

Topaz Energy Corp. Announces Strategic Acquisitions of Royalty and Infrastructure Assets in NEBC Montney and Marten Hills Clearwater, 5% Dividend Increase and Bought Deal Equity Financing

18.05.2021 | [CNW](#)

/NOT FOR DISTRIBUTION TO U.S. NEWS WIRE SERVICES OR DISSEMINATION IN THE UNITED STATES/

CALGARY, May 18, 2021 - [Topaz Energy Corp.](#) (TSX: TPZ) ("Topaz" or the "Company") is pleased to announce that in its growth strategy of acquiring low-risk, premium growth royalty interests complemented by stable infrastructure revenue and free cash flow⁽¹⁾ growth, it has entered into definitive agreements with [Tourmaline Oil Corp.](#) ("Tourmaline") for the purchase of overriding royalty interests on approximately 535,000 gross acres in the NEBC Montney and working interest ownership in Gundy infrastructure which is supported by a ten year fixed take-or-pay commitment, for total cash consideration of \$24.9 million ("NEBC Montney Acquisition"); and purchased from Cenovus Energy Inc. ("Cenovus"), its existing gross overriding royalty interests on approximately 192,000 gross acres in the Marten Hills Clearwater area of Alberta operated by [Headwater Exploration Ltd.](#) ("Headwater") for total cash consideration of \$102.0 million (the "Clearwater Acquisition"). The NEBC Montney Acquisition and the Clearwater Acquisition are, together, the "Strategic Acquisitions".

The aggregate cash consideration payable in connection with the Strategic Acquisitions of \$347.0 million will be funded by \$175.0 million bought deal equity financing ("Equity Financing") and Topaz's existing cash on hand and credit facilities.

Acquisition Highlights

- Increased royalty position in amongst the fastest growing, most economic crude oil and natural gas plays in North America
 - 134% increase to Topaz's NEBC Montney royalty lands (Montney rights) to 503,000 gross acres
 - 89% increase to Clearwater royalty lands (Clearwater rights) to 366,800 gross acres
- Well capitalized, amongst the best-in-class industry operators positioned to deliver long-term growth
 - Tourmaline's production from the NEBC Montney Acquisition lands is expected to grow from approximately 100,000 boe/d currently to over 100,000 boe/d by 2030⁽⁹⁾
 - Headwater's production from the Clearwater Acquisition lands is expected to grow from approximately 4,600 bbl/d oil currently to a sustainable production base of 13,000 - 14,000 bbl/d⁽⁵⁾
- Expanded long-term contracted infrastructure portfolio with a new take-or-pay contract
 - Non-operated 10% working interest in Tourmaline's newly built, leading-edge, anchor Montney infrastructure which capacity is currently being doubled to 400 MMcf/d⁽⁶⁾ (the "Gundy Facility Complex")
 - o \$10.2 million fixed annual infrastructure EBITDA⁽¹⁾ pursuant to a ten-year fixed take-or-pay from an investment in a Canadian E&P company which provides 32% growth to Topaz's existing long-term fixed take-or-pay revenue
- Enhanced EBITDA⁽¹⁾, long-term free cash flow⁽¹⁾ growth profile and increased dividend
 - Before consideration of Tourmaline and Headwater's remaining 2021 capital development activity, the Strategic Acquisitions provide \$24.9 million March 2021 annualized EBITDA⁽³⁾⁽⁴⁾; which represents 18% growth to Topaz Q1 2021 EBITDA⁽³⁾⁽⁴⁾ and together with the Equity Financing, provide 6% free cash flow per share growth⁽³⁾⁽⁴⁾
 - 5% dividend increase to \$0.84 per share annually with a 2021 estimated payout ratio⁽¹⁾ within the lower end of the targeted range of 60-90%
- Strong pro forma balance sheet provides financial flexibility to continue acquisition strategy
 - Q1 2021 proforma net debt⁽⁴⁾ of \$77.4 million (0.5x pro forma net debt⁽⁴⁾ to 2021 annualized adjusted pro forma EBITDA⁽³⁾⁽⁴⁾)
 - Over \$200 million in liquidity available on existing \$300 million credit facility
- Complementary to Topaz's ESG-integrated investment strategy
 - Tourmaline has amongst the lowest net emissions of senior Canadian producers
 - Headwater has a high-quality Clearwater acreage position and expects to minimize its environmental footprint through connected multi-well pad development

Topaz Acquisition Benefits

Topaz believes the Strategic Acquisitions provide a strategic opportunity to partner with Tourmaline and Headwater, each of whom are well capitalized and proven, amongst the best-in-class, industry operators. The Strategic Acquisitions are expected to deliver near and long-term growth for Topaz consisting of fixed annual infrastructure EBITDA⁽¹⁾ of \$10.2 million for ten years and no capital expenditure requirements beyond Topaz's working interest share of maintenance capital; royalty production revenue from current production of approximately 27,200 boe/d⁽²⁾ (38% crude oil and natural gas liquids); and long-term growth in conjunction with the acceleration of Tourmaline and Headwater's future capital development. The Strategic Acquisitions are expected to provide Topaz with \$24.9 million March 2021 annualized EBITDA⁽³⁾⁽⁴⁾ which represents 18% growth to Topaz Q1 2021 annualized EBITDA⁽³⁾⁽⁴⁾; and together with the Equity Financing, provide 6% free cash flow per share growth⁽³⁾⁽⁴⁾. Topaz estimates it will derive further acquisition benefits as Tourmaline and Headwater execute their planned future capital development activities.

Strategic Rationale

NEBC Montney

The NEBC Montney is well known as the most prolific liquids-rich natural gas resource in Western Canada due to its vast geographic coverage and significant reserve potential. According to Canada's Energy Regulator, B.C. natural gas production continues to increase at a faster rate than other Canadian natural gas production; 2020 average annual B.C. natural gas production of 5.4 Bcf/d more than doubled from 2.6 Bcf/d in 2005; and development of tight gas in the Montney is the primary factor behind B.C.'s gas production doubling between 2006 and 2018⁽⁷⁾. Topaz estimates that the B.C. Montney is expected to provide the largest natural gas production growth in the WCSB over the next decade.

In recent years, leading industry participants have made significant multi-year capital investments which continue to unlock the resource potential of the NEBC Montney including: (1) LNG Canada's \$40 billion LNG export project which is expected to come online by the mid-2020s; require approximately 1.9 Bcf/d of natural gas supply; and if expanded would require up to 4 Bcf/d of natural gas supply ("LNG Canada"); (2) TC Energy's Coastal GasLink natural gas pipeline project which is anticipated to deliver natural gas across Northern B.C. to LNG Canada; (3) TC Energy's recently completed North Montney Mainline, a \$1.1 billion extension of the NGTL system in the North Montney; and (4) Enbridge's significant pipeline expansion of the northern section of its critical pipeline infrastructure in B.C.

Alberta Clearwater

The Clearwater play in Alberta ranks amongst the most economic and fastest growing oil plays in the WCSB. It is characterized by strong economic and environmental characteristics including low well costs, moderate initial decline profiles, competitive netbacks, decreased land usage through the use of multi-leg drilling, and minimal water and no sand requirements as the completion operations do not require fracture stimulation. The total recoverable resource in the Alberta Clearwater continues to expand with success from exploration drilling and the play is well suited for future enhanced oil recovery projects.

Overview of the Acquired Assets

NEBC Montney Royalty Assets

Pursuant to the NEBC Montney Acquisition, Topaz will acquire a newly created gross overriding royalty interest on shale gas, crude oil, and condensate production on approximately 535,000 gross acres of developed and undeveloped lands (288,000 gross acres of Montney rights) which Tourmaline has acquired over the past year pursuant to its NEBC Montney consolidation strategy. The gross overriding royalty interest to be acquired by Topaz is: i) 4% on shale gas production until December 31, 2022 and 3% thereafter; and ii) 2.5% on crude oil and condensate production. Tourmaline has identified approximately 1,700 gross future drilling locations on the underlying lands. The NEBC Montney Acquisition Montney royalty lands will increase Topaz's existing, 215,000 gross acres of contiguous NEBC Montney royalty lands by 134%.

NEBC Montney growth strategy

The NEBC Montney Acquisition assets' current production is approximately 22,600 boe/d⁽²⁾ (25% crude oil

and natural gas liquids). Tourmaline expects that over the next five years, its North Montney growth will shift to the greater Conroy area where it envisages development of a separate new operated complex ultimately producing at similar levels to its Gundy core complex, which is currently producing over 60,000 boe/d⁽²⁾ which Tourmaline has grown through development drilling.

During the winter of 2020, Tourmaline drilled a five-well pad in its 2020-acquired Laprise-Conroy area of NEBC, which tested at a combined final rate of 46 MMcf/d of shale gas and 3,970 bbl/d of natural gas liquids (primarily condensate) after three day per well flow tests⁽⁸⁾.

NEBC Montney Infrastructure Assets

Topaz will also acquire a non-operated 10% working interest in the Gundy Facility Complex pursuant to the NEBC Montney Acquisition. The Gundy Facility Complex is Tourmaline's newest natural gas plant; is situated in close proximity to both TC Energy's North Montney Mainline and Enbridge's recent T-North expansion; will be capable of 400 MMcf/d of natural gas processing capacity; and has an operating life in excess of 40 years well supported by underlying Montney reserves. Under the terms of the acquisition of the Gundy Facility Complex, Topaz will not be responsible for capital costs related to the expansion and has negotiated a ten-year fixed take-or-pay commitment, from Tourmaline, during which Topaz will earn a fixed fee of \$0.70 per Mcf for 100% of its 40 MMcf/d working interest capacity which will generate \$10.2 million of annual fixed infrastructure EBITDA⁽¹⁾ as Topaz will not be responsible for operating costs during the ten-year term. Topaz estimates its working interest share of maintenance capital expenditures related to the Gundy Facility Complex will not significantly change its current annual capital expenditure profile⁽¹⁰⁾. Tourmaline anticipates its Gundy Facility Complex will continue to maintain the full utilization it has realized to date given its position as the anchor to Tourmaline's North Montney infrastructure.

Alberta Clearwater Royalty Assets

Pursuant to the Clearwater Acquisition, Topaz will acquire Cenovus' existing gross overriding royalty interest on conventional natural gas, crude oil, and natural gas liquids production on approximately 192,000 gross acres of developed and undeveloped lands in the Marten Hills Clearwater area of Alberta (172,800 gross acres of Clearwater rights) which are operated by Headwater. The Clearwater Acquisition royalty lands will increase Topaz's existing, 194,000 gross acres of greater Clearwater royalty lands by 89%.

Alberta Clearwater growth strategy

In conjunction with the Q4 2020 acquisition of the Marten Hills assets from Cenovus, Headwater entered into a \$100.0 million capital development commitment, of which approximately \$37.5 million has been spent to March 31, 2021. Headwater's crude oil production from the Clearwater Acquisition assets in March 2021 was approximately 4,600 bbl/d⁽²⁾ of crude oil and Headwater estimates that its Clearwater crude oil production will grow to a sustainable production base of 13,000 - 14,000 bbl/d.⁽⁵⁾ Headwater's 2021 guidance includes capital spending of \$105.0 to \$110.0 million on these lands.

During Q1 2021, Headwater drilled 12, 8-leg multi-lateral producing wells, 5 horizontal water injection wells, 2 source water wells and 1 stratigraphic test; and commenced initial waterflood injection in April 2021. Headwater has also begun construction on a natural gas plant, jointly-owned with another area operator, that is expected to be commissioned in July 2021 which will enable gas conservation from its production in the area.

The Clearwater Acquisition royalty lands include a significant amount of exploration lands. Prior to its divestiture to Headwater, Cenovus drilled seven exploration wells and recent industry activity continues to delineate the exploration lands with wells being drilled and licensed on offsetting lands. Headwater is currently planning to drill additional exploration wells in 2021 and 2022 to further delineate the exploration lands.

Dividend Increase

Topaz will be increasing its dividend 5% to \$0.84 per share annually commencing with its third quarter 2021

dividend. This increased dividend represents a 2021 estimated payout ratio⁽¹⁾ within the lower end of Topaz's targeted range of 60-90%.

Equity Financing

Topaz has entered into an agreement with a syndicate of underwriters co-led by Peters & Co. Limited and BMO Capital Markets (the "Underwriters"), pursuant to which the Underwriters have agreed to purchase for resale to the public, on a bought-deal basis, 12.3 million common shares ("Common Shares") of Topaz at a price of \$14.25 per Common Share for gross proceeds of approximately \$175.0 million. The Underwriters will have an option to purchase up to an additional 15% of the Common Shares issued under the Equity Financing at a price of \$14.25 per Common Share to cover over-allotments exercisable and for market stabilization purposes in whole or in part at any time until 30 days after the closing.

The Common Shares issued pursuant to the Equity Financing will be distributed by way of a short form prospectus in all provinces of Canada and may also be placed privately in the United States to Qualified Institutional Buyers (as defined under Rule 144A under the United States Securities Act of 1933, as amended (the "U.S. Securities Act")) pursuant to the exemption provided by Rule 144A under the U.S. Securities Act, and may be distributed outside Canada and the United States on a basis which does not require the qualification or registration of any of the Company's securities under domestic or foreign securities laws. The Common Shares have not been and will not be registered under the U.S. Securities Act, and this news release does not constitute an offer of securities for sale in the United States. The Common Shares may not be offered or sold in the United States absent registration or an exemption from registration.

Completion of the Equity Financing is subject to customary closing conditions, including the receipt of all necessary regulatory approvals, including the approval of the Toronto Stock Exchange. Closing of the Equity Financing is expected to occur on June 8, 2021. Closing of the Equity Financing is not conditional on the closing of the Strategic Acquisitions. In the event that the Strategic Acquisitions do not close, the net proceeds from the Equity Financing will be used to fund future acquisitions and for internal working capital purposes.

In conjunction with the Equity Financing, certain officers, directors and employees of Topaz and their associates intend to purchase up to 0.2 million Common Shares at a price of \$14.25 per Common Share on a private placement basis.

Topaz Acquisition Funding

Topaz will fund the Strategic Acquisitions through the \$175.0 million Equity Financing and Topaz's existing cash on hand and credit facilities. The Clearwater Acquisition closed May 18, 2021. The NEBC Montney Acquisition is expected to close on or about July 1, 2021 and is subject to customary closing conditions as set forth in the definitive agreements, including the accuracy of representations and warranties and the performance of covenants. Topaz estimates its Q1 2021 proforma net debt⁽⁴⁾ will be \$77.4 million which represents 0.5x pro forma net debt⁽⁴⁾ to Q1 2021 annualized adjusted pro forma EBITDA⁽³⁾⁽⁴⁾.

Advisors

Peters & Co. Limited is acting as financial advisor to Topaz with respect to the Clearwater Acquisition. Burnet, Duckworth & Palmer LLP is acting as counsel with respect to the NEBC Montney Acquisition, Clearwater Acquisition and the Equity Financing.

Notes:

- (1) Refer to "Non-GAAP Financial Measures."
- (2) Refer to "Supplemental Information Regarding Product Types."
- (3) Refer to "Annualized Adjusted Pro Forma EBITDA, Free Cash Flow and Free Cash Flow per Share."
- (4) Refer to "Adjusted Pro Forma Non-GAAP Financial Measures."
- (5) Source: "[Headwater Exploration Inc.](#) May 2021 corporate presentation."
- (6) Source: "[Tourmaline Oil Corp.](#) May 18, 2021 news release."
- (7) Source: Canada Energy Regulator website "CER - Provincial and Territorial Energy Profiles - British Columbia (cer-rec.gc.ca)."
- (8) Source: "[Tourmaline Oil Corp.](#) May 5, 2021 news release."
- (9) Source: Tourmaline internal estimates related to the NEBC Montney Acquisition lands which are incorporated within Tourmaline's greater B.C. Montney development growth plans as disclosed in Tourmaline's May 2021 corporate presentation.
- (10) Topaz owns royalty interests and non-operated interests in infrastructure assets. Topaz's capital expenditures (excluding acquisitions) are limited to its working interest share of maintenance capital related to its infrastructure assets. During the three months ended December 31, 2020 and March 31, 2021, Topaz's capital expenditures (excluding acquisitions) were \$0.5 million and \$0.6 million, respectively.

Additional information about Topaz, including the financial statements and management's discussion and analysis for the year ended December 31, 2020 and the three months ended March 31, 2021 as well as the Company's 2020 Annual Information Form are available electronically under the Company's profile on SEDAR, www.sedar.com, and on Topaz's website, www.topazenergy.ca.

ABOUT THE COMPANY

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

FORWARD-LOOKING STATEMENTS

This news release contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") that relate to the Company's current expectations and views of future events. These forward-looking statements relate to future events or the Company's future performance. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "expects", "will continue", "is anticipated", "anticipates", "believes", "estimated", "intends", "plans", "forecast", "projection", "strategy", "objective" and "outlook") are not historical facts and may be forward-looking statements and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this news release should not be unduly relied upon. These statements speak only as of the date of this news release. In particular and without limitation, this news release contains forward-looking statements pertaining to the following: Topaz's future growth outlook and strategic plans; the anticipated capital expenditure plans and production increases relating to completed and planned acquisitions; the benefits to be derived from the NEBC Montney Acquisition and the Clearwater Acquisition; the timing for the completion of the NEBC Montney Acquisition; the statements relating to the

Equity Financing including the size of the Equity Financing, the use of proceeds under the Equity Financing, the expected participation of insiders in the concurrent private placement, the anticipated closing of the Equity Financing and concurrent private placement, the receipt of all regulatory approvals for the Equity Financing including the approval of the Toronto Stock Exchange; the environmental benefits associated with the acquisitions; expected production increases and capital commitments on the royalty lands; estimated levels of EBITDA,⁽¹⁾ free cash flow⁽¹⁾ and net debt⁽¹⁾; the future dividend increase and declaration and payment of dividends and the timing and amount thereof; the information described under the heading "Annualized Adjusted Pro Forma EBITDA, Free Cash Flow and Free Cash Flow per Share⁽³⁾⁽⁴⁾" below; other expected benefits from the NEBC Montney Acquisition and the Clearwater Acquisition including enhancing Topaz's future growth outlook and providing value enhancing assets; 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 growth, and the factors discussed in the Company's recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein), Annual Information Form (See "Risk Factors" and "Forward-Looking Statements" therein) and other reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or Topaz's website (www.topazenergy.ca).

Statements relating to "reserves" are also deemed to be forward looking 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,⁽¹⁾ 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.

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 the terms "EBITDA", "cash flow", "free cash flow", "free cash flow per share", "payout ratio", "adjusted working capital" and "net debt" 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", "cash flow", "free cash flow", "free cash flow per share", "payout ratio", "adjusted working capital" and "net debt" 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) 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, 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.

"Cash flow" is cash from (used in) operations before changes in non-cash working capital. "Free cash flow" is defined as cash flow less capital expenditures. "Free cash flow per share" is defined as free cash flow divided by the weighted average common shares outstanding during the respective period. "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" is total debt outstanding less adjusted working capital.

ADJUSTED PRO FORMA NON-GAAP FINANCIAL MEASURES

References are made in this news release to the terms "adjusted pro forma EBITDA," "annualized adjusted pro forma EBITDA," "annualized adjusted pro forma free cash flow," "annualized adjusted pro forma free cash flow per share," "pro forma net debt" and "pro forma net debt to annualized adjusted pro forma EBITDA" which are presented by management to estimate the financial impact attributed to the Strategic Acquisitions, before consideration of future development by Tourmaline or Headwater, relative to Topaz's existing assets. These adjusted pro forma measures 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.

"Adjusted pro forma EBITDA," "adjusted pro forma free cash flow" and "adjusted pro forma free cash flow" are used in the table below under the heading "Annualized Adjusted Pro Forma EBITDA, Free Cash Flow and Free Cash Flow per Share" to represent an estimate of the pro forma EBITDA and free cash flow that would have been generated by the Strategic Acquisitions, had the interests, assets and the underlying contracts been in place and owned by Topaz, using the most recent production information available (March 2021) and Tourmaline's estimated annual maintenance capital budget in respect of the Gundy Facility Complex; and by Topaz, based upon the actual financial results for the three months ended March 31, 2021. "Annualized adjusted pro forma EBITDA," "annualized adjusted pro forma free cash flow" and "annualized adjusted pro forma free cash flow per share" are used in the table below under the heading "Annualized Adjusted Pro Forma EBITDA, Free Cash Flow and Free Cash Flow per Share" to represent the estimated pro forma EBITDA, free cash flow and free cash flow per share for the Strategic Acquisitions and Topaz, as defined above, on an annualized basis.

"Pro forma net debt" for purposes of this news release, estimates Topaz's net debt as at March 31, 2021 pro forma the Strategic Acquisitions and Equity Financing, being \$77.4 million, as follows: Topaz's adjusted working capital as at March 31, 2021 of \$94.6 million less the total cash consideration of \$347.0 million attributed to the Strategic Acquisitions plus \$175.0 million estimated gross proceeds from the Equity Financing (prior to the effect of the exercise of the underwriters' over-allotment option or shares issued pursuant to the private placement).

"Pro forma net debt to annualized adjusted pro forma EBITDA" for purposes of this news releases, estimates Topaz's leverage ratio pro forma the Strategic Acquisitions and Equity Financing, being 0.5x, as follows: pro forma net debt as at March 31, 2021 of \$77.4 million divided by 2021 annualized adjusted pro forma EBITDA of \$163.2 million.

"Annualized adjusted pro forma free cash flow per share growth" for purposes of this news release, calculates the percentage change in estimated pro forma free cash flow per share attributed to the Strategic Acquisitions and the Equity Financing, of \$1.28 per share, relative to Topaz's annualized free cash flow per share for the three months ended March 31, 2021 of \$1.21 per share; based on assumptions which include the annualized March 2021 adjusted pro forma free cash flow attributed to the Strategic Acquisitions, the shares to be issued as described in "Equity Financing" (prior to the effect of the exercise of the underwriters' over-allotment option or shares issued pursuant to the private placement), Topaz's current estimated annual borrowing rate applied to the pro forma net debt of \$77.4 million (described above) and Topaz's working interest share of Tourmaline's estimated annual maintenance capital budget in respect of the Gundy Facility Complex of \$0.1 million.

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.

DRILLING LOCATIONS

This news release discloses Tourmaline's drilling locations, on or before April 15, 2021, in four categories: (i) proved undeveloped locations; (ii) probable undeveloped locations; (iii) unbooked locations; and (iv) an aggregate total of (i), (ii) and (iii). Of the 1,677 (gross) locations on the NEBC Montney Acquisition royalty lands, 222 are proved undeveloped locations, 212 are probable undeveloped locations and 1,243 are unbooked locations. Proved undeveloped locations and probable undeveloped locations are booked and derived from Tourmaline's consolidated independent reserve report as of December 31, 2020 or internally estimated by a qualified reservoir engineer on or before April 15, 2021, and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on Tourmaline's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice. Unbooked locations do not have attributed reserves or resources (including contingent and prospective). Unbooked locations have been identified by Tourmaline management as an estimation of Tourmaline's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Tourmaline will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which Tourmaline will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, crude oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

INITIAL PRODUCTION (IP) RATES

Any references in this news release to initial production (IP) rates are useful in confirming the presence of hydrocarbons; however such rates are not determinative of the rates at which such wells will continue production and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production. Such rates are based on field estimates and may be based on limited data available at the time.

MARKET, INDEPENDENT THIRD-PARTY AND INDUSTRY DATA

Certain market, independent third-party and industry data contained in this news release is based upon information from government or other independent industry publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but the Company has not conducted its own independent verification of such information. This news release also includes certain data, including production, well count estimates, capital expenditures and other operational results, derived from public filings made by independent third parties. While the Company believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from independent third-party sources referred to in this news release or ascertained the underlying assumptions relied upon by such sources.

INFORMATION REGARDING PUBLIC-ISSUER COUNTERPARTIES

Certain information contained in this news release relating to the Company's public issuer counterparties which include Tourmaline and Headwater 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.

SUPPLEMENTAL INFORMATION REGARDING PRODUCT TYPES

This news release includes references to average daily production estimates for the month ended March 31, 2021. 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 month ended	NEBC Montney Acquisition	Clearwater Acquisition	Strategic Acquisitions
	March 31, 2021	March 31, 2021	March 31, 2021
Average daily production			
Light and Medium crude oil (bbl/d)	7	?	7
Heavy crude oil (bbl/d)	?	4,598	4,598
Shale Gas (Mcf/d)	101,111	?	101,111
Natural Gas Liquids (bbl/d)	5,730	?	5,730
Total (boe/d)	22,589	4,598	27,187

Tourmaline Gundy core complex

Tourmaline's average daily production from its Gundy core complex during the three months ended March 31, 2021 was 254 MMcf/d shale gas and 18,130 bbl/d of natural gas liquids.

ANNUALIZED ADJUSTED PRO FORMA EBITDA, FREE CASH FLOW AND FREE CASH FLOW PER SHARE

The following summary has been prepared by the Company to provide management's best estimate of the annualized adjusted pro forma EBITDA,⁽⁶⁾ free cash flow⁽⁶⁾ and free cash flow per share⁽⁶⁾ that would be generated by the Strategic Acquisitions relative to Topaz's existing assets, before consideration of future development by Tourmaline or Headwater, and incorporating the shares to be issued pursuant to the Equity Financing (prior to the effect of the exercise of the underwriters' over-allotment option or shares issued pursuant to the private placement). The Company's assumptions in preparing the foregoing analysis are set out in the notes below the table. While these adjustments are estimates only, the Company believes that the table below represents reasonable estimates of the changes attributable to the Strategic Acquisitions and the Equity Financing, relative to Topaz's existing assets and shares outstanding.

(unaudited)	Q1 2021	March 2021	2021
(\$000s except per share amounts)	Topaz Energy Corp. Annualized ⁽¹⁾	Strategic Acquisitions Topaz Energy Corp. Annualized Adjusted Pro Forma ⁽²⁾	Topaz Energy Corp. Annualized Adjusted Pro Forma ⁽³⁾
Royalty production revenue	\$96,716	\$14,550	\$111,266
Processing revenue	41,884	10,416	52,300
Other income ⁽⁵⁾	11,888	?	11,888
	150,488	24,966	175,454
Expenses			
Operating expense	3,888	?	3,888
Marketing expense	948	78	1,026
Realized loss on financial instruments	2,324	?	2,324
General and administrative expense	5,064	?	5,064
	12,224	78	12,302
Annualized Adjusted Pro Forma EBITDA ⁽⁶⁾	138,264	24,888	163,152
Less: net interest expense ⁽⁹⁾	(60)	(1,316)	(1,376)
Annualized Adjusted Pro Forma Cash			
Flow ⁽⁶⁾	138,204	23,572	161,776
Less: capital expenditures ⁽¹⁰⁾	(2,244)	(100)	(2,344)
Annualized Adjusted Pro Forma Free			
Cash Flow	\$135,960	\$23,472	\$159,432
Annualized Adjusted Pro Forma Free			
Cash Flow Per Share (\$ per share) ⁽⁷⁾			\$1.28

Notes:

- (1) "Q1 2021 [Topaz Energy Corp.](#) Annualized" refers to the actual financial results of [Topaz Energy Corp.](#) for the three months ended March 31, 2021, adjusted to reflect an annualized basis (multiplied by four) as presented in the table below. Topaz's actual financial results for the three months ended March 31, 2021 do not include acquisitions announced by Topaz which are scheduled to close subsequent to March 31, 2021.

(unaudited)	Q1 2021	Q1 2021
(\$000s except per share amounts)	Topaz Energy	Topaz Energy
	Corp.	Corp.
		Annualized
Royalty production revenue	\$24,179	\$96,716
Processing revenue	10,471	41,884
Other income ⁽⁶⁾	2,972	11,888
	37,622	150,488
Expenses		
Operating expense	972	3,888
Marketing expense	237	948
Realized loss on financial instruments	581	2,324
General and administrative expense	1,266	5,064
	3,056	12,224
Adjusted Pro Forma EBITDA ⁽⁶⁾	34,566	138,264
Less: net interest expense ⁽⁹⁾	(15)	(60)
Adjusted Pro Forma Cash Flow ⁽⁶⁾	34,551	138,204
Less: capital expenditures ⁽¹⁰⁾	(561)	(2,244)
Adjusted Pro Forma Free Cash Flow ⁽⁶⁾	\$33,990	\$135,960
Adjusted Pro Forma Free Cash Flow Per		
Share (\$ per share) ⁽⁸⁾	\$0.30	\$1.21

(2) "March 2021 Strategic Acquisitions Annualized Adjusted Pro Forma" was calculated, in respect of the Strategic Acquisitions, using the most recent production information available (March 2021) and the terms of the infrastructure take-or-pay contract. Management estimated the pro forma EBITDA, free cash flow and free cash flow per share to Topaz had the interests, assets and the underlying contracts been in place and owned by Topaz during the said month. Management then calculated an annualized basis (multiplied by 12). The following assumptions were used which are presented in the table below:

a. NEBC Montney Acquisition

During the month of March 2021, royalty assets' average production of 22,589 boe/d (refer to "Supplemental Information Regarding Product Types"), realized commodity prices in accordance with the agreements of: C\$2.72/Mcf (AECO 5A); C\$2.70/Mcf (Westcoast Station 2); C\$72.89/bbl (Edmonton light crude); and C\$85.74/bbl (Edmonton condensate); and a 1% marketing fee to Tourmaline in respect of marketing the royalty production on Topaz's behalf. During the month of March 2021, the fixed take-or-pay contract (40,000 Mcf/d at a fixed fee of \$0.70/Mcf) would have generated \$0.9 million and Topaz is not responsible for operating expenses.

b. Clearwater Acquisition

During the month of March 2021, royalty assets' average production of 4,598 bbl/d of heavy crude oil and the realized commodity price in accordance with the agreement of: C\$56.89/bbl (Western Canadian Select heavy oil net of transportation and quality adjustments).

c. Interest expense

Topaz's current estimated annual borrowing rate applied to the pro forma net debt of \$77.4 million as described in "Adjusted Pro Forma Non-GAAP Financial Measures."

d. Capital expenditures

Topaz's working interest share of Tourmaline's estimated annual maintenance capital budget in respect of the Gundy Facility Complex being \$0.1 million per year net to Topaz.

(unaudited)	March 2021	March 2021	March 2021	March 2021
(\$000s except per share amounts)	NEBC Montney	Clearwater	Strategic	Strategic
	Acquisition	Acquisition	Acquisitions	Acquisitions
	Adjusted	Adjusted	Adjusted	Annualized
	Pro Forma	Pro Forma	Pro Forma	Adjusted
				Pro Forma
Royalty production revenue	\$645	\$567	\$1,212	\$14,550
Processing revenue	868	?	868	10,416
	1,513	567	2,080	24,966
Expenses				
Operating expense	?	?	?	?
Marketing expense	6	?	6	78
	6	?	6	78
Adjusted Pro Forma EBITDA ⁽⁶⁾	\$1,507	\$567	\$2,074	\$24,888
Less: interest expense				(1,316)
Adjusted Pro Forma Cash Flow ⁽⁶⁾				23,572
Less: capital expenditures				(100)
Adjusted Pro Forma Free Cash Flow ⁽⁶⁾				\$23,472

- (3) "2021 [Topaz Energy Corp.](#) Annualized Adjusted Pro Forma" refers to the sum of "Q1 2021 [Topaz Energy Corp.](#) Annualized" and "March 2021 Strategic Acquisitions Annualized Adjusted Pro Forma" which the Company believes represents a reasonable estimate of the annualized adjusted pro forma EBITDA,⁽⁶⁾ free cash flow,⁽⁶⁾ and free cash flow per share⁽⁶⁾ attributable to Topaz pro forma the Strategic Acquisitions, based upon the most recent production information available in respect of the Strategic Acquisitions, before any further capital deployment by Tourmaline or Headwater with respect to the acquired royalty lands and incorporating the shares to be issued pursuant to the Equity Financing.
 - (4) Refer to "Non-GAAP Financial Measures."
 - (5) Excludes interest income.
 - (6) Refer to "Adjusted Pro Forma Non-GAAP Financial Measures."
 - (7) Based on Topaz's basic common shares outstanding as at March 31, 2021 of 112.6 million plus 12.3 million shares expected to be issued pursuant to the Equity Financing (prior to the effect of any exercise of the underwriters' over-allotment option or shares issued pursuant to the private placement), for total pro forma common shares outstanding as at March 31, 2021 of 124.9 million.
 - (8) Based on Topaz's weighted average basic common shares outstanding for the three months ended March 31, 2021 of 112.5 million.
 - (9) Interest expense net of interest income.
 - (10) Capital expenditures excluding acquisitions.
- General

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

SOURCE [Topaz Energy Corp.](#)

Contact

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

Dieser Artikel stammt von [Rohstoff-Welt.de](https://www.rohstoff-welt.de)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/384019--Topaz-Energy-Corp.-Announces-Strategic-Acquisitions-of-Royalty-and-Infrastructure-Assets-in-NEBC-Montney-and>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer!](#)

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2026. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).