# Topaz Delivers Record Liquids Production And Significant Proved Reserves Replacement In 2022, Announces 2023 Guidance And Declares Quarterly Dividend

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CALGARY, Feb. 28, 2023 - Topaz Energy Corp. (TSX: TPZ) ("Topaz" or the "Company") is pleased to provide fourth qu annual 2022 financial results and announce the Company's 2023 guidance estimates. Select financial information is ou and should be read in conjunction with Topaz's consolidated financial statements and related management's discussion ("MD&A") as at and for the year ended December 31, 2022, which are available on SEDAR at www.sedar.com and on website at www.topazenergy.ca.

Fourth Quarter 2022 Highlights

- Generated Q4 2022 cash flow and free cash flow (FCF)(1) of $86 million and $85 million, respectively, 11% and 1 respectively, higher than the prior quarter; and 26% and 27%, respectively, higher than the prior year. On a per sl fourth quarter cash flow of $0.60 per share(1)(2) was 20% higher than Q4 2021.
- Achieved record average royalty production of 18,349 boe/d(4) in Q4 2022, 11% higher than Q3 2022. The produc equally attributed to acquisitions and organic, operator-funded development. Topaz's Q4 2022 total liquids weight represents a notable increase from 18% in Q4 2021 which complements Topaz's premium, natural gas-focused u royalty acreage which is poised for growth alongside future commissioning of Canadian LNG export.
- Declared the first quarter 2023 dividend at $0.30 per share which is expected to be paid on March 31, 2023 to sh record on March 15, 2023. The quarterly cash dividend is designated as an "eligible dividend" for Canadian incom purposes.
- Expanded the syndicated, covenant-based credit facility from $700 million to $1.0 billion(6) and extended the term 2026 along the same pricing structure. This provides Topaz additional financial flexibility for strategic growth oppo During Q4 2022 Topaz allocated $34 million of Excess FCF(1) to debt reduction and ended the year with $406 mil (1).
- Continued to expand its trading liquidity and ESG profile. Following the addition to the S&P TSX Composite Index 2021, Topaz was added to the FTSE Renaissance Global IPO Index in December 2022 and will be added to the Cap (Canada) Index effective March 2023. Subsequent to the Q4 2022 release of Topaz's 2021 Sustainability Re Morningstar Sustainalytics ranked Topaz 3rd overall lowest risk amongst its industry and sub-industry peers(12) ar Shareholder Services ("ISS") currently ranks Topaz "low risk" in its Social and Environment categories, assigning and "2", respectively, out of a ten point scoring system.(12)

2022 Annual Highlights

- 2022 cash flow and FCF(1) of $334 million and $330 million, respectively, were each 75% higher than 2021. On a basis(1)(2), 2022 FCF(1) of $2.30 was 52% higher than 2021.
- 2022 annual average royalty production of 16,914 boe/d(4) increased 20% relative to 2021, which includes a 122% 4,193 bbl/d(4) of total liquids annual average royalty production.
- Invested $436 million in royalty and infrastructure acquisitions, excluding decommissioning obligations(1). Altogeth acquisitions increased Topaz's gross royalty acreage 15%, increased fixed annual processing revenue 7%, and a provide 2,000 boe/d incremental average royalty production in 2023 (80% total liquids)(3)(5).
- At December 31, 2022, the before-tax net present value of total proved plus probable developed reserves, discou increased 34% to $1.5 billion (2021 - $1.1 billion). The increase was driven by a 13% increase in reserve volume higher commodity pricing. In 2022, operator-funded development on Topaz's royalty acreage (including positive te revisions and improved recoveries) added 9.1 mmboe of proved plus probable developed reserves, representing replacement of 2022 royalty production. Acquisitions generated an additional 2.6 mmboe of proved plus probable reserves.

Fourth Quarter 2022 Update

Royalty Production, Revenue & Activity

- Topaz's fourth quarter royalty production was 71% weighted to natural gas and 29% total liquids. Average realize prices for the fourth quarter were C$4.77/mcf for natural gas and C$88.17 for total liquids, resulting in royalty reve weighted to natural gas and 56% total liquids. Topaz's acquisition growth strategy over the past two years has ge significant diversification of commodity exposure (November 2019 production was 93% weighted to natural gas).
- Topaz's royalty portfolio holds 6.1 million gross acres (over 60% undeveloped) and is strategically balanced betw premium, growth-focused royalty production from the highly economic NEBC Montney liquids-rich natural gas and heavy oil resource plays, both of which are anticipated to provide strong future growth through long-term, operato capital plans(3) and (ii) reliable, diversified royalty production from resource plays in Alberta (Deep Basin, Charlie and West Central) and Southeast Saskatchewan. From the prior year, Topaz's Q4 2022 average royalty productio across its Clearwater acreage and 60% across its NEBC Montney acreage.
- Recent public announcements in regard to the resolution amongst the Blueberry River First Nation, the Province Columbia and NEBC producers provide greater certainty over the future development of Topaz's NEBC royalty a
- During the fourth quarter, the working interest operators on Topaz's royalty acreage continued active developme wells were spud(8) and 173 gross wells were brought on production(9) which represents a 20% increase in wells b production relative to the prior quarter (169 gross wells and 144 gross wells, respectively).
- Based on planned operator drilling activity, Topaz expects to have 27 to 29 drilling rigs active on its royalty acreag balance of the first quarter of 2023, with activity to resume subsequent to spring break-up(3).

Infrastructure Assets

- Topaz's processing revenue provides stable income as 79% of Topaz's 215 MMcf/d net natural gas processing ca contracted under 10 to 15-year fixed take-or-pay agreements; the Company's variable processing capacity receiv and services high-activity areas; and Topaz is not contractually responsible for operating or capital maintenance approximately half of its infrastructure assets. During Q4 2022, average daily utilization of Topaz's net natural gas capacity was 99%, consistent with the prior quarter. During Q4 2022, Topaz generated $18 million of processing other income and incurred $1.8 million in operating expense, representing a 10% and 12% increase, respectively quarter.

Reserves

- Total proved plus probable developed reserves(7) totaled 47.5 mmboe at December 31, 2022, up 13% from 42.0 December 31, 2021. As a royalty entity not responsible for capital development, Topaz's recorded reserves are li developed properties(7) and do not include any future development capital attributed to undeveloped royalty acrea

Dividend Declaration

- Topaz's Board has declared the first quarter 2023 dividend at $0.30 per share which is expected to be paid on Ma to shareholders of record on March 15, 2023. The quarterly cash dividend is designated as an "eligible dividend" income tax purposes.
- Topaz's estimated 2023 dividend payout ratio(1) of 59%(3) remains below the Company's targeted long-term payo order to retain Excess FCF(1) for self-funded M&A growth given the broad range of opportunities Topaz continues

2023 Guidance Estimates

- Topaz's 2023 EBITDA(1)(3) guidance range of $308 - $316 million is based on average annual royalty production 18,300 and 18,800 boe/d, the midpoint of which represents 10% growth over 2022; and is based on estimated op development plans, commodity prices of C$2.86/mcf for natural gas (AECO) and US$75.55/bbl WTI for crude oil outstanding financial derivative contracts(11).

2023 Guidance Estimates[3][13]

Feb. 24/23 strip: C$2.86/mcf AECO / US$75.55/bbl WTI / 0.74 USD/CAD

$mm except boe/d

| | |
|---|---|
| Annual average royalty production (boe/d)[4] | 18,300 - 18,800 |
| Royalty production natural gas weighting[4] | ~70% |
| EBITDA[1] | $308 - $316 |
| Capital expenditures (excluding acquisitions) | $3 - $5 |
| Excess FCF[1] (after interest & dividend, before M&A) | $114 - $121 |
| Dividend ($1.20 per share)[10] | $173 |
| Dividend payout ratio[1] | 59 % |
| Year end 2023 net debt[1] | $280 - $290 |
| Year end 2023 net debt to EBITDA[1] | 0.9x |

2023 EBITDA Guidance Sensitivity[3][13]

| | |
|---|---|
| 5% annual average royalty production change | +/- 4.0% |
| C$0.50/mcf change in natural gas price | +/- 4.0% |
| US$5.00/bbl change in crude oil price | +/- 3.0% |
| $0.01 change in USD/CAD foreign exchange | +/- 1.0% |

Dividend Sustainability and Capital Allocation

- Topaz's 2023e dividend is sustainable down to low commodity prices (C$1.50/mcf AECO and US$35 WTI)[3]. The
  the dividend is attributable to: (i) stable insfastructure revenue which represents 38% of the 2023e dividend[10]; (ii
  strategy including recent financial derivative contracts that diversify Topaz's natural gas pricing exposure[11] and f
  a weighted average price of $6.52/mcf that represent approximately 30% of H1 2023e AECO-priced natural gas r
  production; (iii) the quality and financial strength of Topaz's asset portfolio and strategic partners which mitigates
  development activity; and (iv) the Company's diversified commodity mix (70% natural gas/30% total liquids)[3][13]
  royalty revenue composition (approximately 35% natural gas/65% total liquids)[3][13] as a result of the Company's
  liquids-focused acquisition growth.
- Topaz's estimated 2023 dividend payout ratio[1] of 59% remains below the Company's targeted long-term payout
  Topaz's strategy is to continue to provide future dividend increases alongside sustainable organic and acquisition
- Topaz estimates its year-end 2023 net debt to EBITDA[1][3] will be approximately 0.9 times before any further acq
  and the Company has a $700 million covenant-based unsecured credit facility, expandable to $1.0 billion[6], which
  financial flexibility and growth optionality.

Additional information

Additional information about Topaz, including the consolidated financial statements and management's discussion and analysis as at and for the year ended December 31, 2022 as well as the Company's 2022 Annual Information Form are available on SEDAR at www.sedar.com under the Company's profile, and on Topaz's website, www.topazenergy.ca.

Q4 2022 CONFERENCE CALL

Topaz will host a conference call tomorrow, Wednesday, March 1, 2023 starting at 9:00 a.m. MST (11:00 a.m. EST). To participate in the conference call, please dial 1-888-664-6392 (North American toll free) a few minutes prior to the call. Conference ID is 47368111.

ABOUT THE COMPANY

Topaz is a unique royalty and infrastructure energy company focused on generating FCF(1) growth and paying reliable and sustainable dividends to its shareholders, through its strategic relationship with Canada's largest and most active natural gas producer, 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. Topaz focuses on top quartile energy resources and assets best positioned to attract capital in order to generate sustainable long-term growth and profitability.

The Topaz royalty and energy infrastructure revenue streams are generated primarily from assets operated by natural gas producers with some of the lowest greenhouse gas emissions intensity in the Canadian senior upstream sector, including Tourmaline, which has received awards for environmental sustainability and conservation efforts. Certain of these producers have set long-term emissions reduction targets and continue to invest in technology to improve environmental sustainability.

Topaz's common shares are listed and posted for trading on the TSX under the trading symbol "TPZ" and it is included in the S&P/TSX Composite Index. This is the headline index for Canada and is the principal benchmark measure for the Canadian equity markets, represented by the largest companies on the TSX.

For further information, please visit the Company's website www.topazenergy.ca. Topaz's SEDAR filings are available at www.sedar.com.

Selected Financial Information

| For the periods ended<br>($000s) except per share | YTD 2022 | YTD 2021 | Q4 2022 | Q3 2022 |
|---|---|---|---|---|
| Royalty production revenue | 303,811 | 151,894 | 77,809 | 65,482 |
| Processing revenue | 52,924 | 46,720 | 13,841 | 13,098 |
| Other income(4) | 12,912 | 12,925 | 3,993 | 3,099 |
| Total | 369,647 | 211,539 | 95,643 | 81,679 |
| Cash expenses: | | | | |
| Operating | (6,374) | (4,245) | (1,785) | (1,587) |
| Marketing | (2,034) | (1,311) | (486) | (420) |
| General and administrative | (6,440) | (5,051) | (1,828) | (1,699) |
| Realized gain (loss) on financial instruments | (7,435) | (6,990) | 1,614 | 2,624 |
| Interest expense | (13,601) | (3,001) | (6,885) | (2,669) |
| Cash flow | 333,763 | 190,941 | 86,273 | 77,928 |
| Per basic share(1)(2) | $2.34 | $1.54 | $0.60 | $0.54 |
| Per diluted share(1)(2) | $2.33 | $1.54 | $0.60 | $0.54 |

| | | | | |
|---|---|---|---|---|
| Cash from operating activities | 317,878 | 165,017 | 69,214 | 99,972 |
| Per basic share(1)(2) | $2.23 | $1.33 | $0.48 | $0.69 |
| Per diluted share(1)(2) | $2.22 | $1.33 | $0.48 | $0.69 |
| Net income | 99,355 | 27,564 | 19,094 | 19,380 |
| Per basic share(2) | $0.70 | $0.22 | $0.13 | $0.13 |
| Per diluted share(2) | $0.69 | $0.22 | $0.13 | $0.13 |
| EBITDA(7) | 347,027 | 193,647 | 93,006 | 80,463 |
| Per basic share(1)(2) | $2.43 | $1.57 | $0.65 | $0.56 |
| Per diluted share(1)(2) | $2.42 | $1.56 | $0.64 | $0.56 |
| FCF(1) | 329,925 | 188,164 | 85,018 | 77,002 |
| Per basic share(1)(2) | $2.31 | $1.52 | $0.59 | $0.53 |
| Per diluted share(1)(2) | $2.30 | $1.51 | $0.59 | $0.53 |
| FCF Margin(1) | 89 % | 89 % | 89 % | 94 % |
| Dividends paid | 157,288 | 108,739 | 43,244 | 40,364 |
| Per share(1)(6) | $1.10 | $0.85 | $0.30 | $0.28 |
| Payout ratio(1) | 47 % | 57 % | 50 % | 52 % |
| Excess FCF(1) | 172,637 | 79,425 | 41,774 | 36,638 |
| Capital expenditures | 3,838 | 2,777 | 1,255 | 926 |
| Acquisitions, excl. decommissioning obligations(1) | 435,639 | 945,321 | 7,538 | 328,285 |
| Weighted average shares - basic(3) | 142,546 | 123,703 | 144,153 | 144,008 |
| Weighted average shares - diluted(3) | 143,302 | 124,361 | 144,976 | 144,728 |
| Average Royalty Production(5) | | | | |
| Natural gas (mcf/d) | 76,318 | 73,269 | 77,770 | 75,597 |
| Light and medium crude oil (bbl/d) | 1,519 | 565 | 1,704 | 1,516 |
| Heavy oil (bbl/d) | 1,549 | 538 | 2,512 | 1,288 |
| Natural gas liquids (bbl/d) | 1,125 | 789 | 1,170 | 1,081 |
| Total (boe/d) | 16,914 | 14,103 | 18,349 | 16,485 |
| Realized Commodity Prices(5) | | | | |
| Natural gas ($/mcf) | $5.21 | $3.65 | $4.77 | $4.08 |
| Light and medium crude oil ($/bbl) | $112.33 | $81.29 | $100.67 | $112.31 |
| Heavy oil ($/bbl) | $89.87 | $69.39 | $72.33 | $91.69 |
| Natural gas liquids ($/bbl) | | | | |

$110.91

$83.07

$104.18

$106.40

| | | | | |
|---|---|---|---|---|
| Total ($/boe) | $49.21 | $29.51 | $46.09 | $43.17 |
| Benchmark Pricing | | | | |
| Natural Gas | | | | |
| AECO 5A (CAD$/mcf) | $5.31 | $3.62 | $5.11 | $4.16 |
| Crude oil | | | | |
| NYMEX WTI (USD$/bbl) | $94.23 | $67.92 | $82.64 | $91.56 |
| Edmonton Par (CAD$/bbl) | $120.29 | $80.46 | $110.32 | $116.96 |
| WCS differential (USD$/bbl) | $18.23 | $13.04 | $25.63 | $19.85 |
| Natural gas liquids | | | | |
| Edmonton Condensate (CAD$/bbl) | $120.36 | $84.55 | $111.41 | $112.49 |
| CAD$/USD$ | $0.7689 | $0.7979 | $0.7365 | $0.7660 |

| | At Dec. 31, 2022 | At Sept. 30 |
|---|---|---|
| Selected statement of financial position results ($000s) except share amounts | | |
| Total assets | 1,835,732 | 1,875,465 |
| Working capital | 64,948 | 44,507 |
| Adjusted working capital[1] | 58,713 | 42,019 |
| Net debt (cash)[1] | 405,871 | 439,954 |
| Common shares outstanding[3] | 144,211 | 144,147 |

(1) Refer to "Non-GAAP and Other Financial Measures".

(2) Calculated using basic or diluted weighted average shares outstanding during the period.

(3) Shown in thousand shares outstanding.

NOTE REFERENCES

This news release refers to financial reporting periods in abbreviated form as follows: "Q4 2022" refers to the three months ended December 31, 2022; "Q3 2022" or "Q3 2022" refers to the three months ended September 30, 2022; "Q4 2021" refers to the three months ended December 31, 2021; "YTD 2022" refers to the year ended December 31, 2022; and "2021" refers to the year ended December 31, 2021.

(4) Other income of $4.0 million in Q4 2022 and YTD 2022, respectively, includes interest income of $0.1 million, and Q4 2022 - $0.1 million, Q3 2022 - $0.1 million, Q4 2021 - $0.4 million, YTD 2022 - $0.4 million, YTD 2021 - $2.3 million, Q3 2022 - $0.1 million, Q4 2021 - $0.1 million, YTD 2022 - $0.4 million, YTD 2021 - $2.3 million.

(5) Refer to "Supplemental Information Regarding Product Types."

(6) Cumulative dividend paid per outstanding shares on quarterly dividend dates.

(7) Defined term under the Company's Syndicated Credit Facility.

1. See "Non-GAAP and Other Financial Measures".

2. Calculated using the weighted average number of diluted common shares outstanding during the respective period.

3. See "Forward-Looking Statements".

4. See "Supplemental Information Regarding Product Types".

5. Comprised of approximately 400 bbl/d crude oil, 1,100 bbl/d heavy oil, 2,603 mmcf/d natural gas and 66 bbl/d natural gas liquids.

6. Topaz's $700 million credit facility included a $200 million accordion feature. The expanded $1.0 billion credit facility includes a $300 million accordion feature which may be advanced by Topaz but remains subject to agent consent. The credit facility expansion was completed at the same pricing structure.

7. As a royalty entity not responsible for capital development, Topaz's recorded reserves are limited to proved producing, proved non-producing and probable developed properties and do not include any future development capital attributed to undeveloped royalty acreage. Based on Topaz's December 31, 2022 external independent reserve report. Refer to Topaz's 2022 Annual Information Form available on SEDAR for additional information.

8. May include non-producing injection wells.

9. Includes wells drilled during the current and previous periods on Topaz royalty acreage.

10. Topaz's dividends remain subject to board of director approval. 2023e total infrastructure revenue (including other income) is estimated at $65 million for 2023.

11. Refer to Topaz's most recently filed MD&A for a complete listing of financial derivative contracts in place.

12. As defined by Sustainalytics, Topaz is categorized and evaluated amongst 271 oil and gas producers (industry) and 155 oil and gas exploration and production companies (sub-industry). Disclosed third party risk rankings are as of February 22, 2023.

13. Management's assumptions underlying the Company's 2023 guidance estimates include:

    i. Topaz's internal estimates regarding development pace and production performance including estimates for capital allocated to waterflood and other long-term value enhancing projects;

    ii. Management's estimates for infrastructure utilization and cost estimates based on historic information and adjusted for inflation;

    iii. No incorporation of potential acquisitions; and

FORWARD-LOOKING STATEMENTS

    iv. Topaz's outstanding financial derivative contracts included in its most recently filed MD&A.

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: Topaz's future growth outlook, guidance and strategic plans; the 2023 annual average royalty production, royalty production natural gas weighting, EBITDA, capital expenditures (excluding acquisitions), excess FCF (after interest & dividend, before M&A), dividend, dividend payout ratio, year end 2023 net debt, and year end 2023 net debt to EBITDA estimates, the sustainability of the dividend and the rationale for such sustainability; the

maintenance of financial flexibility in order to acquire royalty assets counter-cyclically or pursue infrastructure assets; the strategy to provide future dividend increases alongside sustainable growth; the anticipated sensitivity levels with respect to 2023 guidance estimates; the anticipated capital expenditure and drilling plans; environment, social and governance initiatives; expected production increases and capital commitments on the royalty lands; the number of drilling rigs to be active on Topaz's royalty acreage during 2023 and beyond; the future declaration and payment of dividends and the timing and amount thereof; the forecasts described under the heading "Fourth Quarter 2022 Update" above including under the sub-headings "2023 Guidance Estimates" and "Dividend Sustainability and Capital Allocation"; expected benefits from acquisitions including enhancing Topaz's future growth outlook and plans to allocate capital toward accretive growth acquisitions and sustainable dividend increases; and the Company's business as described under the heading "About the Company" above.

Forward-looking statements are based on a number of assumptions including those highlighted in this news release including future commodity prices, capital expenditures, infrastructure ownership capacity utilization and operator development plans 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 statements.

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 FCF per share growth, and the factors discussed in the Company's recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein), 2022 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).

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as the Company's dividend policy and the funds available for the payment of dividends from time to time is dependent upon, among other things, FCF, financial requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Company's control. Further, the ability of Topaz to pay dividends will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facility.

Topaz does not undertake any obligation to update such forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

FINANCIAL OUTLOOK

Also included in this news release are estimates of the Company's EBITDA range and average royalty production range for the year ending December 31, 2023 and range of year-end exit net debt and net debt to EBITDA for 2023, which are based on, among other things, the various assumptions as to production levels and capital expenditures and other assumptions disclosed in this news release including under the heading "Fourth Quarter 2022 Update - 2023 Guidance Estimates" above and are based on the following key assumptions: Topaz's estimated capital expenditures (excluding acquisitions) of $3 to $5 million in 2023; the working interest owners' anticipated 2023 capital plans attributable to Topaz's undeveloped royalty lands; estimated average annual royalty production range of 18,300 to 18,800 boe/d in 2023; 2023 average infrastructure ownership capacity utilization of 95%; December 31, 2023 exit net debt range between $280 and $290 million, 2023 average commodity prices of: $2.86/mcf (AECO 5A), US$75.55/bbl (NYMEX WTI), US$18.46/bbl (WCS oil differential), US$2.13/bbl (MSW oil differential) and US$/CAD$ foreign exchange 0.74.

To the extent such estimates constitute financial outlooks, they were approved by management and the

board of directors of Topaz on February 28, 2023 and are included to provide readers with an understanding of the estimated EBITDA, net debt and the other metrics described above for the year ending December 31, 2023 based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

NON-GAAP AND OTHER FINANCIAL MEASURES
Certain financial terms and measures contained in this news release are "specified financial measures" (as such term is defined in National Instrument 52-112 - Non-GAAP and Other Financial Measures Disclosure ("NI 52-112")). The specified financial measures referred to in this news release are comprised of "non-GAAP financial measures", "capital management measures" and "supplementary financial measures" (as such terms are defined in NI 52-112). These measures are defined, qualified, and where required, reconciled with the nearest GAAP measure below.

Non-GAAP Financial Measures
The non-GAAP financial measure used herein does not have a standardized meaning prescribed by GAAP. Accordingly, the Company's use of this term may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that the non-GAAP financial measure should not be considered in isolation nor as an alternative to net income (loss) or other financial information determined in accordance with GAAP, as an indication of the Company's performance.

Non-GAAP Financial Measure
This news release makes reference to the term "acquisitions, excluding decommissioning obligations", which is considered a non-GAAP financial measure under NI 52-112; defined as a financial measure disclosed by an issuer that depicts the historical or expected future financial performance, financial position, or cash flow of an entity, and is not disclosed in the financial statements of the issuer.

Other Financial Measures
Capital management measures
Capital management measures are defined as financial measures disclosed by an issuer that are intended to enable an individual to evaluate the entity's objectives, policies and processes for managing the entity's capital, are not a component of a line item or a line item on the primary financial statements, and which are disclosed in the notes to the financial statements. The Company's capital management measures disclosed in the notes to the Company's Consolidated Financial Statements as at and for the year ended December 31, 2022 include EBITDA, adjusted working capital, net debt (cash), free cash flow (FCF) and Excess FCF.

Supplementary financial measures
This news release makes reference to the terms "EBITDA per basic or diluted share", "cash flow per basic or diluted share", "FCF per basic or diluted share" and "payout ratio" which are all considered supplementary financial measures under NI 52-112; defined as a financial measure disclosed by an issuer that is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity, is not disclosed in the financial statements of the issuer, and is not a non-GAAP financial measure or non-GAAP ratio.

The following terms are financial measures as defined under the Company's Syndicated Credit Facility, presented in note 9 to the Company's Consolidated Financial Statements as at and for the year ended December 31, 2022: (i) consolidated senior debt, (ii) total debt, (iii) EBITDA and (iv) capitalization.

Cash flow, FCF, FCF margin, and Excess FCF
Management uses cash flow, FCF, FCF margin and Excess FCF for its own performance measures and to provide investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund or increase dividends, fund future growth opportunities and/or to repay debt; and furthermore, uses per share metrics to provide investors with a measure of the proportion attributable to the basic or diluted weighted average common shares outstanding.

Cash flow is a GAAP measure which is derived of cash from operating activities excluding the change in non-cash working capital and is presented in the consolidated statements of cash flows. FCF is a capital management measure presented in the notes to the consolidated financial statements and is defined as cash flow, less capital expenditures. The supplementary financial measure "FCF margin", is defined as FCF divided by total revenue and other income (expressed as a percentage of total revenue and other income).

The capital management measure "Excess FCF", is defined as FCF less dividends paid. The supplementary financial measures "cash flow per basic or diluted share" and "FCF per basic or diluted share" are calculated by dividing cash flow and FCF, respectively, by the basic or diluted weighted average common shares outstanding during the period.

A summary of the reconciliation from cash from operating activities (per the consolidated statements of cash flows) to cash flow (per the consolidated statements of cash flows), cash flow per basic or diluted share, FCF, Excess FCF, FCF per basic or diluted share and FCF margin is set forth below:

| | Three months ended | | Year ended | |
|---|---|---|---|---|
| ($000s) | Dec. 31, 2022 | Dec. 31, 2021 | Dec. 31, 2022 | Dec. 31, 2021 |
| Cash from operating activities | 69,214 | 56,562 | 317,878 | 165,017 |
| Exclude net change in non-cash working capital | (17,059) | (11,772) | (15,885) | (25,924) |
| Cash flow | 86,273 | 68,334 | 333,763 | 190,941 |
| Less: Capital expenditures | 1,255 | 1,187 | 3,838 | 2,777 |
| FCF | 85,018 | 67,147 | 329,925 | 188,164 |
| Less: dividends paid | 43,244 | 33,422 | 157,288 | 108,739 |
| Excess FCF | 41,774 | 33,725 | 172,637 | 79,425 |
| | | | | |
| Cash flow per basic share[(1)] | $0.60 | $0.50 | $2.34 | $1.54 |
| Cash flow per diluted share[(1)] | $0.60 | $0.50 | $2.33 | $1.54 |
| FCF per basic share[(1)] | $0.59 | $0.49 | $2.31 | $1.52 |
| FCF per diluted share[(1)] | $0.59 | $0.49 | $2.30 | $1.51 |
| | | | | |
| FCF | 85,018 | 67,147 | 329,925 | 188,164 |
| Total Revenue and other income | 95,643 | 75,676 | 369,647 | 211,539 |
| FCF Margin | 89 % | 89 % | 89 % | 89 % |

[(1)] As noted, calculated using the basic or diluted weighted average number of shares outstanding during the respective periods.

Adjusted working capital and net debt (cash)
Management uses the terms "adjusted working capital" and "net debt (cash)" to measure the Company's liquidity position and capital flexibility, as such these terms are considered capital management measures. "Adjusted working capital" is calculated as current assets less current liabilities, adjusted for financial instruments. "Net debt (cash)" is calculated as total debt outstanding less adjusted working capital.

A summary of the reconciliation from working capital, to adjusted working capital and net debt (cash) is set forth below:

| ($000s) | As at Dec. 31, 2022 | As at Dec. 31, 2021 |
|---|---|---|
| Working capital | 64,948 | 43,750 |
| Exclude fair value of financial asset | 6,235 | 546 |
| Adjusted working capital | 58,713 | 43,204 |
| Less: bank debt | 464,584 | 276,862 |
| Net Debt | 405,871 | 233,658 |

EBITDA and EBITDA per basic or diluted share
EBITDA, as defined under the Company's Syndicated Credit Facility and disclosed in note 9 of the Company's Consolidated Financial Statements as at and for the year ended December 31, 2022, is considered by the Company as a capital management measure which is used to evaluate the Company's operating performance, and provides investors with a measurement of the Company's cash generated from its operations, before consideration of interest income or expense. "EBITDA" is calculated as consolidated net income or loss from continuing operations, excluding extraordinary items, plus interest expense, income taxes, and adjusted for non-cash items and gains or losses on dispositions.

EBITDA per basic or diluted share is a supplementary financial measure that is calculated by dividing EBITDA by the basic or diluted weighted average common shares outstanding during the period and provides investors with a measure of the proportion of EBITDA attributed to the basic or diluted weighted average common shares outstanding.

A summary of the reconciliation of net income (per the consolidated statements of net income and comprehensive income), to EBITDA, is set forth below:

| | Three months ended | | Year ended | |
|---|---|---|---|---|
| ($000s) | Dec. 31, 2022 | Dec. 31, 2021 | Dec. 31, 2022 | Dec. 31, 2021 |
| Net income | 19,094 | 16,276 | 99,355 | 27,564 |
| Unrealized (gain) loss on financial instruments | (3,747) | (3,939) | (5,689) | (1,139) |
| Share-based compensation | 787 | 961 | 1,482 | 1,977 |
| Finance expense | 7,073 | 1,774 | 14,298 | 3,465 |
| Depletion and depreciation | 62,303 | 50,217 | 209,456 | 155,422 |
| Deferred income tax expense | 7,648 | 4,693 | 28,462 | 6,653 |
| Less: interest income | (152) | (4) | (337) | (295) |
| EBITDA | 93,006 | 69,978 | 347,027 | 193,647 |
| EBITDA per basic share ($/share) | $0.65 | $0.51 | $2.43 | $1.57 |
| EBITDA per diluted share ($/share) | $0.64 | $0.51 | $2.42 | $1.56 |

(1) As noted, calculated using the basic or diluted weighted average number of shares outstanding during the respective periods.

Payout ratio

"Payout ratio", a supplementary financial measure, represents dividends paid, expressed as a percentage of

cash flow and provides investors with a measure of the percentage of cash flow that was used during the period to fund dividend payments. Payout ratio is calculated as cash flow divided by dividends paid.

A summary of the reconciliation from cash flow to payout ratio is set forth below:

| | Three months ended | | Year ended | |
|---|---|---|---|---|
| | Dec. 31, 2022 | Dec. 31, 2021 | Dec. 31, 2022 | Dec. 31, 2021 |
| Cash flow ($000s) | 86,273 | 68,334 | 333,763 | 190,941 |
| Dividends ($000s) | 43,244 | 33,422 | 157,288 | 108,739 |
| Payout Ratio (%) | 50 % | 49 % | 47 % | 57 % |

Acquisitions, excluding decommissioning obligations

"Acquisitions, excluding decommissioning obligations", is considered a non-GAAP financial measure, and is calculated as: acquisitions (per the consolidated statements of cash flows) plus non-cash acquisitions but excluding non-cash decommissioning obligations.

A summary of the reconciliation from acquisitions (per the consolidated statements of cash flow) to acquisitions, excluding decommissioning obligations is set forth below:

| | Three months ended | | Year ended | |
|---|---|---|---|---|
| ($000s) | Dec. 31, 2022 | Dec. 31, 2021 | Dec. 31, 2022 | Dec. 31, 20 |
| Acquisitions (consolidated statements of cash flows) | 7,538 | 218,834 | 350,854 | 919,321 |
| Non-Cash acquisitions | ? | ? | 84,785 | 26,000 |
| Acquisitions (excluding non-cash decommissioning obligations) | 7,538 | 218,834 | 435,639 | 945,321 |

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 equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

OIL AND GAS METRICS

This news release contains certain oil and gas metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the Company's performance in previous periods and therefore such metrics should not be unduly relied upon.

General

See also "Forward-Looking Statements", "Reserves and Other Oil and Gas Information" and "Non-GAAP and Other Financial Measures" in the most recently filed Management's Discussion and Analysis.

SUPPLEMENTAL INFORMATION REGARDING PRODUCT TYPES

This news release includes references to 2021 and 2022 actual and 2023 estimated average royalty production. The following table is intended to provide supplemental information about the product type composition for each of the production figures that are provided in this news release:

| For the three months ended | Dec. 31, 2022 | Sept. 30, 2022 | Jun. 30, 2022 | Mar. 31, 2022 | Dec. 31, 2021 |
|---|---|---|---|---|---|
| Average daily production | | | | | |
| Light and Medium crude oil (bbl/d) | 1,704 | 1,516 | 1,562 | 1,289 | 1,086 |
| Heavy crude oil (bbl/d) | 2,512 | 1,288 | 1,191 | 1,194 | 1,091 |
| Conventional Natural Gas (mcf/d) | 41,932 | 41,293 | 40,817 | 39,996 | 45,280 |
| Shale Gas (mcf/d) | 35,838 | 34,304 | 35,930 | 35,140 | 39,135 |
| Natural Gas Liquids (bbl/d) | 1,170 | 1,081 | 1,133 | 1,116 | 966 |
| Total (boe/d) | 18,349 | 16,485 | 16,676 | 16,122 | 17,213 |

| For the year ended | 2023 (Estimate)[(1)(2)] | 2022 (Actual) | 2021 (Actual) |
|---|---|---|---|
| Average daily production | | | |
| Light and Medium crude oil (bbl/d) | 1,523 | 1,519 | 565 |
| Heavy crude oil (bbl/d) | 2,850 | 1,549 | 538 |
| Conventional Natural Gas (mcf/d) | 41,277 | 41,016 | 43,282 |
| Shale Gas (mcf/d) | 36,100 | 35,302 | 29,987 |
| Natural Gas Liquids (bbl/d) | 1,280 | 1,125 | 789 |
| Total (boe/d) | 18,930 | 16,914 | 14,103 |

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(1) Represents the midpoint of the estimated range of 2023 average annual royalty production.

(2) Topaz's estimated royalty production is based on the estimated commodity mix, drilling location and corresponding royalty rate; and capital development activity on Topaz's royalty acreage by the working interest owners, all of which are outside of Topaz's control.

SOURCE Topaz Energy Corp.

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