Crew Energy Inc. Announces Second Quarter 2020 Financial and Operating Results

August 6, 2020

CALGARY, AB, Aug. 6, 2020 /CNW/ - Crew Energy Inc. (TSX: CR) ("Crew" or the "Company") today announces our operating and financial results for the three and six month periods ended June 30, 2020. Crew's Financial Statements and Notes, as well as Management's Discussion and Analysis ("MD&A") for the three and six month periods ended June 30, 2020 are available on Crew's website and filed on SEDAR at www.sedar.com.

Q2 2020 HIGHLIGHTS

- **Production Increased as Pricing Improved in June:** Q2 production averaged 22,074 boe per day, while first half 2020 volumes averaged 22,985 boe per day, in-line with the same period the prior year, as an average of approximately 2,100 boe per day was shut-in during Q2/20 for value preservation due to the unprecedented decline in commodity prices.
- **Adjusted Funds Flow Supported by Lower Costs ("AFF")[1]:** AFF totaled $4.6 million and $17.0 million ($0.03 and $0.11 per fully diluted share) in Q2/20 and first half 2020 ("H1/20"), respectively, indicative of weak global commodity prices stemming from the COVID-19 pandemic. Crew's AFF benefited from lower royalties, net operating costs and general and administrative ("G&A") costs, along with strong realized hedging gains in Q2/20 which helped partially offset the impact of challenging commodity prices.
- **Focus on Cost Reductions:** G&A costs per boe declined 45% and 34% in Q2/20 and H1/20 over the same periods of 2019, respectively, and averaged $0.76 per boe in Q2, while net operating costs per boe declined 5% and 7% compared to the same periods in 2019 and averaged $5.68 per boe in Q2, reflecting Crew's efforts to streamline administrative expenses and optimize field operations.
- **Strong Liquidity Profile:** Quarter end net debt[1] of $339.2 million gives Crew ample financial flexibility and includes $300 million of senior unsecured term debt due in 2024 with no financial maintenance covenants and a draw of 24% on the Company's $150 million bank facility which was extended to June 2021 and has a contractual maturity in 2022 if not extended further.
- **Modest Capital Expenditures:** Net capital expenditures[1] in Q2/20 totaled $5.4 million, $2.7 million of which was directed to drilling and completion activities including preparations for pad development at West Septimus that is planned for the second half of 2020.
- **Active Hedging Underpins Increased Activity**: With structural improvements in the forward curve for natural gas prices, Crew has hedged a meaningful portion of production through 2021, which further enhances the robust well economics and underpins support for the drilling of a seven-well pad planned at West Septimus.

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(1) Non-IFRS Measure. "adjusted funds flow", "net debt", and "net capital expenditures" do not have standardized measures prescribed by International Financial Reporting Standards ("IFRS"), and therefore may not be comparable with the calculations of similar measures for other companies. See "Information Regarding Disclosure on Oil and Gas Reserves, Operational Information and Non-IFRS Measures" within this press release and the Company's MD&A for details including reasons for use.

FINANCIAL & OPERATING HIGHLIGHTS:

FINANCIAL ($ thousands, except per share amounts)	**Three months ended June 30, 2020**	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
Petroleum and natural gas sales	**24,889**	51,543	**62,983**	106,994
Adjusted Funds Flow (1)	**4,633**	22,513	**17,033**	48,284
Per share - basic	**0.03**	0.15	**0.11**	0.32

- diluted	**0.03**	0.15	**0.11**	0.32
Net (loss) income	**(24,803)**	15,375	**(216,712)**	21,561
Per share - basic	**(0.16)**	0.10	**(1.42)**	0.14
- diluted	**(0.16)**	0.10	**(1.42)**	0.14
Exploration and Development expenditures	**5,348**	13,997	**23,377**	69,238
Property acquisitions (net of dispositions)	**44**	(3,249)	**(34,896)**	(19,173)
Net capital expenditures	**5,392**	10,748	**(11,519)**	50,065

Capital Structure ($ thousands)	**As at June 30, 2020**	As at Dec. 31, 2019
Working capital deficiency (surplus) [2]	**7,380**	(149)
Bank loan	**35,466**	52,136
	42,846	51,987
Senior Unsecured Notes	**296,360**	295,868
Total Net Debt [3]	**339,206**	347,855
Common Shares Outstanding (thousands)	**153,081**	151,534

Notes:

(1) Non-IFRS Measure. AFF is calculated as cash provided by operating activities, adding the change in non-cash working capital, decommissioning obligation expenditures and accretion of deferred financing costs on the senior unsecured notes. AFF does not have a standardized measure prescribed by International Financial Reporting Standards, ("IFRS") and therefore may not be comparable with the calculations of similar measures for other companies. See "Non-IFRS Measures" contained within Crew's MD&A for details including a reconciliation of AFF to its most closely related IFRS measure.

(2) Non-IFRS Measure. Working capital deficiency and surplus includes accounts receivable and net assets held for sale; less accounts payable and accrued liabilities. See "Non-IFRS Measures" contained within Crew's MD&A.

(3) Non-IFRS Measure. Net debt is defined as outstanding long-term debt and net working capital. See "Non-IFRS Measures" within the Company's MD&A.

Operations	**Three months ended June 30, 2020**	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
Daily production				
Light crude oil (bbl/d)	**191**	155	**203**	190
Heavy crude oil (bbl/d)	**1,175**	1,722	**1,351**	1,666

Natural gas liquids ("ngl")[1] (bbl/d)	**2,147**	2,049	**2,218**	2,031
Condensate (bbl/d)	**2,634**	3,127	**2,987**	2,873
Natural gas (mcf/d)	**95,564**	94,873	**97,354**	97,692
Total (boe/d @ 6:1)	**22,074**	22,865	**22,985**	23,042
Average prices [2]				
Light crude oil ($/bbl)	**24.04**	66.15	**35.05**	63.14
Heavy crude oil ($/bbl)	**18.08**	60.00	**19.20**	52.44
Natural gas liquids ($/bbl)	**7.74**	7.50	**6.26**	9.17
Condensate ($/bbl)	**23.69**	68.96	**41.10**	65.88
Natural gas ($/mcf)	**1.76**	2.34	**1.81**	2.91
Oil equivalent ($/boe)	**12.39**	24.77	**15.06**	25.65

Notes:

(1) Throughout this news release, natural gas liquids ("ngl") comprise all natural gas liquids as defined by NI 51-101 other than condensate, which is disclosed separately.

(2) Average prices are before deduction of transportation costs and do not include realized gains and losses on derivative financial instruments.

	Three months ended June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
Netback ($/boe)				
Petroleum and natural gas sales	**12.39**	24.77	**15.06**	25.65
Royalties	**(0.46)**	(1.77)	**(0.74)**	(1.81)
Realized commodity hedging gain/(loss)	**3.34**	(0.16)	**2.51**	(0.52)
Marketing income[1]	**(0.26)**	1.23	**(0.07)**	1.31
Net operating costs[2]	**(5.68)**	(6.00)	**(5.70)**	(6.12)
Transportation costs	**(3.42)**	(3.01)	**(3.31)**	(2.63)
Operating netbacks[3]	**5.91**	15.06	**7.75**	15.88
G&A	**(0.76)**	(1.39)	**(0.96)**	(1.45)
Financing costs on long-term debt	**(2.85)**	(2.84)	**(2.71)**	(2.85)

Adjusted funds flow	**2.30**	10.83	**4.08**	11.58
Drilling Activity				
Gross wells	**0**	1	**2**	8
Working interest wells	**0.00**	1.00	**2.00**	8.00
Success rate, net wells (%)	**-**	100%	**100%**	100%

Notes:

(1) Marketing income was recognized from the monetization of forward natural gas sales contracts offset by the cost of committed natural gas transportation that was not available during the period.

(2) Net operating costs are calculated as gross operating costs less processing revenue.

(3) Non-IFRS Measure. Operating netback equals petroleum and natural gas sales including realized hedging gains and losses on commodity contracts, marketing income, less royalties, net operating costs and transportation costs calculated on a boe basis. Operating netback does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculations of similar measures for other companies. See "Non-IFRS Measures" contained within Crew's MD&A.

THE CREW ADVANTAGE

While the second quarter of 2020 continued to present challenges for the broader energy industry, Crew maintained our focus on both value preservation and value creation opportunities. This was achieved while prioritizing the ongoing health and safety of our team, partners and community amid the COVID-19 pandemic. To preserve asset value given extremely weak oil and liquids prices through Q2, Crew chose to shut-in a portion of the high-quality, high-margin production from our ultra-condensate rich ("UCR")[1] area, along with some higher-cost heavy oil production at Lloydminster. As prices improved in June, we were able to respond quickly and start bringing some production back on-line, capturing value within a strengthening price environment with no negative impacts to well or reservoir performance. We will continue to monitor pricing and economics and can pivot quickly to further support AFF and control costs.

We are encouraged to see a more constructive futures market for natural gas and have taken the opportunity to significantly increase our hedge protection while actively targeting higher-priced sales hubs to continue benefitting from market diversification. Part of our longer-term planning includes the ongoing evaluation of our forecast AFF for the next few years based on targeted capital spending, future prices and fixed and variable costs. Based on this analysis, it became clear that Crew could benefit by capturing the opportunity to hedge gas and condensate volumes at attractive prices for 2021 to underpin a natural gas drilling program which is expected to keep production levels in 2021 comparable to 2020 while improving leverage metrics. These factors, coupled with our strong liquidity position, contributed to the decision to increase our planned capital spending in the last half of 2020 to provide for the drilling, completion and tie-in of a seven-well pad at West Septimus. This project features attractive economics with the Company budgeting, based on current forward commodity prices, a recovery of associated capital costs within approximately 12 to 14 months.

Within the current challenging yet opportunity-rich landscape, Crew remains very well positioned to create long-term value for stakeholders. We have assembled a large, contiguous Montney asset base that offers diverse exposure to natural gas, oil, condensate and ngl, and have structured our balance sheet with the majority of our debt termed out to 2024. The Company has ample liquidity to be opportunistic in the current environment and has seen an improvement in sustainability with the base decline rate falling at its liquids-rich Septimus and West Septimus areas ("Greater Septimus"), a result of Extended Reach Horizontal ("ERH") drilling and lower activity. While addressing the ongoing challenges presented by COVID-19, we have maintained our unwavering commitment to health and safety and are pleased to report no recordable or lost-time injuries or spills in Q2/20.

Our core ESG principles also remain a high priority for Crew. The successful twinning and start-up of a pipeline at West Septimus in Q1/20 reduced line pressure in our UCR area. This has supported production and reduced gas lift compression requirements from high-value wells and is expected to lead to a reduction of 1,550 tonnes of CO_2 emissions annually, the equivalent of 337 cars per year[2]. In addition, a water disposal well in West Septimus that was drilled in Q1/20 began operation ahead of schedule early in the second quarter. Based on current performance, it is expected that the well will be able to handle all of the produced water from the West Septimus facility, ultimately reducing costs by $6.0 million annually and eliminating 2,800 tonnes of CO_2 emissions, the equivalent of 609 cars per year.

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[1] Ultra-Condensate Rich" or "UCR" is not defined in NI 51-101 and means a fairway of land at Crew's Greater Septimus area of operations where productive zones have high condensate rates (initial 30-day condensate / gas ratio rates of greater than 75 bbls per mmcf).

[2] The average North American car emits 4.6 tonnes of CO_2 per year (Source: EPA / Natural Resources Canada)

FINANCIAL OVERVIEW

Production Higher As Prices Improve

- Second quarter production averaged 22,074 boe per day, while volumes for the six months ended June 30, 2020 were 22,985 boe per day, both in-line with Crew's projected range of 22,000 to 23,000 boe per day for the first half of 2020. With approximately 2,100 boe per day shut-in through Q2/20, production for the period exceeded internal forecasts as we were able to bring volumes back on-line in June given price improvements.
- Production from the Greater Septimus area averaged 18,565 boe per day in Q2/20, 5% and 7% lower than Q2/19 and Q1/20, respectively, reflecting minimal capital investment given prevailing commodity prices and an average of approximately 1,700 boe per day of shut-in production for the quarter.
- Crew's Q2/20 exploration and development expenditures totaled $5.3 million, slightly lower than guidance of $6.0 to $8.0 million, with $2.7 million directed to drilling and completion activities, including certain preparations for the drilling of a seven-well pad in West Septimus and the completion of two heavy oil wells drilled in Q1/20. In addition, $0.9 million was allocated to well sites, facilities and pipelines and $1.8 million to land, seismic and other miscellaneous items.

Positive AFF

- Crew generated $4.6 million of AFF in Q2/20 ($0.03 per fully diluted share) and $17.0 million ($0.11 per fully diluted share) in the first half of 2020, 79% and 65% lower than the comparable periods of 2019 and 63% less than Q1/20, primarily due to the impact of severely depressed commodity prices.
- Petroleum and natural gas sales totaled $24.9 million in Q2/20, 35% lower than Q1/20 and 52% lower than Q2/19 and were $63.0 million for the first half of the year, 41% lower than the same period of 2019. This reflects a decline in Crew's Q2/20 per boe realized price of 29% and 50% over Q1/20 and Q2/19, and the impact of lower production.
- Commodity prices remained under pressure through Q2/20 as benchmark prices for all products declined quarter-over-quarter and year-over-year. In particular, oil and condensate prices decreased significantly in the last half of March in response to events on the global stage, including a price war between OPEC+ members and the demand destruction caused by the impact of the COVID-19 pandemic.
- The benchmarks for Crew's realized pricing declined relative to the same period in 2019 and to the previous quarter:
    - Crew's realized light crude oil price was 64% and 46% lower than in Q2/19 and Q1/20, respectively, compared to declines of 52% and 38% in the Canadian dollar denominated West Texas Intermediate ("WTI") benchmark price over the same respective periods. The Company's Q2/20 realized price decline was more pronounced than the WTI benchmark due to wider pricing differentials between Canadian and US crude benchmarks stemming from a continued lack of Canadian egress.
    - The Western Canada Select ("WCS") heavy crude oil benchmark declined 66% from Q2/19 and 34% from Q1/20, with Crew's realized heavy crude oil price declining 70% and 10% relative to both periods.
    - Pricing for the Company's ngl production in Q2/20 increased 3% and 59% over Q2/19 and Q1/20, respectively, largely due to increases in component pricing across North America, particularly increased realized prices for ethane.
    - Relative to the condensate at Edmonton benchmark price, which declined 59% and 50% over Q2/19 and Q1/20, Crew's realized condensate prices over the same respective periods decreased 66% and 57%, directionally in-line with benchmarks with the relative difference being the result of fixed transportation costs.
    - Crew's Q2/20 natural gas sales continued to be exposed to diversified markets, a feature that has benefited the Company significantly in the past, particularly our higher exposure to US markets. Consistent with Q1/20, the Chicago City Gate net at ATP average quarterly benchmark price again traded below prices at AECO 5A or Alliance, impacting Crew's realized natural gas price, which declined 25% and 5% relative to Q2/19 and Q1/20, respectively. Through 2020 and into 2021, the Company's relative exposure to Canadian AECO and Alliance pricing will increase, with a proportionate decrease in US price exposure.

Focus on Cost Control

- Our focus remains on controlling and reducing costs throughout the organization. Net operating costs in Q2/20 of $5.68 per boe declined 5% and 1% relative to the same period in 2019 and to the preceding quarter.
- G&A costs of $0.76 per boe in Q2/20 were 45% and 34% lower than Q2/19 and Q1/20, respectively. This reflects Crew's continued focus on administrative cost reductions, lower compensation costs, lower head office operating costs and property taxes stemming from a condensed office footprint, and the impact of government grants received under the Canada Emergency Wage Subsidy.

Strong Liquidity Position

- Net debt of $339.2 million at June 30, 2020 was 4% lower than June 30, 2019, 2% lower than year end 2019 and in line with the previous quarter. During Q1/20, Crew announced strategic debt and infrastructure transactions, with $35 million of proceeds from the first closing applied to outstanding draws on our credit facility, which totaled $35.5 million at June 30, 2020.

- As a result of the previously disclosed infrastructure transactions, Crew expects to capture efficiencies through 2020 with net proceeds totaling $58.3 million, and an anticipated annual net savings of processing fees and interest of approximately $3.0 million following the second closing in Q4/20. In addition, commencing in 2021, Crew can elect to exercise an option for a further disposition of the facility working interests which would result in additional cash consideration of up to $37.5 million, providing incremental liquidity.
- Crew's debt is comprised of $300 million of senior unsecured term debt with no financial maintenance covenants or repayment required until 2024, and a $150 million credit facility that was 24% drawn at quarter-end. The Company's facility was reviewed and extended for another 365 days to June 2021 and has a contractual maturity in 2022 if not extended. The amended borrowing base of $150 million is reflective of the severe decline in commodity prices due to COVID-19 and other macro market factors. The revised facility is structured to better align with the Company's anticipated capital spending plans and to control the overall cost of the facility to the Company.

TRANSPORTATION, MARKETING & HEDGING

Market Access Diversification and Risk Management

- Over the past several years, Crew has focused on diversifying the Company's sales portfolio, which has resulted in significant exposure to US sales hubs and has offered more attractive pricing for the last four and a half years. As a result of certain sales contracts expiring, Crew is in an advantageous position to materially re-position our natural gas sales portfolio over the next 18 months.
- In Q3/19, TC Energy's service protocol change caused Canadian natural gas prices to increase to levels more aligned with US sales hubs, muting Crew's premium natural gas pricing advantage. To offset this, we are actively rebalancing the Company's marketing portfolio to reduce transportation commitments and redirect our natural gas portfolio to those North American markets that offer optimal natural gas netbacks.
- Crew's average natural gas sales exposure in Q2/20 was weighted approximately 49% to Chicago (down from 58% in Q1/20), 16% to Henry Hub (on par with Q1/20), 24% to Alliance 5A (up from 19% in Q1/20), 8% to Station 2 (up from 7% in Q1/20) and 3% to AECO 5A (up from 0% in Q1/20).
- For 2020, the Company's sales portfolio is estimated to be weighted 57% to Chicago, 15% to Henry Hub, 14% to Alliance 5A, 9% to Station 2, and 5% to AECO 5A.
- Into 2021, based on current forward pricing, our estimated weighting is expected to shift to approximately 32% to Chicago, 15% to Alliance 5A, 46% to AECO 5A and 7% to Station 2.
- Crew's Q2/20 MD&A contains a complete list of all hedges in place as at June 30, 2020 along with incremental contracts secured subsequent to quarter end.
- Crew was able to utilize part of the 20,000 bbls installed storage capacity to help improve oil netbacks in Q2/20.

OPERATIONS & AREA OVERVIEW

NE BC Montney - Greater Septimus

- All four of Crew's 3-32 wells were shut-in during May and produced at restricted rates for most of the quarter. The wells continue to meet expectations for type wells derived from Crew's independent reserves evaluation at year end 2019.
- The development of natural gas in West Septimus is supported by Crew's low variable operating cost structure, reduced capital costs and hedging completed into favorable forward strip pricing.
    - Drilling operations have commenced on the first of seven wells at the 9-5 pad at West Septimus.
    - The development area benefits from the low variable operating costs inherent at West Septimus, which average approximately $1 per boe, as well as available capacity from recent area plant and pipeline expansions.
    - Successful experience in ERH drilling and completions will be employed to enhance the efficiency of this program.

Greater Septimus

Production & Drilling	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Average daily production (boe/d)	**18,565**	19,894	18,720	19,648	19,594
Wells drilled (gross / net)	**0**	0	0	0	1 / 1.0
Wells completed (gross / net)	**0**	0	4 / 4.0	1 / 1.0	0

Operating Netback ($ per boe)	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue	**11.97**	17.61	20.13	17.38	22.20
Royalties	**(0.36)**	(0.86)	(1.76)	(1.04)	(1.27)
Realized commodity hedge gain / (loss)	**3.06**	1.44	0.90	1.78	0.28
Marketing income(1)	**(0.31)**	0.13	(0.02)	1.55	1.43
Net operating costs(2)	**(4.81)**	(4.52)	(3.99)	(4.41)	(4.46)
Transportation costs	**(3.37)**	(2.99)	(2.61)	(2.62)	(2.81)
Operating netback(3)	**6.18**	10.81	12.65	12.64	15.37

Notes:

(1) Marketing income was recognized from the monetization of forward physical sales contracts offset by the cost of committed natural gas transportation that was not available during the period.

(2) Net operating costs are calculated as gross operating costs less processing revenue.

(3) Non-IFRS Measure. Operating netback equals petroleum and natural gas sales including realized hedging gains and losses on commodity contracts, marking income, less royalties, net operating costs and transportation costs calculated on a boe basis. Operating netback does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculations of similar measures for other companies. See "Non-IFRS Measures" contained within Crew's MD&A.

Other NE BC Montney

- **Tower:** Production averaged 694 boe per day in this area during Q2/20, comprised of 183 bbls per day of oil, 21 bbls per day of condensate, 60 bbls per day of ngl and 2,577 mcf per day of natural gas. Crew continues to evaluate options to reduce operating costs and improve netbacks through the optimization of existing pipeline infrastructure and tankage.
- **Attachie:** Approximately 36 of the Company's 76 net sections in this area are situated within the liquids-rich hydrocarbon window. Given the positive results generated by offsetting operators, a lease retention well is currently planned in 2021 and would conclude the lease preservation program at Attachie.
- **Oak / Flatrock:** In this liquids-rich gas area, Crew has more than 60 (52 net) sections of land, and the Company plans to continue monitoring industry activity and offsetting well results which have been encouraging.
- **Groundbirch:** With approximately 112 sections adjacent to acreage planned to be developed for a west coast LNG project and existing pipeline infrastructure proximal to the Coastal GasLink pipeline inlet, this area is ideally situated for future development. Crew anticipates drilling three lease retention wells in this area in 2021.

AB / SK Heavy Oil Lloydminster

- In light of deteriorating oil prices through April and May, Crew reduced capital directed to heavy crude oil opportunities at Lloydminster and continued to scale back operations and production in Q2/20 in order to preserve value and minimize costs. Two lease retention wells drilled in Q1/20 were completed and equipped and brought on production when prices improved.
- Production averaged 1,180 bbls per day in Q2/20 reflecting the shut-in of approximately 400 bbls of oil per day in Q2/20, the impact of natural declines and limited capital investment. Crew began reactivating shut-in wells in June to capture value from narrow differentials, with June production averaging 1,354 bbls per day, and will continue to adjust production levels as prices dictate.

OUTLOOK

- We are very pleased to see a more constructive market for AECO natural gas and have taken the opportunity to significantly increase our hedge protection while actively targeting higher-priced sales hubs to continue to benefit from marketing diversification.
- To underpin a natural gas drilling program planned to improve leverage metrics and maintain 2021 production levels and

unit costs comparable with 2020, Crew has proactively hedged natural gas and condensate volumes in 2021 at attractive prices. Our decision to increase planned investment in the last half of 2020 including the drilling and completion of a seven-well pad at West Septimus, along with associated infrastructure, was supported by:
    - Crew's strong liquidity position;
    - Focus on improving leverage metrics;
    - Reduced drilling and completion costs;
    - Ability to add natural gas volumes into a low variable cost structure;
    - Sustainability improving as base decline rates decrease in Greater Septimus, a function of maturing production and the adoption of ERH wells;
    - Timing of our capital investment to bring new production volumes on-stream into higher priced markets;
    - Access to, and takeaway capacity on, multiple natural gas takeaway pipelines providing flexibility to direct sales to the highest priced markets; and
    - Strong projected returns.

- With our exposure to AECO 5A prices increasing from 5% in 2020 to 46% in 2021, we have hedged a portion of the estimated forecast 2021 gas production from the new wells to minimize commodity risk and contribute to compelling returns with quick potential well pay outs. Should the very recent improvement in natural gas future prices in 2021 be realized, the returns on this investment would be enhanced.
- Drilling of the first of seven wells commenced in late July, with production from all seven wells anticipated to come on-stream by Q1/21.
- With the new pad development, Crew's annual exploration and development expenditure budget range has been increased to $75 to $85 million ($17 to $27 million net of dispositions), with Q3/20 capital spending projected to be $20 to $25 million and Q3 average production forecasted to be 18,000 to 19,000 boe per day reflecting an anticipated ten day turnaround at our Septimus processing facility and a 30-day turnaround at the McMahon gas processing facility. We are forecasting fourth quarter average production of 19,500 to 20,500 boe per day and are pleased to maintain our annual average production guidance of 20,000 to 22,000 boe per day.
- Crew has continued to participate in the various government incentive programs that have been offered and submitted applications for the various provincial reclamation and remediation stimulus programs. Crew has been awarded funding and will be initiating field work as outlined within the program.
- The Company remains well positioned from a liquidity perspective with 24% drawn on our $150 million credit facility at quarter-end, and an additional net $23 million cash payment expected to be realized during Q4/20 associated with the previously disclosed strategic infrastructure transactions. Importantly, with $300 million of senior notes termed out until 2024, Crew does not face any near-term maturities or repayment requirements which affords financial flexibility to weather market weaknesses.

The COVID-19 pandemic continues to cause negative repercussions throughout the global economy. While Crew's focus remains on the health and safety of our staff and community, we are striving to capture opportunities to generate meaningful long-term value for all stakeholders and appreciate the trust you have placed in our Company. We commend the tireless efforts of Crew's employees and directors whose commitment and dedication are critical to our ongoing success. We thank all of our shareholders and bondholders for your ongoing support and hope you and your families remain safe.

Advisories

Information Regarding Disclosure on Operational Information and Non-IFRS Measures

All amounts in this news release are stated in Canadian dollars unless otherwise specified. This press release contains financial and performance metrics that are not defined in IFRS and do not have standardized meanings or standardized methods of calculation, such as "adjusted funds flow", "operating netbacks", "net capital expenditures", "working capital deficiency (surplus)" and "net debt". As such, these terms may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Such metrics have been included herein to provide readers with additional information to evaluate the Company's performance, however such metrics should not be unduly relied upon. Management uses oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare Crew's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

With respect to the use of terms used in this press release identified as Non-IFRS Measures, see Non-IFRS Measures contained in Crew's MD&A for applicable definitions, calculations, rationale for use and, where applicable, reconciliations to the most directly comparable measure under IFRS.

Forward-Looking Information and Statements

This news release contains certain forward–looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" "forecast" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: the potential and uncertain impact of COVID-19 on the Company's operations and results; as to the execution of Crew's business plan including Q3, Q4 and annual 2020 production guidance, capital spending plans and budget estimates; the anticipated receipt of additional net cash proceeds of $23 million upon remaining closings of the Company's previously announced strategic transactions; as to the Company's ongoing goal of increasing the overall weighting of condensate in its production mix; the estimated volumes, including planned production shut-ins, and product mix of Crew's oil and gas production; production estimates including targeted production *levels in 2021 to be comparable to 2020 volumes; commodity price expectations including Crew's estimates of natural gas pricing exposure; Crew's commodity risk management programs; marketing and transportation plans; estimates of sales points weightings for 2020 and into 2021; future liquidity and financial capacity; future results from operations and operating metrics; potential for lower costs and efficiencies going forward including forecasted reductions in G&A for 2020; reductions in transportation costs; and estimated annual savings associated with shut-ins and planned operations and streamlining efforts; anticipated reductions in annual CO2 emissions; the potential impact of government programs associated with COVID-19; world supply and demand projections and anticipated reductions in industry spending as a result, and long-term impact on pricing; future development, exploration, acquisition and disposition activities (including drilling and completion plans and associated timing and cost estimates); infrastructure investment plans and associated production capacity; and the amount and timing of capital projects.*

In addition, forward-looking statements or information are based on a number of material factors, expectations or assumptions of Crew which have been used to develop such statements and information but which may prove to be incorrect. Although Crew believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Crew can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: that Crew will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities consistent with past operations; the quality of the reservoirs in which Crew operates and continued performance from existing wells; the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Crew's reserve volumes; certain commodity price and other cost assumptions; continued availability of debt and equity financing and cash flow to fund Crew's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which Crew operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Crew to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Crew has an interest in to operate the field in a safe, efficient and effective manner; the ability of Crew to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Crew to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Crew operates; and the ability of Crew to successfully market its oil and natural gas products.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to defer materially from those anticipated in such forward-looking information or statements including, without limitation: the continuing and uncertain impact of COVID-19; changes in commodity prices; changes in the demand for or supply of Crew's products, the early stage of development of some of the evaluated areas and zones the potential for variation in the quality of the Montney formation; interruptions, unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates; climate change regulations, or other regulatory matters; changes in development plans of Crew or by third party operators of Crew's properties, increased debt levels or debt service requirements; inaccurate estimation of Crew's oil and gas reserve volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in Crew's public disclosure documents (including, without limitation, those risks identified in this news release and Crew's Annual Information Form).

The internal projections, expectations or beliefs underlying the Company's 2020 capital budget and corporate outlook for 2020 and beyond are subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Crew's outlook for 2020 and beyond provides shareholders with relevant information on management's expectations for results of operations, excluding any potential acquisitions, dispositions or strategic transactions that may be completed in 2020 and beyond. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and Crew's 2020 guidance and outlook may not be appropriate for other purposes.

The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Crew does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Supplemental Information Regarding Product Types

This news release includes references to average daily production volumes by quarter at Greater Septimus. The following is intended to provide the product type composition for each of the production figures provided herein, where not already disclosed within tables above:

	Greater Septimus Production Volume Breakdown			
	Natural gas liquids(1)	Condensate	Natural gas	Total (boe/d)
Q2/20	*11%*	*14%*	*75%*	18,565
Q1/20	*11%*	*17%*	*72%*	19,894
Q4/19	*10%*	*13%*	*77%*	18,720
Q3/19	*11%*	*13%*	*76%*	19,648

Q2/19	*10%*	*16%*	*74%*	19,594

Notes:

(1) Throughout this news release, natural gas liquids ("ngl") comprise all natural gas liquids as defined by NI 51-101 other than condensate, which is disclosed separately.

Test Results and Initial Production Rates

A pressure transient analysis or well-test interpretation has not been carried out and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed. Test results and initial production rates disclosed herein, particularly those short in duration, may not necessarily be indicative of long term performance or of ultimate recovery.

BOE equivalent

Barrel of oil equivalents or BOEs 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. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of 6:1, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

Crew is a growth-oriented oil and natural gas producer, committed to pursuing sustainable per share growth through a balanced mix of financially and socially responsible exploration and development complemented by strategic acquisitions. The Company's operations are primarily focused in the vast Montney resource, situated in northeast British Columbia, and include a large contiguous land base. Crew's ultra-condensate-rich Septimus and West Septimus areas ("Greater Septimus") along with Groundbirch and the light oil area at Tower in British Columbia offer significant development potential over the long-term. The Company has access to diversified markets with operated infrastructure and access to multiple pipeline egress options. Crew's common shares are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "CR".

Financial statements and Management's Discussion and Analysis for the three and six month periods ended June 30, 2020 and 2019 are filed on SEDAR at www.sedar.com and are available on the Company's website at www.crewenergy.com.

SOURCE Crew Energy Inc.