

# Topaz Energy Corp. Announces the Acquisition of Reserve Royalty and Provides Update to Previously Announced Charlie Lake Royalty Acquisition

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CALGARY, May 3, 2021 - [Topaz Energy Corp.](#) (TSX: TPZ) ("Topaz" or the "Company") is pleased to announce that it has entered into a definitive agreement with Reserve Royalty Income Trust ("Reserve Royalty") for the purchase of its subsidiaries which hold all of the Reserve Royalty assets, for approximately \$26.0 million, payable through the issuance of 1,794,886 Topaz shares (the "Reserve Royalty Acquisition").

## Reserve Royalty Acquisition

The Reserve Royalty Acquisition adds a large royalty portfolio consisting of 345,000 gross acres of developed and undeveloped fee mineral title and royalty interest lands diversified across Western Canada, providing high margin, low decline royalty assets and free cash flow growth for Topaz. Reserve Royalty has aggregate corporate tax pools of approximately \$100 million and no debt. The Reserve Royalty Acquisition assets generated average royalty production and royalty production revenue of 609 boe/d (141 bbl/d crude oil, 2.2 mmcf/d conventional natural gas and 103 bbl/d natural gas liquids) and \$1.6 million, respectively, during the first quarter of 2021 (\$6.4 million royalty production revenue on an annualized basis). Recent drilling activity on the Reserve Royalty lands includes two liquids-rich Falher natural gas wells in the Ferrier area which began producing in January 2021. Average gross production in February 2021 from the two wells was approximately 14,000 mcf/d (raw) conventional natural gas in addition to natural gas liquids (free condensate) production.

## Charlie Lake Royalty Acquisition Update

Topaz is also pleased to announce that it has entered into a definitive agreement with [Tamarack Valley Energy Ltd.](#) ("Tamarack") for the \$32.0 million (cash consideration) royalty acquisition previously announced on April 12, 2021 ("Charlie Lake Royalty Acquisition"). Topaz will acquire a newly created 2% gross overriding royalty interest on crude oil, conventional natural gas and natural gas liquids from approximately 300,000 gross acres of Tamarack's developed and undeveloped lands which are focused on Charlie Lake light oil development (approximately 210,000 gross acres) ("Charlie Lake Royalty Acquisition Lands"). Average production from the Charlie Lake Royalty Acquisition Lands during March 2021 exceeded 13,000 boe/d (approximately 7,410 bbl/d crude oil, 22.6 mmcf/d conventional natural gas and 1,820 bbl/d natural gas liquids). Tamarack estimates it will maintain between 12,000 and 13,000 boe/d through future capital development and is supported by a \$60 million minimum capital development commitment.

The Charlie Lake Royalty Acquisition represents a 71% increase to Topaz's royalty acreage in the greater Peace River High area and advances Topaz's position as the largest Charlie Lake royalty holder. The Charlie Lake light oil play ranks amongst the most economic light oil plays in North America, is situated in an active development area with well-established production and egress infrastructure and is considered to be economically resilient to crude oil prices as low as US\$30 WTI. Wells drilled on the Charlie Lake Royalty Acquisition lands have consistently achieved industry-leading results in the area. Recent drilling results by Anegada Oil Corp., the company to be acquired by Tamarack, include notable production results during March 2021; one well which produced over 900 bbl/d of crude oil and another which produced approximately 700 bbl/d of crude oil. These wells were drilled at some of the longest lateral lengths in the Charlie Lake area to date, at an average length of approximately 4,375 meters.

The Reserve Royalty Acquisition and the Charlie Lake Royalty Acquisition are expected to close during the second quarter of 2021, subject to the satisfaction of customary closing conditions, including in respect of the Charlie Lake Royalty Acquisition Tamarack completing its previously announced acquisition of Anegada Oil

Corp.

### Topaz Acquisition Benefits

Based on a conservative annual production base of 500 boe/d (approximately 114 bbl/d crude oil, 1.7 mmcf/d conventional natural gas and 100 bbl/d natural gas liquids) from the Reserve Royalty Acquisition which Topaz estimates will be maintained through future drilling; 12,500 boe/d (approximately 7,125 bbl/d crude oil, 21.8 mmcf/d conventional natural gas and 1,750 bbl/d natural gas liquids) from the Charlie Lake Royalty Acquisition which is the midpoint of Tamarack's future production estimate; and current commodity prices, Topaz estimates the acquisitions on a combined basis provide annualized 2021 EBITDA of \$9.1 million which represents \$0.06 per share (5% growth) to Topaz. The acquisitions enhance Topaz's future growth outlook and are consistent with the Company's strategy to acquire value-enhancing assets that are accretive on a per share basis.

### Cumulative Investment Track Record

Since January 1, 2020 Topaz has invested approximately \$385.0 million in cumulative royalty and infrastructure acquisitions which Topaz estimates will generate between \$41.0 and \$43.0 million of annualized EBITDA in 2021 and between \$46.0 and \$48.0 million in 2022, based on current commodity prices. Topaz's royalty acquisitions are underpinned by cumulative capital development spending estimated at \$500.0 million over the next two years, which supports Topaz's expectations for EBITDA growth from the royalty acquisitions. Topaz estimates its March 31, 2021 adjusted working capital after accounting for the Charlie Lake Royalty Acquisition will be in excess of \$60.0 million which Topaz expects will be invested in additional acquisition growth opportunities.

### 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.

### 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: the commercial terms and timing of closing of the Reserve Royalty Acquisition and Charlie Lake Royalty Acquisition; anticipated increases in production and revenue from the Reserve Royalty Acquisition and Charlie Lake Royalty Acquisition lands and estimated capital plan attributable to the assets acquired; projected annualized EBITDA levels in 2021 and 2022 and future EBITDA growth in subsequent years from royalty acquisitions; other expected benefits from the Reserve Royalty Acquisition and Charlie Lake Royalty Acquisition including providing free cash flow growth and being accretive on a free cash flow per share basis; the amount of cumulative capital development estimates; the use of adjusted working capital to fund additional acquisition growth opportunities; 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 the Reserve Royalty Acquisition, Charlie Lake Royalty Acquisition or other 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 these and other 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)). 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.

## 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" and "adjusted working capital", 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" and "adjusted working capital" 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. "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.

SOURCE [Topaz Energy Corp.](#)

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