

Topaz Reports First Quarter 2025 Financial Results Including Record Royalty Production And Announces Dividend Increase

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CALGARY, May 5, 2025 - [Topaz Energy Corp.](#) (TSX: TPZ) ("Topaz" or the "Company") is pleased to provide first quarter financial results and reconfirm the Company's 2025 guidance estimates. Select financial information is outlined below and read in conjunction with Topaz's interim condensed consolidated financial statements ("Financial Statements") and related management's discussion and analysis ("MD&A") as at and for the three months ended March 31, 2025, which are available on SEDAR+ at www.sedarplus.ca and on Topaz's website at www.topazenergy.ca.

First Quarter 2025 Highlights

- Cash flow of \$81.7 million or \$0.53 per share⁽²⁾ and free cash flow (FCF)⁽¹⁾ of \$80.8 million or \$0.52 per share⁽²⁾, higher (per share) from the prior year.
- Record royalty production of 22,380 boe/d⁽⁴⁾ (including 13% higher natural gas royalty production); quarterly drilling of 218 gross wells (7.3 net)⁽⁷⁾; and share of WCSB drilling activity (19%)⁽⁸⁾.
- Record processing revenue and other income of \$23.5 million from Topaz's infrastructure assets.
- Second quarter dividend increase to \$0.34 per share representing a 5.9% annualized yield to Topaz's current share price.
- Invested \$17.5 million in acquisitions during the first quarter and reduced net debt 2% since year end.

First Quarter 2025 Update

Financial Overview

- Topaz generated total revenue and other income of \$92.2 million, 43% from crude and heavy oil royalties, 32% from natural gas royalties, and 25% from the infrastructure portfolio.
- Cash flow of \$81.7 million was 20% higher than Q1 2024, attributed to 17% higher royalty production and 31% higher processing revenue and other income.
- Paid \$50.7 million in dividends (\$0.33 per share and 62% payout ratio⁽¹⁾) which represents a 5.2% trailing annual dividend yield to the Q1 2025 average share price⁽⁹⁾ and generated \$30.1 million of Excess FCF⁽¹⁾, part of which was used to fund the announced royalty acquisition in the Alberta Montney.
- Topaz exited Q1 2025 with \$480.7 million of net debt⁽¹⁾ (1.4x net debt to Q1 2025 annualized EBITDA⁽¹⁾). Subsequent to Q1 2025, Topaz extended the maturity date (to April 30, 2029) of the Company's unsecured, covenant-based credit facility with an existing syndicate of Canadian banks. No other significant amendments were made to the credit agreement, which maintains Topaz's total credit capacity up to \$1.0 billion. As at May 5, 2025, Topaz has approximately \$0.5 billion of availability under the facility.

Royalty Activity

- First quarter average royalty production of 22,380 boe/d⁽⁴⁾, includes record natural gas of 95,195 Mcf/d and record oil of 6,513 bbl/d, 13% and 4%, respectively, higher than the prior quarter.
- Topaz generated \$68.7 million total royalty revenue (99% operating margin⁽¹⁾) and realized 46% higher natural gas royalty revenue (per boe) higher total (per boe) royalty pricing relative to the prior quarter.

- During the quarter, operators spud 218 gross wells (7.3 net)⁽⁷⁾ and reactivated 20 gross wells, representing record both wells drilled and share (19%) of WCSB drilling activity⁽⁸⁾ across Topaz's royalty acreage. During Q1 2025, 19 wells were brought on production⁽⁷⁾ and at March 31, 2025, Topaz had 157 gross wells drilled but not yet completed representing 72% of Q1 2025 new wells drilled.
- Topaz estimates that operators invested \$0.8 billion to \$0.9 billion of development capital across the Company's royalty acreage in Q1 2025. Drilling activity (218 gross wells spud⁽⁷⁾) was diversified across Topaz's portfolio as follows: 13 Bakken Basin, 49 Montney, 46 Clearwater, 37 SE Saskatchewan/Manitoba, 27 Peace River and 9 Central Alberta.

Infrastructure Activity

- Topaz generated \$23.5 million in processing revenue and other income which was 7% higher than the prior quarter. In Q1 2025, Topaz incurred \$1.8 million in operating expenses, providing a 93% operating margin⁽¹⁾. The infrastructure generated 98% utilization and Topaz incurred \$0.1 million in maintenance-related capital expenditures (before cash and G&A).
- Construction of the previously announced Alberta Montney natural gas processing facility continues to advance and is expected to be commissioned and on-stream by the end of the second quarter of 2025 ("Facility Interest"). The purchase price of the Facility Interest will be funded by Topaz upon the final commissioning, subject to the satisfaction of customary closing conditions.

Dividend

- Pursuant to Topaz's strategy to increase its dividend alongside sustainable revenue growth, Topaz's Board approved a 10% increase to the Company's quarterly dividend and declared the second quarter 2025 dividend at \$0.34 per share⁽³⁾, expected to be paid on June 30, 2025, to shareholders of record on June 13, 2025. The quarterly cash dividend is expected to qualify as an "eligible dividend" for Canadian income tax purposes.
- Topaz's 2025e dividend is sustainable down to \$0.01 per mcf natural gas and US\$55.00 per bbl crude oil⁽³⁾ attributable to the Company's high-margin, stable infrastructure revenue which represents 43% of the 2025e dividend⁽³⁾; (ii) hedged commodity prices and financial derivative contracts in place⁽¹²⁾; (iii) the quality and financial strength of Topaz's asset portfolio and strategic partnerships which mitigates risk of reduced development activity; and (iv) the Company's diversified commodity mix (approximately 70% natural gas and 30% total liquids)⁽³⁾ and resulting royalty revenue composition (approximately 50% natural gas and 50% crude and heavy oil)⁽³⁾⁽⁵⁾.

Guidance Outlook

2025 Guidance Estimates Reconfirmed

- Topaz reconfirms the Company's 2025 guidance estimates⁽³⁾⁽¹⁴⁾, including average annual royalty production of 23,000 boe/d⁽³⁾⁽⁴⁾ and processing revenue and other income between \$88.0 and \$92.0 million⁽³⁾. Based on estimated commodity pricing⁽⁵⁾, Topaz expects to exit 2025 with net debt between \$430.0 and \$435.0 million⁽³⁾⁽¹³⁾ (net debt to EBITDA of 1.2x⁽³⁾), before consideration of incremental acquisitions, and generate a modest payout ratio at the lower end of the 90% long-term targeted payout range.
- Based on operator plans, a record 14 to 16 drilling rigs will remain active across Topaz's royalty acreage through the first quarter break-up⁽³⁾, following which activity is expected to resume to 28 to 30 drilling rigs active through the second quarter.

Q1 2025 CONFERENCE CALL

Topaz will host a conference call tomorrow, Tuesday, May 6, 2025 starting at 7:00 a.m. MST (9:00 a.m. EST). To join the call without operator assistance, participants can register and enter their phone number at <https://emportal.ink/4gPHBB> to receive an instant automated call back. Alternatively, participants can join by calling a live operator at 416-764-8659 or 1-888-568-8844 (North American toll free). The conference call ID is 56884.

2025 ANNUAL MEETING

Topaz will also host its annual shareholder meeting tomorrow, Tuesday, May 6, 2025 at 9:00 a.m. MST (11:00 a.m. EST) at the Calgary Petroleum Club (McMurray Room) located at 310 5th Avenue SW Calgary, Alberta. If you were a shareholder of record of Topaz common shares at the close of business on March 24, 2025, you have received notice of, and are entitled to participate in, the meeting.

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 free cash flow growth and paying sustainable dividends to its shareholders, through its strategic relationship with Canada's largest and most active natural gas producer, [Tourmaline Oil Corp.](#) ("Tourmaline"), an investment-grade senior Canadian E&P company, and leveraging its relationships to execute complementary acquisitions from other high-quality energy companies. Topaz focuses on top-quality energy resources and assets best positioned to attract capital in order to generate sustainable long-term growth and provide

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 markets, represented by the largest companies on the TSX.

Additional information

Additional information about Topaz, including the Financial Statements and MD&A as at and for the three months ended March 31, 2025 are available on SEDAR+ at www.sedarplus.ca under the Company's profile, and on Topaz's website at www.topazenergy.com.

Selected Financial Information

For the periods ended (\$000s) except per share	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Royalty production revenue	68,683	60,234	52,692	60,162	60,338
Processing revenue	19,589	18,838	18,279	14,754	14,506
Other income ⁽⁴⁾	3,883	3,107	2,626	3,490	3,372
Total	92,155	82,179	73,597	78,406	78,216
Cash expenses:					
Operating	(1,759)	(1,600)	(2,209)	(1,623)	(1,917)
Marketing	(445)	(356)	(279)	(333)	(392)
General and administrative	(2,179)	(2,894)	(1,730)	(1,626)	(1,970)
Realized gain on financial instruments	821	3,464	4,716	2,276	860
Interest expense	(6,854)	(6,940)	(7,123)	(6,544)	(6,859)
Cash flow	81,739	73,853	66,972	70,556	67,938
Per basic share ⁽¹⁾⁽²⁾	\$0.53	\$0.49	\$0.46	\$0.49	\$0.47
Per diluted share ⁽¹⁾⁽²⁾	\$0.53	\$0.49	\$0.46	\$0.49	\$0.47
Cash from operating activities	80,739	64,930	71,253	68,805	71,283
Per basic share ⁽¹⁾⁽²⁾	\$0.53	\$0.43	\$0.49	\$0.47	\$0.49
Per diluted share ⁽¹⁾⁽²⁾	\$0.52	\$0.43	\$0.49	\$0.47	\$0.49
Net income	12,286	4,426	18,040	17,724	6,196
Adjusted, per diluted share ⁽¹⁾⁽⁸⁾	\$0.14	\$0.12	\$0.06	\$0.10	\$0.10

EBITDA ⁽⁷⁾	88,515	80,504	73,984	76,885	74,654
Per basic share ⁽¹⁾⁽²⁾	\$0.58	\$0.53	\$0.51	\$0.53	\$0.52
Per diluted share ⁽¹⁾⁽²⁾	\$0.57	\$0.53	\$0.51	\$0.53	\$0.51
FCF ⁽¹⁾	80,837	71,435	64,789	69,499	66,266
Per basic share ⁽¹⁾⁽²⁾	\$0.53	\$0.47	\$0.45	\$0.48	\$0.46
Per diluted share ⁽¹⁾⁽²⁾	\$0.52	\$0.47	\$0.44	\$0.48	\$0.46
FCF Margin ⁽¹⁾	88 %	87 %	88 %	89 %	85 %
Dividends paid	50,745	50,617	47,827	46,362	46,361
Per share ⁽¹⁾⁽⁶⁾	\$0.33	\$0.33	\$0.33	\$0.32	\$0.32
Payout ratio ⁽¹⁾	62 %	69 %	71 %	66 %	68 %
Excess FCF ⁽¹⁾	30,092	20,818	16,962	23,137	19,905
Capital expenditures	902	2,418	2,183	1,057	1,672
Work in progress capital costs	─ (21,295)		5,585	4,035	11,675
Acquisitions, excl. decommissioning obligations ⁽¹⁾	17,470	331,380	─ 99,189		─
Weighted average shares - basic ⁽³⁾	153,770	151,423	144,909	144,878	144,839
Weighted average shares - diluted ⁽³⁾	154,430	152,149	145,622	145,491	145,337
Average Royalty Production ⁽⁵⁾					
Natural gas (mcf/d)	95,195	83,923	76,366	75,341	80,461
Light and medium crude oil (bbl/d)	1,925	1,678	1,834	1,925	1,727
Heavy crude oil (bbl/d)	3,154	3,266	3,093	3,093	2,877
Natural gas liquids (bbl/d)	1,434	1,346	1,057	1,141	1,176
Total (boe/d)	22,380	20,279	18,712	18,717	19,192
Total royalty production (% total liquids)	29 %	31 %	32 %	33 %	30 %
Natural gas liquids (% condensate)	70 %	68 %	75 %	71 %	68 %
Realized Commodity Prices ⁽⁵⁾					
Natural gas (\$/mcf)	\$2.06	\$1.41	\$0.63	\$1.09	\$2.51
Light and medium crude oil (\$/bbl)	\$91.39	\$90.73	\$94.14	\$101.24	\$83.06
Heavy crude oil (\$/bbl)	\$82.61	\$80.81	\$83.17	\$89.03	\$75.10
Natural gas liquids (\$/bbl)	\$90.78	\$89.10	\$89.73	\$95.28	\$86.63
Total (\$/boe)	\$34.10	\$32.29	\$30.61	\$35.32	\$34.55
Benchmark Pricing					
Natural Gas					

AECO 5A (CAD\$/mcf)	\$2.16	\$1.48	\$0.69	\$1.18	\$2.52
AECO 7A (CAD\$/mcf)	\$2.02	\$1.46	\$0.81	\$1.44	\$2.05
Westcoast station 2 (CAD\$/mcf)	\$1.27	\$0.90	\$0.50	\$0.77	\$2.62
Crude Oil, Heavy Oil and Natural Gas Liquids					
NYMEX WTI (USD\$/bbl)	\$71.42	\$70.27	\$75.16	\$80.55	\$76.97
Edmonton Par (CAD\$/bbl)	\$95.60	\$95.14	\$98.13	\$105.53	\$92.49
WCS differential (USD\$/bbl)	\$12.66	\$12.55	\$13.49	\$13.54	\$19.33
Edmonton Condensate (CAD\$/bbl)	\$99.49	\$97.90	\$93.95	\$101.27	\$85.11
CAD\$/USD\$	\$0.6969	\$0.7149	\$0.7333	\$0.7308	\$0.7414
Selected statement of financial position results (\$000s) except share amounts	At Mar. 31, 2025	At Dec. 31, 2024	At Sept. 30, 2024	At Jun. 30, 2024	At Mar 31, 2024
Total assets	1,857,438	1,894,614	1,623,841	1,660,645	1,600,415
Working capital	46,694	51,758	27,520	29,309	31,594
Adjusted working capital ⁽¹⁾	49,448	48,372	38,434	43,794	44,786
Net debt (cash) ⁽¹⁾	480,730	492,024	381,084	398,461	322,273
Common shares outstanding ⁽³⁾	153,774	153,457	144,928	144,878	144,878

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

NOTE REFERENCES

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

(3) Shows in thousand shares outstanding.

This news release refers to financial reporting periods in abbreviated form as follows: "Q1 2025" refers to the three months ended March 31, 2025; "Q4 2024" refers to the three months ended December 31, 2024; and "Q1 2024" refers to the three months ended March 31, 2024. Interim income ("2025" Q1 2025: \$0.08; Q4 2024: \$0.3; Q3 2024: \$0.1; Q2 2024: \$0.2; Q1 2024: \$0.15).

(4) Includes estimated income ("2025" Q1 2025: \$0.08; Q4 2024: \$0.3; Q3 2024: \$0.1; Q2 2024: \$0.2; Q1 2024: \$0.15).

(5) Refer to "Non-GAAP and Other Financial Measures" Product Types.

(6) Calculated using the weighted average number of outstanding common shares outstanding during the respective period.

(7) See "Forward Looking Statements" Syndicated Credit Facility.

4. See "Supplemental Information Regarding Product Types".

(8) Adjusted to exclude the impact of non-cash, unrealized gains or losses on financial instruments.

5. Estimated based on a recent commodity price forecast for April to December 2025: C\$2.55 per mcf natural gas (AECO 5A).

6. Topaz's \$700.0 million credit facility includes a \$300.0 million accordion feature (for a total \$1.0 billion facility) that may require shareholder consent. As at May 5, 2025 Topaz had \$509.5 million net borrowings against the Company's credit facility, providing shareholder consent. Refer to Note 8 of the March 31, 2025 Financial Statements for Topaz's Q1 2025 covenant calculations.

7. May include non-producing injection wells.

8. Q1 2025 gross wells spud across Topaz royalty acreage (218) as a percentage of the total wells rig released across the acreage (in situ). (Source: Rig Locator, geoSCOUT and Peters & Co. Limited).

9. Calculated based on Topaz's average share price on the TSX during the first quarter of 2025 of \$25.43.
10. Calculated based on Topaz's closing share price on the TSX on May 1, 2025 of \$23.13.
11. Topaz's future dividends remain subject to board of director approval.
12. Refer to Topaz's most recently filed MD&A for a complete listing of financial derivative contracts in place. Coverage 2025e royalty production guidance.
13. Estimate based on the midpoint of Topaz's 2025e guidance estimates and inclusive of the Company's Q2 2025 divi
14. Management's assumptions underlying the Company's 2025e guidance estimates include:
 - ii. Being subject to any significant, potential change and/or operational, weather or wildfire-related iss
 - iii. Topaz's internal estimates regarding developmen operators' 2025 capital development plans includ value-enhancing projects and excluding explorati revisions to 2025 capital budgets and/or operatio production;
 - iv. Management's estimates for fixed and variable p and infrastructure utilization and cost estimates b
 - v. No incremental, (i.e. not previously announced) a announced (February 3, 2025) Royalty Interest a Royalty Interest was acquired January 31, 2025 (acres). The Facility Interest (\$26.0 million) is exp to generate \$3.5 million of annualized processing with an effective date of July 1, 2025;
 - vi. Estimated 2025e expenses and expenditures of \$ expenses; \$5.0-\$7.0mm capital expenditures (ex production; estimated annual borrowing and stan corporate income tax attributed to the Company's Information Form available through the SEDAR+ (www.topazenergy.ca).
 - vii. 2025 estimated total dividends of approximately \$ May 5, 2025 (\$1.35 per share);
 - viii. Topaz's outstanding financial derivative contracts
 - ix. 2025e midpoint guidance royal production revenue

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FORWARD-LOOKING STATEMENTS

This news release contains forward-looking statements and forward-looking information (collectively, "forward-looking s that relate to the Company's current expectations and views of future events. These forward-looking statements relate to events or the Company's future performance. Any statements that express, or involve discussions as to, expectations, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases su likely result", "are expected to", "expects", "will continue", "is anticipated", "anticipates", "believes", "estimated", "intends "forecast", "projection", "strategy", "objective" and "outlook") are not historical facts and may be forward-looking stateme involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from expressed in such forward-looking statements. No assurance can be given that these expectations will prove to be corr forward-looking statements included in this news release should not be unduly relied upon. These statements speak on date of this news release. In particular and without limitation, this news release contains forward-looking statements pe following: Topaz's future growth outlook, guidance and strategic plans; estimated annual average royalty production for

estimated processing revenue and other income for 2025; anticipated exit 2025 net debt levels and 2025 net debt to EBITDA; dividend amounts, dividend increases (including the intention to increase dividends) and the estimated dividend payout; sustainability of the dividend and the rationale for such sustainability; the maintenance of financial flexibility for strategic opportunities; the anticipated capital expenditure and drilling plans; the number of drilling rigs to be active on Topaz's royalty lands during the second quarter of 2025; the future declaration and payment of dividends and the timing and amount thereof; the completion of the acquisition of the Facility Interest including the commissioning of the Facility Interest; the forecast under the headings "First Quarter 2025 Update" and "Guidance Outlook" (including under the sub-heading "Dividend") and the assumptions and estimates described under the heading "Note References" above; expected benefits from acquisitions enhancing Topaz's future growth outlook and the plans to maintain a low payout ratio in order to retain Excess FCF for future dividend 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. Such statements are 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, potential political, geopolitical and economic instability; trade barriers, disputes or wars (including new tariffs or changes to existing international trade arrangements); 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 from acquisitions including estimated royalty production, royalty production revenue and FCF per share growth, and the factors in the Company's most recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein) and the Annual Information Form (See "Risk Factors" and "Forward-Looking Statements" therein) and other reports on file with the securities regulatory authorities and may be accessed through the SEDAR+ website (www.sedarplus.ca) or Topaz's website (www.topazenergy.ca).

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment 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, future requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and cash 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 the corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its debt agreements.

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 average royalty production range and processing revenue and other income range for the year ending December 31, 2025 and estimated year-end exit net debt and net debt to EBITDA for 2025 based on the midpoint guidance range, 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 "Guidance Outlook" and "Note References" above and are based on the following key assumptions: Topaz's estimated capital expenditures (excluding interest owners' anticipated 2025 capital plans attributable to Topaz's undeveloped royalty lands; estimated average annual production range of 21,000 to 23,000 boe/d in 2025; 2025 average infrastructure ownership capacity utilization of 95%; timing of completion and commissioning of the Alberta Montney infrastructure acquisition mid-2025; December 31, 2025 (midpoint) range between \$430.0 and \$435.0 million, 2025 average commodity prices of: \$2.55/mcf (AECO 5A), US\$65.00/bbl (NYMEX WTI), US\$12.00/bbl (WCS oil differential), US\$3.30/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange rate of 1.35.

To the extent such estimates constitute financial outlooks, they were approved by management and the board of directors on May 5, 2025 and are included to provide readers with an understanding of the estimated revenue, net debt and the other financial measures described above for the year ending December 31, 2025 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 Measures and Ratios

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 Measures

This news release makes reference to the terms "adjusted net income", "acquisitions, excluding decommissioning obligations" and "operating margin", which are considered non-GAAP financial measures 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 Company's interim condensed consolidated financial statements as at and for the three months ended March 31, 2025 include adjusted working capital, net debt (cash), free cash flow (FCF) and Excess FCF.

Supplementary financial measures

This news release makes reference to the terms "adjusted net income per basic or diluted share", "cash flow per basic or diluted share", "FCF per basic or diluted share", "EBITDA per basic or diluted share", "FCF margin", "operating margin percentage" 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 financial ratio.

The following terms are financial measures as defined under the Company's Syndicated Credit Facility, presented in the Company's interim condensed consolidated financial statements as at and for the three months ended March 31, 2025: (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, 2025	Mar. 31, 2024
Cash from operating activities	80,739	71,283
Exclude net change in non-cash working capital	(1,000)	3,345
Cash flow	81,739	67,938
Less: Capital expenditures	902	1,672
FCF	80,837	66,266
Less: dividends paid	50,745	46,361
Excess FCF	30,092	19,905
Cash flow per basic share ⁽¹⁾	\$0.53	\$0.47
Cash flow per diluted share ⁽¹⁾	\$0.53	\$0.47
FCF per basic share ⁽¹⁾	\$0.53	\$0.46
FCF per diluted share ⁽¹⁾	\$0.52	\$0.46
FCF	80,837	66,266
Total Revenue and other income	92,155	78,216
FCF Margin	88 %	85 %

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

Adjusted net income

Management uses adjusted net income for its own performance measure and to provide investors with a measurement of the Company's net income prior to the non-cash effects of unrealized gains and losses on financial instruments. Adjusted net income is calculated as net income per the consolidated statement of net income and comprehensive income, less unrealized gains (losses) on financial instruments. The supplementary financial measures "adjusted net income per basic or diluted share" is calculated by dividing adjusted net income by the basic or diluted weighted average common shares outstanding during the period.

A summary of the reconciliation from net income to adjusted net income and adjusted net income per basic and diluted share is set forth below:

(\$000s)	Three months ended	
	Mar. 31, 2025	Mar. 31, 2024
Net Income	12,286	6,196
Unrealized losses on financial derivatives	(9,939)	(8,201)
Adjusted net income	22,225	14,397
Adjusted net income per basic share ⁽¹⁾	\$0.14	\$0.10
Adjusted net income per diluted share ⁽¹⁾	\$0.14	\$0.10

⁽¹⁾ Calculated using basic and diluted weighted average shares outstanding.

Operating margin and operating margin percentage

Operating margin (infrastructure assets) is a non-GAAP financial measure derived from processing revenue and other income, less operating expenses. Operating margin percentage (infrastructure assets) is a supplemental financial measure, calculated as operating margin (infrastructure assets), expressed as a percentage of total processing revenue and other income. Operating margin (royalty assets) is a non-GAAP financial measure derived from royalty production revenue, less marketing expenses. Operating margin percentage (royalty assets) is a supplemental financial measure, calculated as operating margin (royalty assets), expressed as a percentage of total royalty production revenue. Operating margin and operating margin percentage are used by management to analyze the profitability of its infrastructure assets and royalty assets. A summary of the reconciliation of operating margin and operating margin percentage, for infrastructure and royalty assets, are set forth below:

Operating margin and operating margin percentage (infrastructure assets)

(\$000s)	Three months ended	
	Mar. 31, 2025	Mar. 31, 2024
Processing revenue	19,589	14,506
Other income	3,883	3,372
Total	23,472	17,878
Operating expenses	1,759	1,917
Operating margin (infrastructure assets)	21,713	15,961
Operating margin % (infrastructure assets)	93 %	89 %

Operating margin and operating margin percentage (royalty assets)

(\$000s)	Three months ended	
	Mar. 31, 2025	Mar. 31, 2024
Royalty production revenue	68,683	60,338
Marketing expenses	445	392
Operating margin (royalty assets)	68,238	59,946
Operating margin % (royalty assets)	99 %	99 %

Adjusted working capital and net debt

Management uses the terms "adjusted working capital" and "net debt" 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 and work in progress capital costs. "Net debt" 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 is set forth below:

(\$000s)	As at Mar. 31, 2025	As at Dec. 31, 2024
Working capital	46,694	51,758
Exclude fair value of financial instruments (2,754)		4,614
Exclude work in progress capital costs	─ (1,228)	
Adjusted working capital	49,448	48,372
Less: bank debt	530,178	540,396
Net debt	480,730	492,024

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 Interim Condensed Consolidated Financial Statements as at and for the three months ended March 31, 2025, 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 Financial Statements), to EBITDA, is set forth below:

(\$000s)	Three months ended	
	Mar. 31, 2025	Mar. 31, 2024
Net income	12,286	6,196
Unrealized (gain) loss on financial instruments	9,939	8,201
Share-based compensation	789	559
Finance expense	6,999	7,050
Depletion and depreciation	52,172	49,325
Deferred income tax expense	6,408	3,466
Less: interest income	(78)	(143)
EBITDA	88,515	74,654
EBITDA per basic share (\$/share) ⁽¹⁾	\$0.58	\$0.52
EBITDA per diluted share (\$/share) ⁽¹⁾	\$0.57	\$0.51

⁽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, 2025	Mar. 31, 2024
Cash flow (\$000s)	81,739	67,938
Dividends (\$000s)	50,745	46,361
Payout Ratio (%)	62 %	68 %

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, 2025	Mar. 31, 2024
Acquisitions (consolidated statements of cash flows)	17,470	─
Non-Cash acquisitions	─	─
Acquisitions (excluding non-cash decommissioning obligations)		

17,470

─

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, 2025	Dec. 31, 2024	Sept. 30, 2024	Jun. 30, 2024	Mar. 31, 2024
Average daily production					
Light and Medium crude oil (bbl/d)	1,925	1,678	1,834	1,925	1,727
Heavy crude oil (bbl/d)	3,154	3,266	3,093	3,093	2,877
Conventional Natural Gas (mcf/d)	56,360	46,901	41,687	40,202	44,265
Shale Gas (mcf/d)	38,835	37,022	34,679	35,139	36,196
Natural Gas Liquids (bbl/d)	1,434	1,346	1,057	1,141	1,176
Total (boe/d)					

22,380

20,279

18,712

18,717

(1) Represents the midpoint of the estimated range of 2025 average annual royalty production.

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

SOURCE Topaz Energy Corp

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