

Topaz Announces Third Quarter 2023 Financial Results, Clearwater Royalty & Infrastructure Acquisition And Declares Fourth Quarter Dividend

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CALGARY, Oct. 30, 2023 - [Topaz Energy Corp.](#) (TSX: TPZ) ("Topaz" or the "Company") is pleased to announce financial results for the third quarter of 2023, a Clearwater royalty and infrastructure acquisition and declaration of the fourth quarter dividend per share. Select financial information is outlined below and should be read in conjunction with Topaz's interim consolidated financial statements and related management's discussion and analysis ("MD&A") as at and for the three and nine months ended October 30, 2023, which are available on SEDAR+ at www.sedarplus.ca and on Topaz's website at www.topazenergy.ca.

Highlights

- Generated 15% higher Q3 2023 revenue and other income (\$85.8 million or \$0.59 per basic and diluted share⁽²⁾) compared to Q3 2022, comprised of \$67.6 million (79%) royalty production revenue and \$18.1 million (21%) infrastructure processing and other income.
- Q3 2023 cash flow of \$74.7 million or \$0.52 per basic and diluted share⁽²⁾ was 11% higher than Q2 2023. During the third quarter Topaz generated free cash flow (FCF)⁽¹⁾ of \$72.4 million (\$0.50 per basic and diluted share⁽²⁾) and an 84% increase in FCF⁽¹⁾ over Q2 2023.
- Royalty production averaged 18,556 boe/d⁽⁴⁾ in Q3 2023 and 18,617 boe/d⁽⁴⁾ YTD 2023, 13% higher relative to YTD 2022. Since the completion of the Deltastream royalty acquisition one year ago (effective October 1, 2022), Topaz's royalty production⁽⁵⁾ has increased 5% per basic and diluted share⁽²⁾. The growth is entirely attributed to operator development, at the discretion of the operator, across Topaz's royalty acreage.
- Topaz continues to see a reliable and meaningful share of WCSB production and drilling activity across its royalty acreage. In Q3 2023, the operator working interest production across Topaz's royalty acreage represented approximately 8% of total WCSB production⁽¹²⁾, and YTD 2023, the 430 gross wells spud across Topaz's acreage represented approximately 13% of total WCSB releases across the WCSB⁽¹³⁾.
- Paid a \$0.31 per share dividend during the third quarter (\$1.24 per share annualized⁽¹⁰⁾) which represents a 5.7% annualized yield to the third quarter average share price⁽⁸⁾. On October 30, 2023, Topaz's Board declared the fourth quarter dividend payment at \$0.31 per share.
- Utilized Excess FCF⁽¹⁾ to date in 2023 to reduce net debt⁽¹⁾ by \$42.7 million (11%) and fund \$40.0 million of acquisitions.
- Entered into definitive agreements for a \$26.3 million acquisition of infrastructure and royalty assets in the Clearwater area.

Third Quarter 2023 Update

Financial Overview

- During Q3 2023, Topaz generated cash flow of \$74.7 million (\$0.52 per basic and diluted share⁽²⁾), 11% higher than Q2 2023. Q3 2023 AECO (5A) pricing was 6% higher, NYMEX WTI was 11% higher and average royalty production increased 5%.
- During the third quarter, Topaz paid \$44.8 million in dividends, representing a 60% payout ratio⁽¹⁾ and generated Excess FCF⁽¹⁾ (\$0.19 per basic and diluted share⁽²⁾) which was used to fund acquisitions.
- Topaz exited Q3 2023 with \$363.2 million of net debt⁽¹⁾, \$42.7 million (11%) lower than YE 2022. As at October 30, 2023, Topaz has approximately \$600.0 million of available credit capacity⁽⁶⁾ which provides financial flexibility for strategic growth opportunities.

Royalty Activity

- Topaz's Q3 2023 royalty production increased 13% from Q3 2022 to 18,556 boe/d⁽⁴⁾ (including new record total liquids production of 5,675 bbl/d⁽⁴⁾). Q3 2023 royalty production was 31% total liquids, 3% higher than Q2 2023. Intermittent weather during the first half of Q3 2023, wildfires throughout Alberta and British Columbia required certain Topaz and third-party operations to be shut-in, and also restricted completion operations of certain operator development activity.

- During the third quarter, operators spud 160 gross wells (6.1 net)⁽⁷⁾, a 51% increase in gross wells spud from Q2 2023, 430 gross wells (16.9 net) were spud⁽⁷⁾, a 5% increase from the prior year. 92 gross wells (3.2 net) of the 160 spud⁽⁷⁾ during Q3 2023 were not yet brought on production at the end of the quarter.
- Average realized commodity prices (before hedging) for the third quarter were C\$2.53/mcf for natural gas, C\$103.00/bbl for crude oil, C\$89.78/bbl for heavy oil and C\$95.95 for natural gas liquids, generating \$67.6 million of royalty production revenue.
- Third quarter drilling activity (160 gross wells spud⁽⁷⁾) was diversified across Topaz's portfolio as follows: 68 Clearwater, 30 NEBC Montney, 30 Deep Basin, 16 Peace River, 3 Central Alberta and 6 SE Saskatchewan/Manitoba. YTD 2023 430 gross wells spud⁽⁷⁾ (63%) across Topaz's royalty acreage were in the Clearwater and NEBC Montney, Topaz's core areas. Average YTD 2023 royalty production from these combined areas has increased 34% from YTD 2022.
- Based on planned operator drilling activity, Topaz expects that the current 26 to 28 active drilling rigs on its royalty acreage will be maintained through the fourth quarter⁽³⁾.

Infrastructure Activity

- Generated \$18.1 million in processing revenue and other income which was 7% higher than Q2 2023 due to strong utilization and the Wembley infrastructure acquisition. In Q3 2023, Topaz incurred \$1.0 million in operating expenses and \$1.0 million in maintenance-related capital expenditures. The infrastructure assets generated 99% utilization and a 95% operating margin⁽¹¹⁾ during Q3 2023.

Acquisition Activity

- On July 31, 2023, Topaz invested \$39.5 million in 49.9% non-operated working interests in a newly constructed and commissioned 15 mmcf/d sweet natural gas processing facility and associated 1,500 bbl/d crude oil battery in the Charlie Lake area which are supported by 100%, 15-year fixed take-or-pay agreements; in addition to gross overriding royalty interests on 17,000 gross acres within the Charlie Lake and Clearwater operating areas in Alberta.
- On October 25, 2023, Topaz entered into definitive agreements for a \$26.3 million investment with a Canadian energy company for a new 7% gross overriding royalty and supporting capital commitment, on approximately 20,000 gross acres in the Nipisi area ("New Clearwater Royalty Lands"); and a 99% working interest in a planned natural gas gathering system supported by a long-term fixed take-or-pay and cumulative volume commitment ("Clearwater Natural Gas Gathering Infrastructure"). The Clearwater Natural Gas Gathering Infrastructure will be funded by Topaz upon final commissioning of the pipeline, which is targeted for completion late 2024, and is designed to conserve natural gas across Topaz's existing Marten Hills royalty acreage, which Topaz anticipates will increase Topaz's existing royalty production revenue up to 2025, and meaningfully reduce CO₂ emissions in the area. The Clearwater Natural Gas Gathering Infrastructure is expected to generate \$3.7 million in infrastructure processing revenue for Topaz in 2025⁽³⁾, and Topaz also expects to generate incremental royalty production revenue from the New Clearwater Royalty Lands.

Dividend

- Topaz's Board has declared the fourth quarter 2023 dividend at \$0.31 per share which is expected to be paid on November 15, 2023, to shareholders of record on December 15, 2023. The quarterly cash dividend is designated as an "eligible dividend" for Canadian income tax purposes and the annualized dividend of \$1.24 per share⁽¹⁰⁾ provides a 5.7% yield to Topaz's share price⁽⁹⁾.

Guidance Outlook

2023 Guidance Update

- Topaz's previously announced full-year guidance estimates are unchanged and for the fourth quarter of 2023, Topaz expects royalty production of 18,800 - 19,000 boe/d (30% total liquids) and estimates it will generate \$17.0 to \$18.0 million in processing revenue and other income. Topaz estimates its 2023 exit net debt will be approximately \$335.0 million before any acquisitions, which represents an 18% reduction from YE 2022.

2024 Guidance Estimates

- Topaz anticipates that the operators across its royalty acreage will continue to maintain 20 - 30 active rigs through 2024. Based on established preliminary 2024 guidance estimates, subject to its key operators' final 2024 capital budgets and/or other factors such as weather or wildfire-related issues that may impact 2024 production. Topaz estimates 2024 average annual royalty production of 18,800 - 19,600 boe/d and estimates its 2024 processing revenue and other income between \$69.0 and \$71.0 million. Based on current commodity pricing and before consideration of acquisitions, Topaz expects to exit 2024 with net debt⁽⁴⁾ before acquisitions of \$205.0 million.

2024 Guidance Estimates⁽³⁾⁽¹⁴⁾

\$mm except boe/d

Annual average royalty production (boe/d)⁽⁴⁾ 18,800 - 19,600

Royalty production natural gas weighting (%)⁽⁴⁾ ~70%

Infrastructure revenue and other income \$69.0 - \$71.0mm

Capital expenditures (excluding acquisitions) \$4.0 - \$5.0mm

Dividend (\$1.24 per share)⁽¹⁰⁾ ~\$180.0mm

Dividend payout ratio⁽¹⁾ 55% - 60%

YE 2024 net debt⁽¹⁾ \$195.0 - \$205.0mm

YE 2024 net debt to EBITDA⁽¹⁾ ~0.6x

Additional information

Additional information about Topaz, including the interim consolidated financial statements and management's discussion and analysis as at and for the three and nine months ended September 30, 2023 are available on SEDAR+ at www.sedarplus.ca under the Company's profile, and on Topaz's website, www.topazenergy.ca.

Q3 2023 CONFERENCE CALL

Topaz will host a conference call tomorrow, Tuesday, October 31, 2023 starting at 6:00 a.m. MST (8:00 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 52087367.

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 Oil Corp.](#) ("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.sedarplus.ca.

Selected Financial Information

For the periods ended (\$000s) except per share	YTD 2023	YTD 2022	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Royalty production revenue	186,220	226,002	67,629	57,667	60,924	77,809
Processing revenue	41,349	39,083	14,381	13,397	13,571	13,841
Other income ⁽⁴⁾	11,068	8,919	3,762	3,616	3,690	3,993
Total	238,637	274,004	85,772	74,680	78,185	95,643
Cash expenses:						
Operating	(5,917)	(4,589)	(955)	(3,022)	(1,940)	(1,785)
Marketing	(1,084)	(1,548)	(400)	(315)	(369)	(486)
General and administrative	(4,882)	(4,612)	(1,490)	(1,823)	(1,569)	(1,828)
Realized gain (loss) on financial instruments	8,980	(9,049)	(761)	4,945	4,796	1,614
Interest expense	(21,820)	(6,716)	(7,495)	(6,987)	(7,338)	(6,885)
Cash flow	213,914	247,490	74,671	67,478	71,765	86,273
Per basic share ⁽¹⁾⁽²⁾	\$1.48	\$1.74	\$0.52	\$0.47	\$0.50	\$0.60
Per diluted share ⁽¹⁾⁽²⁾	\$1.48	\$1.73	\$0.52	\$0.47	\$0.50	\$0.60
Cash from operating activities	224,153	248,664	65,190	73,304	85,659	69,214
Per basic share ⁽¹⁾⁽²⁾	\$1.55	\$1.75	\$0.45	\$0.51	\$0.59	\$0.48
Per diluted share ⁽¹⁾⁽²⁾	\$1.55	\$1.74	\$0.45	\$0.51	\$0.59	\$0.48
Net income	28,009	80,261	10,750	9,366	7,893	19,094
Per basic share ⁽²⁾	\$0.19	\$0.57	\$0.07	\$0.06	\$0.05	\$0.13
Per diluted share ⁽²⁾	\$0.19	\$0.56	\$0.07	\$0.06	\$0.05	\$0.13
EBITDA ⁽⁷⁾	235,259	254,021	81,996	74,316	78,947	93,006
Per basic share ⁽¹⁾⁽²⁾	\$1.63	\$1.79	\$0.57	\$0.51	\$0.55	\$0.65
Per diluted share ⁽¹⁾⁽²⁾	\$1.62	\$1.78	\$0.57	\$0.51	\$0.54	\$0.64
FCF ⁽¹⁾	210,059	244,907	72,390	66,379	71,290	85,018
Per basic share ⁽¹⁾⁽²⁾	\$1.45	\$1.72	\$0.50	\$0.46	\$0.49	\$0.59
Per diluted share ⁽¹⁾⁽²⁾	\$1.45	\$1.72	\$0.50	\$0.46	\$0.49	\$0.59
FCF Margin ⁽¹⁾	88 %	89 %	84 %	89 %	91 %	89 %
Dividends paid	131,469	114,044	44,805	43,355	43,309	43,244
Per share ⁽¹⁾⁽⁶⁾	\$0.91	\$0.80	\$0.31	\$0.30	\$0.30	\$0.30
Payout ratio ⁽¹⁾	61 %	46 %	60 %	64 %	60 %	50 %

Excess FCF ⁽¹⁾	78,590	130,863	27,585	23,024	27,981	41,774
Capital expenditures	3,855	2,583	2,281	1,099	475	1,255
Acquisitions, excl. decommissioning obligations ⁽¹⁾	39,988	428,101	39,505	447	36	7,538
Weighted average shares - basic ⁽³⁾	144,437	142,004	144,535	144,438	144,336	144,153
Weighted average shares - diluted ⁽³⁾	144,950	142,735	145,114	144,990	144,943	144,976
Average Royalty Production ⁽⁵⁾						
Natural gas (mcf/d)	78,570	75,829	77,291	77,564	80,880	77,770
Light and medium crude oil (bbl/d)	1,706	1,456	1,674	1,717	1,727	1,704
Heavy crude oil (bbl/d)	2,648	1,224	2,861	2,582	2,496	2,512
Natural gas liquids (bbl/d)	1,168	1,110	1,140	1,185	1,179	1,170
Total (boe/d)	18,617	16,430	18,556	18,411	18,884	18,349
Realized Commodity Prices ⁽⁵⁾						
Natural gas (\$/mcf)	\$2.72	\$5.37	\$2.53	\$2.38	\$3.23	\$4.77
Light and medium crude oil (\$/bbl)	\$93.86	\$116.93	\$103.58	\$90.61	\$87.50	\$100.67
Heavy crude oil (\$/bbl)	\$75.71	\$101.99	\$89.78	\$73.87	\$61.15	\$72.33
Natural gas liquids (\$/bbl)	\$92.38	\$113.30	\$95.95	\$86.73	\$94.58	\$104.18
Total (\$/boe)	\$36.64	\$50.39	\$39.61	\$34.42	\$35.85	\$46.09
Benchmark Pricing						
Natural Gas						
AECO 5A (CAD\$/mcf)	\$2.76	\$5.38	\$2.60	\$2.45	\$3.23	\$5.11
AECO 7A (CAD\$/mcf)	\$3.00	\$5.56	\$2.30	\$2.34	\$4.35	\$5.58
Westcoast station 2 (CAD\$/mcf)	\$2.32	\$4.87	\$2.19	\$1.89	\$2.90	\$3.22
Crude oil						
NYMEX WTI (USD\$/bbl)	\$77.39	\$98.09	\$82.18	\$73.75	\$76.11	\$82.64
Edmonton Par (CAD\$/bbl)	\$101.12	\$123.62	\$108.16	\$95.52	\$99.55	\$110.32
WCS differential (USD\$/bbl)	\$17.81	\$15.77	\$12.91	\$15.07	\$25.41	\$25.63
Natural gas liquids						
Edmonton Condensate (CAD\$/bbl)	\$101.48	\$123.35	\$103.51	\$95.61	\$105.13	\$111.41
CAD\$/USD\$	\$0.7434	\$0.7797	\$0.7459	\$0.7446	\$0.7396	\$0.7365
Selected statement of financial position results (\$'000s) except share amounts			At Sept. 30, 2023	At Jun. 30, 2023	At Mar. 31, 2023	At Dec. 31, 2022

Total assets	1,691,150	1,700,893	1,766,639	1,835,730
Working capital	47,129	43,898	52,940	64,948
Adjusted working capital ⁽¹⁾	48,475	42,159	49,822	58,713
Net debt (cash) ⁽¹⁾	363,206	352,393	376,487	405,871
Common shares outstanding ⁽³⁾	144,636	144,522	144,364	144,211

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

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

(3) Other income of \$3.8 million and \$11.1 million for Q3 2023 and YTD 2023, respectively, includes interest income of \$0.5 million and \$1.1 million for Q3 2023 and YTD 2023, respectively.

(4) This section includes supplemental financial reporting periods in abbreviated form as follows: "Q3 2023" refers to the three months ended September 30, 2023; "Q2 2023" refers to the three months ended June 30, 2023; "Q3 2022" refers to the three months ended September 30, 2022; "YTD 2023" refers to the nine months ended September 30, 2023; "YTD 2022" refers to the nine months ended September 30, 2022; "YE 2022" refers to the year ended December 31, 2022.

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

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

(6) Cumulative dividend paid per outstanding share of common shares outstanding during the respective period.

3. See "Forward-Looking Statements".

(7) See "Supplemental Information Regarding Product Types".

5. Topaz's October 2022 average royalty production was 17,716 boe/d, comprised of 75,094 mcf/d natural gas and

liquids.

6. Topaz's \$1.0 billion syndicated credit facility includes a \$300 million accordion feature which may be advanced by up to agent consent (the "Syndicated Credit Facility"). At October 30, 2023, Topaz had \$390.0 million drawn against the Credit Facility.

7. May include non-producing injection wells or reactivations not previously producing subsequent to Topaz's ownership.

8. Calculated based on Topaz's average share price on the TSX during the third quarter of 2023 of \$21.60.

9. Calculated based on Topaz's closing share price on the TSX October 20, 2023 of \$21.57.

10. Topaz's dividends remain subject to board of director approval.

11. Calculated as Q3 2023 processing revenue and other income of \$18.1 million less \$1.0 million of operating expenses (excluding depreciation and amortization of \$1.0 million), expressed as a percentage of Q3 2023 processing revenue and other income (94%).

12. Estimated total operator working interest average production across Topaz royalty acreage YTD 2023 (~0.64 MMboepd) as a percentage of total estimated WCSB average production YTD 2023 of 7.79MMboepd (Source: Canada Energy R&S).

13. YTD 2023 gross wells spud across Topaz royalty acreage (430) as a percentage of the total wells rig released across the WCSB YTD 2023 of 3,218 (excluding oil sands/in situ) (Source: Rig Locator, geoSCOUT and Peters & Co. Limited).

14. Management's assumptions underlying the Company's preliminary 2024 guidance estimates include:

1. Topaz's internal estimates regarding development pace and production performance including estimates of capital development plans including capital allocated to waterflood and other long-term value-enhancing projects are subject to key operators' final 2024 capital budgets and/or operational, weather or wildfire-related issues affecting 2024 production;
2. Management's estimates for fixed and variable processing fees based on 95% utilization, third party income from infrastructure utilization and cost estimates based on historic information and adjusted for inflation;
3. No acquisition activity. The Clearwater Natural Gas Gathering Infrastructure acquisition is expected to be effective in 2025 and will be incorporated into 2024 guidance estimates, if applicable, once final capital costs and processing fees are determined, and once the pipeline is commissioned;
4. Estimated 2024e expenses and expenditures of \$7.0-\$8.0mm of cash G&A; \$8.0-\$9.0mm of operating expenses; \$4.0-\$5.0mm capital expenditures (excluding acquisitions); 1% marketing fee on certain royalty production; average interest rate of 8%;
5. 2024 estimated total dividends of \$180.0 million based on 144.6 million shares outstanding at October 30, 2023 (share);
6. Topaz's outstanding financial derivative contracts included in its most recently filed MD&A; and
7. Topaz's sensitivity to 2024 inherent EBITDA estimates are as follows:
 1. C\$0.50/mcf change in natural gas price +/- \$10.0mm;
 2. US\$2.00/bbl change in crude oil price +/- \$5.8mm;
 3. 1% annual average royalty production change +/- \$2.9mm;
 4. 1% change in CAD/USD foreign exchange +/- \$2.0mm; and
 5. US\$0.50/bbl change in WCS differential +/- \$0.7mm.

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 anticipated funding and timing of the funding of the Clearwater Natural Gas Gathering Infrastructure and the benefits of such infrastructure including anticipated increases to existing royalty production and infrastructure processing revenue; anticipated increases to royalty production revenue from the New Clearwater Royalty Lands; Topaz's future growth outlook, guidance and strategic plans; estimated average royalty production for the fourth quarter of 2023; estimated annual average royalty production for 2024; estimated processing revenue and other income; anticipated exit 2023 and 2024 net debt levels and 2024 net debt to EBITDA levels; dividend amounts, dividend increases and the estimated dividend payout ratio; the sustainability of the dividend and the rationale for such sustainability; the maintenance of financial flexibility for strategic growth opportunities; the anticipated capital expenditure and drilling plans; the number of drilling rigs to be active on Topaz's royalty acreage during the fourth quarter of 2023 and through 2024; the future declaration and payment of dividends and the timing and amount thereof; the annual revenue forecast with respect to the Clearwater Acquisition; the forecasts described under the headings "Third Quarter 2023 Update" (including under the sub-heading "Dividend") and "Guidance Outlook" above; expected benefits from acquisitions including enhancing Topaz's future growth outlook and the plans to maintain a low payout ratio in order to retain Excess FCF for self-funded M&A growth and further 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.sedarplus.ca) 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 average royalty production range for the three months ending December 31, 2023 and for the year ending December 31, 2024, estimated processing revenue and other income for Q3 2023 and 2024, and estimated year-end exit net debt ranges for 2023 and 2024, 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 "Third Quarter 2023 Update - Guidance Outlook" above and are based on the following key assumptions: Topaz's estimated capital expenditures (excluding acquisitions) of \$4.0 to \$5.0 million in 2024; the working interest owners' anticipated Q4 2023 and 2024 capital plans attributable to Topaz's undeveloped royalty lands; estimated average royalty production range of 18,800 - 19,000 boe/d in Q4 2023; estimated annual average royalty production range of 18,800 - 19,600 boe/d in 2024; Q4 2023 and 2024 average infrastructure ownership capacity utilization of 95%; December 31, 2023 exit net debt of approximately \$335.0 million; December 31, 2024 exit net debt of approximately \$195.0 - \$205.0 million; estimated timing of completion and commissioning of the Clearwater Natural Gas Gathering System on or before December 31, 2024; Q4 2023 average commodity prices of: \$2.91/mcf (AECO 5A), US\$84.21/bbl (NYMEX WTI), US\$18.25/bbl (WCS oil differential), US\$3.10/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange 0.73; and 2024 average commodity prices of: \$3.13/mcf (AECO 5A), US\$80.11/bbl (NYMEX WTI), US\$16.50/bbl (WCS oil differential), US\$3.00/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange 0.73.

To the extent such estimates constitute financial outlooks, they were approved by management and the board of directors of Topaz on October 30, 2023 and are included to provide readers with an understanding of the estimated royalty production, processing revenue and other income, 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 interim consolidated financial statements as at and for the three and nine months ended September 30, 2023 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 Syndicated Credit Facility, presented in note 8 to the Company's interim consolidated financial statements as at and for the three and nine months ended September 30, 2023: (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		Nine months ended	
(\$000s)	Sept. 30, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Cash from operating activities	65,190	99,972	224,153	248,664
Exclude net change in non-cash working capital (9,481)		22,044	10,239	1,174
Cash flow	74,671	77,928	213,914	247,490
Less: Capital expenditures	2,281	926	3,855	2,583
FCF	72,390	77,002	210,059	244,907
Less: dividends paid	44,805	40,364	131,469	114,044
Excess FCF	27,585	36,638	78,590	130,863
Cash flow per basic share ⁽¹⁾	\$0.52	\$0.54	\$1.48	\$1.74
Cash flow per diluted share ⁽¹⁾	\$0.52	\$0.54	\$1.48	\$1.73
FCF per basic share ⁽¹⁾	\$0.50	\$0.53	\$1.45	\$1.72
FCF per diluted share ⁽¹⁾	\$0.50	\$0.53	\$1.45	\$1.72
FCF	72,390	77,002	210,059	244,907
Total Revenue and other income	85,772	81,679	238,637	274,004
FCF Margin	84 %	94 %	88 %	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.

(\$000s)	As at Sept. 30, 2023	As at Dec. 31, 2022
Working capital	47,129	64,948
Exclude fair value of financial instruments (1,346)		6,235
Adjusted working capital	48,475	58,713
Less: bank debt	411,681	464,584
Net Debt	363,206	405,871

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

EBITDA and EBITDA per basic or diluted share

EBITDA, as defined under the Company's Syndicated Credit Facility and disclosed in note 8 of the

Company's interim consolidated financial statements as at and for the three and nine months ended September 30, 2023, 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		Nine months ended	
(\$000s)	Sept. 30, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Net income	10,750	19,380	28,009	80,261
Unrealized (gain) loss on financial instruments	2,891	877	7,241	(1,942)
Share-based compensation	328	408	786	695
Finance expense	7,709	2,858	22,452	7,225
Depletion and depreciation	56,625	51,408	166,459	147,153
Deferred income tax expense	3,863	5,666	10,787	20,814
Less: interest income	(170)	(134)	(475)	(185)
EBITDA	81,996	80,463	235,259	254,021
EBITDA per basic share (\$/share)	\$0.57	\$0.56	\$1.63	\$1.79
EBITDA per diluted share (\$/share)	\$0.57	\$0.56	\$1.62	\$1.78

⁽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		Nine months ended	
	Sept. 30, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Cash flow (\$000s)	74,671	77,928	213,914	247,490
Dividends (\$000s)	44,805	40,364	131,469	114,044
Payout Ratio (%)				

60 %

52 %

61 %

46 %

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		Nine months ended	
(\$000s)	Sept. 30, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Acquisitions (consolidated statements of cash flows)	39,505	328,285	39,988	343,316
Non-Cash acquisitions	?	?	?	84,785
Acquisitions (excluding non-cash decommissioning obligations)	39,505	328,285	39,988	428,101

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 news release 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.

INFORMATION REGARDING PUBLIC ISSUER COUNTERPARTIES

Certain information contained in this news release relating to the Company's public issuer counterparties which include Tourmaline and others, and the nature of their respective businesses is taken from and based solely upon information published by such issuers. The Company has not independently verified the accuracy or completeness of any such information.

CREDIT RATINGS

This news release makes reference to Tourmaline's credit rating. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

SUPPLEMENTAL INFORMATION REGARDING PRODUCT TYPES

This news release includes references to actual and 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 Sept. 30, 2023 Jun. 30, 2023 Mar. 31, 2023 Dec. 31, 2022 Sept. 30, 2022

Average daily production

Light and Medium crude oil (bbl/d)	1,674	1,717	1,727	1,704	1,516
Heavy crude oil (bbl/d)	2,861	2,582	2,496	2,512	1,288
Conventional Natural Gas (mcf/d)	40,429	41,989	43,316	41,932	41,293
Shale Gas (mcf/d)	36,862	35,575	37,563	35,838	34,304
Natural Gas Liquids (bbl/d)	1,140	1,185	1,179	1,170	1,081
Total (boe/d)	18,556	18,411	18,884	18,349	16,485

For the nine months ended Sept. 30, 2023 Sept. 30, 2022

Average daily production

Light and Medium crude oil (bbl/d)	1,706	1,456
Heavy crude oil (bbl/d)	2,648	1,224
Conventional Natural Gas (mcf/d)	41,906	40,707
Shale Gas (mcf/d)	36,664	35,122
Natural Gas Liquids (bbl/d)	1,168	1,110
Total (boe/d)	18,617	16,430

For the year ended 2024 (Estimate)⁽¹⁾⁽²⁾ 2023 (Estimate)⁽¹⁾⁽²⁾ 2021 (Actual)

Average daily production

Light and Medium crude oil (bbl/d)	1,580	1,523	565
Heavy crude oil (bbl/d)	3,030	2,850	538
Conventional Natural Gas (mcf/d)	42,096	41,277	43,282
Shale Gas (mcf/d)	37,500	36,100	29,987
Natural Gas Liquids (bbl/d)	1,324	1,280	789
Total (boe/d)	19,200	18,550	14,103

(1) Represents the midpoint of the estimated range of 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.

GENERAL

See also "Forward-Looking Statements", "Reserves and Other Oil and Gas Information" and "Non-GAAP

and Other Financial Measures" in the Company's most recently filed Management's Discussion and Analysis.

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