



**TOPAZ ANNOUNCES FIRST QUARTER 2023 RESULTS,
ACHIEVES RECORD ROYALTY PRODUCTION
AND DECLARES QUARTERLY DIVIDEND**

May 1, 2023

Calgary, Alberta – Topaz Energy Corp. (TSX:TPZ) (“Topaz” or the “Company”) is pleased to provide first quarter 2023 financial results and confirm the Company’s 2023 guidance estimates. 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 months ended March 31, 2023, which are available on SEDAR at www.sedar.com and on Topaz’s website at www.topazenergy.ca.

First Quarter 2023 Highlights

- Generated Q1 2023 cash flow of \$71.8 million (\$0.50 per diluted share⁽²⁾) and free cash flow (FCF)⁽¹⁾ of \$71.3 million (\$0.49 per diluted share), generating a 91% FCF Margin⁽¹⁾ which was 2% higher than Q4 2022.
- Record royalty production of 18,884 boe/d⁽⁴⁾ in Q1 2023 was 17% higher than Q1 2022, driven by a 50% increase in total liquids royalty production.
- Generated \$17.3 million in processing revenue and other income which was 11% higher than Q1 2022. The infrastructure assets generated 99% utilization and an 89% operating margin⁽¹¹⁾ during the first quarter.
- Paid a \$0.30 per share dividend during the first quarter (\$1.20 per share annualized) which represents a 6.0% trailing annualized yield to the first quarter average share price.
- Reduced net debt⁽¹⁾ \$29.4 million (7%) from December 31, 2022.

First Quarter 2023 Update

Financial Overview

- Q1 2023 cash flow of \$71.8 million was 3% lower than Q1 2022 due to significantly lower commodity pricing and widened conventional sour crude oil and heavy oil differentials during the quarter, offset by 17% royalty production growth and 11% higher processing revenue and other income. Relative to 2022, first quarter natural gas (AECO 5A) pricing decreased 32% and crude oil (NYMEX WTI) pricing decreased 8%.
- During the first quarter Topaz paid \$43.3 million in dividends which represents a 60% payout ratio⁽¹⁾.
- Topaz exited Q1 2023 with \$376.5 million of net debt⁽¹⁾, \$29.4 million (7%) lower than December 31, 2022, which represents 1.1 times net debt to cash flow⁽¹⁾⁽⁵⁾. As at May 1, 2023 Topaz has approximately \$600.0 million of available credit capacity⁽⁶⁾ which provides financial flexibility for strategic growth opportunities.

Royalty Activity

- Topaz’s Q1 2023 royalty production of 18,884 boe/d⁽⁴⁾ (71% weighted to natural gas and 29% total liquids), increased 17% from Q1 2022, driven by 50% higher total liquids royalty production. Relative to Q4 2022, royalty production increased 3% which was attributed to 4% higher NEBC Montney royalty production and strong activity and development results across Topaz’s fee title mineral acreage. Quarter-over-quarter, Topaz’s other core areas maintained production levels through strong operator development activity and at March 31, 2023 Topaz had 88 gross wells (3.5 net) drilled but not yet brought on production.
- Average realized commodity prices (before hedging) for the first quarter were C\$3.23/mcf for natural gas, C\$87.50/bbl for crude oil and C\$76.85 for total liquids, generating \$60.9 million of royalty revenue (39% weighted toward natural gas and 61% to total liquids). Topaz realized a \$4.8 million gain on financial instruments in Q1 2023.

On a royalty production basis, the realized hedging gains increased the Company's cash flow by \$0.63/mcf for natural gas and \$1.31/bbl for crude oil.

- Q1 2023 operator-funded activity increased across Topaz's royalty acreage; 164 gross wells (approximately 6.3 net) were spud⁽⁷⁾ and 183 gross wells (approximately 6.1 net) were brought on production⁽⁸⁾ which represents a 20% and 31% increase, respectively from Q1 2022; and a 5% and 6% increase, respectively, from Q4 2022. First quarter drilling activity (gross wells spud) was diversified across Topaz's portfolio as follows: 30% Clearwater, 22% NEBC Montney, 18% Deep Basin, 13% Peace River, 10% West Central Alberta and 7% Southeast Saskatchewan. 36 gross wells were spud in NEBC Montney during the first quarter which is a 71% increase from Q4 2022. In the Clearwater, operators continue to advance waterflood development and 10% of the 63 gross wells spud are injection wells.
- Topaz continues to see consistent development activity and top-performing wells drilled across its royalty acreage in each core area as well as strong activity across its fee title mineral portfolio. Through the first quarter of 2023, the operator working interest production across Topaz's royalty acreage represented approximately 9% of total WCSB production⁽¹²⁾, and the 27 to 29 active drilling rigs across Topaz's acreage represented approximately 12% of the total active rig fleet across the WCSB⁽¹³⁾. Based on planned operator drilling activity, Topaz expects to resume 27 to 29 drilling rigs active on its royalty acreage following spring break-up, with 3 to 4 rigs maintaining active through break-up⁽³⁾.

Infrastructure Activity

- During Q1 2023, average daily utilization of Topaz's net natural gas processing capacity was 99%, consistent with the prior quarter. 79% of Topaz's 215 MMcf/d net natural gas processing capacity is contracted under 10 to 15-year fixed take-or-pay agreements and all assets service active development areas with commodity-resilient underlying resources. During Q1 2023, Topaz generated \$17.3 million of processing revenue and other income which was in line with the prior quarter. Processing revenue and other income was 11% higher than Q1 2022, attributed to higher third-party income and 2022 water infrastructure acquisitions which carry 15-year 100% fixed take-or-pay obligations.
- Topaz's contractual arrangements only require Topaz to pay its working interest share of operating expenses on approximately 50% of its natural gas processing capacity ownership. In Q1 2023 Topaz incurred \$1.9 million in operating expenses which increased 9% from Q4 2022 due to maintenance activities and cost inflation.

Dividend

- Topaz's Board has declared the second quarter 2023 dividend at \$0.30 per share which is expected to be paid on June 30, 2023 to shareholders of record on June 15, 2023. The quarterly cash dividend is designated as an "eligible dividend" for Canadian income tax purposes.
- Topaz's 2023e dividend⁽⁹⁾ is sustainable down to low commodity prices (C\$1.50/mcf AECO and US\$35 WTI)⁽³⁾ due to the Company's low-cost, inflation-protected business structure as well as financial derivative contracts to mitigate price volatility.
- Topaz's estimated 2023 dividend payout ratio⁽¹⁾ of approximately 60%⁽³⁾ remains at the low end of the Company's targeted long-term payout ratio of 60-90% in order to retain Excess FCF⁽¹⁾ for self-funded M&A growth and further dividend increases.

Natural Gas Pricing

- Topaz has financial derivative contracts⁽¹⁰⁾ in place for the balance of 2023 which: provide a fixed weighted average AECO price of \$4.22/GJ (\$4.45/mcf) for 10% of estimated natural gas production⁽³⁾; diversify 9% of estimated natural gas production⁽³⁾ to NYMEX pricing; and balance Topaz's AECO pricing between the 5A daily index price and the 7A monthly index price. Topaz's key counterparty, Tourmaline Oil Corp. ("Tourmaline") (DBRS: "BBB High"), delivers to 13 different natural gas pricing hubs where it carries long-term transportation agreements which mitigates Topaz's exposure to reduced development activity in response to natural gas price volatility.

2023 Guidance Estimates

- Topaz confirms its 2023 guidance estimates,⁽³⁾⁽¹⁴⁾ including average annual royalty production between 18,300 and 18,800 boe/d⁽⁴⁾ and infrastructure processing revenue and other income estimated at \$65.0 million⁽³⁾. Based on

current commodity pricing, Topaz expects to exit 2023 with net debt⁽¹⁾ of approximately \$300.0 million⁽³⁾, a 26% decrease from exit 2022.

Additional information

Additional information about Topaz, including the interim consolidated financial statements and management's discussion and analysis as at and for the three months ended March 31, 2023 are available on SEDAR at www.sedar.com under the Company's profile, and on Topaz's website, www.topazenergy.ca.

Q1 2023 CONFERENCE CALL

Topaz will host a conference call tomorrow, Tuesday, May 2, 2023 starting at 9:00 a.m. MST (11:00 a.m. EST). To participate in the conference call, please dial 1-888-664-6392 (North American toll free) a few minutes prior to the call. Conference ID is 89886273.

2023 ANNUAL MEETING

Topaz will host its annual shareholder meeting on Wednesday, June 14, 2023 starting at 9:00 a.m. MST (11:00 a.m. EST) in the McMurray Room at the Calgary Petroleum Club. If you are a shareholder on record of Topaz common shares at the close of business on April 28, 2023, you are entitled to receive notice of, participate in, and vote at this meeting. We encourage you to vote your common shares and participate in the meeting.

ABOUT THE COMPANY

Topaz is a unique royalty and infrastructure energy company focused on generating FCF⁽¹⁾ growth and paying reliable and sustainable dividends to its shareholders, through its strategic relationship with Canada's largest and most active natural gas producer, Tourmaline, an investment-grade senior Canadian E&P company, and leveraging industry relationships to execute complementary acquisitions from other high-quality energy companies, while maintaining its commitment to environmental, social and governance best practices. Topaz focuses on top quartile energy resources and assets best positioned to attract capital in order to generate sustainable long-term growth and profitability.

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

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

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

Selected Financial Information

For the periods ended (\$000s) except per share	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Royalty production revenue	60,924	77,809	65,482	94,776	65,744
Processing revenue	13,571	13,841	13,098	12,907	13,078
Other income ⁽⁴⁾	3,690	3,993	3,099	3,300	2,520
Total	78,185	95,643	81,679	110,983	81,342
Cash expenses:					
Operating	(1,940)	(1,785)	(1,587)	(1,823)	(1,179)
Marketing	(369)	(486)	(420)	(669)	(459)
General and administrative	(1,569)	(1,828)	(1,699)	(1,334)	(1,579)
Realized gain (loss) on financial instruments	4,796	1,614	2,624	(9,658)	(2,015)
Interest expense	(7,338)	(6,885)	(2,669)	(2,111)	(1,936)
Cash flow	71,765	86,273	77,928	95,388	74,174
Per basic share ⁽¹⁾⁽²⁾	\$0.50	\$0.60	\$0.54	\$0.67	\$0.53
Per diluted share ⁽¹⁾⁽²⁾	\$0.50	\$0.60	\$0.54	\$0.66	\$0.53
Cash from operating activities	85,659	69,214	99,972	80,708	67,984
Per basic share ⁽¹⁾⁽²⁾	\$0.59	\$0.48	\$0.69	\$0.57	\$0.49
Per diluted share ⁽¹⁾⁽²⁾	\$0.59	\$0.48	\$0.69	\$0.56	\$0.48
Net income	7,893	19,094	19,380	49,473	11,408
Per basic share ⁽²⁾	\$0.05	\$0.13	\$0.13	\$0.35	\$0.08
Per diluted share ⁽²⁾	\$0.05	\$0.13	\$0.13	\$0.34	\$0.08
EBITDA ⁽⁷⁾	78,947	93,006	80,463	97,459	76,099
Per basic share ⁽¹⁾⁽²⁾	\$0.55	\$0.65	\$0.56	\$0.68	\$0.55
Per diluted share ⁽¹⁾⁽²⁾	\$0.54	\$0.64	\$0.56	\$0.68	\$0.54
FCF ⁽¹⁾	71,290	85,018	77,002	94,121	73,784
Per basic share ⁽¹⁾⁽²⁾	\$0.49	\$0.59	\$0.53	\$0.66	\$0.53
Per diluted share ⁽¹⁾⁽²⁾	\$0.49	\$0.59	\$0.53	\$0.66	\$0.53
FCF Margin ⁽¹⁾	91%	89%	94%	85%	91%
Dividends paid	43,309	43,244	40,364	37,392	36,288
Per share ⁽¹⁾⁽⁶⁾	\$0.30	\$0.30	\$0.28	\$0.26	\$0.26
Payout ratio ⁽¹⁾	60%	50%	52%	39%	49%
Excess FCF ⁽¹⁾	27,981	41,774	36,638	56,729	37,496
Capital expenditures	475	1,255	926	1,267	390
Acquisitions, excl. decommissioning obligations ⁽¹⁾	36	7,538	328,285	99,554	262
Weighted average shares – basic ⁽³⁾	144,336	144,153	144,008	142,494	139,461
Weighted average shares – diluted ⁽³⁾	144,943	144,976	144,728	143,471	140,289
Average Royalty Production⁽⁵⁾					
Natural gas (mcf/d)	80,880	77,770	75,597	76,747	75,136
Light and medium crude oil (bbl/d)	1,727	1,704	1,516	1,562	1,289
Heavy crude oil (bbl/d)	2,496	2,512	1,288	1,191	1,194
Natural gas liquids (bbl/d)	1,179	1,170	1,081	1,133	1,116
Total (boe/d)	18,884	18,349	16,485	16,676	16,122
Realized Commodity Prices (before hedging)					
Natural gas (\$/mcf)	\$3.23	\$4.77	\$4.08	\$7.20	\$4.80
Light and medium crude oil (\$/bbl)	\$87.50	\$100.67	\$112.31	\$131.98	\$104.06
Heavy crude oil (\$/bbl)	\$61.15	\$72.33	\$91.69	\$119.09	\$96.10
Natural gas liquids (\$/bbl)	\$94.58	\$104.18	\$106.40	\$124.60	\$108.41
Total (\$/boe)	\$35.85	\$46.09	\$43.17	\$62.45	\$45.31
Benchmark Pricing					
Natural Gas					
AECO 5A (CAD\$/mcf)	\$3.23	\$5.11	\$4.16	\$7.24	\$4.74
West Coast Station 2 (CAD\$/mcf)	\$2.90	\$3.22	\$3.10	\$6.81	\$4.71
Crude oil					
NYMEX WTI (USD\$/bbl)	\$76.11	\$82.64	\$91.56	\$108.41	\$94.38
Edmonton Par (CAD\$/bbl)	\$99.55	\$110.32	\$116.96	\$138.03	\$115.94
WCS differential (USD\$/bbl)	\$25.41	\$25.63	\$19.85	\$12.91	\$14.61
Natural gas liquids					
Edmonton Condensate (CAD\$/bbl)	\$105.13	\$111.41	\$112.49	\$137.38	\$120.24
CAD\$/USD\$	\$0.7396	\$0.7365	\$0.7660	\$0.7834	\$0.7899

Selected statement of financial position results (\$000s) except share amounts	At Mar. 31, 2023	At Dec. 31, 2022	At Sept. 30, 2022	At Jun. 30, 2022	At Mar. 31, 2022
Total assets	1,766,639	1,835,732	1,875,465	1,641,508	1,568,256
Working capital	52,940	64,948	44,507	75,623	36,216
Adjusted working capital ⁽¹⁾	49,822	58,713	42,019	72,258	49,449
Net debt (cash) ⁽¹⁾	376,487	405,871	439,954	151,316	193,863
Common shares outstanding ⁽³⁾	144,364	144,211	144,147	143,824	139,570

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

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

⁽³⁾ Shown in thousand shares outstanding.

⁽⁴⁾ Other income of \$3.7 million for Q1 2023 includes interest income of \$0.2 million (Q4 2022 - \$0.2 million, Q3 2022 - \$0.1 million, Q2 2022 - \$0.04 million, Q1 2022 - \$0.01 million).

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

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

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

NOTE REFERENCES

This news release refers to financial reporting periods in abbreviated form as follows: "Q1 2023" refers to the three months ended March 31, 2023; "Q4 2022" refers to the three months ended December 31, 2022; "Q1 2022" refers to the three months ended March 31, 2022.

1. See *"Non-GAAP and Other Financial Measures"*.
2. Calculated using the weighted average number of diluted common shares outstanding during the respective period.
3. See *"Forward-Looking Statements"*.
4. See *"Supplemental Information Regarding Product Types"*.
5. Calculated on a trailing twelve-month basis.
6. Topaz's \$1.0 billion syndicated credit facility includes a \$300 million accordion feature which may be advanced by Topaz, subject to agent consent. At May 1, 2023 Topaz had \$405.0 million drawn against the facility.
7. May include non-producing injection wells or reactivations not previously producing subsequent to Topaz's ownership.
8. Includes wells drilled during the current and previous periods on Topaz royalty acreage which may include reactivations.
9. Topaz's dividends remain subject to board of director approval.
10. Refer to Topaz's most recently filed MD&A for a complete listing of financial derivative contracts in place.
11. Calculated as Q1 2023 processing revenue and other income of \$17.3 million net of \$1.9 million of operating expenses (\$15.3 million), expressed as a percentage of Q1 2023 processing revenue and other income (89%).
12. Estimated total operator WI average production across Topaz royalty acreage in Q1 2023 (~0.7 MMboepd) as a percentage of total estimated WCSB average production Jan-Feb 2023 of 7.8MMboepd (Source: Canada Energy Regulator).
13. Estimated number of active rigs on Topaz royalty acreage Q1 2023 (27 to 29 average) as a percentage of the average active WCSB rig fleet during Q1 2023 of 228 (Source: Daily Oil Bulletin).
14. Management's assumptions underlying the Company's 2023 guidance estimates include:
 - i. Topaz's internal estimates regarding development pace and production performance including estimates for capital allocated to waterflood and other long-term value-enhancing projects;
 - ii. Management's estimates for infrastructure utilization and cost estimates based on historic information and adjusted for inflation;
 - iii. No incorporation of potential acquisitions; and
 - iv. Topaz's outstanding financial derivative contracts included in its most recently filed MD&A.

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: Topaz's future growth outlook, guidance and strategic plans; the 2023 annual average royalty production range, dividend, dividend payout ratio and year end 2023 net debt, 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 2023; the future declaration and payment of dividends and the timing and amount thereof; the forecasts described under the heading "First Quarter 2023 Update" above including under the sub-headings "Dividend" and "2023 Guidance Estimates"; 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.sedar.com) or Topaz's website (www.topazenergy.ca).

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

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

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

FINANCIAL OUTLOOK

Also included in this news release are estimates of the Company's average royalty production range for the year ending December 31, 2023 and estimated year-end exit net debt, which are based on, among other things, the various assumptions as to production levels and capital expenditures and other assumptions disclosed in Topaz's February 28, 2023 news release including under the heading "First Quarter 2023 Update - 2023 Guidance Estimates" above and are based on the following key assumptions: Topaz's estimated capital expenditures (excluding acquisitions) of \$3 to \$5 million in 2023; the working interest owners' anticipated 2023 capital plans attributable to Topaz's undeveloped royalty lands; estimated average annual royalty production range of 18,300 to 18,800 boe/d in 2023; 2023 average infrastructure ownership capacity utilization of 95%; December 31, 2023 exit net debt of approximately \$300 million, 2023 average commodity prices of: \$2.65/mcf (AECO 5A), US\$75.90/bbl (NYMEX WTI), US\$17.63/bbl (WCS oil differential), US\$2.13/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange 0.74.

To the extent such estimates constitute financial outlooks, they were approved by management and the board of directors of Topaz on May 1, 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 months ended March 31, 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 Company's Syndicated Credit Facility, presented in note 8 to the Company's interim consolidated financial statements as at and for the three months ended March 31, 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:

(\$000s)	Three months ended	
	Mar. 31, 2023	Mar. 31, 2022
Cash from operating activities	85,659	67,984
Exclude net change in non-cash working capital	13,894	(6,190)
Cash flow	71,765	74,174
Less: Capital expenditures	475	390
FCF	71,290	73,784
Less: dividends paid	43,309	36,288
Excess FCF	27,981	37,496
Cash flow per basic share⁽¹⁾	\$0.50	\$0.53
Cash flow per diluted share⁽¹⁾	\$0.50	\$0.53
FCF per basic share⁽¹⁾	\$0.49	\$0.53
FCF per diluted share⁽¹⁾	\$0.49	\$0.53
FCF	71,290	73,784
Total revenue and other income	78,185	81,342
FCF Margin	91%	91%

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

Adjusted working capital and net debt (cash)

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

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

(\$000s)	As at	As at
	Mar. 31, 2023	Dec. 31, 2022
Working capital	52,940	64,948
Exclude net fair value of financial instruments	3,118	6,235
Adjusted working capital	49,822	58,713
Less: bank debt	426,309	464,584
Net Debt	376,487	405,871

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 months ended March 31, 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:

(\$000s)	Three months ended	
	Mar. 31, 2023	Mar. 31, 2022
Net income	7,893	11,408
Unrealized loss on financial instruments	4,992	13,779
Share-based compensation	232	149
Finance expense	7,546	2,095
Depletion and depreciation	55,294	45,943
Deferred income tax expense	3,146	2,736
Less: interest income	(156)	(11)
EBITDA	78,947	76,099
EBITDA per basic share (\$/share)	\$0.55	\$0.55
EBITDA per diluted share (\$/share)	\$0.54	\$0.54

⁽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	
	Mar. 31, 2023	Mar. 31, 2022
Cash flow (\$000s)	71,765	74,174
Dividends (\$000s)	43,309	36,288
Payout Ratio (%)	60%	49%

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:

(\$000s)	Three months ended	
	Mar. 31, 2023	Mar. 31, 2022
Acquisitions (consolidated statements of cash flows)	36	262
Non-Cash acquisitions	—	—
Acquisitions (excluding non-cash decommissioning obligations)	36	262

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	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
Average daily production					
Light and Medium crude oil (bbl/d)	1,727	1,704	1,516	1,562	1,289
Heavy crude oil (bbl/d)	2,496	2,512	1,288	1,191	1,194
Conventional Natural Gas (mcf/d)	43,316	41,932	41,293	40,817	39,996
Shale Gas (mcf/d)	37,564	35,838	34,304	35,930	35,140
Natural Gas Liquids (bbl/d)	1,179	1,170	1,081	1,133	1,116
Total (boe/d)	18,884	18,349	16,485	16,676	16,122

For the year ended	2023 (Estimate) ⁽¹⁾⁽²⁾	2022 (Actual)	2021 (Actual)
Average daily production			
Light and Medium crude oil (bbl/d)	1,523	1,519	565
Heavy crude oil (bbl/d)	2,850	1,549	538
Conventional Natural Gas (mcf/d)	41,277	41,016	43,282
Shale Gas (mcf/d)	36,100	35,302	29,987
Natural Gas Liquids (bbl/d)	1,280	1,125	789
Total (boe/d)	18,550	16,914	14,103

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

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

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.

For further information: please contact:

Topaz Energy Corp.

Marty Staples
President and Chief Executive Officer
(587) 747-4830

Cheree Stephenson
VP Finance and CFO
(587) 747-4830