TENAZ ENERGY CORP. ANNOUNCES Q3 2023 RESULTS

CALGARY, AB, November 13, 2023 /CNW/ - Tenaz Energy Corp. ("Tenaz", "We", "Our", "Us" or the "Company") (TSX: TNZ) is pleased to announce its financial and operating results for the three and nine months ended September 30, 2023.

The unaudited interim condensed consolidated financial statements and related management's discussion and analysis ("MD&A") are available on SEDAR+ at www.sedarplus.ca and on Tenaz's website at www.tenazenergy.com. Select financial and operating information for the three and nine months ended September 30, 2023 appear below and should be read in conjunction with the related financial statements and MD&A.

A webcast presentation to accompany this release is available on Tenaz's website at www.tenazenergy.com.

HIGHLIGHTS

Third Quarter Operating and Financial Results

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

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

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

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

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

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

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

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

- We ended Q3 2023 with positive adjusted working capital[(3)] of $44.9 million, an increase of $27.8 million over the prior quarter, attributable to the acquired balances in the XTO acquisition. We acquired positive adjusted working capital of $43.1 million with XTO. Uses of cash in Q3 2023 included $13.2 million for Canadian development activities, $2.0 million for Netherlands capital investment including CCS design, and $0.8 for our Normal Course Issuer Bid ("NCIB") program. During Q3 2023, we repurchased and retired 233 thousand shares at an average price of $3.51 per share. Since the beginning of the NCIB program in Q2 2022, we have retired 1.53 million common shares (5.4% of basic common shares) at an average cost of $2.41 per share.
- Subsequent to the end of the third quarter, we initiated a hedging program for European gas. As of now, we have hedged approximately 40% of our expected European gas production for Q1 2024 through a physical swap at €55.75 per MWh (approximately $24.12 per Mcf).

Budget and Outlook

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

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

  During Q3 2023, we elected to participate in FEED activities through the end of 2023 for the potential L10 CCS project in the Netherlands, which is classified as E&E CAPEX due to the project's unsanctioned status. Year-to date E&E CAPEX is $1.2 million, with a projected total of $2.9 million for full-year 2023.
- Production for Q4 2023 is expected to increase significantly from Q3 2023 levels, driven primarily by contributions from the new wells at Leduc-Woodbend. Annual production guidance, as updated following the XTO acquisition, is unchanged at 2,300 to 2,500 boe/d.

Corporate Update

- As at November 13, 2023, Tenaz common shares have recorded capital appreciation of 109% during 2023. This places Tenaz in the top 1% of TSX listed-issues in total return for 2023. Trading liquidity has also increased, with the average number of shares traded on North American exchanges up 211%, based on year-to date volume through October 2023 as compared to the same period in 2022.
- We are pleased to announce the appointment of Varinia Radu as an independent director of Tenaz. Mrs. Radu is a Partner and Deputy Head for Energy and Climate Change in Central and Eastern Europe for the international law firm CMS, and an accomplished energy advisor in the European oil and gas, power and renewables sectors. We expect her to add significantly to our Board expertise in legal and regulatory matters, M&A, and EU energy and ESG policy.

(1) The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel (1 bbl) of crude oil. Refer to "Barrels of Oil Equivalent" section included in the "Advisories" section of this press release.
(2) For the period November 1, 2023 to November 10, 2023.
(3) This is a non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section of this press release.
(4) Dutch TTF Gas is a leading European benchmark price as the volumes traded represent more than 14 times the amount of gas used by the Netherlands for domestic purposes.

FINANCIAL AND OPERATIONAL SUMMARY

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

(1) This is a non-GAAP and other financial measure. Refer to “Non-GAAP and Other Financial Measures” included in the “Advisories” section of this press release.
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PRESIDENT'S MESSAGE

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

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

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

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

Netherlands Operations

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

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

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

Canadian Operations

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

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

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

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

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

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

Corporate Discussion

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

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

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

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

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

/s/ Anthony Marino

President and Chief Executive Officer
November 13, 2023

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(3) This is a non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section of this press release.
(4) For the period November 1, 2023 to November 10, 2023.

About Tenaz Energy Corp.

Tenaz is an energy company focused on the acquisition and sustainable development of international oil and gas assets capable of returning free cash flow to shareholders. Tenaz has domestic operations in Canada along with offshore natural gas assets in the Netherlands. The domestic operations consist of a semi-conventional oil project in the Rex member of the Upper Mannville group at Leduc-Woodbend in central Alberta. The Netherlands natural gas assets are located in the Dutch sector of the North Sea.

Additional information regarding Tenaz is available on SEDAR+ and its website at www.tenazenergy.com. Further information on NGT can be found at https://noordgastransport.nl. Tenaz's Common Shares are listed for trading on the Toronto Stock Exchange under the symbol "TNZ".

ADVISORIES

Non-GAAP and Other Financial Measures

This press release contains references to measures used in the oil and natural gas industry such as "funds flow from operations", "funds flow from operations per share", "funds flow from operations per boe", "adjusted working capital (net debt)", "free cash flow", "midstream income" and "operating netback". The data presented in this press release 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 IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board and sometimes referred to in this press release as Generally Accepted Accounting Principles ("GAAP"). 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 ("FFO")

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

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

Funds flow from operations per share is calculated using basic and diluted weighted average number of shares outstanding in the period.

Funds flow from operations per boe is calculated as funds flow from operations divided by total production sold in the period.

Capital Expenditures

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

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

Free Cash Flow ("FCF")

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

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

Midstream Income

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

Adjusted working capital (net debt)

Management views adjusted working capital (net debt) as a key industry benchmark and measure to assess the Company's financial position and liquidity. Adjusted working capital (net debt) is calculated as current assets less current liabilities, excluding the fair value of derivative instruments. Tenaz's adjusted working capital (net debt) as at June 30, 2023 and December 31, 2022 is summarized as follows:

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

Operating Netback

Tenaz calculates operating netback on a dollar and per boe basis, as petroleum and natural gas sales less royalties, operating costs and transportation costs. Operating netback is a key industry benchmark and a measure of performance for Tenaz that provides investors with information that is commonly used by other crude oil and natural gas producers. The measurement on a per boe basis assists management and investors with evaluating operating performance on a comparable basis. Tenaz's operating netback is disclosed in the "Financial and Operational Summary" section of this press release.

Barrels of Oil Equivalent

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

Forward-looking Information and Statements

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

The forward-looking information and statements contained in this press release reflect 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; expectations regarding future development; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; expectations regarding future acquisition opportunities; the accuracy of the estimates of the Company's reserves volumes; certain commodity price, interest rate, inflation and other cost assumptions; the continued availability of oilfield services; and the continued availability of adequate debt and equity financing and cash flow from operations to fund its planned expenditures and obligations and commitments. 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 press release 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 or resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in the Company's public documents.

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

For further information, contact:

Tenaz Energy Corp.

investors@tenazenergy.com

Anthony Marino
President and Chief Executive Officer
Direct: 587 330 1983

Bradley Bennett
Chief Financial Officer
Direct: 587 330 1714