Razor Energy Corp. Announces Fourth Quarter and 2018 Year End Results

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CALGARY, March 28, 2019 - Razor Energy Corp. (“Razor” or the “Company”) (TSXV: RZE) (www.razor-energy.com) is pleased to announce its fourth quarter and year end 2018 financial and operating results. Selected financial and operational information is outlined below and should be read in conjunction with Razor’s audited consolidated financial statements and management’s discussion and analysis for the year ended December 31, 2018, which are available on SEDAR at www.sedar.com and the Company’s website.

NEAR AND MEDIUM-TERM OBJECTIVES

- Reducing operating costs, through continued investment in infrastructure and equipment, and increased efficiencies;
- Improving production efficiency through low risk, lower cost capital activities which include waterflood optimization, stimulations, recompletions, and workovers;
- Analyzing further ancillary opportunities including various power generation projects, oil blending and service integration;
- Maintaining the monthly dividend;
- Acquiring and consolidating complementary assets, while disposing of assets where and when appropriate; and
- Identifying potential merger candidates exhibiting complementary criteria.

FOURTH QUARTER 2018 HIGHLIGHTS

- Averaged production of 4,907 boe/d in the fourth quarter of 2018, an 8% increase from the same period in 2017 due to the additional working interest acquisitions in Kaybob, and general reactivation and optimization activities;
- Net revenues decreased 11% in the fourth quarter of 2018 from the same period in 2017, due to the significant increase in Edmonton light sweet ("MSW") crude oil differential in the fourth quarter of 2018, a weakening WTI price and discretionary inventory builds over Q4 2018. Realized oil prices decreased 36% in the fourth quarter of 2018 from the same period in 2017 as MSW discount to West Texas Intermediate ("WTI") increased to 48% in the fourth quarter of 2018 compared to 2% in the same quarter of 2017;
- Reported cash flows from operating activities of $6.7 million in the fourth quarter of 2018 compared to $4.4 million in the fourth quarter of 2017 mostly as a result of a decrease in non-cash working capital;
- Reported adjusted funds flow of $2.0 million in the fourth quarter of 2018 a 69% decrease from the same period of 2017 due to lower realized light oil prices;
- Reported a $3.8 million net income in the fourth quarter of 2018, a 67% increase from the same period of 2017, primarily due to increased unrealized gains on commodity risk management contracts;
- Reduced per boe operating expenses by 26% in the fourth quarter of 2018 as compared to the previous quarter in 2018, and by 4% in comparison to the same period in 2017 due to decreased workover activity and lower realized electricity costs due to the implementation of natural gas power generation which reduced grid based electricity purchases;
- Paid out $3.1 million in dividends or $0.20 per share, including a $0.165 per share special dividend in October 2018; and
- Repurchased 260,000 shares under the Normal Course Issuer Bid ("NCIB").

2018 HIGHLIGHTS

DISTRIBUTIONS TO SHAREHOLDERS

- Declared a special cash dividend of $0.165 per share, on September 5, 2018, which was paid on October 5, 2018;

- On October 1, 2018, the Company announced the transition to a sustainable junior light oil yield and growth company and declared a monthly cash dividend of $0.0125 per share;
- Paid out $3.1 million in dividends (2017-$nil) or $0.20 per share;
- The Company bought back 578,700 shares in 2018 for $1.6 million (2017-425,300; $0.7 million) under its NCIB at an average of $2.76 per share (2017-$1.73 per share).

OPERATING

- Production during the year averaged 4,888 boe/d, representing an increase of 28% in comparison to 2017 when production averaged 3,813 boe/d. The increase was due to the Company's active reactivation program in 2018 and additional working interest acquisitions in Kaybob;
- Achieved 2018 operating netback of $11.36/boe, up 19% from 2017;
- Achieved an adjusted funds flow of $20.4 million in 2018, a 105% increase from 2017, mainly driven by an 85% increase in revenues from 2017.

CAPITAL

- Invested a total of $33.8 million in 2018, comprised mainly of the purchase and installation of natural gas power generation equipment, drilling, an upgrade of field and corporate information technology systems and infrastructure and the continuation of the well reactivation program;
- Purchased and installed six natural gas powered generators for $9.5 million which reduced the Company's reliance on grid electric power. This project is forecasted to pay out under four years, through cost avoidance on purchasing grid-based electricity;
- Reactivated 18 gross (16.7 net) wells during 2018, resulting in 593 boe/d of additional initial production;
- Proved Developed Producing (“PDP”) reserve volumes were 12,194 Mboe (90% oil and liquids), which represents an increase of 2% over year-end 2017and a 118% reserve replacement of 2018 production.

ACQUISITIONS

- Acquired additional non-operated working interest positions to further consolidate Razor's existing assets in Kaybob Triassic Units 1 and 2 for $5.0 million cash consideration, including customary closing and post-closing reconciliation adjustments.

FINANCING

- On January 15, 2018, Razor secured an increase of $15.0 million in its existing non-revolving Term Loan Facility from the Alberta Investment Management Corporation ("AIMCo"), for an amended principal amount of $45.0 million;
- Entered in to a lease agreement for the lease of natural gas powered generators for $4.4 million on June 18, 2018;
- Raised $1.2 million in promissory notes and security agreements ("Promissory Note") to purchase the sixth power generator and various field service equipment.

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three Months Ended December 31,		Year Ended December 31,	
($000's, except for per share amounts and volumes)	2018	2017	2018	2017
Production volumes[1]				
Light oil (bbl/d)	2,995	2,917	3,143	2,487
Gas (mcf/d) [2]	3,225	3,299	3,770	2,448
NGL (bbl/d)	1,374	1,067	1,117	918
Total (boe/d)	4,907	4,534	4,888	3,813
Sales volumes [1, 3]				

Light oil (bbl/d)	2,611	2,917	3,046	2,487
Gas (mcf/d)[2]	3,225	3,299	3,770	2,448
NGL (bbl/d)	1,374	1,067	1,117	918
Total (boe/d)	4,523	4,534	4,792	3,813
Light oil inventory volumes (bbls)	35,267	—	35,267	—
Light oil and natural gas revenue				
Light oil and NGLs sales	14,712	21,750	91,901	59,459
Natural gas sales	565	559	2,481	1,635
Sales of commodities purchased from third parties [7]	4,352	—	15,639	—
Blending and processing	1,912	1,865	10,472	4,333
Other revenues	342	342	2,406	840
Total revenue	21,883	24,516	122,899	66,267
Cash flows from operating activities	6,696	4,404	22,360	4,351
Per share -basic and diluted	0.06	0.30	1.10	0.49
Adjusted funds flow [4]	1,974	6,281	20,435	9,965
Per share -basic and diluted	0.13	0.40	1.31	0.73
Net income (loss)	3,773	2,256	4,239	(3,650
Per share - basic and diluted	0.25	0.14	0.27	—
Dividends paid	3,126	—	3,126	—
Dividends paid per share	0.20	—	0.20	—
Weighted average number of shares outstanding (basic and diluted)	15,360,729	15,690,133	15,622,374	13,709,7
Capital expenditures	3,315	8,873	33,758	15,055
Net assets acquired [5]	43	15,661	3,921	15,661
Netback ($/boe)				
Light oil and gas sales [6]	36.71	53.48	53.97	47.97
Royalty	(9.34)	(11.04)	(11.18)	(9.87
Operating expenses	(24.53)	(25.46)	(29.26)	(27.98
Transportation and treating	(2.17)	(1.11)	(2.17)	(0.61
Operating netback [4]	0.67	15.87	11.36	9.51
Net blending and processing income [4]	1.74	3.48	3.01	2.59
Realized gain/(loss) on commodity contracts settlement	2.38	(0.09)	(1.51)	0.12
Other revenues	0.82	0.82	1.38	0.27
General and administrative	(2.91)	(5.14)	(3.24)	(4.25
Acquisition and transaction costs	—	(0.02)	(0.01)	(0.90
Interest	(2.87)	(1.82)	(2.62)	(2.18
Corporate netback [4]	(0.17)	13.09	8.36	5.15

1) Production for the Year Ended December 31, 2017 represents the daily average production from February 1 to December 31, 2017.
2) Gas production includes internally consumed gas used in power generation.
3) Sales volumes exclude volumes produced and stored in inventory. For the year ended December 31, 2017, no inventory was held and therefore sales volumes equal production volumes.
4) Refer to "Non-IFRS measures".
5) Net acquisitions exclude non-cash items and is net of post-closing adjustments.
6) Excludes the effects of financial risk management contracts but includes the effects of fixed price physical delivery contracts.
7) At certain times during 2018, Razor purchased commodity products from third parties to fulfill sales commitments (2018-$14.8 million), and subsequently sold these products to its customers.

	December 31,	
($000's unless otherwise stated)	2018	2017
Total assets	157,937	133,904
Cash	2,239	7,487
Long-term debt (principal)	46,155	30,000

Net debt [1]	54,244	24,376
Number of shares outstanding	15,188,834	15,511,934

1) Refer to "Non-IFRS measures".

2018 YEAR-END RESERVES

In 2018, the Calgary Chapter of the Society of Petroleum Evaluation Engineers and associated industry professionals updated the COGE Handbook. The updates clarify and streamline existing guidelines and offer additional guidance regarding Canadian reserves evaluations.

For greater transparency and accuracy of current values and future cash flows, Razor has elected to include all abandonment, decommissioning and reclamation costs and inactive well costs in accordance with best practice recommendations into the Company’s 2018 year-end reserves report. For 2018, the net present value of before tax cash flows discounted at 10% ("NPV10") for each reserve category disclosed below includes all abandonment, decommissioning and reclamation costs and inactive well costs totaling $49.3 million.

Reserves Summary	December 31,	
($000's unless otherwise stated)	2018	2017
Proved developed producing (Mboe)	12,194	11,910
Total Proved (Mboe)	15,397	15,072
Total Proved plus probable (Mboe)	20,223	20,326
Proved developed producing - NPV10[1]	148,671	178,344
Total Proved - NPV10[1]	197,733	216,916
Total Proved plus probable - NPV10[1]	209,047	265,049

1) NPV 10 is net present value of before tax cash flows discounted at 10%.

OPERATIONAL UPDATE

In 2018 Razor's average production increased 28% to 4,888 boe/d, from 3,813 boe/d average production in 2017, of which approximately 89% was light oil and NGLs.

Due to the high discounts on MSW in the fourth quarter of 2018, Razor did not sell all of its produced oil, instead it was temporarily stored in existing surface tanks thus establishing material inventory. As at December 31, 2018, Razor had 35,267 bbls of light oil inventory (2017 - nil bbls). MSW differentials and WTI pricing improved significantly in Q1 2019 and the Company intends to sell a portion of the light oil inventory throughout Q1 and Q2 2019. The Company intends to improve the effectiveness of sales and production management through more advanced inventory, blending and transportation processes and controls.

In Q4 2018, production of 4,907 boe/d was up 8% from the same quarter of 2017 as a result of continued efforts toward increasing production from the Swan Hills and Kaybob assets through reactivations, optimization activities, and waterflood initiatives. The working interest acquisition of the Kaybob assets in January and June 2018 provided additional average daily production of 254 boe/d (226 boe/d impact on Q4 2018 production).

However, Q4 2018 production was down 7% from Q3 2018 due to a pull back in Razor's spending as workovers and reactivations were put on hold due to the significant increase in MSW differentials in the fourth quarter of 2018.

During the fourth quarter of 2018, the Company realized an average operating netback of $0.67/boe, down 93% and 85% as compared to Q4 2017 and Q3 2018, respectively, primarily attributable to the sharp increase in both MSW differentials to WTI and decrease in WTI pricing.

Royalty rates averaged 25% in the fourth quarter of 2018, up from 23% in the third quarter of 2018, and up from 19% in the same quarter of 2017, primarily due to the timing of realized oil prices as compared to the reference oil price used by the Government of Alberta as the basis for calculating royalties. As the index price is set a month in advance, periods of sharp price decreases will result in higher than expected royalty rates, conversely in periods of price increases, due to the pricing lag, realized royalties will be lower than expected.

In the fourth quarter of 2018, operating expenses decreased by 4% as compared to Q4 2017 and 26% as compared to Q3 2018 mostly as a result of Razor's curtailment of spending due to the steep drop in Q4 prices. This resulted in lower workover activity in the quarter with workover costs dropping to $1.20/boe from $5.73/boe in the same quarter of 2017 and $9.26/boe in Q3 2018.

The top five cost drivers, fuel and electricity, labour, taxes and licenses, facility and pipeline repairs and workovers, accounted for 80% of total operating expenses in 2018 (2017 - 66%), with facility and pipeline repairs, and workovers accounting for 33% (2017 - 24%) of operating expenses and fuel and electricity following closely at 29% (2017 - 25%) of operating expenses.

Management is focused on continuous improvement of operational efficiencies to drive down key cost drivers.

CAPITAL PROGRAM

In 2018, Razor invested $33.8 million through its capital program. It comprised mainly of the purchase and installation of natural gas power generation equipment, drilling, an upgrade of field and corporate information technology systems and infrastructure and the continuation of the well reactivation program.

The Company reactivated 18 gross (16.7 net) wells during 2018, resulting in 593 boe/d of additional initial production.

Razor completed a four well development program in its Kaybob South Triassic A Pool during the first quarter of 2018. The four well program added 55 bbl/d oil plus 139 mcf/d or 78 boe/d of initial production.

Operating enhancement related capital costs consisted primarily of the purchase and installation of six natural gas powered generators for $9.5 million which reduced the Company's reliance on grid electric power. This project is expected to have a payback of under four years, through cost avoidance on the market cost of grid sourced electricity. $1.9 million was invested in the upgrade of field and corporate information technology systems and infrastructure. A further $0.8 million was invested in field service equipment which is expected to decrease future trucking and road maintenance costs.

In 2018, corporate capital expenditures of $0.8 million related to computer equipment, business intelligence initiatives and the purchase of vehicles, up from the $0.5 million spent in 2017 which was mostly on corporate start-up costs consisting primarily of computer systems and equipment, vehicles and furniture and fixtures.

ABANDONMENT, RECLAMATION, AND REMEDIATION EXPENDITURES

Razor inherited decommissioning liabilities included in its Swan Hills and Kaybob acquisitions. The Company spent $1.1 million in Q4 2018 and a total of $3.2 million year-to-date. The Company has met the Alberta Energy Regulator’s requirements under its 2018 Inactive Well Compliance Program and continues to invest in end-of-life well and facility operations.

2019 OUTLOOK

Production in Q1 2019 was lower than expected and is anticipated to average 4,100 boe/d due to discretionary shut-ins, impacts from severe cold weather, and from an absence of reactivation and workover spending in Q4. Wells shut in during both Q4 2018 and Q1 2019 are being consistently brought back online as the Company’s reactivation and workover program resumed in Q1 2019, focused on the highest capital efficiency projects. In addition, well and facility downtimes have been remedied following challenging weather in February and early March.

For the remainder of 2019, in addition to executing its capital program, the Company has identified additional reactivations that will be executed throughout the remainder of 2019 which will strengthen production. The Company believes that it will still meet its 2019 guidance of 4,900 boe/d from our Swan Hills and Kaybob areas of which 86% is light oil and NGL.

ABOUT RAZOR

Razor is a publicly-traded junior oil and gas development and production company headquartered in Calgary, Alberta, focused on shareholder returns through sustainable monthly dividends, production and margin growth through a combination of acquiring, enhancing, and producing oil and gas from 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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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, including near and medium term objectives, the Company’s capital program, reactivation, workover, stimulation, water and other activities, future rates of production, maintaining a dividend, capital investments relating to the installation of natural gas power generation, oil blending and service integration, potential future land and other acquisitions or mergers, anticipated abandonment, reclamation and remediation costs for 2019. 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 approvals, 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 are 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 "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. 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 the sum of the long-term debt and lease obligations, less working capital (or plus working capital deficiency), with working capital excluding mark-to-market risk management contracts. Razor believes that 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 is 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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