

Topaz Energy Corp. Announces Third Quarter 2021 Financial Results Which Deliver 21% Per Share FCF Growth, Declares 14% Higher Fourth Quarter Dividend of \$0.24 Per Share and Provides 2022 Guidance

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CALGARY, Nov. 4, 2021 - [Topaz Energy Corp.](#) (TSX:TPZ) ("Topaz" or the "Company") is pleased to provide third quarter financial results and new guidance estimates. Selected financial and operational information is outlined below and shown in conjunction with Topaz's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 and related management's discussion and analysis ("MD&A") which are available on SEDAR at [www.sedar.com](#) and on Topaz's website at [www.topazenergy.ca](#).

Third Quarter 2021 Highlights

- Third quarter 2021 FCF⁽¹⁾ of \$49.8 million or \$0.39 per share, was 21% higher than the prior quarter, driven by royalty growth, increased benchmark commodity prices (16% natural gas (AECO) and 7% oil (NYMEX WTI)) and a 23% increase in infrastructure processing revenue and other income.
- Record third quarter average royalty production⁽³⁾ of 15,119 boe/d grew 23% from the prior quarter. Approximately 75% of the quarterly production increase is attributed to royalty acquisitions which closed subsequent to the second quarter.
- Record royalty production revenue of \$40.6 million, 48% higher than the prior quarter. Topaz's third quarter royalty production was 86% weighted to natural gas, the price of which has significantly increased in 2021 as Canadian natural gas supply deficiencies have created a tightened market. The average AECO (5A) benchmark for the third quarter was C\$3.60/bbl, a 60% increase from the prior year.
- 11% increase to Topaz's previous 2021 EBITDA⁽¹⁾ guidance estimate (increased from \$176.0 million to \$195.0 million) due to recent acquisition activity and an increased commodity price outlook. Topaz's Board has also approved its 2022 guidance estimates which provide for approximately \$270.0 million of EBITDA⁽¹⁾ (38% growth over 2021) and \$130.0 million of FCF⁽¹⁾ which Topaz will allocate toward acquisition growth opportunities and further sustainable dividend increases.
- During the third quarter and subsequent period, Topaz has completed \$628.0 million of royalty and infrastructure acquisitions which were funded through an equity financing which closed October 26, 2021 as well as availability under Topaz's revolving credit facility which Topaz recently expanded to \$400.0 million. In aggregate, Topaz acquired:
 - Newly created gross overriding royalty interests on shale gas, crude oil, and condensate production on approximately 831,000 gross acres of developed and undeveloped lands in the NEBC Montney play area, which establishes Topaz as the largest Montney royalty holder in Canada;
 - A non-operated 10% working interest in the Tourmaline's Oil Corp. ("Tourmaline") Gundy facility complex which includes Tourmaline's newest natural gas plant; is situated in close proximity to both TC Energy's North Montney Mainline and Enbridge's T-North expansion; will be capable of 400 MMcf/d of natural gas processing capacity; and has a life expectancy in excess of 40 years well supported by underlying Montney reserves ("Gundy Infrastructure Acquisition"). Topaz has negotiated a ten-year fixed take-or-pay commitment, from Tourmaline, during which Topaz will earn a fixed fee of \$10.2 million per year for 100% of its 40 MMcf/d working interest capacity which will generate \$10.2 million of annual fixed income to EBITDA⁽¹⁾ as Topaz will not be responsible for operating costs during the ten-year term. Topaz is only exposed to its working interest share of maintenance capital costs which are expected to be low given the facility was recently completed.
 - Complementary oil-weighted gross overriding royalties on approximately 496,000 gross acres of developed and undeveloped acreage across the greater Clearwater, Provost, Lloydminster and West Central areas in Alberta, Canada, supported by aggregate contractual capital development commitments of \$70.0 million.
 - A newly created gross overriding royalty on [Whitecap Resources Inc.](#)'s ("Whitecap") 65.3% working interest in a Saskatchewan conventional oil unit which is under carbon dioxide (CO₂) enhanced recovery.
- Second dividend increase (to \$0.24 per share declared for the fourth quarter of 2021) which represents 20% year-over-year growth during Topaz's first year as a public company. During the same time period, Topaz's dividend payout ratio was compressed from 78% in the third quarter of 2020 to 53% in 2021 as a result of significant high-margin revenue growth which provides enhanced financial flexibility.

Royalty Activity Update

- During the third quarter, the working interest operators on Topaz's royalty acreage continued their active drilling and 111 gross wells were spud (87 gross wells on acreage operated by Tourmaline and 52 gross wells on acreage operated by Topaz counterparties) and 111 gross wells were brought on production.⁽²⁾ This represents 2.0 times higher capital expenditures relative to the prior quarter, when 70 gross wells 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). The drilling activity was focused on the Clearwater, Charlie Lake, Deep Basin, West Central and NEBC Montney play areas within the WCSB.
- Approximately 90% of Topaz's third quarter royalty production was derived from royalty acreage operated by Tourmaline and continues to decrease (100% during the first quarter of 2020, Topaz's first full quarter of operations) as Topaz continues to diversify its asset portfolio with liquids production and other high quality counterparties.
- Based on planned operator drilling activity, Topaz expects to have 20 to 24 drilling rigs active on its royalty acreage during the fourth quarter of 2021.

Infrastructure Activity Update

- During the third quarter, Topaz generated \$16.6 million processing revenue and other income attributed to its infrastructure portfolio, 23% higher than the prior quarter (\$13.5 million). The increase was driven by a 26% increase in Topaz's processing capacity ownership via its Gundy Infrastructure Acquisition which closed July 1, 2021, and a 29% increase in Topaz's other income, attributed to increased third party activity at non-Topaz owned facilities. During the third quarter, the daily utilization of Topaz's net natural gas processing capacity was 97% (78% of which was contracted under fixed price agreements).

Acquisition Growth Strategy Execution

- To date during the Company's first two years of operation, Topaz has completed \$1.1 billion in cumulative royalty infrastructure acquisitions which Topaz estimates will contribute \$160.3 million to Topaz's 2022 EBITDA,⁽¹⁾⁽⁴⁾ representing a 15% EV/EBITDA yield.⁽¹⁾⁽⁴⁾ The acquisitions have been funded through a combination of cash, debt and equity.
- Topaz has completed two equity offerings since its IPO in October 2020 which have provided cumulative gross proceeds of \$381.6 million. Combined with a secondary offering completed in September 2021, Topaz has achieved its strategic goal of expanding its free-trading share float and provided new and existing shareholders with enhanced trading liquidity. Topaz currently holds 37% ownership of Topaz.

2021-2022 Guidance and Capital Allocation Strategy

- Topaz's 2021 - 2022 outlook is supported by a significant amount of operator capital committed to the development of undeveloped royalty acreage in addition to the Company's stable infrastructure revenue portfolio. Topaz's estimates are based on future acquisitions or deployment of capital pursuant to its growth strategy.

	2021 Increased Guidance Estimates ⁽⁴⁾⁽⁶⁾	2022 Guidance Estimates ⁽⁴⁾⁽⁶⁾
\$mm except boe/d		
Annual average royalty production (boe/d) ⁽³⁾	13,800 - 14,000	16,100 - 16,300
Royalty production natural gas weighting ⁽³⁾	87%	78%
Processing revenue and other income	58.5	61.5
EBITDA ⁽¹⁾	194.0 - 196.0	269.0 - 271.0
Dividend ⁽⁵⁾	108.7	133.6
Exit net debt ⁽¹⁾	232.0 - 234.0	94.0 - 96.0
Capital expenditures (excluding acquisitions)	1.0 - 2.0	1.0 - 2.0
Commodity price assumptions		
AECO 5A (CAD\$/mcf)	\$3.79	\$4.00
NYMEX WTI (US\$/bbl)	\$67.51	\$75.00
US\$/CAD\$ foreign exchange		

- Topaz's 2022 EBITDA guidance of \$270.0 million represents 38% growth over 2021, 23% on a per share basis, a 17% royalty production growth and 5% higher infrastructure revenue. Topaz estimates its year end 2021 net debt at approximately \$230.0 million (1.2x net debt / cash flow) which is expected to reduce to less than \$100.0 million (0.8x cash flow) at year end 2022 before any further acquisition activity.
- Topaz's 2022 guidance provides for \$130.0 million of Excess FCF which Topaz estimates could provide 5-10% additional EBITDA growth. Topaz continues to identify and evaluate a meaningful number of M&A opportunities and plans to allocate capital toward accretive growth acquisitions and sustainable dividend increases.

ESG Integration

- Topaz recently published its inaugural Sustainability Report which discusses how Topaz integrates ESG throughout its investment strategy in order to generate solid risk-adjusted financial returns, and verifies Topaz as a high quality, low risk royalty and infrastructure energy investment. Topaz's most recently completed royalty acquisition in Whitecap's Crowsnest unit which is estimated to sequester 2 million tonnes of CO₂ annually, further demonstrates this strategy. Topaz believes it can provide its shareholders with access to the best attributes of the energy sector, providing lower risk, high margin growth exposure underpinned by positive environmental impacts.

Dividend

- The Company paid dividends of \$27.0 million (\$0.21 per share) in the third quarter of 2021 representing a payout ratio of 14%. Topaz's Board has approved a 14% increase to its quarterly dividend and declared its 2021 fourth quarter dividend of \$0.24 per share which is expected to be paid on December 31, 2021 to shareholders of record on December 15, 2021. This dividend is designated as an "eligible dividend" for Canadian income tax purposes.
- Topaz's 2022 dividend of \$133.6 million is well supported by its estimated 2022 infrastructure FCF⁽²⁾ of \$56.0 million. Topaz's natural gas processing capacity is fixed under long term contract and its variable processing capacity can be realized over 95% utilization. Combined with the stable infrastructure revenue, Topaz's dividend is covered at very low commodity prices of C\$1.50/mcf AECO and US\$45 WTI.

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

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

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

(4) Refer to "Forward Looking Statements" and "Financial Outlook."

(5) Estimated based on 139.2 million shares outstanding. The Company's dividend payments remain subject to Board approval.

(6) Topaz's estimated royalty production is based on 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.

Selected Financial Information

For the periods ended (\$000s) except per share	Sept. 30, 2021 Nine months	Sept. 30, 2021 Three months	Jun. 30, 2021 Three months	Mar. 31, 2021 Three months	Dec. 31, 2020 Three months	Sept. 30, 2020 Three months
Royalty production revenue	92,185	40,558	27,448	24,179	17,611	14,826
Processing revenue	33,814	12,781	10,562	10,471	10,305	9,188
Other income ⁽⁴⁾	9,864	3,804	2,943	3,117	2,783	2,384
Total	135,863	57,143	40,953	37,767	30,699	26,398
Cash expenses:						
Operating	(3,299)	(1,238)	(1,089)	(972)	(1,643)	(691)
Marketing	(848)	(355)	(256)	(237)	(176)	(201)
General and administrative	(3,770)	(1,478)	(1,026)	(1,266)	(673)	(1,030)
Realized loss on financial instruments	(3,986)	(2,258)	(1,147)	(581)	(744)	(506)
Interest expense	(1,353)	(973)	(220)	(160)	(484)	(76)
Cash flow ⁽¹⁾	122,607	50,841	37,215	34,551	26,979	23,894
Per basic share ⁽²⁾	\$1.03	\$0.39	\$0.32	\$0.31	\$0.25	\$0.26
Cash from operating activities	108,456	41,990	36,903	29,563	32,887	12,571
Per basic share ⁽²⁾	\$0.91	\$0.33	\$0.32	\$0.26	\$0.31	\$0.13
Net income (loss)	11,288	5,014	918	5,356	8,382	(2,935)
Per basic and diluted share ⁽²⁾	\$0.09	\$0.04	\$0.01	\$0.05	\$0.08	(\$0.03)
EBITDA ⁽¹⁾	123,669	51,795	37,308	34,566	27,126	23,922
EBITDA margin ⁽¹⁾	91%	91%	91%	92%	88%	91%
FCF ⁽¹⁾	121,017	49,795	37,232	33,990	26,507	23,381
Per basic share ⁽²⁾	\$1.01	\$0.39	\$0.32	\$0.30	\$0.25	\$0.25
Dividends paid	75,317	27,048	25,748	22,521	22,489	18,642
Per share ⁽²⁾	\$0.61	\$0.21	\$0.20	\$0.20	\$0.20	\$0.20
Payout ratio ⁽¹⁾	61%	53%	69%	65%	83%	78%
Capital expenditures	1,590	1,046	(17)	561	472	513
Acquisitions ⁽⁶⁾	726,487	409,961	160,492	156,034	17,963	153,500
Weighted average shares - basic ⁽³⁾	119,427	128,749	116,842	112,512	106,839	93,126
Average Royalty Production						
Natural gas (mcf/d) ⁽⁵⁾	69,513	77,941	65,725	64,729	57,621	55,400
Light and medium crude oil (bbl/d) ⁽⁵⁾	389	538	340	285	192	195

Heavy crude oil (bbl/d) ⁽⁵⁾	351	693	303	50	?	?
Natural gas liquids (bbl/d) ⁽⁵⁾	729	897	668	620	540	542
Total (boe/d)	13,055	15,119	12,265	11,743	10,335	9,970
Realized Commodity Prices						
Natural gas (\$/mcf) ⁽⁵⁾	\$3.29	\$3.58	\$3.11	\$3.13	\$2.65	\$2.26
Light and medium crude oil (\$/bbl) ⁽⁵⁾	\$75.43	\$80.07	\$76.94	\$64.66	\$48.90	\$48.66
Heavy crude oil (\$/bbl) ⁽⁵⁾	\$65.36	\$67.76	\$61.61	\$54.34	?	?
Natural gas liquids (\$/bbl) ⁽⁵⁾	\$77.59	\$80.31	\$78.91	\$72.11	\$54.09	\$49.27
Total (\$/boe)	\$25.86	\$29.16	\$24.59	\$22.88	\$18.52	\$16.16
Benchmark Pricing						
Natural Gas						
AECO 5A (CAD\$/mcf)	\$3.31	\$3.60	\$3.11	\$3.17	\$2.65	\$2.25
Crude oil						
NYMEX WTI (USD\$/bbl)	\$64.83	\$70.52	\$66.10	\$58.14	\$42.70	\$40.92
Edmonton Par (CAD\$/bbl)	\$76.07	\$83.80	\$76.39	\$68.98	\$49.21	\$49.06
WCS differential (USD\$/bbl)	\$12.46	\$13.52	\$11.51	\$12.42	\$9.10	\$9.05
Natural gas liquids						
Edmonton Condensate (CAD\$/bbl)	\$79.84	\$86.47	\$79.67	\$74.98	\$55.95	\$51.71
CAD\$/USD\$	\$0.7992	\$0.7935	\$0.8142	\$0.7899	\$0.7678	\$0.7500
Selected statement of financial position results (\$'000s) except share amounts		At Sept. 30 2021	At Jun. 30 2021	At Mar. 31 2021	At Dec. 31 2020	At Sept. 2020
Total assets		1,455,509	1,305,741	997,715	1,008,546	794,788
(1) Refer to "Non-GAAP Financial Measures". Working capital		51,053	266,272	94,221	237,675	21,844
(2) Calculated using basic or diluted weighted average shares outstanding. Adjusted working capital ⁽¹⁾		54,446	270,611	94,607	238,268	23,917
(3) Shown in thousand shares outstanding. Net debt (cash) ⁽⁴⁾		219,476	(167,540)	(94,607)	(238,268)	(17,082)
(4) Other income of \$9.9 million for YTD 2021 includes interest income of \$0.3 million (Q3 2021 - \$0.02 million, Q2 2021 - \$0.13, Q1 2021 - \$0.14 million, Q4 2020 - \$0.3 million, Q3 2020 - \$0.05 million). Common shares outstanding ⁽³⁾		128,803	128,736	112,607	112,449	93,208
(5) Refer to "Supplemental Information Regarding Product Types."						
(6) Excluding non-cash ARO.						

Additional information

Additional information about Topaz, including the financial statements and management's discussion and analysis for the year ended December 31, 2020 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.

Q3 2021 CONFERENCE CALL

Topaz will host a conference call tomorrow, Friday, November 5, 2021 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 49622828.

ABOUT THE COMPANY

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

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 and strategic plans; the anticipated capital expenditure plans; environment, social and governance initiatives; expected production increases and capital commitments on the royalty lands; estimated levels of 2021 and 2022 dividend payments, EBITDA, FCF, Excess FCF, payout ratio and year-end net debt; the number of drilling rigs to be active on Topaz's royalty acreage during the fourth quarter of 2021; the future declaration and payment of dividends and the timing and amount thereof; the forecasts described under the heading "2021-2022 Guidance and Capital Allocation Strategy" above, including annual average royalty production, processing revenue and other income, EBITDA, FCF, Excess FCF, annual dividends, exit net debt, and capital expenditures (excluding acquisitions) for 2021 and 2022; other expected benefits from acquisitions including enhancing Topaz's future growth outlook and plans to allocate capital toward accretive growth acquisitions and sustainable dividend increases; and the Company's business as described under the heading "About the Company" above.

Forward-looking statements are based on a number of assumptions including those highlighted in this news release 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 free cash flow per share growth, and the factors discussed in the Company's recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein), Annual Information Form (See "Risk Factors" and "Forward-Looking Statements" therein) and other reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or Topaz's website (www.topazenergy.ca).

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, free 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 its credit facility.

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

FINANCIAL OUTLOOK

Also included in this news release are estimates of the Company's EBITDA range and revenue for the years ending December 31, 2021 and 2022 and range of year-end exit net debt for 2021 and 2022, which are based on, among other things, the various assumptions as to production levels and capital expenditures and other assumptions disclosed in this news release including under the heading "2021-2022 Guidance and Capital Allocation Strategy" above and are based on the following key assumptions: Topaz's estimated capital expenditures (excluding acquisitions) of \$1.0 to \$2.0 million in 2021 and 2022; the working interest owners' anticipated 2021 capital plans attributable to Topaz's royalty lands; estimated average annual royalty production range of 13,800 to 14,000 boe/d in 2021 and 16,100 to 16,300 boe/d in 2022; 2021 and 2022 average infrastructure ownership capacity utilization of 95%; 2021 and 2022 third party income of \$10.0 million per year; December 31, 2021 exit net debt range between \$232.0 and \$234.0 million and December 31, 2022 exit net debt range between \$94.0 and \$96.0 million, 2021 average commodity prices of: C\$3.79/mcf (AECO 5A natural gas), US\$67.51/bbl (NYMEX WTI), US\$12.35/bbl (WCS oil differential), US\$3.71/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange 0.79, and 2022 average commodity prices of: \$4.00/mcf (AECO 5A natural gas), US\$75.00/bbl (NYMEX WTI), US\$12.45/bbl (WCS oil differential), US\$3.70/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange 0.79. To the extent such estimates constitute financial outlooks, they were approved by management and the board of directors of Topaz on November 4, 2021 and are included to provide readers with an understanding of the estimated EBITDA and net debt for the year ending December 31, 2021 and 2022 based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

NON-GAAP FINANCIAL MEASURES

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

This news release also makes reference to the terms "cash flow," "cash flow per basic share," "FCF (free cash flow)," "FCF per basic share," "Excess FCF," "EBITDA," "EBITDA margin," "EV/EBITDA Yield," "payout ratio," "working capital," "adjusted working capital" and "net debt" or "net debt (cash)", which are not recognized measures under GAAP, and do not have standardized meanings 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," "EV/EBITDA Yield," "Excess FCF," "EBITDA," "EBITDA margin," "payout ratio," "working capital," "adjusted working capital" and "net debt" or "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) from continuing operations 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 (excluding acquisitions) and "FCF per basic share" is calculated using the weighted average basic shares outstanding for the period. "Excess FCF" is free cash flow less dividends. "EBITDA" is net income or loss from continuing operations, 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). "EV/EBITDA Yield" is the assets' cumulative estimated EBITDA divided by the aggregate purchase consideration. "Payout ratio" is dividends paid expressed as a percentage of cash flow. "Working capital" is current assets less current liabilities. "Adjusted working capital" is current assets less current liabilities, adjusted for financial instruments and "net debt" or "net debt (cash)" is total debt outstanding less adjusted working capital.

BOE EQUIVALENCY

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

OIL AND GAS METRICS

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

GENERAL

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

SUPPLEMENTAL INFORMATION REGARDING PRODUCT TYPES

This news release includes references to guidance estimates for 2021 average daily 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 periods ended	Three months Sept. 30, 2021	Three months Jun. 30, 2021	Three months Sept. 30, 2020
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Average daily production

Light and Medium crude oil (bbl/d)	538	340	198
Heavy crude oil (bbl/d)	693	303	?
Conventional Natural Gas (mcf/d)	44,422	41,535	33,927
Shale Gas (mcf/d)	33,519	24,190	21,474
Natural Gas Liquids (bbl/d) ⁽¹⁾	897	668	542
Total (boe/d)	15,119	12,265	9,970

For the periods ended	Nine months Sept. 30, 2021	Nine months Sept. 30, 2020	Average daily production
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Light and Medium crude oil (bbl/d)	351	?	
Heavy crude oil (bbl/d)	351	?	
Conventional Natural Gas (mcf/d)	42,608	35,276	
Shale Gas (mcf/d)	26,905	20,764	
Natural Gas Liquids (bbl/d)	729	525	
Total (boe/d)	13,055	10,079	

Topaz Nov. 4, 2021 Production Estimate ⁽¹⁾⁽²⁾ 2021e	Topaz Nov. 4, 2021 Royalty Production Estimate ⁽¹⁾⁽²⁾ 2022e
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For the year

Average daily production

Light and Medium crude oil (bbl/d)	590	1,150
Heavy crude oil (bbl/d)	487	1,279
Conventional natural gas (Mcf/d)	44,312	36,818
Shale Gas (Mcf/d)	28,246	39,198
Natural Gas Liquids (bbl/d)	730	1,135
Total (boe/d)	13,900	16,200
Natural gas weighting	87%	78%

⁽¹⁾ Estimated using the midpoint of the estimated 2021 and 2022 average annual royalty production range.

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

SOURCE [Topaz Energy Corp.](#)

Contact

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