

# Topaz Announces Second Quarter 2024 Financial Results, Record Liquids Royalty Production, Higher Cash Flow And Increases Quarterly Dividend

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CALGARY, July 29, 2024 - [Topaz Energy Corp.](#) (TSX: TPZ) ("Topaz" or the "Company") is pleased to provide second quarter 2024 financial results and provide updated 2024e guidance estimates. Select financial information is outlined below and should 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 and six months ended June 30, 2024, which are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and on Topaz's website at [www.topazenergy.ca](http://www.topazenergy.ca).

## Second Quarter 2024 Highlights

- Topaz generated cash flow of \$70.6 million or \$0.49 per diluted share,<sup>(2)</sup> 4% higher than both the prior quarter and prior year (\$0.47 per diluted share). Topaz's cash flow growth was driven by 11% higher crude oil and 8% higher heavy oil royalty production and approximately 20% higher realized crude oil and heavy oil pricing.
- Total revenue and other income of \$78.4 million (\$0.54 per diluted share), was derived 67% from oil and liquids royalty production which achieved a new record of 6,160 boe/d and generated \$52.7 million of royalty revenue, 10% from natural gas royalties (75.3 MMcf/d and \$7.5 million), and 23% from Topaz's infrastructure portfolio (100% utilization and \$18.2 million).
- Topaz's previously announced Alberta Montney infrastructure acquisition (expected to provide \$13.0 to \$14.0 million of annualized processing revenue) was completed on June 24, 2024 and marks Topaz's third infrastructure acquisition over the past twelve months. Topaz's pro forma annual processing revenue and other income has more than doubled since Topaz's inception in 2019. The infrastructure portfolio provides stable revenue that generates approximately 90% operating margin and covers approximately 45% of Topaz's dividend.
- Pursuant to Topaz's strategy to increase its dividend alongside sustainable revenue growth, Topaz's Board approved an increase to the Company's quarterly dividend and declared the third quarter 2024 dividend at \$0.33 per share which represents a 5.3% annualized yield to Topaz's current share price<sup>(12)</sup>.
- FCF<sup>(1)</sup> of \$69.5 million or \$0.48 per diluted share<sup>(2)</sup> was allocated to dividends and acquisition growth. Topaz paid \$46.4 million in dividends during the second quarter (\$1.28 per share on an annualized basis<sup>(14)</sup> that provided a 5.6% yield to Topaz's average second quarter share price<sup>(13)</sup>) and directed \$23.1 million of Excess FCF toward acquisitions.
- Topaz's undeveloped lands attracted 15%<sup>(9)</sup> of total WCSB development activity during the second quarter, which increased from 12% during the prior quarter. Since the beginning of 2023, the total number of gross wells drilled across Topaz's royalty acreage represents 14% of the wells drilled across the WCSB<sup>(9)</sup>. Over the same time period, within Topaz's high growth royalty areas, 43% of all Clearwater new drills, and 24% of all NEBC Montney new drills were on Topaz royalty acreage<sup>(9)</sup>.
- Based on planned operator drilling activity, Topaz expects that the current 28 to 31 active drilling rigs on its royalty acreage will be maintained through the third quarter of 2024<sup>(3)</sup>.
- Topaz confirms its previously updated guidance estimates for 2024e of 18,800 to 19,600 boe/d<sup>(3)(4)</sup> royalty production and \$75.5 to \$78.0 million<sup>(3)</sup> of processing revenue and other income.
- Through 2024e and 2025e, 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<sup>(3)(15)</sup>), attributable to Topaz's financial derivative contracts in place in addition to the high-margin revenue generated from the infrastructure portfolio.

## Second Quarter 2024 Update

### Financial Overview

- Topaz generated \$78.4 million total revenue and other income, 77% of which is from royalty assets that generated a 99% operating margin<sup>(1)</sup> and 23% from infrastructure assets that generated a 91% operating margin<sup>(1)</sup>.
- Cash flow of \$70.6 million or \$0.49 per diluted share<sup>(2)</sup> was 4% higher than the prior quarter, driven by 7% higher total oil and liquids royalty production, significantly higher crude oil and heavy oil pricing, a \$2.3 million hedging gain and 5% lower interest expense. The increase was offset by lower natural gas royalty production and pricing, as natural gas directed completion and tie-in activity was deferred to later in 2024 in response to the lower natural gas price environment.
- Topaz paid \$46.4 million in dividends (66% payout ratio<sup>(1)</sup>), and generated \$23.1 million of Excess FCF<sup>(1)</sup> which was allocated to acquisition growth. Topaz's third quarter dividend increase marks the Company's eighth dividend increase (65% per share growth) and Topaz has distributed \$0.6 billion to its shareholders since inception.
- Topaz exited Q2 2024 with \$398.5 million of net debt<sup>(1)</sup>. As at July 29, 2024, Topaz has \$575.0 million of available credit capacity<sup>(6)</sup> which provides financial flexibility for strategic growth opportunities.

### Royalty Activity

- Topaz generated second quarter average royalty production of 18,717 boe/d<sup>(4)</sup> (33% oil and liquids), and 18,955 boe/d (31% oil and liquids), for the first half of 2024. The estimated gross operator production across Topaz's royalty acreage in both Q2 2024 and YTD 2024 represented approximately 8% of total WCSB production<sup>(8)</sup>.
- Topaz estimates that operators invested approximately \$0.4 billion of development capital across the Company's royalty acreage in Q2 2024. Drilling activity (94 gross wells spud<sup>(7)</sup>) was diversified across Topaz's portfolio as follows: 33 NEBC Montney, 32 Clearwater, 13 Deep Basin, 7 SE Saskatchewan, 6 Central Alberta and 1 Peace River. The vast majority of the wells drilled in NEBC Montney were brought on production at the end of the second quarter or are planned to be brought on production later in 2024.
- Q2 2024 heavy oil royalty production growth of 8% is attributed to Topaz's significant royalty position in the Clearwater. Since Q1 2023, the total gross wells spud on Topaz's Clearwater royalty acreage represents 43%<sup>(9)</sup> of the total wells spud across the area and Topaz's second quarter Clearwater royalty production represents 40%<sup>(10)</sup> of total Q2 2024 Clearwater production. Based on operator estimates, approximately 20%<sup>(11)</sup> of Topaz's Q2 2024 Clearwater heavy oil royalty production is now supported by waterflood, attributable to operator-funded investment in secondary recovery techniques. Over the past year, the attributed production has demonstrated improved recovery and stabilized production rates<sup>(11)</sup>.
- During the second quarter, operators spud 94 gross wells (3.8 net)<sup>(7)</sup> and reactivated 7 gross wells across Topaz's royalty acreage, compared to 145 gross wells spud (5.0 net) and 6 gross wells reactivated during the prior quarter. At the end of the second quarter, 72 of the 94 gross wells (77%) drilled in Q2 2024 had not yet been brought on production, compared to 95 out of 145 (66%) at the end of Q1 2024 and 64% at the end of Q2 2023. In addition, 96% of Q2 2024 gas focused new drills were not yet brought on production at the end of the quarter (compared to 71% during Q2 2023) and the new wells brought on production were deferred to later in Q2 which reduced the quarterly average impact on production.
- During Q2 2024, Topaz's total realized royalty production price was \$35.32 per boe (\$34.55 per boe in Q1 2024), 2% higher than the prior quarter despite lower natural gas pricing.

### Infrastructure Activity

- Topaz generated \$18.2 million in processing revenue and other income which was 2% higher than the prior quarter and 7% higher than the prior year. During Q2 2024, Topaz incurred \$1.6 million in operating expenses, generating a 91% operating margin<sup>(1)</sup>. The infrastructure assets generated 100% utilization and Topaz incurred \$0.4 million in maintenance-related capital expenditures (before capitalized G&A).

- Construction of the previously announced Clearwater Natural Gas Gathering Infrastructure continues to be advanced by the operator who has spent \$19.3 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, reduce CO<sub>2</sub> emissions in the area, and generate approximately \$3.7 million in infrastructure processing revenue for Topaz in 2025 <sup>(3)(17)</sup>.

#### Dividend

- Topaz's Board approved an increase to the Company's quarterly dividend and declared the third quarter 2024 dividend at \$0.33 per share which is expected to be paid on September 27, 2024, to shareholders of record on September 13, 2024. The quarterly cash dividend is designated as an "eligible dividend" for Canadian income tax purposes.
- 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<sup>(3)(15)</sup>) 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 fixed price of C\$3.17 per mcf and approximately 40% of oil and total liquids is protected to a weighted average floor price of C\$102.54 per bbl using collar structures to maintain upside price participation<sup>(15)</sup>.

#### Guidance Outlook

##### 2024e Guidance Estimates Updated

- Topaz confirms the Company's previously announced 2024e guidance estimates, including average annual royalty production of 18,800 - 19,600 boe/d<sup>(3)(4)</sup> and processing revenue and other income between \$75.5 and \$78.0 million<sup>(3)</sup>. Topaz's royalty production guidance anticipates operator-funded capital development between \$2.2 billion and \$2.8 billion. Based on current commodity pricing<sup>(5)</sup>, Topaz expects to exit 2024e with net debt<sup>(1)</sup> between \$345.0 and \$355.0 million, before consideration of incremental acquisitions or the costs of the Clearwater Natural Gas Gathering Infrastructure.

##### 2024e Guidance Estimates<sup>(3)(16)</sup>

\$mm except boe/d

Annual average royalty production (boe/d) <sup>(4)</sup>	18,800 - 19,600
Royalty production natural gas weighting (%) <sup>(4)</sup>	~70%
Infrastructure processing revenue and other income	\$75.5 - \$78.0mm
Capital expenditures (excluding acquisitions)	\$4.0 - \$5.0mm
2024e dividend (\$1.30 per share) <sup>(14)</sup>	~\$188.3mm
Dividend payout ratio <sup>(1)(5)</sup>	~66%
Year end net debt <sup>(1)(5)</sup>	\$345.0 - \$355.0mm
Year end net debt to EBITDA <sup>(1)(5)</sup>	~1.1x

#### Dividend Sustainability and Capital Allocation

- Topaz's 2024e dividend payout ratio<sup>(1)</sup> of 66%<sup>(3)(16)</sup> remains at the lower end of the Company's targeted long-term payout of 60-90% to maintain financial flexibility for acquisition growth opportunities. Topaz's strategy is to continue to provide further dividend increases alongside sustainable organic and acquisition growth.

- Topaz's year-end 2024e net debt to EBITDA<sup>(1)</sup> is estimated at 1.1 times<sup>(3)(5)</sup> before consideration of acquisition activity, or the estimated costs attributed to the Clearwater Natural Gas Gathering Infrastructure<sup>(17)</sup>. The Company has a \$700 million covenant-based unsecured credit facility, expandable to \$1.0 billion, which provides financial flexibility and growth optionality<sup>(6)</sup>.

#### Additional information

Additional information about Topaz, including the Consolidated Financial Statements and MD&A as at and for the three and six months ended June 30, 2024 are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) under the Company's profile, and on Topaz's website at [www.topazenergy.ca](http://www.topazenergy.ca).

#### Q2 2024 CONFERENCE CALL

Topaz will host a conference call tomorrow, Tuesday, July 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/3PwXL6L> 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 21234363.

#### 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. Topaz focuses on top-quartile energy resources and assets best positioned to attract capital in order to generate sustainable long-term growth and profitability.

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](http://www.topazenergy.ca). Topaz's SEDAR+ filings are available at [www.sedarplus.ca](http://www.sedarplus.ca).

#### Selected Financial Information

For the periods ended (\$000s) except per share	YTD 2024	YTD 2023	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Royalty production revenue	120,500	118,591	60,162	60,338	64,268	64,268
Processing revenue	29,260	26,968	14,754	14,506	14,854	14,854
Other income <sup>(4)</sup>	6,862	7,306	3,490	3,372	3,656	3,656
Total	156,622	152,865	78,406	78,216	82,778	82,778
Cash expenses:						
Operating	(3,540)	(4,962)	(1,623)	(1,917)	(979)	(979)
Marketing	(725)	(684)	(333)	(392)	(384)	(384)
General and administrative	(3,596)	(3,392)	(1,626)	(1,970)	(2,028)	(2,028)
Realized gain (loss) on financial instruments						



9,741













Interest expense	(13,403)	(14,325)	(6,544)	(6,859)	(7,279)	(
Cash flow	138,494	139,243	70,556	67,938	72,389	7
Per basic share <sup>(1)(2)</sup>	\$0.96	\$0.96	\$0.49	\$0.47	\$0.50	\$
Per diluted share <sup>(1)(2)</sup>	\$0.95	\$0.96	\$0.49	\$0.47	\$0.50	\$
Cash from operating activities	140,088	158,963	68,805	71,283	76,423	6
Per basic share <sup>(1)(2)</sup>	\$0.97	\$1.10	\$0.47	\$0.49	\$0.53	\$
Per diluted share <sup>(1)(2)</sup>	\$0.96	\$1.10	\$0.47	\$0.49	\$0.53	\$
Net income	23,920	17,259	17,724	6,196	19,635	1
Per basic share <sup>(2)</sup>	\$0.17	\$0.12	\$0.12	\$0.04	\$0.14	\$
Per diluted share <sup>(2)</sup>	\$0.16	\$0.12	\$0.12	\$0.04	\$0.13	\$
EBITDA <sup>(7)</sup>	151,539	153,263	76,885	74,654	79,552	8
Per basic share <sup>(1)(2)</sup>	\$1.05	\$1.06	\$0.53	\$0.52	\$0.55	\$
Per diluted share <sup>(1)(2)</sup>	\$1.04	\$1.06	\$0.53	\$0.51	\$0.55	\$
FCF <sup>(1)</sup>	135,765	137,669	69,499	66,266	71,676	7
Per basic share <sup>(1)(2)</sup>	\$0.94	\$0.95	\$0.48	\$0.46	\$0.50	\$
Per diluted share <sup>(1)(2)</sup>	\$0.93	\$0.95	\$0.48	\$0.46	\$0.49	\$
FCF Margin <sup>(1)</sup>	87 %	90 %	89 %	85 %	87 %	8
Dividends paid	92,723	86,664	46,362	46,361	44,847	4
Per share <sup>(1)(6)</sup>	\$0.64	\$0.60	\$0.32	\$0.32	\$0.31	\$
Payout ratio <sup>(1)</sup>	67 %	62 %	66 %	68 %	62 %	6
Excess FCF <sup>(1)</sup>	43,042	51,005	23,137	19,905	26,829	2
Capital expenditures	2,729	1,574	1,057	1,672	713	2
Work in progress capital costs	15,710	&HorizontalLine; 4,035		11,675	3,581	8
Acquisitions, excl. decommissioning obligations <sup>(1)</sup>	99,189	483	99,189	&HorizontalLine; 6,404		3
Weighted average shares - basic <sup>(3)</sup>	144,859	144,387	144,878	144,839	144,657	1
Weighted average shares - diluted <sup>(3)</sup>	145,410	144,931	145,491	145,337	145,536	1
Average Royalty Production <sup>(5)</sup>						
Natural gas (mcf/d)	77,901	79,213	75,341	80,461	81,163	7
Light and medium crude oil (bbl/d)	1,826	1,722	1,925	1,727	1,790	1
Heavy crude oil (bbl/d)	2,985	2,539	3,093	2,877	3,016	2
Natural gas liquids (bbl/d)	1,159	1,182	1,141	1,176	1,221	1
Total (boe/d)						

18,955

18,647

18,717











Total royalty production (% total liquids)	31 %	29 %	33 %	30 %	31 %	3
Natural gas liquids (% condensate)	70 %	69 %	71 %	68 %	70 %	7
Realized Commodity Prices <sup>(5)</sup>						
Natural gas (\$/mcf)	\$1.82	\$2.81	\$1.09	\$2.51	\$2.28	\$
Light and medium crude oil (\$/bbl)	\$92.64	\$89.06	\$101.24	\$83.06	\$96.51	\$
Heavy crude oil (\$/bbl)	\$82.32	\$67.66	\$89.03	\$75.10	\$75.12	\$
Natural gas liquids (\$/bbl)	\$90.89	\$90.62	\$95.28	\$86.63	\$93.46	\$
Total (\$/boe)	\$34.93	\$35.14	\$35.32	\$34.55	\$35.72	\$
Benchmark Pricing						
Natural Gas						
AECO 5A (CAD\$/mcf)	\$1.85	\$2.84	\$1.18	\$2.52	\$2.30	\$
AECO 7A (CAD\$/mcf)	\$1.74	\$3.34	\$1.44	\$2.05	\$2.66	\$
Westcoast station 2 (CAD\$/mcf)	\$1.69	\$2.39	\$0.77	\$2.62	\$2.05	\$
Crude Oil, Heavy Oil and Natural Gas Liquids						
NYMEX WTI (USD\$/bbl)	\$78.77	\$74.92	\$80.55	\$76.97	\$78.32	\$
Edmonton Par (CAD\$/bbl)	\$99.04	\$97.52	\$105.53	\$92.49	\$99.97	\$
WCS differential (USD\$/bbl)	\$16.42	\$20.21	\$13.54	\$19.33	\$21.97	\$
Edmonton Condensate (CAD\$/bbl)	\$93.23	\$100.34	\$101.27	\$85.11	\$102.05	\$
CAD\$/USD\$	\$0.7361	\$0.7421	\$0.7308	\$0.7414	\$0.7344	\$
Selected statement of financial position results (\$000s) except share amounts			At Jun. 30, 2024	At Mar 31, 2024	At Dec. 31, 2023	At Sep 30, 2023
Total assets			1,660,645	1,600,415	1,647,147	1,600,415
Working capital			29,309	31,594	53,295	48,900
Adjusted working capital <sup>(1)</sup>			43,794	44,786	48,900	48,900
Net debt (cash) <sup>(1)</sup>			398,461	322,273	342,738	342,738
Common shares outstanding <sup>(3)</sup>			144,878	144,878	144,741	144,741

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

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

(3) Shown in thousand shares outstanding.

(4) Includes interest income: Q2 2024 -\$0.2M; Q1 2024 - \$0.1M; Q4 2023 - \$0.1M; Q3 2023 - \$0.2M; and Q2 2023 - \$0.3M YTD 2023 - \$0.3M)

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

(6) Cumulative dividend paid per outstanding shares on quarterly dividend dates.



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

#### NOTE REFERENCES

This news release refers to financial reporting periods in abbreviated form as follows: "Q2 2024" refers to the three months ended June 30, 2024, "Q1 2024" refers to the three months ended March 31, 2024; "Q2 2023" refers to the three months ended June 30, 2023. 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\$1.67 per mcf natural gas (AECO); US\$79.27 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 July 29, 2024 Topaz had \$425.0 million net borrowings against the credit facility, providing over \$575.0 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). Estimated total operator working interest average production across Topaz royalty acreage Q2 2024 (~0.64 MMboepd) as a percentage of total estimated WCSB average production Q2 2024 of 8.3MMboepd (Source: Canada Energy Regulator).
9. 94 gross wells spud across Topaz royalty acreage represents 15% of the 636 total wells rig released across the WCSB during Q2 2024 (excluding oil sands/in situ). For Q1 2023 to Q2 2024: 1,811 total gross wells (14%) of 14,221 total gross wells across the WCSB; Clearwater 295 gross wells (43%) of 679 total Clearwater gross wells; and NEBC 207 gross wells (24%) of 863 total NEBC gross wells. (Source: Rig Locator, geoSCOUT and Peters & Co. Limited).
10. The gross operated Clearwater production from Topaz's royalty acreage of 58.15 Kboepd represents 40% of Q2 2024 Clearwater production of 145.79 Kboepd (Source: Geoscout).
11. Based on public disclosure by two primary operators of Topaz's Clearwater acreage, 7,000 bbl/d of heavy oil was supported by waterflood as of Q2 2024 by one primary operator and 3,000 bbl/d of heavy oil was supported by waterflood as of Q1 2024 by another primary operator and the attributed production is demonstrating stabilized production rates. Topaz's net royalty share of 610 bbl/d represents approximately 20% of Q2 2024 heavy oil royalty production of 2,936 bbl/d.
12. Calculated based on Topaz's closing share price on the TSX on July 26, 2024 of \$24.93.
13. Calculated based on Topaz's average share price on the TSX during the second quarter of 2024 of \$22.71.
14. Topaz's dividends remain subject to board of director approval.
15. 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.
16. Management's assumptions underlying the Company's 2024e guidance estimates include:
  1. 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;
  2. 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;
  3. 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;
  4. 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;
  5. 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;
  6. 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%;
  7. 2024 estimated total dividends of \$188.3 million based on 144.88 million shares outstanding at July 29, 2024 (\$1.30 per share dividend for 2024);
  8. Topaz's outstanding financial derivative contracts included in the MD&A; and H1 2024 actual financial results.
17. 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: 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 Updated" and "Dividend 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, changes in laws and regulations, including environmental, regulatory and taxation laws, including uncertainty with respect to the interpretation of omnibus Bill C-59 and the related amendments to the Competition Act (Canada), and the interpretation of such changes to Topaz's business 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](http://www.sedarplus.ca)) or Topaz's website ([www.topazenergy.ca](http://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 \$345 and \$355 million, 2024 average commodity prices of: \$1.67/mcf (AECO 5A), US\$79.27/bbl (NYMEX WTI), US\$15.34/bbl (WCS oil differential), US\$4.96/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 July 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 and six months ended June 30, 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 and six months ended June 30, 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		Six months ended	
	Jun. 30, 2024	Jun. 30, 2023	Jun. 30, 2024	Jun. 30, 2023
Cash from operating activities	68,805	73,304	140,088	158,963
Exclude net change in non-cash working capital (1,751)		5,826	1,594	19,720
Cash flow	70,556	67,478	138,494	139,243
Less: Capital expenditures	1,057	1,099	2,729	1,574
FCF	69,499	66,379	135,765	137,669
Less: dividends paid	46,362	43,355	92,723	86,664
Excess FCF	23,137	23,024	43,042	51,005
Cash flow per basic share <sup>(1)</sup>	\$0.49	\$0.47	\$0.96	\$0.96
Cash flow per diluted share <sup>(1)</sup>	\$0.49	\$0.47	\$0.95	\$0.96
FCF per basic share <sup>(1)</sup>	\$0.48	\$0.46	\$0.94	\$0.95
FCF per diluted share <sup>(1)</sup>	\$0.48	\$0.46	\$0.93	\$0.95
FCF	69,499	66,379	135,765	137,669
Total Revenue and other income	78,406	74,680	156,622	152,865
FCF Margin	89 %	89 %	87 %	90 %

(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)	Three months ended		Six months ended	
	Jun. 30, 2024	Jun. 30, 2023	Jun. 30, 2024	Jun. 30, 2023
Processing revenue	14,754	13,397	29,260	26,968
Other income	3,490	3,616	6,862	7,306
Total	18,244	17,013	36,122	34,274
Operating Expenses	1,623	3,022	3,540	4,962
Operating Margin (infrastructure assets)	16,621	13,991	32,582	29,312
Operating Margin % (infrastructure assets)	91 %	82 %	90 %	86 %

## Operating margin and operating margin percentage (royalty assets)

(\$000s)	Three months ended		Six months ended	
	Jun. 30, 2024	Jun. 30, 2023	Jun. 30, 2024	Jun. 30, 2023
Royalty production revenue	60,162	57,667	120,500	118,591
Marketing expenses	333	315	725	684
Operating Margin (royalty assets)	59,829	57,352	119,775	117,907
Operating Margin % (royalty assets)	99 %	99 %	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 Jun. 30, 2024	As at Dec. 31, 2023
Working capital	29,309	53,295
Exclude fair value of financial instruments	4,666	7,976
Exclude work in progress capital costs	(19,151)	(3,581)
Adjusted working capital	43,794	48,900
Less: bank debt	442,255	391,638
Net Debt	398,461	342,738

## EBITDA and EBITDA per basic or diluted share

EBITDA, as defined under the Company's Syndicated Credit Facility and disclosed in note 8 of the Consolidated Financial Statements as at and for the three and six months ended June 30, 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		Six months ended	
	Jun. 30, 2024	Jun. 30, 2023	Jun. 30, 2024	Jun. 30, 2023
Net income	17,724	9,366	23,920	17,259
Unrealized (gain) loss on financial instruments	(3,302)	(642)	4,899	4,350
Share-based compensation	662	226	1,221	458
Finance expense	6,682	7,197	13,732	14,743
Depletion and depreciation	49,067	54,540	98,392	109,834
Deferred income tax expense	6,267	3,778	9,733	6,924
Less: interest income	(215)	(149)	(358)	(305)
EBITDA	76,885	74,316	151,539	153,263
EBITDA per basic share (\$/share) <sup>(1)</sup>	\$0.53	\$0.51	\$1.05	\$1.06
EBITDA per diluted share (\$/share) <sup>(1)</sup>	\$0.53	\$0.51	\$1.04	\$1.06

<sup>(1)</sup> 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		Six months ended	
	Jun. 30, 2024	Jun. 30, 2023	Jun. 30, 2024	Jun. 30, 2023
Cash flow (\$000s)	70,556	67,478	138,494	139,243
Dividends (\$000s)	46,362	43,355	92,723	86,664
Payout Ratio (%)	66 %	64 %	67 %	62 %

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		Six months ended	
(\$000s)	Jun. 30, 2024	Jun. 30, 2023	Jun. 30, 2024	Jun. 30, 2023
Acquisitions (consolidated statements of cash flows)	99,189	447	99,189	483
Non-Cash acquisitions	&HorizontalLine;	&HorizontalLine;	&HorizontalLine;	&HorizontalLine;
Acquisitions (excluding non-cash decommissioning obligations)	99,189	447	99,189	483

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

### Average daily production

Light and Medium crude oil (bbl/d)	1,925	1,727	1,790	1,674	1,717
Heavy crude oil (bbl/d)	3,093	2,877	3,016	2,861	2,582
Conventional Natural Gas (mcf/d)	40,202	44,265	42,464	40,429	41,989
Shale Gas (mcf/d)	35,139	36,196	38,699	36,862	35,575
Natural Gas Liquids (bbl/d)	1,141	1,176	1,221	1,140	1,185
Total (boe/d)	18,717	19,192	19,555	18,556	18,411

For the year ended      2024 (Estimate)<sup>(1)(2)</sup> 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

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SOURCE Topaz Energy Corp

## Contact

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