RAZOR ENERGY CORP.

(formerly, Vector Resources Inc.)

FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

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CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Razor Energy Corp. (formerly, Vector Resources Inc.):

We have audited the accompanying financial statements of Razor Energy Corp. (formerly, Vector Resources Inc.), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of shareholders' equity, operations and comprehensive loss, and cash flows for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Razor Energy Corp. (formerly, Vector Resources Inc.) as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

March 28, 2017
Toronto, Ontario

MNP

RAZOR ENERGY CORP.
STATEMENTS OF FINANCIAL POSITION
(All Amounts are in Canadian Dollars)

As at December 31,	2016	2015
A S S E T S		
CURRENT		
Cash and cash equivalents	$ 20,413	$ 150,990
Sundry receivable (Note 5(ii))	19,945	7,964
	$ 40,358	$ 158,954
L I A B I L I T I E S		
CURRENT		
Accounts payable and accrued liabilities	$ 11,609	$ 33,257
S H A R E H O L D E R S' E Q U I T Y		
CAPITAL STOCK (Note 6)		
Issued and outstanding – (2016 and 2015 – 186,811)	618,963	618,963
CONTRIBUTED SURPLUS (Note 7)	67,038	67,038
ACCUMULATED DEFICIT	(657,252)	(560,304)
	28,749	125,697
	$ 40,358	$ 158,954

Nature of Organization and Going Concern (Note 1)
Contingency (Note 12)
Subsequent Events (Note 16)

Approved on behalf of the board of directors:

/s/ "Doug Bailey"
Doug Bailey, Director

/s/ "Stan Smith"
Stan Smith, Director

The accompanying notes are an integral part of these financial statements.

RAZOR ENERGY CORP.
STATEMENTS OF SHAREHOLDERS' EQUITY
(All Amounts are in Canadian Dollars)

	Number of Common Stock	Amount of Common Stock	Contributed Surplus (Note 7)	Deficit	Shareholders' Equity/ Deficit
Balance, January 1, 2015	186,811	$ 618,963	$ 67,038	$ (492,463)	$ 193,538
Net loss for the year	- - -	- - -	- - -	(67,841)	(67,841)
Balance, December 31, 2015	186,811	$ 618,963	$ 67,038	$ (560,304)	$ 125,697
Balance, January 1, 2016	186,811	$ 618,963	$ 67,038	$ (560,304)	$ 125,697
Net loss for the year	- - -	- - -	- - -	(96,948)	(96,948)
Balance, December 31, 2016	186,811	$ 618,963	$ 67,038	$ (657,252)	$ 28,749

The accompanying notes are an integral part of these financial statements.

RAZOR ENERGY CORP.
STATEMENTS OF OPERATIONS AND COMPHENSIVE LOSS
(All Amounts are in Canadian Dollars)

For the years ended December 31,	2016	2015
EXPENSES		
General and administrative (Note 9)	$ 15,825	$ 36,225
Professional fees	81,123	45,566
LOSS BEFORE UNDERNOTED	(96,948)	(81,791)
PROJECT ANALYSIS COSTS	- - -	(31,550)
RECOVERY OF PROJECT ANALYSIS COSTS (Note 5(i))	- - -	45,500
NET LOSS AND COMPREHENSIVE LOSS	$ (96,948)	$ (67,841)
LOSS PER COMMON SHARE		
Loss per common share – basic and diluted	$ (0.52)	$ (0.36)
Weighted average common shares outstanding		
- Basic	186,811	186,811
- Diluted	186,811	186,811

The accompanying notes are an integral part of these financial statements.

RAZOR ENERGY CORP.
STATEMENTS OF CASH FLOWS
(All Amounts are in Canadian Dollars)

For the years ended December 31,	2016	2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the year	$ (96,948)	$ (67,841)
Net change in non-cash operating items		
Sundry receivable	(11,981)	(7,964)
Accounts payable and accrued liabilities	(21,648)	23,868
CASH FLOWS (USED IN) OPERATING ACTIVITIES	(130,577)	(51,937)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(130,577)	(51,937)
CASH AND CASH EQUIVALENTS - Beginning of year	150,990	202,927
CASH AND CASH EQUIVALENTS - End of year	$ 20,413	$ 150,990

The accompanying notes are an integral part of these financial statements.

1. Nature of Organization and Going Concern

Razor Energy Corp., formerly, Vector Resources Inc., (the "**Company**") was incorporated as 2236235 Ontario Inc. pursuant to articles of incorporation dated March 5, 2010 under the Business Corporations Act (Ontario). On April 15, 2011, pursuant to articles of amendment, the Company changed its name to Vector Resources Inc. On January 31, 2017, the Company announced the completion of its reverse takeover (see below), which resulted in the Company's name being changed to Razor Energy Corp. and a change of jurisdiction into the Province of Alberta under the Alberta Business Corporations Act. The primary office of the Company is now located at 1250, 645 – 7 Avenue SW, Calgary Alberta, T2P 4G8.

Up until January 31, 2017, the Company carried on business as a Capital Pool Corporation ("**CPC**"), as this term is defined in the policies of the TSX Venture Exchange ("**TSXV**"). The Company's principal purpose was the identification, evaluation and acquisition of assets, properties or businesses or participation therein, subject in certain cases, to shareholder approval and acceptance by the TSXV. As at December 31, 2016, the Company had no business operations but on December 29, 2016, the Company entered into an arrangement agreement with a private Alberta corporation, Razor Energy Corp. ("**Razor**"), pursuant to which the Company agreed to acquire all of the issued and outstanding shares of Razor by way of plan of arrangement ("**Arrangement**"). Pursuant to the Arrangement, which closed on January 31, 2017, each common share of Razor was exchanged for 2,042.13 common shares of the Company resulting in a reverse takeover of the Company by Razor. The arrangement constituted the Qualifying Transaction of the Company pursuant to the policies of the TSXV. (Note 16)

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") applied on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue its operations.

2. Basis of Presentation

Statement of Compliance
These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for adoption.

These financial statements of the Company were authorized for issue in accordance with a resolution of the Board of Directors on March 28, 2017.

These financial statements have been prepared on a historical cost basis except for certain financial assets, which are recorded at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

3. Summary of Significant Accounting Policies

Basis of Measurement
These financial statements are stated in Canadian dollars and prepared under the historical cost basis.

Use of Estimates and Judgments
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in note 4.

Functional and presentation currency
These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Cash and Cash Equivalents
Cash and cash equivalents include demand deposits with banks, money market accounts, and other short-term investments with original maturities of 90 days or less. Balances of cash and cash equivalents in financial institutions may at times exceed the government-insured limits.

Deferred Financing Costs
Financing costs related to the Company's proposed financing are recorded as deferred financing costs. These costs will be deferred until the financing is completed, at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be expensed.

Incremental costs incurred in respect of raising capital are charged against equity or debt proceeds raised. Costs associated with the issuance of common share are charged to capital stock upon the raising of equity. Costs associated with the issuance of debt are amortized using the effective interest method over the life of the debt.

Income Taxes
Tax expense comprises current and deferred tax. Tax is recognized in the statement of comprehensive income (loss) except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income Tax
Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax
Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

3. Summary of Significant Accounting Policies - continued

Earnings (Loss) Per Share
Earnings (loss) per share is calculated by dividing the net loss applicable to common shares by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is computed by dividing the net loss applicable to common shares by the diluted weighted average number of shares which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the year. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation.

Non-derivative Financial Instruments
Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has substantially transferred all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("**FVTPL**"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Fair Value Through Profit or Loss
A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the year in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statements of financial position sheet date, which is classified as non-current.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting year. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Other Financial Liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

3. Summary of Significant Accounting Policies - continued

Impairment of financial assets
Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent year and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

The following is a summary of significant categories of financial instruments outstanding at December 31, 2016:

Cash and cash equivalents	Fair value through profit and loss
Sundry receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

Fair Value Hierarchy
The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As of December 31, 2016 cash and cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

Impairment of non-financial assets
The Company's assets are reviewed for indications of impairment at each statement of financial position's date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the year. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets per unit on a pro-rata basis.

3. Summary of Significant Accounting Policies - continued

Share-based Payments
Stock options issued by the Company are accounted for in accordance with the fair value based method. The fair value of options issued to directors, officers, employees of and consultants to the Company is charged to earnings on a straight line basis over the vesting period of each tranche (graded vesting) with the offsetting amount recorded to contributed surplus. The historical forfeiture rate is also factored in to the calculations. When options are exercised, the amount received together with the amount previously recorded in contributed surplus, are added to capital stock. The fair value of warrants issued to agents in conjunction with a public offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. Fair value is measured using the Black-Scholes option pricing model.

Equity Instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Warrants
The Company measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk free interest rate. The fair value of warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus general account.

Accounting Standards Issued But Not Yet Effective
The Company has reviewed recently issued and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9, Financial Instruments ("IFRS 9"), was issued by the IASB in October 2010 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual years beginning on or after January 1, 2018. The Company is assessing the impact of IFRS 9 on its financial statements.

IFRS 15 – The International Accounting Standards Board (IASB) issued IFRS 15 Revenue from Contracts with Customers in May 2014. This IFRS replaces IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework which requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. The new standard is effective for periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of adopting IFRS 15 on the financial statements

IFRS 16 – In January 2016, the IASB issued IFRS 16, replacing IAS 17, “Leases”. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity’s lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted but only if IFRS 15 “Revenue from Contracts with Customers” is also applied. The Company is assessing the impact of IFRS 16 on its financial statements.

4. Summary of Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Fair Value of Financial Instruments
The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Share-Based Payment Transactions
The Company measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 8.

Taxes
Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting year. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the year in which such determinations are made.

5. Loans and Sundry Receivable

(i) On November 12, 2012, the Company announced a proposed Qualifying Transaction with Oriana Technologies Inc. ("**Oriana**").

On November 18, 2013, the Company, Oriana and Oriana's parent company, Select TV Solutions Inc. ("**STVS**") agreed to terminate the proposed qualifying transaction. In return for agreeing to terminate the proposed transaction, STVS agreed to issue to Vector a promissory note for $150,000 of which $104,500 was received during 2014 and the remainder of $45,500 was received during 2015.

(ii) The sundry receivable as at December 31, 2016 of $19,945 (December 31, 2015 - $7,964) represents Harmonized Sales Tax ("**HST**") receivable resulting from cumulative expenditures from September 1, 2015 on goods and service expenses incurred for completion of a Qualifying Transaction. To date, no claim has been filed for the HST refund. It is expected that upon filing the claim, it will be subject to government audit before a refund, if any, is approved for payment.

6. Capital Stock

a) Authorized and issued

The Company is authorized to issue an unlimited number of common shares.

Shares issued have been given effect retrospectively for the 20:1 share consolidation referred to in note 16 (3,736,221 pre-consolidation shares; 186,811 post-consolidation shares).

b) Escrow Shares

All of the 62,500 common shares issued prior to the IPO and all common shares that may be acquired from treasury of the Company by Non Arm's Length Parties, as defined in the policies of the TSXV and the NEX, of the Company prior to completion of, or concurrently with, the Qualifying Transaction are deposited with the escrow agent under an escrow agreement.

All common shares acquired on exercise of stock options prior to the completion of the Qualifying Transaction, must also be deposited in escrow until the TSXV has issued the final exchange bulletin. In addition, all common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the TSXV, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be escrowed.

As the Company did not complete its Qualifying Transaction prior to the 24 month anniversary of the listing of its common shares on the TSXV it has cancelled 25,000 common shares representing 50% of the seed shares issued to Non Arms Length parties in accordance with TSXV and NEX policies.

7. Contributed Surplus

The Company's contributed surplus consists of the following:

	General	Incentive Stock Option	Warrants	Total
Balance, December 31, 2016 and 2015	$ 29,850	$ 37,188	$ - - -	$ 67,038

8. Stock Options and Warrants

The Company's Incentive Stock Option Plan (the "**Plan**") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal to or greater than, the market price of the Company's common shares on the date of the grant to directors, officers, employees and consultants to the Company. The option period for options granted under the Plan is for a maximum period of 10 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option.

There were no options issued or exercised for the years ended December 31, 2016 and 2015, and 4,310 options were forfeited in November 2015.

8. Stock Options and Warrants - continued

The following options are outstanding:

	Number	Weighted Average Exercise Price
Balance, December 31, 2014	15,625	$ 4.00
Forfeited	(4,310)	$ 4.00
Balance, December 31, 2015 and 2016	11,315	$ 4.00

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the incentive options outstanding and exercisable as at December 31, 2016.

		Outstanding			Exercisable	
Exercise Price	Options Outstanding	Expiry Date	Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price
$ 4.00	11,315	Nov. 14, 2021	4.9 years	$ 4.00	11,315	$ 4.00

The calculations of fair value of options and warrants are based on the Black Scholes option-pricing model.

There are no warrants outstanding as of December 31, 2016 and 2015.

In conjunction with the completion of the Qualifying Transaction with Razor, all outstanding stock options on January 31, 2017 were cancelled.

9. General and Administrative Expenditures

Years ended December 31,	2016	2015
Bank charges	$ 105	$ 119
Office expense	5,891	5,590
Regulatory fees	8,625	28,351
Shareholders relations	1,204	2,165
	$ 15,825	$ 36,225

10. Related Party Transactions

Amounts due from and to the related parties, are a result of transactions with entities controlled by shareholders, officers or directors of the Company. These amounts are non-interest bearing, unsecured and not subject to specific terms of repayment unless stated.

During the year ended December 31, 2016, the Company recorded $7,277 (2015 - $10,893) in respect of professional fees from firms that employed directors of the Company.

10. Related Party Transactions - continued

These transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

11. Income Taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 26.5% (2015 – 26.5%) to the net loss for the years. The reason for the difference is as follows:

	2016	2015
Statutory Rate	26.5%	26.5%
Loss before income taxes	$ (96,948)	$ (67,841)
Recovery of income taxes based on statutory rate	(25,691)	(17,978)
Deferred tax asset on timing difference not recognized	25,691	17,978
Income tax provision (recovery)	$ - - -	$ - - -

The Company's deferred income tax asset, computed by applying a future federal and provincial statutory rate of 26.5% (2015 – 26.5%), comprises the following:

	2016	2015
Non-capital losses carried forward	$ 194,418	$ 168,726
Deferred tax assets not recognized	(194,418)	(168,726)
	$ - - -	$ - - -

At December 31, 2016, the Company has a non-capital loss of $733,651 (2015 - $636,703) available for carry-forward, which has not been recognized in these financial statements. These losses expire as follows:

Year	Amount
2030	$ 17,945
2031	74,310
2032	142,260
2033	296,840
2035	105,348
2036	96,948
	$ 733,651

The Company has not recorded deferred tax assets related to these unused carry forward losses and shares issuance costs as it is not probable that future taxable profits will be available against which these losses can be utilized.

12. Contingency

From time to time, the Company may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Company. As at December 31, 2016, no material issues were outstanding.

13. Fair Value of Financial Instruments

(a) Fair Value of Non-Derivative Financial Instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest bearing financial assets and liabilities is determined using the effective interest method by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk. The carrying value and fair value of financial instruments as follows are similar to their short-term nature:

December 31,	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	$ 20,413	$ 20,413	$ 150,990	$ 150,990
Sundry receivable	19,945	19,945	7,964	7,964
Financial liabilities				
Accounts payable and accrued liabilities	11,609	11,609	33,257	33,257

(b) Fair Value Hierarchy

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The following table outlines financial assets and liabilities measured at fair value in the financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

2016	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 20,413	$ - - -	$ - - -	$ 20,413
Total Assets	$ 20,413	$ - - -	$ - - -	$ 20,413

2015	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 150,990	$ - - -	$ - - -	$ 150,990
Total Assets	$ 150,990	$ - - -	$ - - -	$ 150,990

14. Risk Management

The Company manages its capital stock, contributed surplus and accumulated deficit as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk, as there are no external restrictions on it.

14. Risk Management - continued

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets in order to adjust the amount of cash on its statements of financial position.

In order to facilitate the management of its capital requirements, the Company may prepare expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing efforts, the Company does not pay out dividends. The Company's investment policy is generally to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

Management reviews its approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes in the Company's capital management policies for the year ended December 31, 2016 compared to the year ended December 31, 2015 when the Company decided to maintain its cash resources in a non-interest bearing chequing account in anticipation of completing a Qualifying Transaction.

15. Financial Instruments

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities.

As at December 31, 2016 the Company had $11,609 (2015 - $33,257) in accounts payable and accrued liabilities which are due within one year.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Obtaining long-term debt with fixed interest rates minimizes interest rate cash flow risk.

The Company does not trade in financial instruments and is not exposed to any significant interest rate price risk.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: credit risk, currency risk and other price risk.

Credit Risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. As of the date of these statements, the Company does not believe it is currently exposed to any significant credit risk.

15. Financial Instruments - continued

Currency Risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company does not have any material transactions denominated in foreign currency and is not exposed to foreign currency risk.

Other Price Risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Company are not exposed to other price risk.

Fair Values

Financial instruments include cash and cash equivalents, sundry receivable, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair value due to the short term nature of financial instruments.

16. Subsequent Events

On January 30, 2017 at a special meeting of shareholders of the Company approval was given for: (i) a change of name of the Company to Razor Energy Corp., (ii) a share consolidation of the Company's common shares on a 20:1 ratio basis, and (iii) continuance of the Company from Ontario into Alberta under the Alberta Business Corporations Act resulting in a change of its primary office.

On January 31, 2017, the Corporation completed the Qualifying Transaction, name change of the Company to Razor Energy Corp., the share consolidation and appointed new officers and directors.

On January 31, 2017, the Company entered into a $30 million term loan agreement (the "**Term Loan**") with Alberta Investment Management Corporation ("**AIMCo**"). The Term Loan bears interest at a rate of 10% per annum, calculated and payable semi-annually and matures on January 31, 2021. The loan is secured by all present and after-acquired personal property as well as a floating charge on land pursuant to a general security agreement and a promissory note. In addition, the Company issued 1,024,128 common shares to AIMCo, representing approximately 10.05% of the issued and outstanding common shares of the Company. Upon completion of the Qualifying Transaction and the issuance of shares to AIMCo, the Company had 10,187,224 post-consolidation common shares issued and outstanding.

On January 31, 2017 the Company closed an Asset Purchase Agreement to acquire certain oil and gas interests in the Swan Hills area from an arm's length public company for consideration of $15.0 million in cash, before customary adjustments. The assets consist of producing oil and gas assets in the Swan Hills area of Alberta and approximately 15,000 net acres of associated undeveloped land.

On February 3, 2017, the Company received a Certificate of Continuance under the Alberta Business Corporations Act resulting in a change of its primary office from Ontario to Alberta.

On February 13, 2017, the Company began trading on the Exchange under the symbol RZE.V.