

Topaz Continues To Deliver Reliable, High-margin Revenue & Significant Operator-funded Reserve Replacement And Announces Dividend Increase

04.03.2024 | [CNW](#)

CALGARY, March 4, 2024 - [Topaz Energy Corp.](#) (TSX: TPZ) ("Topaz" or the "Company") is pleased to provide fourth quarter 2023 financial results and confirm the Company's 2024 guidance estimates. Select financial information is outlined below. This news release should be read in conjunction with Topaz's consolidated financial statements and related management's discussion and analysis ("MD&A") as at and for the year ended December 31, 2023, which are available on SEDAR+ at www.sedarplus.ca and the Company's website at www.topazenergy.ca.

Highlights

- Generated Q4 2023 cash flow of \$72.4 million or \$0.50 per diluted share ⁽²⁾, and free cash flow (FCF)⁽¹⁾ of \$71.7 million or \$0.49 per diluted share⁽²⁾, providing an 87% FCF margin⁽¹⁾. During 2023, Topaz generated cash flow and FCF⁽¹⁾ of \$284.1 million and \$281.7 million, \$1.97 and \$1.94 on a per diluted share, respectively⁽¹⁾⁽²⁾, and an 88% FCF margin⁽¹⁾.
- Q4 2023 royalty production averaged 19,555 boe/d⁽⁴⁾, 5% higher than Q3 2023 and 7% higher than Q4 2022. 2022 royalty production averaged 18,853 boe/d⁽⁴⁾, an 11% increase from 2022, and exceeded Topaz's 2023 midpoint guidance of 18,000 boe/d⁽³⁾⁽⁴⁾ 2% despite certain production curtailments during 2023 due to wildfires.
- During the year, operators spud 577 gross wells (21.5 net)⁽⁸⁾ across Topaz's royalty acreage, a 2% increase from 2022. This represents approximately 14% of the 2023 total rig releases across the WCSB⁽¹⁰⁾. Topaz estimates that operators will spend \$1.5 billion of development capital across the Company's royalty acreage in 2023.
- Generated royalty production revenue of \$64.3 million (\$35.72 per boe) during Q4 2023 and \$250.5 million (\$36.40 per boe) during 2023 which represented 78% of Topaz's total revenue and other income.
- Topaz's infrastructure assets contributed 22% of total revenue and other income in Q4 2023 and 2023. During Q4 2023, Topaz generated \$18.5 million in processing revenue and other income, realizing 100% utilization and a 95% operating margin⁽¹⁾. During 2023, Topaz generated \$70.9 million in processing revenue and other income (realizing 99% utilization and a 95% operating margin⁽¹⁾) providing 8% revenue growth from 2022.
- Paid a \$0.31 per share dividend during Q4 2023 (\$1.24 per share annualized⁽¹³⁾) which represents a 62% payout ratio and a 6.1% trailing annualized yield to the fourth quarter average share price⁽¹¹⁾. To December 31, 2023, Topaz has paid a total of \$1.24 per share in dividends to its shareholders since the inaugural dividend during the first quarter of 2020. On March 4, 2024, the Board approved a 3.2% dividend increase and declared the 2024 first quarter dividend at \$0.32 per share. This marks the Company's seventh dividend increase since inception, and 7% per share growth since the first quarter of 2023.
- Topaz confirms its 2024 royalty production guidance at 18,800 - 19,600 boe/d⁽³⁾⁽⁴⁾ and estimates 2024 processing revenue and other income between \$69.0 and \$71.0 million⁽³⁾. Topaz's 2024 estimated dividend is sustainable down to low commodity prices (\$0.50 per mcf natural gas and US\$55.00 per bbl crude oil⁽⁴⁾) due to the Company's high-margin, stable infrastructure assets and hedging contracts in place. Based on Topaz's 2024 midpoint royalty production estimate, 18% of natural gas production is hedged at a weighted average fixed price of C\$3.17 per mcf and 30% of oil and total liquids is hedged at a weighted average price of C\$103.25 per bbl, with collar structures in place to provide upside price participation⁽¹⁴⁾.
- During 2023, Topaz allocated FCF⁽¹⁾ to dividend payments of \$176.3 million, acquisitions of \$46.4 million, and debt reduction of \$63.1 million (16% net debt⁽¹⁾ reduction from YE 2022).
- During 2023 Topaz generated 10% production per share growth from the prior year. Operator-funded development added 8.7 mmboe of proved plus probable developed reserves⁽⁷⁾ (excluding technical reserves) to Topaz's royalty acreage, which represents 1.3 times replacement of Topaz's 6.9 mmboe of royalty reserves produced in 2022. As of December 31, 2023, the before-tax net present value of total proved plus probable developed reserves, discounted at 10%, was \$1.5 billion, consistent with 2022 despite lower forecast commodity price assumptions.

- Released Topaz's 2022 Sustainability Report which highlights the Company's commitment to deliver superior, sustainable investment returns to shareholders through its sustainable investment strategy and by fostering a strong and committed workforce, mitigating climate-related risk and upholding strong corporate governance and ethics.

Fourth Quarter 2023 Update

Financial Overview

- During Q4 2023, Topaz generated \$82.8 million total revenue and other income, 78% from royalty production revenue and 22% from its infrastructure assets that generated a 99% operating margin⁽¹⁾ and 22% from its infrastructure assets that generated a 95% operating margin.
- Topaz's Q4 2023 cash flow of \$72.4 million (\$0.50 per diluted share⁽²⁾) was 3% lower than Q3 2023 due to a 10% realized royalty production pricing offset by 3% higher processing revenue, 5% higher royalty production and 3% higher cash costs. During Q4 2023 Topaz generated an 87% FCF margin⁽¹⁾, compared to 84% during Q3 2023.
- During the fourth quarter, Topaz paid \$44.8 million in dividends, representing a 62% payout ratio⁽¹⁾ and generated \$10.0 million of Excess FCF⁽¹⁾ which was allocated to acquisition growth and debt reduction.
- Topaz exited 2023 with \$342.7 million of net debt⁽¹⁾, \$63.1 million (16%) lower than exit 2022. As at March 4, 2024, Topaz has \$650.0 million of available credit capacity⁽⁶⁾ which provides financial flexibility for strategic growth opportunities.

Royalty Activity

- Royalty production averaged 19,555 boe/d⁽⁴⁾ in Q4 2023, 5% higher than Q3 2023 and 7% higher than Q4 2022. Oil and liquids royalty production achieved another record high in Q4 2023, averaging 6,027 bbl/d and Topaz generated \$10.0 million of total royalty production revenue during the quarter. The estimated gross operator production across Topaz's royalty acreage in Q4 2023 represented approximately 9% of total WCSB production⁽⁹⁾.
- During Q4 2023, Topaz's total realized royalty production price was \$35.72 per boe. A significant portion of Topaz's royalties receive benchmark market pricing, whereby no quality differentials, transportation or processing charges are added from the royalty price paid to Topaz, irrespective of actual costs incurred by the operator. During Q4 2023, Topaz's realized price was \$2.28 per mcf. For heavy oil, Topaz realized \$75.12 per bbl. In Q4 2023, 70% of Topaz's natural gas royalty production was condensate, which attracts premium pricing and contributed to the Company's natural gas realized price of \$93.46 per bbl.
- During Q4 2023, operators spud 147 gross wells (5.0 net)⁽⁸⁾, 87 of which (2.2 net) were not yet brought on production at the end of the quarter. Inclusive of wells drilled during previous periods, 169 gross wells (5.8 net)⁽⁸⁾ were brought on production in Q4 2023.
- Fourth quarter drilling activity (147 gross wells spud⁽⁸⁾) was diversified across Topaz's portfolio as follows: 42 Clearwater, 10 NEBC Montney, 38 Deep Basin, 10 Peace River, 5 Central Alberta and 14 SE Saskatchewan/Manitoba. In 2023, 61% of gross wells spud⁽⁸⁾ (61%) across Topaz's royalty acreage were in the Clearwater and NEBC Montney, Topaz's high-performing areas. Average 2023 royalty production from these two areas has increased 20% relative to 2022.
- Based on planned operator drilling activity, Topaz expects that the current 24 to 28 active drilling rigs on its royalty acreage will be maintained through the first quarter of 2024⁽³⁾.

Infrastructure Activity

- During Q4 2023, Topaz generated \$18.5 million in processing revenue and other income which was 2% higher than Q4 2022. During Q4 2023, Topaz incurred \$1.0 million in operating expenses resulting in a 95% operating margin⁽¹⁾. During the quarter, infrastructure assets generated 100% utilization and Topaz incurred \$0.1 million in maintenance-related capital expenditures (before capitalized G&A).

Acquisition Activity

- As previously announced, Topaz entered into definitive agreements during Q4 2023 for a \$26.3 million investment in a Canadian energy producer, for a new 7% gross overriding royalty and supporting capital commitment, on approximately 10,000 gross acres in the West Nipisi area ("New Clearwater Royalty Lands"); and a 99% working interest in a planned natural gas gathering system that is supported by a long-term fixed take-or-pay and cumulative volume commitment ("Clearwater Natural Gas Gathering Infrastructure"). The operator is currently drilling the commitment well on the New Clearwater Royalty Lands. Construction is underway on the new Clearwater Natural Gas Gathering Infrastructure which is expected to be completed in 2024⁽¹⁶⁾. The Clearwater Natural Gas Gathering Infrastructure is designed to conserve natural gas across Topaz's Marten Hills royalty acreage and is expected to increase Topaz's existing royalty production revenue up to \$0.5 million annually, meaningfully reduce CO₂ emissions in the area, and generate approximately \$3.7 million in infrastructure processing revenue for Topaz in 2025⁽³⁾⁽¹⁶⁾.
- During the fourth quarter, Topaz invested \$2.5 million for its working interest share of costs invested to expand the Clearwater facility which increased Topaz's natural gas processing capacity and provides incremental fixed take-or-pay fees.

Dividend

- Topaz's Board has declared the first quarter 2024 dividend at \$0.32 per share which is expected to be paid on March 15, 2024, to shareholders of record on March 15, 2024. The quarterly cash dividend is designated as an "eligible dividend" for Canadian income tax purposes and the annualized dividend of \$1.28 per share⁽¹³⁾ provides a 6.4% yield to Topaz's current share price.

Guidance Outlook

2024 Guidance Estimates Confirmed

- Topaz confirms the Company's previously announced 2024 guidance estimates, including average annual royalty production of 18,800 - 19,600 boe/d⁽³⁾⁽⁴⁾ and processing revenue and other income between \$69.0 and \$71.0 million⁽³⁾. Topaz's 2024 production guidance anticipates operator-funded capital development between \$2.2 billion and \$2.8 billion and includes the impact of a contractually scheduled royalty rate change from 4% to 3%, effective January 1, 2024, on approximately 500 boe/d of gross natural gas production (approximately 500 boe/d to Topaz)⁽¹⁵ⁱⁱ⁾.
- For 2024, the royalty production guidance range purposefully remains flexible and allows for operators to adjust production in response to near-term supply/demand and resulting commodity price factors in the WCSB. Topaz's asset portfolio is diversified amongst oil and liquids-rich, natural gas-focused plays and is concentrated on the most commodity price sensitive activity areas due in part to strategic partners' infrastructure assets and low-cost structures, which further support the 2024 guidance estimates. Based on current commodity pricing⁽⁵⁾, Topaz expects to exit 2024 with net debt⁽¹⁾ between \$255.0 million, before consideration of incremental acquisitions or the Clearwater Natural Gas Gathering Infrastructure.

2024 Guidance Estimates⁽³⁾⁽¹⁵⁾

\$mm except boe/d

Annual average royalty production (boe/d) ⁽⁴⁾	18,800 - 19,600
Royalty production natural gas weighting (%) ⁽⁴⁾	~70%
Infrastructure processing revenue and other income	\$69.0 - \$71.0mm
Capital expenditures (excluding acquisitions)	\$4.0 - \$5.0mm
Dividend (\$1.28 per share) ⁽¹³⁾	~\$185.4mm
Dividend payout ratio ⁽¹⁾	~65%
YE 2024 net debt ⁽¹⁾	\$245.0 - \$255.0mm
YE 2024 net debt to EBITDA ⁽¹⁾	~0.8x

Dividend Sustainability and Capital Allocation

- Topaz's 2024 estimated dividend is sustainable down to low commodity prices (C\$0.50/mcf AECO and US\$55 WTI). The reliability of the dividend is attributable to: (i) high-margin, stable infrastructure revenue which represents approximately 35% of the 2024e dividend; (ii) hedging and natural gas price diversification strategy including financial derivative contracts which provide a fixed price of C\$3.17 per mcf for 18%⁽¹⁴⁾ of natural gas, 7%⁽¹⁴⁾ of Topaz's natural gas diversified to NYMEX, and an AECO basis differential of US\$0.42 per mmbtu, and average crude oil floor pricing of C\$103.25 per bbl for 30% of total liquids; (iii) the quality and financial strength of Topaz's asset portfolio and strategic partners which mitigates risk from development activity; and (iv) the Company's diversified commodity mix (69% natural gas and 31% total liquids) and diversified royalty revenue composition (approximately 35% natural gas and 65% total liquids⁽³⁾⁽⁵⁾).
- Topaz's estimated 2024 dividend payout ratio of 65%⁽³⁾⁽¹⁵⁾ remains at the lower end of the Company's targeted dividend payout of 60-90% to maintain financial flexibility for acquisition growth opportunities. Topaz's strategy is to continue to increase further dividend increases alongside sustainable organic and acquisition growth.
- Topaz estimates its year-end 2024 net debt to EBITDA⁽¹⁾ will be approximately 0.8 times⁽³⁾⁽¹⁵⁾ before consideration of acquisition activity, or 0.9 times⁽³⁾⁽¹⁵⁾ following the commissioning and estimated costs attributed to the Clearwater Gathering Infrastructure⁽¹⁶⁾. The Company has a \$700 million covenant-based unsecured credit facility, expandable to \$1 billion, which provides financial flexibility and growth optionality⁽⁶⁾.

Additional information

Additional information about Topaz, including the consolidated financial statements and management's discussion and analysis, and for the three and twelve months ended December 31, 2023 are available on SEDAR+ at www.sedarplus.ca under the Company's profile, and on Topaz's website, www.topazenergy.ca.

Q4 2023 CONFERENCE CALL

Topaz will host a conference call tomorrow, Tuesday, March 5, 2024 starting at 9:00 a.m. MST (11:00 a.m. EST). To join the conference call without operator assistance, participants can register and enter their phone number at <https://emportal.com> to receive an instant automated call back. Alternatively, participants can join by calling a live operator at 416-764-8659 or 1-888-664-6392 (North American toll free). The conference call ID is 66142057.

2024 ANNUAL MEETING

Topaz will host its annual shareholder meeting on Thursday, May 2, 2024 starting at 9:00 a.m. MST (11:00 a.m. EST) in the Board Room at the Calgary Petroleum Club. If you are a shareholder on record of Topaz common shares at the close of business on April 18, 2024, you are entitled to receive notice of, participate in, and vote at this meeting. We encourage you to vote your common shares and participate in the meeting.

ABOUT THE COMPANY

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

The Topaz royalty and energy infrastructure revenue streams are generated primarily from assets operated by natural gas producers with some of the lowest greenhouse gas emissions intensity in the Canadian senior upstream sector, including Tourmaline. Topaz has received awards for environmental sustainability and conservation efforts. Certain of these producers have set long-term emissions reduction targets and continue to invest in technology to improve environmental sustainability.

Topaz's common shares are listed and posted for trading on the TSX under the trading symbol "TPZ" and it is included in the S&P/TSX Composite Index. This is the headline index for Canada and is the principal benchmark measure for the Canadian energy markets, represented by the largest companies on the TSX.

For further information, please visit the Company's website at www.topazenergy.ca. Topaz's SEDAR+ filings are available at www.sedarplus.ca.

Selected Financial Information

For the periods ended (\$000s) except per share	2023	2022	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Royalty production revenue	250,488	303,811	64,268	67,629	57,667	60,924	77,809
Processing revenue	56,203	52,924	14,854	14,381	13,397	13,571	13,841
Other income ⁽⁴⁾	14,724	12,912	3,656	3,762	3,616	3,690	3,993
Total	321,415	369,647	82,778	85,772	74,680	78,185	95,643
Cash expenses:							
Operating	(6,896)	(6,374)	(979)	(955)	(3,022)	(1,940)	(1,785)
Marketing	(1,468)	(2,034)	(384)	(400)	(315)	(369)	(486)
General and administrative	(6,910)	(6,440)	(2,028)	(1,490)	(1,823)	(1,569)	(1,828)
Realized gain (loss) on financial instruments	9,261	(7,435)	281	(761)	4,945	4,796	1,614
Interest expense	(29,099)	(13,601)	(7,279)	(7,495)	(6,987)	(7,338)	(6,885)
Cash flow	286,303	333,763	72,389	74,671	67,478	71,765	86,273
Per basic share ⁽¹⁾⁽²⁾	\$1.98	\$2.34	\$0.50	\$0.52	\$0.47	\$0.50	\$0.60
Per diluted share ⁽¹⁾⁽²⁾	\$1.97	\$2.33	\$0.50	\$0.52	\$0.47	\$0.50	\$0.60
Cash from operating activities	300,576	317,878	76,423	65,190	73,304	85,659	69,214
Per basic share ⁽¹⁾⁽²⁾	\$2.08	\$2.23	\$0.53	\$0.45	\$0.51	\$0.59	\$0.48
Per diluted share ⁽¹⁾⁽²⁾	\$2.07	\$2.22	\$0.53	\$0.45	\$0.51	\$0.59	\$0.48
Net income	47,644	99,355	19,635	10,750	9,366	7,893	19,094
Per basic share ⁽²⁾	\$0.33	\$0.70	\$0.14	\$0.07	\$0.06	\$0.05	\$0.13
Per diluted share ⁽²⁾	\$0.33	\$0.69	\$0.13	\$0.07	\$0.06	\$0.05	\$0.13
EBITDA ⁽⁷⁾	314,811	347,027	79,552	81,996	74,316	78,947	93,006
Per basic share ⁽¹⁾⁽²⁾	\$2.18	\$2.43	\$0.55	\$0.57	\$0.51	\$0.55	\$0.65
Per diluted share ⁽¹⁾⁽²⁾	\$2.17	\$2.42	\$0.55	\$0.57	\$0.51	\$0.54	\$0.64
FCF ⁽¹⁾	281,735	329,925	71,676	72,390	66,379	71,290	85,018
Per basic share ⁽¹⁾⁽²⁾	\$1.95	\$2.31	\$0.50	\$0.50	\$0.46	\$0.49	\$0.59
Per diluted share ⁽¹⁾⁽²⁾	\$1.94	\$2.30	\$0.49	\$0.50	\$0.46	\$0.49	\$0.59
FCF margin ⁽¹⁾	88 %	89 %	87 %	84 %	89 %	91 %	89 %
Dividends paid	176,316	157,288	44,847	44,805	43,355	43,309	43,244
Per share ⁽¹⁾⁽⁶⁾	\$1.22	\$1.10	\$0.31	\$0.31	\$0.30	\$0.30	\$0.30
Payout ratio ⁽¹⁾	62 %	47 %	62 %	60 %	64 %	60 %	50 %

Excess FCF ⁽¹⁾	105,419	172,637	26,829	27,585	23,024	27,981	41,774
Capital expenditures	4,568	3,838	713	2,281	1,099	475	1,255
Work in progress capital costs	3,581	?	3,581	?	?	?	?
Acquisitions, excl. decommissioning obligations ⁽¹⁾	46,392	435,639	6,404	39,505	447	36	7,538
Weighted average shares - basic ⁽³⁾	144,493	142,546	144,657	144,535	144,438	144,336	144,153
Weighted average shares - diluted ⁽³⁾	145,370	143,302	145,536	145,114	144,990	144,943	144,976
Average Royalty Production ⁽⁵⁾							
Natural gas (mcf/d)	79,220	76,318	81,163	77,291	77,564	80,880	77,770
Light and medium crude oil (bbl/d)	1,727	1,519	1,790	1,674	1,717	1,727	1,704
Heavy crude oil (bbl/d)	2,740	1,549	3,016	2,861	2,582	2,496	2,512
Natural gas liquids (bbl/d)	1,181	1,125	1,221	1,140	1,185	1,179	1,170
Total (boe/d)	18,853	16,914	19,555	18,556	18,411	18,884	18,349
Total royalty production (% total liquids)	30 %	25 %	31 %	31 %	30 %	29 %	29 %
Natural gas liquids (% condensate)	71 %	74 %	70 %	75 %	67 %	71 %	73 %
Realized Commodity Prices ⁽⁵⁾							
Natural gas (\$/mcf)	\$2.61	\$5.21	\$2.28	\$2.53	\$2.38	\$3.23	\$4.77
Light and medium crude oil (\$/bbl)	\$94.55	\$112.33	\$96.51	\$103.58	\$90.61	\$87.50	\$100.67
Heavy crude oil (\$/bbl)	\$75.55	\$89.87	\$75.12	\$89.78	\$73.87	\$61.15	\$72.33
Natural gas liquids (\$/bbl)	\$92.66	\$110.91	\$93.46	\$95.95	\$86.73	\$94.58	\$104.18
Total (\$/boe)	\$36.40	\$49.21	\$35.72	\$39.61	\$34.42	\$35.85	\$46.09
Benchmark Pricing							
Natural Gas							
AECO 5A (CAD\$/mcf)	\$2.64	\$5.31	\$2.30	\$2.60	\$2.45	\$3.23	\$5.11
AECO 7A (CAD\$/mcf)	\$2.93	\$5.56	\$2.66	\$2.30	\$2.34	\$4.35	\$5.58
Westcoast station 2 (CAD\$/mcf)	\$2.26	\$4.46	\$2.05	\$2.19	\$1.89	\$2.90	\$3.22
Crude Oil, Heavy Oil and Natural Gas Liquids							
NYMEX WTI (USD\$/bbl)	\$77.62	\$94.23	\$78.32	\$82.18	\$73.75	\$76.11	\$82.64
Edmonton Par (CAD\$/bbl)	\$100.83	\$120.29	\$99.97	\$108.16	\$95.52	\$99.55	\$110.32
WCS differential (USD\$/bbl)	\$18.85	\$18.23	\$21.97	\$12.91	\$15.07	\$25.41	\$25.63
Edmonton Condensate (CAD\$/bbl)	\$101.62	\$120.36	\$102.05	\$103.51	\$95.61	\$105.13	\$111.41
CAD\$/USD\$	\$0.7411	\$0.7689	\$0.7344	\$0.7459	\$0.7446	\$0.7396	\$0.7365

Selected statement of financial position results
(\$000s) except share amounts

	At Dec. 31, 2023	At Sept. 30, 2023	At Jun. 30, 2023	At Mar. 31, 2023	At Dec. 31, 2022
Total assets	1,647,147	1,691,150	1,700,893	1,766,639	1,835,711
Working capital	53,295	47,129	43,898	52,940	64,948
Adjusted working capital ⁽¹⁾	48,900	48,475	42,159	49,822	58,713
Net debt (cash) ⁽¹⁾	342,738	363,206	352,393	376,487	405,871
Common shares outstanding ⁽³⁾	144,741	144,636	144,522	144,364	144,211

- (1) Refer to
- (2) Calculated using
- (3) See "Non-GAAP and Other Financial Measures".
- (4) Weighted average number of shares outstanding
- (5) \$0.2 million; Q2 2023
- (6) Supplemental Information Regarding Product Types
- (7) Estimated based on a recent commodity price forecast for 2024: C\$2.20 per mcf natural gas; US\$75.28 per bbl crude oil.

NOTE REFERENCES

This news release refers to financial reporting periods in abbreviated form as follows: "Q4 2023" refers to the three months ended December 31, 2023; "Q3 2023" refers to the three months ended September 30, 2023; "Q4 2022" refers to the three months ended December 31, 2022; "2023" refers to the year ended December 31, 2023; and "2022" refers to the year ended December 31, 2022. In addition, "2024e" refers to estimated amounts or results for the year ending December 31, 2024.

1. See "Non-GAAP and Other Financial Measures".
2. Calculated using the weighted average number of diluted common shares outstanding during the respective period.
3. See "Forward-Looking Statements".
4. See "Supplemental Information Regarding Product Types".
5. Estimated based on a recent commodity price forecast for 2024: C\$2.20 per mcf natural gas; US\$75.28 per bbl crude oil.
6. Topaz's \$700 million credit facility includes a \$300 million accordion feature (for a total \$1.0 billion facility) that may be advanced by Topaz but remains subject to agent consent. At March 4, 2024 Topaz had \$350.0 million drawn against the credit facility, providing up to \$650.0 million available subject to agent consent.

7. As a royalty entity not responsible for capital development, Topaz's recorded reserves are limited to proved producing, proved non-producing and probable developed properties and do not include any future development capital attributed to undeveloped royalty acreage. Topaz's 2023 production replacement was calculated as the sum of 2023 extensions of 8,504 Mboe plus improved recovery of 188 Mboe, divided by 2023 production of 6,881 Mboe resulting in 2023 production replacement of 1.3 times. Based on Topaz's December 31, 2023 external independent reserve report, refer to Topaz's 2023 Annual Information Form available on SEDAR+ for additional information.
8. May include non-producing injection wells.
9. Estimated total operator working interest average production across Topaz royalty acreage Q4 2023 (~0.68 MMboepd) as a percentage of total estimated WCSB average production Q4 2023 of 8.0MMboepd (Source: Canada Energy Regulator).
10. 2023 gross wells spud across Topaz royalty acreage (577) as a percentage of the total wells rig released across the WCSB during 2023 of 4,262 (excluding oil sands/in situ) (Source: Rig Locator, geoSCOUT and Peters & Co. Limited).
11. Calculated based on Topaz's average share price on the TSX during the fourth quarter of 2023 of \$20.28.
12. Calculated based on Topaz's closing share price on the TSX on February 29, 2024 of \$20.04.
13. Topaz's dividends remain subject to board of director approval.
14. Refer to Topaz's most recently filed MD&A for a complete listing of financial derivative contracts in place. Coverage estimates are calculated based on the midpoint of Topaz's 2024 royalty production guidance estimate.
15. Management's assumptions underlying the Company's 2024 guidance estimates include:
 - i. Being subject to any significant, potential changes to the Company's key operators' 2024 capital budgets and/or operational, weather or wildfire-related issues that may impact 2024 estimated production;
 - ii. Royalty rate changes were incorporated into the underwritten valuation of certain natural gas acquisitions and the royalty rate change on January 1, 2024 represents the final contractually scheduled change;
 - iii. Topaz's internal estimates regarding development pace and production performance including estimates of operators' 2024 capital development plans including capital allocated to waterflood and other long-term value-enhancing projects and excluding exploration spending; all of which being subject to key operators' revisions to 2024 capital budgets and/or operational, weather or wildfire-related issues that may impact 2024 production;
 - iv. Management's estimates for fixed and variable processing fees based on 95% utilization, third party income, and infrastructure utilization and cost estimates based on historic information and adjusted for inflation;
 - v. No acquisition activity. The Clearwater Natural Gas Gathering Infrastructure acquisition is expected to be effective in fiscal 2025 and will be incorporated into 2024 guidance estimates, if applicable, once final capital costs and processing fees are determined, and once the pipeline is commissioned;
 - vi. Estimated 2024e expenses and expenditures of \$7.0-\$8.0mm of cash G&A; \$8.0-\$9.0mm of operating expenses; \$4.0-\$5.0mm capital expenditures (excluding acquisitions); 1% marketing fee on certain royalty production; estimated annual borrowing and standby interest costs at a rate of 8%;
 - vii. 2024 estimated total dividends of \$185.4 million based on 144.8 million shares outstanding at March 4, 2024 (\$1.28 per share);
 - viii. Topaz's outstanding financial derivative contracts included in its most recently filed MD&A; and
 - ix. Topaz's sensitivity to 2024 inherent revenue estimates are as follows:
 1. C\$0.50/mcf change in natural gas price +/- \$14.2mm;
 2. US\$2.00/bbl change in crude oil price +/- \$5.3mm;

3. 1% annual average royalty production change +/- \$2.5mm;
 4. 1% change in CAD/USD foreign exchange +/- \$1.7mm; and
 5. US\$1.0/bbl change in WCS differential +/- \$1.5mm.
16. For accounting purposes, and as owner of the Clearwater Natural Gas Gathering Infrastructure, Topaz records the construction costs as they are incurred by the operator, however all funding is contractually deferred until final commissioning of the pipeline, which is targeted for completion late 2024. Topaz has recorded the amount incurred to date as a deferred payable on its balance sheet. The Clearwater Natural Gas Gathering Infrastructure is expected to cost up to \$25.0 million, with the infrastructure processing revenue to Topaz to be adjusted according to final construction costs.

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 anticipated funding and timing of the funding of the Clearwater Natural Gas Gathering Infrastructure and the benefits of such infrastructure including anticipated increases to existing royalty production and infrastructure processing revenue; anticipated royalty production revenue from the New Clearwater Royalty Lands; Topaz's future growth outlook, guidance and strategic plans; estimated annual average royalty production for 2024; estimated processing revenue and other income for 2024; anticipated exit 2024 net debt levels and 2024 net debt to EBITDA levels; dividend amounts, dividend increases (including the intention to increase dividends) and the estimated dividend payout ratio; the sustainability of the dividend and the rationale for such sustainability; the maintenance of financial flexibility for strategic growth opportunities; the anticipated capital expenditure and drilling plans; the number of drilling rigs to be active on Topaz's royalty acreage during the first quarter of 2024; the future declaration and payment of dividends and the timing and amount thereof; the costs and completion timing with respect to the Clearwater Natural Gas Gathering System; the forecasts described under the headings "Fourth Quarter 2023 Update" (including under the sub-heading "Dividend") and "Guidance Outlook" and the assumptions and estimates described under the heading "Note References" above; expected benefits from acquisitions including enhancing Topaz's future growth outlook and the plans to maintain a low payout ratio in order to retain Excess FCF for self-funded M&A growth and further dividend increases; and the Company's business as described under the heading "About the Company" above.

Forward-looking statements are based on a number of assumptions including those highlighted in this news release including future commodity prices, capital expenditures, infrastructure ownership capacity utilization and operator development plans, 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 statements.

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 FCF per share growth, and the factors discussed in the Company's recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein), 2023 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.sedarplus.ca) or Topaz's website (www.topazenergy.ca).

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, 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, FCF, 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 statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

FINANCIAL OUTLOOK

Also included in this news release are estimates of the average royalty production range and processing revenue and other income range for the year ending December 31, 2024 and range of year-end exit net debt and net debt to EBITDA for 2024, which are based on, among other things, the various assumptions as to production levels and capital expenditures and other assumptions disclosed in this news release including under the heading "Guidance Outlook" and "Note References" above and are based on the following key

assumptions: Topaz's estimated capital expenditures (excluding acquisitions) of \$4 to \$5 million in 2024; the working interest owners' anticipated 2024 capital plans attributable to Topaz's undeveloped royalty lands; estimated average annual royalty production range of 18,800 to 19,600 boe/d in 2024; 2024 average infrastructure ownership capacity utilization of 95%; estimated timing of completion and commissioning of the Clearwater Natural Gas Gathering System on or before December 31, 2024; December 31, 2024 exit net debt range between \$245 and \$255 million, 2024 average commodity prices of: \$2.20/mcf (AECO 5A), US\$75.28/bbl (NYMEX WTI), US\$14.00/bbl (WCS oil differential), US\$4.35/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange 0.74.

To the extent such estimates constitute financial outlooks, they were approved by management and the board of directors of Topaz on March 4, 2024 and are included to provide readers with an understanding of the estimated revenue, net debt and the other metrics described above for the year ending December 31, 2024 based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

NON-GAAP AND OTHER FINANCIAL MEASURES

Certain financial terms and measures contained in this news release are "specified financial measures" (as such term is defined in National Instrument 52-112 - Non-GAAP and Other Financial Measures Disclosure ("NI 52-112")). The specified financial measures referred to in this news release are comprised of "non-GAAP financial measures", "capital management measures" and "supplementary financial measures" (as such terms are defined in NI 52-112). These measures are defined, qualified, and where required, reconciled with the nearest GAAP measure below.

Non-GAAP Measures and Ratios

The non-GAAP financial measure used herein does not have a standardized meaning prescribed by GAAP. Accordingly, the Company's use of this term may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that the non-GAAP financial measure should not be considered in isolation nor as an alternative to net income (loss) or other financial information determined in accordance with GAAP, as an indication of the Company's performance.

Non-GAAP Financial Measures

This news release makes reference to the terms "acquisitions, excluding decommissioning obligations" and "operating margin", which are considered non-GAAP financial measures under NI 52-112; defined as a financial measure disclosed by an issuer that depicts the historical or expected future financial performance, financial position, or cash flow of an entity, and is not disclosed in the financial statements of the issuer.

Other Financial Measures

Capital management measures

Capital management measures are defined as financial measures disclosed by an issuer that are intended to enable an individual to evaluate the entity's objectives, policies and processes for managing the entity's capital, are not a component of a line item or a line item on the primary financial statements, and which are disclosed in the notes to the financial statements. The Company's capital management measures disclosed in the Company's consolidated financial statements as at and for the year ended December 31, 2023 include adjusted working capital, net debt (cash), free cash flow (FCF) and Excess FCF.

Supplementary financial measures

This news release makes reference to the terms "cash flow per basic or diluted share", "FCF per basic or diluted share", "EBITDA per basic or diluted share", "FCF margin", "operating margin percentage" and "payout ratio" which are all considered supplementary financial measures under NI 52-112; defined as a financial measure disclosed by an issuer that is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity, is not disclosed in the financial statements of the issuer, and is not a non-GAAP financial measure or non-GAAP financial ratio.

The following terms are financial measures as defined under the Company's Syndicated Credit Facility, presented in the Company's consolidated financial statements as at and for the year ended December 31, 2023: (i) consolidated senior debt, (ii) total debt, (iii) EBITDA and (iv) capitalization.

Cash flow, FCF, FCF margin, and Excess FCF

Management uses cash flow, FCF, FCF margin and Excess FCF for its own performance measures and to

provide investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund or increase dividends, fund future growth opportunities and/or to repay debt; and furthermore, uses per share metrics to provide investors with a measure of the proportion attributable to the basic or diluted weighted average common shares outstanding.

Cash flow is a GAAP measure which is derived of cash from operating activities excluding the change in non-cash working capital and is presented in the consolidated statements of cash flows. FCF is a capital management measure presented in the notes to the consolidated financial statements and is defined as cash flow, less capital expenditures. The supplementary financial measure "FCF margin", is defined as FCF divided by total revenue and other income (expressed as a percentage of total revenue and other income). The capital management measure "Excess FCF", is defined as FCF less dividends paid. The supplementary financial measures "cash flow per basic or diluted share" and "FCF per basic or diluted share" are calculated by dividing cash flow and FCF, respectively, by the basic or diluted weighted average common shares outstanding during the period.

A summary of the reconciliation from cash from operating activities (per the consolidated statements of cash flows) to cash flow (per the consolidated statements of cash flows), cash flow per basic or diluted share, FCF, Excess FCF, FCF per basic or diluted share and FCF margin is set forth below:

	Three months ended		Year ended	
(\$000s)	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Cash from operating activities	76,423	69,214	300,576	317,878
Exclude (include) net change in non-cash working capital	4,034	(17,059)	14,273	(15,885)
Cash flow	72,389	86,273	286,303	333,763
Less: Capital expenditures	713	1,255	4,568	3,838
FCF	71,676	85,018	281,735	329,925
Less: dividends paid	44,847	43,244	176,316	157,288
Excess FCF	26,829	41,774	105,419	172,637
Cash flow per basic share ⁽¹⁾	\$0.50	\$0.60	\$1.98	\$2.34
Cash flow per diluted share ⁽¹⁾	\$0.50	\$0.60	\$1.97	\$2.33
FCF per basic share ⁽¹⁾	\$0.50	\$0.59	\$1.95	\$2.31
FCF per diluted share ⁽¹⁾	\$0.49	\$0.59	\$1.94	\$2.30
FCF	71,676	85,018	281,735	329,925
Total revenue and other income	82,778	95,643	321,415	369,647
FCF Margin	87 %	89 %	88 %	89 %

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

Operating margin and operating margin percentage

Operating margin (infrastructure assets) is a non-GAAP financial measure derived from processing revenue and other income, less operating expenses. Operating margin percentage (infrastructure assets) is a supplemental financial measure, calculated as operating margin (infrastructure assets), expressed as a percentage of total processing revenue and other income. Operating margin (royalty assets) is a non-GAAP financial measure derived from royalty production revenue, less marketing expenses. Operating margin percentage (royalty assets) is a supplemental financial measure, calculated as operating margin (royalty

assets), expressed as a percentage of total royalty production revenue. Operating margin and operating margin percentage are used by management to analyze the profitability of its infrastructure assets and royalty assets. A summary of the reconciliation of operating margin and operating margin percentage is set forth below:

Operating margin and operating margin percentage (infrastructure assets)

	Three months ended		Year ended	
(\$000s, unless otherwise specified)	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Processing revenue	14,854	13,841	56,203	52,924
Other income	3,656	3,993	14,724	12,912
Total Processing revenue and other income	18,510	17,834	70,927	65,836
Operating Expenses	979	1,785	6,896	6,374
Operating Margin (infrastructure assets)	17,531	16,049	64,031	59,462
Operating Margin % (infrastructure assets)	95 %	90 %	90 %	90 %

Operating margin and operating margin percentage (royalty assets)

	Three months ended		Year ended	
(\$000s, unless otherwise specified)	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Royalty production revenue	64,268	77,809	250,488	303,811
Marketing expenses	384	486	1,468	2,034
Operating Margin (royalty assets)	63,884	77,323	249,020	301,777
Operating Margin % (royalty assets)	99 %	99 %	99 %	99 %

Adjusted working capital and net debt (cash)

Management uses the terms "adjusted working capital" and "net debt (cash)" to measure the Company's liquidity position and capital flexibility, as such these terms are considered capital management measures. "Adjusted working capital" is calculated as current assets less current liabilities, adjusted for financial instruments and work in progress capital costs. "Net debt (cash)" is calculated as total debt outstanding less adjusted working capital.

A summary of the reconciliation from working capital, to adjusted working capital and net debt (cash) is set forth below:

(\$000s)	As at Dec. 31, 2023	As at Dec. 31, 2022
Working capital	53,295	64,948
Exclude fair value of financial instruments	7,976	6,235
Exclude work in progress capital costs	(3,581)	?
Adjusted working capital	48,900	58,713
Less: bank debt	391,638	464,584
Net Debt	342,738	405,871

EBITDA and EBITDA per basic or diluted share

EBITDA, as defined under the Company's Syndicated Credit Facility and disclosed in note 9 of the Company's consolidated financial statements as at and for the year ended December 31, 2023, is considered by the Company as a capital management measure which is used to evaluate the Company's operating performance, and provides investors with a measurement of the Company's cash generated from its operations, before consideration of interest income or expense. "EBITDA" is calculated as consolidated net income or loss from continuing operations, excluding extraordinary items, plus interest expense, income taxes, and adjusted for non-cash items and gains or losses on dispositions.

EBITDA per basic or diluted share is a supplementary financial measure that is calculated by dividing EBITDA by the basic or diluted weighted average common shares outstanding during the period and provides investors with a measure of the proportion of EBITDA attributed to the basic or diluted weighted average common shares outstanding.

A summary of the reconciliation of net income (per the consolidated statements of net income and comprehensive income), to EBITDA, is set forth below:

	Three months ended		Year ended	
(\$000s)	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Net income	19,635	19,094	47,644	99,355
Unrealized gain on financial instruments	(11,308)	(3,747)	(4,067)	(5,689)
Share-based compensation	2,415	787	3,201	1,482
Finance expense	7,491	7,073	29,943	14,298
Depletion and depreciation	50,932	62,303	217,391	209,456
Deferred income tax expense	10,503	7,648	21,290	28,462
Less: interest income	(116)	(152)	(591)	(337)
EBITDA	79,552	93,006	314,811	347,027
EBITDA per basic share (\$/share)	\$0.55	\$0.65	\$2.18	\$2.43
EBITDA per diluted share (\$/share)	\$0.55	\$0.64	\$2.17	\$2.42

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

Payout ratio

"Payout ratio", a supplementary financial measure, represents dividends paid, expressed as a percentage of cash flow and provides investors with a measure of the percentage of cash flow that was used during the

period to fund dividend payments. Payout ratio is calculated as cash flow divided by dividends paid.

A summary of the reconciliation from cash flow to payout ratio is set forth below:

	Three months ended		Year ended	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Cash flow (\$000s)	72,389	86,273	286,303	333,763
Dividends (\$000s)	44,847	43,244	176,316	157,288
Payout Ratio (%)	62 %	50 %	62 %	47 %

Acquisitions, excluding decommissioning obligations

"Acquisitions, excluding decommissioning obligations", is considered a non-GAAP financial measure, and is calculated as: acquisitions (per the consolidated statements of cash flows) plus non-cash acquisitions but excluding non-cash decommissioning obligations.

A summary of the reconciliation from acquisitions (per the consolidated statements of cash flow) to acquisitions, excluding decommissioning obligations is set forth below:

	Three months ended		Year ended	
(\$000s)	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Acquisitions (consolidated statements of cash flows)	6,404	7,538	46,392	350,854
Non-Cash acquisitions	?	?	?	84,785
Acquisitions (excluding non-cash decommissioning obligations)	6,404	7,538	46,392	435,639

BOE EQUIVALENCY

Per barrel of oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent (6:1). Barrel of oil equivalents (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

OIL AND GAS METRICS

This news release contains certain oil and gas metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this news release to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the Company's performance in previous periods and therefore such metrics should not be unduly relied upon.

INFORMATION REGARDING PUBLIC ISSUER COUNTERPARTIES

Certain information contained in this news release relating to the Company's public issuer counterparties which include Tourmaline and others, and the nature of their respective businesses is taken from and based solely upon information published by such issuers. The Company has not independently verified the accuracy or completeness of any such information.

CREDIT RATINGS

This news release makes reference to Tourmaline's credit rating. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

SUPPLEMENTAL INFORMATION REGARDING PRODUCT TYPES

This news release includes references to actual and estimated average royalty production. The following table is intended to provide supplemental information about the product type composition for each of the production figures that are provided in this news release:

For the three months ended Dec. 31, 2023 Sept. 30, 2023 Jun. 30, 2023 Mar. 31, 2023 Dec. 31, 2022

Average daily production

Light and Medium crude oil (bbl/d)	1,790	1,674	1,717	1,727	1,704
Heavy crude oil (bbl/d)	3,016	2,861	2,582	2,496	2,512
Conventional Natural Gas (mcf/d)	42,594	40,429	41,989	43,316	41,932
Shale Gas (mcf/d)	38,699	36,862	35,575	37,563	35,838

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