Industry Rating: Market Weight
(NBF Economics & Strategy Group)

Tenaz Energy Corp.

"One Time For Your Mind" — Initiating Coverage on Tenaz

TNZ (TSX)	STOCK RATING	TARGET	DIVIDEND YIELD	MARKET CAP. (Mln)	EST. TOTAL RETURN
C$13.68	Outperform	C$23.00	0.0%	C$388.9	68.1%

Highlights

We are initiating coverage of Tenaz Energy Corp. with an Outperform rating and $23 target price based on a 2026E EV/DACF target price multiple of 3.0x, which compares to peer average multiples of 2.9x.

The oil and gas sector has evolved into a sustainable capital allocation model, flanked by lower leverage and businesses focused on returning meaningful free cash flow to shareholders. As a result of this paradigm shift, companies which have operated more sustainably and efficiently while delivering at least moderate growth, have outperformed peers over the past couple of years (see our 2025 Outlook for more thoughts on relative outperformance). As investors weigh risk and opportunity across the sector in what we view as a mid-cycle commodity price environment, organic growth opportunities have been limited and play specific (think the Permian or Clearwater), offsetting natural declines and leaving corporate growth in the low single digits. This dynamic opened the door for transformative acquisitions where companies are looking to consolidate and capture quality inventory, while working in parallel to gain operating efficiencies to improve margins and enhance returns.

Amidst the evolving landscape of the energy sector, Tenaz Energy stands out strategically as the company focuses on acquiring high-quality, producing international assets, often underfunded out of a supermajor portfolio to unlock free cash flow generation in the early stages by optimizing operations with marginal capital investment. In Canada, Tenaz operates out of the Leduc Woodbend area of Central Alberta, producing out of the Mannville Group. Internationally, Tenaz holds offshore natural gas and midstream assets in the Dutch North Sea (DNS), which offers substantial opportunities for additional expansion.

We believe Tenaz's strategy of targeting undercapitalized, non-core assets where FCF is readily available is a unique opportunity given the wide range of global operating regions the company will evaluate. Under the leadership of CEO Anthony Marino, the technical team of internationally experienced professionals provides Tenaz the opportunity to enhance shareholder returns through opportunistic acquisitions and continuous improvement around operating efficiencies. The company aims to expand its portfolio by focusing on strategic regions such as Europe, South America, the Middle East & North Africa, and further consolidating assets around these cornerstone acquisitions to improve efficiency. Ideally, we would prefer continued consolidation out of its core European region where the company brings experience and relationships, further supported by healthy natural gas fundamentals to support prices relative to the North American market.

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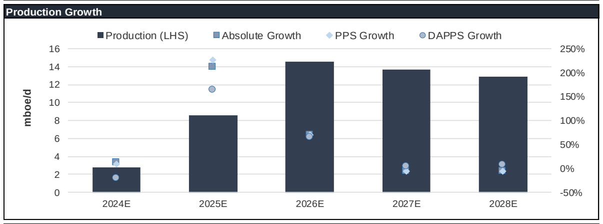
All dollar amounts in CDN$ unless otherwise noted. All pricing as at February 5, 2025.
All NBF research mentioned in this document is available at https://nbf-library.bluematrix.com

FINANCIAL & OPERATING SUMMARY

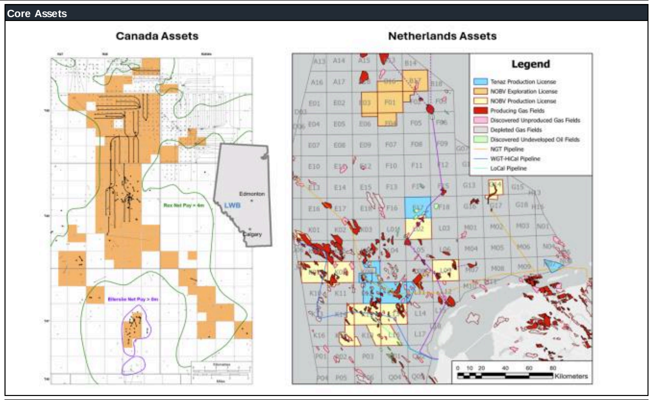
Stock Rating	**OP**	**Current Share Price**	**$13.68**
Target Price	**$23.00**	**52 Wk. High / Low**	**$15.43 / $3.40**
Yield	**0.0%**	**Market Cap ($mln)**	**$389**
Total Return	**68%**	**Enterprise Value ($mln)**	**$458**

Production Mix		2023A	2024E	2025E	2026E	2027E	2028E
Oil & NGLs	bbl/d	981	1,031	1,101	1,270	1,380	1,463
Heavy	bbl/d	0	0	0	0	0	0
Natural Gas	mmcf/d	8.7	10.3	44.8	79.7	74.0	68.7
Total BOE/d (6:1)	**boe/d**	**2,439**	**2,749**	**8,570**	**14,552**	**13,711**	**12,918**
% Natural Gas	*%*	*60%*	*63%*	*87%*	*91%*	*90%*	*89%*
PPS		83.82	92.20	301.42	511.85	482.25	454.36
DAPPS		131.93	105.81	279.01	463.11	481.14	518.36
Growth							
Absolute	%		13%	212%	70%	-6%	-6%
PPS	%		10%	227%	70%	-6%	-6%
DAPPS	%		-20%	164%	66%	4%	8%

Production Growth

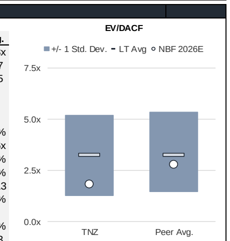


Core Assets



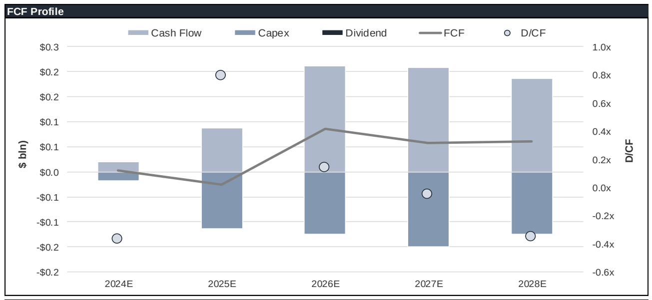
Netbacks		2023A	2024E	2025E	2026E	2027E	2028E
Revenue	**$/boe**	**$76.80**	**$70.03**	**$91.09**	**$85.86**	**$85.38**	**$84.95**
Royalties		-$5.46	-$5.15	-$1.21	-$0.84	-$0.94	-$1.05
Hedging		$1.19	-$1.05	-$5.99	-$2.18	$0.00	$0.00
Op. Costs		-$25.23	-$31.21	-$45.37	-$35.99	-$35.59	-$35.70
Transportation		-$3.56	-$2.60	-$0.89	-$0.65	-$0.70	-$0.75
Operating Netback	**$/boe**	**$43.74**	**$30.02**	**$37.62**	**$46.20**	**$48.14**	**$47.45**
G&A		-$8.30	-$10.15	-$3.23	-$2.00	-$2.00	-$2.00
Interest		$1.13	-$0.39	-$4.77	-$2.88	-$2.90	-$2.86
Tax		-$0.38	$3.24	-$0.44	-$1.57	-$1.65	-$3.23
Other		-$18.84	-$10.41	-$1.79	-$1.05	-$1.12	-$1.18
Cash Flow Netback	**$/boe**	**$17.36**	**$12.31**	**$27.39**	**$38.70**	**$40.47**	**$38.18**
Cash Costs (Ex. Hedging)	$/boe	-$55.17	-$51.52	-$56.50	-$44.14	-$43.96	-$45.72
CF Margin (Ex. Hedging)	%	22%	19%	37%	48%	47%	45%

Comparative Metrics	2025E		2026E	
	TNZ	**Peer Avg.**	**TNZ**	**Peer Avg.**
EVDACF	4.5x	3.5x	1.8x	2.8x
EV/BOE/d	$53,442	$27,028	$28,704	$23,437
EV/2P	$1.07	$5.83	$0.98	$5.55
NAV				
P / NAV				
Dividend Yield	0%	2%	0%	2%
D/CF	0.8x	0.8x	0.1x	0.6x
Total Net Payout	129%	81%	59%	73%
PPS Growth	227%	21%	70%	9%
Cash Costs	-$57.71	-$17.11	-$44.98	-$18.13
Cash Flow Margin	37%	55%	48%	56%
Decline Rate	33%	24%	27%	24%
Capital Efficiency	n/a	$12,600	n/a	$14,343



Financial Summary		2023A	2024E	2025E	2026E	2027E	2028E
Revenue	**$mln**	**$68**	**$70**	**$285**	**$456**	**$427**	**$401**
Cash Flow	**$mln**	**$29**	**$20**	**$87**	**$211**	**$208**	**$186**
CFPS (diluted)		**$0.98**	**$0.66**	**$3.07**	**$7.43**	**$7.32**	**$6.55**
DPS (basic)		**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**
Capital Expenditures	**$mln**	**-$25**	**-$17**	**-$113**	**-$125**	**-$150**	**-$125**
Acquisitions / (Dispositions)		$37	-$37	-$45	-$40	-$13	$0
Total		**$12**	**-$54**	**-$158**	**-$165**	**-$163**	**-$125**
Dividends	**$mln**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
DRIP	**$mln**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
FREE CASH FLOW	**$mln**	**$4**	**$3**	**-$26**	**$86**	**$58**	**$61**
DRIP Participation	*%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Dividend Payout		0%	0%	0%	0%	0%	0%
Capex Payout		86%	87%	129%	59%	72%	67%
Total Payout		86%	87%	129%	59%	72%	67%
Total Net Payout		86%	87%	129%	59%	72%	67%
Net Debt	**$mln**	**-$49**	**-$7**	**$69**	**$29**	**-$11**	**-$66**
D/CF		-1.7x	-0.4x	0.8x	0.1x	-0.1x	-0.4x
Credit Facility	**$mln**	**$10**	**$20**	**$20**	**$20**	**$20**	**$20**
% Drawn		0%	0%	0%	0%	0%	0%

FCF Profile



Quarterly CFPS (diluted)	2023A	2024E	2025E	2026E	2027E	2028E
Q1	$0.25	$0.24	$0.06	$1.92	$1.87	$1.69
Q2	$0.12	$0.19	$0.09	$1.86	$1.84	$1.64
Q3	$0.16	$0.11	$1.46	$1.84	$1.82	$1.62
Q4	$0.45	$0.12	$1.46	$1.81	$1.79	$1.60
Annual	$0.98	$0.66	$3.07	$7.43	$7.32	$6.55

Quarterly Production (boe/d)	2023A	2024E	2025E	2026E	2027E	2028E
Q1	2,337	2,887	3,070	15,118	14,260	13,447
Q2	1,903	2,517	2,973	14,689	13,841	13,041
Q3	2,372	2,535	14,066	14,276	13,440	12,652
Q4	3,135	3,059	13,990	14,140	13,316	12,539
Annual	2,439	2,749	8,570	14,552	13,711	12,918

Commodity Price Assumptions	2023A	2024E	2025E	2026E	2027E	2028E
WTI Crude oil (US$/bbl)	$77.66	$75.83	$70.00	$70.00	$70.00	$70.00
Canadian Par (C$/bbl)	$100.23	$98.10	$95.75	$94.50	$93.75	$93.75
NBP (C$/mcf)	$17.04	$14.90	$18.00	$16.00	$16.00	$16.00
NYMEX gas (US$/mcf)	$2.67	$2.41	$3.25	$3.50	$3.50	$3.50
AECO Basis (US$/mcf)	$0.70	$1.40	$1.36	$1.02	$1.00	$1.00
AECO gas (C$/mcf)	$2.64	$1.39	$2.70	$3.50	$3.50	$3.50
Exchange Rate (US$/C$)	$0.74	$0.73	$0.70	$0.71	$0.71	$0.71

Reserves	2021		2022		2023	
Volume	%	mmboe	%	mmboe	%	mmboe
PDP	n/a	**n/a**	22%	**3**	1%	**4**
Proved	n/a	**n/a**	64%	**9**	70%	**298**
2P	n/a	**n/a**	100%	**14**	100%	**428**
Growth						
PDP				nmf		22%
Proved				nmf		3298%
2P				0%		0%
RPS (2P)				0%		0%
DARPS (2P)				0%		0%
Replacement Costs						
FD&A Ex. FDC (PDP)				$9.80		($12.28)
FD&A Ex. FDC (Proven)				$11.40		$17.41
FD&A Ex. FDC (P+P)				$9.52		$14.39
Recycle Ratio Ex. FDC (PDP)				1.9x		-1.4x
Recycle Ratio Ex. FDC (Proven)				---		---
Recycle Ratio Ex. FDC (P+P)				---		---

Source: Company Reports, Bloomberg, NBF Estimates

EXECUTIVE SUMMARY & INVESTMENT THESIS

Tenaz Energy Corp. (TSX: TNZ)

We are initiating coverage of Tenaz Energy Corp. with an Outperform rating and $23 target price.

The oil and gas sector has evolved into a sustainable capital allocation model, flanked by lower leverage and we have witnessed investors reward businesses focused on returning meaningful free cash flow to shareholders. As a result of this paradigm shift, companies that have operated more sustainably and efficiently while delivering at least moderate growth, have outperformed peers over the past couple of years (see our 2025 Outlook for more thoughts on relative outperformance). As investors weigh risk and opportunity across the sector in what we view as a mid-cycle commodity price environment, organic growth opportunities have been limited and play specific (think the Permian or Clearwater), offsetting natural declines and leaving corporate growth in the low single digits. This dynamic has opened the door for transformative acquisitions where companies are looking to consolidate and capture quality inventory, while working in parallel to gain operating efficiencies to improve margins and enhance returns.

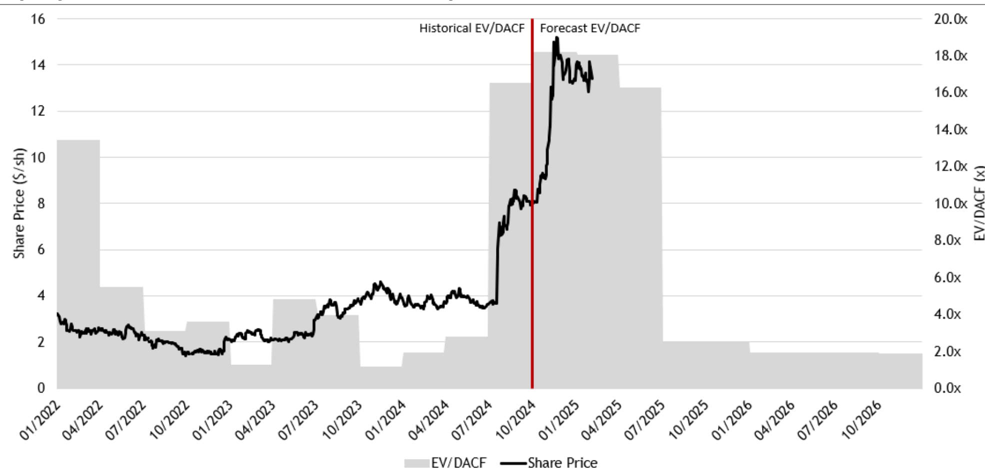
Amidst the evolving landscape of the energy sector, Tenaz Energy stands out strategically as the company focuses on acquiring high-quality, already-producing international assets, often underfunded out of a supermajor portfolio, and unlocking free cash flow generation in the early stages by optimizing operations with marginal capital investment. In Canada, the company operates out of the Leduc Woodbend area of Central Alberta, producing out of the Mannville Group. Internationally, Tenaz holds offshore natural gas and midstream assets in the Dutch North Sea. Additionally, Tenaz has recently entered into an agreement, effective January 1, 2024, and expected to close by mid-2025, to acquire a portfolio of production and exploration licences in the Dutch North Sea, along with ownership interests in two pipeline systems (more details within).

We believe Tenaz's strategy of targeting undercapitalized, non-core assets where FCF is readily available is a unique opportunity given the wide range of global operating regions the company will evaluate. Under the leadership of CEO Anthony Marino, the technical team of internationally experienced professionals provides Tenaz the opportunity to enhance shareholder returns through opportunistic acquisitions and continuous improvement around operating efficiencies. The company aims to expand its portfolio by focusing on strategic regions such as Europe, South America, the Middle East & North Africa, and further consolidating assets around these cornerstone acquisitions to improve efficiency. Ideally, we would prefer continued consolidation out of its core European region where the company brings experience and relationships, further supported by healthy natural gas fundamentals to support prices relative to the North American market.

Tenaz has leveraged its in-house expertise to identify global opportunities, recently adding to its portfolio with the purchase of offshore North Dutch Sea (NDS) assets (expected to close mid-year). Pro forma, we forecast annualized production of ~14 mboe/d, backed by 68 mmboe of 2P reserves, ~4.0x and ~3.7x increase year-over-year, materially enhancing the company's exposure to the European gas market. Impressively, the market capitalization of the company has exploded by more than 3.5x since this deal was announced and we don't expect the company to slow down on capturing opportunities. Management has demonstrated the ability to build and nurture stakeholder relationships (while thinking outside the box in terms of deal mechanics), which we view as a valuable tool to identify and secure future transactions. In our view, this should aid in Tenaz's ability to expand into a mid-cap E&P with soft plans to be at 50-100 mboe/d within the next five years (implying 94% CAGR).

Currently, the stock trades at a 4.5x 2025E EV/DACF multiple, compressing to 1.8x next year, implying significant room for multiple expansion as the team continues to build out and validate its strategy. As we consider the value compression into 2026, we would earmark the stock price as potentially undervalued relative to future transactional opportunities. We do believe the company is likely to leverage its current cost of capital advantage to capture additional assets to extend and expand on other global development opportunities. In our view, Tenaz is the only company in our coverage that provides an opportunity for investors to gain global energy exposure out of an ambitious, nimble, entrepreneurial team who is looking to continue to add value to shareholders through both organic and transactional opportunities. We believe European natural gas prices will remain relatively attractive over our forecast period given the need for friendshoring, energy security and demand growth in the wake of complicated geopolitical tensions. This should help provide some form of revenue clarity (as much as we can expect from the volatile commodity sector) surrounding the sustainability of the return profile as production ramps. We are initiating coverage of Tenaz Energy with an Outperform rating and $23 target price based on a 2026E EV/DACF target price multiple of 3.0x, which compares to peer average multiples of 2.9x.

Exhibit 1: Company Stock Performance & Valuation Multiple



Source: NBF, Company reports, LSEG

COMPANY HISTORY

Tenaz Energy emerged from the recapitalization of former Altura Energy in the second half of 2021. The new name and brand, supported by a refreshed management and board, were built on the legacy oil-weighted semi-conventional assets in Central Alberta, which produced approximately 1,100 boe/d at the time and around 1,500 boe/d in Q3/24 (more details within). Under the leadership of CEO Anthony Marino and a team of seasoned executives and industry professionals, Tenaz has articulated a distinct strategy focused on balancing growth and income. This approach involves acquiring high-quality, producing semi-conventional assets with an opportunity to optimize operations from both a cost and volume perspective. The team, which is now largely comprised of ex-Vermilion employees, brings a proven track record in similar ventures. The company aims to expand its portfolio by focusing on strategic regions such as Europe, South America, the Middle East & North Africa, and further consolidating assets to improve efficiency.

Exhibit 2: Company Stock Performance & History Timeline

Source: NBF, LSEG, Company reports

Tenaz Team 101

Below we highlight the strength and experience around the management team, which is tightly aligned with shareholder interest, owning approximately 10% and 21% of basic and fully diluted shares, respectively.

Exhibit 3: TNZ Board & Management

Leadership Team	Position	Background
Anthony Marino	President, CEO	• Extensive previous leadership experience including former President and CEO of Vermilion Energy, Baytex Energy and Dominion Exploration Canada • Previous management and technical experience includes AEC, Santa Fe Snyder, Plains and Atlantic Richfield
Jenson Tan	COO	• Former VP of Business Development at Vermilion Energy • Previous technical experiense in reservoir engineering and asset management (ConocoPhillips)
Bradley Bennett	CFO	• Former Treasurer and Manager, Financial Reporting of Vermilion Energy • Graduate from the University of Northern British Columbia and a Chartered Accountant (Alberta)
David Burghardt	SVP Engineering	• Joined Tenaz from Altura Energy (Former President and CEO) • Extensive earlier leadership experience including MD of Vermilion Energy's French Business Unit, Founder, President & CEO of Kerogen Petroleum, MD of International Engineering at Equatorial Energy (Indonesia) and Founder and VP of Engineering for Bison Resources
Jennifer Russel-Houston	VP Geoscience	• Former leardership experience as VP Geoscience and Land at Osum Oil Sands • Previous experience leading technical teams at Osum Oil Sands and Shell
Jonathan Balkwill	VP Business Development	• Former Asset Team Lead and Senior Business Development Engineer at Vermilion Energy • Previous technical experience includes M&A Engineer (Husky Energy), Engineering Team Lead (Santos Australia) and Exploration Engineer (Devon Energy)
Jamie Gagner	VP & General Counsel	• Former partner of Norton Rose Fulbright and Lawson Lundell • Extensive previous experience in public markets securities, corporate governance and M&A on domestic and international projects
Board of Directors	**Position**	**Background**
Anthony Marino	President, CEO	• See above
Marty Proctor	Director	• Former President and CEO of Seven Generations Energy and COO of Baytex Energy • Currently Director of ARC Resources, GreenFirst Forecast Products, Athabasca Oil Corp. and Kathairos Solutions
Anna Alderson	Director	• Former Audit Partner at KPMG specializing in energy and financial services • Currently Director of PrarieSky Royalty
John Chambers	Director	• Originally part of Altura Energy Board Member • Former Vice Chairman and President of GMP FirstEnergy
Varinia Radu	Director	• Partner and Deputy Head of Energy and Climate Change in CEE region for the international law firm CMS • Founder and proprietor of Energynomics, an energy sector publication in Central and Eastern Europe
Mark Rollins	Director	• Former CEO and Chairman of Ukranafta, SVP of BG Group, CEO and Director of Avante Petroleum, and MD of NUON • Non-Executive Chairman and Director of Beacon Energy PLC

Source: NBF, Company reports

OPERATIONAL AND FINANCIAL SNAPSHOT

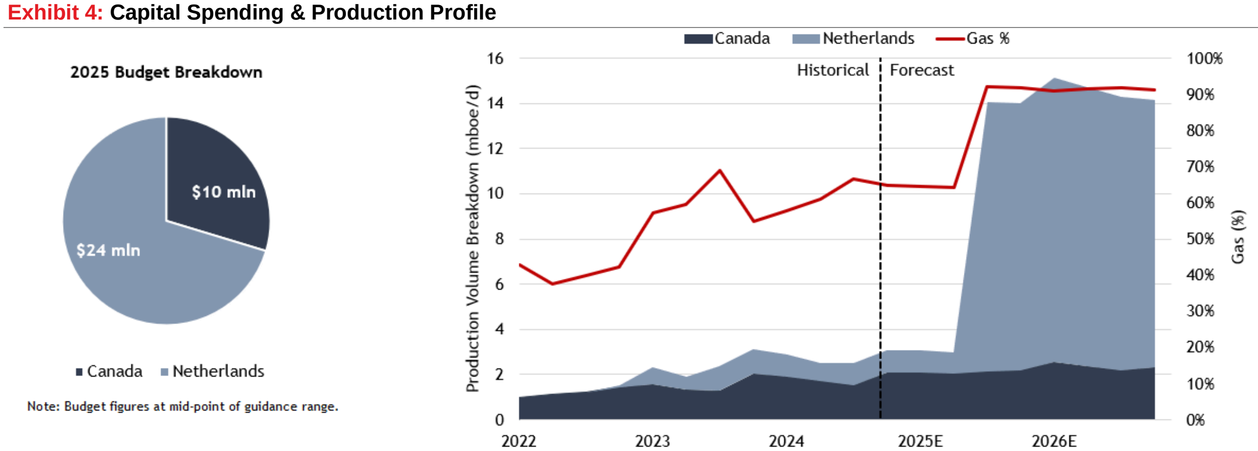
Capital Spending & Production Profile

Tenaz plans to opportunistically grow to 50-100 mboe/d over the next several years. Today, production of approximately 2.5 mboe/d is expected to average 2.9-3.1 mboe/d this year (~10% growth Y/Y), prior to the close of the NAM Offshore B.V. (NOBV) acquisition, where we forecast a pro forma average of 8.5 mboe/d for 2025 (Q4E 14.0 mboe/d). The organic growth out of Canada, coupled with the rapidly expanded European portfolio positions the company for a busy year of integration and value capture. Although the Canadian portfolio provides unique opportunity given the well based economics, the offshore Netherlands exposure sets the stage for longer-term value potential, in our opinion.

The Canadian portfolio will consume around $10 million in capital expenditures to support development at Leduc-Woodbend where the company plans to drill three (2.3 net) wells into the Glauconitic and Ellerslie formations. There is the potential to expand this program, supported by robust economics out of the region.

Of the estimated $30-34 million in capital spending for 2025, the majority will be allocated to support the NDS efforts, notably for the L10 extended reach well which is expected to be drilled and brought on stream later in the year, or early next. Impressively, the well is expected to add 25 MMcf/d of gross volumes (21.43% net) at a cost to Tenaz of approximately $14 million. As highlighted below, our production and capital forecast captures our assumptions around the NOBV acquisition through 2025E but does not assume any other opportunistic activity. However, given this is a significant value driver and key to the thesis, we have provided a scenario-based exhibit to attempt to capture that potential (see *Exhibit 11* within the value discussion).

Exhibit 4: Capital Spending & Production Profile



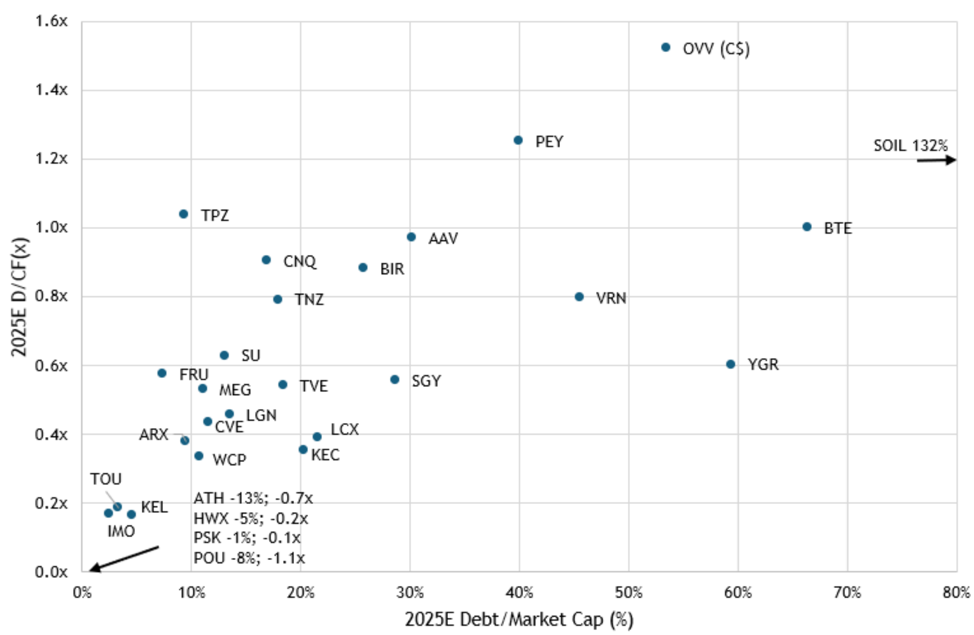
Source: NBF, Company reports

Financial Position & Liquidity

Tenaz recently closed on the private placement of $140 million 12% unsecured notes due 2029, helping to support the NOBV transaction. In addition, the company has additional liquidity available through its revolving credit facility, with a capacity of $20 million. Appreciating the nuances of the NOBV deal structure, we expect some volatility around FCF generation but appreciate the company has potential to generate ample FCF to further strengthen the liquidity position. However, the liquidity position of Tenaz remains heathy and should provide ample flexibility to continue evaluating market opportunities to support the strategic ambitions of reaching 50-100 mboe/d.

Based on our current assumptions, leverage remains well below 1.0x on a debt/CF basis, with our net debt estimate reflecting approximately 20% on a debt/cap basis (a metric we continue to emphasize across the sector). Admittedly, we see more instances where liquidity could perform better than our forecast given our FCF outlook through 2027 remains limited as we assume the company looks to optimize contingencies.

Exhibit 5: 2025E D/CF vs. 2025E Debt/Market Cap Scatterplot

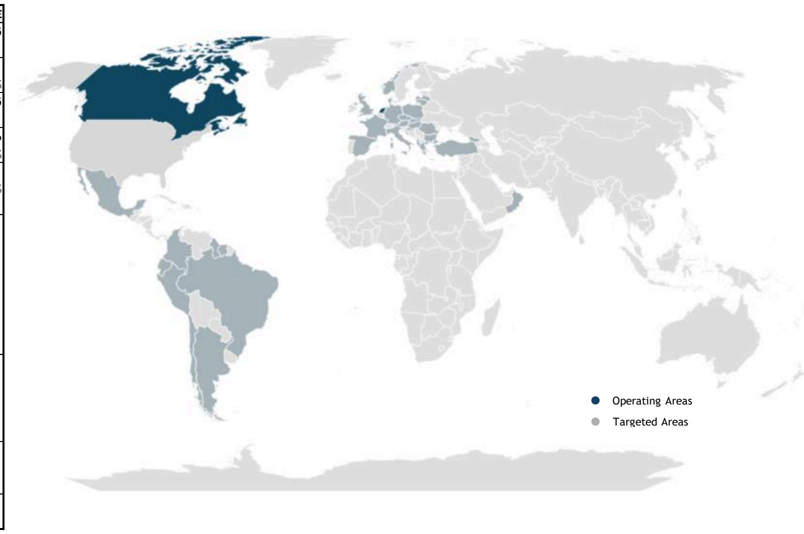


Source: NBF, Company reports, LSEG

ASSET OVERVIEW

Exhibit 6: Tenaz Pro Forma Asset Overview

Production Volumes		2023A	2024E	2025E	2026E
Liquids	*(bbl/d)*	970	1,046	1184	1255
Gas	*(mmcf/d)*	4	5	6	6
Canada	*(boe/d)*	1,547	1,815	2,123	2,251
% Natural Gas	*(%)*	37%	42%	44%	44%
Liquids	*(bbl/d)*	11	6	5	5
Gas	*(mmcf/d)*	5.3	5.6	38.7	75.01
Netherlands	*(boe/d)*	892	935	6,448	12,506
% Natural Gas	*(%)*	99%	99%	100%	100%
Total Production	***(boe/d)***	2,439	2,750	8,571	14,757
% Natural Gas	*(%)*	60%	62%	86%	91%
Reserves					
Canada					
PDP Reserves	*mmboe*	2.6	n/a	n/a	n/a
1P Reserves	*mmboe*	8.1	n/a	n/a	n/a
2P Reserves	*mmboe*	13.0	n/a	n/a	n/a
Netherlands					
PDP Reserves	*mmboe*	1.0	n/a	n/a	n/a
1P Reserves	*mmboe*	1.1	n/a	n/a	n/a
2P Reserves	*mmboe*	1.6	n/a	n/a	n/a
Total Reserves					
PDP Reserves	*mmboe*	3.7	n/a	n/a	n/a
1P Reserves	*mmboe*	9.3	n/a	n/a	n/a
2P Reserves	*mmboe*	14.6	n/a	n/a	n/a
Inventory					
Canada					
Booked Locations	*wells*	40	n/a	n/a	n/a
Undeveloped Acres	*net acres*	15,194	n/a	n/a	n/a
Netherlands					
Undeveloped Acres	*net acres*	43,743	n/a	n/a	n/a



Source: NBF, Company reports

Leduc-Woodbend

Tenaz's domestic operations consist of a semi-conventional oil project in the Rex formation of the Upper Mannville group at Leduc-Woodbend (LWB) in central Alberta. The LWB field, a legacy asset from former Altura Energy, has seen steady production increases since the company's restructuring, reaching 1,537 boe/d by Q3/24 (~55% liquids), up from 1,045 boe/d in Q3/21 (14% CAGR). The company holds operational control of the assets with an 87.5% working interest and 40 (32.7 net) booked locations as of November 2024 (booked locations not inclusive of Rex/Ellerslie locations acquired in Q2/24; more details below), and 13 mmboe of 2P reserves as of year-end 2023 (2P RLI of ~18 years at average Q4/24E volumes). In recent years, Tenaz has made significant strides in optimizing operations within the legacy Rex formation assets. This progress has been largely driven by advancements in technology and better geological understanding of the region. Since 2021, the company has successfully drilled longer wells and refined well designs, which has led to major improvements related to well performance and overall cumulative recovery, as illustrated in *Exhibit 7*.

Despite its focus on international acquisitions, Tenaz remains committed to small-value add-ons to LWB and, in Q2/24, the company acquired the Watelet gas plant and associated pipeline infrastructure, located adjacent to its current operations. The plant has a capacity of 7.5 MMcf/d, with the option to expand by 4.5 MMcf/d upon reactivating an idle compressor unit (licensed capacity of 20 MMcf/d). The $2.8 million cash consideration for the deal included leasehold assets with significant Rex and Ellerslie potential.

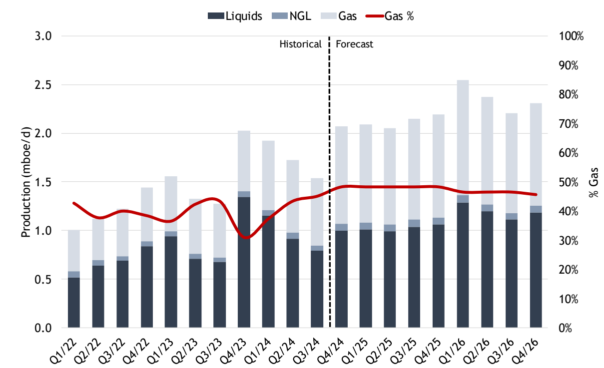
Following the acquisition, Tenaz reassessed its capital allocation strategy, redirecting drilling and development expenditures towards the recently acquired Ellerslie pool due to overall attractiveness of well economics in the area versus legacy assets. Positive results from an unstimulated multi-lateral well (average of 355 boe/d gross over the first 45 days with 93% oil) led the company to update its 2024 capital allocation plan in Canada. The revised capital allocation includes two (1.75 net) horizontal multi-lateral wells targeting the Ellerslie formation, replacing the original four gross (3.5 net) Rex wells program. This shift should improve capital efficiencies while maintaining the optionality for future Rex development. The revised capital program's midpoint accounts for a $7 million reduction (~30%) in drilling and development expenditures while maintaining the original corporate production guidance range of 2,700-2,900 boe/d

(~1,800 mboe/d in Canada). However, the operational momentum is expected to roll into 2025, where we forecast an average of 2,100 mboe/d from the Canadian portfolio, implying more than 15% growth.

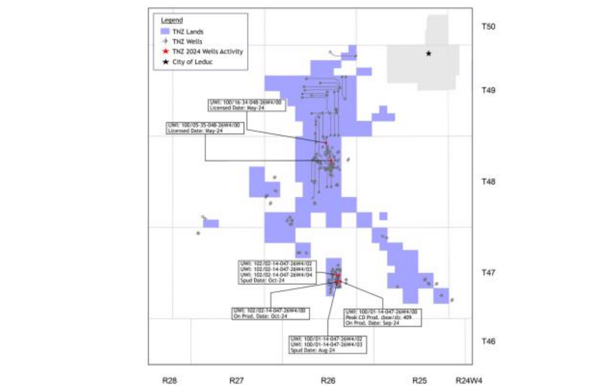
We expect Tenaz to grow domestic production at a moderate pace while focusing on the newly acquired Ellerslie and Rex pools, given the assets' high-grade capital efficiencies. Our Canadian production forecast is detailed below.

Exhibit 7: Canada Asset Overview

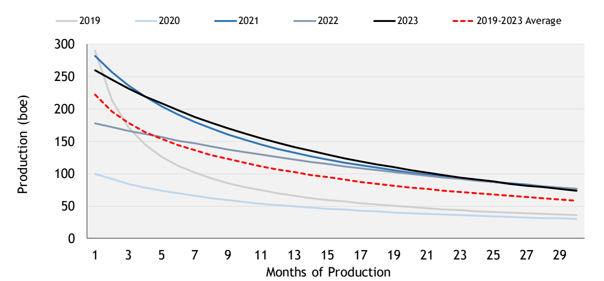
Tenaz Leduc-Woodbend Production Breakdown



Tenaz Leduc-Woodbend Area Map

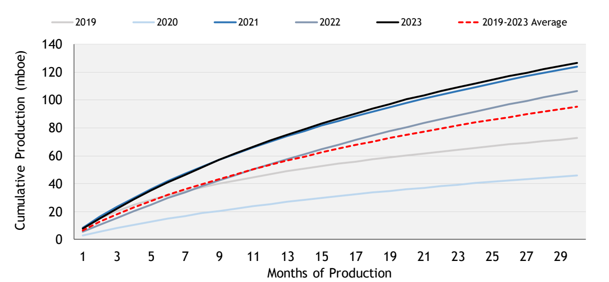


Tenaz Leduc-Woodbend Historical Type Curves



	IP30 (boe/d)	IP180 (boe/d)	IP365 (boe/d)
2019	290	176	130
2020	100	83	71
2021	282	232	195
2022	178	164	150
2023	260	227	197
TNZ 2019-2023 Avg.	222	177	149

Tenaz Leduc-Woodbend Cumulative Production Type Curves



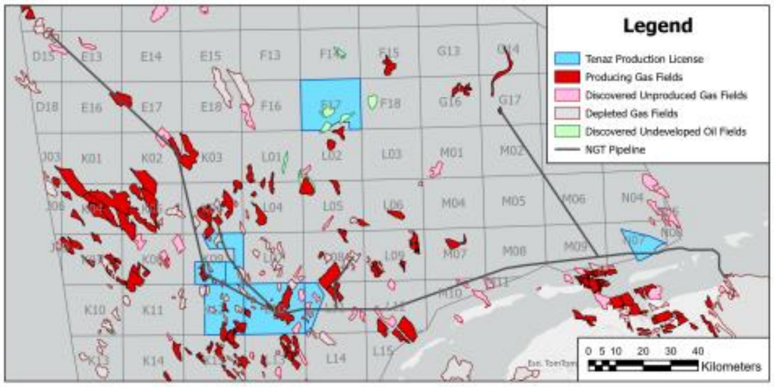
	C30 (mboe)	C180 (mboe)	C365 (mboe)
2019	9	32	47
2020	3	15	25
2021	8	42	70
2022	5	30	54
2023	8	41	71
TNZ 2019-2023 Avg.	7	32	53

Source: NBF, Company reports, geoSCOUT

Dutch North Sea (DNS) Assets

Tenaz underpinned its international presence in December 2021 by acquiring non-operated natural gas assets in the Dutch North Sea (DNS). By mid-2023, the company further expanded its working interest in these assets, as detailed in *Exhibit 8*. As of Q3/24, Tenaz produces ~1,000 boe/d (99% natural gas) in the area with 2P reserves estimated at 1.6 mmboe as of year-end 2023. Additionally, Tenaz holds a 21.43% interest in Noordgastransport BV (NGT) mid-stream system in DNS, generating stable income ($7 million of other income distributed to Tenaz since 2023), helping to partially offset operating costs in the region. NGT transports about 30% of the total gas produced in the DNS through its 500 km of pipelines, with capacity of ~1.4 Bcf/d (current utilization ~200 MMcf/d). Other than the producing assets in the Netherlands, the company holds undeveloped licences with upside potential as per *Exhibit 9* below.

Exhibit 8: Dutch North Sea Asset Overview



Source: Company reports

Exhibit 9: TNZ DNS Non-Producing Licences

Non-Producing Licence	Working Interest	Operator	Comments
F17a	5%	Wintershall	F17a Deep has Rembrandt and Vermeer oil discoveries which target 20 mboe/d gross (1 mboe/d net TNZ)
N7b	17.9%	ENI Energy	
L10/L11a*	21.4%	ENI Energy	Production licence has undeveloped gas discoveries

* Tenaz has interest in both producing and non-producing fields.

Source: NBF, Company reports

In addition, Tenaz holds interest in the L10 Carbon Capture and Storage (CCS) project that is currently under front-end engineering and design (FEED). While the company allocated $3 million to FEED stage in 2024 (FID decision in 2H25), we expect the company will continue to spend modest capital through 2025 (~$2.0 million). The project aims to source carbon dioxide equivalent (CO2E) from industrial activity surrounding the Port of Rotterdam with capacity to store 5-8 megatons of CO2E on a yearly basis, over a period of 30 years, by leveraging the L10 hydrocarbon producing infrastructure and reservoir. This strategic asset can partially defer decommissioning liabilities beyond life expectancy for the assets in the region while gaining exposure to European carbon markets. Furthermore, the project has the potential to unlock Tenaz carbon neutrality at corporate production levels beyond 50 mboe/d.

NAM OFFSHORE B.V. ACQUISITION HIGHLIGHT

The transformative acquisition of NAM Offshore B.V. (NOBV), which is expected to close by mid-year, significantly changes the production and cash flow profile of the company. The deal adds 11 mboe/d of production and provides TNZ with operated and non-operated upstream licences, midstream and processing infrastructure. With 6 producing offshore hubs and 3.4 bcf/d of processing capacity, the NAM acquisition provides TNZ with operatorship over 20% of Dutch offshore gas (in addition to ownership in the non-operated gas fields in the DNS that we have flagged above).

From a reserves standpoint, as of January 1st 2024, this acquisition provides TNZ with 30.7 mmboe of PDP reserves and 1P reserves of 38.6 mmboe (in addition to 14.9 mmboe of probable reserves). In terms of future development costs, the company has flagged total proved and probable development costs of $294 million (made up of $13 million in PDP costs and $164 million in total 1P future development costs).

Less significant but worth highlighting, the NOBV acquisition provides TNZ with additional reinvestment opportunities including producing and exploration licences that are fully covered with 3D seismic and near existing producing infrastructure.

The mechanics of this acquisition are unique and leave the net purchase price uncertain given the dynamic nature of the contingent portion of the deal, and the January 1, 2024 effective date. We have summarized some of these nuances below.

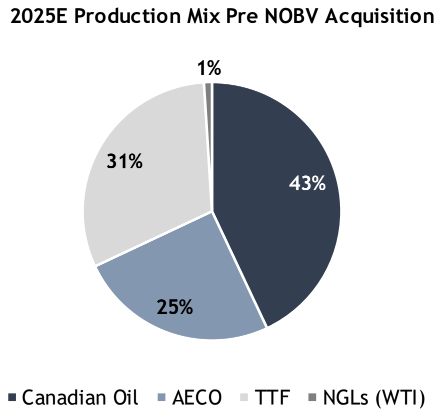
Exhibit 10: Contingency Structure

Earn-Out Contingency	Exploration Contingency	Price Contingency
• 50% of '25-'26 and 25% of '27 NOBV FCF • No minimum earnout payment and subject to cumulative maximum of €120 mln ($179 mln)	If a future new-field exploration discovery exceeds cumulative production thresholds (individual exploration prospect), NAM will receive royalties as follows: • 0.0 to 0.5 Bcm (17.6 Bcf) - 0.0% royalty payable • >0.5 to 1.0 Bcm (17.6 to 35.2 Bcf) - 7.5% royalty payable • >1.0 Bcm (35.2 Bcf) - 10.0% royalty payable	If realized gas price exceeds €50/MWh for any year within 2028-2031, NAM receives contingent payment as follows: • Zero to €50/MWh (zero to $21.63/Mcf) - 0.0% incremental ATAX CF payable • >€50 to €60/MWh (>$21.63/Mcf to $25.96/Mcf) - 25.0% incremental ATAX CF payable • >€60/MWh (>$25.96/Mcf) - 37.5% incremental ATAX CF payable

Source: NBF, Company reports

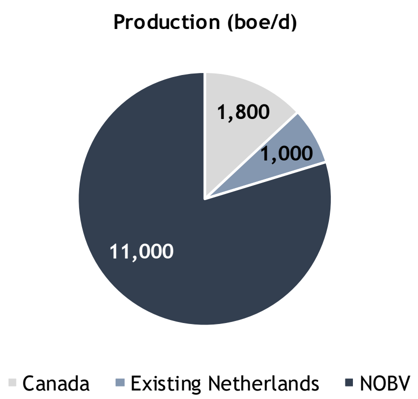
While the contingencies highlighted above may impact our free cash flow estimates, under a base case scenario we forecast corporate FCF generation of $60 million through our forecast period (cumulative FCF forecast from Q4/24 to Q4/26).

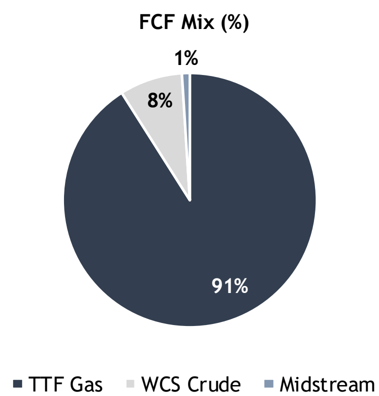
Exhibit 11: Corporate Transformation in 2025E



2025 Guidance Pre NOBV Aquisition

Average Production:	2,900 - 3,100 boe/d
D&D CAPEX:	$30-$34 million





Operating & Financial Metrics

	Acquisition	Pro Forma
2024E Production (boe/d)	11,000	13,800
2024E FCF ($ mln)	$134	$140

Reserves Summary

	Volume (mmboe)	ATAX NPV 10 ($ mln)
Total 1P	47.9	$609
Total 2P	68.2	$931

Source: NBF, Company reports

VALUATION, TARGET & RATING

Tenaz currently trades at 2025E and 2026E EV/DACF multiples of 4.5x and 1.8x, respectively, which is a discount to our small cap Canadian oil peers as well as our basket of names with European gas exposure. Despite the significant discount, we believe investors will gain a greater appreciation for future cash flow potential once NOBV closes, while we believe the long-term strategy will crystallize and gain validation moving forward as the team executes and delivers on identifying and securing under-appreciated assets. We are initiating coverage on Tenaz with an Outperform rating and a $23 target price, which reflects a 2026E EV/DACF multiple of 3.0x, and compares to peer average multiples of 2.9x. We are ascribing TNZ with a 2026E multiple, as we believe this better represents the compounding impact of the NOBV acquisition once it can be incorporated into their growing international portfolio (while acknowledging that FCF will likely be optimized in the first 3 years given the structure of the contingency payments).

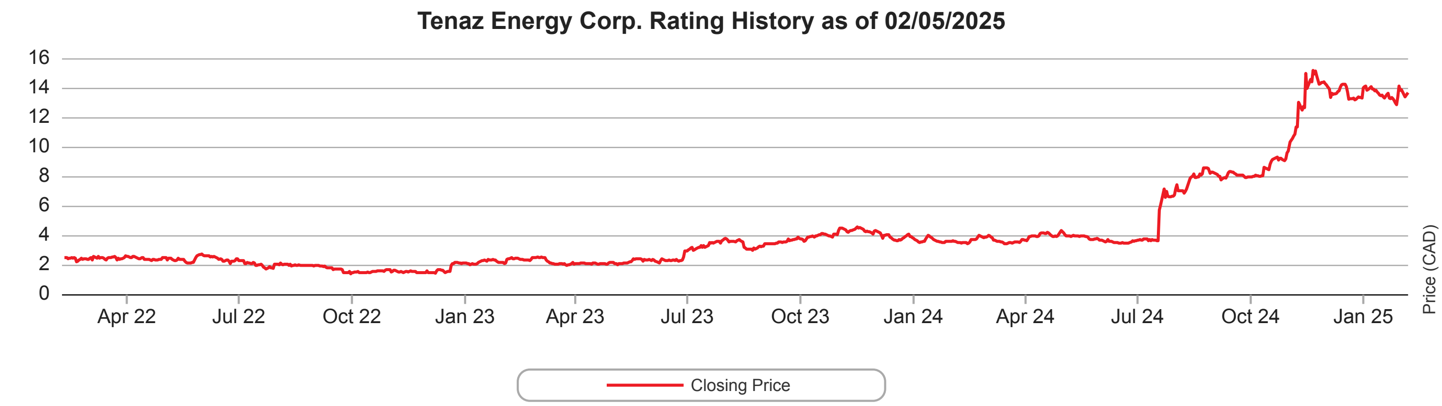
Exhibit 12: TNZ vs. Peers Comparable Metrics

Ticker	Price Price	Market Cap ($mln)	Net Debt ($mln)	EV ($mln)	Div. Yield (%)	FCF Yield (%)	EV/DACF (x)		Production (mboe/d)		Gas (%)	PPS Growth (%)		CF Netback ($/boe)		CF Margin (%)		D/CF (x)		FCF ($mln)		Total Net Payout (%)	
						2025E	2025E	2026E	2025E	2026E	2025E	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
AAV	$9.23	$1,563	$470	$2,033	0.0%	12.7%	4.0x	3.2x	81.5	84.0	85%	13%	9%	$16.26	$18.28	53%	56%	1.0x	0.8x	$199	$235	59%	58%
BIR	$5.80	$1,562	$401	$1,963	6.9%	9.1%	4.1x	3.1x	77.5	82.0	82%	1%	6%	$16.09	$18.11	54%	57%	0.9x	0.3x	$143	$230	69%	58%
KEC	$17.05	$745	$151	$897	0.0%	17.0%	2.0x	1.9x	32.5	37.0	53%	21%	14%	$36.20	$31.17	63%	59%	0.4x	0.1x	$127	$96	70%	77%
KEL	$7.00	$1,408	$64	$1,473	0.0%	4.2%	3.8x	3.3x	46.0	50.0	63%	40%	9%	$23.06	$23.34	55%	52%	0.2x	0.0x	$59	$76	85%	82%
PEY	$15.70	$3,099	$1,226	$4,325	8.4%	7.9%	4.1x	3.5x	137.6	144.6	87%	10%	5%	$19.31	$20.88	61%	67%	1.3x	1.0x	$245	$352	75%	68%
SDE	$3.77	$764	$143	$906	0.0%	-10.7%	3.8x	2.3x	40.0	46.0	62%	-7%	14%	$15.78	$22.89	53%	60%	0.6x	0.3x	-$82	$19	136%	95%
VET	$13.08	$1,929	$1,698	$3,627	3.7%	17.6%	2.8x	2.7x	132.6	135.4	65%	66%	6%	$24.06	$22.82	43%	43%	1.5x	1.4x	$340	$280	71%	75%
Avg					2.7%	8.3%	3.5x	2.9x	78.3	82.7	71%	21%	9%	$21.54	$22.50	55%	56%	0.8x	0.6x	$147	$184	81%	73%
TNZ	**$13.68**	**$389**	**$69**	**$458**	**0.0%**	**-6.6%**	**4.5x**	**1.8x**	**8.6**	**14.6**	**87%**	**227%**	**70%**	**$27.39**	**$38.70**	**37%**	**48%**	**0.8x**	**0.1x**	**-$37**	**$121**	**129%**	**59%**

Source: NBF, Company reports, LSEG

Disclosures

PRICE, RATING AND TARGET HISTORY: I = Initiation, OP = Outperform, SP = Sector Perform, UP = Underperform, UR = Under Review, R = Restricted; T = Tender (Source: Factset, NBF)



RISKS:

TNZ

Commodity Price Risk: Oil and gas prices are determined by global supply, demand and other factors. Fluctuations in these prices could have a material adverse impact on the operations, financial condition, proven and/or probable reserves and future development of undeveloped land. Declines in prices have a direct impact on revenue, cash flow and earnings.

Operational Risk: Oil and natural gas exploration involves a high degree of risk, which is managed through a combination of experience, knowledge and careful evaluation. There is no assurance that expenditures made on exploration will result in new discoveries or commercial quantities of oil and gas. As well, existing production and processing activities can be impacted by unforeseeable events that can negatively impact production and cash flow levels. These factors could be exacerbated by older vintage production and infrastructure associated with the maturity of its assets, as well as the nature of certain assets (in this case operating offshore in the Dutch North Sea).

Estimate Risk: The process of estimating oil and gas reserves is complex, requiring significant assumptions for each reservoir, including production/decline rates, capital expenditures and future commodity prices. As a result, such estimates are inherently imprecise. In addition, such reserves may be subject to downward or upward revisions based upon production history, results of ongoing exploration/development, prevailing oil and gas prices and other factors. We believe TNZ's Canadian assets are relatively well understood and de-risked given their relative maturity, while the Netherlands assets are well understood due to extensive seismic programs.

Regulatory Risk: Regulatory risk impacts Oil & Gas companies with respect to drilling licenses and various operating procedures, as well as the royalties and production taxes payable, and windfall taxes in Europe as was the recent case during the covid pandemic. Extensive controls and regulations may be imposed by all levels of government and amended from time to time, with these controls materially affecting the operations and/or financials of each company within our coverage universe.

Access to Market, Transportation & Egress: Similarly, regional dislocations in pricing can be caused by transportation and egress challenges, which may impede the ability of product to reach market on economic terms, again, with associated impact to shareholder value. For TNZ, this primarily relates to European market access and pricing but could be influenced by factors resonating throughout the global market for both crude and natural gas.

Industry Cost Inflation: Given the prevailing macro backdrop, the energy industry is experiencing inflationary pressures to inputs (set against its natural hedge), and we expect that access to labour, services and materials could present risk to capital efficiencies and shareholder returns. To a degree, the company is insulated from this as a result of its low spending requirements in association with its low relative decline (i.e., low payout is less exposed to inflationary forces) while acknowledging the potential for tariffs in Europe and in Canada and their potential impact on further inflationary pressures.

Financial Risk: All Oil & Gas companies have material exposure to financial risks, including interest rate fluctuations, changes in the Canadian/U.S. dollar exchange rate, as well as the CAD/Euro exchange rate and access to equity and debt markets. Also, financial risk includes credit risk pertaining to counterparties with which the company conducts its financial transactions (primarily marketing and hedging activities) and relating to joint ventures (i.e., working interest partners). Companies rely on a combination of cash flow and external capital to fund growth. Insufficient cash flow leads to further reliance on external sources, including debt financing and equity markets. The company's stated strategy indicates reducing volatility through hedging, and for which the liquidity of financial/physical commodity markets will be required.

Key Employee Risk: A significant portion of shareholder value can be strongly attributed to a management team's experience and reputation. As such, the loss of a member of this team can have a considerable adverse impact on a company's valuation. The company's management team is not new to the public equity markets with significant experience in the industry and in the various markets in which they operate.

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Advantage Energy Ltd. 2, 3, 4, 5, 7, 10
Athabasca Oil Corporation 2, 3, 4, 5, 7
Baytex Energy Corp. 2, 3, 4, 5, 7, 290
Birchcliff Energy Ltd. 2, 3, 5, 7, 10
Cenovus Energy Inc. 10, 312
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Headwater Exploration Inc. 2, 3, 5, 7
Imperial Oil Limited
Kelt Exploration Ltd. 2, 3, 5, 7
Kiwetinohk Energy Corp. 2, 3, 5, 7
Logan Energy Corp. 2, 3, 4, 5, 7
MEG Energy Corp. 313
Ovintiv Inc. 2, 3, 5, 7, 10
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PrairieSky Royalty Ltd. 2, 3, 5, 7
Saturn Oil & Gas Inc.
Spartan Delta Corp. 2, 3, 4, 5, 7
Suncor Energy Inc. 9
Surge Energy Inc. 2, 3, 4, 5, 7
Tamarack Valley Energy Ltd. 2, 3, 5, 7
Tourmaline Oil Corp. 2, 3, 4, 5, 7
Veren Inc. 2, 3, 4, 5, 7
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290 An NBF analyst attended a tour of BTE's Eagle Ford operations in the Houston, Texas area on April 16, 2024. A portion of the expenses was paid by the issuer.
312 An NBF associate attended a tour of Cenovus Energy's Christina Lake facility in Alberta on July 11, 2024. A portion of the expenses were paid by the issuer.
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	Outperform	Sector Perform	Underperform
Coverage Universe Ratings Distribution	64%	32%	1%
% of Rating with Investment Banking Relationship	66%	56%	66%

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