crew energy inc.

Crew Energy Inc. Provides Operational Update Highlighted by Record Production and Strong Well Results

January 31, 2022

CALGARY, Alberta., Jan. 31, 2022 (GLOBE NEWSWIRE) -- Crew Energy Inc. (TSX: CR; OTCQB: CWEGF) ("**Crew**" or the "**Company**") is a growth-oriented natural gas weighted producer operating exclusively in the world-class Montney play in northeast British Columbia. The Company is pleased to announce that we have established a new production record with average volumes estimated at **32,600** boe per day[1] in December 2021, and are providing an operational update confirming that Crew's two-year plan is on track to deliver **greater than 20% production per share growth**, **over 50% Adjusted Funds Flow (AFF) growth** and greater than a **45% reduction in net debt / EBITDA ratio** in 2022.

Strong Q4 and Start to 2022

- **Record Average Production:** Crew's December average production is estimated at **32,600 boe per day[1]** (based on field estimates) and represents a new record high for the Company.
  - Q4/21 average production is estimated at **29,100 boe per day[1]**, ahead of previous guidance of 28,000 to 29,000 boe per day[1], and an increase of 34% over Q4/20 average production of 21,666 boe per day[1].
  - Full year 2021 production is estimated to average **26,400 boe per day[1]**, near the midpoint of Crew's 26,000 to 27,000 boe per day[1] previous guidance, and a 20% increase over the prior year.
  - Production volumes, based on field estimates, to date in January have averaged approximately **32,500 boe per day[1]**.
- **Capital Expenditures and Guidance on Track:** While the original plan anticipated the drilling of 26 wells and completion of 21 wells during 2021, the Company elected to complete an additional three Ultra-Condensate Rich ("UCR") wells in Q4/21 to capture the benefit of stronger commodity prices and mitigate the impact of shut-in production from offsetting wells at the 4-21 pad at West Septimus.
  - Capital spending through Q4/21 is estimated at approximately **$42 million[2]**.
  - Full year 2021 net capital expenditures[5] are anticipated at approximately **$170 million[2]**, at the high end of Crew guidance of $150 to $170 million, and within the guided range despite completing three additional wells that were not included in the budget.
  - First quarter 2022 production is expected to average 31,000 to 33,000 boe per day. Full year 2022 guidance is reconfirmed, for production to average 31,000 to 33,000 boe per day with capital expenditures of $70 to $95 million.
- **Strong Liquids Rich Wells at Greater Septimus:** Five liquids rich wells were brought on production at Greater Septimus in Q4/21.
  - Three Extended Reach Horizontal ("ERH") wells on the 4-14 pad were drilled to an average lateral length of 4,140 metres in the Upper Montney "B" zone. They were completed and brought on production into the Septimus gas plant on December 23rd and have now been shut-in while we complete the remaining wells on this pad.
  - After an average of 27 days on production, following a short clean-up period, the three wells on the 4-14 pad were flowing at an average per well sales rate of **2,585 boe per day**, comprised of **9,940 mcf per day** of natural gas, **750 bbls per day** of condensate and **180 bbls per day of ngl's**[3]. Comparative type curves for this pad are available within Crew's updated February 2022 investor presentation available on Crew's website.
  - Two Upper Montney "B" zone wells were completed at Crew's 4-21 pad with an average lateral length of 2,710 metres. After an average of 33 days on production and following a short clean-up period, the wells were flowing at an average per well sales rate of **1,755 boe per day**, comprised of **7,070 mcf per day** of natural gas, **404 bbls per day** of condensate and **174 bbls per day of ngl's**[3]. Comparative type curves for this pad are available within Crew's updated February 2022 investor presentation available on Crew's website. These wells have been shut-in for facilities construction and are expected to resume production by the end of February.
- **Operational Execution a Prime Focus:** Currently, Crew has one drilling rig and one fracturing spread in operation.
  - The drilling rig is on the second well on Crew's five-well 4-17 Groundbirch pad, following up on the success of our

first three wells that were drilled and completed in 2021. The first three wells at Groundbirch are exceeding Crew's internal type curve with an initial production rate after 90 days ("IP90") average raw gas rate of 9,910 mcf per day.

- The remaining seven wells on our ten-well 4-14 pad at Greater Septimus are currently being completed with initial production expected late in Q1/22.

- **Leverage Metrics Improving while Retaining Strategic Optionality**: Crew has ample liquidity to complete our two-year plan, with leverage metrics expected to continually improve with the Company planning to reduce indebtedness through 2022[4].
  - Crew's net debt[5] to the last twelve-months' ("LTM") EBITDA [5] ratio is budgeted to improve to a targeted **1.3 to 1.5 times** at the end of 2022, declining from an estimated 2.5 to 2.7 times at the end of 2021[2].
    - The Company's Free AFF [5] is targeted at a range of **$95 million to $140 million in 2022[4]** depending on commodity prices.
    - Liquidity can be further enhanced given the Company has an option to dispose of an additional 11.43% working interest in our Greater Septimus facilities located in northeast B.C. for incremental proceeds of up to **$37.5 million**. Crew can elect to exercise this option at any time between now and June of 2023 and have not modeled these proceeds into our current guidance.

- **Focus on Environment, Social and Governance ("ESG") Initiatives**:
  - With the sale of our Lloydminster assets in September of 2021, which represented Crew's most emission-intensive asset, approximately **46%** of Crew's direct 2020 GHG emissions (Scope 1) have been removed and we anticipate the Company's total GHG emissions intensity will be reduced significantly going forward, putting Crew on a path to reach our emissions reduction goals earlier than anticipated.
  - Divesting of these assets sets the stage for Crew to streamline operations and improve efficiencies going forward while also reducing our overall Asset Retirement Obligation ("ARO") liabilities by a targeted 40%, representing approximately **$34.5 million** associated with 609 gross (539 net) wellbores.

Crew's team is excited about our future, especially with the progress made on the Company's two-year asset development plan. We have identified numerous opportunities within our portfolio to expand margins through optimizing production and pricing while reducing unit costs, all while continuing to evaluate our large undeveloped land position, retaining optionality for our shareholders and bondholders. In 2022, we plan to reduce leverage metrics by reducing debt and increasing our AFF, driving enhanced financial flexibility. AFF will be enhanced through increasing production and reducing per unit costs by over 20% respectively. Underpinning these efforts is Crew's unwavering focus on meeting or exceeding our ESG goals and remaining a safe and responsible operator and good corporate citizen.

[1] See table in the Advisories for production breakdown by product type as detailed in NI 51-101.
[2] All 2021 financial amounts are unaudited. See "Advisories - Unaudited Financial Information".
[3] Excludes condensate volumes which have been reported separately.
[4] See table in the Advisories for key budget assumptions related to the two-year plan and associated guidance for 2021 and 2022.
[5] Non-IFRS Measure. See "Advisories - Non-IFRS Measures".

Advisories

Unaudited Financial Information

Certain financial and operating information included in this press release for the quarter and year ended December 31, 2021, including capital spending and net capital expenditures, and LTM EBITDA ratio, are based on estimated unaudited financial results for the quarter and year then ended, and are subject to the same limitations as discussed under Forward Looking Information set out below. These estimated amounts may change upon the completion of audited financial statements for the year ended December 31, 2021 and changes could be material.

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. 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 AFF, EBITDA, net capital expenditures, net debt, and net operating costs 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”, presented herein is equivalent to funds from operations before decommissioning obligations settled. 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 Capital Expenditures" equals exploration and development expenditures plus property acquisitions or less property dispositions.

“Net Debt" is defined as bank debt plus working capital deficiency or surplus, excluding the current portion of the fair value of financial instruments.

“Net Debt to LTM EBITDA” is calculated as net debt at a point in time divided by EBITDA earned from that point back for the trailing twelve months.

“Net Operating Costs” equals operating costs net of processing revenue.

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 two-year development plan and underlying strategy and targets as described herein; as to our plan to optimize and increase production and infrastructure utilization, reduce unit and net operating costs and enhance margins, streamline operations and improve efficiencies; our 2022 annual capital budget range, associated drilling and completion plans and all associated targets, guidance and underlying assumptions; production estimates including forecast 2022 annual average production volumes; estimated Q4, December and annual average 2021 production volumes; our targets to increase production per share by approximately 20%, AFF by approximately 50% and net debt to EBITDA ratio reduction of 45%; 2021 and 2022 AFF estimates and targeted 2022 free AFF and improvement in debt metrics; commodity price expectations including Crew’s estimates of natural gas pricing exposure; Crew's commodity risk management programs and future hedging opportunities; well abandonment plans; marketing and transportation and processing plans and requirements; estimates of processing capacity and requirements; anticipated reductions in GHG emissions and decommissioning obligations; future liquidity and financial capacity; future results from operations and operating and leverage metrics; our targeted Net Debt to LTM EBITDA ratio of approximately 1.3 to 1.5x by the end of 2022; efficiencies and enhanced returns going forward; world supply and demand projections and long-term impact on pricing; future development, exploration, acquisition and disposition activities (including drilling and completion plans, anticipated on-stream dates and associated development timing and cost estimates); the potential of our Groundbirch area to be a core area of future development and the number of potential and prolific nature of wells to be drilled; infrastructure investment plans; the successful implementation of our ESG initiatives, and significant emissions intensity improvements going forward; the amount and timing of capital projects; and anticipated improvement in our long-term sustainability and the expected positive attributes discussed herein attributable to our two-year development plan.

The internal projections, expectations, or beliefs underlying our Board approved 2022 capital budget and associated guidance 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. 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 2022 and may not be appropriate for other purposes. Accordingly, undue reliance should not be placed on same.

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).

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.

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.

Key Budget and Underlying Material Assumptions[1]

	2021	**2022[3]**
Capital Expenditures ($MM)	150-170	70-95
Annual Average Production (boe/d)	26,000 – 27,000	31,000-33,000
AFF[2] ($MM)	120-140	190-210
EBITDA[2] ($MM)	145-165	214-234
Oil price (WTI)($US per bbl)	$66.00	$65.00
Natural gas price (AECO 5A) ($C per gj)	$3.40	$3.50
Natural gas price (NYMEX) ($US per mmbtu)	$3.35	$4.00
Natural gas price (Crew est. wellhead) ($C per mcf)	$4.60	$4.00
Foreign exchange ($US/$CAD)	$0.80	$0.78
Royalties	5-7%	4-6%
Net operating costs[2] ($ per boe)	$4.75-$5.25	$4.25-$4.75
Transportation ($ per boe)	$3.50-$4.00	$2.50-$3.00
G&A ($ 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%

Notes:

(1) The actual results of operations of Crew and the resulting financial results will likely vary from the estimates and material underlying assumptions set forth in this guidance by the Company and such variation may be material. The guidance and material underlying assumptions have been prepared on a reasonable basis, reflecting management's best estimates and judgments.

(2) Non-IFRS measure that does not have any standardized meaning as prescribed by International Financial Reporting Standards, and therefore, may not be comparable with the calculations of similar measures for other entities. See “Non-IFRS Measures” contained within this Press Release.

(3) No changes have been made to these forecasts from the previously disclosed budget issued December 8, 2021.

2022 Budget Sensitivities

	AFF ($MM)	**AFF/Share**	**FD AFF/Share**
100 bbl per day Condensate[1]	$2.8	$0.02	$0.02
C$1.00 per bbl WTI	$1.3	$0.01	$0.01
US $0.10 NYMEX (per mmbtu)	$4.4	$0.03	$0.03
1 mmcf per day natural gas	$1.5	$0.01	$0.01
$0.10 AECO 5A (per GJ)	$2.4	$0.02	$0.02
$0.01 FX CAD/US	$1.8	$0.01	$0.01

Notes:

[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.

Supplemental Information Regarding Product Types

References to gas or natural gas and NGLs in this press release refer to conventional natural gas and natural gas liquids product types, respectively, as defined in National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities ("NI 51-101"), except where specifically noted otherwise.

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:

	Crude Oil[1]	**Natural Gas Liquids[3]**	**Condensate**	**Conventional Natural Gas**	**Total**
January Average	145 bbls/d	2,781 bbls/d	2,849 bbls/d	160,219 mcf/d	32,500 boe/d
Q4 2021 Average	157 bbls/d	2,454 bbls/d	2,592 bbls/d	143,379 mcf/d	29,100 boe/d
December Average	159 bbls/d	2,684 bbls/d	3,061 bbls/d	160,171 mcf/d	32,600 boe/d
2021 Annual Average	958 bbls/d	2,442 bbls/d	2,663 bbls/d	122,021 mcf/d	26,400 boe/d
2022 Annual Average[2]	0.4%	9%	10%	81%	31,000-33,000 boe/d

Notes:

[1] Crude oil is comprised primarily of Heavy crude oil, with an immaterial portion of Light and Medium crude oil.

[2] With respect to forward looking production guidance, given the potential for variability in actual product type results, the issuer approximates percentages for budget planning purposes based on management's reasonable assumptions including, without limitation, historical well results.

[3] Excludes condensate volumes which have been reported 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 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".

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