

Topaz Reports First Quarter 2024 Results, Strong Royalty Acreage Development Activity And Declares Second Quarter Dividend

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CALGARY, April 29, 2024 - [Topaz Energy Corp.](#) (TSX: TPZ) ("Topaz" or the "Company") is pleased to provide first quarter financial results and confirm the Company's 2024e guidance estimates. Select financial information is outlined below and can be read in conjunction with Topaz's interim condensed consolidated financial statements ("Consolidated Financial Statements") and related management's discussion and analysis ("MD&A") as at and for the three months ended March 31, 2024, which are available on SEDAR+ at [www.sedarplus.ca](#) and on Topaz's website at [www.topazenergy.ca](#).

First Quarter 2024 Highlights

- Topaz's undeveloped lands continue to attract a strong, consistent level of development activity. 12% of the total wells drilled across the WCSB⁽⁹⁾ were spud on Topaz royalty acreage during the first quarter of both 2024 and 2023. Since the start of 2021, the total number of gross wells drilled across Topaz's royalty acreage represents 13% of the wells drilled across the WCSB⁽⁹⁾. Over that same time, Topaz's heavy oil royalty production has increased significantly from 50 bbl/d to 200 bbl/d, the majority of which is attributed to growth from the Clearwater play.
- Based on operator drilling plans, 9 to 11 rigs will remain active across Topaz's royalty acreage through spring break-up, a record level as spring conditions typically restrict most development activity. Royalty acreage activity is expected to continue with 25 to 29 planned drilling rigs following break-up⁽³⁾.
- Topaz generated total revenue and other income of \$78.2 million, 54% of which was derived from oil and liquids royalties, 23% from natural gas royalties, and 23% from Topaz's infrastructure portfolio.
- Cash flow of \$67.9 million or \$0.47 per diluted share⁽²⁾ was generated from 19,192 boe/d⁽⁴⁾ (30% oil and liquids) royalty production and 99% infrastructure asset capacity utilization.
- FCF⁽¹⁾ of \$66.3 million or \$0.46 per diluted share⁽²⁾ was allocated to dividends and debt reduction. Topaz paid a \$0.46 per share first quarter dividend (\$1.28 per share annualized⁽¹²⁾) which represents a 6.4% trailing annualized yield to cost based on the average share price⁽¹⁰⁾. Topaz reduced net debt⁽¹⁾ \$20.5 million or 6% during the quarter.
- Topaz confirms its previously announced guidance estimates for 2024e of 18,800 to 19,600 boe/d⁽³⁾⁽⁴⁾ royalty production, \$69.0 to \$71.0 million⁽³⁾ of processing revenue and other income.
- For the balance of 2024e, Topaz's dividend is sustainable down to very low commodity prices (\$0.01 per mcf natural gas and US\$50.00 per bbl crude oil⁽³⁾⁽¹³⁾).

First Quarter 2024 Update

Financial Overview

- Topaz generated \$78.2 million total revenue and other income, 77% of which from royalty assets that generated a 77% operating margin⁽¹⁾ and 23% from infrastructure assets that generated an 89% operating margin⁽¹⁾.
- Cash flow of \$67.9 million or \$0.47 per diluted share⁽²⁾ was lower than the prior quarter, driven by 3% lower commodity prices including wider crude oil differentials, and lower royalty production attributed to extreme January weather conditions and Topaz's last scheduled royalty rate reversion. The decrease was offset by a \$0.6 million higher hedging gain, 12% higher WCS differential pricing, and 6% lower interest expense.
- Topaz paid \$46.4 million in dividends (68% payout ratio⁽¹⁾), and generated \$19.9 million of Excess FCF⁽¹⁾ which was used for debt repayment.
- Topaz exited Q1 2024 with \$322.3 million of net debt⁽¹⁾, \$20.5 million or 6% lower than the end of 2023. As at April 30, 2024, Topaz has \$650.0 million of available credit capacity⁽⁶⁾ which provides financial flexibility for strategic growth opportunities.

Royalty Activity

- First quarter average royalty production of 19,192 boe/d⁽⁴⁾ (30% oil and liquids) achieved the midpoint of Topaz's 2024e guidance range. The estimated gross operator production across Topaz's royalty acreage in Q1 2024 represented approximately 8% of total WCSB production⁽⁸⁾.

- During the quarter, operators spud 145 gross wells (5.0 net)⁽⁷⁾ and reactivated 6 gross wells across Topaz's royalty compared to 147 gross wells spud (5.0 net) and 10 gross wells reactivated during the prior quarter. At the end of quarter, 95 of the 145 gross wells drilled in Q1 2024 had not yet been brought on production, compared to 87 out of end of Q4 2023.
- During Q1 2024, Topaz's total realized royalty production price was \$34.55 per boe, 3% lower than the prior quarter due to lower crude oil and natural gas liquids market pricing. The majority of Topaz's royalty agreements do not permit royalty deductions which enhances Topaz's commodity exposure and profitability. For Q1 2024, Topaz's realized price represents 100% of the AECO 5A benchmark price and Topaz's realized heavy crude oil price represents 99% of the WCS heavy oil benchmark price.
- Topaz estimates that operators invested \$0.5 billion to \$0.6 billion of development capital across the Company's royalty acreage in Q1 2024. Drilling activity (145 gross wells spud⁽⁷⁾) was diversified across Topaz's portfolio as follows: Clearwater, 35 NEBC Montney, 25 Deep Basin, 15 Peace River, 6 Central Alberta and 11 SE Saskatchewan/Martensville. Clearwater drilling activity increased 26% from the prior quarter.

Infrastructure Activity

- Topaz generated \$17.9 million in processing revenue and other income which was 4% higher than the prior year. In 2024, Topaz incurred \$1.9 million in operating expenses resulting in an 89% operating margin⁽¹⁾. The infrastructure processing revenue generated 99% utilization and Topaz incurred \$1.0 million in maintenance-related capital expenditures (before cash and G&A).
- Construction of the previously announced Clearwater Natural Gas Gathering Infrastructure continues to be advanced by the operator who has spent \$15.3 million toward the project to date, and is expected to be completed by late 2024. Following commissioning, Topaz will fund the final capital costs and generate incremental processing revenue. The Clearwater Natural Gas Gathering Infrastructure is designed to conserve natural gas across Topaz's existing West Marten Hills royalty acreage and is expected to increase Topaz's existing royalty production revenue up to \$0.5 million in 2025, meaningfully reduce greenhouse gas emissions in the area, and generate approximately \$3.7 million in infrastructure processing revenue for Topaz in 2025.

Dividend

- Topaz's Board has declared the second quarter 2024 dividend at \$0.32 per share which is expected to be paid on June 14, 2024, to shareholders of record on June 14, 2024. The quarterly cash dividend is designated as an "eligible dividend" for Canadian income tax purposes. The annualized dividend of \$1.28 per share⁽¹²⁾ provides a 5.6% yield to Topaz's share price⁽¹¹⁾.
- Topaz's 2024 estimated dividend is sustainable down to extremely low commodity prices (\$0.01 per mcf natural gas and US\$50.00 per bbl crude oil⁽³⁾⁽¹³⁾) due to the Company's high-margin, stable infrastructure income and hedging strategy. Based on Topaz's 2024 midpoint royalty production estimate, 18% of natural gas is hedged at a weighted average price of C\$3.17 per mcf and approximately 40% of oil and total liquids is protected to a weighted average floor price of \$24.00 per bbl using collar structures to maintain upside price participation⁽¹³⁾.

Guidance Outlook

2024e Guidance Estimates Confirmed

- Topaz confirms the Company's previously announced 2024e 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 2024e production guidance anticipates operator-funded capital development between \$2.2 billion and \$2.8 billion and includes the impact of Topaz's last contractually scheduled royalty rate reversion from 4% to 3%, effective January 1, 2024, resulting in approximately 300 MMcf/d of gross natural gas production (approximately 500 boe/d to Topaz)⁽¹⁴ⁱⁱ⁾.
- For 2024e, the royalty production guidance range purposefully remains flexible and allows for operators to adjust capital spending in response to near-term supply/demand and resulting commodity price factors in the WCSB. Topaz's acreage is diversified amongst oil and liquids-rich, natural gas-focused plays and is concentrated on the most commodity price-resilient activity areas. Based on current commodity pricing⁽⁵⁾, Topaz expects to exit 2024e with net debt⁽¹⁾ between \$240.0 and \$250.0 million, before consideration of incremental acquisitions or the costs of the Clearwater Natural Gas Gathering Infrastructure.

2024e Guidance Estimates⁽³⁾⁽¹⁴⁾

\$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) ⁽¹²⁾	~\$185.4mm
Dividend payout ratio ⁽¹⁾⁽⁵⁾	~64%
Year end net debt ⁽¹⁾⁽⁵⁾	\$240.0 - \$250.0mm
Year end net debt to EBITDA ⁽¹⁾⁽⁵⁾	~0.8x

Dividend Sustainability and Capital Allocation

- Topaz's 2024e dividend payout ratio⁽¹⁾ of 64%⁽³⁾⁽¹⁴⁾ remains at the lower end of the Company's targeted long-term 60-90% to maintain financial flexibility for acquisition and growth opportunities. Topaz's strategy is to continue to provide dividend increases alongside sustainable organic and acquisition growth.
- Topaz's year-end 2024e net debt to EBITDA⁽¹⁾ is estimated at 0.8 times⁽³⁾⁽⁵⁾ before consideration of acquisition and 1.0 times⁽³⁾⁽⁵⁾ following the commissioning and estimated costs attributed to the Clearwater Natural Gas Gathering Inlet⁽¹⁵⁾. The Company has a \$700 million covenant-based unsecured credit facility, expandable to \$1.0 billion, which provides financial flexibility and growth optionality⁽⁶⁾.

Additional information

Additional information about Topaz, including the Consolidated Financial Statements and MD&A as at and for the three months ended March 31, 2024 are available on SEDAR+ at www.sedarplus.ca under the Company's profile, and on Topaz's website at www.topazenergy.ca.

Q1 2024 CONFERENCE CALL

Topaz will host a conference call tomorrow, Tuesday, April 30, 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.ink/4akbl5E> 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 12063827.

2024 ANNUAL MEETING

Topaz will host its annual shareholder meeting on Thursday, May 2, 2024 at 9:00 a.m. MST (11:00 a.m. EST) at the Calgary Petroleum Club (now to be held in the McMurray Room) located at 310 5th Avenue SW Calgary, Alberta. If you were a shareholder of record of Topaz common shares at the close of business on March 18, 2024, you have received notice of, and are entitled to 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 reliable and 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 industry 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, which 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 equity 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	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Royalty production revenue	60,338	64,268	67,629	57,667	60,924
Processing revenue	14,506	14,854	14,381	13,397	13,571
Other income ⁽⁴⁾	3,372	3,656	3,762	3,616	3,690
Total	78,216	82,778	85,772	74,680	78,185
Cash expenses:					
Operating	(1,917)	(979)	(955)	(3,022)	(1,940)
Marketing	(392)	(384)	(400)	(315)	(369)
General and administrative	(1,970)	(2,028)	(1,490)	(1,823)	(1,569)
Realized gain (loss) on financial instruments	860	281	(761)	4,945	4,796
Interest expense	(6,859)	(7,279)	(7,495)	(6,987)	(7,338)
Cash flow	67,938	72,389	74,671	67,478	71,765
Per basic share ⁽¹⁾⁽²⁾	\$0.47	\$0.50	\$0.52	\$0.47	\$0.50
Per diluted share ⁽¹⁾⁽²⁾	\$0.47	\$0.50	\$0.52	\$0.47	\$0.50
Cash from operating activities	71,283	76,423	65,190	73,304	85,659
Per basic share ⁽¹⁾⁽²⁾	\$0.49	\$0.53	\$0.45	\$0.51	\$0.59
Per diluted share ⁽¹⁾⁽²⁾	\$0.49	\$0.53	\$0.45	\$0.51	\$0.59
Net income	6,196	19,635	10,750	9,366	7,893
Per basic share ⁽²⁾	\$0.04	\$0.14	\$0.07	\$0.06	\$0.05
Per diluted share ⁽²⁾	\$0.04	\$0.13	\$0.07	\$0.06	\$0.05

EBITDA ⁽⁷⁾	74,654	79,552	81,996	74,316	78,947
Per basic share ⁽¹⁾⁽²⁾	\$0.52	\$0.55	\$0.57	\$0.51	\$0.55
Per diluted share ⁽¹⁾⁽²⁾	\$0.51	\$0.55	\$0.57	\$0.51	\$0.54
FCF ⁽¹⁾	66,266	71,676	72,390	66,379	71,290
Per basic share ⁽¹⁾⁽²⁾	\$0.46	\$0.50	\$0.50	\$0.46	\$0.49
Per diluted share ⁽¹⁾⁽²⁾	\$0.46	\$0.49	\$0.50	\$0.46	\$0.49
FCF margin ⁽¹⁾	85 %	87 %	84 %	89 %	91 %
Dividends paid	46,361	44,847	44,805	43,355	43,309
Per share ⁽¹⁾⁽⁶⁾	\$0.32	\$0.31	\$0.31	\$0.30	\$0.30
Payout ratio ⁽¹⁾	68 %	62 %	60 %	64 %	60 %
Excess FCF ⁽¹⁾	19,905	26,829	27,585	23,024	27,981
Capital expenditures	1,672	713	2,281	1,099	475
Work in progress capital costs	11,675	3,581			
Acquisitions, excl. decommissioning obligations ⁽¹⁾	6,404		39,505	447	36
Weighted average shares - basic ⁽³⁾	144,839	144,657	144,535	144,438	144,333
Weighted average shares - diluted ⁽³⁾	145,337	145,536	145,114	144,990	144,944
Average Royalty Production ⁽⁵⁾					
Natural gas (mcf/d)	80,461	81,163	77,291	77,564	80,880
Light and medium crude oil (bbl/d)	1,727	1,790	1,674	1,717	1,727
Heavy crude oil (bbl/d)	2,877	3,016	2,861	2,582	2,496
Natural gas liquids (bbl/d)	1,176	1,221	1,140	1,185	1,179
Total (boe/d)	19,192	19,555	18,556	18,411	18,884
Total royalty production (% total oil and liquids)	30 %	31 %	31 %	30 %	29 %
Natural gas liquids (% condensate)	68 %	70 %	75 %	67 %	71 %
Realized Commodity Prices ⁽⁵⁾					
Natural gas (\$/mcf)	\$2.51	\$2.28	\$2.53	\$2.38	\$3.23
Light and medium crude oil (\$/bbl)	\$83.06	\$96.51	\$103.58	\$90.61	\$87.50
Heavy crude oil (\$/bbl)	\$75.10	\$75.12	\$89.78	\$73.87	\$61.15
Natural gas liquids (\$/bbl)	\$86.63	\$93.46	\$95.95	\$86.73	\$94.58
Total (\$/boe)	\$34.55	\$35.72	\$39.61	\$34.42	\$35.85
Benchmark Pricing					
Natural Gas					

AECO 5A (CAD\$/mcf)	\$2.52	\$2.30	\$2.60	\$2.45	\$3.23
AECO 7A (CAD\$/mcf)	\$2.05	\$2.66	\$2.30	\$2.34	\$4.35
Westcoast station 2 (CAD\$/mcf)	\$2.62	\$2.05	\$2.19	\$1.89	\$2.90
Crude Oil, Heavy Oil and Natural Gas Liquids					
NYMEX WTI (USD\$/bbl)	\$76.97	\$78.32	\$82.18	\$73.75	\$76.11
Edmonton Par (CAD\$/bbl)	\$92.49	\$99.97	\$108.16	\$95.52	\$99.55
WCS differential (USD\$/bbl)	\$19.33	\$21.97	\$12.91	\$15.07	\$25.41
Edmonton Condensate (CAD\$/bbl)	\$85.11	\$102.05	\$103.51	\$95.61	\$105.1
CAD\$/USD\$	\$0.7414	\$0.7344	\$0.7459	\$0.7446	\$0.739
Selected statement of financial position results (\$000s) except share amounts	At Mar	At Dec.	At Sept.	At Jun.	At Mar.
	31. 2024	31, 2023	30, 2023	30, 2023	31, 2023
Total assets	1,600,415	1,647,147	1,691,150	1,700,893	1,766,6
Working capital	31,594	53,295	47,129	43,898	52,940
Adjusted working capital ⁽¹⁾	44,786	48,900	48,475	42,159	49,822
Net debt ⁽¹⁾	322,273	342,738	363,206	352,393	376,48
Common shares outstanding ⁽³⁾	144,878	144,741	144,636	144,522	144,36

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

NOTE REFERENCES

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

This news release refers to financial reporting periods in abbreviated form as follows: "Q1 2024" refers to the three months ended March 31, 2024; "Q4 2023" refers to the three months ended December 31, 2023; and "Q1 2023" refers to the three months ended March 31, 2023. In addition, "2024e" refers to estimated annual results for the year 2024 - \$0.1 million; Q3 2023 - \$0.2 million; Q2 2023 - \$0.1 million; and Q1 2023 - \$0.2 million.

(6) See "Non-GAAP and Other Financial Measures" Product Types."

(8) Calculated using the weighted average number of diluted common shares outstanding during the respective period.

(7) Defined term under the Company's Syndicated Credit Facility.

3. See "Forward-Looking Statements".

4. See "Supplemental Information Regarding Product Types".

5. Estimated based on a recent commodity price forecast for 2024: C\$2.04 per mcf natural gas (AECO); US\$80.32 per bbl crude oil (NYMEX WTI).

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. As at April 29, 2024 Topaz had \$350.0 million net borrowings against the credit facility, providing up to \$650.0 million available, subject to agent consent.

7. May include non-producing injection wells.

8. Estimated total operator working interest average production across Topaz royalty acreage Q1 2024 (~0.66 MMboepd) as a percentage of total estimated WCSB average production Q1 2024 of 8.3MMboepd (Source: Canada Energy Regulator).

9. Q1 2024 gross wells spud across Topaz royalty acreage (145) as a percentage of the total wells rig released across the WCSB during Q1 2024 of 1,180 (excluding oil sands/in situ). For Q1 2021 to Q1 2024, 1,717 gross wells and 13,585 gross wells, respectively. (Source: Rig Locator, geoSCOUT and Peters & Co. Limited).
10. Calculated based on Topaz's average share price on the TSX during the first quarter of 2024 of \$20.10.
11. Calculated based on Topaz's closing share price on the TSX on April 26, 2024 of \$22.68.
12. Topaz's dividends remain subject to board of director approval.
13. 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 2024e royalty production guidance.
14. Management's assumptions underlying the Company's 2024e guidance estimates include:
 - i. Being subject to any significant, potential changes to the Company's key operators' 2024 capital budgets and/or operational, weather, wildfire or drought-related issues that may impact 2024 estimated production;
 - ii. A royalty rate change from 4% to 3% on natural gas, effective January 1, 2024, was incorporated into the underwritten valuation of a natural gas royalty acquisition completed during 2021. This change reflects the final contractually scheduled rate change in Topaz's royalty portfolio;
 - 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, wildfire or drought-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 the MD&A; and
 - ix. Topaz's sensitivity to 2024e inherent revenue estimates (before hedging) are as follows:
 1. C\$0.50/mcf change in natural gas price +/- \$14.6mm;
 2. US\$2.00/bbl change in crude oil price +/- \$5.8mm;
 3. 1% annual average royalty production change +/- \$1.9mm;

This news release contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") and US Data for 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, the US\$ price change in discussions and 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", "is expected to", "expects", "will be", "is anticipated", "believes", "estimates", "intends", "plans", "may", "could", "may", "objective", "outlook", "are", "likely", "historical facts and may be forward-looking statements targeted to only the estimate 2024e Topaz's and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements up to \$250 million can be given that these expectations will prove to be incorrect and such a forward-looking statement is 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, guidance and strategic plans; estimated annual average royalty production for 2024; estimated processing revenue and other income for 2024; anticipated 2024e net debt levels and 2024e net debt to EBITDA levels; dividend amounts, and the estimated dividend payout ratio; the sustainability of the dividend and the rationale for such sustainability; the maintenance of financial flexibility for strategic acquisition growth opportunities; the anticipated capital expenditure and drilling plans; the number of drilling rigs to be active on Topaz's royalty acreage; 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 "Guidance Outlook - 2024e Guidance Estimates Confirmed" and "Sustainability and Capital Allocation" and the assumptions and estimates described under the heading "Note References" above; 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 \$240 and \$250 million, 2024 average commodity prices of: \$2.04/mcf (AECO 5A), US\$80.32/bbl (NYMEX WTI), US\$16.54/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 April 29, 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 Consolidated Financial Statements as at and for the three months ended March 31, 2024 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 Consolidated Financial Statements as at and for the three months ended March 31, 2024: (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:

(\$000s)	Three months ended	
	Mar. 31, 2024	Mar. 31, 2023
Cash from operating activities	71,283	85,659
Exclude net change in non-cash working capital	3,345	13,894
Cash flow	67,938	71,765
Less: Capital expenditures	1,672	475
FCF	66,266	71,290
Less: dividends paid	46,361	43,309
Excess FCF	19,905	27,981
Cash flow per basic share ⁽¹⁾	\$0.47	\$0.50
Cash flow per diluted share ⁽¹⁾	\$0.47	\$0.50
FCF per basic share ⁽¹⁾	\$0.46	\$0.49
FCF per diluted share ⁽¹⁾	\$0.46	\$0.49
FCF	66,266	71,290
Total Revenue and other income	78,216	78,185
FCF margin	85 %	91 %

⁽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, for infrastructure and royalty assets, are set forth below:

Operating margin and operating margin percentage (infrastructure assets)

(\$000s, unless otherwise specified)	Three months ended	
	Mar. 31, 2024	Mar. 31, 2023
Processing revenue	14,506	13,571
Other income	3,372	3,690
Total	17,878	17,261
Operating expenses	1,917	1,940
Operating margin (infrastructure assets)	15,961	15,321
Operating margin % (infrastructure assets)	89 %	89 %

Operating margin and operating margin percentage (royalty assets)

(\$000s, unless otherwise specified)	Three months ended	
	Mar. 31, 2024	Mar. 31, 2023
Royalty production revenue	60,338	60,924
Marketing expenses	392	369
Operating margin (royalty assets)	59,946	60,555
Operating margin % (royalty assets)	99 %	99 %

Adjusted working capital and net debt

Management uses the terms "adjusted working capital" and "net debt" 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" 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 is set forth below:

(\$000s)	As at Mar. 31, 2024	As at Dec. 31, 2023
Working capital	31,594	53,295
Exclude fair value of financial instruments	1,960	7,976
Exclude work in progress capital costs	(15,152)	(3,581)
Adjusted working capital	44,786	48,900
Less: bank debt	367,059	391,638
Net Debt	322,273	342,738

EBITDA, as defined under the Company's Syndicated Credit Facility and disclosed in note 7 of the Consolidated Financial Statements as at and for the three months ended March 31, 2024, 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:

(\$000s)	Three months ended	
	Mar. 31, 2024	Mar. 31, 2023
Net income	6,196	7,893
Unrealized loss on financial instruments	8,201	4,992
Share-based compensation	559	232
Finance expense	7,050	7,546
Depletion and depreciation	49,325	55,294
Deferred income tax expense	3,466	3,146
Less: interest income	(143)	(156)
EBITDA	74,654	78,947
EBITDA per basic share (\$/share) ⁽¹⁾	\$0.52	\$0.55
EBITDA per diluted share (\$/share) ⁽¹⁾	\$0.51	\$0.54

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

"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	
	Mar. 31, 2024	Mar. 31, 2023
Cash flow (\$000s)	67,938	71,765
Dividends (\$000s)	46,361	43,309
Payout Ratio (%)	68 %	60 %
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	
(\$000s)	Mar. 31, 2024	Mar. 31, 2023
Acquisitions (consolidated statements of cash flows)	─ 36	
Non-Cash acquisitions	─ ─	
Acquisitions (excluding non-cash decommissioning obligations)	─ 36	

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 Mar. 31, 2024 Dec. 31, 2023 Sept. 30, 2023 Jun. 30, 2023 Mar. 31, 2023

Average daily production

Light and Medium crude oil (bbl/d)	1,727	1,790	1,674	1,717	1,727
Heavy crude oil (bbl/d)	2,877	3,016	2,861	2,582	2,496
Conventional Natural Gas (mcf/d)	44,265	42,464	40,429	41,989	43,316
Shale Gas (mcf/d)	36,196	38,699	36,862	35,575	37,563
Natural Gas Liquids (bbl/d)	1,176	1,221	1,140	1,185	1,179
Total (boe/d)	19,192	19,555	18,556	18,411	18,884

For the year ended 2024 (Estimate)⁽¹⁾⁽²⁾ 2023 (Actual) 2022 (Actual)

Average daily production

Light and Medium crude oil (bbl/d)	1,580	1,727	1,519
Heavy crude oil (bbl/d)	3,030	2,740	1,549
Conventional Natural Gas (mcf/d)	42,096	42,043	41,016
Shale Gas (mcf/d)	37,500	37,177	35,302
Natural Gas Liquids (bbl/d)	1,324	1,181	1,125
Total (boe/d)	19,200	18,853	16,914

⁽¹⁾ Represents the midpoint of the estimated range of 2024 average annual royalty production.

⁽²⁾ Topaz's estimated royalty production is based on the estimated commodity mix; drilling location and corresponding royalty rate; and capital development activity on Topaz's royalty acreage by the working interest owners, all of which are outside of Topaz's control.

SOURCE [Topaz Energy Corp.](#)

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