

Topaz Energy Corp. Announces Strategic Charlie Lake Royalty Acquisition to Advance its Position as the Largest Contiguous Charlie Lake Royalty Holder in the Peace River High Area of Alberta

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CALGARY, April 12, 2021 - [Topaz Energy Corp.](#) (TSX: TPZ) ("Topaz" or the "Company") is pleased to announce that it has entered into a non binding agreement with [Tamarack Valley Energy Ltd.](#) ("Tamarack") for the purchase of a newly created gross overriding royalty interest in the Peace River High area of Alberta for total purchase consideration of \$32.0 million (the "Royalty Acquisition"). The Royalty Acquisition provides free cash flow growth and enhanced financial sustainability for Topaz while enabling Tamarack to advance its own growth.

Pursuant to the Royalty Acquisition, Topaz will acquire a newly created 2% gross overriding royalty interest on crude oil, conventional natural gas and natural gas liquids from approximately 300,000 gross acres of Tamarack's developed and undeveloped lands which are focused on Charlie Lake light oil development (approximately 210,000 gross acres) ("Royalty Acquisition Lands"). Average production from the Royalty Acquisition Lands during March 2021 exceeded 13,000 boe/d (71% crude oil and natural gas liquids) which Topaz expects Tamarack will maintain between 12,000 and 13,000 boe/d through future capital development and is supported by a \$60 million minimum capital development commitment. Topaz will fund the Royalty Acquisition from its available cash on hand.

The Royalty Acquisition is expected to close in June 2021, subject to entering into definitive agreements and satisfaction of customary closing conditions including Tamarack completing a corporate acquisition it announced today.

Strategic Rationale

The Royalty Acquisition Lands are contiguous with Topaz's existing 420,000 gross royalty acres in the Peace River High area (operated by [Tourmaline Oil Corp.](#) ("Tourmaline")) and the Royalty Acquisition represents a 71% increase to Topaz's royalty acreage in the Peace River High area and advances its position as the largest Charlie Lake royalty holder in the area. The Charlie Lake light oil play ranks amongst the most economic light oil plays in North America, is situated in an active development area with well-established production and egress infrastructure and is considered to be economically resilient to crude oil prices as low as US\$30 WTI. Topaz's Peace River High area royalty acreage is operated by producers who demonstrate active environmental stewardship and the assets have strong liability management ratings given the relatively low asset retirement obligations attributed to the assets.

Topaz Acquisition Benefits

Topaz estimates that, based on the midpoint of the estimated future production range (12,500 boe/d; 71% crude oil and natural gas liquids), current commodity prices which are expected to enable Tamarack to generate significant free cash flow and the \$60 million minimum capital development commitment, Topaz will generate average annualized royalty production of 250 boe/d in 2021 and 2022 which represents 2% royalty production growth to Topaz. Based on current forward commodity prices and Tamarack's estimated capital plans attributable to the Royalty Acquisition Lands, Topaz estimates that the Royalty Acquisition will generate annualized royalty production revenue of approximately \$4.4 million and \$4.0 million in 2021 and 2022, respectively, and annualized free cash flow growth on a per share basis, of 4% in 2021 and 2022. The Royalty Acquisition enhances Topaz's future growth outlook and is consistent with its strategy to acquire value-enhancing assets that are accretive on a per share basis.

ABOUT THE COMPANY

Topaz is a unique royalty and energy infrastructure company focused on generating free cash flow growth and paying reliable and sustainable dividends to its shareholders, through its strategic relationship with one of Canada's largest natural gas producers, Tourmaline, an investment grade senior Canadian E&P company, and leveraging industry relationships to execute complementary acquisitions from other high-quality energy companies, while maintaining its commitment to environmental, social and governance best practices.

FORWARD-LOOKING STATEMENTS

This news release contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") that relate to the Company's current expectations and views of future events.

These forward-looking statements relate to future events or the Company's future performance. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "expects", "will continue", "is anticipated", "anticipates", "believes", "estimated", "intends", "plans", "forecast", "projection", "strategy", "objective" and "outlook") are not historical facts and may be forward-looking statements and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this news release should not be unduly relied upon. These statements speak only as of the date of this news release. In particular and without limitation, this news release contains forward-looking statements pertaining to the following: the commercial terms and timing of closing of the Royalty Acquisition; planned funding for the Royalty Acquisition; anticipated increases in production and revenue from the Royalty Acquisition lands and Tamarack's estimated capital plan attributable to the Royalty Acquisition Lands; other expected benefits from the Royalty Acquisition including providing free cash flow growth and being accretive on a free cash flow per share basis; and the Company's business as described under the heading "About the Company" above. Forward-looking information is based on a number of assumptions including those highlighted in this news release and is subject to a number of risks and uncertainties, many of which are beyond the Company's control, which could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking information. Such risks and uncertainties include, but are not limited to, the failure to complete acquisitions on the terms or on the timing announced or at all and the failure to realize some or all of the anticipated benefits of acquisitions including estimated royalty production, royalty production revenue and free cash flow per share growth, and the factors discussed in the Company's recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein), Annual Information Form (See "Risk Factors" and "Forward-Looking Statements" therein) and other reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or Topaz's website (www.topazenergy.ca). Topaz does not undertake any obligation to update such forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

NON-GAAP FINANCIAL MEASURES

In addition to using financial measures prescribed by International Financial Reporting Standards ("IFRS" or "GAAP"), references are made in this news release to "free cash flow", which is a measure that does not have any standardized meaning as prescribed by IFRS. Management uses this term for its own performance measures and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund dividends and a portion of its future growth expenditures or to repay debt. Accordingly, investors are cautioned that this non-GAAP financial measure may not be comparable to similarly defined measures presented by other entities and should not be considered in isolation nor as an alternative to net income (loss) from continuing operations or other financial information determined in accordance with GAAP as an indication of the Company's performance. References to "free cash flow" are to the amount of cash estimated to be available for dividends to shareholders in accordance with the Company's dividend policy and is defined as cash flow less capital expenditures, where "cash flow" is defined as cash from (used in) operations before changes in non-cash working capital.

BOE EQUIVALENCY

Per barrel of oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent (6:1). Barrel of oil equivalents (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: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. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalent of 6:1, the boe conversion on a boe basis may be misleading and is not a true value.

SOURCE [Topaz Energy Corp.](http://www.topazenergy.ca)

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