Board of Directors	count	5	5	5	5
<b>DIVERSITY</b>					
<i>Head Office</i>					
Total Female	count	4	4	3	5
Total Male	count	6	6	6	8
<i>Field Office</i>					
Total Female	count	0	0	0	0
Total Male	count	2	2	2	2
<i>Board of Directors</i>					
Total Female	count	0	0	0	1
Total Male	count	5	5	5	4
<b>GOVERNANCE</b>					
<b>ECONOMIC</b>					
Petroleum and Natural Gas Sales	\$ Thousands	16,847	25,757	8,615	17,830
Freehold Royalties	\$ Thousands	874	1,862	506	1,294
Crown Royalties	\$ Thousands	806	785	148	782
Operating Expenses	\$ Thousands	3,805	5,248	4,273	4,978
Transportation Expenses	\$ Thousands	866	2,214	755	737
Hedging, G&A, Interest and Exploration Expenses	\$ Thousands	2,240	1,654	431	6,540
Funds Flow From Operations	\$ Thousands	8,256	13,994	2,502	3,499
Expenditures on Property, Plant and Equipment	\$ Thousands	33,456	12,884	7,874	10,391
Net Income (Loss)	\$ Thousands	2,693	2,215	-22,313	8,339
Expenditures on Property Acquisitions (Dispositions)	\$ Thousands	-24,089	-3,140	-1,746	-1,750
<b>STAKEHOLDER ECONOMIC BENEFITS</b>					
Employee Payroll and Benefits	\$ Thousands	1,618	1,292	1,255	1,313
Landowner Rentals	\$ Thousands	180	192	175	207
Freehold Royalties	\$ Thousands	874	1,853	506	1,294
Crown Royalties	\$ Thousands	806	794	148	782
Federal Carbon Tax <sup>(9)</sup>	\$ Thousands	0	0	0	0
Community Investment	\$ Thousands	0	0	0	0
Dividends	\$ Thousands	0	0	0	0

# ESG Data Table

		Units	2018	2019	2020	2021		
<b>PRODUCTION</b>								
Net Production Rate		Boe/d	1,172	1,742	880	1,015		
Gross Operated Production Rate		Boe/d	1,332	1,980	1,086	1,216		
Direct Emissions by Type	2018		2019		2020		2021	
	tCO2e/yr	% total	tCO2e/yr	% total	tCO2e/yr	% total	tCO2e/yr	% total
Natural Gas Fuel	3,453	94.15%	3,742	83.17%	1,635	33.24%	1,748	64.19%
Propane Fuel	0	0.00%	0	0.00%	103	2.10%	3	0.11%
Diesel Fuel	101	2.76%	70	1.56%	168	3.41%	136	4.99%
Flaring	61	1.67%	587	13.05%	2,942	59.83%	766	28.13%
Venting	52	1.42%	100	2.22%	70	1.42%	70	2.57%
<b>Total</b>	<b>3,668</b>	<b>100%</b>	<b>4,499</b>	<b>100%</b>	<b>4,918</b>	<b>100%</b>	<b>2,723</b>	<b>100%</b>
Indirect Emissions by Type	2018		2019		2020		2021	
	tCO2e/yr	% total	tCO2e/yr	% total	tCO2e/yr	% total	tCO2e/yr	% total
Electricity	800	100.00%	3,755	100.00%	3,883	100.00%	4,292	100.00%
Steam		0.00%		0.00%		0.00%		0.00%
Heat		0.00%		0.00%		0.00%		0.00%
	<b>800</b>	<b>100%</b>	<b>3,755</b>	<b>100%</b>	<b>3,883</b>	<b>100%</b>	<b>4,292</b>	<b>100%</b>

## Footnotes:

- 1) Direct energy consumption includes natural gas fuel for processing oil, temporary power generation, propane consumption and other minor heating.
- 2) 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.
- 3) Indirect Indirect or Scope 2 emissions are defined as emissions from electricity, steam or heat purchased by the company. Tenaz only purchases grid electricity.
- 4) 2020 flared gas is higher due to an isolated flow test evaluation in an exploratory area (Entice).
- 5) Vented gas is estimated annually by a third-party company and includes pneumatic devices, chemical pumps and tank vents.
- 6) Methane emissions are calculated taking the methane composition in the vented natural gas.
- 7) Well drilling and completion activity by year:
  - a) 2018 - nine horizontal drills, nine horizontal well completions
  - b) 2019 - three horizontal drills, one vertical drill, two horizontal well completions
  - c) 2020 - two horizontal drills, two horizontal well completions
  - d) 2021 - three horizontal drills, four horizontal completions
- 8) 2018 as at Jan 5, 2019; 2019 as at Jan 4, 2020; 2020 as at Jan 2, 2021; 2021 as at Dec 4, 2021.
- 9) Tenaz is enrolled 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.

<b>GRI 102 GENERAL DISCLOSURES</b>	
<b>ORGANIZATIONAL PROFILE</b>	<b>SOURCE</b>
102-1 Name of the organization	pp. 1-2
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
102-7 Scale of the organization	p. 3
102-8 Information on employees and other workers	p. 3
102-10 Significant changes to the organization and its supply chain	pp. 3-4
<b>STRATEGY</b>	
102-14 Statement from senior decision-maker	p. 1
102-15 Key impacts, risks and opportunities	pp. 5-12, 15
<b>ETHICS AND INTEGRITY</b>	
102-16 Values, principles, standards and norms of behavior	p. 16
102-17 Mechanisms for advice and concerns about ethics	p. 16
<b>GOVERNANCE</b>	
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
102-21 Consulting stakeholders on economic, environmental and social topics	pp. 1, 5, 12-14
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
<b>STAKEHOLDER ENGAGEMENT</b>	
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
<b>GRI 200 ECONOMIC TOPICS</b>	
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
<b>GRI 205 ANTI-CORRUPTION</b>	
205-2 Communication and training about anti-corruption policies and procedures	p. 16
<b>GRI 206 ANTI-COMPETITIVE BEHAVIOR</b>	
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.
<b>GRI 300 ENVIRONMENTAL TOPICS</b>	
<b>GRI 302 ENERGY</b>	
302-1 Energy consumption within the organization	p. 18
302-3 Energy intensity	p. 18
<b>GRI 303 WATER</b>	
303-1 Water withdrawal by source	pp. 8, 18
<b>GRI 305 EMISSIONS</b>	
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
<b>GRI 306 EFFLUENTS AND WASTE</b>	
306-3 Significant spills	p. 18
<b>GRI 307 ENVIRONMENTAL NON-COMPLIANCE</b>	
307-1 Non-compliance with environmental laws and regulations	Tenaz received no fines or non-monetary sanctions for non-compliance in 2021.
<b>GRI 400 SOCIAL TOPICS</b>	
<b>GRI 401 EMPLOYMENT</b>	
401-1 New employee hires and employee turnover	p. 19
<b>GRI 403 OCCUPATIONAL HEALTH AND SAFETY</b>	
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
<b>GRI 404 TRAINING AND EDUCATION</b>	
404-3 Percentage of employees receiving regular performance and career development reviews	pp. 11-13
<b>GRI 405 DIVERSITY AND EQUAL OPPORTUNITY</b>	
405-1 Diversity of governance bodies and employees	pp. 11, 13-16, 19
<b>GRI 411 RIGHTS OF INDIGENOUS PEOPLES</b>	
411-1 Incidents of violations involving rights of indigenous peoples	Tenaz had no incidents of violations involving the rights of Indigenous peoples in 2021.
<b>GRI 413 LOCAL COMMUNITIES</b>	
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.

<b>GHG EMISSIONS</b>	<b>SOURCE</b>
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: 1. Flared hydrocarbons 2. Other combustion 3. Process emissions 4. Fugitive emissions	ESG Data Table
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
<b>AIR QUALITY</b>	
EM-EP-120a.1: Air emissions of the following pollutants: 1. NO <sub>x</sub> 2. SO <sub>x</sub> 3. VOCs 4. PM10	ESG Data Table
<b>WATER MANAGEMENT</b>	
EM-EP 140a.1: 1. Total freshwater withdrawn 2. Total freshwater consumed	ESG Data Table
<b>BIODIVERSITY IMPACTS</b>	
EM-EP-160a.2: Number and aggregate volume of hydrocarbon spills	ESG Data Table
<b>HUMAN RIGHTS AND RIGHTS OF INDIGENOUS PEOPLES</b>	
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
<b>OCCUPATIONAL HEALTH AND SAFETY</b>	
EM-EP-320a.1: (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	ESG Data Table
Average hours of health, safety, and emergency training for: 1. Full-time employees 2. Contract employees 3. Short-service employees	p. 11
EM-EP-320a.2: Discussion of management systems used to integrate a culture of safety	pp. 10-12
<b>RESERVES EVALUATION &amp; CAPITAL EXPENDITURES</b>	
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
<b>BUSINESS ETHICS &amp; TRANSPARENCY</b>	
EM-EP-510a.2: Description of the management system for prevention of corruption and bribery throughout the value chain	p. 16
<b>MANAGEMENT OF THE LEGAL AND REGULATORY ENVIRONMENT</b>	
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
<b>CRITICAL INCIDENT RISK MANAGEMENT</b>	
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.



# Readers Advisory

## **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.



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