



**RAZOR ENERGY CORP.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2021**

# RAZOR ENERGY CORP.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

<i>(Stated in thousands of Canadian dollars)</i>	Note	March 31, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		6,018	1,098
Restricted cash	4	754	-
Accounts receivable	12	7,482	6,464
Prepaid expenses and deposits		1,205	1,547
Inventory	5	576	345
Commodity contracts	12	590	-
		<b>16,625</b>	<b>9,454</b>
Property, plant and equipment	6	<b>133,935</b>	<b>154,255</b>
<b>TOTAL ASSETS</b>		<b>150,560</b>	<b>163,709</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	12	24,506	24,970
Decommissioning obligations	9	2,864	3,097
Current portion of lease obligation	8	2,633	2,905
Current portion of long-term debt	7	62,159	50,765
		<b>92,162</b>	<b>81,737</b>
<b>Non-Current</b>			
Long-term debt	7	102	113
Long-term lease obligation	8	393	389
Decommissioning obligations	9	118,148	136,080
<b>TOTAL LIABILITIES</b>		<b>210,805</b>	<b>218,319</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	11	27,540	27,540
Contributed surplus	11	694	694
Deficit		(88,479)	(82,844)
		<b>(60,245)</b>	<b>(54,610)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>150,560</b>	<b>163,709</b>
Future Operations	2		
Commitments and Contingencies	13		

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,	
<i>(Stated in thousands of Canadian dollars, except per share amounts)</i>	Note	2021	2020
<b>REVENUES</b>			
Commodity sales from production		13,384	13,100
Blending and processing revenue		1,368	1,613
Other revenue		403	932
Total revenues	14	15,155	15,645
Royalties		(1,261)	(1,586)
Net revenues		13,894	14,059
Other income	18	568	(4)
Realized loss on commodity contracts settlement		-	(816)
Unrealized gain/(loss) on commodity risk management	12	82	(65)
		14,544	13,174
<b>EXPENSES</b>			
Operating		12,588	13,419
Transportation and treating		638	667
Blending and processing		441	420
General and administrative		1,215	1,900
Bad debt		57	(5)
Financing	15	2,411	1,976
Depletion, depreciation and amortization	6	2,893	3,917
Impairment on property, plant and equipment	6	-	24,740
Impairment on inventory	5	-	360
Realized foreign exchange loss		20	8
Unrealized foreign exchange gain		(84)	-
		20,179	47,402
Loss before income tax		(5,635)	(34,228)
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(5,635)</b>	<b>(34,228)</b>
<b>NET LOSS PER SHARE</b>			
Basic and diluted	16	(0.27)	(1.62)

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

# RAZOR ENERGY CORP.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(UNAUDITED)

<i>(Stated in thousands of Canadian dollars)</i>	Note	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
<b>December 31, 2019</b>		27,540	694	(36,384)	(8,150)
Dividends	11	-	-	(263)	(263)
Net loss		-	-	(34,228)	(34,228)
<b>March 31, 2020</b>		<b>27,540</b>	<b>694</b>	<b>(70,875)</b>	<b>(42,641)</b>
<b>December 31, 2020</b>		27,540	694	(82,844)	(54,610)
Net loss		-	-	(5,635)	(5,635)
<b>March 31, 2021</b>		<b>27,540</b>	<b>694</b>	<b>(88,479)</b>	<b>(60,245)</b>

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

# RAZOR ENERGY CORP.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

		Three Months Ended Mar 31,	
<i>(Stated in thousands of Canadian dollars)</i>	Note	2021	2020
<b>Operating Activities</b>			
Net loss for the period		(5,635)	(34,228)
Adjustments for non-cash items:			
Unrealized (gain)/ loss on commodity risk management	12	(82)	65
Unrealized (gain)/loss on foreign currency translation		(84)	8
Other income	18	(399)	-
Financing costs	15	2,411	1,976
Depletion, depreciation and amortization	6	2,926	4,125
Impairment	6	-	24,740
Decommissioning obligations settled	9	(53)	(345)
Purchase commodity contracts	12	(508)	-
Changes in non-cash working capital	17	(2,094)	5,912
<b>Net cash flows from (used in) operating activities</b>		<b>(3,518)</b>	<b>2,253</b>
<b>Financing Activities</b>			
Proceeds from long-term debt	7	14,006	-
Repayment of long-term debt	7	(87)	(72)
Deferred financing costs	7	(2,649)	-
Payment of lease obligation	8	(402)	(274)
Interest expense	15	(1,504)	(1,310)
Dividends	11	-	(263)
Changes in non-cash working capital	17	685	1,119
<b>Net cash flows from (used in) financing activities</b>		<b>10,049</b>	<b>(801)</b>
<b>Investing Activities</b>			
Capital expenditures	6	(859)	(450)
Restricted cash	4	(754)	-
Changes in non-cash working capital	17	38	(577)
<b>Net cash flows used in investing activities</b>		<b>(1,575)</b>	<b>(1,027)</b>
Foreign currency translation		(36)	(9)
<b>Change in cash and cash equivalents</b>		<b>4,920</b>	<b>417</b>
Cash and cash equivalents, beginning of period		1,098	1,905
<b>Cash and cash equivalents, end of period</b>		<b>6,018</b>	<b>2,322</b>
Cash interest paid		821	190

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

# RAZOR ENERGY CORP.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

AS AT MARCH 31, 2021 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

*(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, 2021, the Company has a working capital deficit of \$75.5 million, of which \$6.0 million is comprised of cash and cash equivalents and used cash in operating activities of \$3.5 million for the three months ended March 31, 2021. Further, at March 31, 2021, the Company has contractual repayments of \$111.1 million due in less than one year.

On February 16, 2021, the Company renewed the Amended Term Loan Facility with AIMCo (the “AIMCo Term Loan”). There were no additional proceeds received from the AIMCo Term Loan, only an extension of the maturity date to January 31, 2024. In addition, the Company entered into a new term loan with Arena Investors LP (“the Arena Term Loan”) to provide additional funding of US\$11.0 million (CAD\$14.0 million) which can only be utilized for specific purposes and requires monthly repayments commencing April 1, 2021 (see note 7). At December 31, 2020, certain equipment loans and leases were in default due to cross covenant violations under the Amended Term Loan Facility with AIMCo and at December 31, 2020 these loans and lease were classified as potentially due on demand current liabilities. At March 31, 2021, the Company has not remedied the defaults for these equipment loans and leases and they continue to be classified as potentially due on demand current liabilities. The Company has cross covenant default provisions in the AIMCo Term Loan and the Arena Term Loan, which are in default as a result of the default on the equipment loans and leases at March 31, 2021 and as a result has classified the AIMCo Term Loan and the Arena Term Loan as potentially due on demand current liabilities at March 31, 2021 (notes 7 and 8).

The Company anticipates funding the remaining working capital deficit and contractual repayments, which include the Arena Term Loan, with a combination of cash from operations, other new debt or equity financings. The operational and commodity price challenges that impacted revenue, production and operating costs in 2020, are anticipated to be somewhat mitigated in 2021 as the Company utilizes funds from the Arena Loan to reactivate wells in order to increase production, which is not without

risk. While forecasted prices and operating cashflows are expected to improve in 2021, 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.

Due to the conditions noted above there remains a material uncertainty surrounding the Company's ability to generate adequate cash flow from operations to enable the Company to address contractual payment obligations. 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 unaudited interim condensed 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 unaudited interim condensed 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 unaudited interim condensed 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, 2021. 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, 2020.

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 its subsidiaries, Razor Royalties Limited Partnership, Razor Holdings GP 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, 2021.

## **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. Transactions completed in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the time of the transactions. Foreign currency assets and liabilities are translated to functional currency at the period-end exchange rate. Revenue and expenses are translated to functional currency using the average exchange rate for the period. Realized and unrealized gains and losses resulting from the settlement or translation of foreign currency transactions are included in net income or loss.

### 3. COVID-19 ESTIMATION UNCERTAINTY

Management makes judgements and assumptions about the future in deriving estimates used in preparation of these unaudited interim condensed consolidated financial statements in accordance with IFRS. Sources of estimation uncertainty include estimates used to determine economically recoverable oil, natural gas, and natural gas liquids reserves, the recoverable amount of long-lived assets or cash generating units, the fair value of financial derivatives, the provision for asset retirement obligations and the provision for income taxes and the related deferred tax assets and liabilities.

During the three months ended March 31, 2021, the global economy continued to show signs of recovery from the impacts of the COVID-19 pandemic. The outlook for crude oil demand has improved due to the easing of restrictions combined with the distribution of vaccines in developed countries. Global spot prices for crude oil have recovered to pre-pandemic levels as optimism for demand recovery improves and OPEC continues to adhere to production curtailments that limit supply. While we have benefited from these recent improvements in crude oil prices there is a degree of uncertainty related to the COVID-19 and OPEC production curtailments that has been considered in our estimates for the period ended March 31, 2021.

### 4. RESTRICTED CASH

Restricted cash consists of cash held in a restricted account as collateral under the terms of the commodity contracts and is considered not available for general use by the Company. In addition, as per the terms of the Arena Term Loan \$409 thousand (\$USD 325 thousand) is held as restricted cash as at March 31, 2021, the Company held a total of \$754 thousand as restricted cash (December 31, 2020 - Nil).

### 5. 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, 2021, the Company held 12,197 barrels of oil (December 31, 2020 – 8,203 barrels) in inventory. The inventory at March 31, 2021 was valued at an average cost of \$47.28 per barrel (December 31, 2020 - \$42.01 per barrel) for a total value of \$576 thousand (December 31, 2020 - \$345 thousand). Included in this amount is \$136 thousand of depletion expense for the period ended March 31, 2021 (December 31, 2020 - \$103 thousand). For the current period there were no inventory impairments (March 31, 2020 impairment - \$360 thousand).



## 6. PROPERTY, PLANT AND EQUIPMENT

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

<i>(\$000's)</i>	<b>Total</b>
<b>Cost</b>	
<b>December 31, 2020</b>	<b>244,069</b>
Capital expenditures	859
Right-of-use asset	134
Change in decommissioning obligations	(18,387)
<b>March 31, 2021</b>	<b>226,675</b>
<b>Accumulated depletion, depreciation and amortization</b>	
<b>December 31, 2020</b>	<b>61,074</b>
Depletion, depreciation and amortization	2,926
<b>March 31, 2021</b>	<b>64,000</b>
<b>Impairment</b>	
<b>December 31, 2020</b>	<b>28,740</b>
Impairment expense	-
<b>March 31, 2021</b>	<b>28,740</b>
<b>Net book value</b>	
December 31, 2020	<b>154,255</b>
<b>March 31, 2021</b>	<b>133,935</b>

At March 31, 2021, Razor evaluated its PP&E for indicators of impairment or reversal of previously recognized impairment and determined that no such indicators were present compared to its last impairment test at March 31, 2020.

At March 31, 2020, Razor evaluated its developed and producing assets on a CGU (Swan Hills, Kaybob, and Southern Alberta) 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. At March 31, 2020, the recoverable value of Razor's Swan Hills CGU exceeded its carrying value and no impairment was recorded. At March 31, 2020, it was determined that the carrying value of the Kaybob and Southern Alberta CGUs exceeded their recoverable amounts and impairment charges of \$16.03 million and \$8.71 million, respectively, were recognized for the CGUs.

At December 31, 2020, Razor evaluated its PP&E for indicators of impairment or reversal of previously recognized impairment and determined that no such indicators were present compared to its last impairment test at March 31, 2020.

There were no borrowing costs capitalized in the quarter, as the Company did not have any qualifying assets. As at March 31, 2021, future development costs required to develop proved and probable reserves in the amount of \$43.1 million are included in the depletion calculation for PP&E (December 31, 2020 - \$43.1 million).

## 7. LONG-TERM DEBT

### Loan with Alberta Investment Management Corporation (“AIMCo”)

On February 16, 2021, the Company extended the Amended Term Facility with AIMCo (the “AIMCo Term Loan”) for an amended principal amount of \$50.1 million, being the amounts outstanding with AIMCo on such date. Principal under the extended AIMCo Term Loan is due in full on January 31, 2024 with an interest rate of 10%, payable semi-annually. There were no additional proceeds received from the AIMCo Term Loan. Including the contingent consideration of \$3.5 million, the effective interest rate of the Amended Term Loan Facility is 12% per annum (December 31, 2020 - 12%).

As consideration for the AIMCo Term Loan, FutEra Power Corp. (“FutEra”), a wholly owned subsidiary of Razor at the time, granted AIMCo common shares of FutEra representing 22.4% of the total outstanding common shares and these shares are currently held in trust. In the event that the Swan Hills Geothermal Project has not been funded by July 31, 2021, the shares held in trust as part of this transaction shall be returned to Razor and \$3.5 million will be added to the principal amount and due at maturity as part of the AIMCo Term Loan. At March 31, 2021, the Company assessed the likelihood of obtaining funding for the Swan Hills Geothermal Project by July 31, 2021 and determined it is more likely than not that funding for the Swan Hills Geothermal Project will not be in place by July 31, 2021 and the Company has recorded contingent consideration of \$3.5 million which has been added to the principal of the AIMCO Term Loan along with a corresponding charge to deferred financing costs. This contingent consideration will be reversed if funding for the Swan Hills Geothermal Project is obtained by July 31, 2021 and the FutEra shares provided to AIMCo will be valued. The AIMCo Term Loan 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, in addition, Razor has obtained exemptions to the first charge from AIMCo to allow Arena Inventors LP to have first lien security on all assets within Razor Royalties Limited Partnership and Razor Holdings GP Corp.

The AIMCo Term Loan is subject to the following financial covenants:

- a maximum adjusted net debt-to-adjusted cash flow ratio of 5:1 commencing for each fiscal year ended December 31, 2022 and December 31, 2023; and
- a minimum working capital ratio of 1:1 from and after each fiscal quarter commencing September 30, 2022.

As at March 31, 2021, Razor was in compliance with all of its non-financial debt covenants. However, the default condition on certain equipment loans and leases at March 31, 2021 (note 8) has created a cross covenant default for the AIMCo Term Loan and has resulted in this loan being potentially due on demand and classified as a current liability at March 31, 2021.

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. All financial covenant calculations exclude FutEra and its subsidiaries.

## Loan with Arena Investors, LP

On February 16, 2021, Razor Royalties Limited Partnership (“RRLP”), a wholly owned subsidiary of Razor, entered into a new term loan with Arena Investors, LP (“the Arena Term Loan”) of US\$11,042,617 (CAD\$14,006,455).

The Arena Term Loan will be repaid over 29 months with principal and interest payments of approximately US\$0.4 million per month, commencing April 1, 2021 and full repayment with interest of the loan on August 1, 2023. The funded principal amount, after the original issuer discount, is US\$10,035,000 (CAD \$12,702,532). The Arena Term Loan carries a fixed annual interest rate of 7.875%. Security consists of a first lien on all assets within Razor Royalties Limited Partnership (“RRLP”) and Razor Holdings GP Corp. The Arena Term Loan is also secured by a second lien on the assets of Razor, excluding Razor’s subsidiaries Blade Energy Services Corp. (“Blade”), FutEra and its subsidiaries, and Razor Resources Corp.

The Arena Term Loan is subject to the following covenants:

- Use at least US\$6,700,000 (CAD\$ 8,481,013) to complete the activities outlined in an agreed development plan for the fiscal year ended December 31, 2021;
- Minimum hedge requirements for not less than 80% of RRLP’s 20 month forward projected overriding royalty;
- Commencing in April 2021, maintain minimum production 3,000 boe/day; and
- The General and Administrative expenses of RRLP shall not exceed \$100,000 in any fiscal year.

As at March 31, 2021, Razor was in compliance with all of its non-financial debt covenants. The default condition on certain equipment loans and leases at March 31, 2021 (note 8) has created a cross covenant default for the Arena Term Loan and has resulted in this loan being potentially due on demand and classified as a current liability at March 31, 2021.

The changes in long-term debt are as follows:

<i>(\$000's)</i>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Balance, beginning of period	<b>50,878</b>	44,667
Arena Term Loan <sup>1</sup>	<b>14,006</b>	-
Unrealized FX gain on US denominated debt	<b>(120)</b>	-
Deferred financing costs	<b>(2,649)</b>	-
Repayment of Promissory Notes	<b>(87)</b>	(325)
Amortization of deferred financing costs	<b>233</b>	1,207
Amended Term Loan Facility - Interest deferral	-	2,693
Amended Term Loan Facility - Interest deferral	-	2,452
Promissory Note-3	-	184
<b>Balance, end of period</b>	<b>62,261</b>	50,878

1) The Arena Term Loan is U.S. dollar denominated debt of \$11,042,617 converted at Feb.16 fx rate – date of inception and revalued at each statement of financial position date.

As at March 31, 2021 and December 31, 2020, Razor had the following outstanding long-term debt:

<i>(\$000's)</i>	Maturity	March 31, 2021	December 31, 2020
Amended Term Loan Facility – interest deferral	Jan-2021	-	2,693
Amended Term Loan Facility – interest deferral	Jan-2021	-	2,452
AIMCo Term Loan – principal	Jan-2024	<b>50,145</b>	45,000
AIMCo Term Loan – Contingent consideration	Jan-2024	<b>3,500</b>	-
Arena Term Loan	Aug-2023	<b>13,886</b>	-
Promissory Note-1	Sep-2022	<b>413</b>	478
Promissory Note-2	Dec-2022	<b>89</b>	101
Promissory Note-3	May-2024	<b>144</b>	154
		<b>68,177</b>	50,878
Deferred financing costs		<b>(5,916)</b>	-
<b>Long-term debt</b>		<b>62,261</b>	50,878
Current portion		<b>62,159</b>	50,765
Long-term portion		<b>102</b>	113
<b>Long-term debt</b>		<b>62,261</b>	50,878

Opening deferred financing costs related to the AIMCo Term Loan are comprised of contingent consideration of \$3.5 million and legal fees of \$111 thousand. Opening deferred financing costs related to the Arena Term Loan are comprised of the original issuer discount of CAD\$1.3 million and various fees and expenses totaling CAD\$1.3 million.

## 8. LEASE OBLIGATION

On March 1, 2021, the Company entered into a lease agreement for the lease of office space in Swan Hills to replace its existing office lease. The lease is for a period of two years and Razor has setup as a right-of-use asset to be amortized over the two-year lease term.

At December 31, 2020, certain equipment loans and leases were in default due to cross credit issues related to covenant violations under the Amended Term Loan Facility with AIMCo and at December 31, 2020 these loans and lease were classified as potentially due on demand current liabilities. At March 31, 2021, the Company has not remedied the defaults for these loans and leases and they continue to be classified as potentially due on demand current liabilities.

The changes in lease obligations are as follows: (\$000's)	March 31, 2021	December 31, 2020
Balance, beginning of period	3,294	4,744
Liabilities incurred	134	196
Liabilities settled	(458)	(1,997)
Interest expense	56	351
<b>Balance, end of period</b>	<b>3,026</b>	<b>3,294</b>
Current portion	2,633	2,905
Long-term portion	393	389
<b>Lease obligation</b>	<b>3,026</b>	<b>3,294</b>

The total undiscounted amount of the estimated future cash flows to settle the lease obligations over the remaining lease term is \$3.2 million.

Razor's minimum lease payments are as follows:

(\$000's)	March 31, 2021	December 31, 2020
Within one year	2,667	2,938
Later than one year but not later than three years	293	251
Later than three years	233	280
Minimum lease payments	3,193	3,469
Amount representing finance charge	(167)	(175)
<b>Present value of net minimum lease payments</b>	<b>3,026</b>	<b>3,294</b>

## 9. 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:

<i>(\$000's)</i>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Balance, beginning of period	<b>139,177</b>	119,148
Non-monetary transaction	-	2,666
Government subsidy for decommissioning expenditures	<b>(399)</b>	(198)
Decommissioning expenditures	<b>(53)</b>	(340)
Effect of change in discount rate and inflation	<b>(17,870)</b>	17,861
Revisions to estimates	<b>(517)</b>	(1,398)
Accretion expense	<b>674</b>	1,438
<b>Balance, end of period</b>	<b>121,012</b>	139,177
Current portion	<b>2,864</b>	3,097
Long-term portion	<b>118,148</b>	136,080
<b>Decommissioning obligations</b>	<b>121,012</b>	139,177

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:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Undiscounted cash flows (000's)	<b>129,507</b>	129,801
Discount rate (%)	<b>1.97</b>	1.21
Inflation rate (%)	<b>1.69</b>	1.49
Weighted average expected timing of cash flows (years)	<b>25</b>	25

## 10. 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 AIMCo Term Loan and the Arena Term Loan.

## 11. 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 is shown below.

Common Shares	March 31, 2021		December 31, 2020	
	Number	(\$000's)	Number	(\$000's)
Shares outstanding, end of period	21,064,466	27,540	21,064,466	27,540

### 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.

## 12. 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
<b>Measured at Amortized Cost</b>	
Cash, cash equivalents, restricted cash, 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)
<b>Measured at Fair Value</b>	
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, 2021 are as follows:

<i>(\$000's)</i>	Carrying Value	Fair Value
Cash and cash equivalents	6,018	6,018
Restricted cash	754	754
Accounts receivable	7,482	7,482
Commodity contract assets	590	590
Accounts payable and accrued liabilities	24,506	24,506
Minimum Lease obligation	3,193	3,193
Promissory Notes	646	630
Term Loan Facilities	67,531	67,531



## 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 and to comply with banking requirements. 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, 2021, the Company has a working capital deficit of \$75.5 million, of which \$6.0 million is comprised of cash and cash equivalents and used cash in operating activities of \$3.5 million for the three months ended March 31, 2021. Further, at March 31, 2021, the Company has contractual repayments of \$111.1 million due in less than one year. At December 31, 2020, certain equipment loans and leases were in default due to cross covenant violations under the Amended Term Loan Facility with AIMCo and at December 31, 2020 these loans and lease were classified as potentially due on demand current liabilities. At March 31, 2021, the Company has not remedied the defaults for these equipment loans and leases and they continue to be classified as potentially due on demand current liabilities. The Company has cross covenant default provisions in the AIMCo Term Loan and the Arena Term Loan, which are in default as a result of the default on the equipment loans and leases at March 31, 2021 and as a result has classified the AIMCo Term Loan and the Arena Term Loan as potentially due on demand current liabilities at March 31, 2021 (notes 7 and 8).

The Company anticipates funding the remaining working capital deficit and contractual repayments with a combination of cash from operations, other new debt or equity financings. The operational and commodity price challenges that impacted revenue, production and operating costs in 2020, are anticipated to be somewhat mitigated in 2021 as the Company utilizes funds from the Arena Loan to reactivate wells in order to increase production, which is not without risk. While forecasted prices and operating cashflows are expected to improve in 2021, 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. (See future operations note 2)

The table below summarizes the Company's contractual obligations as at March 31, 2021:

(\$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 <sup>1</sup>	Yes-Liability	<b>24,506</b>	24,506	-	-	-
AIMCo Term Loan	Yes-Liability	<b>53,645</b>	53,645	-	-	-
Arena Term Loan	Yes-Liability	<b>13,886</b>	13,886	-	-	-
Promissory notes	Yes-Liability	<b>646</b>	543	94	9	-
Minimum lease obligation	Yes-Liability	<b>3,193</b>	2,510	296	387	-
Interest payable <sup>2 3</sup>	No	<b>15,840</b>	15,697	38	14	91
Lease operating costs	No	<b>277</b>	222	55	-	-
Transportation services	No	<b>1,223</b>	122	258	205	638
<b>Total</b>		<b>113,216</b>	<b>111,131</b>	<b>741</b>	<b>615</b>	<b>729</b>

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 lease 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. As part of the requirements of the Arena Term Loan, Razor has entered into hedge contracts on a portion of its future production to protect cash flows. The Company does not apply hedge accounting for these contracts.

As at March 31, 2021, Razor had the following derivative contracts outstanding:

#### **Oil - Upside enhanced traditional collars <sup>1</sup>**

Reference point	Volume (bbls/mth)	Remaining Term	Floor Long Put USD/bbl	Ceiling Short Call USD/bbl	Long Upside Call USD/bbl	Fair Value (CAD 000's)
NYMEX WTI financial futures	8,000	May 1'21-Feb 28'22	50.00	66.00	73.00	159
NYMEX WTI financial futures	8,000	Mar 1'22-Dec 31'22	50.00	65.00	75.00	431
						590

1) These contracts are upside enhanced traditional collars whereby the Company receives the floor price/bbl when the market price is below the floor price/bbl, and receives the ceiling price/bbl when the market price is above the ceiling price/bbl, unless the market price rises above the long upside call, at which point the maximum price would be the NYMEX WTI oil index less the difference between the ceiling price and the long upside call strike price.

As at March 31, 2021, the Company fair valued the oil commodity contracts with an asset of \$590 thousand (December 31, 2020 - \$0) on the Statement of Financial Position and recorded an unrealized gain of \$82 thousand in earnings for the three months ended March 31, 2021 (March 31, 2020 – unrealized loss of \$65 thousand). In conjunction with entering into the above contracts Razor paid CAD \$508 thousand (US\$400 thousand).

### **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's accounts receivables of \$7.5 million at March 31, 2021 (December 31, 2020 - \$6.5 million) are non-interest bearing.

The Company's receivables are summarized as follows:

<i>(\$000's)</i>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Trade receivables	<b>6,258</b>	4,714
Joint venture receivables	<b>1,108</b>	1,696
Other receivables	<b>342</b>	227
Allowance for doubtful accounts	<b>(226)</b>	(173)
	<b>7,482</b>	6,464

The majority of the credit exposure on trade receivables as at March 31, 2021, pertains to revenue for accrued March 2021 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. To protect against credit losses with joint asset partners, the Company has the ability to withhold sale proceeds from production or offset outstanding partner invoices in the event of non-payment and also, the ability to obtain the partners' share of capital expenditures in advance of a project.

The Company's accounts receivable is aged as follows:

<i>(\$000's)</i>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Current (less than 30 days)	<b>6,359</b>	5,052
31 to 90 days	<b>1,007</b>	885
Over 90 days	<b>116</b>	527
Total receivables	<b>7,482</b>	6,464

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 AIMCo Term Loan, Arena Term Loan, lease obligation, and Promissory Notes. See notes 7 and 8.

The AIMCo Term Loan Facility matures on January 31, 2024 and bears interest at the rate of 10% per annum (paid semi-annually on June 30 and December 31). The Arena Term Loan facility matures on August 1, 2023 and bears interest at the rate of 7.875%

per annum and paid monthly. The Promissory Notes mature on September 12, 2022, December 13, 2022, and May 8, 2024, and interest is paid monthly at 6.1%, 6.5% and 7.94% 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, the Arena Term Loan 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.

The sensitivity analysis below shows the impact that a change in the USD/CDN exchange rate would have on income/loss:

	USD/CDN exchange Rate	
	1% increase	1% decrease
Income statement gain/(loss)	(139,000)	139,000

**13. 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 12.

Razor assumed decommissioning liabilities included in its Swan Hills, Kaybob and District South acquisitions. In Q1 2021, the Company spent \$452 thousand on abandonment, reclamation and remediation expenditures (Q1 2020 - \$345 thousand) which includes \$399 thousand related to government grants earned for well site rehabilitation through the SRP program(Q1 2020–nil).

The Company voluntarily opted into 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. Razor's liability reduction target is \$3.0 million in 2021.

In the normal course of its operations, the Company may be subject to litigation and claims and records provisions for claims as required.

During the third quarter of 2020, the Company was served a statement of claim from a joint venture partner demanding immediate payment for past services totaling \$4.6 million. Amounts owing to this joint venture partner are included in accounts payable and accrued liabilities at March 31, 2021 which total approximately \$3.9 million. There can be no assurance that further financial damages will not occur, however, with the improved commodity price outlook, the Company and the joint venture partner have agreed to a payment schedule which will reduce amounts owing throughout 2021.

## 14. REVENUES

The significant components recognized in revenues are as follows:

(\$000's)	Three Months Ended March 31,	
	2021	2020
Crude oil	11,186	11,099
Gas	891	624
NGL	1,307	1,377
Blending and processing	1,368	1,613
Road Use	141	417
Other revenue <sup>1</sup>	262	515
	<b>15,155</b>	<b>15,645</b>

1) Primarily comprised of trucking and road maintenance.

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.

## 15. FINANCING COSTS

Financing costs are comprised of interest expense on the AIMCo Term Loan, the Arena Term Loan, 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.

(\$000's)	Three Months Ended March 31,	
	2021	2020
Interest expense	1,504	1,310
Amortization of deferred financing costs (Note 7)	233	274
Accretion (Note 9)	674	392
	<b>2,411</b>	<b>1,976</b>

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

## 16. 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 the three months ended March 31, 2021 and 2020, 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:

(\$000's)	Three Months Ended March 31,	
	2021	2020
Weighted average shares outstanding (basic and diluted)	21,064,466	21,064,466
Net loss for the period (000's)	\$ (5,635)	\$ (34,228)
Net loss per share (basic and diluted)	\$ (0.27)	\$ (1.62)

## 17. SUPPLEMENTAL CASH FLOW INFORMATION

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

(\$000's)	Three Months Ended March 31,	
	2021	2020
Accounts receivable	(1,018)	5,149
Prepaid expenses and deposits	342	164
Inventory	(231)	(94)
Accounts payable and accrued liabilities	(464)	1,235
	(1,371)	6,454

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

(\$000's)	Three Months Ended March 31,	
	2021	2020
Operating	(2,094)	5,912
Financing	685	1,119
Investing	38	(577)
	(1,371)	6,454

## 18. OTHER INCOME

The components for other income are summarized below.

(\$000's)	Three Months Ended March 31,	
	2021	2020
Insurance proceeds	135	(23)
Interest and other	34	19
SRP subsidy for decommissioning expenditures (note 9)	399	-
Total other income	568	(4)

During Q1 2021, the Company received non-reoccurring insurance proceeds of \$135 thousand which consists of \$122 thousand related to environmental clean-up costs as a result of an injection line failure in 2019 as well as \$13 thousand in insurance proceeds for business interruption related to a non-operated pipeline being offline for repairs in 2019.

## 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

President and Chief Executive Officer of FutEra Power Corp.

**Devin Sundstrom**

Vice President, Production

**Stephen Sych**

Vice President, Operations

### BOARD OF DIRECTORS

**Doug Bailey**

**Sonny Mottahed** <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

**Frank Muller**

**Sean Phelan** <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

### CORPORATE OFFICE

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### TRANSFER AGENT

Alliance Trust Company

1010, 407-2 Ave SW

Calgary, Alberta T2P 2Y3

403-237-6111

### BANK

National Bank of Canada

### AUDITORS

KPMG LLP

### LEGAL COUNSEL

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