RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2020

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(Stated in thousands of Canadian dollars)	Note	March 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		**2,322**	1,905
Accounts receivable	11	**4,493**	9,642
Prepaid expenses and deposits		**1,430**	1,594
Inventory	4	**439**	345
Commodity contracts	11	**—**	2
		8,684	13,488
Property, plant and equipment	5	**142,347**	175,670
TOTAL ASSETS		**151,031**	**189,158**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**29,984**	28,749
Commodity contracts	11	**63**	—
Decommissioning obligations	8	**2,237**	2,237
Current portion of lease obligation	7	**1,730**	1,679
Current portion of long-term debt	6	**44,368**	297
		78,382	32,962
Non-Current			
Long-term debt	6	**501**	44,370
Long-term lease obligation	7	**2,739**	3,065
Decommissioning obligations	8	**112,050**	116,911
TOTAL LIABILITIES		**193,672**	197,308
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	10	**27,540**	27,540
Contributed surplus	10	**694**	694
Deficit		**(70,875)**	(36,384)
		(42,641)	(8,150)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**151,031**	189,158
Future Operations	2		
Commitments and Contingencies	12		

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(UNAUDITED)

		Three Months Ended March 31,	
(Stated in thousands of Canadian dollars, except per share amounts)	Note	**2020**	**2019**
REVENUES			
Commodity sales from production		**13,100**	19,615
Sales of commodities purchased from third parties		**—**	6,041
Blending and processing revenue		**1,613**	2,241
Other revenue		**928**	353
Total revenues	13	**15,641**	28,250
Royalties		**(1,586)**	(2,796)
		14,055	25,454
Realized loss on commodity contracts settlement		**(816)**	(296)
Unrealized loss on commodity risk management	11	**(65)**	(9,430)
		13,174	**15,728**
EXPENSES			
Operating		**13,419**	13,583
Transportation and treating		**667**	780
Commodities purchased from third parties		**—**	6,308
Blending and processing		**420**	824
General and administrative		**1,900**	2,260
Bad debt (recovery)		**(5)**	—
Financing	14	**1,976**	1,850
Depletion, depreciation and amortization	5	**3,917**	4,260
Impairment on property, plant and equipment	5	**24,740**	—
Impairment on inventory	4	**360**	—
Foreign exchange loss		**8**	53
		47,402	**29,918**
Gain on asset swap		**—**	780
Loss before income tax		**(34,228)**	(13,410)
Deferred income tax (recovery)		**—**	(3,619)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**(34,228)**	(9,791)
NET LOSS PER SHARE			
Basic and diluted	15	**(1.62)**	(0.64)

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

(Stated in thousands of Canadian dollars)	Note	Share Capital	Contributed Surplus	Deficit	Total Shareholders' (Deficiency)
December 31, 2018	10	18,057	694	(4,135)	14,616
Dividends	10	—	—	(570)	(570)
Net loss		—	—	(9,791)	(9,791)
March 31, 2019		**18,057**	**694**	**(14,496)**	**4,255**
December 31, 2019	10	27,540	694	(36,384)	(8,150)
Dividends	10	—	—	(263)	(263)
Net loss		—	—	(34,228)	(34,228)
March 31, 2020		**27,540**	**694**	**(70,875)**	**(42,641)**

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Stated in thousands of Canadian dollars)	Note	Three Months Ended March 31, 2020	2019
Operating Activities			
Net loss for the period		**(34,228)**	(9,791)
Adjustments for non-cash items:			
Unrealized loss on commodity risk management	11	**65**	9,430
Loss on foreign currency translation		**8**	53
Gain on sale of assets		**—**	(780)
Financing costs	14	**1,976**	1,850
Depletion, depreciation and amortization	5	**4,125**	4,234
Impairment	5	**24,740**	—
Decommissioning costs incurred	8	**(345)**	(212)
Deferred income tax recovery		**—**	(3,619)
Changes in non-cash working capital	16	**5,912**	2,934
Net cash flows from operating activities		**2,253**	**4,099**
Financing Activities			
Proceeds from long-term debt	6	**—**	234
Repayment of long-term debt	6	**(72)**	(78)
Payment of lease obligation	7	**(274)**	(285)
Interest expense	14	**(1,310)**	(1,197)
Dividends	10	**(263)**	(570)
Changes in non-cash working capital	16	**1,119**	1,110
Net cash flows used in financing activities		**(801)**	**(786)**
Investing Activities			
Property acquisitions	5	**—**	(88)
Capital expenditures	5	**(450)**	(3,074)
Proceeds from government grants for assets	5	**—**	2,015
Restricted cash		**—**	103
Changes in non-cash working capital	16	**(577)**	85
Net cash flows used in investing activities		**(1,027)**	**(959)**
Foreign currency translation		**(9)**	(53)
Change in cash and cash equivalents		**417**	2,301
Cash and cash equivalents, beginning of period		**1,905**	2,239
Cash and cash equivalents, end of period		**2,322**	**4,540**
Cash interest paid		**190**	87

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

AS AT MARCH 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(Amounts expressed in Canadian dollars, except as otherwise noted)

1. CORPORATE INFORMATION

Razor Energy Corp. ("Razor" or the "Company") is a publicly listed company incorporated in the province of Alberta, Canada and its shares are listed on the TSX Venture Exchange ("**TSXV**"). The address of its head office is 800, 500-5th Avenue SW, Calgary, Alberta, Canada, T2P 3L5. Razor is engaged in the exploration, development and production, and the acquisition of oil and natural gas properties in western Canada. The Company trades under the symbol "RZE.V" on the TSXV.

2. BASIS OF PRESENTATION

FUTURE OPERATIONS

As at March 31, 2020, the Company has a working capital deficit of $69.7 million, of which only $2.3 million is comprised of cash and cash equivalents. Further, at March 31, 2020, the Company has contractual repayments of $82.3 million due in less than one year. In addition, the Company is projecting covenant violations with respect to the adjusted net debt-to-adjusted cash flow ratio and the minimum working capital ratio on the Amended Term Loan Facility (see note 6) with Alberta Investment Management Corporation ("AIMCo") at the next annual compliance date of December 31, 2020, which in any regard matures and requires repayment of $45.0 million on January 31, 2021.

The Company anticipates funding the working capital deficit and contractual repayments with a combination of cash from operations and potential new debt financing, which will also be necessary to address the upcoming maturity of the AIMCo Amended Term Loan Facility. However, the operational challenges that impacted production and operating costs along with a volatile economic environment due to severe negative global commodity price pressures and COVID-19 implications continues to negatively impact current and forecasted operating cash flows. The Company is currently projecting to use cash flow in operations due to low commodity prices and the shut-in of production, and as such a material uncertainty remains as to whether the Company can generate sufficient positive cash flow from operations to meet all of its obligations as they come due. In addition, no assurance can be provided that the Company will be able to obtain new debt financing to bridge any working capital or contractual repayment shortfall or to replace the AIMCo Amended Term Credit Facility. The Company will also seek to obtain relief from the projected covenant violations, however in light of current economic conditions there is no certainty that relief will be obtained.

Due to the conditions noted above there remains a material uncertainty surrounding the Company's ability to generate adequate cash flow from operations or to obtain new financing to fund the working capital deficit, contractual payments and maturity of the AIMCo Amended Term Credit Facility. These material uncertainties create significant doubt with respect to the Company's ability to meet its obligations as they come due and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company may need to seek creditor protection.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for the consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. These adjustments could be material.

STATEMENT OF COMPLIANCE

The unaudited interim condensed consolidated financial statements are prepared according to International Accounting Standard (IAS) 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") effective as of March 31, 2020. They do not include all the disclosures required in annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

These unaudited interim condensed consolidated financial statements include the accounts of Razor Energy Corp. and its wholly owned subsidiaries, Blade Energy Services Corp., FutEra Power Corp. and Razor Resources Corp. All inter-entity transactions have been eliminated.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors, on May 27, 2020.

BASIS OF MEASUREMENT

These unaudited interim condensed consolidated financial statements are prepared on a historic cost basis; except for financial instruments which are measured at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's and its wholly owned subsidiary's functional currency.

3. COVID-19 ESTIMATION UNCERTAINTY

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus (“COVID-19”). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil. Crude oil prices have also been severely impacted by increased global supply due to disagreements over production restrictions between the Organization of Petroleum Exporting Countries (“OPEC”) and non-OPEC members, primarily Saudi Arabia and Russia. Natural gas prices have also been very volatile throughout the period, but in recent months the forward curve for both AECO and NYMEX has been strengthening which has helped to offset some of the impact of the significant decrease in liquids prices.

The full extent of the impact of COVID-19 on the Company’s operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by Management in the preparation of its financial results.

The Company’s operations and business are particularly sensitive to a reduction in the demand for and prices of commodities, including crude oil and natural gas which are closely linked to Razor’s financial performance. The potential direct and indirect impacts of the economic downturn have been considered in management’s estimates and assumptions at period end and have been reflected in the Company’s results with any significant changes described in the relevant financial statement note.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgements made by management in the preparation of the interim condensed consolidated financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

A full list of significant estimates which are subject to uncertainty can be found in the Company’s annual consolidated financial statements for the year ended December 31, 2019. The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the unaudited interim condensed consolidated financial statements, particularly related to the following key sources of estimation uncertainty.

Recoverable Amounts

Determining the recoverable amount of a cash-generating unit ("CGU) or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. The severe drop in commodity prices, due to reasons noted above, have increased the risk of measurement uncertainty in determining the recoverable amounts, especially estimating economic crude oil and natural gas reserves and estimating forward commodity prices.

Amended Term Loan Facility

The Company’s Amended Term Loan Facility of $45 million is due on January 31, 2021. There can be no assurance that the Amended Term Loan Facility will be extended or renewed by AIMCo. Forecasted commodity prices have decreased significantly at March 31, 2020 which could impact AIMCo's interpretation of the future value of the Company and its reserves. The federal government has announced liquidity support programs for the junior and intermediate exploration and production industry which the Company feels it would be eligible for however there is no certainty the Company will be successful with these programs.

Accounts receivable

To manage credit risk, the Company has increased its monitoring of receivables due from petroleum and natural gas marketers, joint asset partners and third party users of the Company's facilities and roads. The Company historically has not experienced any collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. To protect against credit losses from joint asset partners, the Company has the ability to withhold production in the event of non-payment and the ability to obtain the partners’ share of capital expenditures in advance of a project. The Company has the ability to restrict third parties from access to its facilities and roads in the event of non-payment. The Company continues to expect that its receivables are substantially collectible at March 31, 2020.

4. INVENTORY

Razor's product inventory consists of the Company's unsold crude oil barrels, which is valued at the lower of cost and net realizable value. Costs include operating expenses and depletion associated with the unsold crude oil barrels on a CGU basis.

As at March 31, 2020, the Company held 18,848 barrels of oil (December 31, 2019 - 9,251 barrels) in inventory. As a result of a decline in crude oil prices the Company recorded a write-down of its crude oil inventory using the lower of cost or market, according to the impairment guidance included in IAS 2: Inventories. The company calculated an inventory impairment of $360 thousand (December 31, 2019 - nil). The inventory at March 31, 2020 was valued at an average rate of $23.28 per barrel (December 31, 2019 - $37.29 per barrel).

As at March 31, 2020, the Company recorded $0.4 million of costs to inventory (December 31, 2019 - $0.3 million). During the three months ended March 31, 2020, no product inventory was recorded as an expense (2019 - $0.9 million).

5. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment (PP&E) is as follows:

($000's)	**Total**
Cost	
December 31, 2019	**223,902**
Capital expenditures	450
Change in decommissioning obligations	(4,908)
March 31, 2020	**219,444**
Accumulated depletion, depreciation and amortization	
December 31, 2019	44,232
Depletion, depreciation and amortization	4,125
March 31, 2020	**48,357**
Impairment	
Balance at December 31, 2019	4,000
Impairment expense	24,740
March 31, 2020	**28,740**
Net book value	
December 31, 2019	175,670
March 31, 2020	**142,347**

Effective January 1, 2019, Razor applied IFRS 16 accounting policy for its office lease contracts and certain land surface leases and recognized a right-of-use (ROU) asset on a lease-by-lease basis as the amount equal to the lease liability. See Note 7.

At March 31, 2020, Razor evaluated its developed and producing assets on a CGU (Swan Hills, Kaybob, and District South) basis for indicators of any potential impairment. The declines in the forecasted commodity prices were identified as an indicator of impairment. As a result, the Company completed an impairment test on all of its CGU's in accordance with IAS 36. The Company used fair value less cost to sell, discounted at pre-tax rates between 15% and 30% (December 31, 2019 - 12% and 30%) dependent on the risk profile of the reserve category and CGU. The following forward commodity prices were used in the March 31, 2020 impairment test:

Year	WTI Oil ($US/Bbl)	Edmonton Light Sweet Oil ($Cdn/Bbl)	WCS ($Cdn/Bbl)	Natural Gas AECO ($Cdn/MMBTU)	Exchange Rate ($US/$CDN)
Forecast					
2020	30.29	31.22	18.17	1.58	0.71
2021	37.00	43.15	30.14	2.05	0.73
2022	48.00	58.67	45.33	2.33	0.75
2023	48.96	59.84	46.24	2.41	0.75
2024	49.94	61.04	47.16	2.48	0.75
2025	50.94	62.26	48.11	2.56	0.75
2026	51.96	63.50	49.07	2.64	0.75
2027	53.00	64.77	50.05	2.71	0.75
2028	54.06	66.07	51.05	2.80	0.75
2029	55.14	67.39	52.07	2.88	0.75
2030	56.24	68.74	53.12	2.96	0.75
Thereafter 2% inflation rate					

At March 31, 2020, the recoverable value of Razor's Swan Hills exceeded its carrying value and no impairment was recorded. As at March 31, 2020, it was determined that the carrying value of the Kaybob and District South CGUs exceeded their recoverable amounts and impairment charges of $16.03 million and $8.71 million, respectively, were recognized for the CGUs.

The sensitivity analysis below shows the impact that a change in the discount rate or forward commodity prices would have on impairment testing:

	Discount Rate		Commodity Prices	
	1% increase	1% decrease	5% increase	5% decrease
Increase (decrease) to impairment recorded	800,000	(1,000,000)	(2,830,000)	2,740,000

There were no borrowing costs capitalized in the quarter, as the Company did not have any qualifying assets. Equipment not yet put in service and undeveloped land costs excluded from the costs subject to depletion for the three months ended March 31, 2020 total $5.4 million (December 31, 2019 - $5.1 million), offset by $4.9 million in government grants. As at March 31, 2020, future development costs required to develop proved and probable reserves in the amount of $66.7 million are included in the depletion calculation for PP&E (December 31, 2019 - $67.5 million).

6. LONG-TERM DEBT

On January 31, 2017, Razor entered into a $30.0 million senior secured term loan facility ("Term Loan Facility") with Alberta Investment Management Corporation ("AIMCo"). The Company issued 1,024,128 common shares to AIMCo, as consideration for Term Loan Facility representing approximately 10.05% of the issued and outstanding common shares of the Company at the time.

On January 15, 2018, Razor secured an increase of $15.0 million in its existing non-revolving Term Loan Facility from AIMCo, for an amended principal amount of $45.0 million (the "Amended Term Loan Facility"). As consideration for the Amended Term Loan Facility, 255,600 common shares have been issued to AIMCo.

The Amended Term Loan Facility matures on January 31, 2021 and bears interest at the rate of 10% per annum, with interest paid semi-annually on June 30 and December 31. The Amended Term Loan Facility is secured by a first charge on 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. Razor has obtained exemptions to the first charge from AIMCo for certain field equipment for which Razor obtained loans or lease financing.

The proceeds of the Amended Term Loan Facility were used by Razor to fund asset acquisitions, its development program and for general corporate purposes. Including share based consideration, the effective interest rate of the Amended Term Loan Facility is 12% per annum (December 31, 2019 - 12%).

On September 12, 2018, the Company entered into a $1.0 million promissory note and security agreement ("Promissory Note-1") with an unrelated third party for the purpose of purchasing a power generator. The Promissory Note-1 is secured by the power generator purchased and is due on September 12, 2022. The Promissory Note-1 bears interest of 6.1% per annum. Monthly payments of $24.0 thousand include interest and principal.

On December 13, 2018, the Company entered into a $0.2 million promissory note and security agreement ("Promissory Note-2") with an unrelated third party for the purpose of purchasing field service equipment. The Promissory Note-2 is due on December 13, 2022. The Promissory Note-2 bears interest of 6.5% per annum. Monthly payments of $4.5 thousand include interest and principal.

The changes in long-term debt are as follows:

($000's)	**March 31, 2020**	**December 31, 2019**
Balance, beginning of period	**44,667**	43,832
Repayment of Promissory Notes	**(72)**	(280)
Repayment of Convertible Debentures	**—**	(744)
Amortization of deferred financing costs	**274**	1,115
Convertible debentures acquired[1]	**—**	744
Balance, end of period	**44,869**	44,667

1) Razor acquired $690,000 of convertible debentures as part of the Little Rock Acquisition. In accordance with the terms of the Debenture Indenture, upon a change of control of Little Rock, Razor was obligated to offer the purchase or convert into common shares of Razor all the convertible debentures outstanding. The convertible debenture holders all elected to have Razor purchase at the redemption offer of 108% of the principal amount.

As at March 31, 2020, Razor had the following outstanding long-term debt:

($000's)	Interest Rate	Maturity	**March 31, 2020**	**December 31, 2019**
Amended Term Loan Facility	10%	Jan-2021	**45,000**	45,000
Promissory Note-1	6.1%	Sep-2022	**667**	727
Promissory Note-2	6.5%	Dec-2022	**136**	147
			45,803	45,874
Deferred financing costs			**(934)**	(1,207)
Long-term debt			**44,869**	44,667
Current portion			**44,368**	297
Long-term portion			**501**	44,370
Long-term debt			**44,869**	44,667

Deferred financing costs related to the Amended Term Loan Facility have been presented net against the debt obligation and will be accreted such that the debt balance equals the principal of $45.0 million at maturity. As at March 31, 2020, deferred financing costs are comprised of legal fees of $0.3 million (December 31, 2019 - $0.3 million) and the fair value of the shares issued to AIMCo of $3.9 million (December 31, 2019 - $3.9 million) (see Note 10).

The Amended Term Loan Facility is subject to the following financial covenants:

- a maximum adjusted net debt-to-adjusted cash flow ratio of less than 3:1 for 2020 and each year thereafter, measured on December 31 of each year; and
- a minimum working capital ratio of 1:1 for 2020 and each year thereafter, measured on December 31 of each year.

As at March 31, 2020, Razor was in compliance with all of its non-financial debt covenants. The Company is projecting covenant violations with respect to the adjusted net debt-to-adjusted cash flow ratio and the minimum working capital ratio at the next annual compliance date of December 31, 2020.

Adjusted net debt is the sum of current liabilities, long-term debt (principal), and the fair value of commodity contracts classified as liabilities, less the sum of current assets and the fair value of commodity contracts classified as assets. Adjusted cash flow for the year is calculated as cash provided by and used in operating activities less changes in operating working capital, plus income taxes paid. Working capital ratio is the ratio of (i) current assets, excluding the fair value of commodity contracts, to (ii) the current liabilities, excluding the current portion of long-term debt and excluding the fair value of commodity contracts.

7. LEASE OBLIGATION

Effective January 1, 2019, Razor applied IFRS 16 accounting policy and recognized its office lease contracts and certain land surface leases as a right-of-use (ROU) assets on a lease-by-lease basis. Lease liability is discounted with an effective interest rate of 6.1% and right-of-use asset is amortized based on the lease term or expected life of their respective operating area.

According to IFRS 16, Razor separates the lease components from non-lease components. Any additional payment for the operating costs is a non-lease component and is accounted for as a rent expense. The asset amount was recognized equal to the lease liability for the following contracts:

- In 2017, Razor has entered into a fixed contract for office space for a period of 5 years and 1 month. There is no renewal option in the lease agreement.

- Also in 2017, Razor has entered into a fixed contract for warehouse space and field office space for a period of 3 years. For these contracts, Razor has the option to renew the lease if required. The lease was renewed for one more year to March 31, 2021.

On June 18, 2018, Razor entered into a lease agreement for the lease of natural gas power generators for $4.1 million. The lease agreement is discounted with an effective interest rate of 6.1% and ends on June 18, 2022 with a nominal final payment after which Razor will own the equipment. Monthly payments of $104.5 thousand include interest and principal.

On February 22, 2019, the Company entered into two lease agreements for lease of field equipment for $0.1 million each. The lease agreements are discounted with an effective interest rate of 6.5% and 4.99% respectively. Both lease agreements end on February 22, 2023 with a nominal final payment after which Razor own the equipment. Monthly payments for both leases are $5.7 thousand and include interest and principal.

On March 15, 2019, Razor entered into a lease agreement for the lease of field service equipment for $1.1 million. The lease agreement is discounted with an effective interest rate of 8.95% per annum and ends on April 15, 2023 with a nominal final payment after which Razor will own the equipment. Monthly payments of $24.0 thousand include interest and principal.

On August 9, 2019, Razor entered into a lease agreement for the lease of field service equipment for $0.2 million. The lease agreement is discounted with an effective interest rate of 5.4% per annum and ends on August 9, 2023 with a nominal final payment after which Razor will own the equipment. Monthly payments of $4.5 thousand include interest and principal.

The changes in lease obligations are as follows:

($000's)	**March 31, 2020**	**December 31, 2019**
Balance, beginning of period	**4,744**	3,860
Acquisition	**—**	228
Liabilities incurred	**—**	1,859
Liabilities settled	**(354)**	(1,516)
Interest expense	**79**	313
Balance, end of period	**4,469**	4,744
Current portion	**1,730**	1,679
Long-term portion	**2,739**	3,065
Lease obligation	**4,469**	4,744

The total undiscounted amount of the estimated future cash flows to settle the lease obligations over the remaining lease term is $5.0 million. Razor's minimum lease payments are as follows:

($000's)	**March 31, 2020**	**December 31, 2019**
Within one year	**1,968**	1,943
Later than one year but not later than two years	**2,695**	1,900
Later than two years	**310**	1,486
Minimum lease payments	**4,973**	5,329
Amount representing finance charge	**(504)**	(585)
Present value of net minimum lease payments	**4,469**	4,744

8. DECOMMISSIONING OBLIGATIONS

Decommissioning obligations represent the present value of the future costs to be incurred to abandon and reclaim the Company's wells, facilities, and pipelines.

The changes in decommissioning obligations are as follows:

($000's)	**March 31, 2020**	**December 31, 2019**
Balance, beginning of period	**119,148**	79,190
Acquisitions	**—**	5,259
Decommissioning costs incurred	**(345)**	(240)
Effect of change in discount rate [1]	**(4,790)**	32,711
Dispositions	**—**	(3,732)
Revisions to estimates	**(118)**	4,325
Accretion expense	**392**	1,635
Balance, end of period	**114,287**	**119,148**
Current portion	**2,237**	2,237
Long-term portion	**112,050**	116,911
Decommissioning obligations	**114,287**	**119,148**

(1) Decommissioning obligations acquired as part of a business combination are initially measured at fair value using a credit-adjusted risk-free rate to discount estimated future cash outflows. The revaluation of liabilities acquired using the risk-free rate at the end of the period results in an increase in the present value of the obligation reported in the Interim Condensed Consolidated Statements of Financial Position. Impact of the adjustment from credit-adjusted risk-free rate to the risk-free rate on acquisitions was nil (2019-$30.1 million).

The provision for the costs of decommissioning production wells, facilities and pipelines at the end of their economic lives has been estimated using existing technology, at current prices or long-term assumptions and based upon the expected timing of the activity. Revisions to estimates were primarily driven by revisions to estimates in the timing of projected cash outflows on decommissioning obligations.

The significant assumptions used to estimate the decommissioning obligations are as follows:

	March 31, 2020	**December 31, 2019**
Undiscounted cash flows (000's)	**126,830**	126,909
Discount rate (%)	**1.32**	1.76
Inflation rate (%)	**0.89**	1.50
Weighted average expected timing of cash flows (years)	**25**	25

During the three months ended March 31, 2020, the Company settled some of its decommissioning obligations. The cost of decommissioning exceeded the amount that was carried under the Company's decommissioning provision, resulting in a loss of $176 thousand.

9. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

1. Retain access to capital markets
2. Ensure its ability to meet all financial obligations and meet its operational and strategic objectives

Razor's capital structure consists of shareholders' equity and long-term debt and leases. The Company makes adjustments to its capital structure based on changes in economic conditions and its planned requirements. Razor adjusts its capital structure by issuing new common or preferred equity, or debt, changing its dividend policy, or making adjustments to its capital expenditure program, subject to customary restrictions and covenants in the Amended Term Loan Facility.

10. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series.

AUTHORIZED AND ISSUED

A reconciliation of the number and dollar amount of outstanding shares at March 31, 2020 is shown below.

	March 31, 2020		**December 31, 2019**	
Common Shares	**Number**	**($000's)**	**Number**	**($000's)**
Shares outstanding, beginning of period	**21,064,466**	**27,540**	15,188,834	18,057
Common shares issued as part of corporate acquisition	—	—	5,982,032	9,640
Share issuance costs	—	—	—	(30)
Shares repurchased and cancelled	—	—	(106,400)	(127)
Shares outstanding, end of period	**21,064,466**	**27,540**	21,064,466	27,540

On September 11, 2019, Razor completed the strategic acquisition, resulting in the issuance of an aggregate of 5,689,532 Common Shares valued at $1.61 per share, based on the weighted average price. Razor acquired the balance of the shares by way of a compulsory acquisition on the same terms as the original offer, resulting in the issuance of an additional 292,500 Common Shares on October 4, 2019 valued at $1.61 per share.

NORMAL COURSE ISSUER BID

On September 20, 2019, the TSXV approved the Company's application for a renewed NCIB to purchase up to 1,039,148 of its common shares over a 12-month period commencing September 23, 2019 and ending September 22, 2020. Under this NCIB, 11,000 common shares were repurchased in open market transactions on the TSXV at a weighted average cost of $0.93 in 2019. A copy of the TSXV approval may be obtained by contacting Razor's Chief Financial Officer at Suite 800, 500-5th Ave. S.W. Calgary, AB T2P 3L5.

During the three months ended March 31, 2020, the Company did not repurchase any of its common shares (March 31, 2019 - no shares were repurchased).

DIVIDENDS

On January 9, 2020, Razor announced a monthly cash dividend of $0.0125 per share, for a total of $263 thousand in dividends. On February 5, 2020, the Company suspended the payment of dividends effective February 2020 in response to significant price volatility for crude products in the Canadian energy sector.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgement.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company uses quoted market prices when available to estimate fair value. Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Management's judgment as to the significance of a particular input may affect placement within the fair value hierarchy levels.

The fair value hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Level 2 valuations are based on inputs, including quoted forward prices for commodities, market interest rates and volatility factors, which can be observed or corroborated in the marketplace.
- Level 3: inputs for the asset or liability that are not based on observable market data, such as the Company's internally developed assumptions about market participant assumptions used in pricing an asset or liability.

The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities	Measured initially at fair value, then at amortized cost after initial recognition. Fair value approximates carrying value due to their short-term nature.
Long-term debt	Measured initially at fair value, then at amortized cost after initial recognition using the effective interest method. Fair value is determined using discounted cash flows at the current market interest rate. (Level 2)
Measured at Fair Value	
Commodity contracts	Financial contracts are classified as commodity contracts and are measured at fair value with the changes during the period recorded in profit or loss as unrealized gains or losses. Determined using observable period-end forward curves. (Level 2)

The carrying value and fair value of the Company's financial instruments at March 31, 2020 are as follows:

($000's)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	**2,322**	2,322
Accounts receivable	**4,493**	4,493
Accounts payable and accrued liabilities	**29,984**	29,984
Lease obligation	**4,469**	4,469
Commodity contract liability	**63**	63
Promissory Notes	**803**	1,017
Amended Term Loan Facility	**44,066**	44,081

MARKET RISK

Razor is exposed to normal market risks inherent in the oil and natural gas business, including, but not limited to, liquidity risk, commodity price risk, credit risk, interest rate risk, and foreign exchange risk. The Company seeks to mitigate these risks through various business processes and management controls.

Management has overall responsibility for the establishment of risk management strategies and objectives. Razor's risk management policies are established to identify the risks faced, to set appropriate risk limits, and to monitor adherence to risk limits. Risk management policies are reviewed regularly to reflect changes in market conditions and Razor’s activities.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity is managed through cash, debt and equity management strategies, when available. Razor manages its liquidity requirements by use of both short-term and long-term cash forecasts.

As at March 31, 2020, the Company had a working capital deficit of $69.7 million, of which only $2.3 million is comprised of cash and cash equivalents, and contractual repayments of $82.3 million due in less than one year. Included in the working capital deficit is the Company’s Amended Term Loan Facility of $45.0 million with AIMCo which is due January 31, 2021. The Company is projecting financial covenant violations with respect to both the adjusted net debt-to-adjusted cash flow ratio and the minimum working capital ratio on the Amended Term Loan Facility at the next annual compliance date of December 31, 2020. Accordingly, the Company is dependent on the ongoing support of AIMCo through to its contractual maturity of January 2021. See note 2.

The Company anticipates funding the working capital deficit and contractual repayments with a combination of cash from operations and potential new debt financing, which will also be necessary to address the upcoming maturity of the Amended Term Loan Facility. However, the operational challenges that impacted production and operating costs along with a volatile economic environment due to severe negative global commodity price pressures and COVID-19 implications continues to negatively impact current and forecasted operating cash flows. The Company is currently projecting to use cash flow in operations while commodity prices are low and certain production is shut-in, and as such a material uncertainty remains as to whether the Company can generate sufficient positive cash flow from operations to meet all of its obligations as they come due. In addition, no assurance can be provided that the Company will be able to obtain new debt financing to bridge any working capital or contractual repayment shortfall or to replace the Amended Term Credit Facility. Razor also may reduce the working capital deficit through either corporate acquisitions or amalgamations, however, no assurance can be provided that the Company will be able to close such a transaction at favourable terms.

The table below summarizes the Company's contractual obligations as at March 31, 2020:

($000's)	**Recognized in Financial Statements**	**Total**	**Less than 1 year**	**2-3 years**	**4-5 years**	**More than 5 years**
Accounts payable and accrued liabilities [1]	Yes-Liability	**29,984**	29,984	—	—	—
Amended Term Loan Facility	Yes-Liability	**45,000**	45,000	—	—	—
Promissory notes	Yes-Liability	**803**	302	501	—	—
Minimum lease obligation	Yes-Liability	**4,973**	1,968	2,695	310	—
Interest payable [2 3]	No	**4,773**	4,653	120	—	—
Lease operating costs	No	**452**	151	301	—	—
Transportation services	No	**1,332**	223	192	186	731
Processing services	No	**48**	48	—	—	—
Total		**87,365**	**82,329**	**3,809**	**496**	**731**

1) Accounts payable and accrued liabilities exclude interest payable on long-term debt.
2) Interest costs incurred but unpaid are included as part of the accrued liabilities in the financial statements.
3) Excludes interest paid on minimum lease obligation and right-of-use asset liability.

Commodity Price Risk

Razor is exposed to commodity price risk as prices for oil and natural gas products fluctuate in response to many factors including local and global supply and demand, weather patterns, pipeline transportation, political stability, and economic factors. Commodity price fluctuations are an inherent part of the oil and gas business. Razor mitigates some of the exposure to commodity price risk to protect the return on investment and provide a level of stability to operating cash flow. The Company hedges a portion of its future production to protect cash flows to allow it to meet its strategic objectives. The Company does not apply hedge accounting for these contracts.

As at March 31, 2020, Razor had the following derivative contracts outstanding:

Reference point	Volume (bbls)	Remaining Term	Floor Long Put USD/bbl	Ceiling Short Call USD/bbl	Long Upside Call USD/bbl
Oil - Upside enhanced traditional collars [1]					
NYMEX WTI financial futures	50,000	May-2020	20.00	30.00	40.00
NYMEX WTI financial futures	50,000	June-2020	20.00	30.00	40.00

As at March 31, 2020, the Company fair valued the oil commodity contracts with a liability of $63 thousand (December 31, 2019 - asset of $2 thousand) on the Statement of Financial Position and recorded an unrealized loss of $65 thousand in earnings for the three months ended March 31, 2020 (March 31, 2019 - unrealized loss of $9.4 million).

Credit Risk

Razor is exposed to third party credit risk through its contractual arrangements with its partners in jointly owned assets, marketers of petroleum and natural gas and other parties. In the event such entities fail to meet their contractual obligations to Razor, such failures could have a material adverse effect. The maximum credit risk that the Company is exposed to is the carrying value of cash and cash equivalents, restricted cash, and accounts receivable. The Company has not experienced any significant credit losses in the collection of accounts receivable to date.

The Company's accounts receivables of $4.5 million at March 31, 2020 (December 31, 2019 - $9.6 million) are non-interest bearing.

The Company's receivables are summarized as follows:

($000's)	**March 31, 2020**	**December 31, 2019**
Trade receivables	**3,474**	8,032
Joint venture receivables	**1,279**	1,852
Allowance for doubtful accounts	**(260)**	(242)
	4,493	9,642

The majority of the credit exposure on trade receivables as at March 31, 2020, pertains to revenue for accrued March 2020 production volumes. Receivables from the oil and gas marketing companies are typically collected on the 25th day of the month following production. Razor mitigates the credit risk associated with these receivables by establishing relationships with credit worthy purchasers. Razor has not experienced any collection issues with its oil and gas marketers.

Receivables from partners in jointly owned assets are typically collected within one to three months of the bill being issued to the partner. The Company mitigates the risk from joint interest billings by obtaining partner approval of capital expenditures prior to starting a project. However, the receivables are from participants in the petroleum and natural gas sector, and collection is dependent on typical industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. Further risk exists with partners in jointly owned assets as disagreements occasionally arise which increases the potential for non-collection. For properties that are operated by Razor, production can be withheld from partners in jointly owned assets in the event of non-payment.

The Company's accounts receivable is aged as follows:

($000's)	**March 31, 2020**	**December 31, 2019**
Current (less than 30 days)	**3,351**	8,966
31 to 90 days	**630**	289
Over 90 days	**512**	387
Total receivables	**4,493**	9,642

The Company does not believe that the amounts outstanding for more than 90 days are impaired.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Company’s interest-bearing assets and liabilities include cash and long-term debt. Razor manages its interest rate risk by entering into fixed interest rates on the Amended Term Loan Facility, lease obligation, and Promissory Notes. See Notes 6 and 7.

The Amended Term Loan Facility matures on January 31, 2021 and bears interest at the rate of 10% per annum (paid semi-annually on June 30 and December 31). The Promissory Notes mature on September 12, 2022 and December 13, 2022, and interest is paid monthly at 6.1% and 6.5% per annum along with the principal.

Consequently, there is no exposure to fluctuations in market interest rates.

Foreign Exchange Risk
Razor's business is conducted primarily in Canadian dollars. However, the Company's commodity contracts and restricted cash are denominated in U.S. dollars. Razor's primary exposure is from fluctuations in the Canadian dollar relative to the U.S. dollar.

12. COMMITMENTS AND CONTINGENCIES

The Company has a firm commitment for oil and gas transportation services that includes contracts to transport oil and natural gas through third party owned pipeline systems. The Company also has a firm commitment for gas processing services that includes contracts to process natural gas through third party owned processing facilities. See Note 13.

Razor inherited decommissioning liabilities included in its Swan Hills, Kaybob and District South acquisitions. In Q1 2020, the Company spent $345 thousand on abandonment, reclamation, and remediation expenditures (Q1 2019 - $212 thousand).

The Company voluntarily opted in to the Alberta Energy Regulator's (AER) Area Based Closure (ABC) program starting in 2020. As such Razor has committed to an annual spend target dedicated to asset retirement which includes decommissioning, abandonment and reclamation of inactive wells and facilities. Through this commitment, low-risk wells included in the Inactive Well Compliance Program (IWCP) are now exempt from requiring suspension allowing for greater focus on end of life activities. On May 14, 2020, the AER reduced the liability reduction target for 2020 to zero in response to COVID-19 and the decline in oil prices. The 2021 liability reduction target will be announced later in 2020.

In the normal course of its operations, the Company may be subject to litigation and claims and records provisions for claims as required. On March 20, 2017, the Company was served with a statement of claim whereby the plaintiffs allege that the Company was provided with confidential information about certain petroleum and natural gas assets that a third party had agreed to sell to the plaintiff. The Company has filed a statement of defense denying all allegations made against them. The potential outcome of the lawsuit and claim are uncertain, however the Company's opinion is that the claim is more likely without merit than not. For additional information, refer to "Legal Proceedings and Regulatory Actions" in the Company's most recent annual information form, which is available on SEDAR at www.sedar.com.

13. REVENUES

The significant components recognized in revenues are as follows:

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Light oil	**11,099**	16,097
Gas	**624**	760
NGL	**1,377**	2,758
Sales of commodities purchased from third parties	**—**	6,041
Blending and processing	**1,613**	2,241
Road use	**417**	270
Interest	**12**	18
Other income[1]	**499**	65
	15,641	28,250

1) Primarily comprised of trucking, road maintenance and gain on liability settlement.

Razor sells its production of crude oil, natural gas, and NGL pursuant to variable price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location and other factors. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period. Fees associated with blending and processing services are primarily based on fixed price contracts.

Razor's revenue transactions do not contain any significant financing components and payments are typically due within 30 days of revenue recognition. The Company does not adjust transaction prices for the effects of a significant financing component when the period between the transfer of the promised goods or services to the customer and payment by the customer is less than one year.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

14. FINANCING COSTS

Financing costs are comprised of interest expense on the Amended Term Loan Facility, the Promissory Notes, the lease obligation, accretion of the discount on provisions, and accretion of deferred financing costs.

The components of financing costs are summarized below.

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Interest expense	1,310	1,197
Amortization of deferred financing costs (Note 6)	274	275
Accretion (Note 8)	392	378
	1,976	1,850

Accretion relates to the time value change of the Company's decommissioning obligation.

15. PER SHARE AMOUNTS

Per share amounts are calculated by dividing net (loss) income by the weighted average number of common shares outstanding. Diluted per share amounts are calculated by adjusting the weighted average number of common shares outstanding for potentially dilutive instruments. For three months ended March 31, 2020 and 2019, there are no dilutive instruments affecting the basic common share calculations.

The net loss and average number of shares used to calculate the per share amounts are as follows:

	Three Months Ended March 31,	
	2020	**2019**
Weighted average shares outstanding (basic and diluted)	**21,064,466**	15,188,834
Net loss for the period (000's)	**$ (34,228)**	$ (9,791)
Net loss per share (basic and diluted)	**$ (1.62)**	$ (0.64)

16. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in non-cash working capital are summarized below.

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Accounts receivable	**5,149**	(2,425)
Prepaid expenses and deposits	**164**	(158)
Inventory	**(94)**	130
Accounts payable and accrued liabilities	**1,235**	6,582
	6,454	4,129

The changes in non-cash working capital have been allocated to the following activities:

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Operating	**5,912**	2,934
Financing	**1,119**	1,110
Investing	**(577)**	85
	6,454	4,129

Cash and cash equivalents in the consolidated statements of cash flows is comprised of:

		At March 31,
($000's)	**2020**	**2019**
Cash	**2,322**	4,248
Short-term investments	**—**	292
	2,322	4,540

CORPORATE INFORMATION

MANAGEMENT

Doug Bailey
President and Chief Executive Officer

Frank Muller
Senior Vice President and Chief Operating Officer

Kevin Braun
Chief Financial Officer

Lisa Mueller
Vice President, New Ventures

Devin Sundstrom
Vice President, Production

Stephen Sych
Vice President, Operations

BOARD OF DIRECTORS

Sony Gill (1) (3)
Chair

Doug Bailey

Sonny Mottahed (1) (2) (3)

Frank Muller

Vick Saxon (2) (3)

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BANK

National Bank of Canada

AUDITORS

KPMG LLP

LEGAL COUNSEL

Stikeman Elliott LLP
McCarthy Tétrault LLP

INDEPENDENT RESERVE EVALUATORS

Sproule Associates Limited

STOCK SYMBOL
RZE.V
TSX Venture Exchange

(1) Audit Committee
(2) Reserves and Environment Committee
(3) Corporate Governance and Compensation Committee