

# Topaz Energy Corp. Announces 2020 Financial, Operating and Reserve Results and Provides 2021 Guidance Update

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CALGARY, March 17, 2021 - [Topaz Energy Corp.](#) (TSX: TPZ) ("Topaz" or the "Company") is pleased to announce financial results for the three months and year ended December 31, 2020.

Despite the challenging backdrop of COVID-19, Topaz achieved the strategic objectives it established for 2020 demonstrating the resiliency of its business model. During 2020, Topaz established an independent management team, expanded its board of directors, delivered a reliable and sustainable \$0.20 per share quarterly dividend and completed its initial public offering, raising \$1.2 billion and listing its common shares on the Toronto Stock Exchange in October.

During the year, Topaz invested \$171.5 million of capital on additional high free cash flow margin assets which contributed to 2020 EBITDA<sup>(2)</sup> of \$19.5 million. To date, Topaz has assembled a material royalty position in the Cretaceous Clearwater area of Alberta with royalty interests on over 190,000 gross acres of developed and undeveloped land which are supported by capital development commitments of \$143.0 million. The Company has also significantly expanded its royalty interests in the largest natural gas complex, the Alberta Deep Basin ("Deep Basin"). On January 1, 2021, Topaz acquired royalty interests in 120,000 gross acres of land which Topaz estimates will provide free cash flow<sup>(2)</sup> growth on a per share basis, of 8%<sup>(5)</sup> and 12% in 2021 and 2022, respectively.

In 2020, Topaz generated total EBITDA<sup>(2)</sup> of \$89.3 million and paid \$73.1 million in dividends. Topaz is a unique, premium investment vehicle which is underpinned by its strategic partners' continued focus and commitment to developing Topaz's acreage which enables Topaz to provide a reliable and predictable outcome. Topaz is well funded for growth with cash and recently expanded, undrawn \$300.0 million credit facility.

Topaz commenced its current operations on November 14, 2019. Highlights of Topaz's financial results for the three months ended December 31, 2020 ("Q4 2020"), for the year ended December 31, 2020 ("2020"); as well as significant transactions completed subsequent to December 31, 2020 ("Subsequent Period") and updated guidance estimates for 2021 ("2021") are presented below.

## Financial performance

- Generated total revenue and other income<sup>(1)</sup> of \$30.7 million and \$99.9 million in Q4 2020 and 2020, respectively.
- Generated EBITDA<sup>(2)</sup> of \$27.1 million and \$89.3 million, realizing an EBITDA margin<sup>(2)</sup> of 88% and 89% in Q4 2020 and 2020, respectively.

## Royalty activity update

- Topaz's average royalty production<sup>(6)</sup> for Q4 2020 and 2020 was 10,335 boe/d and 10,144 boe/d, which generated production revenue of \$17.6 million and \$58.9 million, respectively.
- During Q4 2020, 42 gross wells were spud on Topaz's royalty acreage (36 gross wells on acreage operated by [Topaz Energy Corp.](#) ("Tourmaline") and 6 gross wells on Topaz's greater Clearwater acreage); 7 of which were brought on production by December 31, 2020. In 2020, 173 gross wells were spud on Topaz's royalty acreage (167 gross wells on acreage operated by [Topaz Energy Corp.](#) ("Tourmaline") and 6 gross wells on Topaz's greater Clearwater acreage); 112 of which were brought on production by December 31, 2020. Topaz expects the additional wells drilled but not completed by December 31, 2020 will be brought on production during 2021. Through February 2021 there were 14 drilling rigs active on Topaz's royalty acreage; activity is expected to accommodate spring breakup.

## Infrastructure activity update

- During Q4 2020 and 2020, Topaz generated \$10.3 million and \$30.8 million, respectively of processing revenue and other income from non-operated ownership in processing facilities. During Q4 2020 and 2020, average daily utilization of Topaz's net processing capacity was 100% as Topaz's net processing capacity (71% of which is contracted under fixed take-or-pay agreements) was fully utilized.
- During Q4 2020 and 2020, Topaz generated \$2.8 million and \$10.2 million, respectively, of other income which includes \$10.0 million and \$9.8 million attributed to its contracted interest in third party infrastructure income and \$0.3 million and \$0.4 million attributed to interest income, respectively.

#### Dividends paid

- The Company paid dividends of \$73.1 million (\$0.80 per share) in 2020 representing a payout ratio<sup>(2)</sup> of 82%. On March 3, 2021, Topaz's Board declared its 2021 first quarter dividend of \$0.20 per share which is expected to be paid on March 31, 2021 to shareholders of record on March 15, 2021.

#### Equity financings

- In 2020, Topaz raised total gross proceeds of \$395.4 million through a private placement in June and July 2020 of 13.2 million Common Shares for gross proceeds of \$145.3 million; and completed its initial public offering in October 2020 ("IPO"). The IPO consisted of a treasury offering by the Company and a secondary offering by its majority shareholder, Tourmaline of an aggregate 20.2 million Common Shares for gross proceeds to the Company and Tourmaline of \$250.1 million and \$13.0 million, respectively.

#### Accretive growth transactions

- Topaz completed \$171.5 million of acquisitions during 2020 including:
  - two infrastructure acquisitions for \$152.5 million which are supported by 15 year fixed take-or-pay commitments and contributed annualized 2020 EBITDA<sup>(2)</sup> of \$18.5 million; and
  - the acquisition of newly created gross overriding royalty interests on production from 149,000 gross acres of undeveloped lands in the Clearwater area for \$19.0 million which are supported by \$83.0 million of capital commitments.
- Topaz completed \$142.0 million of acquisitions during the Subsequent Period including:
  - the acquisition, from Tourmaline, of a newly created gross overriding royalty interest from production on 720,000 acres of developed and undeveloped lands in the Deep Basin, for total cash consideration of \$130.0 million ("Deep Basin Royalty Acquisition"). Tourmaline estimates it will direct approximately \$150.0 million per year of its capital plan to the Deep Basin Royalty Acquisition which is expected to increase production by approximately 5% per year over the first two years.
  - the acquisition of a non-operated working interest in pipeline connected water management and conservation infrastructure for \$12.0 million which is underpinned by a 15 year fixed take-or-pay commitment whereby Topaz will generate processing fees over 15 years and is not responsible for operating costs.
- On March 12, 2021, Topaz entered into definitive agreements for the acquisition of a 4% newly created gross overriding royalty interest on 45,000 acres of developed and undeveloped land in the greater Clearwater area, including a multi-year \$60.0 million development commitment, for cash consideration of \$13.7 million, prior to customary closing adjustments. The acquisition is scheduled to close March 25, 2021.

#### Funded for growth

- Topaz's year end December 31, 2020 adjusted working capital<sup>(2)</sup> was \$238.3 million and its \$125.0 million credit facility was undrawn. On February 19, 2021, Topaz completed the syndication, expansion and extension of its undrawn credit facility, expanding to a syndicate of seven Canadian banks; increasing the available borrowing capacity from \$125.0 million to \$200.0 million; extending the maturity date from June 10, 2022 to February 19, 2024 and reducing the borrowing costs.

#### 2020 Reserves

- Proved developed producing ("PDP") net reserves<sup>(4)</sup> totaled 16.1 mmboc as at December 31, 2020, up from 15.5 mmboc at December 31, 2019. PDP net reserve value before-tax, discounted at 10%<sup>(4)</sup> totaled \$508.5 million at December 31, 2020, higher than December 31, 2019 (\$394.1 million) despite a decrease in the price forecast incorporated in the annual reserve evaluations from 2019 to 2020. The increase is primarily attributable to the infrastructure acquisitions Topaz completed during 2020. The Deep Basin Royalty Acquisition closed January 1, 2021 and is not included in Topaz's 2020 reserves. As of January 1, 2021, the PDP net reserves<sup>(4)</sup> attributed to the Deep Basin Royalty Acquisition are 3.3 mmboc which represents a 20% increase relative to Topaz's December 31, 2020 PDP net reserves<sup>(4)</sup>.

#### Social and Governance Initiatives

- During the year, Topaz has continued to strengthen its corporate governance foundation including the appointment of an independent director; broadening its diversity from an expertise/experience and gender perspective (Topaz's Board of 75% independent directors, 33% of which are women); establishing its Audit, Reserves and Governance, Compliance and Sustainability Committees; each comprised of independent directors; implementing additional corporate governance policies (available on the Company's website); and implementing a performance based executive compensation plan structured to align with shareholders' interests.
- Topaz supports a number of community endeavors focused on education and social issues including poverty, housing, community outreach and mental health. Organizations supported to date include the United Way, Lionheart Foundation, the Cold and Habitat for Humanity. Topaz has partnered with the University of Calgary's Haskayne School of Business to participate in its Bachelor of Commerce Co-operative Education Program and has provided a multi-year commitment to provide an annual bursary to a business student demonstrating interest in science, engineering and the Canadian energy sector.

#### 2021 Guidance Update<sup>(5)</sup>

- Topaz's 2021 outlook is supported by our confidence in Tourmaline's continued focus on developing Topaz's royalty assets and the strategic partnerships developed with operators in the Clearwater oil play which are underpinned by continued commitments.
- Topaz's 2021 guidance estimates are presented in the table below. Topaz's estimates exclude any future acquisitions and the deployment of capital pursuant to its growth strategy.

\$mm except boe/d	Year ended Dec. 31, 2020 (Actual)	Year ended Dec. 31, 2021 (Estimate)	Year over year estimated increase/(decrease)
Annual average royalty production (boe/d) <sup>(6)</sup>	10,144	11,600 - 11,800	15% <sup>(7)</sup>
Processing revenue and other income	40.6 <sup>(9)</sup>	50.8	25%
EBITDA <sup>(2)</sup>	89.3	128.0 - 130.6	45% <sup>(7)</sup>
Annual dividends (\$0.80 per share)	73.1	90.1 <sup>(8)</sup>	23%
Exit adjusted working capital <sup>(2)</sup>	238.3	119.2 - 121.8	(49%) <sup>(7)</sup>
Capital expenditures (excluding acquisitions)	1.2	1.0 - 2.0	25%
Commodity price assumptions			
AECO 5A (CAD\$/mcf)	\$2.24	\$2.77	24%
NYMEX WTI (US\$/bbl)	\$39.34	\$60.41	54%

- (1) Comprised of royalty production revenue, processing revenue and other income.
- (2) Refer to "Non-GAAP Financial Measures."
- (3) Gross wells brought on production during the periods presented refers to gross wells spud within the respective year and does not take into consideration gross wells spud during previous years.
- (4) Excerpts of the evaluation of Topaz's reserves and associated future net revenue as prepared by Topaz's independent reserves evaluators. A detailed review of Topaz's reserves information is available in the Company's 2020 Annual Information Form which is available on the Company's website or [www.sedar.com](http://www.sedar.com).
- (5) Refer to "Forward Looking Statements."
- (6) Refer to "Supplemental Information Regarding Product Types."
- (7) Estimated using the midpoint of the 2021 estimates (average royalty production 11,700 boe/d; \$129.3 mm EBITDA and \$120.5 mm adjusted working capital).
- (8) Estimated based on 112.6 million shares outstanding as at March 17, 2021. The Company's dividend payments remain subject to Board approval.
- (9) Excludes interest income earned in 2020 of \$0.4 million.

Selected Financial Information<sup>(1)</sup>

For the periods ended	Dec. 31, 2020	Dec. 31, 2020	Sept. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Nov. 14, 2019
(\$000s) except per share	Year ended	Three months	Three months	Three months	Three months	Dec. 31, 2019
Royalty production revenue	58,886	17,611	14,826	11,935	14,514	9,832
Processing revenue	30,757	10,305	9,188	5,296	5,968	2,943
Other income <sup>(5)</sup>	10,233	2,783	2,384	2,789	2,277	1,408
Total	99,876	30,699	26,398	20,020	22,759	14,183
Cash expenses:						
Operating	(4,205)	(1,643)	(691)	(1,016)	(855)	(481)
Marketing	(589)	(176)	(201)	(122)	(90)	(98)
General and administrative	(3,946)	(673)	(1,030)	(1,249)	(994)	(1,331)
Realized loss on financial instruments	(1,438)	(744)	(506)	(188)	?	?
Interest expense	(620)	(484)	(76)	(60)	?	?
Cash flow <sup>(2)</sup>	89,078	26,979	23,894	17,385	20,820	12,273
Per basic share <sup>(3)</sup>	\$0.99	\$0.25	\$0.26	\$0.22	\$0.26	\$0.15
Cash from (used in) operating activities	83,642	32,887	12,571	24,234	13,950	(350)
Per basic share <sup>(3)</sup>	\$0.93	\$0.31	\$0.13	\$0.30	\$0.17	\$(0.00)
Net income (loss)	3,089	8,382	(2,935)	(1,125)	(1,234)	653
Per basic and diluted share <sup>(3)</sup>						

\$0.03

\$0.08

\$(0.03)

\$(0.01)

**\$(0.02)**

\$0.01



EBITDA <sup>(2)</sup>	89,313	27,126	23,922	17,445	20,820	12,273
EBITDA margin <sup>(2)</sup>	89%	88%	91%	87%	91%	87%
Dividends paid	73,131	22,489	18,642	16,000	16,000	?
Per basic share <sup>(3)</sup>	\$0.80	\$0.20	\$0.20	\$0.20	\$0.20	?
Payout ratio <sup>(2)</sup>	82%	83%	78%	92%	77%	?
Capital expenditures	1,256	472	513	159	112	2
Acquisitions	171,463	17,963	153,500	?	?	?
Weighted average shares - basic <sup>(4)</sup>	90,110	106,839	93,126	80,257	80,000	80,000
Average Royalty Production						
Natural gas (mcf/d) <sup>(6)</sup>	56,438	57,621	55,400	55,056	57,672	58,131
Light and medium crude oil (bbl/d) <sup>(6)</sup>	208	192	195	231	216	264
Natural gas liquids (bbl/d) <sup>(6)(7)</sup>	529	540	542	484	550	502
Total (boe/d)	10,144	10,335	9,970	9,891	10,378	10,455
Realized Commodity Prices						
Natural gas (\$/mcf) <sup>(6)</sup>	\$2.25	\$2.65	\$2.26	\$2.00	\$2.05	\$2.56
Light and medium crude oil (\$/bbl) <sup>(6)</sup>	\$41.91	\$48.90	\$48.66	\$26.14	\$46.35	\$66.15
Natural gas liquids (\$/bbl) <sup>(6)(7)</sup>	\$48.09	\$54.09	\$49.27	\$30.61	\$56.35	\$76.30
Total (\$/boe)	\$15.86	\$18.52	\$16.16	\$13.26	\$15.37	\$19.52
Benchmark Pricing						
Natural Gas						
AECO 5A (CAD\$/mcf)	\$2.24	\$2.65	\$2.25	\$2.00	\$2.04	\$2.49
Light and medium crude oil						
NYMEX WTI (USD\$/bbl)	\$39.34	\$42.70	\$40.92	\$28.00	\$46.17	\$56.87
Edmonton Par (CAD\$/bbl)	\$45.06	\$49.21	\$49.06	\$30.24	\$51.89	\$66.70
Natural gas liquids						
Edmonton Condensate (CAD\$/bbl)	\$49.71	\$55.95	\$51.71	\$31.74	\$66.45	\$74.77
CAD\$/USD\$	\$0.7465	\$0.7678	\$0.7507	\$0.7220	\$0.7443	\$0.7577
Selected statement of financial position results						
		At Dec. 31, 2020	At Sept. 30, 2020	At Jun. 30, 2020	At Mar. 31, 2020	At Dec. 2019
(\$000s) except share amounts						
Total assets		1,008,546	794,787	793,323	679,858	697,231
Working capital		237,675	21,844	148,745	25,620	20,767

Adjusted working capital <sup>(2)</sup>	238,268	23,917	149,180	25,475	20,767
Net debt (cash) <sup>(2)</sup>	(238,268)	(17,082)	(149,180)	(25,475)	(20,767)
Common shares outstanding <sup>(4)</sup>	112,449	93,208	91,690	80,000	80,000

(1) Financial results from continuing operations

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

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

(4) Shown in thousand shares outstanding.

(5) Other income of \$2.8 million and \$10.2 million for Q4 2020 and 2020 includes interest income of \$0.3 million and \$0.4 million, respectively.

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

(7) Natural gas liquids is comprised of condensate; Topaz does not have any material royalty interests on other natural gas liquids.

#### Royalty Activity Update

##### Royalty production revenue

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

Royalty production revenue during Q4 2020 and 2020 was \$17.6 and \$58.9 million, respectively. Topaz realized commodity prices consistent with the respective market index for each commodity produced.

##### Royalty production

Topaz's average royalty production for Q4 2020 and 2020 was 10,335 boe/d and 10,144 boe/d, respectively. During partial Q4 2019 average royalty production was 10,455 boe/d. Topaz generates royalty revenue on existing production and may generate royalty revenue on future development of the royalty lands.

##### Royalty acreage activity

During Q4 2020, 42 gross wells were spud on Topaz's royalty acreage (36 gross wells on acreage operated by Tourmaline and 6 gross wells on Topaz's greater Clearwater acreage); 7 of which were brought on production<sup>(3)</sup> by December 31, 2020. In 2020, 173 gross wells were spud on Topaz's royalty acreage (167 gross wells on acreage operated by Tourmaline and 6 gross wells on Topaz's greater Clearwater acreage); 112 of which were brought on production<sup>(3)</sup> by December 31, 2020. Topaz expects the additional wells drilled but not completed by December 31, 2020 will be brought on production during 2021. Through February 2021 there were 14 drilling rigs active on Topaz's royalty acreage; Topaz expects activity will be reduced in the near term to accommodate spring breakup.

	Three months Year		Period from
	ended	ended	Nov. 14, to
	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019 <sup>(1)</sup>
Royalty production revenue			
Natural gas <sup>(5)</sup>	14,061	46,379	7,155
Light and medium crude oil <sup>(5)</sup>	861	3,192	841
Natural gas liquids <sup>(5)(6)</sup>	2,689	9,315	1,836
Total	17,611	58,886	9,832
Average royalty production			
Natural gas (mcf/d) <sup>(5)</sup>	57,621	56,438	58,131
Light and medium crude oil (bbl/d) <sup>(5)</sup>	192	208	264
Natural gas liquids (bbl/d) <sup>(5)(6)</sup>	540	529	502
Total (boe/d)	10,335	10,144	10,455
Realized royalty production prices			
Natural gas (\$/mcf) <sup>(5)</sup>	\$2.65	\$2.25	\$2.56
Light and medium crude oil (C\$/bbl) <sup>(5)</sup>	\$48.90	\$41.91	\$66.15
Natural gas liquids (C\$/bbl) <sup>(5)(6)</sup>	\$54.09	\$48.09	\$76.30
Total (\$/boe)	\$18.52	\$15.86	\$19.52
Benchmark Pricing			
Natural gas			
AECO 5A (CAD\$/mcf)	\$2.65	\$2.24	\$2.49
Light and medium crude oil			
NYMEX WTI (USD\$/bbl)	\$42.70	\$39.34	\$56.87
Edmonton Par (CAD\$/bbl)	\$49.21	\$45.06	\$66.70
Natural gas liquids			
Edmonton Condensate (CAD\$/bbl)	\$55.95	\$49.71	\$74.77
CAD\$/USD\$	\$0.7678	\$0.7465	\$0.7577
Royalty Acreage Activity <sup>(2)</sup>			
Gross wells spud during the period <sup>(4)</sup>	42	173	48
Gross wells spud and brought on production <sup>(3)(4)</sup>	7	112	19

- (1) The results of operations from January 1, 2019 to November 13, 2019 are presented as discontinued operations. Topaz commenced operations on November 14, 2019 therefore its results of operations from November 14, 2019 to December 31, 2019 are presented as continuing operations.
- (2) Refers to the number of wells spud or brought on production, as indicated, by the working interest owners (operators). Topaz does not directly conduct upstream petroleum and natural gas exploration and development operations.
- (3) Refers to wells brought on production which were spud within the respective year; does not take into consideration wells spud during previous years.
- (4) Activity during partial Q4 2019 reflects activity for the full three months ended December 31, 2019 for comparative activity related to Topaz's royalty acreage. Topaz did not commence operations until November 14, 2019.
- (5) Refer to "Supplemental Information Regarding Product Types."

**Net Natural Gas Activities** comprised of condensate; Topaz does not have any material royalty interests on other processing revenues.

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

During Q4 2020 and 2020, Topaz generated \$10.3 million and \$30.8 million, respectively of processing revenue attributed to its non-operated ownership in processing facilities. Average daily utilization during Q4 2020 and 2020 of Topaz's net natural gas processing capacity was 100% which is attributed to full utilization of Topaz's net processing capacity (71% of which is contracted under fixed take-or-pay).

#### Other income

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

During Q4 2020 and 2020, Topaz generated \$2.8 million and \$10.2 million, respectively, of other income which includes \$2.5 million and \$9.8 million attributed to its contracted interest in third party infrastructure income and \$0.3 million and \$0.4 million attributed to interest income, respectively.

(\$000s)	Three months ended Dec. 31, 2020	Year ended Dec 31, 2020	Period from Nov. 14, to Dec. 31, 2019 <sup>(1)</sup>
Processing revenue	10,305	30,757	2,943
Other income <sup>(3)</sup>	2,783	10,233	1,408
Total	13,088	40,990	4,351
Infrastructure utilization activity			
Natural gas processing facilities <sup>(2)</sup> :			
Ownership capacity under fixed take-or-pay contract	125,000	85,587	50,000
Variable ownership capacity	48,149	40,283	35,500
Total ownership capacity	173,149	125,870	85,500
Total throughput volume	173,149	125,870	85,500
Total utilization (%)	100%	100%	100%

<sup>(1)</sup> The results of operations from January 1, 2019 to November 13, 2019 are presented as discontinued operations. Topaz commenced operations on November 14, 2019 therefore its results of operations from November 14, 2019 to December 31, 2019 are presented as continuing operations.

<sup>(2)</sup> Weighted average daily rate (Topaz net ownership mcf/d) for the periods presented.

<sup>(3)</sup> Other income of \$2.8 million and \$10.2 million for Q4 2020 and 2020 includes interest income of \$0.3 million and \$0.4 million, respectively.

#### 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](http://www.sedar.com), and on Topaz's website, [www.topazenergy.ca](http://www.topazenergy.ca).

Topaz will host a conference call tomorrow, March 18, 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 26428688.

#### 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](http://www.topazenergy.ca).

#### RESERVES DATA

The reserves data set forth above is based upon the report of GLJ Petroleum Consultants Ltd. ("GLJ") dated effective December 31, 2020. The price forecast used in the reserve evaluations is an average of the January 1, 2021 price forecasts for GLJ, Sproule Associates Ltd. and McDaniel & Associates Consultants Ltd., each of which is available on their respective websites, [www.gljpc.com](http://www.gljpc.com), [www.sproule.com](http://www.sproule.com) and [www.mcdan.com](http://www.mcdan.com).

The reserve data provided in this news release presents only a portion of the disclosure required under National Instrument 51-101. All of the required information is contained in the Company's Annual Information Form for the year ended December 31, 2020, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

There are numerous uncertainties inherent in estimating quantities of crude oil and conventional natural gas reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth above are estimates only. In general, estimates of economically recoverable crude oil, natural gas and natural gas liquids reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For those reasons, estimates of the economically recoverable crude oil, natural gas and natural gas liquids reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

All evaluations and reviews of future net revenue are stated prior to any provisions for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. The after-tax net present value of the Company's oil and gas properties reflects the tax burden on the properties on a stand-alone basis and utilizes the Company's tax pools. It does not consider the corporate tax situation, or tax planning. It does not provide an estimate of the after-tax value of the Company, which may be significantly different. The Company's financial statements and the management's discussion and analysis should be consulted for information at the level of the Company.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to effects of aggregations. The estimated values of future net revenue disclosed in this news release do not represent fair market value. There is no assurance that the forecast prices and cost assumptions used in the reserve evaluations will be attained and variances could be material.

#### 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 and production increases relating to the Deep Basin Royalty Acquisition; the amount of processing fees to be generated over 15 years from the acquisition of a non-operated working interest in pipeline connected water management and conservation facilities; the timing for the closing of a newly created gross overriding royalty with an Operator and the related multi-year capital development commitment; social and governance initiatives; the number of drilling rigs to be operated on royalty lands; expected production increases and capital commitments on the royalty lands; estimated levels of 2021 EBITDA and year-end net debt (cash); the future declaration and payment of dividends and the timing and amount thereof; the forecasts described under the heading "Guidance" above; other expected benefits from acquisitions including enhancing Topaz's future growth outlook and providing value enhancing assets that are accretive on a per share basis; and the Company's business as described under the heading "About the Company" above.

Forward-looking information is 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 information.

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](http://www.sedar.com)) or Topaz's website ([www.topazenergy.ca](http://www.topazenergy.ca)).

Statements relating to "reserves" are also deemed to be forward looking information, 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 information, 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 for the year ending December 31, 2021 and range of year-end adjusted working capital for 2021, 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" 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; the working interest owners' anticipated 2021 capital plans attributable to Topaz's royalty lands; 2021 estimated average annual royalty production range of 11,600 to 11,800 boe/d; 2021 average infrastructure ownership capacity utilization of 100%; 2021 third party income of \$10.0 million; December 31, 2021 exit adjusted working capital range between \$119.2 and \$121.8 million and 2021 average commodity prices of: \$2.77/mcf (AECO 5A natural gas), US\$60.41/bbl (NYMEX WTI), US\$12.18/bbl (WCS oil differential), US\$4.36/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange 0.78. To the extent such estimates constitute financial outlooks, they were approved by management and the board of directors of Topaz on March 17, 2021 and are included to provide readers with an understanding of the estimated EBITDA for the year ending December 31, 2021 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 "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 "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 "EBITDA", "EBITDA margin," "payout ratio," "working capital", "adjusted working capital", "net debt (cash)", which are not recognized measures under GAAP, and do not have a standardized meaning prescribed by GAAP. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses the terms "EBITDA," "EBITDA margin," "payout ratio," "working capital," "adjusted working capital," and "net debt (cash)" for its own performance measures and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund dividends and a portion of its future growth expenditures or to repay debt. Accordingly, investors are cautioned that the non-GAAP financial measures should not be considered in isolation nor as an alternative to net income (loss) from continuing operations or other financial information determined in accordance with GAAP as an indication of the Company's performance.

For these purposes, "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). "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 (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 Q4 2020, partial Q4 2019, 2020 and estimated 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:

	Year ended	Year ended	Three months Nov. 14 -	
For the periods ended	Dec. 31, 2021 ("2021")	Dec. 31, 2020 ("2020")	Dec. 31, 2020 ("Q4 2020")	Dec. 31 2019 <sup>(1)</sup> ("partial Q4 2019")
Average daily production				
Light and Medium crude oil (bbl/d)	199	208	192	264
Heavy crude oil (bbl/d)	76	?	?	?
Conventional Natural Gas (mcf/d)	42,468	35,177	35,159	43,284
Shale Gas (mcf/d)	22,008	21,261	22,462	14,847
Natural Gas Liquids (bbl/d)	679	529	540	502
Total (boe/d)	11,700 <sup>(3)</sup>	10,144	10,335	10,455

(1) The results of operations from January 1, 2019 to November 13, 2019 are presented as discontinued operations. Topaz commenced operations on November 14, 2019 therefore its results of operations from November 14, 2019 to December 31, 2019 are presented as continuing operations. Refer to "Discontinued Operations".

(2) Natural Gas Liquids is comprised of condensate; Topaz does not have any material royalty interests on other natural gas liquids.

Source: [Topaz Energy Corp.](#) point of the 2021 average annual royalty production range of 11,600 - 11,800 boe/d.

## Contact

[Topaz Energy Corp.](#), Marty Staples, President and Chief Executive Officer, (587) 747-4830; Cheree Stephenson, VP Finance and CFO, (587) 747-4830

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