2024 FIRST QUARTER REPORT

FINANCIAL AND OPERATIONAL SUMMARY

($000 CAD, except per share and per boe amounts)	Three months ended Mar 31 2024	Dec 31 2023	Mar 31 2023
FINANCIAL			
Petroleum and natural gas sales	**17,886**	21,261	17,926
Cash flow from operating activities	**6,218**	8,927	5,117
Funds flow from operations(1)	**7,043**	13,401	7,274
Per share – basic(1)	**0.26**	0.50	0.26
Per share – diluted(1)	**0.24**	0.45	0.25
Net income (loss)	**(557)**	3,515	2,882
Per share – basic	**(0.02)**	0.13	0.10
Per share – diluted	**(0.02)**	0.12	0.10
Capital expenditures(1)	**3,816**	2,967	683
Adjusted working capital (net debt)(1)	**48,740**	49,338	18,763
Common shares outstanding			
End of period – basic	**26,703**	26,793	27,733
Weighted average for the period – basic	**26,779**	26,963	27,917
Weighted average for the period – diluted	**29,494**	29,970	28,545
OPERATING			
Average daily production			
Heavy crude oil (bbls/d)	**1,149**	1,342	937
Natural gas liquids (bbls/d)	**70**	75	63
Natural gas (Mcf/d)	**10,005**	10,310	8,022
Total (boe/d)(2)	**2,887**	3,135	2,337
($/boe)(2)			
Petroleum and natural gas sales	**68.08**	73.71	85.23
Royalties	**(5.81)**	(5.89)	(6.28)
Transportation expenses	**(2.99)**	(3.50)	(3.41)
Operating expenses	**(26.05)**	(19.36)	(24.69)
Midstream income(1)	**4.29**	4.86	4.36
Operating netback(1)	**37.52**	49.82	55.21
BENCHMARK COMMODITY PRICES			
WTI crude oil (US$/bbl)	**76.97**	78.33	76.11
WCS (CAD$/bbl)	**77.80**	76.86	74.52
AECO daily spot (CAD$/Mcf)	**2.50**	2.30	3.24
TTF (CAD$/Mcf)	**11.83**	18.52	22.78

(1) This is a non-GAAP and other financial measure. Refer to “Non-GAAP and Other Financial Measures” included in the “Advisories” section of the Management’s Discussion & Analysis for the three months ended March 31, 2024 (“MD&A”).

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

HIGHLIGHTS

First Quarter Operating and Financial Results

- Production volumes averaged 2,887 boe/d[1] in Q1 2024, down 8% from Q4 2023, due to natural decline in Leduc-Woodbend ("LWB") wells drilled in 2023 and Netherlands downtime. Production increased 24% over Q1 2023 due to LWB drilling and the acquisition of additional interest in the Netherlands in July 2023.

- Funds flow from operations ("FFO")[2] for the first quarter was $7.0 million, down 47% from Q4 2023 and 3% from Q1 2023. Lower FFO versus Q4 2023 resulted primarily from lower production levels. In the year-over-year comparison, lower prices in Q1 2024 were largely offset by higher production levels.

- Q1 2024 capital expenditures ("CAPEX") were $3.8 million. Most of the CAPEX was in the Netherlands for well stimulation activities. The bulk of our 2024 CAPEX will occur in the second half of the year, with Canadian drilling planned for Q3. Free cash flow[2] in Q1 2024 was $3.2 million.

- During Q1, we executed a definitive agreement to acquire a gas plant and proximal oil and gas leasehold assets from a private company for expected consideration at close of $2.8 million, net to Tenaz. We posted cash into escrow to fund this purchase during Q1. The acquisition is conditional on approval of the Alberta Energy Regulator ("AER") and is expected to close during Q2 2024. After closing, Tenaz will own 100% of the gas plant and 87.5% of the acquired leasehold assets.

  The acquisition provides us with ownership and operating control of the gas plant and pipeline infrastructure that processes our gas production from the LWB field. In addition, the plant generates processing revenue from third-party gas volumes, with significant unused capacity to process more gas. The leasehold assets have minor current production, but contain several potential drilling opportunities in the Rex Member and Ellerslie Formation of the Mannville Group.

  An independent evaluation by McDaniel and Associates with an effective date of January 1, 2024 has estimated an after-tax NPV10 of $9.3 million for the plant and developed portion of the leasehold. In addition, we have identified multiple undeveloped horizontal drilling opportunities in the Ellerslie Formation providing further upside to the acquisition.

- Net loss for Q1 2024 was $0.6 million, as compared to net income of $3.5 million in Q4 2023 and $2.9 million in Q1 2023. Lower income compared to Q4 2023 resulted primarily from lower production, decreased natural gas prices, and higher Netherlands operating expense due to higher field activity.

- We ended the quarter with positive adjusted working capital[2] of $48.7 million, little changed from year-end 2023 and up substantially from Q1 2023, primarily due to the Netherlands XTO acquisition in Q3 2023.

- Our Normal Course Issuer Bid ("NCIB") program retired 0.2 million common shares at an average cost of $3.67 per share during Q1 2024. As of the end of April 2024, we have retired 2.0 million shares at an average cost of $2.77 per share (7.0% of basic common shares) through the NCIB.

[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 MD&A.

[2] This is a non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section of the Management's Discussion & Analysis for the three months ended March 31, 2024 ("MD&A)

Budget and Outlook

- Annual guidance for capital expenditures remains unchanged at $26 to $28 million, with Canadian drilling activity slated for the second half of the year.

- Annual production guidance of 2,700 to 2,900 boe/d remains unchanged.

PRESIDENT'S MESSAGE

We are pleased to provide our results for the first quarter of 2024. From an operating perspective, the quarter unfolded largely as we expected, with production 8% lower than Q4 2023, and up 24% from the year-ago quarter. Canadian production was down modestly from Q4 2023, as the four LWB wells we drilled last year continued their strong performance but began to decline during Q1. Netherlands production was also moderately lower than in Q4 2023 due to a combination of planned and unplanned downtime. The production increase over Q1 2023 was driven by Canadian drilling in the second half of 2023 and the second of our two non-operated acquisitions in the Netherlands, which closed in Q3 2023. We generated FFO of $7.0 million in Q1 2024, which was coupled with modest seasonal CAPEX of $3.8 million. As a result, our positive adjusted working capital (negative net debt)[3] was little changed at $48.7 million, including the effect of our NCIB program.

Our main focus remains international acquisitions. At the same time, we continue to build on our valuable and growing asset at Leduc-Woodbend in Alberta with small value-adding acquisitions. During Q1, we executed a definitive agreement to purchase the Watelet gas plant, relevant pipelines, and proximal oil and gas properties from a private company, with an effective date of January 1, 2024. The gas plant is adjacent to our LWB field and processes all of our produced gas. Tenaz' net expected consideration at closing is $2.8 million, with the exact amount depending on final accounting adjustments for interim cash flows and other customary items. The purchase is being funded from our cash balances with $3.45 million placed in escrow for the purchase during Q1 2024. The deposit included our partner's 12.5% share of the purchase price. After closing, Tenaz will own 87.5% of the leasehold assets and 100% of the gas plant. The acquisition is conditional upon approval of the AER, which is expected during Q2 2024.

With its existing processing and compressor configuration, the Watelet plant has a throughput capacity of 7.5 MMcf/d. Current throughput is about 75% of this existing capacity, with Tenaz gas volumes comprising approximately three-quarters of current throughput. Capacity can be expanded to approximately 12 MMcf/d with reactivation of an idle compressor unit. Although our LWB gas production is sweet, the gas plant is licensed for sour service, with a licensed capacity of 20 MMcf/d. We expect to increase throughput of proprietary gas from continued development of the LWB field. In addition, we may expand processing of third-party volumes from other operators in the area. As owner and operator of the Watelet plant and associated pipeline infrastructure, Tenaz will gain control of gas egress and processing for LWB, providing greater security for our long-term development plans, as well as the ability to maximize runtime and operating efficiency of the plant.

The oil and gas properties acquired with the plant include eight proved developed wells with minor production. An independent evaluation by McDaniel and Associates with an effective date of January 1, 2024 has estimated an after-tax NPV10 of $9.3 million for the plant and developed portion of the leasehold. In addition, we have identified multiple undeveloped horizontal drilling opportunities in the Ellerslie Formation providing further upside to the acquisition.

The LWB field continues to produce as expected, with first quarter production 5% lower than in Q4 2023 due to natural declines and the absence of initial flush production from our most recent wells. We expect to commence our 2024 drilling program during Q3, with production contributions from the program expected later in the second half of 2024. While the new wells can be brought online within our overall existing facility capacity, part of our 2024 CAPEX will go toward localized facility modifications to optimize production operations and enhance long-term fluid processing capabilities at LWB.

Our non-operated natural gas asset in the Netherlands also produced at rates consistent with our annual production guidance. Q1 2024 production was 13% lower than Q4 2023, mainly due to a combination of planned and unplanned downtime. During the quarter, operator Neptune Energy Netherlands B.V. (“Neptune”) successfully stimulated two wells (both with 12.3% Tenaz working interest). After stimulation, the wells were brought on production at the beginning of April at gross rates of 2.0 to 2.5 MMcf/d per well.

Neptune and its partners in the L10 field continue to study the technical merits and assess the commercial viability of carbon capture and storage (“CCS”) in the L10 reservoir. If commercially viable, the CCS project has the potential to store 96 million tonnes ("mt") of CO_2 (10.9 mt net to Tenaz) with contemplated annual capacity of up to 5 mt. The proximity of the planned Aramis CCS pipeline to L10 creates an opportunity for collaboration with other potential CCS operators to improve economies of scale for the L10 project.

Despite continued volatility in commodity prices, our realized prices remain at levels that generate free cash and provide strong project returns. Spot price for TTF gas is currently $13.33/Mcf[1], with a forward price for the remainder of 2024 at $14.31/Mcf[1] and calendar 2025 at $15.29/Mcf[1].

We have physically fixed approximately 20% of our Q2 and Q3 2024 TTF gas at $14.58/Mcf. In addition, we have physically fixed approximately 20% of our winter 2024-2025 TTF exposure at a price of $14.00 per Mcf, and collared an additional 20% for the same period within a range of $13.74 to $17.49 per Mcf.

WCS oil is also a significant product for Tenaz. With prompt WTI currently at approximately US$79.25/bbl[1] and WCS differentials contracting to under US$12.00/bbl during line fill of the TMX pipeline, WCS crude has a current value of approximately $92/bbl. Our LWB crude sells as WCS without the addition of diluent. Though WTI prices are now off the recent highs of March 2024, we view the market backdrop for both global crude and local WCS differentials as generally positive. We remain unhedged for our oil exposure.

While Canadian natural gas is a less-significant product in our mix, AECO remains a challenged product with spot AECO at $1.30/Mcf[1] and the balance of 2024 forward at $1.96/Mcf[1]. We have fixed approximately 25% of our winter 2024-2025 AECO exposure at a price of $3.28/Mcf.

With respect to our organization, we continue to expand our capabilities with the appointment of Brian Giang to the position of Vice-President of Finance, reporting to Bradley Bennett, our CFO. Mr. Giang brings significant international oil and gas accounting and finance experience to our team. He joins Tenaz after thirteen years at Vermilion Energy where he most recently was Director of Finance. Prior to that, Mr. Giang worked for Deloitte Canada for four years, predominantly in audit with an emphasis on oil and gas companies. He has a Bachelor of Commerce from the University of Alberta and holds a Chartered Professional Accountant designation in Alberta. We are excited that Mr. Giang has joined our team and view his appointment as another key step in building the capabilities to support our business model.

As stated in our previous communications, we plan to expand our asset base in our regions of interest by executing additional value-adding transactions. We pursue these M&A investments in an oil and gas asset market that is well-populated with projects that are aligned with our strategy. We are optimistic about our transaction pipeline, as we have been able to maintain and advance those projects which are closest to fruition, while at the same time bringing additional high-quality prospective transactions into our long-term mix.

[1] As of close of markets on May 8, 2024.

As we have also stated before, we make no guarantees with respect to timing, but are confident that our business model and transaction pipeline will produce value-adding acquisitions for our existing shareholders. Our ongoing organizational strengthening reflects this confidence and illustrates our readiness to execute such transactions. Finally, the management and Board of Directors of Tenaz remain aligned with the rest of our shareholders through our growing ownership of Tenaz shares.

/s/ Anthony Marino

President and Chief Executive Officer
May 8, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Tenaz Energy Corp. (the "Company" or "Tenaz") is dated May 8, 2024 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 2024 and 2023, the audited consolidated financial statements and related notes for the years ended December 31, 2023 and 2022, as well as the Company's Annual Information Form ("AIF") that is found on SEDAR at www.sedar.com. The unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS Accounting Standards specifically International Accounting Standard 34, *Interim Financial Reporting.* IFRS, as issued by the International Accounting Standards Board ("IASB") are sometimes referred to in this MD&A as Generally Accepted Accounting Principles ("GAAP").

This MD&A includes references to certain financial and performance measures which do not have standardized meanings prescribed by IFRS ("Non-GAAP"). In addition, this MD&A includes references to certain Non-GAAP financial measures, Non-GAAP financial ratios, capital management measures and supplementary financial measures which are not specified, defined, or determined under IFRS and are therefore considered Non-GAAP and other financial measures. These Non-GAAP and other financial measures are unlikely to be comparable to similar financial measures presented by other issuers. For a full description of these Non-GAAP and other financial measures and a reconciliation of these measures to their most directly comparable GAAP measures, please refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in this MD&A.

Readers are cautioned that the MD&A also contains forward-looking statements and should be read in conjunction with Tenaz's disclosure under "Forward-Looking Information" included in this MD&A.

All figures are in thousands of Canadian dollars unless otherwise noted.

DESCRIPTION OF BUSINESS

Tenaz is an energy company focused on the acquisition and sustainable development of international oil and gas assets capable of returning free cash flow to shareholders. Tenaz has domestic operations in Canada along with offshore natural gas assets in the Netherlands. The domestic operations consist of a semi-conventional oil project in the Rex Member of the 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. Tenaz's Common Shares are listed for trading on the Toronto Stock Exchange under the symbol "TNZ".

PRODUCTION AND CAPITAL GUIDANCE

The following tables summarize our 2024 production and capital guidance which was approved by the Tenaz Board of Directors on December 21, 2023.

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

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

RESULTS OF OPERATIONS

Operational and Financial Review

	Q1 2024	Q4 2023	Q1 2023
Production			
Heavy crude oil (bbls/d)	**1,149**	**1,342**	937
Natural gas liquids (bbls/d)	**70**	**75**	63
Natural gas (Mcf/d)	**10,005**	**10,310**	8,022
Total (boe/d)	**2,887**	**3,135**	2,337
			-
Net income	**(557)**	**3,515**	2,882
Per share – basic	**(0.02)**	**0.13**	0.10
Per share – diluted	**(0.02)**	**0.12**	0.10
Cash flow from operating activities	**6,218**	**8,927**	5,117
Funds flow from operations(1)	**7,043**	**13,401**	7,274
Per basic share(1)	**0.26**	**0.50**	0.26
Per basic diluted share(1)	**0.24**	**0.45**	0.25
Adjusted working capital (net debt)(1)	**48,740**	**49,338**	18,763
Activity			
Capital expenditures ($000)(1)	**3,816**	**2,967**	683
Exploration and evaluation	**518**	**357**	36
Drilling and development	**3,298**	**2,610**	647
Wells drilled – Gross/(Net)	-	-	-
Wells completed - Gross/(Net)	-	-	-

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Production

	Q1 2024	Q4 2023	Q1 2023
Canada			
Heavy crude oil (bbls/d)	**1,149**	1,342	937
Natural gas liquids (bbls/d)	**59**	61	54
Natural gas (Mcf/d)	**4,309**	3,755	3,414
Total Canada (boe/d)	**1,926**	2,028	1,560
Netherlands			
Natural gas liquids (bbls/d)	**11**	14	9
Natural gas (Mcf/d)	**5,696**	6,555	4,608
Total Netherlands (boe/d)	**961**	1,107	777
Total Company			
Heavy crude oil (bbls/d)	**1,149**	1,342	937
Natural gas liquids (bbls/d)	**70**	75	63
Natural gas (Mcf/d)	**10,005**	10,310	8,022
Total Company (boe/d)	**2,887**	3,135	2,337

Canada

- Production for the first quarter was below Q4 2023 rates, reflecting expected natural declines in both the legacy and 2023 drilled wells.
- No additional wells were brought on production during Q1 2024, with our 2024 capital program expected to commence in the summer once ground conditions allow for mobilization of drilling services.

Netherlands

- Q1 2024 was lower than the prior quarter due to unplanned downtime with the loss of power on the L10A hub processing platform.
- There was no drilling activity. However, the K12-G4 and K12-G9 vertical wells were hydraulically fractured in March. The operator of the producing assets in the Dutch North Sea ("DNS") has planned additional minor workover activity for 2024 starting in the second half of the year.

Net Income

Quarterly comparison

- Q1 2024 was lower than Q1 2023 based on the impacts of:
  - Lower operating netback due to substantially lower prices for both AECO and TTF during the quarter.
  - Higher G&A and transaction costs primarily associated with higher staff-related costs and increased levels of business development activity.
  - Partially offset by increased production in Canada from the successful 2023 drilling program and increased production in the Netherlands from a full quarter of production from the acquisitions that occurred in Q4 2022 and Q3 2023.
- Q1 2024 was lower than Q4 2023 based on the impacts of:
  - Lower production due to natural decline in Canada and unplanned downtime in the Netherlands.
  - The impact of lower TTF benchmark prices was more than offset by the physical fixed price contract in place during Q1 2024.
  - Offsetting impact of higher G&A primarily associated with higher staff-related costs and lower transaction costs primarily associated with the timing of business development activity.

Funds Flow from Operations

Quarterly comparison

- Q1 2024 was in-line with Q1 2023 despite weaker benchmark natural gas prices based on the impacts of:
  - Full quarter of Netherlands production from the acquisitions that occurred in Q4 2022 and Q3 2023.
  - Higher G&A incurred for professional services and higher staffing levels and incremental transaction costs incurred for business development activity.
- Q1 2024 was lower than Q4 2023 based on the impacts of:
  - Lower production due to natural decline in Canada and unplanned downtime in the Netherlands.
  - The impact of lower TTF benchmark prices was more than offset by the physical fixed price contract in place during Q1 2024.
  - Offsetting impact of higher G&A primarily associated with higher staff-related costs and lower transaction costs primarily associated with the timing of business development activity.

Benchmark Commodity Prices

	Q1 2024	Q4 2023	Q1 2023
Average Benchmark Prices			
WTI crude oil (US$/bbl)(1)	**76.97**	78.83	76.11
WCS differential (US$/bbl)(2)	**(19.27)**	(21.94)	(21.01)
US$/CAD$ exchange rate	**0.742**	0.735	0.740
WCS (CAD$/bbl)	**77.80**	76.86	74.52
AECO daily spot (CAD$/Mcf)	**2.50**	2.30	3.24
TTF (CAD$/Mcf)(3)	**11.83**	18.52	22.78
Average Realized Prices(4)			
Heavy crude oil ($/bbl)	**75.99**	80.21	80.09
Natural gas liquids ($/bbl)	**59.31**	59.15	78.13
Natural gas ($/Mcf)	**10.50**	11.54	14.86
Petroleum and natural gas sales ($/boe)	**68.08**	73.71	85.23

(1) WTI represents posting price of West Texas Intermediate ("WTI") crude oil.
(2) WCS differential represents the difference between the average market price for the benchmark Western Canadian Select ("WCS") heavy crude oil and WTI.
(3) TTF represents posting price of Title Transfer Facility ("TTF") natural gas in the Netherlands.
(4) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Tenaz currently sells its crude oil on a monthly index basis with reference to western Canadian benchmark prices and natural gas production based on AECO prices in Alberta and TTF prices in the Netherlands. The average realized price the Company receives for its crude oil and natural gas production depends on several factors, including the average benchmark prices for crude oil and natural gas, the US-to-Canadian dollar exchange rate, and transportation and product quality differentials.

The average benchmark prices for crude oil are impacted by global and regional events that dictate the level of supply and demand for these commodities. The principal crude oil benchmarks that Tenaz compares its oil price to are the WTI and WCS oil prices. The differential between WTI and WCS oil prices can be volatile due to several factors, including, but not limited to, downtime in North American refineries, domestic and international production, the US-to-Canadian dollar exchange rate, inventory levels in North America and availability of pipeline infrastructure or takeaway capacity connecting key consuming oil markets.

Quarterly comparison

- Q1 2024 compared to Q1 2023:
    - WCS in Canadian dollar terms increased slightly due to higher WTI prices and a narrowing WCS differential.
    - AECO decreased 23% primarily due to high storage levels, weak seasonal demand and strong production growth.
    - TTF decreased 48% primarily due to low seasonal and industrial demand in Europe, strong LNG import volumes, and high storage levels.
- Q1 2024 compared to Q4 2023:
    - WCS in Canadian dollar terms increased slightly as lower WTI prices were offset by a narrowing WCS differential.
    - AECO remained relatively consistent.
    - TTF decreased 36% primarily due to low seasonal and industrial demand in Europe, strong LNG import volumes, and high storage levels.
- During Q1 2024, realized TTF prices for Tenaz were significantly above the average benchmark price due to the physical fixed price contract executed for 2.5 MMcf/d at a price of €55.75/MWh ($24.12/Mcf).

Petroleum and Natural Gas Sales

($000 except per boe)	**Q1 2024**	Q4 2023	Q1 2023
Petroleum and natural gas sales			
Canada	**9,269**	11,086	8,188
Netherlands	**8,617**	10,175	9,738
Total Company	**17,886**	21,261	17,926
Per boe			
Canada	**52.88**	59.41	58.32
Netherlands	**98.57**	99.89	139.25
Company	**68.08**	73.71	85.23

Quarterly comparison

- Q1 2024 sales were in-line with Q1 2023 despite lower benchmark natural gas prices due to increased production in Canada from the successful 2023 drilling program and increased production in the Netherlands from a full quarter of production from the acquisitions that occurred in Q4 2022 and Q3 2023.
- Q1 2024 sales were lower than Q4 2023 due to lower production in Canada due to natural declines and in the Netherlands due to planned and unplanned downtime. The impact of significantly lower TTF prices was mostly offset by the impact of the physical fixed price contract executed for 2.5 MMcf/d at a price of €55.75/MWh ($24.12/Mcf). The physical contact was in place for Q1 2024 and was applicable to approximately 40% of Tenaz's Netherlands production.

Quarterly comparison per boe

- Q1 2024 sales per boe were lower than Q1 2023 and Q4 2023 due to lower benchmark natural gas prices.

Royalties

($000)	**Q1 2024**	Q4 2023	Q1 2023
Royalties			
Canada	**1,527**	1,699	1,322
Netherlands	**-**	-	-
Total Company	**1,527**	1,699	1,322
As a percentage of sales			
Canada	**16.5%**	15.3%	15.2%
Netherlands	-	-	-

Quarterly comparison

Royalties are payable in Canada under standard terms depending on the underlying mineral rights. Royalties payable are influenced by a number of factors including capital spending and commodity prices realized. The royalties payable in Canada had the following impacts:

- Q1 2024 royalty expense was lower than Q4 2023 on a dollar basis due to decreases in both commodity prices and sold volumes of crude oil and natural gas in Canada.
- On a percentage of sales basis, the increase in royalties resulted from wells which had benefited from a lower royalty rate on the initial production period, also known as crown royalty holiday, which are now at higher rates upon reaching payout under a prescribed calculation set by the Alberta government.

Royalties rates for offshore natural gas are typically nil in Netherlands. However, for the annual periods of 2023 and 2024, natural gas production is subject to a 65% royalty above a realized pricing threshold (approximately $21 per Mcf). The addition of the temporary royalty for calendar years 2023 and 2024 was in response to the

European Union's initiative for member countries to levy a "Solidarity Contribution" or windfall tax on natural gas producers. Netherlands royalties pertaining to Q1 2024 were nil.

Transportation Expenses

($000 except per boe)	**Q1 2024**	Q4 2023	Q1 2023
Transportation expenses			
Canada	**496**	505	436
Netherlands	**290**	505	282
Total Company	**786**	1,010	718
Per boe			
Canada	**2.83**	2.71	3.11
Netherlands	**3.31**	4.97	4.03
Company	**2.99**	3.50	3.41

Quarterly comparison

- Transportation costs are incurred in both regions to get processed oil and gas to markets.
- Netherlands transportation is a function of pipeline tariffs in which we also have a benefiting interest through our ownership interest in NGT. Cashflows from the equity income at NGT typically more than offsets any transportation costs incurred in the Dutch assets.
- Canadian transportation costs are a function of the cost of trucking clean oil to sales points and offsets to get natural gas to the market. Costs in Canada for transportation remained relatively consistent over the periods presented.

Operating Expenses

($000 except per boe)	**Q1 2024**	Q4 2023	Q1 2023
Operating expenses			
Canada	**2,316**	2,328	2,589
Netherlands	**4,527**	3,258	2,604
Total Company	**6,843**	5,586	5,193
Per boe			
Canada	**13.21**	12.47	18.44
Netherlands	**51.80**	31.99	37.24
Company	**26.05**	19.36	24.69

Quarterly comparison (Canada)

- Operating expenses for the three months ended March 31, 2024, remained unchanged from Q4 2023 at $2.3 million and decreased by 10% compared to Q1 2023 expenses of $2.6 million.
- In Q1 2024, operating expenses were lower than the prior year quarter due to lower utility costs and optimization efforts, particularly in well servicing and chemicals. However, these decreases were partially offset by increased labor costs and higher third-party processing fees resulting from higher production volumes.

Quarterly comparison per boe (Canada)

- Operating expenses per boe for Q1 2024 decreased 28% from the Q1 2023 period as the overall increase in production volumes has not led to a proportionate increase in field costs. Additionally, maintenance expenditures were reduced as a result of improvements in corrosion prevention and pumping equipment design.

- On a per unit basis, Q1 2024 expenses slightly higher than the prior period as relatively unchanged net expenditures were offset by slightly lower production.

Quarterly comparison (Netherlands)

- In Q1 2024, operating expenses increased by 39% from the prior quarter, influenced by offshore activity levels, maintenance scheduling and unplanned downtime. The preceding period had lower costs due to the allocation of expenses related to abandonment, capital, and operational expenditure by the operator.

Quarterly comparison per boe (Netherlands)

- Operating expenses per boe for the three months ended March 31, 2024, were $51.80 per boe, an increase from $31.99 per boe for Q4 2023 and $37.24 per boe for Q1 2023, respectively. Offshore operations generally entail higher fixed costs compared to onshore installations, with expenses fluctuating due to unplanned shutdowns and maintenance. Costs associated with ongoing maintenance, both planned and unplanned, will result in variability of operating costs allocated to Tenaz by the operator.

Other (Income) Expenses

($000)	**Q1 2024**	Q4 2023	Q1 2023
Transaction costs	**961**	2,489	52
Income from associate[(1)]	**(888)**	(543)	(917)
Interest and financing, net of income	**(670)**	(930)	604

(1) Tenaz includes the income from its associate, NGT, in midstream income. Midstream income is a non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Transaction Costs

The costs incurred in both the most recent and preceding quarter primarily stem from professional services, encompassing legal and tax advisory expenses, along with costs associated with technical and financial due diligence. Tenaz classifies these expenses as transaction costs once an opportunity advances beyond the offer stage. At the offer stage of a process, the Company anticipates that the costs incurred are more likely to be directly linked to the specific opportunity rather than the routine activities of the Company.

The differentiation between General and Administrative expenses and transaction costs seeks to present the ongoing operational costs of Tenaz and the execution of its strategy, distinct from the costs tied to specific opportunities that may ultimately result in completed transactions.

Income from associate

Tenaz recognizes its share of the net income of its affiliate Noordtgastransport BV (“NGT”) in income for its proportionate share of the underlying results. NGT is a company that owns and operates one of the three main pipeline networks servicing the DNS for gathering and processing of offshore natural gas. For Tenaz’s interest in NGT, we recognized $0.9 million of after-tax earnings for the first quarter of 2024. The primary revenue stream for NGT includes tariffs and throughput-based recoveries for its pipeline network from upstream producers of natural gas in its operating area. The combination of the upstream working interest and the equity interest in NGT results in economic benefits from the wellhead to onshore delivery to the European gas market for our share of production. The ultimate realization of earnings to cash is completed through dividend payments (annually in recent periods). Tenaz expects that it will receive its share of the available dividends during 2024 related to profits recognized for fiscal year 2023.

Interest and Financing Expenses, net of income

Q1 2024 reflects interest income from our positive cash position, including both the restricted and unrestricted balances, which bear interest at market interest rates. Q1 2023 interest charges were incurred for the cost of borrowing under our revolving credit facilities, which were drawn to facilitate the posting of decommissioning security for the DNS assets. The decommissioning security was reduced under the terms of the agreements on February 28, 2023, after which, Tenaz fully repaid its borrowings under the credit facilities.

General and Administrative Expenses ("G&A")

($000)	**Q1 2024**	Q4 2023	Q1 2023
Gross G&A	**2,798**	1,751	2,057
Capitalized G&A and overhead recoveries	**(271)**	(299)	(370)
Net G&A	**2,527**	1,452	1,687

Quarterly comparison

- Capitalized G&A and overhead recoveries decreased in Q1 2024 when compared to Q4 2023 and Q1 2023 due to personnel spending more time on M&A compared to operating activities.
- Q1 2024 G&A increased compared to Q1 2023 due to increased business development activities, increased headcount and advisor fees related to the expansion of the Company.

Realized gain (loss) on derivative instruments

The Company has a risk management program in place with the objectives of reducing the volatility of crude oil and natural gas sales, increasing the certainty of funds flow from operations, protecting development economics, complying with its banking covenants and reducing foreign currency risk.

The Company's realized gain (loss) on derivative instruments is detailed in the following table:

($000)	**Q1 2024**	Q4 2023	Q1 2023
Commodity contracts	**-**	143	182
Foreign Exchange	**-**	158	(91)
Realized gain (loss) on derivative instruments	**-**	301	91

A summary of the derivative instruments in place as at March 31, 2024 are shown in the "Unrealized gain (loss) on derivative instruments" section below.

Net Income (Loss) and Funds Flow from Operations

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

($000)	**Q1 2024**	Q4 2023	Q1 2023
Funds flow from operations	**7,043**	13,401	7,274
Unrealized foreign exchange gain (loss)	**(550)**	(929)	47
Unrealized gain on derivatives	**515**	407	446
Share-based compensation	**(559)**	(590)	(191)
Amortization of fair value increment of NGT	**(240)**	(857)	-
Depletion, depreciation and amortization	**(5,468)**	(6,583)	(4,782)
Accretion of decommissioning liability	**(1,316)**	(1,514)	(1,132)
Deferred tax expense	**18**	2,310	1,220
Gain on acquisition	**-**	(2,130)	-
Net income (loss)	**(557)**	3,515	2,882

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Share-based compensation

($000)	**Q1 2024**	Q4 2023	Q1 2023
Share-based compensation:			
Options	**73**	135	158
Performance share units (“PSUs”)	**538**	527	49
Total share-based compensation	**611**	662	207
Capitalized share-based compensation	**(52)**	(72)	(16)
Share-based compensation expense	**559**	590	191

The Company has in place a shareholder approved Tenaz Incentive Plan (the “TIP”) pursuant to which the Company is able to issue share-based long-term incentives to Directors, officers, employees and independent contractors of the Company and/or its affiliates. The types of awards available under the TIP include options, restricted share units (“RSUs”), performance share units (“PSUs”), deferred share units (“DSUs”) and dividend-equivalent rights (collectively, “Awards”).

Share-based compensation expense increased for the first quarter of 2024 compared with Q1 2023 because of a Q2 2023 TIP issuance that increased the number of awards outstanding for the current period.

Depletion, Depreciation and Amortization (“DD&A”)

DD&A for the first quarter of 2024 was lower than the previous quarter on reduced production during the period. The increase in DD&A as compared to the first quarter of last year pertains to the acquisition of additional Netherlands working interests, which were acquired during July 2023.

Accretion of decommissioning liability

Accretion expense represents the increase in the decommissioning liability resulting from the passage of time. The increase in accretion for Q1 2024 compared to Q1 2023 is mainly due to additional accretion from the Netherlands decommissioning liability acquired in July 2023.

Unrealized gain (loss) on derivative instruments

The Company’s unrealized gain (loss) on derivative instruments is detailed in the following table:

($000)	**Q1 2024**	Q4 2023	Q1 2023
Commodity contracts	**-**	(57)	18
Foreign currency swaps	**515**	464	428
Unrealized gain (loss) on derivatives	**515**	407	446

The unrealized derivative gain in Q1 2024 pertains primarily to changes in the mark-to-market of foreign currency swaps outstanding in Q1 2024 arising from the differences in the forward price compared to the contract price of outstanding contracts. Tenaz holds this position to maintain Euro as the primary underlying cash position. Excess Euro cash is swapped to Canadian dollars in order to maximize the interest yield on short term balances held within its bank accounts.

The following is a summary of the derivative instruments in place as at March 31, 2024:

Foreign Currency Swaps

Period	**Type of Contract**	**Notional Amount**	**Notional Amount**	**Average Rate**	**Fair Value at March 31 2024** ($000)
Foreign Currency Swaps					
April 2024	Swap	EUR 29,000,000	CAD 42,690,900	1.4721	**(323)**
Derivative instrument liability					**(323)**

Crude Oil and Natural Gas Contracts

In addition to financial hedges, Tenaz executes physical commodity sales arrangements from time-to-time. In Q4 2023, Tenaz effected fixed price arrangements to sell 2.5 MMcf/d of European gas production in Q1 2024 at €55.75/MWh ($24.12/Mcf). In addition, Tenaz executed further fixed price arrangements to sell 1.2 MMcf/d of European Gas production from April to September 2024 at €34.00/MWh ($14.58/Mcf). Tenaz entered into a further fixed price arrangement for its Canadian Gas with 1.1 MMcf/d of production from November 2024 to March 2025 sold at $3.28/Mcf.

During Q1 2024, Tenaz executed fixed price contracts to sell 1.2 MMcf/d of European gas from October 2024 to March 2025 at €32.50/MWh ($14.00/Mcf) along with a costless collar for the same volume and time period at a price floor of €32.00/MWh ($13.74/Mcf) with a ceiling of €40.75/MWh ($17.49/Mcf).

Income Taxes

The Company's income taxes are detailed below:

($000)	**Q1 2024**	Q4 2023	Q1 2023
Income Taxes			
Current	**29**	(1,741)	1,635
Deferred	**(18)**	(2,310)	(1,220)
Total income tax expense (recovery)	**11**	(4,051)	415
Current Income Taxes			
Canada	**-**	-	-
Netherlands	**29**	(1,741)	1,635
Total Company	**29**	(1,741)	1,635

Current taxes

For Q1 2024, Tenaz recorded current income tax expense of $0.03 million related to our Netherlands upstream assets. In the Netherlands, a 50% effective income tax rate is applied to taxable profit from upstream oil and gas activity. In calculating taxable profit, an additional 10% uplift deduction is applied to decrease taxable profit from certain deductions, including operating, general and administrative, depletion and decommissioning costs.

On September 30, 2022, the counsel of the European Union implemented a temporary "solidarity" contribution on excess profits of energy companies. During Q4 2022, the legislation outlining a solidarity contribution of 33%, calculated above a 20% increase in the average yearly taxable profits for 2018 to 2021, became substantively enacted. For the year ended December 31, 2022, Tenaz was subject to the 33% solidarity contribution on profits earned by the acquired legal entity. Income taxes on taxable profits earned after the closing of the Netherlands acquisition were recorded in net income beginning in December of 2022.

Deferred taxes

For Q1 2024, Tenaz recognized deferred tax recovery of $0.02 million primarily associated with reduced accounting differences in Netherlands arising from the current quarter DD&A and accretion expense.

Capital Expenditures

($000)	**Q1 2024**	Q4 2023	Q1 2023
By classification			
Exploration and evaluation expenditures	**518**	357	36
Drilling and development	**3,298**	2,610	647
Capital expenditures(1)	**3,816**	2,967	683
By country			
Canada	**458**	963	577
Netherlands	**3,358**	2,004	106
Capital expenditures(1)	**3,816**	2,967	683
By category			
Geological and geophysical	**-**	(47)	15
Land	**23**	388	12
Drilling and completions	**379**	1,038	4
Workovers and recompletions	**2,850**	1,722	2
Equipping and tie-in	**-**	51	116
Facilities and pipelines	**-**	(546)	369
Carbon capture and storage project	**518**	357	**-**
Other	**46**	4	165
Capital expenditures(1)	**3,816**	2,967	683

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

Canada capital expenditures related to capitalized workovers and preparation for the 2024 drilling campaign. There was no drilling activity in the Netherlands; however, the K12-G4 and K12-G9 vertical wells were hydraulically fractured in March. The operator of the producing assets in the Dutch North Sea ("DNS") has planned additional minor workover activity for 2024 starting in the second half of the year.

Decommissioning Liability

At March 31, 2024, Tenaz's decommissioning liability was $44.6 million (December 31, 2023 - $45.3 million) for the future abandonment and reclamation of Tenaz's properties. The estimated decommissioning liability includes cost assumptions for costs to abandon wells or reclaim property and the time frame in which such costs will be incurred, as well as annual inflation factors used to calculate the undiscounted total future liability. The change in the decommissioning liability resulted from completion of activity during the period partially offset by the recognized accretion expense and a strengthening of the Euro versus the Canadian dollar which increased the reported amount on the balance sheet.

The calculation of decommissioning liability applied the following rates:

		March 31 2024		December 31 2023
Country	**Inflation**	**Credit-adjusted risk-free rate**	Inflation	Credit-adjusted risk-free rate
Canada	**1.9%**	**12.2%**	1.6%	12.2%
Netherlands	**2.0%**	**11.4%**	2.0%	11.5%

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

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

CAPITAL RESOURCES AND LIQUIDITY

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

($000)	**March 31 2024**	December 31 2023
Current assets	**91,455**	92,488
Current liabilities	**(43,038)**	(43,988)
Net current assets	**48,417**	48,500
Exclude fair value of derivative instruments	**323**	838
Adjusted working capital (net debt)(1)	**48,740**	49,338

(1) Non-GAAP and other financial measure. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

The Company's policy is to maintain a strong capital base to enhance investor, creditor and market confidence and to sustain the future development of the business. Tenaz's adjusted working capital of $48.7 million as at March 31, 2024 decreased from $49.3 million as at December 31, 2023.

Restricted Cash

At March 31, 2024, Tenaz held restricted cash of €28.2 million ($41.2 million) deposited with the operator as decommissioning security for Tenaz's interest in Netherlands assets, pursuant to decommissioning security agreements ("DSA") in place for the offshore licenses (December 31, 2023 - €22.5 million or $32.9 million restricted cash). During the quarter, Tenaz deposited an additional €5.8 million ($8.3 million) pursuant to an increase in the required security amount under the DSA.

Under the DSAs, decommissioning security is calculated annually and posted by parties to licenses where the future costs of decommissioning are higher than the estimated future cash flows from producing the assets.

The decommissioning security, currently held in restricted cash, can be provided in various acceptable forms, such as letters of credit and decommissioning surety bonds. The calculation of required security is determined through agreed-upon calculations within the DSAs. As decommissioning activities progress, the necessary security amounts required by license holders are reduced.

Credit Facilities

As at March 31, 2024 Tenaz had no bank debt.

At March 31, 2024, Tenaz's credit facilities (the "Credit Facilities") with ATB Financial (the "Lender") consists of a revolving operating demand loan (the "Operating Loan") in the principal amount of up to $10.15 million (December 31, 2023 - $10.15 million) accruing interest at a rate of prime + 3.5% per annum and subject to redetermination at least annually with the next redetermination date expected to be held on or before May 30, 2024.

The Operating Loan is revolving, payable on demand and contains customary material adverse change clauses. The borrowing base of the Operating Loan is based on the Lenders' interpretation of Tenaz's estimated proved and probable oil and natural gas reserves and forecasted commodity prices. As a result, there can be no assurance as to the amount of available limit that will be determined at each scheduled review. The Operating Loan can be drawn in whole multiples of a minimum of $0.01 million, and letters of credit and/or letters of guarantee can be issued not exceeding an aggregate of $0.75 million.

Fees for Letters of Credit issued under the Operating Loan are 3.5% and standby fees on the unused portion of the authorized amount of the Operating Loan are 0.875%.

The Credit Facilities are secured by a general security agreement providing a security interest over all present and after acquired property, a floating charge on all lands, and a $30.0 million debenture with a first floating charge over all assets of the Company.

Tenaz is subject to certain reporting and financial covenants including:

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

At March 31, 2024, Company was in compliance with all debt covenants. The working capital ratio as defined was 2.38:1 and the Company was compliant with the LMR covenant (9.48 at April 6, 2024).

Liquidity Risk

Liquidity risk is the risk that Tenaz will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through its capital management (and an actively managed operating and capital expenditure budgeting process.

Accounts payable and accrued liabilities are due in less than one year and amounts outstanding on the Credit Facilities, if any, are due on demand. At March 31, 2024, Tenaz had a current tax liability of $22.0 million related to the Netherlands operations, which is net of instalments paid to the Dutch Tax Authority.

As at March 31, 2024, the Company was holding $39.7 million in cash and cash equivalents, $41.2 million in restricted cash (€28.2 million) and had $10 million available on undrawn Credit Facilities.

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

Shareholders' Equity

Tenaz had the following outstanding instruments as at March 31, 2024 and December 2023:

(000s)	**March 31 2024**	December 31 2023
Common Shares	**26,703**	26,793
Warrants	**2,778**	2,778
Options	**1,525**	1,525
TIP Awards		
PSUs	**988**	1,008
RSUs	**71**	65
DSUs	**49**	43

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

	Number of Common Shares
Balance, December 31, 2023	26,793
PSU's Vested	95
Normal course issuer bid	(185)
Balance, March 31, 2024	**26,703**

Share Repurchases

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

The Company has contracted an automatic share purchase plan ("ASPP") with National Bank Financial which allows for continued and consistent purchases of Common Shares at pre-determined levels. The ASPP allows for the purchase of Common Shares at times when Tenaz would not be active in the market due to applicable regulatory restrictions or internal trading black-out periods.

During the three months ended March 31, 2024, Tenaz purchased 185 thousand Common Shares under the NCIB for a total consideration of $679 thousand. The Common Shares purchased under the NCIB were cancelled following settlement of the transactions.

($000, except as noted)	**Q1 2024**	Q4 2023	Q1 2023
Share repurchase activities			
Common Shares repurchased (000's)	**(185)**	(352)	(360)
Amounts charged to:			
Share capital	**(420)**	(794)	(825)
Retained earnings	**(259)**	(646)	9
Share repurchase cost	**(679)**	(1,440)	(816)
Average cost per share ($)	**3.67**	4.09	2.27

Tenaz Incentive Plan Awards

Subsequent to March 31, 2024, the Board of Directors authorized a new grant of awards under the Tenaz Incentive Plan. The awards were granted as a combination of performance share units, deferred share units and restricted share units. The performance share units and the restricted share units vest over a 3-year period with the deferred share units vesting immediately. The deferred share units are only redeemable by Directors following the retirement of the individual from the Board of Tenaz.

As of the date of this MD&A, the following instruments were outstanding:

(000s)	May 8 2024
Common Shares	**26,732**
Warrants	**2,778**
Options	**1,525**
TIP Awards	**1,108**
PSUs	**988**
RSUs	**71**
DSUs	**49**

SUMMARY OF QUARTERLY RESULTS

Quarters Ended ($000, except per share and per boe amounts)	**Q1 2024**	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Financial								
Petroleum and natural gas sales(4)	**17,886**	21,261	15,051	10,614	17,926	10,852	7,690	9,344
Cash flow from operating activities	**6,218**	8,927	175	957	5,117	4,809	1,444	1,936
Funds flow from operations(1)(6)	**7,043**	13,401	4,826	3,361	7,274	3,236	2,280	2,104
Per share – basic(1)	**0.26**	0.50	0.18	0.12	0.26	0.11	0.08	0.07
Per share – diluted(1)	**0.24**	0.45	0.16	0.12	0.25	0.11	0.08	0.07
Net income (loss) (5)	**(557)**	3,515	20,907	(757)	2,882	747	224	769
Per share – basic	**(0.02)**	0.13	0.77	(0.03)	0.10	0.03	0.01	0.03
Per share – diluted(2)	**(0.02)**	0.12	0.71	(0.03)	0.10	0.03	0.01	0.03
Capital expenditures(1)(7)	**3,816**	2,967	15,238	5,967	683	4,988	7,882	3,512
Adjusted working capital (net debt)(1)	**48,740**	49,338	44,937	17,094	18,763	14,149	13,887	19,431
Common shares outstanding (000)								
End of period – basic	**26,703**	26,793	27,145	27,378	27,733	28,093	28,405	28,548
Weighted average for period – basic	**26,779**	26,963	27,292	27,555	27,917	28,242	28,520	28,481
Weighted average for period – diluted	**29,494**	29,970	29,555	28,308	28,545	28,244	28,690	29,241
Operating								
Average daily production								
Heavy crude oil (bbls/d)	**1,149**	1,342	675	711	937	827	687	636
Natural gas liquids (bbls/d)	**70**	75	60	57	63	53	47	61
Natural gas (Mcf/d)	**10,005**	10,310	9,823	6,802	8,022	3,843	2,929	2,524
Total (boe/d)(3)(4)	**2,887**	3,135	2,372	1,903	2,337	1,520	1,222	1,117
Netbacks ($/boe)(3)								
Petroleum and natural gas sales(5)	**68.08**	73.71	68.97	61.31	85.23	77.59	68.39	91,90
Royalties	**(5.81)**	(5.89)	(4.60)	(4.80)	(6.28)	(11.12)	(15.23)	(17.11)
Transportation expenses	**(2.99)**	(3.50)	(3.68)	(3.66)	(3.41)	(2.60)	(1.75)	(3.12)
Operating expenses	**(26.05)**	(19.36)	(31.11)	(28.25)	(24.69)	(21.56)	(17.04)	(14.47)
Midstream income(1)	**4.29**	4.86	5.25	5.21	4.36	-	-	-
Operating netback(1)	**37.52**	49.82	34.83	29.81	55.21	42.31	34.37	57.20

(1) Non-GAAP and other financial measures. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.
(2) Basic weighted average shares are used to calculate diluted per share amounts when the Company is in a loss position.
(3) The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel (1 bbl) of crude oil. Refer to "Barrels of Oil Equivalent" section included in the "Advisories" section of the MD&A.
(4) Over the past eight quarters, Tenaz's petroleum and natural gas sales fluctuated due to changes in production (including the timing of acquisitions and dispositions), volatility in benchmark commodity prices and realized pricing. Tenaz's production has fluctuated due to changes in capital expenditures, the Netherlands acquisitions in December 2022 and July 2023 and natural declines.
(5) Net income (loss) has fluctuated over the past eight quarters mainly due to changes in impairment and impairment reversals, changes in operating netback, derivative instrument gains and losses (which fluctuate with changes in future market prices), gains on dispositions, transaction costs incurred, share-based compensation, general and administrative expenses and income taxes recognized.
(6) Funds flow from operations has fluctuated over the past eight quarters, primarily due to fluctuations in operating netback, general and administrative expenses, transaction costs incurred, realized derivative instrument gains and losses, and current income taxes recognized.
(7) Capital expenditures have also fluctuated throughout the above periods due to changes in the Company's capital spending levels which vary based on a number of factors, including the prevailing commodity price environment, capital resources, availability of alternative investment opportunities and the timing of dispositions.

OPERATING NETBACK SUMMARY

($/boe)	**Q1 2024**	Q4 2023	Q1 2023
Canada			
Petroleum and natural gas sales	**52.88**	59.41	58.32
Royalties	**(8.71)**	(9.10)	(9.42)
Transportation expenses	**(2.83)**	(2.71)	(3.11)
Operating expenses	**(13.21)**	(12.47)	(18.44)
Canada operating netback(1)	**28.12**	35.13	27.35
Netherlands			
Petroleum and natural gas sales	**98.57**	99.89	139.25
Transportation expenses	**(3.31)**	(4.97)	(4.03)
Operating expenses	**(51.80)**	(31.99)	(37.24)
Midstream income(1)	**12.91**	13.75	13.11
Netherlands operating netback(1)	**56.38**	76.68	111.09
Total Company			
Petroleum and natural gas sales	**68.08**	73.71	85.23
Royalties	**(5.81)**	(5.89)	(6.28)
Transportation expenses	**(2.99)**	(3.50)	(3.41)
Operating expenses	**(26.05)**	(19.36)	(24.69)
Midstream income(1)	**4.29**	4.86	4.36
Total Company operating netback(1)	**37.52**	49.82	55.21

(1) Non-GAAP and other financial measures. Refer to "Non-GAAP and Other Financial Measures" included in the "Advisories" section in the MD&A.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

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

OFF BALANCE SHEET ARRANGEMENTS

Tenaz does not have any off-balance sheet arrangements that would result in a material change to its financial position, performance or funds flow from operations during the reporting periods.

SUBSEQUENT EVENTS

<u>TIP Awards</u>

In April 2024, pursuant to vesting of awards (PSUs and RSUs) under the Tenaz Incentive Plan, the Company issued 588,910 shares to officers, employees and contractors of Tenaz.

ACCOUNTING STANDARDS, CHANGE IN ACCOUNTING POLICIES AND PRONOUNCEMENTS

Tenaz's interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards as issued by the IASB. These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023.

Future Accounting Pronouncements

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect reported assets, liabilities, revenues and expenses, gains and losses, and disclosures of any possible contingencies. These estimates and assumptions are developed based on the best available information which management believed to be reasonable at the time such estimates and assumptions were made. As such, these assumptions are uncertain at the time estimates are made and could change, resulting in a material impact on Tenaz's consolidated financial statements. Estimates are reviewed by management on an ongoing basis and as a result may change from period to period due to the availability of new information or changes in circumstances. Additionally, as a result of the unique circumstances of each jurisdiction that Tenaz operates in, the critical accounting estimates may affect one or more jurisdictions. There have been no material changes to our critical accounting estimates used in applying accounting policies for the three months ended March 31, 2024. Further information, including a discussion of critical accounting estimates, can be found in the notes to the audited consolidated financial statements and annual MD&A for the year ended December 31, 2023, available on SEDAR at www.sedar.com or on Tenaz's website at www.tenazenergy.com.

RISK FACTORS, RISK MANAGEMENT AND UNCERTAINTIES

Tenaz is exposed to various market and operational risks. For a discussion of these risks, please see "Forward-Looking Information" in this MD&A and Tenaz's MD&A and Annual Information Form, each for the year ended December 31, 2023 available on SEDAR at www.sedar.com or on Tenaz's website at www.tenazenergy.com.

CONTROL ENVIRONMENT

Internal Control Update

Tenaz is required to comply with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). The certification of interim filings for the interim period ended March 31, 2024 requires that Tenaz disclose in the interim MD&A any changes in Tenaz's internal control over financial reporting ("ICFR") that occurred during the period that have materially affected, or are reasonably likely to materially affect, Tenaz's ICFR. Tenaz confirms that no such changes were made to its ICFR during the three months ended March 31, 2024.

ADVISORIES

Non-GAAP and Other Financial Measures

This MD&A and quarterly report contains the terms funds flow from operations and capital expenditures which are considered "non-GAAP financial measures" and operating netback which is considered a "non-GAAP financial ratio". These terms do not have a standardized meaning prescribed by GAAP. In addition, this MD&A contains the term adjusted working capital (net debt), which is considered a "capital management measure". Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to net income (loss) determined in accordance with GAAP and these measures should not be considered to be more meaningful than GAAP measures in evaluating the Company's performance.

Non-GAAP Financial Measures

Funds flow from operations ("FFO")

Tenaz considers funds flow from operations to be a key measure of performance as it demonstrates the Company's ability to generate the necessary funds for sustaining capital, future growth through capital investment, and settling liabilities. Funds flow from operations is calculated as cash flow from operating activities plus 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)	**Q1 2024**	Q4 2023	Q1 2023
Cash flow from operating activities	**6,218**	8,927	5,117
Change in non-cash operating working capital	**(2,900)**	(3,113)	907
Decommissioning liabilities settled	**2,597**	6,187	333
Midstream Income	**1,128**	1,400	917
Funds flow from operations	**7,043**	13,401	7,274

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 exploration and evaluation asset expenditures and property, plant and equipment expenditures 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)	**Q1 2024**	Q4 2023	Q1 2023
Exploration and evaluation expenditures	**518**	357	36
Property, plant and equipment expenditures	**3,298**	2,610	647
Capital expenditures	**3,816**	2,967	683

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)	**Q1 2024**	Q4 2023	Q1 2023
Funds flow from operations	**7,043**	13,401	7,274
Less: Capital expenditures	**(3,816)**	(2,967)	(683)
Free cash flow	**3,227**	10,434	6,591

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. and excludes the amortization of fair value increment of NGT that is included in the equity investment on the balance sheet. Under IFRS, investments in associates are accounted for using the equity method of accounting. Income from associate is Tenaz's share of the investee's net income and comprehensive income. Operating netback is disclosed in the "Operating Netback" section of this MD&A.

($000)	**Q1 2024**	Q4 2023	Q1 2023
Income from associate	**888**	3,507	917
Plus: Amortization of fair value increment of NGT	**240**	857	-
Midstream income	**1,128**	4,364	917

Non-GAAP Financial Ratio

Operating Netback

Tenaz calculates operating netback on a dollar or per boe basis, as petroleum and natural gas sales less royalties, operating costs and transportation costs, plus midstream income (income from associate, as described above). Operating netback is a key industry benchmark and a measure of performance for Tenaz that provides investors with information that is commonly used by other crude oil and natural gas producers. The measurement on a per boe basis assists management and investors with evaluating operating performance on a comparable basis. Tenaz's operating netback is disclosed in the "Operating Netback" section of this MD&A.

Capital Management Measure

Adjusted working capital (net debt)

Management views adjusted working capital (net debt) as a key industry benchmark and measure to assess the Company's financial position and liquidity. Adjusted working capital (net debt) is calculated as current assets less current liabilities, excluding the fair value of derivative instruments. Tenaz's adjusted working capital (net debt) is disclosed in the "Capital Resources and Liquidity" section of this MD&A.

Supplementary Financial Measures

- "**DD&A expense per boe**", "**Operating expense per boe**", "**Royalties per boe**", and "**Transportation expense per boe**" are comprised of the respective line item from the consolidated statements of net income, as determined in accordance with IFRS, divided by the Company's or business units total production.
- "**Funds flow from operations per basic share**" is comprised of funds flow from operations divided by basic weighted average Common Shares.
- "**Funds flow from operations per diluted share**" is comprised of funds flow from operations divided by diluted weighted average Common Shares.
- "**Realized heavy crude oil price**" , "**Realized natural gas liquids price**", "**Realized natural gas price**", and "**Realized petroleum and natural gas sales price**" are comprised of commodity sales from the respective commodity, as determined in accordance with IFRS, divided by the Company's production of the respective commodity.
- "**Royalties as a percentage of sales**" is comprised of royalties, as determined in accordance with IFRS, divided by commodity sales from production as determined in accordance with IFRS.

Barrels of Oil Equivalent

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

Forward-looking Information

This quarterly report contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "budget", "forecast", "guidance", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "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 quarterly report 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 proposed gas plant and leasehold assets acquisition; 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 quarterly report 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 proposed and 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 quarterly report are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of 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 oil and gas interests, 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 quarterly report only as of the date of this quarterly report, 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.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

As at

($000)	Note	**March 31 2024**	December 31 2023
ASSETS			
Current assets			
Cash and cash equivalents		**39,675**	50,300
Restricted cash	4	**41,221**	32,944
Prepaid expenses and deposits	5	**4,279**	1,004
Accounts receivable	11	**6,280**	8,002
Derivative instruments	11	**-**	238
		91,455	92,488
Exploration and evaluation assets	6	**9,391**	8,870
Property, plant and equipment	7	**114,317**	115,793
Right-of-use assets		**185**	198
Investment in associate	8	**22,295**	21,366
Total assets		**237,643**	238,715
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**16,587**	15,671
Decommissioning liability	9	**1,226**	2,310
Taxes payable		**24,902**	24,931
Derivative instruments	11	**323**	1,076
		43,038	43,988
Lease liabilities		**249**	244
Decommissioning liability	9	**43,401**	42,979
Deferred taxes		**55,155**	55,151
Total liabilities		**141,843**	142,362
SHAREHOLDERS' EQUITY			
Share capital	10	**60,689**	60,875
Warrants		**3,203**	3,203
Contributed surplus		**11,295**	10,918
Retained earnings		**20,287**	21,103
Accumulated other comprehensive income		**326**	254
Total shareholders' equity		**95,800**	96,353
Total liabilities and shareholders' equity		**237,643**	238,715

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) (unaudited)

		Three months ended March 31	
($000, except per share amounts)	Note	**2024**	2023
REVENUE			
Petroleum and natural gas sales	3	**17,886**	17,926
Royalties	3	**(1,527)**	(1,322)
Petroleum and natural gas revenue		**16,359**	16,604
EXPENSES			
Transportation		**786**	718
Operating		**6,843**	5,193
Income from associate	8	**(888)**	(917)
General and administrative		**2,527**	1,687
Transaction costs		**961**	52
Interest and financing, net of income		**(670)**	604
Exploration and evaluation		**-**	441
Foreign exchange gain		**(41)**	(39)
Loss (gain) on derivative instruments	11	**44**	(537)
Share-based compensation	10	**559**	191
Depletion, depreciation and amortization		**5,468**	4,782
Accretion of decommissioning liability	9	**1,316**	1,132
Total expenses		**16,905**	13,307
Net income (loss) before income taxes		**(546)**	3,297
Provision for income taxes			
Current		**29**	1,635
Deferred (recovery)		**(18)**	(1,220)
Total income taxes		**(11)**	415
Net income (loss)		**(557)**	2,882
Other comprehensive income			
Currency translation adjustments		**72**	9
Net comprehensive income (loss)		**(485)**	2,891
Net income (loss) per share			
Basic	10	**(0.02)**	0.10
Diluted	10	**(0.02)**	0.10

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

For the periods ended March 31

($000)	Note	Share capital	Warrants	Contributed surplus	Retained earnings (Deficit)	AOCI[(1)]	Total Equity
Balance, December 31, 2022		63,831	3,203	8,871	(4,534)	-	71,371
Normal course issuer bid	11	(825)	-	-	9	-	(816)
Share-based compensation	11						
- Expensed		-	-	191	-	-	191
- Capitalized		-	-	16	-	-	16
Net income for the period		-	-	-	2,882	-	2,882
Currency translation adjustments		-	-	-	-	9	9
Balance, March 31, 2023		63,006	3,203	9,078	(1,643)	9	73,653
Balance, December 31, 2023		60,875	3,203	10,918	21,103	254	96,353
Normal course issuer bid	11	(420)	-	-	(259)	-	(679)
Share-based compensation	11						
- Expensed		-	-	559	-	-	559
- Capitalized		-	-	52	-	-	52
PSU Vesting		234	-	(234)	-	-	-
Net loss for the period		-	-	-	(557)	-	(557)
Currency translation adjustments		-	-	-	-	72	72
Balance, March 31, 2024		**60,689**	**3,203**	**11,295**	**20,287**	**326**	**95,800**

(1) Accumulated other comprehensive income ("AOCI").

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

		Three months ended March 31	
($000)	Note	**2024**	2023
OPERATING ACTIVITIES			
Net income (loss)		**(557)**	2,882
Items not involving cash:			
Share-based compensation	10	**559**	191
Depletion, depreciation and amortization		**5,468**	4,782
Income from associate	8	**(888)**	(917)
Accretion of decommissioning liability	9	**1,316**	1,132
Unrealized foreign exchange (gain) loss		**550**	(47)
Unrealized gain on derivative instruments	11	**(515)**	(446)
Deferred taxes		**(18)**	(1,220)
Decommissioning liabilities settled	9	**(2,597)**	(333)
Change in non-cash working capital		**2,900**	(907)
Cash flow from operating activities		**6,218**	5,117
INVESTING ACTIVITIES			
Exploration and evaluation asset expenditures	6	**(518)**	(36)
Property, plant and equipment expenditures	7	**(3,298)**	(647)
Restricted cash for security arrangements	4	**(8,229)**	42,674
Deposit on acquisition		**(3,546)**	-
Change in non-cash working capital		**(17)**	(1,774)
Cash flow from (used in) investing activities		**(15,608)**	40,217
FINANCING ACTIVITIES			
Repayment of bank debt	11	**-**	(21,483)
Normal course issuer bid	10	**(679)**	(816)
Principal payments on lease liabilities		**5**	(16)
Cash flow used in financing activities		**(674)**	(22,315)
Foreign exchange gain (loss) on cash held in foreign currencies		**(561)**	138
CHANGE IN CASH AND CASH EQUIVALENTS		**(10,625)**	23,157
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**50,300**	1,832
CASH AND CASH EQUIVALENTS, END OF PERIOD		**39,675**	24,989
Cash interest paid		**32**	598
Cash taxes paid		**-**	2,254

See accompanying notes to the interim condensed consolidated financial statements.

1. REPORTING ENTITY

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

Tenaz's principal place of business is located at 1100, 605 5th Avenue SW, Calgary, Alberta, T2P 3H5.

2. BASIS OF PRESENTATION

These interim condensed consolidated financial statements (the "Financial Statements") have been prepared in accordance with IFRS Accounting Standards as issued by the Internal Accounting Standards Board applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), and have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2023.

These Financial Statements should be read in conjunction with Tenaz’s audited consolidated financial statements for the year ended December 31, 2023, which are available on SEDAR at www.sedar.com or on Tenaz’s website at www.tenazenergy.com.

These Financial Statements were approved by the Board of Directors on May 8, 2024.

All financial information is reported in Canadian dollars, unless otherwise noted. References to "EUR” or “€” are to Euros.

Acquisition of XTO Netherlands Ltd.

On July 3, 2023, pursuant to a share purchase agreement, Tenaz completed the acquisition of 100% of the issued and outstanding shares of XTO Netherlands Ltd., a private U.S. company with additional working interest in the Netherlands upstream and midstream assets mentioned above (the “XTO Acquisition”).

During the three months ended March 31, 2024, no adjustments have been made to the preliminary purchase price allocation for the Acquisition. Upon finalizing the value of the net assets acquired, liabilities assumed and total consideration, adjustments may be required as values subject to estimate are finalized, including the finalization of income taxes for working capital adjustments affecting consideration.

Use of judgments, estimates and assumptions

The preparation of financial statements requires management to use judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated.

There have been no significant changes to the use of judgments, estimates, and assumptions as detailed in Note 5 of the audited consolidated financial statements for the year ended December 31, 2023.

3. SEGMENTED INFORMATION

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

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

			Three months ended March 31 2024
($000)	Netherlands	Canada/ Corporate	**Total**
Total assets	159,644	77,999	**237,643**
Exploration and evaluation expenditures	518	-	**518**
Property, plant and equipment expenditures	2,840	458	**3,298**
Heavy crude oil	-	7,948	**7,948**
Natural gas liquids	89	289	**378**
Natural gas	8,528	1,031	**9,559**
Petroleum and natural gas sales	8,617	9,269	**17,886**
Royalties	-	(1,527)	**(1,527)**
Revenue	8,617	7,742	**16,359**
Transportation expenses	(290)	(496)	**(786)**
Operating expenses	(4,527)	(2,316)	**(6,843)**
Midstream Income[(1)]	1,128	-	**1,128**
General and administrative expenses	(514)	(2,015)	**(2,527)**
Current income taxes	(29)	-	**(29)**
Transaction costs	-	(961)	**(961)**
Interest and financing, net of income	-	670	**670**
Realized foreign exchange gain (loss)	-	32	**32**
Funds flow from operations	4,387	2,656	**7,043**

($000)	Netherlands	Canada/ Corporate	Three months ended March 31 2023 Total
Total assets	106,043	72,717	178,760
Exploration and evaluation asset expenditures	36	-	36
Property, plant and equipment expenditures	70	577	647
Heavy crude oil	-	6,754	6,754
Natural gas liquids	143	300	443
Natural gas	9,595	1,134	10,729
Petroleum and natural gas sales	9,738	8,188	17,926
Royalties	-	(1,322)	(1,322)
Revenue	9,738	6,866	16,604
Transportation expenses	(282)	(436)	(718)
Operating expenses	(2,604)	(2,589)	(5,193)
Midstream Income[(1)]	917	-	917
General and administrative expenses	(288)	(1,399)	(1,687)
Exploration and evaluation expenses	(441)	-	(441)
Current income taxes	(1,635)	-	(1,635)
Transaction costs	-	(52)	(52)
Interest and financing, net of income	-	(604)	(604)
Realized foreign exchange gain (loss)	-	(8)	(8)
Realized gain (loss) on derivative instruments	-	91	91
Funds flow from operations	5,405	1,869	7,274

(1) Midstream income from Noordgastransport BV

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

($000)	**Three months ended March 31 2024**	2023
Funds flow from operations	**7,043**	7,274
Unrealized foreign exchange gain (loss)	**(550)**	47
Unrealized gain (loss) on derivatives	**515**	446
Share-based compensation	**(559)**	(191)
Amortization of fair value increment of NGT	**(240)**	-
Depletion, depreciation and amortization	**(5,468)**	(4,782)
Accretion of decommissioning liability	**(1,316)**	(1,132)
Deferred tax expense	**18**	1,220
Net income (loss)	**(557)**	2,882

4. RESTRICTED CASH

At March 31, 2024, Tenaz held restricted cash of €28.2 million ($41.2 million) deposited with the operator as decommissioning security for Tenaz's interest in Netherlands assets, pursuant to decommissioning security agreements ("DSA") in place for the offshore Dutch North Sea licenses (December 31, 2023 - €22.5 million or $32.9 million in restricted cash). During the quarter, Tenaz deposited an additional €5.8 million ($8.3 million) pursuant to an increase in the required security amount under the DSA.

Under the DSAs, decommissioning security is calculated annually and posted by parties to licenses where the future costs of decommissioning are higher than the estimated future cash flows from producing assets.

The decommissioning security, currently held in restricted cash, can be provided in various acceptable forms, such as letters of credit and decommissioning surety bonds. The calculation of required security is determined through agreed-upon calculations within the DSAs. As decommissioning activities progress, the necessary security amounts required by license holders are reduced.

5. PREPAID EXPENSES AND DEPOSITS

During the quarter the Company signed an agreement to acquire the 8-18-48-26W4 gas plant and surrounding lands from a private company. Pursuant to the agreement $3.5 million was deposited to an escrow account. This refundable deposit will transfer to the seller subject to certain customary closing approvals. The strategic acquisition integrates the gas handling from the Leduc Woodbend asset with the plant currently taking the gas throughput from Tenaz production base.

6. EXPLORATION AND EVALUATION

($000)	**Total**
Balance, December 31, 2023	8,870
Additions	518
Foreign exchange	3
Balance, March 31, 2024	**9,391**
Netherlands	**9,391**

E&E assets consist of the Company's projects that have yet to be established as technically feasible and commercially viable.

7. PROPERTY, PLANT AND EQUIPMENT

($000)	Developed and Producing Assets	Corporate Assets	Total
Cost			
Balance, December 31, 2023	163,929	341	164,270
Additions	3,292	6	3,298
Share-based compensation (Note 10)	52	-	52
Decommissioning cost additions and change in estimates (Note 9)	596	-	596
Foreign exchange	19	-	19
Balance, March 31, 2024	**167,888**	**347**	**168,235**
Depletion, depreciation, amortization and impairment			
Balance, December 31, 2023	(48,272)	(205)	(48,477)
Depletion and depreciation	(5,444)	(10)	(5,454)
Foreign exchange	13	-	13
Balance, March 31, 2024	**(53,703)**	**(215)**	**(53,918)**
Carrying amounts ($000)			
As at December 31, 2023	115,657	136	115,793
Canada	73,503	136	73,639
Netherlands	42,154	-	42,154
As at March 31, 2024	**114,185**	**132**	**114,317**
Canada	**71,516**	**132**	**71,648**
Netherlands	**42,669**	**-**	**42,669**

Estimated future development costs of $119.9 million associated with the development of the Company's proved and probable oil and gas reserves were added to the Company's net book value in the depletion and depreciation calculations.

At March 31, 2024 the Company had not identified any indicators of impairment.

8. INVESTMENT IN ASSOCIATE

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

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

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

($000)	Total
Balance, December 31, 2023	21,366
Income from associate	888
Foreign exchange	41
Balance, March 31, 2024	**22,295**

Summarized financial information in respect of NGT includes:

($million)	March 31, 2024	December 31, 2023
Total assets	**189**	184
Net liabilities	**(134)**	(132)
Net assets	**55**	52
Tenaz's share of net assets	**12**	11

($million)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Total revenue	**16**	20
Net income	**5**	8
Tenaz's share of net income	**1**	1

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

9. DECOMMISSIONING LIABILITY

A reconciliation of the decommissioning liability is provided below:

($000)	
Balance, December 31, 2023	45,289
Changes in abandonment timing and costs	(100)
Settled	(2,597)
Accretion	1,316
Changes in discount rates	697
Foreign exchange	22
Balance, March 31, 2024	**44,627**
Canada	**2,274**
Netherlands	**42,353**

Tenaz calculated the present value of the decommissioning liability using a credit-adjusted risk-free rate, calculated using a credit spread of 8.75% as at March 31, 2024 (December 31, 2023 – 9.2%) added to risk-free rates based on long-term, risk-free government bonds. Tenaz's credit spread is determined using the Company's expected cost of borrowing at the end of the reporting period.

Tenaz has estimated the decommissioning liability based on current cost estimates of $114.1 million (December 31, 2023 - $114.2 million). Current cost estimates are inflated to the estimated time of abandonment using inflated cost estimates of $143.0 million (December 31, 2023 - $142.9 million).

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

	March 31, 2024	December 31, 2023
Risk-free rates		
Canada	**3.5%**	3.0%
Netherlands	**2.6%**	2.3%
Inflation rates		
Canada	**1.9%**	1.6%
Netherlands	**2.0%**	2.0%

10. SHARE CAPITAL

Authorized

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

Issued and outstanding

	Number of Common Shares (000's)	**Amount ($000)**
Balance, December 31, 2023	26,793	60,875
PSU's Vested	95	234
Normal course issuer bid	(185)	(420)
Balance, March 31, 2024	**26,703**	**60,689**

Normal Course Issuer Bid ("NCIB")

On August 21, 2023, the Toronto Stock Exchange approved the Company to commence a further NCIB. The NCIB allows Tenaz to purchase up to 2.5 million Common Shares (approximately 9.1% of the outstanding Common Shares) over a twelve-month period beginning August 23, 2023 with a daily maximum purchase of 18,926 Common Shares.

The Company has entered into an automatic share purchase plan ("ASPP") with National Bank Financial which allows for continued and consistent purchases of Common Shares at pre-determined levels. The ASPP allows for the purchase of Common Shares at times when Tenaz would not be active in the market due to applicable regulatory restrictions or internal trading black-out periods.

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

	Three months ended March 31 2024	Year ended December 31 2023
Share repurchase activities (000's of Common Shares)		
Shares repurchased	**(185)**	(1,300)
Amounts charged to ($000):		
Share capital	**(420)**	(2,956)
Retained earnings	**(259)**	(910)
Share repurchase cost	**(679)**	(3,866)
Average cost per share ($)	**3.67**	2.97

Long-term Incentive Plans

Stock Option Plan

The Company has a Stock Option Plan for Directors, employees and service providers. Under the plan, stock options were granted to purchase Common Shares of Tenaz and the maximum term of stock options granted was five years. The Board of Directors determined the vesting schedule at the time of grant. Unless otherwise determined by the Board of Directors at the time of grant, stock options vest as to one-third on each of the first, second and third anniversary dates of the date of grant.

On May 31, 2022, the Tenaz Incentive Plan, as described below, replaced the Company's existing Stock Option Plan and no further stock options ("Options") may be granted under the Stock Option Plan. Outstanding Options granted under the Stock Option Plan will continue to be governed by the Stock Option Plan.

A summary of the Company's outstanding stock options at March 31, 2024 is presented below:

	Number of Stock Options (000's)	**Weighted Average Exercise Price ($)**	**Remaining contractual life (years)**
Balance, December 31, 2023	1,525	2.70	2.89
Balance, March 31, 2024	**1,525**	**2.70**	**2.65**

Tenaz Incentive Plan

The Company issues share-based long-term incentives pursuant to the Tenaz Incentive Plan (the "TIP") implemented in 2022. The TIP is administered by the Board of Directors or a committee of the Board. Directors, officers, employees and independent contractors of the Company and/or its affiliates (collectively, "Service Providers") are eligible to receive awards under the TIP. The purpose of the TIP is to: (i) promote the interest of Service Providers in the growth and development of the Company by providing such persons with the opportunity to acquire a proprietary interest in the Company; (ii) attract and retain valuable Service Providers to the Company through a competitive compensation program; and (iii) align the interests of Service Providers with those of Shareholders by devising a compensation program which encourages the long-term growth of the Company and returns to shareholders.

The types of awards available under the TIP include options, restricted share units ("RSUs"), performance share units ("PSUs"), deferred share units ("DSUs") and dividend-equivalent rights (collectively, "Awards"). Under the TIP, the maximum number of Common Shares issuable from treasury pursuant to Awards shall not exceed 10% of the total outstanding Common Shares from time to time (on a non-diluted basis) less the number of Common Shares issuable pursuant to all other security-based compensation arrangements of the Company (being the Stock Option Plan).

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

	Number of TIP Awards			
(000's)	**PSUs**	**RSUs**	**DSUs**	**Total**
Balance, December 31, 2023	1,008	65	43	1,116
Granted	94	6	6	106
Vested	(59)	-	-	(59)
Forfeited	(55)	-	-	(55)
Balance, March 31, 2024	**988**	**71**	**49**	**1,108**

The PSUs are subject to a performance factor on the annual vesting date which can be in the range of 0 to 2. This performance factor will be multiplied by the number of PSUs each employee holds at the time of vesting. The performance factor is determined by the Board of Directors based on the Company's performance during the vesting period.

At March 31, 2024, there were $0.2 million Common Shares available for issuance under the TIP.

Share-based Compensation

	Three months ended March 31	
($000)	**2024**	2023
Share-based compensation:		
Options	**73**	158
PSUs	**538**	49
Total share-based compensation	**611**	207
Capitalized share-based compensation (Note 6)	**(52)**	(16)
Share-based compensation expense	**559**	191

Weighted average Common Shares

	Three months ended March 31	
	2024	2023
Net income (loss) ($000)	**(557)**	2,882
Weighted average Common Shares (000)		
Basic	**26,779**	27,917
Diluted	**26,779**	28,545
Net income (loss) per share		
Basic	**(0.02)**	0.10
Diluted	**(0.02)**	0.10

Per share information is calculated on the basis of the weighted average number of Common Shares outstanding during the period.

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

For the three months ended March 31, 2024, no outstanding stock options and no outstanding PSUs were excluded from the weighted average number of Common Shares as they were anti-dilutive (2023 – 1,525,000 stock options were excluded).

11. FINANCIAL INSTRUMENTS

At March 31, 2024, Tenaz's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, derivative instruments, accounts payable and accrued liabilities and lease liabilities.

Risks associated with financial assets and liabilities

Tenaz is exposed to credit risk, liquidity risk and market risk as part of its normal course of business.

Credit Risk

The majority of the credit exposure on accounts receivable at March 31, 2024, pertain to revenue for accrued March 2024 crude oil and natural gas production volumes and receivables from joint interest partners. Tenaz primarily transacts with four Canadian and three Dutch oil and natural gas purchasers. The Canadian and Dutch customers typically remit amounts to Tenaz by the 25th day of the month following delivery. As at March 31, 2024, receivables for revenue were $5.9 million, which are included in accounts receivable (December 31, 2023 - $6.8 million). At March 31, 2024, Tenaz had a $0.8 million net joint venture receivable that was settled in full subsequent to period end. For the three months ended March 31, 2024, the Company received approximately 84% of its revenue from 7 purchasers (March 31, 2023 – 95% of its revenue from 7 purchasers).

As at March 31, 2024 and December 31, 2023, the Company's trade receivables have been aged as follows:

As at ($000)	**March 31** **2024**	December 31 2023
Current	**5,863**	6,835
31 – 60 days	**254**	198
61 – 90 days	**64**	820
> 90 days	**99**	149
Allowance for doubtful accounts	**-**	-
Total	**6,280**	8,002

When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount.

Liquidity Risk

Liquidity risk is the risk that Tenaz will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through its capital management (Note 12) and an actively managed operating and capital expenditure budgeting process.

Accounts payable and accrued liabilities are due in less than one year and amounts outstanding on the Credit Facilities, if any, are due on demand. At March 31, 2024, Tenaz had a current tax liability of $24.9 million related to the Netherlands operations, which is net of instalments paid to the Dutch Tax Authority.

As at March 31, 2024, the Company was holding $39.7 million in cash and cash equivalents, $41.2 million in restricted cash (€28.2 million) and had $10 million available on undrawn Credit Facilities.

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

At March 31, 2024, Tenaz's credit facility with ATB Financial consists of a revolving operating demand loan (the "Operating Loan") in the principal amount of up to $10.15 million (December 31, 2023 - $10.15 million) accruing interest at a rate of prime + 3.5% per annum and subject to redetermination at least annually with the next redetermination date expected to be held on or before May 30, 2024.

The Operating Loan is revolving, payable on demand and contains customary material adverse change clauses. The borrowing base of the Operating Loan is based on the Lenders' interpretation of Tenaz's estimated proved and probable oil and natural gas reserves and forecasted commodity prices. As a result, there can be no assurance as to the amount of available limit that will be determined at each scheduled review. The Operating Loan can be drawn in whole multiples of a minimum of $0.01 million, and letters of credit and/or letters of guarantee can be issued not exceeding an aggregate of $0.75 million.

Fees for Letters of Credit issued under the Operating Loan are 3.5% and standby fees on the unused portion of the authorized amount of the Operating Loan are 0.875%.

The Credit Facilities are secured by a general security agreement providing a security interest over all present and after acquired property, a floating charge on all lands, and a $30.0 million debenture with a first floating charge over all assets of the Company.

Tenaz is subject to certain reporting and financial covenants including:

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

At March 31, 2024, Company was in compliance with all debt covenants. The working capital ratio as defined was 2.38:1 and the Company was compliant with the LMR covenant (9.48 at March 31, 2024).

Market Risk

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

Commodity Price Risk

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

Foreign currency risk

The following is a summary of the FX derivative instruments in place as at March 31, 2024:

Foreign Currency Swaps

Period	**Type of Contract**	**Notional Amount**	**Notional Amount**	**Average Rate**	**Fair Value at March 31 2024** ($000)
Foreign Currency Swaps					
April 2024	Swap	EUR 29,000,000	CAD 42,690,900	1.4721	**(323)**
Derivative instrument liability					**(323)**

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's revolving bank debt is exposed to interest rate risk on floating interest rate indebtedness due to fluctuations in market interest rates.

At March 31, 2024, Tenaz had not drawn on its interest-bearing credit facilities and had no outstanding risk management contracts that would be affected by changes in market interest rates.

Derivative instruments

At March 31, 2024, Tenaz held net derivative instrument liabilities with a carrying and fair value of $0.3 million relating solely to foreign exchange swaps (December 31, 2023 - $0.8 million).

12. CAPITAL MANAGEMENT

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

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

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

Management views adjusted working capital (net debt) as a key industry benchmark and measure to assess the Company's financial position and liquidity (Note 11). Adjusted working capital (net debt) is calculated as current assets less current liabilities, excluding the fair value of derivative instruments.

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

($000)	**March 31 2024**	December 31 2023
Current assets	**91,455**	92,488
Current liabilities	**(43,038)**	(43,988)
Net current assets	**48,417**	48,500
Fair value of derivative instruments	**323**	838
Adjusted working capital	**48,740**	49,338

13. COMMITMENTS AND CONTINGENCIES

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

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

14. SUBSEQUENT EVENTS

TIP Awards

In April 2024, pursuant to vesting of awards (PSUs and RSUs) under the Tenaz Incentive Plan, the Company issued 588,910 shares to officers, employees and contractors of Tenaz.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Marty Proctor
Chair

Anna Alderson
Independent Director

John Chambers
Independent Director

Mark Rollins
Independent Director

Varinia Radu
Independent Director

Anthony Marino
President and Chief Executive Officer and Director

OFFICERS

Anthony Marino
President and Chief Executive Officer and Director

Bradley Bennett
Chief Financial Officer

Michael Kaluza
Chief Operating Officer

David Burghardt
Senior Vice President, Engineering

Jonathan Balkwill
Vice President, Business Development

Jennifer Russel-Houston
Vice President, Geoscience

Brian Giang
Vice President, Finance

LEGAL COUNSEL

Lawson Lundell LLP
Calgary, Alberta

Torys LLP
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

BANKERS

ATB Financial
Calgary, Alberta

EVALUATION ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Odyssey Trust Company
Calgary, Alberta

STOCK TRADING

Toronto Stock Exchange (“TSX”)
Trading Symbol: **TNZ**

TENAZ ENERGY