Razor Energy Corp. Announces Third Quarter 2019 Results

29.11.2019 | GlobeNewswire

CALGARY, Nov. 28, 2019 - Razor Energy Corp. (“Razor” or the “Company”) (TSXV: RZE) is pleased to announce its third quarter 2019 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, 2019 which are available on SEDAR at www.sedar.com and the Company’s website www.razor-energy.com.

NEAR AND MEDIUM-TERM OBJECTIVES

- Strengthening the balance sheet by reducing capital spend for the remainder of 2019 while also actively seeking and considering financing options along with business combinations with other oil and gas producers, as well as service companies;
- 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;
- Developing a technically viable and commercially sustainable solution to recover geothermal waste heat;
- Analyzing further ancillary opportunities including various power generation projects, oil blending and service integration;
- Maintaining the monthly dividend; and
- Acquiring and consolidating complementary assets, while disposing of assets where and when appropriate.

Q3 2019 HIGHLIGHTS

OPERATING

- Production averaged 4,368 boe/d in Q3 2019 down 17% from the same quarter in 2018 and up 5% in comparison to Q2 2019 due to a one-time third-party gas volume adjustment in Q3 2019. Production in the third quarter was adversely impacted by non-operated production interruptions in the Swan Hills and Kaybob areas. Production is expected to resume early in Q1 2020.
- Reported $46 thousand of cash flows used in operating activities in the third quarter of 2019 compared to $6.4 million cash flows from operating activities in the third quarter of 2018.
- Reported funds flow of $2.6 million in the third quarter of 2019 compared to $2.5 million in the third quarter of 2018.
- Reported a $6.2 million net loss in the third quarter of 2019 compared to $2.3 million net income in the same period last year.

CAPITAL

- Invested $2.5 million on its capital program in the third quarter of 2019, mainly on the well reactivation program and power generation project offset by $2.0 million of government grants.
- Reactivated a total of 4 gross (4 net) wells, resulting in production of 70 boe/d. The reactivations included 2 Swan Hills reactivations and 2 Kaybob reactivations.

DIVIDENDS

- Paid a monthly cash dividend of $0.0125 per share, for a total of $0.6 million in dividends paid in the quarter. The dividend is paid monthly and is subject to commodity prices, production levels, and other factors.

SELECT QUARTERLY HIGHLIGHTS

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

	Three Months Ended September 30,				Nine Months
($000's, except for per share amounts and production)	2019		2018		2019
Production [2]					
Light Oil (bbl/d)	2,600		3,271		2,669
Gas (mcf/d) [1]	6,206		4,505		4,524
NGL (boe/d)	734		1,238		866
Total (boe/d)	4,368		5,260		4,289
Sales volumes [3]					
Light Oil (bbl/d)	2,598		3,271		2,756
Gas (mcf/d)[1]	6,206		4,505		4,524
NGL (bbl/d)	734		1,238		866
Total (boe/d)	4,367		5,260		4,377
Closing oil inventory volumes (bbls)	11,378		—		11,378
Revenue					
Oil and gas sales	17,548		28,964		60,016
Sale of commodities purchased from third parties	122		4,256		8,576
Blending and processing income	2,395		2,625		6,968
Other revenue	1,232		189		1,857
Total revenue	21,297		36,034		77,417
Cash flows from (used in) operating activities	(46	)	6,424		12,316
Per share -basic and diluted	—		0.41		0.79
Funds flow [4]	2,639		2,511		7,682
Per share -basic and diluted	0.16		0.16		0.49
Adjusted funds flow [4]	2,653		4,198		7,654
Per share -basic and diluted	0.16		0.27		0.49
Net income (loss)	(6,183	)	(2,305	)	(17,720
Per share - basic and diluted	(0.38	)	(0.15	)	(1.14
Dividends per share	0.04		—		0.11
Capital expenditures	2,518		4,060		11,212
Netback ($/boe)					
Oil and gas sales [5]	43.68		59.85		50.23
Royalties	(8.07	)	(13.96	)	(7.96
Operating expenses	(29.34	)	(32.96	)	(32.49
Transportation and treating	(1.82	)	(1.95	)	(2.16
Operating netback [4]	4.45		10.98		7.62
Income (loss) on sale of commodities purchased from third parties [4]	0.30		0.62		0.01
Net blending and processing income [4]	4.11		2.57		3.56
Realized loss on commodity contracts settlement	(1.64	)	(1.90	)	(2.36
Other revenues	3.07		0.39		1.55
General and administrative	(3.24	)	(3.98	)	(3.66
Interest	(3.08	)	(2.49	)	(3.07
Corporate netback [4]	3.97		6.19		3.65

1) Gas production and sales volumes include internally consumed gas used in power generation.
2) Production volumes for the three and nine months ended September 30, 2019 includes Little Rock's daily average production from September 11 to September 30, 2019.
3) Sales volumes for the three and nine months ended September 30, 2019 includes Little Rock's daily

average sales from September 11 to September 30, 2019. Sales volumes include change in inventory volumes.
4) Refer to "Non-IFRS measures".
5) Excludes the effects of financial risk management contracts but includes the effects of fixed price physical delivery contracts.

($000's, except for share amounts)	September 30, 2019	December 31, 2018
Total assets	205,873	166,120
Cash	3,443	4,540
Long-term debt (principal)	46,690	46,311
Minimum lease obligation	5,150	5,042
Net debt [1]	66,939	57,213
Number of shares outstanding	20,782,966	15,188,834

1) Refer to "Non-IFRS measures".

OPERATIONAL UPDATE

Sales volumes in the third quarter of 2019 averaged 4,367 boe/d, down 17% from the sales volumes in the same period in 2018 as production volumes declined due to operational challenges.

Production averaged 4,368 boe/d in Q3 2019 down 17% from the same quarter in 2018 and up 5% in comparison to Q2 2019 due to a one-time third-party gas volume adjustment in Q3 2019. Production in the third quarter of 2019 was adversely impacted by non-operated production interruptions in the Swan Hills and Kaybob areas. In the Kaybob area, roughly 350 boe/d was curtailed for the quarter as a result of non-operated pipeline integrity concerns. In the Swan Hills area, roughly 150 boe/d was curtailed for the quarter as a result of non-operated pipeline repairs. These pipelines are in the process of being repaired and production is expected to resume early in Q1 2020.

Effective July 2018, Razor began utilizing a portion of its own gas production to generate electrical power. Gas production of internally consumed gas for the three and nine months ended September 30, 2019 was 1,315 mcf/d and 1,185 mcf/d, respectively.

Razor realized an oil price of $64.19 per barrel during the third quarter of 2019, which was a 14% discount to the WTI (CAD) price and is up from the 4% and 11% discounts in Q1 2019 and Q2 2019, respectively, mostly due to lower average oil quality realized by the Company as a result of the acquisition of Little Rock Resources Ltd. ("Little Rock") in Q3 2019. For the nine months ending September 30, 2019 the Company realized oil price was down 12% from the same period of 2018 mostly due to a lower WTI index price

During the third quarter of 2019, the Company realized an average operating netback of $4.45/boe down 59% from the third quarter of 2018 due to lower realized prices, decreased production volumes and higher per boe operating expenses. For the first nine months of 2019 operating netback was down 49% from the same period in 2018, as a result of lower realized prices which were down 13% and a decrease in sales volumes of 10%.

Royalty rates averaged 18% in the third quarter of 2019 as compared to 23% for the same period in 2018. For the first nine months of the year, royalties averaged 16%, down from 20% the same period last year. This decrease in royalties is mostly due to the decrease in commodity prices and production volumes.

Operating expenses decreased 11%, on a per boe basis, in the third quarter of 2019 compared to the same period in 2018, and decreased 26% on a total dollar basis, mostly due to lower workover and facility and pipeline integrity work. Workovers and facility and pipeline integrity expenses averaged $6.98/boe in the third quarter of 2019 down 25% from $9.26/boe in the same quarter of 2018. For the nine months of the year, operating costs averaged 6% higher, on a per boe basis, as compared to the same period last year, mostly due to decreasing production volumes. On a dollar basis, operating expenses were down 5%, due to lower workovers and facility and pipeline integrity expenses which decreased 9%.

The top cost drivers, fuel and electricity, labour, property taxes, and repairs and workovers, accounted for 66% of total operating expenses in the third quarter of 2019 (82% in Q3 2018). Environmental cleanup costs accounted for 15% of operating costs in Q3 2019 as compared to less than 1% in the same quarter of 2018, mostly due to cleanup costs as a result of an injection line failure.

Electricity and fuel decreased 27% in Q3 2019 as compared to the same quarter of last year mostly due to lower average electricity pool prices, which decreased 14% in the same period, and decreased reliance on compressed gas and lower production levels.

Downhole workover costs accounted for only 3% of operating expenses in Q3 2019 down from 19% in Q3 2018. Similarly, facility and pipeline maintenance costs decreased 47% in Q3 2019 from Q3 2018, accounting for 16% of operating expenses in Q3 2019.

CAPITAL PROGRAM

In the third quarter of 2019, the Company reactivated a total of 4 gross (4 net) wells, resulting in production of 70 boe/d. The reactivation capital includes 2 Swan Hills reactivations and 2 Kaybob reactivations.

During third quarter of 2019, Razor invested $4.0 million on its South Swan Hills co-produced geothermal power generation project. The Company expects the capital cost of the project to be $35 million, generating 21 MW of grid connected power, of which 6MW will be from geothermal power generation. Natural Resources Canada’s Clean Growth Program ("NRCAN") will contribute $5.0 million toward the project, and Alberta Innovates has committed $2.0 million. The company received $2.0 million from NRCAN in the quarter.

FINANCING UPDATE

Razor has cancelled its best efforts private placement of Flow-Through Shares that was announced on October 1, 2019 due to unfavourable market conditions. The Company continues to explore alternative financing options.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Starting in 2020, Razor has committed to the Alberta Energy Regulator’s (“AER”) Area Based Closure program (“ABC program”), which requires companies to commit to an inactive liability reduction target. The program encourages the oil and gas industry to abandon and reclaim inactive sites, thereby de-risking future liabilities to the general public. Benefits to companies joining the program include focused expenditures on end-of-life activities and as well as enabling companies to maintain compliance on low risk infrastructure through regular inspection rather than allocating funds to well suspension activities which provide no actual reduction in liability.

Razor’s spend target in 2020 under the ABC program is anticipated to be $2.3 million. Planned work will consist of well, facility and pipeline abandonment, site remediation and reclamation. Pending A&D activity, Razor anticipates a consistent annual spend for the next five years of approximately $2.5 million on end of life activities. Furthermore, Razor will focus activities in a concentrated area to focus on efficiency and the greatest reduction in liability for its expenditures.

Razor is actively involved in community engagement and recognizes the importance of supporting charitable organizations in the communities in which the Company operates. Since commencing operations in 2017, Razor has supported STARS air ambulance, the Swan Hills school, The Terry Fox Foundation, Kids Cancer Care, Ovarian Cancer Canada, Movember Foundation, and Crohn’s and Colitis Canada. In addition, the Company has provided sponsorship funds to community events and initiatives, as well as community sporting events.

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. In the third quarter of 2019, Razor acquired producing assets in Southern Alberta. Razor plans to concurrently grow Swan Hills, Kaybob, and Southern Alberta 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 and budget, reactivation, workover, stimulation, water and other activities, future rates of production, maintaining a dividend, financing options, capital investments and sources of funding relating to the installation of natural gas power generation, and the capacity thereof, geothermal waste heat recovery, the partnership with NRCan and Alberta Innovates, oil blending and service integration, potential future business combinations and asset acquisitions and dispositions, anticipated abandonment, reclamation and remediation costs for 2019, commitments under the ABC program and other environmental, social and governance initiatives, production guidance and shareholder returns. 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 timely performance by third-parties of contractual obligation, 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 prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products. 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 and geothermal electricity projects 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; variability in geothermal resources; as the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), electricity and commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas and geothermal industries 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.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Razor's prospective results of operations, sales volumes, production and production efficiency, balance sheet, capital spending, future financings, investment infrastructure and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as a set forth in the above paragraph. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Razor's future business operations. Razor disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

NON-IFRS MEASURES: This press release contains the terms "funds flow", "adjusted funds flow", "net blending and processing income", "net debt", "income (loss) on sale of commodities purchased from third parties", "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 generated 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 funds flow and adjusted funds flow to analyze operating performance and leverage, and considers funds flow and adjusted funds flow from operating activities to be key measures as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and repay debt. Net blending and processing income is calculated by adding blending and processing income and deducting blending and processing expense. 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. Income on sale of commodities purchased from third parties is calculated by adding sales of commodities purchased from third parties and deducting commodities purchased from third parties. Income on sale of commodities purchased from third parties may not be comparable to similar measures used by other companies. 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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