Razor Energy Corp. Announces Third Quarter 2017 Results and Record Production

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CALGARY, Alberta, Nov. 23, 2017 (GLOBE NEWSWIRE) -- Razor Energy Corp. (“Razor” or the “Company”) (TSXV:RZE) (www.razor-energy.com) is pleased to announce its third quarter 2017 financial and operating results. Selected financial and operational information is outlined below and should be read in conjunction with Razor’s unaudited condensed consolidated interim financial statements and management’s discussion and analysis for the quarter ended September 30, 2017, which are available on SEDAR at www.sedar.com and the Company’s website.

This has been the first full quarter of operations for Razor with both the Swan Hills assets acquired in the first quarter of 2017 and the Kaybob assets acquired in the second quarter of 2017. With continued efforts toward increasing production through reactivations and other optimization activities, Razor has achieved record production levels since October 1, 2017 of over 4,500 barrels of oil equivalent per day (“boe/d”), of which approximately 88% was light oil and NGLs.

THIRD QUARTER 2017 HIGHLIGHTS

- Achieved Q3-2017 production of 4,207 boe/d (88% liquids), up 33% from Q2-2017;
- Maintained a strong balance sheet, with net debt of $20.8 million and $12.2 million in cash;
- Capital expenditures totaled $4.2 million, focused on well reactivations, and pipelines and facilities upgrades; and
- Generated adjusted funds flow of $1.6 million ($0.10/share basic and diluted).

Razor's strategy of growing production through well reactivations continued its momentum in the third quarter of 2017 with production growth of 33% from the second quarter of 2017, attributable to well reactivations and a full quarter of Kaybob production, with additional production growth from well reactivations expected in the fourth quarter of 2017, resulting in an anticipated December 2017 exit rate of 4,600 boe/d. Razor has also focused on reducing operating costs. Electricity, which accounted for 22% of operating costs in the third quarter of 2017, is down from 26% in the second quarter of 2017, and down over 8% on a per boe basis.

NEAR AND MEDIUM TERM OBJECTIVES

The Company's near to medium term objectives include:

- Reducing operating costs;
- Reactivating suspended wells;
- Improving production efficiency through perforations, recompletions, workovers, stimulations, and waterflood optimizations;
- Completing technical and economic evaluations of future vertical and horizontal drilling locations; and
- Acquiring and consolidating complementary assets.

FINANCIAL AND OPERATING HIGHLIGHTS

The following tables summarizes key financial and operating highlights associated with the Company’s financial performance.

	Three Months End September 30,	
($000's unless otherwise stated)	2017	2016
Production [1]		

Oil (bbl/d)	2,702	&mdash
Gas (mcf/d)	2,984	&mdash
NGL (bbl/d)	1,009	&mdash
Total (boe/d)	4,207	&mdash
Oil and natural gas revenue		
Oil and NGL sales	16,051	&mdash
Natural gas sales	469	&mdash
Other revenue	1,273	&mdash
Total revenue	17,793	&mdash
Weighted average number of shares outstanding (basic and diluted)	15,920,374	&mdash
Adjusted funds flow [2]	1,584	&mdash
Adjusted funds flow per share (basic and diluted)	0.10	&mdash
Funds flow [2]	666	&mdash
Funds flow per share (basic and diluted)	0.04	&mdash
Net loss	(2,519	(1
Net loss per share (basic and diluted)	(0.16	(5.44
Netback ($/boe)		
Oil and gas sales	42.68	&mdash
Other revenues	3.29	&mdash
Revenue	45.97	&mdash
Royalty	8.24	&mdash
Operating expenses	30.86	&mdash
Operating netback [2]	6.87	&mdash
General and administrative costs	3.44	&mdash
Acquisition and transaction costs	0.02	&mdash
Interest expense	1.99	&mdash
Corporate netback [2]	1.42	&mdash
Capital expenditures	4,229	20
Net assets acquired	(1,082	&mdash

1) Production for the nine months ended September 30, 2017 represents the daily average production from February 1
2017.

2) Refer to "Non-IFRS measures".

	September 30,	December 31,
($000's)	2017	2016
Total assets	122,477	[illegible]
Cash	12,191	[illegible]
Long-term debt (principal)	30,000	—
Net debt [1]	20,777	402

1) Refer to "Non-IFRS measures".

OPERATIONAL UPDATE

Production in the third quarter of 2017 averaged 4,207 boe/d, of which 88% was light oil and NGLs. Production in the third quarter was up 33% from the second quarter of 2017 due to a full quarter of production from the Kaybob assets, acquired during the second quarter, and Razor's well reactivation program.

Management has a heightened focus on improving operational efficiencies to drive down key cost drivers. Specifically, the Company is considering alternatives to reduce reliance on grid based electricity through electrical contract buydowns to align with current demand and investigating alternatives to grid supplied electrical power. Management is also executing various well reactivation projects to increase production and offset fixed lifting costs.

The top five cost drivers, fuel and electricity, labour, property taxes, repairs and workovers, accounted for 64% (72% - Q2-2017) of total operating expenses in the third quarter of 2017, with repairs and workovers accounting for 28% of operating expenses and fuel and electricity following closely at 24% of operating expenses.

CAPITAL PROGRAM

In the third quarter of 2017, Razor reactivated 12 gross (7.7 net) wells adding 391 boe/d (166 boe/d average in the third quarter) of production at a cost of $2.0 million. The Company also spent $725 thousand on non-operated facility and pipeline upgrades primarily in the Kaybob area along with $1.1 million on pipeline upgrades in the Swan Hills area which will enable the Company to reactivate 4 wells. These activities are expected to result in approximately 150 boe/d of additional production in the fourth quarter of 2017.

Board and management continue to take a cautious approach to capital spending, balancing operational growth and financial durability.

ABANDONMENT, RECLAMATION, AND REMEDIATION EXPENDITURES

Razor inherited decommissioning liabilities included in its Swan Hills and Kaybob acquisitions. The Company spent $0.9 million in Q3 2017 and a total of $1.7 million year to date. Razor estimates it will spend approximately $2.6 million in 2017 on these activities.

Furthermore, the Company has met the Alberta Energy Regulator’s requirements under its 2017 Inactive Well Compliance Program and continues to invest in end-of-life well and facility operations.

NORMAL COURSE ISSUER BID

On September 11, 2017, Razor announced its intention to commence a Normal Course Issuer Bid (NCIB) to repurchase shares in open market transactions on the TSXV. Under the NCIB, the Company may purchase for cancellation up to 796,861 of its common shares, which represents 5% of outstanding common shares at September 11, 2017. The NCIB will expire no later than September 13, 2018. During the third quarter of 2017, the Company repurchased and cancelled 115,900 common shares for $187 thousand.

As at September 30, 2017, the Company had a total of 15,821,334 common shares outstanding, and as at November 23, 2017, a total of 15,775,434 common shares outstanding.

ABOUT RAZOR

Razor is a publicly-traded junior oil and gas development and production company headquartered in Calgary, Alberta, concentrated on acquiring, and subsequently enhancing, producing oil and gas properties primarily in Alberta. The Company is led by experienced management and a strong, committed Board of Directors, with a long term vision of growth focused on efficiency and cost control in all areas of the business.

Razor started operations in the first quarter of 2017, through an acquisition of producing assets in the Swan Hills area. In the second quarter of 2017, Razor added to its asset base with the acquisition of complementary assets in the Kaybob area. These predominantly light oil assets provide a foundation for strong shareholder return through abundant low risk operations. Razor plans to concurrently grow Swan Hills and Kaybob, and execute on similar acquisitions, using its experience to extract upside value.

Razor is a pivotal leading-edge enterprise, balancing creativity and discipline, focused on growing an enduring energy company.

Razor currently trades on TSX Venture Exchange under the ticker “RZE”.

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READER ADVISORIES

FORWARD-LOOKING STATEMENTS: This press release may contain certain statements that may be deemed to be forward-looking statements. Such statements relate to possible future events, including, but not limited to, the Company’s objectives, the Company’s capital program, anticipated abandonment, reclamation and remediation costs for 2017. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “anticipate”, “believe”, "expect", “plan”, “estimate”, “potential”, “will”, “should”, “continue”, “may”, “objective” and similar expressions. The forward-looking statements are based on certain key expectations and assumptions made by the Company, including but not limited to expectations and assumptions concerning the availability of capital, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the Company’s growth strategy, general economic conditions, availability of required equipment and services and prevailing commodity prices. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; as the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Please refer to the risk factors identified in the annual information form and management discussion and analysis of the Company which is available on SEDAR at www.sedar.com. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

NON-IFRS MEASURES: This press release contains the terms "funds flow", "adjusted funds flow", "net debt", "operating netback" and "corporate netback", which do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable with the calculation of similar measures by other companies. Funds flow represents cash flow from operating activities before changes in non-cash working capital. Adjusted funds flow represents cash flow from operating activities before changes in non-cash working capital and decommissioning obligation expenditures incurred. Management uses adjusted funds flow to analyze operating performance and leverage, and considers adjusted funds flow from operating activities to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and repay debt. Net debt is calculated as as the principal amount of long-term debt less working capital (or plus working capital deficiency), with working capital excluding mark-to-market risk management contracts. Management believes net debt is a useful supplemental measure of the total amount of current and long-term debt of the Company. Operating netback equals total petroleum and natural gas sales less royalties and operating costs calculated on a boe basis. Razor considers operating netback as an important measure to evaluate its operational performance as it demonstrates its field level profitability relative to current commodity prices. Corporate netback is calculated by deducting general & administration, acquisition and transaction costs, and interest from operating netback. Razor considers corporate netback as an important measure to evaluate its overall corporate performance.

ADVISORY PRODUCTION INFORMATION: Unless otherwise indicated herein, all production information presented herein has presented on a gross basis, which is the Company's working interest prior to deduction of royalties and without including any royalty interests.

BARRELS OF OIL EQUIVALENT: The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (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. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

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