



TOPAZ ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

As at June 30, 2021 and for the three and six months ended June 30, 2021 and 2020

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of Topaz Energy Corp. ("**Topaz**" or the "**Company**") as at June 30, 2021 and for the three and six months ended June 30, 2021 and 2020 should be read in conjunction with the unaudited interim condensed consolidated financial statements as at June 30, 2021 and for the three and six months ended June 30, 2021 and June 30, 2020, and the audited financial statements as at and for the years ended December 31, 2020 and December 31, 2019, together with the accompanying notes ("Financial Statements"). This MD&A is dated July 29, 2021.

The Financial Statements and comparative information have been prepared in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS") and also referred to in this MD&A as Generally Accepted Accounting Principles ("GAAP") as issued by the International Accounting Standards Board ("IASB").

Certain measures in this MD&A do not have any standardized meaning as prescribed by IFRS and, therefore, are considered non-GAAP financial measures. Non-GAAP financial measures are commonly used in the oil and gas industry and by Topaz 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, readers are cautioned that non-GAAP financial measures 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 measures used in this MD&A include "cash flow", "cash flow per basic share", "FCF (free cash flow)", "FCF per basic share", "EBITDA", "EBITDA margin," "payout ratio," "interest expense", "adjusted working capital", "net debt (cash)," "consolidated senior secured debt" and "total debt". See Liquidity and Capital Resources section of this MD&A for definitions of "interest expense", "consolidated senior secured debt" and "total debt", as defined by the Syndicated Credit Facility. Further information including reconciliations to the most comparable measure under GAAP, can be found in the "Non-GAAP Financial Measures" section of this MD&A.

The following volumetric measures may be abbreviated throughout this MD&A: barrel ("bbl") per day ("bbl/d"); barrel of oil equivalent ("boe") per day ("boe/d"); thousand cubic feet ("mcf") per day ("mcf/d"). Barrel of oil equivalent is an industry measurement to summarize the amount of energy equivalent found in a barrel of crude oil. Further information including energy conversions, forward-looking statements and certain other abbreviations, can be found in the Advisory section of this MD&A.

The Common Shares of the Company trade on the Toronto Stock Exchange under the symbol "TPZ".

Highlights

Highlights of Topaz's financial results as at and for the three and six months ended June 30, 2021 as compared to the three and six months ended June 30, 2020 ("Q2 2021", "YTD 2021", "Q2 2020" and "YTD 2020" respectively), as well as significant transactions completed subsequent to June 30, 2021 ("Subsequent Period") are presented below:

Financial performance

- Total revenue and other income⁽¹⁾ of \$41.0 million for Q2 2021 was double the \$20.0 million generated in Q2 2020. The significant increase was driven by 24% royalty production volume growth, 99% higher processing revenue and a 56% increase in natural gas (AECO) pricing.
- Generated 84% higher total revenue and other income⁽¹⁾ in YTD 2021 (\$78.7 million) compared to YTD 2020 (\$42.8 million) which was driven by 18% royalty production volume growth, 87% higher processing revenue and a 55% increase in natural gas (AECO) pricing.
- Generated more than 2.0 times higher EBITDA⁽²⁾ and FCF⁽²⁾ in Q2 2021 (\$37.3 million and \$37.2 million respectively) compared to Q2 2020 (\$17.4 million and \$17.2 million, respectively) which represented an EBITDA margin⁽²⁾ of 91% and 87% during the respective periods. On a per share basis, second quarter FCF grew 52% from Q2 2020 to Q2 2021. For the six month periods ended June 30, EBITDA⁽²⁾ and FCF⁽²⁾ both grew 88%, from \$38.3 million and \$37.9 million respectively in 2020 to \$71.9 million and \$71.2 million, respectively in 2021.

Royalty activity update

- Topaz's average royalty production⁽⁴⁾ of 12,265 boe/d during Q2 2021 grew 24% from 9,891 boe/d during Q2 2020. Royalty production revenue of \$27.4 million was 2.3 times higher than the \$11.9 million generated during Q2 2020.
- Topaz's average royalty production⁽⁴⁾ of 12,005 boe/d YTD 2021 grew 18% from 10,134 boe/d during YTD 2020. Royalty production revenue of \$51.6 million YTD 2021 grew 95% from \$26.4 million YTD 2020. The increased production volume and royalty production revenues are attributed to gross overriding royalty acquisitions, volume growth attributed to Topaz's existing royalty assets and improved commodity pricing (55% increase in natural gas (AECO) and 70% increase in crude oil (NYMEX WTI)).
- During Q2 2021, 70 gross wells⁽⁵⁾ were spud on Topaz's royalty acreage (42 gross wells on acreage operated by Tourmaline and 28 gross wells on acreage operated by other Topaz counterparties) and 50 gross wells were brought on production⁽³⁾ which represents a 2.7 times increase in drilling activity relative to Q2 2020, when 26 gross wells were spud on Topaz's royalty acreage (all operated by Tourmaline).
- During YTD 2021, 170 gross wells⁽⁵⁾ were spud on Topaz's royalty acreage (110 gross wells on acreage operated by Tourmaline and 60 gross wells on acreage operated by other Topaz counterparties) and 136 gross wells were brought on production⁽³⁾ which represents a 2.5 times increase in drilling activity relative to YTD 2020, when 67 gross wells were spud on Topaz's royalty acreage (all operated by Tourmaline).

Infrastructure activity update

- During Q2 2021, Topaz generated \$10.6 million processing revenue attributed to its non-operated ownership in processing facilities which is 2.0 times higher than Q2 2020 (\$5.3 million). During Q2 2021 and Q2 2020, average daily utilization of Topaz's net natural gas processing capacity was 98% and 100%, respectively (75% and 58% of which is contracted under fixed take-or-pay, respectively).
- During YTD 2021, Topaz generated \$21.0 million processing revenue attributed to its non-operated ownership in processing facilities which is 1.9 times higher than YTD 2020 (\$11.3 million). During YTD 2021 and YTD 2020, average daily utilization of Topaz's net natural gas processing capacity was 98% and 100%, respectively (74% and 58% of which was contracted under fixed take-or-pay, respectively).
- During Q2 2021, Topaz earned \$2.9 million, or 4% higher other income (\$2.8 million attributed to its contracted interest in third party infrastructure income and \$0.1 million of interest income) compared to Q2 2020 (\$2.8 million attributed to contracted interest in third party infrastructure income and \$nil of interest income).
- During YTD 2021, Topaz earned \$6.1 million, or 20% higher other income (\$5.8 million attributed to its contracted interest in third party infrastructure income and \$0.3 million of interest income) compared to YTD 2020 (\$5.1 million and \$nil, respectively).

Dividends paid

- The Company paid dividends of \$25.7 million (\$0.20 per share) in Q2 2021 representing a payout ratio⁽²⁾ of 69% compared to \$16.0 million dividends paid in Q2 2020 representing a payout ratio⁽²⁾ of 92%. On July 29, 2021, Topaz's Board declared its 2021 third quarter dividend of \$0.21 per share which is expected to be paid on September 30, 2021 to shareholders of record on September 15, 2021.

Accretive growth transactions

- During the six months ended June 30, 2021, Topaz completed \$316.5 million of acquisitions (all of which were previously announced):
 - cumulative acquisitions of gross overriding royalty interests on developed and undeveloped land as follows:
 - 720,000 gross acres in the Alberta Deep Basin, for total cash consideration of \$130.0 million;
 - 237,600 gross acres in the greater Clearwater area for total cash consideration of \$116.5 million which includes multi-year cumulative capital development commitments of \$122.5 million; and
 - 300,000 gross acres in the Peace River High area (focused on Charlie Lake rights) for total cash consideration of \$32.0 million which includes a multi-year capital development commitment of \$60 million;
 - the acquisition of a non-operated working interest in pipeline connected water management and conservation facilities for cash consideration of \$12.0 million which is underpinned by a 15-year fixed take-or-pay commitment; and
 - the corporate acquisition of Reserve Royalty Commercial Trust, and its subsidiaries, which hold the Reserve Royalty assets, for total consideration of \$27.3 million which was payable through the issuance of 1,794,886 common shares of Topaz, valued at \$14.485 per common share and a working capital adjustment of \$1.3 million which was paid in cash.
- During the Subsequent Period, Topaz completed a royalty and infrastructure acquisition and entered into definitive agreements to acquire additional royalty assets (both of which were previously announced), for cumulative proceeds of \$390.0 million:
 - on July 1, 2021 Topaz closed the acquisition from Tourmaline of a newly created gross overriding royalty on approximately 535,000 gross acres of developed and undeveloped lands in the NEBC Montney play area and working interest ownership in Tourmaline's Gundy infrastructure ("NEBC Montney Royalty and Infrastructure Acquisition"), which is supported by a ten year fixed take-or-pay commitment, for total cash consideration of \$245.0 million; and
 - on July 15, 2021 Topaz entered into definitive agreements to acquire a newly created gross overriding royalty from Tourmaline on approximately 296,000 gross acres of developed and undeveloped land in the NEBC Montney play area, for total cash consideration of \$145.0 million, before closing adjustments. The acquisition is scheduled to close on August 1, 2021, subject to satisfaction of customary closing conditions.

Capital resources

- On June 8, 2021, Topaz completed a bought deal equity financing (the "Equity Financing") and concurrent private placement whereby Topaz issued a total of 14.3 million common shares at a price of \$14.25 per common share which includes the exercise in full of the over-allotment option granted to the underwriters. Aggregate gross proceeds to the Company of \$203.8 million were used to fund acquisitions. The Equity Financing resulted in Tourmaline's equity ownership in Topaz reducing from 51% to 45%.
- Topaz ended Q2 2021 with net debt (cash)⁽²⁾ of \$(167.5) million. On July 1, 2021 Topaz paid \$245.0 million cash pursuant to the NEBC Montney Royalty and Infrastructure Acquisition following which Topaz had net debt (cash)⁽²⁾ of \$77.4 million.

⁽¹⁾ Comprised of royalty production revenue, processing revenue and other income.

⁽²⁾ Refer to "Non-GAAP Financial Measures."

⁽³⁾ Includes wells drilled during the current and previous periods on Topaz royalty acreage.

⁽⁴⁾ Refer to "Supplemental Information Regarding Product Types."

⁽⁵⁾ Includes injection wells.

Selected Financial Information

For the periods ended (\$000s) except per share	June 30, 2021 Six Months	June 30, 2021 Three months	Mar. 31, 2021 Three months	Dec. 31, 2020 Three months	Sept. 30, 2020 Three months	June 30, 2020 Three months
Royalty production revenue	51,627	27,448	24,179	17,611	14,826	11,935
Processing revenue	21,033	10,562	10,471	10,305	9,188	5,296
Other income ⁽⁴⁾	6,060	2,943	3,117	2,783	2,384	2,789
Total	78,720	40,953	37,767	30,699	26,398	20,020
Cash expenses:						
Operating	(2,061)	(1,089)	(972)	(1,643)	(691)	(1,016)
Marketing	(493)	(256)	(237)	(176)	(201)	(122)
General and administrative	(2,292)	(1,026)	(1,266)	(673)	(1,030)	(1,249)
Realized loss on financial instruments	(1,728)	(1,147)	(581)	(744)	(506)	(188)
Interest expense	(380)	(220)	(160)	(484)	(76)	(60)
Cash flow⁽¹⁾	71,766	37,215	34,551	26,979	23,894	17,385
Per basic share ⁽²⁾	\$0.63	\$0.32	\$0.31	\$0.25	\$0.26	\$0.22
Cash from operating activities	66,466	36,903	29,563	32,887	12,571	24,234
Per basic share ⁽²⁾	\$0.58	\$0.32	\$0.26	\$0.31	\$0.13	\$0.30
Net income (loss)	6,274	918	5,356	8,382	(2,935)	(1,125)
Per basic and diluted share ⁽²⁾	\$0.05	\$0.01	\$0.05	\$0.08	(\$0.03)	(\$0.01)
EBITDA ⁽¹⁾	71,874	37,308	34,566	27,126	23,922	17,445
EBITDA margin ⁽¹⁾	91%	91%	92%	88%	91%	87%
FCF ⁽¹⁾	71,222	37,232	33,990	26,507	23,381	17,226
Per basic share ⁽²⁾	\$0.62	\$0.32	\$0.30	\$0.25	\$0.25	\$0.21
Dividends paid	48,269	25,748	22,521	22,489	18,642	16,000
Per basic share ⁽²⁾	\$0.40	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
Payout ratio ⁽¹⁾	67%	69%	65%	83%	78%	92%
Capital expenditures	544	(17)	561	472	513	159
Acquisitions ⁽⁶⁾	316,526	160,492	156,034	17,963	153,500	—
Weighted average shares – basic ⁽³⁾	114,689	116,842	112,512	106,839	93,126	80,257
Average Royalty Production						
Natural gas (mcf/d) ⁽⁵⁾	65,230	65,725	64,729	57,621	55,400	55,056
Light and medium crude oil (bbl/d) ⁽⁵⁾	313	340	285	192	195	231
Heavy crude oil (bbl/d) ⁽⁵⁾	177	303	50	—	—	—
Natural gas liquids (bbl/d) ⁽⁵⁾	644	668	620	540	542	484
Total (boe/d)	12,005	12,265	11,743	10,335	9,970	9,891
Realized Commodity Prices						
Natural gas (\$/mcf) ⁽⁵⁾	\$3.12	\$3.11	\$3.13	\$2.65	\$2.26	\$2.00
Light and medium crude oil (\$/bbl) ⁽⁵⁾	\$71.37	\$76.94	\$64.66	\$48.90	\$48.66	\$26.14
Heavy crude oil (\$/bbl) ⁽⁵⁾	\$60.59	\$61.61	\$54.34	—	—	—
Natural gas liquids (\$/bbl) ⁽⁵⁾	\$75.66	\$78.91	\$72.11	\$54.09	\$49.27	\$30.61
Total (\$/boe)	\$23.76	\$24.59	\$22.88	\$18.52	\$16.16	\$13.26
Benchmark Pricing						
Natural Gas						
AECO 5A (CAD\$/mcf)	\$3.14	\$3.11	\$3.17	\$2.65	\$2.25	\$2.00
Crude oil						
NYMEX WTI (USD\$/bbl)	\$62.52	\$66.10	\$58.14	\$42.70	\$40.92	\$28.00
Edmonton Par (CAD\$/bbl)	\$73.06	\$76.39	\$68.98	\$49.21	\$49.06	\$30.24
WCS differential (USD\$/bbl)	\$11.96	\$11.51	\$12.42	\$9.10	\$9.05	\$11.43
Natural gas liquids						
Edmonton Condensate (CAD\$/bbl)	\$77.57	\$79.67	\$74.98	\$55.95	\$51.71	\$31.74
CAD\$/USD\$	\$0.8023	\$0.8142	\$0.7899	\$0.7678	\$0.7507	\$0.7220

Selected statement of financial position results (\$000s) except share amounts	At June 30 2021	At Mar. 31 2021	At Dec. 31 2020	At Sept. 30 2020	At June 30 2020
Total assets	1,305,741	997,715	1,008,546	794,787	793,323
Working capital	266,272	94,221	237,675	21,844	148,745
Adjusted working capital ⁽¹⁾	270,611	94,607	238,268	23,917	149,180
Net debt (cash) ⁽¹⁾	(167,540)	(94,607)	(238,268)	(17,082)	(149,180)
Common shares outstanding ⁽³⁾	128,736	112,607	112,449	93,208	91,690

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

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

(3) Shown in thousand shares outstanding.

(4) Other income of \$6.1 million for YTD 2021 includes interest income of \$0.3 million (Q2 2021 - \$0.1 million; Q1 2021 - \$0.1 million; Q4 2020 - \$0.3 million, Q3 2020 - \$0.01 million and Q2 2020 - \$nil).

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

(6) Excluding non-cash ARO.

Business Overview

Strategy

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 relationships including Canada's largest natural gas producer, Tourmaline Oil Corp. ("**Tourmaline**"), an investment grade senior Canadian E&P company, and leveraging industry relationships to strategically invest in additional income generating assets to provide growth. Topaz focuses on top quartile energy resources best positioned to attract capital in order to generate sustainable long-term growth and profitability.

The Company's business model is designed to provide investors with exposure to the best attributes from each of the royalty and infrastructure energy segments: (i) royalty production revenue generated from gross overriding royalty ("**GORR**") production whereby the Company receives market indexed pricing (net of a 1% marketing fee) on the majority of its' royalty assets with no associated operating or capital costs and underpinned by a transparent growth outlook; (ii) processing revenue generated through its non-operated ownership interests in infrastructure assets whereby the Company has fixed take-or-pay arrangements with high-quality counterparties under long-term commercial arrangements with minimal associated operating and capital costs; (iii) other income which is generated by way of a contracted interest in third party revenue generated through fee-for-service natural gas processing contracts with no underlying facility ownership and therefore no associated operating or capital costs; (iv) modest corporate overhead costs; (v) long-term horizon before income tax would be payable; and (vi) a transparent outlook to the Company's opportunistic growth prospects.

Topaz intends to use the majority of its FCF⁽¹⁾ to pay dividends to shareholders and the Company has a long-term payout ratio⁽¹⁾ target of 60-90%. The Company's Board of Directors (the "Board") established a dividend policy pursuant to which the Company, to date, has paid an annual dividend of \$0.80 per share (payable on a quarterly basis at \$0.20 per share), which represented a payout ratio⁽¹⁾ of approximately 67% for the six months ended June 30, 2021. The Company has increased its annual dividend 5% to \$0.84 per common share (\$0.21 per share quarterly) commencing with its third quarter 2021 dividend.

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

Asset Overview

Topaz's income streams are generated primarily from Canadian natural gas which has among the lowest emissions in the world, and Topaz's capital facilitates growth of clean Canadian natural gas. Topaz's investment criteria is focused on high quality, long life assets, strong risk-adjusted economic returns and investments that facilitate cost-optimizing environmental performance improvements.

The Company's high-quality assets and associated income streams are comprised of:

- (i) gross overriding royalty interests ("the **Royalty Assets**") on approximately 4.6 million gross acres of developed and undeveloped lands from which the Company receives royalty production revenue based on the associated natural gas, crude oil and natural gas liquids production and market indexed pricing (the "**Royalty Production Revenue**"); and
- (ii) non-operated ownership interests in five natural gas processing plants and pipeline connected water management and conservation facilities from which the Company is entitled to receive processing revenue from processing services provided to customers on a fee-for-service basis, the majority of which is subject to long-term fixed fee take-or-pay agreements (the "**Processing Revenue**"); and a contracted interest in a portion of third-party revenue generated from facilities owned by Tourmaline through fee-for-service agreements with third parties to which Tourmaline is a party for the processing and handling of petroleum and related operations (the "**Other Income**") (collectively, the "**Infrastructure Assets**").

The Company's dynamic and scalable business model is designed to provide investors with exposure to sustainable long-term returns:

- (i) the Company's management does not handle day to day operational decisions relating to the development of its assets, they are able to focus their resources on carrying out the Company's growth strategy of identifying and executing on energy investment opportunities;
- (ii) economic returns are focused on income streams; Topaz has limited exposure to operating and capital costs, development timing and execution;
- (iii) infrastructure fixed income that provides confident return on capital;
- (iv) gross royalties that capture embedded upside at no incremental cost; and
- (v) innovative financing solutions of non-dilutive capital which is strongly aligned with enhancing sustainability.

Additional Information

Additional information about Topaz, including the Financial Statements as well as the Company's 2020 Annual Information Form are available electronically under the Company's profile on SEDAR, www.sedar.com, and on Topaz's website, www.topazenergy.ca.

Business Environment

The COVID-19 pandemic and other macro-economic conditions continue to impact the global economy in 2021 and contributed to a decrease in global crude oil, natural gas, and natural gas liquids demand since the beginning of 2020. During YTD 2021, the Company has seen crude oil, natural gas and natural gas liquids pricing improve to levels above pre-pandemic commodity pricing which has had a positive impact on the Company's counterparties, as well as the Company. The timing of a full economic recovery is hard to predict due to the uncertainty around the spread of variants, global vaccine rollouts, changes in social restrictions and businesses resuming regular operations and therefore, during this period of uncertainty, the Company is committed to maintaining its strong balance sheet and financial liquidity.

In response to the COVID-19 pandemic, the Company is following all applicable rules and regulations as set out by the relevant health authorities. The Company's staff have been able to adapt to the new work environment without significant disruptions.

See "Business Risks and Uncertainties" in this MD&A for additional information regarding certain risks relating to the COVID-19 pandemic which Topaz and its business are subject to.

Cash from Operating Activities, Cash Flow, FCF and Net Income (Loss)

During Q2 2021 and Q2 2020, Topaz generated \$36.9 million and \$24.2 million, respectively, of cash from operating activities. Cash flow⁽¹⁾ for the same periods was \$37.2 million and \$17.4 million, respectively. The Company generated EBITDA⁽¹⁾ of \$37.3 million and \$17.4 million, realizing an EBITDA margin⁽¹⁾ of 91% and 87%, for Q2 2021 and Q2 2020, respectively. The Company had net income of \$0.9 million in Q2 2021 compared to a net loss of \$1.1 million in Q2 2020. The difference is attributed to higher revenue and other income, including higher commodity prices.

During YTD 2021 and YTD 2020, Topaz generated \$66.5 million and \$38.2 million, respectively, of cash from operating activities. Cash flow⁽¹⁾ for the same periods was \$71.8 million and \$38.2 million, respectively. The Company generated EBITDA⁽¹⁾ of \$71.9 million and \$38.3 million, realizing an EBITDA margin⁽¹⁾ of 91% and 89%, for YTD 2021 and YTD 2020, respectively. The Company had net income of \$6.3 million YTD 2021 compared to a net loss of \$2.4 million YTD 2020. The difference is attributed to higher revenue and other income, including higher commodity prices.

(\$000s) except per share amounts	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Cash from operating activities	36,903	24,234	66,466	38,184
Per basic share ⁽²⁾	\$0.32	\$0.30	\$0.58	\$0.48
Cash flow ⁽¹⁾	37,215	17,385	71,766	38,205
Per basic share ⁽²⁾	\$0.32	\$0.22	\$0.63	\$0.48
EBITDA ⁽¹⁾	37,308	17,445	71,874	38,265
EBITDA margin ⁽¹⁾	91%	87%	91%	89%
FCF ⁽¹⁾	37,232	17,266	71,222	37,934
Per basic share ⁽²⁾	\$0.32	\$0.21	\$0.62	\$0.47
Net income (loss)	918	(1,125)	6,274	(2,359)
Per basic and diluted share ⁽²⁾	\$0.01	(\$0.01)	\$0.05	(\$0.03)

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

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

Royalty

Royalty production revenue

The Company's royalty production revenue is determined pursuant to the terms of its royalty agreements. The commodity prices for natural gas, light and medium crude oil, heavy crude oil and natural gas liquids (which is primarily comprised of condensate) are primarily based on market index prices in the month of production. The majority of Topaz's royalty contracts do not permit transportation or quality deductions. The royalty production volumes are currently marketed with the respective royalty payor's production volume and revenue is generally received two months after the natural gas, crude oil, heavy crude oil and natural gas liquids volumes are produced. The Company can elect to take its share of the royalty production volume in kind, if desired.

Royalty production revenue during Q2 2021 and Q2 2020 was \$27.4 million and \$11.9 million, respectively. During YTD 2021 royalty production revenue was \$51.6 million, compared to \$26.4 million during YTD 2020.

Royalty production

Topaz's average royalty production⁽¹⁾ for Q2 2021 and Q2 2020 was 12,265 boe/d (89% natural gas weighted) and 9,891 boe/d (93% natural gas weighted), respectively. During YTD 2021 Topaz's average royalty production⁽¹⁾ was 12,005 boe/d (91% natural gas weighted) compared to 10,134 boe/d (93% natural gas weighted) during YTD 2020. Topaz generates royalty revenue on existing production and may generate royalty revenue on future development of the royalty lands.

The increased production volume and royalty production revenues are attributed to gross overriding royalty acquisitions, volume growth attributed to Topaz's existing royalty assets and improved commodity pricing.

Royalty acreage activity

During Q2 2021, 70 gross wells⁽³⁾ were spud on Topaz's royalty acreage (42 gross wells on acreage operated by Tourmaline and 28 gross wells on acreage operated by other Topaz counterparties) and 50 gross wells were brought on production⁽²⁾ (19 gross wells drilled during Q2 2021 and 31 gross wells drilled during prior periods) which represents a 2.7 times increase in drilling activity relative to Q2 2020, when 26 gross wells were spud on Topaz's royalty acreage (all operated by Tourmaline).

During YTD 2021, 149 gross wells⁽³⁾ were spud on Topaz's royalty acreage (110 gross wells on acreage operated by Tourmaline and 39 gross wells on acreage operated by other Topaz counterparties) and 120 gross wells were brought on production⁽²⁾ (80 gross wells drilled during YTD 2021 and 40 gross wells drilled during prior periods) which represents a 2.2 times increase in drilling activity relative to YTD 2020, when 67 gross wells were spud on Topaz's royalty acreage (all operated by Tourmaline).

Topaz expects the additional wells drilled but not completed by June 30, 2021 will be brought on production during the remainder of 2021.

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

(2) Includes wells drilled during the current and previous periods on Topaz royalty acreage.

(3) Includes injection wells.

	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Royalty production revenue				
Natural gas ⁽³⁾	18,575	10,037	36,826	20,820
Light and medium crude oil ⁽³⁾	2,382	549	4,043	1,460
Heavy crude oil ⁽³⁾	1,697	—	1,941	—
Natural gas liquids ⁽³⁾	4,794	1,349	8,817	4,169
Total	27,448	11,935	51,627	26,449
Average royalty production				
Natural gas (mcf/d) ⁽³⁾	65,725	55,056	65,230	56,364
Light and medium crude oil (bbl/d) ⁽³⁾	340	231	313	224
Heavy crude oil (bbl/d) ⁽³⁾	303	—	177	—
Natural gas liquids (bbl/d) ⁽³⁾	668	484	644	516
Total (boe/d)	12,265	9,891	12,005	10,134
Realized royalty production prices				
Natural gas (\$/mcf) ⁽³⁾	\$3.11	\$2.00	\$3.12	\$2.03
Light and medium crude oil (C\$/bbl) ⁽³⁾	\$76.94	\$26.14	\$71.37	\$35.92
Heavy crude oil (\$/bbl) ⁽³⁾	\$61.61	—	\$60.59	—
Natural gas liquids (C\$/bbl) ⁽³⁾	\$78.91	\$30.61	\$75.66	\$44.30
Total (\$/boe)	\$24.59	\$13.26	\$23.76	\$14.42
Benchmark Pricing				
Natural gas				
AECO 5A (CAD\$/mcf)	\$3.11	\$2.00	\$3.14	\$2.02
Crude oil				
NYMEX WTI (USD\$/bbl)	\$66.10	\$28.00	\$62.52	\$36.82
Edmonton Par (CAD\$/bbl)	\$76.39	\$30.24	\$73.06	\$40.89
WCS differential (USD\$/bbl)	\$11.51	\$11.43	\$11.96	\$15.81
Natural gas liquids				
Edmonton Condensate (CAD\$/bbl)	\$79.67	\$31.74	\$77.57	\$45.55
CAD\$/USD\$	\$0.8142	\$0.7220	\$0.8023	\$0.7335
Royalty Acreage Activity⁽¹⁾				
Gross wells spud during the period ⁽⁵⁾	70	26	149	67
Gross wells spud and brought on production ⁽²⁾⁽⁵⁾	19	25	80	62
Total gross wells brought on production during the period ⁽⁴⁾	50	25	120	62

(1) Refers to the number of wells spud (including injection wells) or brought on production, as indicated, by the working interest owners (operators).

(2) Refers to wells brought on production which were spud within the respective period; does not take into consideration wells spud during previous periods.

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

(4) Includes wells drilled during the current and previous periods on Topaz royalty acreage.

Infrastructure

Processing revenue

The Company's processing revenue is generated through its non-operated ownership in processing facilities. The facilities provide processing services to customers on a fee-for-service basis. Certain fees include fixed take-or-pay arrangements under long-term commercial arrangements.

During Q2 2021 and Q2 2020, Topaz generated \$10.6 million and \$5.3 million, respectively of processing revenue attributed to its non-operated ownership in processing facilities. Average daily utilization during Q2 2021 and Q2 2020 of Topaz's net natural gas processing capacity was 98% and 100%, respectively, which is attributed to the significant utilization of Topaz's net processing capacity (75% and 58% of which is contracted under fixed take-or-pay for Q2 2021 and Q2 2020, respectively).

During YTD 2021 and YTD 2020, Topaz generated \$21.0 million and \$11.3 million, respectively of processing revenue attributed to its non-operated ownership in processing facilities. Average daily utilization during YTD 2021 and YTD 2020 of Topaz's net natural gas processing capacity was 98% and 100%, respectively, which is attributed to the significant utilization of Topaz's net processing capacity (74% and 58% of which is contracted under fixed take-or-pay for YTD 2021 and YTD 2020, respectively).

The increased processing revenues are attributed to infrastructure acquisitions that occurred during the second half of 2020.

Other income

The Company generates income by way of a contracted interest in third party revenue generated through fee-for-service processing contracts with no underlying facility ownership, including but not limited to, processing, compression and water handling revenue, generated at multiple facilities owned by Tourmaline pursuant to the respective third party fee handling agreements. These facilities include natural gas processing plants, crude oil batteries, pipelines, water disposal facilities, compressor stations and other miscellaneous facilities associated with the handling of crude oil, natural gas and natural gas liquids. The facilities are located across all three of Tourmaline's core operating areas and are operated by Tourmaline. Topaz does not have an ownership interest in the underlying assets.

During Q2 2021 and Q2 2020, Topaz generated other income of \$2.9 million and \$2.8 million, respectively. Other income of \$2.9 million for Q2 2021 includes interest income of \$0.1 million. There was \$nil interest income in Q2 2020. During YTD 2021 and YTD 2020, Topaz generated other income of \$6.1 million and \$5.1 million, respectively. Other income of \$6.1 million for YTD 2021 includes interest income of \$0.3 million. There was \$nil interest income during YTD 2020.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Processing revenue	10,562	5,296	21,033	11,264
Other income ⁽²⁾	2,943	2,789	6,060	5,066
Total	13,505	8,085	27,093	16,330
Infrastructure utilization activity				
Natural gas processing facilities ⁽¹⁾ :				
Ownership capacity under fixed take-or-pay contract	125,000	50,000	125,000	50,000
Variable ownership capacity	44,409	35,500	46,172	35,500
Total ownership capacity	169,409	85,500	171,172	85,500
Total throughput volume	165,588	85,500	168,477	85,500
Total utilization (%)	98%	100%	98%	100%

⁽¹⁾ Weighted average daily rate (Topaz net ownership mcf/d) for the periods presented.

⁽²⁾ Other income of \$6.1 million for YTD 2021 includes interest income of \$0.3 million (YTD 2020 - \$nil). Other income of \$2.9 million for Q2 2021 includes interest income of \$0.1 million (Q2 2020 - \$nil).

Operating Expenses

Topaz incurs operating expenses attributed to its jointly owned non-operated ownership of processing facilities. During Q2 2021 and Q2 2020, Topaz incurred \$1.1 million and \$1.0 million, respectively, of operating expenses. During YTD 2021 and YTD 2020, Topaz incurred \$2.1 million and \$1.9 million, respectively, of operating expenses.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Operating expenses	1,089	1,016	2,061	1,871

Marketing Expenses

Topaz pays a variable marketing fee to third party royalty payors as the Company's royalty production is marketed with the respective production. During Q2 2021 and Q2 2020, Topaz incurred \$0.3 million and \$0.1 million, respectively, of marketing expenses. During YTD 2021 and YTD 2020, Topaz incurred \$0.5 million and \$0.2 million, respectively, of marketing expenses. Increased marketing expenses is a result of increased royalty production revenue.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Marketing expenses	256	122	493	212

General & Administrative Expenses

Topaz incurs general & administrative ("G&A") expenses which included professional services, directly incurred administrative expenses and management and administrative services fee paid to Tourmaline related to shared administrative services during Topaz's initial operations until the agreement was terminated March 31, 2021. During Q2 2021 and Q2 2020, Topaz incurred total G&A expenses of \$1.0 million and \$1.2 million, respectively, which includes management fees of \$nil million and \$0.5 million, respectively. During YTD 2021 and YTD 2020, Topaz incurred total G&A expenses of \$2.3 million and \$2.2 million, respectively, which includes management fees of \$0.2 million and \$1.1 million, respectively.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Management contract expenses	—	469	156	1,094
Administrative and professional expenses	1,026	780	2,136	1,149
General & Administrative expenses	1,026	1,249	2,292	2,243

Share-Based Compensation

The Company has a stock option plan in place whereby it may issue stock options to employees, consultants, and directors of the Company. At June 30, 2021, 2.4 million stock options were outstanding (December 31, 2020 – 2.2 million stock options). During Q2 2021 and Q2 2020, Topaz recognized \$0.3 million and \$0.2 million, respectively, of share-based compensation expense. During YTD 2021 and YTD 2020, Topaz recognized \$0.7 million and \$0.4 million, respectively, of share-based compensation expense. The increase in share-based compensation expense is attributed to an increase in the number of outstanding options between Q2 2021 and Q2 2020.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Share based compensation	326	204	654	353

Finance Expenses

Topaz incurs finance expenses which can include interest expense on its bank debt, amortization of debt transaction costs and accretion attributed to its decommissioning obligations. The Company recognizes decommissioning obligations attributed to its jointly-owned non-operated processing facilities. During Q2 2021 and Q2 2020, Topaz paid interest expense of \$0.2 million and \$0.01 million respectively. During YTD 2021 and YTD 2020, Topaz paid interest expense of \$0.4 million and \$0.01 million, respectively. The increase in interest expense during 2021 relates to an increase in the Syndicated Credit Facility to \$300.0 million, as well as an increase in outstanding bank debt for the period.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Accretion expense	22	2	44	4
Amortization of debt transaction costs	103	—	177	—
Interest expense	220	60	380	60
Finance expenses	345	62	601	64

Depletion and Depreciation (“D&D”)

Topaz records D&D expense as follows; its royalty assets are depleted on a unit-of-production basis by reference to the ratio of royalty production in the period to total proved and probable developed reserves; and its processing facilities are depreciated on a straight-line basis over the assets’ useful lives. Topaz recognized D&D expense of \$32.1 million and \$18.6 million during Q2 2021 and Q2 2020, respectively. Topaz recognized D&D expense of \$59.8 million and \$41.8 million during YTD 2021 and YTD 2020, respectively. Depletion and depreciation expense increased for both Q2 2021 and YTD 2021 as compared to Q2 2020 and YTD 2020 as a result of royalty asset and infrastructure acquisitions.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Depletion and depreciation	32,114	18,612	59,826	41,805

Deferred Income Tax Expense (Recovery)

During Q2 2021 and Q2 2020, the deferred income tax recovery was \$0.2 million and \$0.9 million, respectively. During YTD 2021 the deferred income tax expense was \$1.0 million, compared to a deferred income tax recovery of \$2.2 million during YTD 2020.

The deferred income tax expense (recovery) is primarily attributed to net income (loss) from operations, permanent differences and the recognition of previously unrecognized tax assets which are attributed to the tax pools Topaz retained from its formative transaction which are recognized as the tax pools are used against taxable income.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Deferred income tax expense (recovery)	(221)	(945)	1,045	(2,150)

Liquidity and Capital Resources

Bank Debt

At June 30, 2021, Topaz had a covenant-based, secured, operating credit facility with a syndicate of Canadian banks in the amount of \$300.0 million ("Syndicated Credit Facility"). The maturity date is February 19, 2024. At the request of the Company and with consent of the lender, the Syndicated Credit Facility can be extended on an annual basis.

The Syndicated Credit Facility provides for a permitted increase to \$400.0 million, subject to agent consent and is subject to the following covenants, on a rolling four quarter basis: (i) the ratio of EBITDA to interest expense must exceed 3.0:1, (ii) the ratio of consolidated senior secured debt to EBITDA must not exceed 3.5:1, and (iii) the ratio of total debt to EBITDA must not exceed 4.0:1.

The terms "EBITDA", "interest expense", "consolidated senior secured debt" and "total debt" for purposes of the financial covenants are defined as follows under the Syndicated Credit Facility: "EBITDA" is 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; "interest expense" is the total interest expense with respect to all outstanding indebtedness; "consolidated senior secured debt" is all total debt that is secured in priority or equivalent to any Syndicated Credit Facility obligations" and "total debt" is the aggregate principal amount of all debt; all of which are determined in accordance with GAAP.

At June 30, 2021, Topaz was \$103.1 million (December 31, 2020 - \$nil) drawn on the Syndicated Credit Facility. The Company is in compliance with all financial covenants.

Dividends

During Q2 2021 and Q2 2020, the Company paid \$25.7 million (\$0.20 per common share) and \$16.0 million (\$0.20 per common share), respectively, in dividends to its shareholders. During YTD 2021 and YTD 2020, the Company has paid \$48.3 million (\$0.40 per common share) and \$32.0 million (\$0.40 per common share), respectively, in dividends to its shareholders. The Company has increased its dividend 5% to \$0.84 per common share annually commencing with its third quarter 2021 dividend.

Shares Outstanding

At June 30, 2021, Topaz had 128.7 million common shares and 2.4 million stock options outstanding. As at July 29, 2021, Topaz had 128.7 million common shares, 2.4 million stock options outstanding, 38,278 Performance Share Units ("PSUs") outstanding and 19,886 Deferred Share Units ("DSUs") outstanding. PSUs and DSUs were granted July 1, 2021 pursuant to the Performance Share and Restricted Share until plans that were approved at the Annual General Meeting of the Company on June 23, 2021.

Capital Management

In order to manage its capital structure, the Company's objective is to maintain financial flexibility in order to distribute cash to shareholders in the form of dividends after considering the Company's operational financial requirements and its future growth opportunities. As a hybrid royalty and infrastructure company, Topaz does not have any significant capital expenditure requirements, which enhances its financial flexibility.

The Company considers its capital structure to include shareholders' equity, bank debt and working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue equity, utilize available credit facilities, adjust its dividend distributions and/or adjust its investment activities to manage current and forecast debt levels. The Company's operating results, and capital structure are impacted by royalty production volumes, commodity prices and level of third-party revenue generated at its non-operated processing facilities or through its contracted third-party income.

The Company's capital structure is managed through its financial and operating forecast process. The forecast of the Company's future cash flows is based on estimates of royalty interest production, natural gas, crude oil, and natural gas liquids prices, third party facility utilization, operating and marketing expenses, administrative expenses, taxes and other investing and financing

activities. The forecast is regularly updated based on changes in commodity prices, royalty interest production volume expectations, third party facility utilization expectations and other factors that, in the Company's view, could impact cash from operating activities. At June 30, 2021, the Company had adjusted working capital⁽¹⁾ of \$270.6 million (December 31, 2020 - \$238.3 million), in addition to \$103.1 million drawn on its \$300.0 million Syndicated Credit Facility. On July 1, 2021 Topaz paid \$245.0 million cash pursuant to the NEBC Montney Royalty and Infrastructure Acquisition following which Topaz had net debt (cash)⁽¹⁾ of \$77.4 million.

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

The Company has exposure to financial risks related to its financial assets and liabilities. Financial risks include credit risk, liquidity risk, and market risk (including commodity price and interest rate risk).

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations in accordance with agreed terms. The Company's policy to mitigate credit risk is to establish contractual agreements with creditworthy counterparties. The Company's structure of royalty and infrastructure revenue from a counterparty, which Topaz considers having strong creditworthiness, significantly reduces Topaz's credit risk. At June 30, 2021, the Company does not have any receivables (December 31, 2020 - \$nil) over 90 days. The Company is satisfied its accounts receivable amounts are collectible.

The carrying amount of cash and cash equivalents and accounts receivable represents the Company's maximum credit exposure. The Company has not recorded an expected credit loss as at June 30, 2021 (December 31, 2020 - \$nil) nor was it required to write-off any receivables during the period ended June 30, 2021 (December 31, 2020 - \$nil).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations as they come due. The Company manages its liquidity risk by ensuring that it will have sufficient liquidity to meet its financial obligations under both normal and risked conditions. At June 30, 2021, the Company had adjusted working capital⁽¹⁾ of \$270.6 million (December 31, 2020 - \$238.3 million), in addition to \$103.1 million drawn on its \$300.0 million Syndicated Credit Facility. On July 1, 2021 Topaz paid \$245.0 million cash pursuant to the NEBC Montney Royalty and Infrastructure Acquisition following which Topaz had net debt (cash)⁽¹⁾ of \$77.4 million.

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

The timing of expected cash outflows relating to accounts payable and accrued liabilities of \$4.1 million is less than one year. The Company expects to pay suppliers within 30-60 days. These terms are consistent with industry practice. As at June 30, 2021, all the accounts payable balances were less than 90 days outstanding. Management maintains a conservative approach to debt management that aims to provide financial flexibility with respect to development of the Company's assets and the payment of dividends to shareholders. The Board of Directors reviews and determines the dividend rate annually after considering expected commodity prices, expected royalty production volumes, expected cash flow, economic conditions, income taxes, and the Company's capacity to fund its operations and investment opportunities.

The following are the contractual maturities of financial liabilities at June 30, 2021:

(\$000s)	Total	< 1 year	1 to 5 years
Non-derivative financial liabilities:			
Accounts payable and accrued liabilities	4,108	4,108	—
Derivative financial liabilities:			
Financial instruments	4,339	4,339	—

Market risk

Market risk is the risk that changes in market conditions, such as commodity prices and interest rates will affect the Company's earnings or value of financial instruments. The objective of market risk management is to manage and curtail market risk exposure within acceptable limits, while maximizing the Company's returns. The Company utilizes financial derivative contracts to manage market risks.

Interest rate risk is the risk that changes in market interest rates may affect future cash flows from the Company's financial assets or liabilities. The Company is exposed to interest rate risk to the extent that changes in market interest rates would impact any borrowings under the Company's credit facility which is subject to a floating interest rate. The Company had \$103.1 million outstanding on an available credit facility of \$300.0 million at June 30, 2021 (December 31, 2020 - \$nil).

Commodity price risk is the risk that the fair value or future cash flow will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil and natural gas are based upon the US dollar and as a result the price received by Canadian producers is affected by the Canadian to US dollar exchange rate. The commodity prices are also impacted by weather and world economic events that dictate the levels of supply and demand. During 2020, global participants increased supply negatively impacting global crude oil prices. At the same time, and as a result of the COVID-19 global health crisis, crude oil demand dropped sharply. Although crude oil pricing has improved and certain global crude oil participants are producing in compliance with supply

agreements, the Company remains subject to increased commodity price risk. The Company has entered into certain financial derivative contracts in order to manage commodity price risk. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all financial derivative contracts to be effective economic hedges. As a result, all financial instruments are recorded on the statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the statement of income (loss) and comprehensive income (loss). The Company has not offset any financial assets and liabilities, in the statements of financial position.

Financial Instruments

The Company utilizes financial derivative contracts as a risk management technique to mitigate exposure to commodity price volatility. The following table presents the financial derivative contracts outstanding as at June 30, 2021. The fair value of these contracts is a liability of \$4.3 million as detailed below.

Natural Gas Contract Period	Type	Daily Volume	Price (CAD\$/GJ)
July 1, 2021 to Oct. 31, 2021	Fixed price	2,500 GJ	\$2.040/GJ
July 1, 2021 to Oct. 31, 2021	Fixed price	2,500 GJ	\$2.035/GJ
July 1, 2021 to Oct. 31, 2021	Fixed price	2,500 GJ	\$2.540/GJ
July 1, 2021 to Oct. 31, 2021	Fixed price	5,000 GJ	\$2.685/GJ
July 1, 2021 to Oct 31, 2021	Fixed Price	2,500 GJ	\$2.630/GJ
July 1, 2021 to Dec. 31, 2021	Fixed price	5,000 GJ	\$2.090/GJ
July 1, 2021 to Dec. 31, 2021	Fixed price	2,500 GJ	\$2.745/GJ
July 1, 2021 to Mar. 31, 2022	Fixed price	2,500 GJ	\$2.735/GJ

As at June 30, 2021, the reconciliation of financial instruments to the statement of financial position includes:

(\$000s)	At June 30, 2021	
	Asset	Liability
Current financial instruments	—	4,339

The following table provides the realized and unrealized gains (losses) on financial instruments for the periods presented. During Q2 2021 and Q2 2020 the Company realized a loss of \$(1.1) million and \$(0.2) million, respectively. During YTD 2021 and YTD 2020 the Company realized a loss of \$(1.7) million and \$(0.2) million, respectively.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Realized loss on financial instruments	1,147	188	1,728	188
Unrealized loss on financial instruments	3,953	637	3,746	552
Total	5,100	825	5,474	740

Capital Expenditures

During YTD 2021 and YTD 2020, Topaz incurred capital expenditures of \$0.5 million and \$0.3 million, respectively, related to repairs and maintenance of its natural gas processing facilities.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Capital expenditures	(17)	159	544	271

Acquisitions

On January 1, 2021, Topaz acquired, from Tourmaline, a newly created gross overriding royalty interest on natural gas, crude oil and natural gas liquids (condensate) production, for total cash consideration of \$130.0 million, before customary closing adjustments.

On January 24, 2021, Topaz acquired a 49.5% non-operated working interest in certain water infrastructure assets for cash consideration of \$12.0 million which is underpinned by a 15-year fixed take-or-pay commitment. The acquisition resulted in an increase in PP&E of approximately \$14.0 million and the assumption of \$2.0 million in decommissioning obligations.

On March 25, 2021, Topaz acquired a newly created gross overriding royalty interest on developed and undeveloped land in the greater Clearwater area of Alberta for total cash consideration of \$13.7 million, before customary closing adjustments.

On May 18, 2021, Topaz acquired an existing overriding royalty interest on developed and undeveloped land in the Marten Hills Clearwater area of Alberta for total cash consideration of \$102.4 million, before customary closing adjustments.

On May 31, 2021, Topaz acquired Reserve Royalty Commercial Trust, and its subsidiaries, which hold the Reserve Royalty assets, for total consideration of \$27.3 million which was payable through the issuance of 1,794,886 common shares of Topaz, valued at \$14.485 per common share and a working capital adjustment of \$1.3 million which was paid in cash.

On June 1, 2021, Topaz acquired a newly created gross overriding royalty interest on developed and undeveloped land in the Peace River High area of Alberta for total cash consideration of \$32.0 million.

During YTD 2021, Topaz acquired a gross overriding royalty interest on undeveloped land in the greater Clearwater area for total cash consideration of \$0.4 million.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Acquisitions (excl. non-cash ARO)	160,492	—	316,526	—

Impairment

In accordance with IFRS, an impairment test is performed on a cash generating unit (“CGU”) if the Company identifies an indicator of impairment. At June 30, 2021 there were no indicators of impairment on the Company’s CGUs and therefore no impairment test was completed. The Company has had no past impairment expense, and therefore no impairment reversals.

Commitments and Contractual Obligations

At June 30, 2021, Topaz does not have any material commitments or contractual obligations.

Off Balance Sheet Arrangements

At June 30, 2021, Topaz does not believe it has any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company’s financial condition, results of operations, liquidity, or capital expenditures.

Related Party Transactions

The Company has entered into a number of agreements with Tourmaline Oil Corp. (‘Tourmaline’), who has a 45% ownership interest in the common shares of the Company at June 30, 2021, relating to both royalty and infrastructure assets. At June 30, 2021, \$23.2 million (December 31, 2020 - \$17.1 million) of the accounts receivable balance was due from Tourmaline, all of which was subsequently collected in the normal course of business. There are no bad debts outstanding relating to Tourmaline as at June 30, 2021 and December 31, 2020.

The Company pays a marketing fee to Tourmaline as the Company’s royalty production is marketed with Tourmaline’s production. During the three and six months ended June 30, 2021, the Company paid \$0.3 million and \$0.5 million, respectively (three and six months ended June 30, 2020 - \$0.1 million and \$0.2 million, respectively) in respect of the marketing fees, which were in the normal course of operations.

The Company entered into a Management Services Agreement with Tourmaline pursuant to which Tourmaline agreed to provide or arrange for the provision of certain management and administrative services required by the Company. The Management Services Agreement expired on March 31, 2021. For the three and six months ended June 30, 2021, the Company paid \$0.2 million in Management service fees to Tourmaline (three and six months ended June 30, 2020 - \$0.5 million and \$1.1 million, respectively).

Segment information

The Company's reconciliation of cash flow⁽¹⁾ and total assets between operating segments as at and for the three and six month periods ended June 30, 2021 is as follows:

Three months ended June 30, 2021 (\$000s)	Royalties	Infrastructure	Corporate	Total
Royalty production revenue	27,448	—	—	27,448
Processing revenue	—	10,562	—	10,562
Other income	—	2,816	127	2,943
Total	27,448	13,378	127	40,953
Cash expenses				
Operating expense	—	(1,089)	—	(1,089)
Marketing expense	(256)	—	—	(256)
General and administrative expense	—	—	(1,026)	(1,026)
Realized loss on financial instruments	—	—	(1,147)	(1,147)
Interest expense	—	—	(220)	(220)
Cash Flow⁽¹⁾	27,192	12,289	(2,266)	37,215

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

Six months ended June 30, 2021 (\$000s)	Royalties	Infrastructure	Corporate	Total
Royalty production revenue	51,627	—	—	51,627
Processing revenue	—	21,033	—	21,033
Other income	—	5,788	272	6,060
Total	51,627	26,821	272	78,720
Cash expenses				
Operating expense	—	(2,061)	—	(2,061)
Marketing expense	(493)	—	—	(493)
General and administrative expense	—	—	(2,292)	(2,292)
Realized loss on financial instruments	—	—	(1,728)	(1,728)
Interest expense	—	—	(380)	(380)
Cash Flow⁽¹⁾	51,134	24,760	(4,128)	71,766

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

As at June 30, 2021 (\$000s)	Royalties	Infrastructure	Corporate	Total
Total Assets	758,828	215,601	331,312	1,305,741

The Company's reconciliation of cash flow⁽¹⁾ and total assets between operating segments as at December 31, 2020 and for the three and six months ended June 30, 2020 is as follows:

Three months ended June 30, 2020 (\$000s)	Royalties	Infrastructure	Corporate	Total
Royalty production revenue	11,935	—	—	11,935
Processing revenue	—	5,296	—	5,296
Other income	—	2,789	—	2,789
Total	11,935	8,085	—	20,020
Cash expenses				
Operating expense	—	(1,016)	—	(1,016)
Marketing expense	(122)	—	—	(122)
General and administrative expense	—	—	(1,249)	(1,249)
Realized loss of financial instruments	—	—	(188)	(188)
Finance	—	—	(60)	(60)
Cash Flow⁽¹⁾	11,813	7,069	(1,497)	17,385

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

Six months ended June 30, 2020 (\$000s)	Royalties	Infrastructure	Corporate	Total
Royalty production revenue	26,449	-	-	26,449
Processing revenue	-	11,264	-	11,264
Other income	-	5,066	-	5,066
Total	26,449	16,330	-	42,779
Cash expenses				
Operating expense	-	(1,871)	-	(1,871)
Marketing expense	(212)	-	-	(212)
General and administrative expense	-	-	(2,243)	(2,243)
Realized loss of financial instruments	-	-	(188)	(188)
Finance	-	-	(60)	(60)
Cash Flow⁽¹⁾	26,237	14,459	(2,491)	38,205

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

As at December 31, 2020	Royalties	Infrastructure	Corporate	Total
Total Assets	510,072	203,882	294,592	1,008,546

Subsequent Events

On July 1, 2021 Topaz closed the acquisition from Tourmaline of a newly created gross overriding royalty on approximately 535,000 gross acres of developed and undeveloped lands in the NEBC Montney play area and working interest ownership in Tourmaline's Gundy infrastructure, which is supported by a ten year fixed take-or-pay commitment, for total cash consideration of \$245.0 million.

On July 15, 2021 Topaz entered into definitive agreements to acquire a newly created gross overriding royalty from Tourmaline on approximately 296,000 gross acres of developed and undeveloped land in the NEBC Montney play area, for total cash consideration of \$145.0 million, before closing adjustments. The acquisition is scheduled to close on August 1, 2021, subject to satisfaction of customary closing conditions.

Application of Critical Accounting Estimates

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The accounting policies and significant accounting judgements, estimates, and assumptions used in the unaudited interim condensed financial statements as at June 30, 2021 and for the three and six months ended June 30, 2021 and 2020 are consistent with those described in notes 2 and 3 of the Company's annual financial statements as at and for the years ended December 31, 2020 and 2019.

Changes in Accounting Policies

There were no significant new accounting standards or interpretations issued during the three and six months ended June 30, 2021 that have an impact on the Company.

Internal Controls over Financial Reporting ("ICFR")

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the periods in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR"), as defined by NI 52-109, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

There were no changes in the Company's DC&P or ICFR during the period beginning on April 1, 2021 and ending June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's DC&P or ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can

provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

The Company uses the guidelines as set forth in the Committee of Sponsoring Organizations of the Treadway Commission 2013 Internal Control-Integrated Framework.

Non-GAAP Financial Measures

This MD&A makes reference to the terms “cash flow,” “cash flow per basic share,” “FCF (free cash flow),” “FCF per basic share,” “EBITDA,” “EBITDA margin,” “payout ratio,” “adjusted working capital,” and “net debt (cash),” which are not recognized measures under GAAP, and do not have a standardized meaning prescribed by GAAP. Accordingly, the Company’s use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses the terms “cash flow,” “cash flow per basic share,” “FCF (free cash flow),” “FCF per basic share,” “EBITDA,” “EBITDA margin,” “payout ratio,” “adjusted working capital,” and “net debt (cash)” 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 the non-GAAP financial measures 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.

For these purposes, “cash flow” is defined as cash from (used in) operations before changes in non-cash working capital and “cash flow per basic share” is calculated using the weighted average basic shares outstanding for the period. “FCF (free cash flow)” is defined as cash flow less capital expenditures, and “FCF per basic share” is calculated using the weighted average basic shares outstanding for the period. “EBITDA” is net income (loss), excluding extraordinary items, plus interest expense, income taxes and the capital portion of any finance lease received, and adjusted for non-cash items including depletion and depreciation and share-based compensation and gains or losses on dispositions. “EBITDA margin” is defined as EBITDA divided by total revenue and other income (expressed as a percentage of total revenue and other income). “Payout ratio” is dividends paid expressed as a percentage of cash flow. “Adjusted working capital” is current assets less current liabilities, adjusted for financial instruments and “net debt (cash)” is total debt outstanding less adjusted working capital.

Cash flow, cash flow per basic share, FCF, and FCF per basic share

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

For the periods ended (\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Cash from operating activities	36,903	24,234	66,466	38,184
Exclude change in non-cash working capital	312	(6,849)	5,300	21
Cash flow	37,215	17,385	71,766	38,205
Less: Capital expenditures	17	(159)	(544)	(271)
FCF	37,232	17,226	71,222	37,934
Cash flow per basic share⁽¹⁾	\$0.32	\$0.22	\$0.63	\$0.48
FCF per basic share⁽¹⁾	\$0.32	\$0.21	\$0.62	\$0.47

⁽¹⁾ Calculated using basic weighted average shares outstanding.

EBITDA

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

For the periods ended (\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Net income (loss)	918	(1,125)	6,274	(2,359)
Unrealized loss on financial instruments	3,953	637	3,746	552
Share-based compensation	326	204	654	353
Finance expense	345	62	601	64
Depletion and depreciation	32,114	18,612	59,826	41,805
Deferred income tax expense (recovery)	(221)	(945)	1,045	(2,150)
Less: interest income	(127)	—	(272)	—
EBITDA	37,308	17,445	71,874	38,265
Total revenue and other income	40,953	20,020	78,720	42,779
EBITDA margin	91%	87%	91%	89%

Adjusted working capital and net debt (cash)

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

(\$000s)	As at June 30, 2021	As at December 31, 2020
Working capital	266,272	237,675
Exclude financial instruments-current (asset) liability	4,339	593
Adjusted working capital	270,611	238,268
Less: bank debt	(103,071)	—
Net debt (cash)	(167,540)	238,268

SELECTED QUARTERLY INFORMATION FROM CONTINUING OPERATIONS⁽¹⁾

Period ended (\$000s) except per share	Three months June 30, 2021	Three months Mar. 31, 2021	Three months Dec. 31, 2020	Three months Sept. 30, 2020
Royalty production revenue	27,448	24,179	17,611	14,826
Processing revenue	10,562	10,471	10,305	9,188
Other income ⁽⁶⁾	2,943	3,117	2,783	2,384
Total	40,953	37,767	30,699	26,398
Cash expenses:				
Operating	(1,089)	(972)	(1,643)	(691)
Marketing	(256)	(237)	(176)	(201)
General and administrative	(1,026)	(1,266)	(673)	(1,030)
Realized loss on financial instruments	(1,147)	(581)	(744)	(506)
Interest expense	(220)	(160)	(484)	(76)
Cash flow⁽¹⁾	37,215	34,551	26,979	23,894
Per basic share ⁽³⁾	\$0.32	\$0.31	\$0.25	\$0.26
Cash from (used in) operating activities	36,903	29,563	32,887	12,571
Per basic share ⁽³⁾	\$0.32	\$0.26	\$0.31	\$0.13
Net income (loss)	918	5,356	8,382	(2,935)
Per basic and diluted share ⁽³⁾	\$0.01	\$0.05	\$0.08	(\$0.03)
Dividends paid	25,748	22,521	22,489	18,642
Per basic share ⁽³⁾	\$0.20	\$0.20	\$0.20	\$0.20
Capital expenditures	(17)	561	472	513
Acquisitions	160,492	156,034	17,963	153,500
W.A. ⁽⁵⁾ shares outstanding ⁽⁴⁾	116,842	112,512	106,839	93,126
Selected statement of financial position results (\$000s)	At June 30, 2021	At Mar. 31, 2021	At Dec. 31, 2020	At Sept. 30, 2020
Total assets	1,305,741	997,715	1,008,546	794,787
Working capital	266,272	94,221	237,675	21,844
Adjusted working capital ⁽²⁾	270,611	94,607	238,268	23,917
Net debt (cash)	(167,540)	(94,607)	(238,268)	(17,082)
Common shares outstanding ⁽⁴⁾	128,736	112,607	112,449	93,208

Period ended (\$000s) except per share	Three months June 30, 2020	Three months Mar. 31, 2020	Period from Nov. 19 - Dec. 31, 2019
Royalty production revenue	11,935	14,514	9,832
Processing revenue	5,296	5,968	2,943
Other income ⁽⁶⁾	2,789	2,277	1,408
Total	20,020	22,759	14,183
Cash expenses:			
Operating	(1,016)	(855)	(481)
Marketing	(122)	(90)	(98)
General and administrative	(1,249)	(994)	(1,331)
Realized loss on financial instruments	(188)	—	—
Interest expense	(60)	—	—
Cash flow⁽¹⁾	17,385	20,820	12,273
Per basic share ⁽³⁾	\$0.22	\$0.26	\$0.15
Cash from (used in) operating activities	24,234	13,950	(350)
Per basic share ⁽³⁾	\$0.30	\$0.17	(\$0.004)
Net income (loss)	(1,125)	(1,234)	653
Per basic and diluted share ⁽³⁾	(\$0.01)	(\$0.02)	\$0.01
Dividends paid	16,000	16,000	—
Per basic share ⁽³⁾	\$0.20	\$0.20	—
Capital expenditures	159	112	2
Acquisitions	—	—	—
W.A. ⁽⁵⁾ shares outstanding ⁽⁴⁾	80,257	80,000	80,000
Selected statement of financial position results (\$000s)	At June 30, 2020	At Mar. 31, 2020	At Dec. 31, 2020
Total assets	793,323	679,858	697,234
Working capital	148,745	25,620	20,767
Adjusted working capital ⁽²⁾	149,180	25,475	20,767
Net debt (cash)	(149,180)	(25,475)	(20,767)
Common shares outstanding ⁽⁴⁾	91,690	80,000	80,000

⁽¹⁾ Topaz commenced operations on November 14, 2019 therefore its results of operations from November 14, 2019 to December 31, 2019 are presented as continuing operations.

⁽²⁾ Refer to "Non-GAAP Financial Measures".

(3) Calculated using basic or diluted weighted average shares outstanding.

(4) Presented in thousand shares outstanding.

(5) Weighted average.

(6) Includes interest income of \$0.1 million in Q2 2021 (Q1 2021 - \$0.1 million, Q1 2020 - \$nil, Q2 2020 - \$nil, Q3 2020 - \$0.01 million, Q4 2020 - \$0.3 million, Nov. 14, 2019 to Dec. 31, 2019 - \$nil).

The oil and natural gas exploration and production industry is cyclical in nature. Topaz's financial position, results of operations and cash flows are affected by commodity prices and production levels as its royalty production revenue is directly impacted by commodity prices and production levels. In addition, commodity prices and production levels can indirectly affect its processing fee revenue and other income.

Topaz commenced its continuing operations on November 14, 2019 in connection with the Initial Acquisition. During Topaz's first period of operation, its royalty production averaged 10,455 boe/d which increased by 21% to average quarterly royalty production of 12,625 boe/d during the second quarter of 2021. The increase in production is attributed to royalty acquisitions and increased royalty production attributed to drilling activity by the royalty payors. Topaz's average royalty production for the year ended December 31, 2020 of 10,144 boe/d was 3% lower than the average production during the period ended December 31, 2019. On an annual basis, the production declines in the first half of 2020 are attributed to reduced development activity by the Company's most significant royalty payor due to seasonality restricting certain capital activity, with an increase in activity during the fourth quarter of 2020. Topaz's cash flow⁽¹⁾ of \$37.2 million during Q2 2021 was 38% higher than the \$27.0 million of cash flow⁽¹⁾ generated during the fourth quarter of 2020, and 8% higher than the \$34.6 million of cash flow⁽¹⁾ generated during the first quarter of 2021. Topaz's cash flow⁽¹⁾ of \$89.1 million during the year ended December 31, 2020 was significantly higher than the cash flow⁽¹⁾ generated during the period ended December 31, 2019 which was primarily due to the difference in days in the reporting periods, as well as the acquisitions that took place during the year ended December 31, 2020 and six month period ended June 30, 2021. Commodity prices were significantly lower during the fourth quarter of 2020 and the year ended December 30, 2020, compared to the period ended December 31, 2019. The reduction in commodity prices is partially attributed to the COVID-19 pandemic and other macro-economic conditions around the world which contributed to a drastic decrease in global crude oil and liquids demand since the beginning of 2020. Changes in commodity prices impact Topaz's royalty revenue and cash flow and can indirectly affect its processing fee revenue and other income.

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

SELECTED ANNUAL INFORMATION FROM CONTINUING OPERATIONS⁽¹⁾

	Year Ended December 31, 2020	Nov. 14, 2019 to Dec. 31 2019 ⁽¹⁾
<i>(\$000s) except per share</i>		
Royalty production revenue	58,886	9,832
Processing revenue	30,757	2,943
Other income ⁽⁶⁾	10,233	1,408
Total	99,876	14,183
Cash expenses:		
Operating	(4,205)	(481)
Marketing	(589)	(98)
General and administrative	(3,946)	(1,331)
Realized loss on financial instruments	(1,438)	—
Interest expense	(620)	—
Cash flow⁽²⁾	89,078	12,273
Per basic share ⁽³⁾	\$0.99	\$0.15
Cash from (used in) operating activities	83,642	(350)
Per basic share ⁽³⁾	\$0.93	(\$0.004)
Net income (loss) from continuing operations	3,089	653
Per basic and diluted share ⁽³⁾	\$0.03	\$0.01
Dividends paid	73,131	—
Per basic share ⁽³⁾	\$0.80	—
Capital expenditures	1,256	2
W.A. ⁽⁵⁾ shares outstanding ⁽⁴⁾	90,110	80,000
Selected statement of financial position results (\$000s)	At Dec. 31, 2020	At Dec. 31, 2019
Total assets	1,008,546	697,234
Working capital	237,675	20,767
Adjusted working capital ⁽²⁾	238,268	20,767
Common shares outstanding ⁽⁴⁾	112,449	80,000

⁽¹⁾ No full year annual comparative results have been included in the table above as Topaz commenced its continuing operations on November 14, 2019

⁽²⁾ Refer to "Non-GAAP Financial Measures".

⁽³⁾ Calculated using basic or diluted weighted average shares outstanding.

⁽⁴⁾ Presented in thousand shares outstanding.

⁽⁵⁾ Weighted average.

⁽⁶⁾ Includes interest income of \$0.4 million (Nov. 14, 2019 to Dec. 31, 2019 - \$nil)

SUPPLEMENTAL INFORMATION REGARDING PRODUCT TYPES

The following table is intended to provide supplemental information about the product type and composition for each of the royalty production figures that are provided throughout this MD&A.

For the periods ended	Three months June 30, 2021	Three months Mar. 31, 2021	Three months Dec. 31, 2020	Three months Sept. 30, 2020	Three months June 30, 2020
Average daily production					
Light and Medium crude oil (bbl/d)	340	285	191	198	231
Heavy crude oil (bbl/d)	303	50	—	—	—
Conventional Natural Gas (mcf/d)	41,535	41,839	35,159	33,927	34,399
Shale Gas (mcf/d)	24,190	22,890	22,462	21,474	20,657
Natural Gas Liquids (bbl/d)	668	620	540	542	484
Total (boe/d)	12,265	11,743	10,335	9,970	9,891

For the periods ended	Six months June 30, 2021	Six months June 30, 2020
Average daily production		
Light and Medium crude oil (bbl/d)	313	223
Heavy crude oil (bbl/d)	177	—
Conventional Natural Gas (mcf/d)	41,689	35,959
Shale Gas (mcf/d)	23,540	20,405
Natural Gas Liquids (bbl/d)	644	517
Total (boe/d)	12,005	10,134

Forward-Looking Statements

This MD&A contains forward-looking information and statements (collectively, "forward-looking information") within the meaning of applicable securities laws. This forward-looking information relates to future events or Topaz's future performance. All information other than information of historical fact is forward-looking information. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential" and "capable" and similar expressions are intended to identify forward-looking information. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. No assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon. This information speaks only as of the date of this MD&A or, if applicable, as of the date specified in those documents specifically referenced herein. In addition, this MD&A may contain forward-looking information attributed to third-party sources.

Without limitation of the foregoing, this MD&A contains forward-looking information pertaining to the following:

- o expectations for Topaz's future financial and operational performance;
- o growth and realization of future value from its GORR on Tourmaline and other third-party lands;
- o interests in natural gas processing plants operated by Tourmaline and a third party and associated long term take-or-pay commitments from operators;
- o a contracted interest in certain third-party revenues for natural gas processing and other acquired or proposed to be acquired assets (collectively, the "Assets");
- o estimated future revenue and growth opportunities associated with the Assets;
- o estimated future dividends and dividend policy;
- o production estimates;
- o future demand for and prices of commodities;
- o business prospects;
- o the ability to complete the acquisition of certain assets and the timing for completion thereof;
- o the future scalability of Topaz's business model;
- o potential future acquisitions and other transactions;
- o anticipated payout ratios, distribution yields, revenue accretion and financial performance or outlooks;
- o potential for future tax planning transactions;
- o future costs, capital expenditures and debt levels of Topaz;
- o the reserve potential of royalty payor's assets; and
- o the anticipated production from third party's assets and anticipated future cash flows from such assets.

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 will be dependent upon, among other things, cash flow, 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 the Credit Facility.

With respect to forward-looking information contained in this MD&A, assumptions have been made regarding, among other things:

- o future crude oil, heavy crude oil, natural gas liquids and natural gas prices;
- o future interest rates and currency exchange rates;
- o that Topaz' operations and production will not be disrupted by circumstances attributable to the COVID-19 pandemic and the responses of governments and the public to the pandemic;
- o Topaz's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner;
- o the regulatory framework governing royalties, taxes and environmental matters;
- o the ability to market production of crude oil and natural gas successfully;
- o Third-party future production levels and growth prospects;
- o the applicability of technologies for recovery and production of third-party reserves;
- o future capital expenditures to be made by Topaz;
- o future cash flows from production meeting the expectations stated in this MD&A;
- o the impact of competition on Topaz; and
- o Topaz's ability to obtain financing (equity or debt) on acceptable terms.

The information in this MD&A, including Topaz's actual results, could differ materially from those anticipated in the forward-looking information due to a number of factors and risks, including the following:

- o the amount of capital expenditures and the results of operations and development activities by the owners of Topaz's royalty interest lands;
- o changes in laws or royalty regimes;

- investor demand for any equity offering;
- credit and other third-party or counterparty risks;
- failure to complete or realize the benefits of the Initial Acquisition and subsequent acquisitions;
- the Assets not being developed by counterparties in the manner anticipated by Topaz;
- the continuance of third-party processing and other fees at competitive market rates and current demand levels;
- volatility in the demand, supply and market prices for crude oil, heavy crude oil, natural gas and natural gas liquids;
- reliance on Tourmaline and other third parties with respect to annual revenue streams;
- the uncertain impacts of COVID-19 on Topaz' business, and the societal, economic and governmental response to COVID-19;
- liabilities inherent in petroleum and natural gas operations;
- uncertainties associated with estimating crude oil, heavy crude oil, natural gas liquids and natural gas reserves and future production levels;
- competition for, among other things, third party capital and acquisitions of reserves, additional petroleum and natural gas assets and undeveloped lands;
- incorrect assessments of the value of the Assets or future acquisitions;
- risks related to the environment and changing environmental laws in relation to the operations conducted on or with respect to the Assets;
- claims made or legal actions brought or realized against Topaz or its properties or assets;
- a failure by Topaz to obtain or retain key personnel;
- a decrease or elimination of the payment of dividends by Topaz as a result of a board determination, financial constraints or restrictions under applicable agreements or corporate laws;
- general economic, market and business conditions; and
- changes in tax or environmental laws or royalty or incentive programs relating to the crude oil and natural gas industry.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide readers with a more complete perspective on Topaz's future operations and such information may not be appropriate for other purposes. Topaz's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, if any, that the Company will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

These forward-looking statements are made as of the date of this MD&A and the Company disclaims any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Boe Conversions

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.

Abbreviations

000's	thousand dollars
bbl	barrel
bbl/d	barrels per day
bcf	billion cubic feet
boe/d	barrel of oil equivalent per day
CAD	Canadian dollar
Crude oil	Light and medium crude oil combined
GJ	gigajoule
GJ/d	gigajoules per day
mbbls	thousand barrels
mboe	thousand barrels of oil equivalent
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmbbls	million barrels
mmboe	millions of barrels of oil equivalent
mmcf	million cubic feet
mmcf/d	million cubic feet per day
USD	United States dollar
WTI	West Texas Intermediate