

# Topaz Energy Corp. Announces Second Quarter 2021 Financial Results Which Includes 52% Per Share FCF Growth, Declares \$0.21 Per Share Quarterly Dividend and Provides Increased 2021 Guidance Estimates

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CALGARY, July 29, 2021 - [Topaz Energy Corp.](#) (TSX: TPZ) ("Topaz" or the "Company") is pleased to announce financial results for the second quarter of 2021 and increased 2021 guidance estimates incorporating acquisition activity.

## Capital allocation strategy

- Topaz's hybrid royalty and infrastructure business provides transparent, embedded & self-funded growth and balanced commodity exposure. Through execution of the Company's acquisition growth strategy, Topaz has doubled its second quarter total revenue and other income<sup>(1)</sup> from the prior year with a corresponding increase of over 2.0 times on both EBITDA<sup>(2)</sup> and FCF<sup>(2)</sup>. On a per share basis, Topaz's FCF<sup>(2)</sup> increased 52% from \$0.21 per share in Q2 2020 to \$0.32 per share in Q2 2021 and Topaz estimates it will generate 2021 FCF<sup>(2)(5)</sup> of \$1.41 per share which represents 45% growth from 2020 (\$0.97 per share).
- Since its first quarter of full operations (Q1 2020) Topaz has paid a stable quarterly dividend of \$0.20 per share which was recently increased by 5% to \$0.21 per share. Topaz's increased 2021 guidance provides for approximately \$173.0 million of FCF<sup>(2)(5)</sup>, and Topaz's indicative 2021 dividend of \$102.0 million is supported through stable infrastructure FCF<sup>(2)</sup> (53%<sup>(5)</sup>) with the balance supported at commodity prices of C\$1.50/mcf AECO and US\$45/bbl WTI. Topaz estimates it will generate \$71.0 million in excess FCF<sup>(2)(5)</sup> in 2021. Given the continued opportunity-rich M&A environment, Topaz's primary capital allocation focus is to pursue accretive growth acquisitions and Topaz will continue to review its dividend with a targeted payout range of 60 - 90%.

## Acquisition strategy

- Since January 1, 2020 Topaz has invested approximately \$878.0 million in cumulative royalty and infrastructure acquisitions which Topaz estimates will generate \$95.0 million of FCF<sup>(2)(5)</sup> in 2022, representing an 11% FCF yield<sup>(2)(5)</sup>. Topaz's royalty acquisitions are underpinned by committed operator capital and combined with its formative royalty assets, Topaz estimates its 2020 to 2023 compound annual royalty production growth rate to be 17%<sup>(5)</sup> which provides embedded future growth with no further capital investment required by Topaz.
- Following the August 1, 2021 close of Topaz's recently announced NEBC Montney royalty acquisition comprised of 296,000 gross acres of developed and undeveloped land and approximately 50,000 boe/d of liquids-rich natural gas production, Topaz will own royalty interests on substantially all of Tourmaline's acreage. Topaz is well poised for growth as Tourmaline has shifted its focus to optimization of organic growth opportunities given its significant consolidation initiatives have been completed.
- Topaz will focus on accretive acquisitions with third parties operating high quality, economically resilient growth assets as well as continue to evaluate other opportunities in order to further diversify its investment portfolio. Topaz's acquisition growth strategy is to utilize its excess FCF<sup>(2)</sup> as well as available borrowing capacity through its \$300.0 million syndicated credit facility while maintaining a net debt (cash) to EBITDA<sup>(2)(5)</sup> ratio approximating 1.0 times.

Highlights of Topaz's financial results as at and for the three and six months ended June 30, 2021 as compared to the three and six months ended June 30, 2020 ("Q2 2021," "YTD 2021," "Q2 2020" and "YTD 2020," respectively), as well as significant transactions completed subsequent to June 30, 2021 ("Subsequent Period") are presented below:

## Financial performance

- Total revenue and other income<sup>(1)</sup> of \$41.0 million for Q2 2021 was double the \$20.0 million generated in Q2 2020. The significant increase was driven by 24% royalty production volume growth, 99% higher processing revenue and a 56% increase in natural gas (AECO) pricing.
- Generated 84% higher total revenue and other income<sup>(1)</sup> in YTD 2021 (\$78.7 million) compared to YTD 2020 (\$42.8 million) which was driven by 18% royalty production volume growth, 87% higher processing revenue and a 55% increase in natural gas (AECO) pricing.
- Generated more than 2.0 times higher EBITDA<sup>(2)</sup> and FCF<sup>(2)</sup> in Q2 2021 (\$37.3 million and \$37.2 million respectively) compared to Q2 2020 (\$17.4 million and \$17.2 million respectively) which represented an EBITDA margin<sup>(2)</sup> of 91% and 87% during the respective periods. On a per share basis, second quarter FCF<sup>(2)</sup> grew 52% from 2020 to 2021. For the six month periods ended June 30, EBITDA<sup>(2)</sup> and FCF<sup>(2)</sup> both grew 88%, from \$38.3 million and \$37.9 million respectively in 2020 to \$71.9 million and \$71.2 million, respectively in 2021.

## Royalty activity update

- Topaz's average royalty production<sup>(4)</sup> of 12,265 boe/d during Q2 2021 grew 24% from 9,891 boe/d during Q2 2020. Royalty production revenue of \$27.4 million during Q2 2021 was 2.3 times higher than the \$11.9 million generated during Q2 2020.
- Topaz's average royalty production<sup>(4)</sup> of 12,005 boe/d YTD 2021 grew 18% from 10,134 boe/d during YTD 2020. Royalty production revenue of \$51.6 million YTD 2021 grew 95% from \$26.4 million YTD 2020. The increased production volume and royalty production revenues are attributed to gross overriding royalty acquisitions, volume growth attributed to Topaz's existing royalty assets and improved commodity pricing (55% increase in natural gas (AECO) and 70% increase in crude oil (NYMEX WTI)).
- During Q2 2021, 70 gross wells<sup>(6)</sup> were spud on Topaz's royalty acreage (42 gross wells on acreage operated by Tourmaline and 28 gross wells on acreage operated by other Topaz counterparties) and 50 gross wells were brought on production<sup>(3)</sup> which represents a 2.7 times increase in drilling activity relative to Q2 2020, when 26 gross wells were spud on Topaz's royalty acreage (all operated by Tourmaline).
- During YTD 2021, 149 gross wells<sup>(6)</sup> were spud on Topaz's royalty acreage (110 gross wells on acreage operated by Tourmaline and 39 gross wells on acreage operated by other Topaz counterparties) and 120 gross wells were brought on production<sup>(3)</sup> which represents a 2.2 times increase in drilling activity relative to YTD 2020, when 67 gross wells were spud on Topaz's royalty acreage (all operated by Tourmaline).

## Infrastructure activity update

- During Q2 2021, Topaz generated \$10.6 million processing revenue attributed to its non-operated ownership in processing facilities which is 2.0 times higher than Q2 2020 (\$5.3 million). During Q2 2021 and Q2 2020, average daily utilization of Topaz's net natural gas processing capacity was 98% and 100%, respectively (75% and 58% of which is contracted under fixed take-or-pay, respectively).
- During YTD 2021, Topaz generated \$21.0 million processing revenue attributed to its non-operated ownership in processing facilities which is 1.9 times higher than YTD 2020 (\$11.3 million). During YTD 2021 and YTD 2020, average daily utilization of Topaz's net natural gas processing capacity was 98% and 100%, respectively (74% and 58% of which was contracted under fixed take-or-pay, respectively).
- During Q2 2021, Topaz earned \$2.9 million, or 4% higher other income (\$2.8 million attributed to its contracted interest in third party infrastructure income and \$0.1 million of interest income) compared to Q2 2020 (\$2.8 million attributed to contracted interest in third party infrastructure income and \$nil of interest income).
- During YTD 2021, Topaz earned \$6.1 million, or 20% higher other income (\$5.8 million attributed to its contracted interest in third party infrastructure income and \$0.3 million of interest income) compared to YTD 2020 (\$5.1 million and \$nil, respectively).

## Dividends paid

- The Company paid dividends of \$25.7 million (\$0.20 per share) in Q2 2021 representing a payout ratio<sup>(2)</sup> of 69% compared to \$16.0 million dividends paid in Q2 2020 representing a payout ratio<sup>(2)</sup> of 92%. On July 29, 2021, Topaz's Board declared its 2021 third quarter dividend of \$0.21 per share which is expected to be paid on September 30, 2021 to shareholders of record on September 15, 2021. This quarterly cash dividend is designated as an "eligible dividend" for Canadian income tax purposes.

## Accretive growth transactions

- During the six months ended June 30, 2021, Topaz completed \$316.5 million of acquisitions (all of which were previously announced):
  - ● cumulative acquisitions of gross overriding royalty interests on developed and undeveloped land as follows:
    - ● 720,000 gross acres in the Alberta Deep Basin, for total cash consideration of \$130.0 million;
    - ● 237,600 gross acres in the greater Clearwater area for total cash consideration of \$116.5 million which includes multi-year cumulative capital development commitments of \$122.5 million; and
    - ● 300,000 gross acres in the Peace River High area (focused on Charlie Lake rights) for total cash consideration of \$32.0 million which includes a multi-year capital development commitment of \$60.0 million;
  - the acquisition of a non-operated working interest in pipeline connected water management and conservation facilities for cash consideration of \$12.0 million which is underpinned by a 15-year fixed take-or-pay commitment; and
  - the corporate acquisition of Reserve Royalty Commercial Trust, and its subsidiaries, which hold the Reserve Royalty assets, for total consideration of \$27.3 million which was payable through the issuance of 1,794,886 common shares of Topaz, valued at \$14.485 per common share and a working capital adjustment of \$1.3 million which was paid in cash.
- During the Subsequent Period, Topaz completed a royalty and infrastructure acquisition and entered into definitive agreements to acquire additional royalty assets (both of which were previously announced), for cumulative proceeds of \$390.0 million:
  - ● on July 1, 2021 Topaz closed the acquisition from Tourmaline of a newly created gross overriding royalty on approximately 535,000 gross acres of developed and undeveloped lands in the NEBC Montney play area and working interest ownership in Tourmaline's Gundy infrastructure ("NEBC Montney Royalty and Infrastructure Acquisition"), which is supported by a ten year fixed take-or-pay commitment, for total cash consideration of \$245.0 million; and
  - ● on July 15, 2021 Topaz entered into definitive agreements to acquire a newly created gross overriding royalty from Tourmaline on approximately 296,000 gross acres of developed and undeveloped land in the NEBC Montney play area, for total cash consideration of \$145.0 million, before closing adjustments ("NEBC Montney Black Swan/Birch Royalty Acquisition"). The acquisition is scheduled to close on August 1, 2021, subject to satisfaction of customary closing conditions.

#### Capital resources

- On June 8, 2021, Topaz completed a bought deal equity financing (the "Equity Financing") and concurrent private placement whereby Topaz issued a total of 14.3 million common shares at a price of \$14.25 per common share which includes the exercise in full of the over-allotment option granted to the underwriters. Aggregate gross proceeds to the Company of \$203.8 million were used to fund acquisitions. The Equity Financing resulted in Tourmaline's equity ownership in Topaz reducing from 51% to 45%.
- Topaz ended Q2 2021 with net debt (cash)<sup>(2)</sup> of (\$167.5) million. On July 1, 2021 Topaz paid \$245.0 million cash pursuant to the NEBC Montney Royalty and Infrastructure Acquisition following which Topaz had net debt (cash)<sup>(2)</sup> of \$77.4 million.

#### Increased 2021 Guidance Estimates<sup>(5)</sup>

- Topaz's 2021 outlook is supported by a significant amount of committed operator capital attributed to Topaz's royalty lands and its stable infrastructure revenue portfolio.
- Topaz's 2021 guidance estimates to incorporate the NEBC Montney Black Swan/Birch Royalty Acquisition scheduled to close August 1, 2021 provides for an 11% increase in 2021 estimated EBITDA. Topaz's estimates exclude any future acquisitions or deployment of capital pursuant to its growth strategy.

	June 8, 2021 Guidance Estimates	Previous July 29, 2021 Guidance Estimates	Increased Change in Estimates increase/(decrease)
\$mm except boe/d			
Annual average royalty production (boe/d) <sup>(4)</sup>	12,800 - 13,000	13,550 - 13,750	6% <sup>(8)</sup>
Processing revenue and other income	57.3	57.3	Nil
EBITDA <sup>(2)</sup>	158.0 - 160.0	175.0 - 177.0	11% <sup>(8)</sup>
Dividend	102.0	102.0 <sup>(7)</sup>	Nil
Exit net debt <sup>(2)</sup>	44.0 - 46.0	174.0 - 176.0	2.9x <sup>(8)</sup>
Capital expenditures (excluding acquisitions)	1.0 - 2.0	1.0 - 2.0	Nil
Commodity price assumptions			
AECO 5A (CAD\$/mcf)	\$3.10	\$3.48	12%
NYMEX WTI (US\$/bbl)	\$64.11	\$66.16	3%
US\$/CAD\$ foreign exchange	0.82	0.81	1%

(1) Comprised of royalty production revenue, processing revenue and other income.

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

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

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

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

(6) Includes injection wells.

(7) Estimated based on 128.7 million shares outstanding. The Company's dividend payments remain subject to Board approval.

(8) Estimated using the midpoint of the 2021 annual average royalty production estimates.

## Selected Financial Information

For the periods ended (\$000s) except per share	June 30, 2021 Six Months	June 30, 2021 Three months	Mar. 31, 2021 Three months	Dec. 31, 2020 Three months	Sept. 30, 2020 Three months	June 30, 2020 Three months
Royalty production revenue	51,627	27,448	24,179	17,611	14,826	11,935
Processing revenue	21,033	10,562	10,471	10,305	9,188	5,296
Other income <sup>(4)</sup>	6,060	2,943	3,117	2,783	2,384	2,789
Total	78,720	40,953	37,767	30,699	26,398	20,020
Cash expenses:						
Operating	(2,061)	(1,089)	(972)	(1,643)	(691)	(1,016)
Marketing	(493)	(256)	(237)	(176)	(201)	(122)
General and administrative	(2,292)	(1,026)	(1,266)	(673)	(1,030)	(1,249)
Realized loss on financial instruments	(1,728)	(1,147)	(581)	(744)	(506)	(188)
Interest expense	(380)	(220)	(160)	(484)	(76)	(60)
Cash flow <sup>(1)</sup>	71,766	37,215	34,551	26,979	23,894	17,385
Per basic share <sup>(2)</sup>	\$0.63	\$0.32	\$0.31	\$0.25	\$0.26	\$0.22
Cash from operating activities	66,466	36,903	29,563	32,887	12,571	24,234
Per basic share <sup>(2)</sup>	\$0.58	\$0.32	\$0.26	\$0.31	\$0.13	\$0.30
Net income (loss)	6,274	918	5,356	8,382	(2,935)	(1,125)
Per basic and diluted share <sup>(2)</sup>	\$0.05	\$0.01	\$0.05	\$0.08	(\$0.03)	(\$0.01)
EBITDA <sup>(1)</sup>	71,874	37,308	34,566	27,126	23,922	17,445
EBITDA margin <sup>(1)</sup>	91%	91%	92%	88%	91%	87%
FCF <sup>(1)</sup>	71,222	37,232	33,990	26,507	23,381	17,226
Per basic share <sup>(2)</sup>	\$0.62	\$0.32	\$0.30	\$0.25	\$0.25	\$0.21
Dividends paid	48,269	25,748	22,521	22,489	18,642	16,000
Per basic share <sup>(2)</sup>	\$0.40	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
Payout ratio <sup>(1)</sup>	67%	69%	65%	83%	78%	92%
Capital expenditures	544	(17)	561	472	513	159
Acquisitions <sup>(6)</sup>	316,526	160,492	156,034	17,963	153,500	?
Weighted average shares - basic <sup>(3)</sup>	114,689	116,842	112,512	106,839	93,126	80,257
Average Royalty Production						
Natural gas (mcf/d) <sup>(5)</sup>	65,230	65,725	64,729	57,621	55,400	55,056
Light and medium crude oil (bbl/d) <sup>(5)</sup>	313	340	285	192	195	231

Heavy crude oil (bbl/d) <sup>(5)</sup>	177	303	50	?	?	?
Natural gas liquids (bbl/d) <sup>(5)</sup>	644	668	620	540	542	484
Total (boe/d)	12,005	12,265	11,743	10,335	9,970	9,891
Realized Commodity Prices						
Natural gas (\$/mcf) <sup>(5)</sup>	\$3.12	\$3.11	\$3.13	\$2.65	\$2.26	\$2.00
Light and medium crude oil (\$/bbl) <sup>(5)</sup>	\$71.37	\$76.94	\$64.66	\$48.90	\$48.66	\$26.14
Heavy crude oil (\$/bbl) <sup>(5)</sup>	\$60.59	\$61.61	\$54.34	?	?	?
Natural gas liquids (\$/bbl) <sup>(5)</sup>	\$75.66	\$78.91	\$72.11	\$54.09	\$49.27	\$30.61
Total (\$/boe)	\$23.76	\$24.59	\$22.88	\$18.52	\$16.16	\$13.26
Benchmark Pricing						
Natural Gas						
AECO 5A (CAD\$/mcf)	\$3.14	\$3.11	\$3.17	\$2.65	\$2.25	\$2.00
Crude oil						
NYMEX WTI (USD\$/bbl)	\$62.52	\$66.10	\$58.14	\$42.70	\$40.92	\$28.00
Edmonton Par (CAD\$/bbl)	\$73.06	\$76.39	\$68.98	\$49.21	\$49.06	\$30.24
WCS differential (USD\$/bbl)	\$11.96	\$11.51	\$12.42	\$9.10	\$9.05	\$11.43
Natural gas liquids						
Edmonton Condensate (CAD\$/bbl)	\$77.57	\$79.67	\$74.98	\$55.95	\$51.71	\$31.74
CAD\$/USD\$	\$0.8023	\$0.8142	\$0.7899	\$0.7678	\$0.7507	\$0.7222
Selected statement of financial position results (\$'000s) except share amounts		At June 30 2021	At Mar. 31 2021	At Dec. 31 2020	At Sept. 30 2020	At June 2020
Total assets		1,305,741	997,715	1,008,546	794,787	793,322
(1) Refer to "Non-GAAP Financial Measures." Working capital		266,272	94,221	237,675	21,844	148,744
(2) Calculated using basic or diluted weighted average shares outstanding. Adjusted working capital <sup>(1)</sup>		270,611	94,607	238,268	23,917	149,180
(3) Shown in thousand shares outstanding. Net debt (cash) <sup>(1)</sup>		(167,540)	(94,607)	(238,268)	(17,082)	(149,180)
(4) Other income of \$6.1 million for YTD 2021 includes interest income of \$0.3 million (Q2 2021 - \$0.1 million; Q1 2021 - \$0.1 million, Q4 2020 - \$0.3 million; Q3 2020 - \$0.01 million, and Q2 2020 - \$nil). Common shares outstanding <sup>(3)</sup>		128,736	112,607	112,449	93,208	91,690

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

(6) Excluding non-cash ARO.

#### Cash from Operating Activities, Cash Flow, FCF and Net Income (Loss)

During Q2 2021 and Q2 2020, Topaz generated \$36.9 million and \$24.2 million, respectively, of cash from operating activities. Cash flow<sup>(1)</sup> for the same periods was \$37.2 million and \$17.4 million, respectively. The Company generated EBITDA<sup>(1)</sup> of \$37.3 million and \$17.4 million, realizing an EBITDA margin<sup>(1)</sup> of 91% and 87%, for Q2 2021 and Q2 2020, respectively. The Company had net income of \$0.9 million in Q2 2021

compared to a net loss of \$1.1 million in Q2 2020. The difference is attributed to higher revenue and other income, including higher commodity prices.

During YTD 2021 and YTD 2020, Topaz generated \$66.5 million and \$38.2 million, respectively, of cash from operating activities. Cash flow<sup>(1)</sup> for the same periods was \$71.8 million and \$38.2 million, respectively. The Company generated EBITDA<sup>(1)</sup> of \$71.9 million and \$38.3 million, realizing an EBITDA margin<sup>(1)</sup> of 91% and 89%, for YTD 2021 and YTD 2020, respectively. The Company had net income of \$6.3 million YTD 2021 compared to a net loss of \$2.4 million YTD 2020. The difference is attributed to higher revenue and other income, including higher commodity prices.

	Three months		Six months
(\$000s) except per share amounts	June 30, 2021	June 30, 2020	June 30, 2021
Cash from operating activities	36,903	24,234	66,466
Per basic share <sup>(2)</sup>	\$0.32	\$0.30	\$0.58
Cash flow <sup>(1)</sup>	37,215	17,385	71,766
Per basic share <sup>(2)</sup>	\$0.32	\$0.22	\$0.63
EBITDA <sup>(1)</sup>	37,308	17,445	71,874
EBITDA margin <sup>(1)</sup>	91%	87%	91%
FCF <sup>(1)</sup>	37,232	17,266	71,222
Per basic share <sup>(2)</sup>	\$0.32	\$0.21	\$0.62
Net income (loss)	918	(1,125)	6,274
Per basic and diluted share <sup>(2)</sup>	\$0.01	(\$0.01)	\$0.05

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

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

## Royalty

### 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, heavy crude oil and natural gas liquids (which is primarily comprised of condensate) are primarily based on market index prices in the month of production. The majority of 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, heavy 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 Q2 2021 and Q2 2020 was \$27.4 million and \$11.9 million, respectively. During YTD 2021 royalty production revenue was \$51.6 million, compared to \$26.4 million during YTD 2020.

### Royalty production

Topaz's average royalty production<sup>(1)</sup> for Q2 2021 and Q2 2020 was 12,265 boe/d (89% natural gas weighted) and 9,891 boe/d (93% natural gas weighted), respectively. During YTD 2021 Topaz's average royalty production<sup>(1)</sup> was 12,005 boe/d (91% natural gas weighted) compared to 10,134 boe/d (93% natural gas weighted) during YTD 2020. Topaz generates royalty revenue on existing production and may generate royalty revenue on future development of the royalty lands.

The increased production volume and royalty revenues are attributed to gross overriding royalty acquisitions,

volume growth attributed to Topaz's existing royalty assets and improved commodity pricing.

#### Royalty acreage activity

During Q2 2021, 70 gross wells<sup>(3)</sup> were spud on Topaz's royalty acreage (42 gross wells on acreage operated by Tourmaline and 28 gross wells on acreage operated by other Topaz counterparties) and 50 gross wells were brought on production<sup>(2)</sup> (19 gross wells drilled during Q2 2021 and 31 gross wells drilled during prior periods) which represents a 2.7 times increase in drilling activity relative to Q2 2020, when 26 gross wells were spud on Topaz's royalty acreage (all operated by Tourmaline).

During YTD 2021, 149 gross wells<sup>(3)</sup> were spud on Topaz's royalty acreage (110 gross wells on acreage operated by Tourmaline and 39 gross wells on acreage operated by other Topaz counterparties) and 120 gross wells were brought on production<sup>(2)</sup> (80 gross wells drilled during YTD 2021 and 40 gross wells drilled during prior periods) which represents a 2.2 times increase in drilling activity relative to YTD 2020, when 67 gross wells were spud on Topaz's royalty acreage (all operated by Tourmaline).

Topaz expects the additional wells drilled but not completed by June 30, 2021 will be brought on production during the remainder of 2021.

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

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

(3) Includes injection wells.

	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Royalty production revenue				
Natural gas <sup>(3)</sup>	18,575	10,037	36,826	20,820
Light and medium crude oil <sup>(3)</sup>	2,382	549	4,043	1,460
Heavy crude oil <sup>(3)</sup>	1,697	?	1,941	?
Natural gas liquids <sup>(3)</sup>	4,794	1,349	8,817	4,169
Total	27,448	11,935	51,627	26,449
Average royalty production				
Natural gas (mcf/d) <sup>(3)</sup>	65,725	55,056	65,230	56,364
Light and medium crude oil (bbl/d) <sup>(3)</sup>	340	231	313	224
Heavy crude oil (bbl/d) <sup>(3)</sup>	303	?	177	?
Natural gas liquids (bbl/d) <sup>(3)</sup>	668	484	644	516
Total (boe/d)	12,265	9,891	12,005	10,134
Realized royalty production prices				
Natural gas (\$/mcf) <sup>(3)</sup>	\$3.11	\$2.00	\$3.12	\$2.03
Light and medium crude oil (C\$/bbl) <sup>(3)</sup>	\$76.94	\$26.14	\$71.37	\$35.92

Heavy crude oil (\$/bbl) <sup>(3)</sup>	\$61.61	?	\$60.59	?
Natural gas liquids (C\$/bbl) <sup>(3)</sup>	\$78.91	\$30.61	\$75.66	\$44.30
Total (\$/boe)	\$24.59	\$13.26	\$23.76	\$14.42
Benchmark Pricing				
Natural gas				
AECO 5A (CAD\$/mcf)	\$3.11	\$2.00	\$3.14	\$2.02
Crude oil				
NYMEX WTI (USD\$/bbl)	\$66.10	\$28.00	\$62.52	\$36.82
Edmonton Par (CAD\$/bbl)	\$76.39	\$30.24	\$73.06	\$40.89
WCS differential (USD\$/bbl)	\$11.51	\$11.43	\$11.96	\$15.81
Natural gas liquids				
Edmonton Condensate (CAD\$/bbl)	\$79.67	\$31.74	\$77.57	\$45.55
CAD\$/USD\$	\$0.8142	\$0.7220	\$0.8023	\$0.7335
Royalty Acreage Activity <sup>(1)</sup>				
Gross wells spud during the period	70	26	149	67
Gross wells spud and brought on production <sup>(2)</sup>	19	25	80	62
Total gross wells brought on production during the period <sup>(4)</sup>	50	25	120	62

(1) Refers to the number of wells (including injection wells) spud or brought on production, as indicated, by the working interest owners (operators).

#### Infrastructure

Processing revenue is generated from processing revenue brought on production which were spud within the respective period; does not take into account processing revenue generated through its non-operated ownership in processing facilities. The Company's processing facilities are operated 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. Refer to Supplemental Information regarding Product Types.

(4) Includes wells drilled during the current and previous periods on Topaz royalty acreage. During Q2 2021 and Q2 2020, Topaz generated \$10.6 million and \$5.3 million, respectively of processing revenue attributed to its non-operated ownership in processing facilities. Average daily utilization during Q2 2021 and Q2 2020 of Topaz's net natural gas processing capacity was 98% and 100%, respectively, which is attributed to the significant utilization of Topaz's net processing capacity (75% and 58% of which is contracted under fixed take-or-pay for Q2 2021 and Q2 2020, respectively).

During YTD 2021 and YTD 2020, Topaz generated \$21.0 million and \$11.3 million, respectively of processing revenue attributed to its non-operated ownership in processing facilities. Average daily utilization during YTD 2021 and YTD 2020 of Topaz's net natural gas processing capacity was 98% and 100%, respectively, which is attributed to the significant utilization of Topaz's net processing capacity (74% and 58% of which is contracted under fixed take-or-pay for YTD 2021 and YTD 2020, respectively).

The increased processing revenues are attributed to infrastructure acquisitions that occurred during the second half of 2020.

#### 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 Q2 2021 and Q2 2020, Topaz generated other income of \$2.9 million and \$2.8 million, respectively. Other income of \$2.9 million for Q2 2021 includes interest income of \$0.1 million. There was \$nil interest income in Q2 2020. During YTD 2021 and YTD 2020, Topaz generated other income of \$6.1 million and \$5.1 million, respectively. Other income of \$6.1 million for YTD 2021 includes interest income of \$0.3 million. There was \$nil interest income during YTD 2020.

(\$000s)	Three months		Six months	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Processing revenue	10,562	5,296	21,033	11,264
Other income	2,943	2,789	6,060	5,066
Total	13,505	8,085	27,093	16,330
Infrastructure utilization activity				
Natural gas processing facilities <sup>(1)</sup> :				
Ownership capacity under fixed take-or-pay contract	125,000	50,000	125,000	50,000
Variable ownership capacity	44,409	35,500	46,172	35,500
Total ownership capacity	169,409	85,500	171,172	85,500
Total throughput volume	165,588	85,500	168,477	85,500
Total utilization (%)	98%	100%	98%	100%

<sup>(1)</sup> Weighted average daily rate (Topaz net ownership mcf/d) for the periods presented.

#### 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).

#### Q2 2021 CONFERENCE CALL

Topaz will host a conference call tomorrow, Friday, July 30, 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 14446806.

#### 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).

#### 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 timing for the closing of acquisitions; social and governance initiatives; expected production increases and capital commitments on the royalty lands; estimated levels of 2021 EBITDA, FCF and year-end net debt (cash); estimated 2020 to 2023 compound annual royalty production growth rates and the expectation that such growth rates provide embedded future growth with no further capital investment required by Topaz; the near term growth strategy to utilize excess FCF as well as leverage to invest in additional acquisition growth opportunities and the level of such leverage; the future declaration and payment of dividends and the timing and amount thereof; the forecasts described under the heading "Increased 2021 Guidance Estimates" above, including annual average royalty production, processing revenue and other income, EBITDA, FCF, annual dividends, exit net debt (cash), and capital expenditures (excluding acquisitions) for 2021; 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 and revenue for the year

ending December 31, 2021 and range of year-end exit net debt 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 "Increased 2021 Guidance Estimates" 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 13,550 to 13,750 boe/d; 2021 average infrastructure ownership capacity utilization of 100%; 2021 third party income of \$10.0 million; December 31, 2021 exit net debt range between \$174.0 and \$176.0 million, 2021 average commodity prices of: \$3.48/mcf (AECO 5A natural gas), US\$66.16/bbl (NYMEX WTI), US\$12.85/bbl (WCS oil differential), US\$4.09/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange 0.81, and 2022 average commodity prices of: \$3.13/mcf (AECO 5A natural gas), US\$65.10/bbl (NYMEX WTI), US\$12.85/bbl (WCS oil differential), US\$4.65/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange 0.82. To the extent such estimates constitute financial outlooks, they were approved by management and the board of directors of Topaz on July 29, 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 "FCF (free cash flow)", which is a measure that does not have any standardized meaning as prescribed by IFRS. Management uses this term for its own performance measures and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund dividends and a portion of its future growth expenditures or to repay debt. Accordingly, investors are cautioned that this non-GAAP financial measure may not be comparable to similarly defined measures presented by other entities and should not be considered in isolation nor as an alternative to net income (loss) from continuing operations or other financial information determined in accordance with GAAP as an indication of the Company's performance. References to "FCF (free cash flow)" are to the amount of cash estimated to be available for dividends to shareholders in accordance with the Company's dividend policy and is defined as cash flow less capital expenditures, where "cash flow" is defined as cash from (used in) operations before changes in non-cash working capital.

This news release also makes reference to the terms "cash flow," "cash flow per basic share," "FCF (free cash flow)," "FCF per basic share," "FCF Yield," "excess FCF," "EBITDA," "EBITDA margin," "payout ratio," "working capital," "adjusted working capital" and "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 "cash flow," "cash flow per basic share," "FCF (free cash flow)," "FCF per basic share," "FCF Yield," "excess FCF," "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, "cash flow" is defined as cash from (used in) operations before changes in non-cash working capital and "cash flow per basic share" is calculated using the weighted average basic shares outstanding for the period. "FCF (free cash flow)" is defined as cash flow less capital expenditures (excluding acquisitions) and "FCF per basic share" is calculated using the weighted average basic shares outstanding for the period. "FCF Yield" is the asset's free cash flow divided by the purchase consideration, and "excess FCF" is free cash flow less dividends. "EBITDA" is net income or loss from continuing operations, excluding extraordinary items, plus interest expense, income taxes and the capital portion of any finance lease received, and adjusted for non-cash items including depletion and depreciation and share-based compensation and gains or losses on dispositions. "EBITDA margin" is defined as EBITDA divided by total revenue and other income (expressed as a percentage of total revenue and other income). "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 guidance estimates for 2021 average daily production. The following table is intended to provide supplemental information about the product type composition for each of the production figures that are provided in this news release:

For the periods ended	Three months June 30, 2021	Three months June 30, 2020	Six months June 30, 2021	Six months June 30, 2020
Average daily production				
Light and Medium crude oil (bbl/d)	340	231	313	223
Heavy crude oil (bbl/d)	303	?	177	?
Conventional Natural Gas (mcf/d)	41,535	34,399	41,689	35,959
Shale Gas (mcf/d)	24,190	20,657	23,540	20,405
Natural Gas Liquids (bbl/d)	668	484	644	517
Total (boe/d)	12,265	9,891	12,005	10,134

	Topaz June 8, 2021 Royalty Production Estimate <sup>(1)</sup> 2021e	Topaz July 29, 2021 Royalty Production Estimate <sup>(1)</sup> 2021e
For the year		
Average daily production		
Light and Medium crude oil (bbl/d)	372	386
Heavy crude oil (bbl/d)	397	395
Conventional natural gas (Mcf/d)	43,859	44,035
Shale Gas (Mcf/d)	24,221	28,246
Natural Gas Liquids (bbl/d)	785	822
Total (boe/d)	12,900	13,650

<sup>(1)</sup> Estimated using the midpoint of the estimated 2021 average annual royalty production range.

SOURCE [Topaz Energy Corp.](#)

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