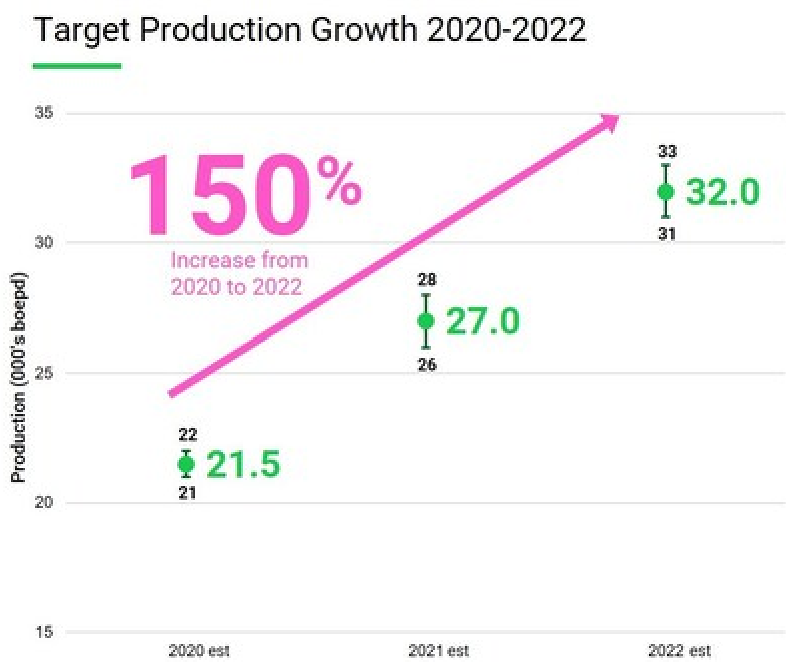
Crew Energy Inc. Announces 2021 Capital Budget and Two-Year Plan to Increase Production to Drive Margin Expansion

December 10, 2020

CALGARY, AB, Dec. 10, 2020 /CNW/ - Crew Energy Inc. (TSX: CR) ("Crew" or the "Company") is pleased to announce that our Board of Directors (the "Board") has approved a capital expenditure budget for 2021 and an innovative asset development plan for 2021 and 2022, which are expected to expand margins through an efficient calibration of Crew's production to match our infrastructure and transportation commitments. Over the next 24 months, Crew plans to increase annual average daily production by approximately 150% and expand adjusted funds flow ("AFF")[1] by over 300% relative to 2020, significantly improving leverage metrics.



This two-year plan sets the stage for Crew to increase the pace of development for our world-class Montney resource, capturing value from stronger commodities futures pricing through prudent hedging, while we optimize production and infrastructure utilization, enhance margins, increase AFF and ultimately, improve leverage metrics. Our strategy to better calibrate the Company has been structured to generate meaningful free AFF[1], which is estimated to range between $35 and $65 million in 2022 based on current assumptions, as outlined in the table below titled '*Key Budget Assumptions*'.

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[1] Non-IFRS Measure. See "Advisories - Non-IFRS Measures".

CAPITAL PROGRAM

2021

Through 2021, Crew plans to invest between $120 to $145 million, allocated to drilling 19 wells and completing between 14 to 21 wells in the Greater Septimus area of northeast British Columbia ("NEBC"). Four of the planned wells are lease preserving wells, which will not be completed and hence will contribute to production through 2022. This investment is expected to result in average annual production of 26,000 to 28,000 boe per day, and achieve an exit rate of over 30,000 boe per day, which is defined as average production through the month of December 2021. Seven wells on the 9-5 pad are expected to be brought on production in late December 2020, and Crew will enter 2021 with an additional six drilled and uncompleted wells in inventory.

2022[1]

During 2022, Crew is currently planning to invest $70 to $95 million, targeting the drilling of nine wells and completion of between nine and 16 wells at Greater Septimus. This investment, if undertaken following the planned 2021 budget, would target average annual production of 31,000 to 33,000 boe per day with an exit rate of over 33,000 boe per day which would represent a 160% increase in production from our most recently released quarter.

OVERVIEW

Crew's two-year plan is designed to take advantage of an active hedging program for natural gas, the prices of which the market has not seen since 2014. A strong hedge book, combined with competitive service costs and technological advancements that have significantly improved efficiencies, offer a unique opportunity to increase production and improve margins, AFF and debt metrics, which are expected to markedly improve Crew's long-term sustainability. Our plan to calibrate production with infrastructure and transportation capacity is expected to drive the following positive attributes:

Calibrating Transportation Commitments with Processing Capacity

Crew is planning to reduce firm natural gas transportation commitments over the next two years from approximately 250 million cubic feet ("mmcf") per day in 2020 to approximately 210 mmcf per day in 2021 and ultimately drive commitments down to approximately 165 mmcf per day in 2022. Crew will retain the right to use additional interruptible transportation service on three major Canadian export pipelines adjacent to our Montney asset base. As a result of these active reductions, Crew's transportation costs per unit are expected to be reduced by approximately 30% through this period. Crew's current available processing capacity is 180 mmcf per day. In 2021, we forecast processing requirements to range between 90 and 165 mmcf per day and 120 and 180 mmcf per day in 2022, greatly improving alignment between production and processing capacity, while affording the opportunity for additional growth in the future.

Reducing Expenses

Through production increases and reduced transportation commitments, Crew expects to reduce per unit costs, including operating, transportation, general and administrative and interest expenses in aggregate by over 25% from 2020 to 2022. As a result, the Company's per boe expenses are expected to decline from a range of $13 to $14 in 2020 to between $11 and $12 in 2021 and further decline to between $9.50 and $10.50 in 2022.

Robust Natural Gas Hedging

Average forward natural gas prices for 2021 and 2022 have been higher than they have been since 2014. Crew acted quickly and took the opportunity to lock in approximately 45% of our forecast natural gas production for 2021 at an average price of $2.48 per Gigajoule ("GJ") (or $3.08 per thousand cubic feet ("mcf") calculated using Crew's heat content factor) and approximately 36% of targeted natural gas production for 2022 at an average price of $2.46 per GJ (or $3.05 per mcf using Crew's heat content factor). This program has enabled the Company to underpin a material portion of AFF for both years, in addition to securing attractive payouts[2] on capital investments targeting an estimated 11 to 14 months.

Free Adjusted Funds Flow

The two-year plan is designed to materially increase AFF by increasing production, reducing per unit expenses and increasing margins with the objective of improving leverage metrics. In order to execute on our calibration initiatives, Crew expects to outspend AFF in 2021 by $30 to $45 million, which will be funded in part by the net $23 million of cash proceeds received in Q4/20 from the previously disclosed strategic infrastructure transactions and available liquidity on our bank line. The funding landscape changes dramatically in 2022 as we plan to underspend AFF and generate between $35 and $65 million of forecasted free AFF[2], while materially increasing our production base and sustainability. Additionally, we have an option to convert a further 11.4% ownership interest in our Septimus and West Septimus facilities for $37.5 million of gross proceeds starting in 2021.

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[1] Crew's plans for 2022 remain preliminary in nature and do not reflect a Board approved capital expenditures budget.

[2] Non-IFRS Measure. See "Advisories - Non-IFRS Measures".

Improving Leverage Metrics

At year-end 2020, Crew's debt metrics are expected to be approximately 5.5 to 6.0 times net debt[2] to trailing last-twelve-months ("LTM") EBITDA[1]. With increased production, a robust hedging program and lower per unit expenses, net debt to LTM EBITDA at the end of 2021 is expected to be 3.0 to 3.5 times, further improving at the end of 2022 to a targeted 2.0 to 2.5 times, based on the two-year plan contemplated and the commodity prices outlined below. This would represent a potential reduction in leverage metrics of over 60% at the midpoint in two years. Based on forward commodity prices, Crew has modeled that keeping production in the 33,000 boe per day range would require annual maintenance capital investment of approximately $100 million, generating free AFF[1] which would further reduce targeted debt to EBITDA below 2.0 times.

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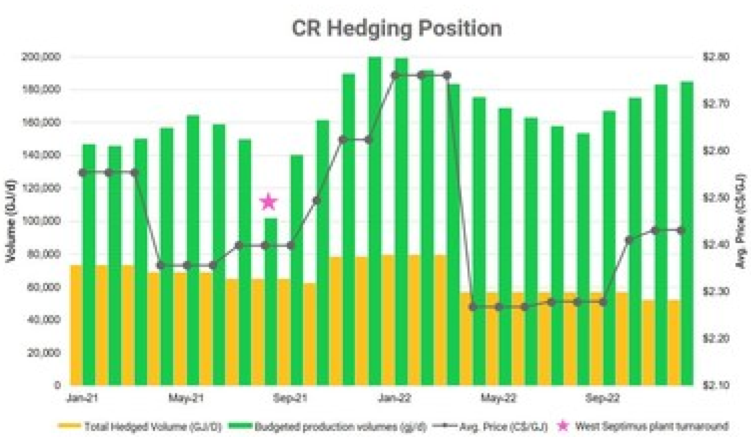
[1] Non-IFRS Measure. See "Advisories - Non-IFRS Measures".



Key Budget Assumptions	**2021**	**2022**
Capital Expenditures ($MM)	120-145	70-95
Annual Average Production (boe/d)	26,000 – 28,000	31,000 – 33,000

AFF ($MM)	85 – 105	120 – 150
Average Hedge Volume (GJ)	70,500	62,200
Average Hedged Price (per GJ | per mcf[1])	$2.48 | $3.08	$2.46 | $3.05
Oil price (WTI)($US per bbl)	$45.20	$44.60
Natural gas price (AECO 5A) ($C per mcf)	$2.60	$2.50
Natural gas price (NYMEX) ($US per mmbtu)	$2.80	$2.70
Natural gas price (Crew est. wellhead) ($C per mcf)	$3.00	$2.90
WCS price ($C per bbl)	$42.00	$40.00
Foreign exchange ($US/$CAD)	$0.77	$0.77
Royalties	5%	5%
Operating costs ($ per boe)	$4.75-$5.25	$4.25-$4.75
Transportation ($ per boe)	$3.00-$3.50	$2.25-$2.75
G&A ($ per boe)	$0.90-$1.10	$0.80-$1.00
Interest rate – bank debt	6.0%	6.0%
Interest rate – high yield	6.5%	6.5%

[1] Reflects a pricing premium given Crew's higher heat content gas

Budget Sensitivities

2021 SENSITIVITIES

	AFF ($MM)	***AFF/Share***
100 bbl per day Condensate[1]	$1.9	*$ 0.01*
C$1.00 per bbl WTI	$1.4	*$ 0.01*
US $0.10 NYMEX (per mmbtu)	$3.3	*$ 0.02*
1 mmcf per day natural gas	$1.0	*$ 0.01*
$0.10 AECO 5A (per GJ)	$2.1	*$ 0.01*
$0.01 FX CAD/US	$1.8	*$ 0.01*

2022 SENSITIVITIES

	AFF ($MM)	***AFF/Share***

100 bbl per day Condensate[1]	$1.8	*$ 0.01*
C$1.00 per bbl WTI	$2.0	*$ 0.01*
US $0.10 NYMEX (per mmbtu)	$4.6	*$ 0.03*
1 mmcf per day natural gas	$1.0	*$ 0.01*
$0.10 AECO 5A (per GJ)	$3.2	*$ 0.02*
$0.01 FX CAD/US	$2.7	*$ 0.02*

(1) Condensate is defined as a mixture of pentanes and heavier hydrocarbons recovered as a liquid at the inlet of a gas processing plant before the gas is processed and pentanes and heavier hydrocarbons obtained from the processing of raw natural gas.

Summary

We are excited about the opportunities presented by this innovative, two-year asset development plan. By continuing to successfully execute through 2021 and 2022, we expect to expand margins through efficient calibration of the organization's production to approximate our infrastructure and transportation commitments. In the interests of building a sustainable business for all stakeholders, Crew remains committed to identifying opportunities to enhance our financial flexibility by reducing leverage metrics to more conservative levels through increased AFF and strategic dispositions.

We have also prepared a refreshed corporate presentation to highlight the fundamentals of our updated strategic plan and outline Crew's compelling investment thesis for shareholders and investors, which is available on our website here.

Advisories

Information Regarding Disclosure on Operational Information

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 most recent MD&A for applicable definitions, calculations, rationale for use and, where applicable, reconciliations to the most directly comparable measure under IFRS.

Non-IFRS Measures

Certain financial measures referred to in this press release, such as adjusted funds flow or AFF, free adjusted funds flow, EBITDA, net debt, and payout are not prescribed by IFRS. Crew uses these measures to help evaluate its financial and operating performance as well as its liquidity and leverage. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

"Adjusted funds flow" or "AFF" - Forecasted AFF presented herein is equivalent to cash flow provided by operating activities, which is an IFRS measure, adding the change in non-cash working capital, decommissioning obligation expenditures, excluding grants, and accretion of deferred financing costs on the senior unsecured notes. The Company considers this metric as a key measure that demonstrate the ability of the Company's continuing operations to generate the cash flow necessary to maintain production at current levels and fund future growth through capital investment and to service and repay debt. Crew also presents AFF per share in this presentation whereby per share amounts are calculated using fully diluted shares outstanding.

"Free AFF" is calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions. Management believes that free adjusted funds flow provides a useful measure to determine Crew's ability to improve sustainability and to manage the long-term value of the business.

"EBITDA" is calculated as consolidated net income (loss) before interest and financing expenses, income taxes, depletion, depreciation and amortization, adjusted for certain non-cash, extraordinary and non-recurring items primarily relating to unrealized gains and losses on financial instruments and impairment losses. Crew utilizes EBITDA as a measure of operational performance and cash flow generating capability. EBITDA impacts the level and extent of funding for capital projects investments. This measure is consistent with the EBITDA formula prescribed under the Company's Credit Facility and allows Crew and others to assess its ability to fund financing expenses, net debt reductions and other obligations.

"Net debt" is defined as outstanding long-term debt and net working capital.

"Payout" is achieved when revenues, less royalties, production and transportation costs are equal to the total capital costs associated with drilling, completing, equipping and tying in a well. Management considers payout an important measure to evaluate its operational performance and capital allocation processes. It demonstrates the return of cash flow and allows the Company to understand how a capital program is funded under different operating scenarios, which helps assess the Company's ability to generate value

Please refer to Crew's most recently filed MD&A for additional information relating to Non-IFRS measures including a reconciliation of AFF to its most closely related IFRS measure. The MD&A can be accessed either on Crew's website at www.crewenergy.com or under the Company's profile on www.sedar.com.

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 ability to execute on its plan to increase annual average daily production by approximately 50% relative to 2020 and expand adjusted funds flow by over 300% relative to 2020; as to our plan to optimize production and infrastructure utilization, enhance margins, increase AFF and improve leverage metrics; forecast and target debt metrics for the years ended 2020-2022 based on current assumptions; execution of Crew's strategy to calibrate the Company and generate meaningful AFF estimated between $35 and $65 million in 2022 based on current assumptions; our 2021 capital budget range and associated drilling and completion plans and guidance; preliminary plans and targets for 2022; the estimated annual average and exit production volumes in 2021 and targets for 2022; commodity price expectations including Crew's estimates of natural gas pricing exposure; Crew's commodity risk management programs and future hedging opportunities; marketing and transportation plans; estimates of processing capacity and requirements; estimates of sales points weightings for 2020 and into 2021; future liquidity and financial capacity; future results from operations and operating and leverage metrics; anticipated reductions in expenses and associated estimates; strong capital efficiencies and enhanced returns going forward; anticipated reductions in transportation commitments and costs; estimated maintenance capital requirements; capital cost recovery targets;; 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; the amount and timing of capital projects; and anticipated improvement in our long-term sustainability including the expected positive attributes discussed herein attributable to our calibration strategy and all associated estimated and targeted metrics.

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 internal projections, expectations, or beliefs underlying our Board approved 2020 and 2021 capital budgets and associated guidance, as well as management's preliminary estimates and targets in respect of plans for 2022 and beyond, are subject to change in light of the impact of the COVID-19 pandemic, and any related actions taken by businesses and governments, ongoing results, prevailing economic circumstances, commodity prices, and industry conditions and regulations. Crew's financial outlook and guidance provides shareholders with relevant information on management's expectations for results of operations, excluding any potential acquisitions or dispositions, for such time periods based upon the key assumptions outlined herein. In this press release reference is made to the Company's longer range 2022 and beyond internal plan and associated economic model. Such information reflects internal targets used by management for the purposes of making capital investment decisions and for internal long range planning and budget preparation. Readers are cautioned that events or circumstances could cause capital plans and associated results to differ materially from those predicted and Crew's guidance for 2021 and beyond may not be appropriate for other purposes. Accordingly, undue reliance should not be placed on same.

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 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.*

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Crew's prospective capital expenditures, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. The actual results of operations of Crew and the resulting financial results will likely vary from the amounts set forth in this press release and such variation may be material. Crew and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, Crew undertakes no obligation to update such FOFI. FOFI contained in this press release was made as of the date of this press release and was provided for the purpose of providing further information about Crew's anticipated future business operations. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein.

Supplemental Information Regarding Product Types

This news release includes references to forecast and target average daily production volumes and exit rate production volumes for 2021 and 2022. 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:

	Target Production Volume Breakdown				
	Crude Oil	Natural gas liquids	Condensate	Natural gas	Total Range (boe/d)
2021 Annual Average	4%	10%	11%	75%	26,000-28,000
2021 Exit Rate	3%	10%	12%	75%	30,000
2022 Annual Average	3%	10%	12%	75%	31,000-33,000
2022 Exit Rate	3%	9%	11%	77%	33,000

BOE Conversions

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. 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".

SOURCE Crew Energy Inc.