RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(Stated in thousands of Canadian dollars)	Note	September 30, 2017	December 31, 2016
ASSETS			
Current assets			
Cash		12,191	8
Accounts receivable	11	7,354	7
Prepaid expenses and deposits		2,441	50
Commodity contracts	11	15	—
		22,001	65
Non-current assets			
Property, plant and equipment	6	100,476	18
TOTAL ASSETS		**122,477**	**83**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		10,930	457
Decommissioning obligations	8	1,848	—
Shareholder loan	14	—	50
		12,778	507
Non-current liabilities			
Long-term debt	7	26,929	—
Decommissioning obligations	8	70,181	—
Other liabilities		81	—
Total liabilities		109,969	507
SHAREHOLDERS' EQUITY			
Share capital	10	18,207	10
Warrants	10	694	—
Deficit		(6,393)	(434)
		12,508	(424)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**122,477**	**83**
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 September 30,		Nine Months Ended September 30,	
(Stated in thousands of Canadian dollars, except per share amounts)	**Note**	**2017**	**2016**	**2017**	**2016**
REVENUES					
Oil and gas sales		16,520	—	38,785	—
Other income	15	1,273	—	2,966	—
Royalties		(3,189)	—	(7,964)	—
		14,604	—	33,787	—
Realized gain on commodity contracts settlement		187	—	187	—
Unrealized (loss)/gain on commodity risk management	11	(49)	—	15	—
		14,742	—	33,989	—
EXPENSES					
Operating		11,947	—	25,958	—
General and administrative		1,330	—	3,271	—
Acquisition and transaction		6	—	1,142	—
Financing	13	1,473	—	3,683	—
Depletion, depreciation and amortization	6	2,505	1	5,841	1
		17,261	1	39,895	1
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**(2,519)**	**(1)**	**(5,906)**	**(1)**
NET LOSS PER SHARE					
Basic and diluted	16	(0.16)	(5.44)	(0.46)	(5.44)

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	Warrants	Deficit	Total Shareholders' Equity
June 14, 2016		—	—	—	—
Shares issued		—	—	—	—
Net loss		—	—	(1)	(1)
September 30, 2016		**—**	**—**	**(1)**	**(1)**
December 31, 2016		10	—	(434)	(424)
Shares issued	10	20,106	—	—	20,106
Share issuance costs		(1,774)	—	—	(1,774)
Shares repurchased and cancelled		(135)	—	(53)	(188)
Issue of warrants	10	—	694	—	694
Net loss		—	—	(5,906)	(5,906)
September 30, 2017		**18,207**	**694**	**(6,393)**	**12,508**

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

		Three Months Ended September 30,		Nine Months Ended September 30,	
(Stated in thousands of Canadian dollars)	**Note**	**2017**	**2016**	**2017**	**2016**
Operating Activities					
Net loss for the period		(2,519)	(1)	(5,906)	(1)
Adjustments for non-cash items:					
Unrealized loss/(gain) on commodity risk management	11	49	—	(15)	—
Financing costs	13	1,473	—	3,683	—
Lease inducement		76	—	81	—
Depletion, depreciation and amortization	6	2,505	1	5,841	1
Decommissioning costs incurred	8	(918)	—	(1,670)	—
		666	**—**	**2,014**	**—**
Changes in non-cash working capital	17	(2,261)	—	(2,067)	—
Net cash flows used in operating activities		**(1,595)**	**—**	**(53)**	**—**
Financing Activities					
Proceeds from long-term debt	7	—	—	30,000	—
Deferred financing costs	7	—	—	(158)	—
Interest expense	13	(769)	—	(2,014)	—
Repayment of shareholder loan	14	—	—	(50)	—
Cash acquired	5	—	—	14	—
Proceeds from issue of common shares and warrants	10	—	—	17,250	—
Share issuance costs	10	(54)	—	(1,774)	—
Shares repurchased and cancelled	10	(187)	—	(188)	—
Changes in non-cash working capital	17	756	—	756	—
Net cash flows used in financing activities		**(254)**	**—**	**43,836**	**—**
Investing Activities					
Property acquisitions	5	1,082	—	(27,478)	—
Capital expenditures	6	(4,229)	—	(6,182)	(20)
Changes in non-cash working capital	17	287	20	2,060	20
Net cash flows used in investing activities		**(2,860)**	**20**	**(31,600)**	**—**
Change in cash position		(4,709)	—	12,183	—
Cash, beginning of period		16,900	—	8	—
Cash, end of period		**12,191**	**—**	**12,191**	**—**
Cash interest paid		12	—	1,257	—

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

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 Alberta. The Company was formed following the amalgamation of Razor Energy Corp. ("Razor Private") and Vector Resources Inc. ("Vector").

Razor Private was incorporated on June 14, 2016 under the Business Corporations Act (Alberta). On January 31, 2017, a plan of arrangement (the "Arrangement") involving Razor Private and Vector, a publicly-traded capital pool company listed on the TSXV, was completed that constituted a reverse takeover, including a change of control of Vector and the acquisition of Razor Private and Vector to form a new corporation that carries on the business of Razor Private and Vector under the name "Razor Energy Corp.". Following completion of the Arrangement, Razor Private shareholders held approximately 98% of the outstanding shares of the Company and, as a result, the transaction has been accounted for as a reverse acquisition with Razor Private being the acquirer for accounting purposes. Consequently, Razor Private is the continuing legal entity.

The Company trades under the symbol "RZE.V" on the TSXV.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The 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 September 30, 2017. They do not include all the disclosures required in annual financial statements and should be read in conjunction with the Company's financial statements as at December 31, 2016 and for the period from incorporation on June 14, 2016 to December 31, 2016.

The interim condensed consolidated financial statements are prepared following the same accounting policies, except as noted below, used in the Company's financial statements as at December 31, 2016 and for the period from incorporation on June 14, 2016 to December 31, 2016.

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors, on November 23, 2017.

BASIS OF MEASUREMENT

These 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 interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in these interim condensed consolidated financial statements.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Assets acquired and liabilities assumed are measured at their fair value as at the acquisition date. Acquisition costs are expensed in the period incurred.

JOINTLY OWNED ASSETS

Some of the Company's oil and natural gas activities involve jointly owned assets. The financial statements include the Company's share of these jointly owned assets and its proportionate share of the relevant revenue and related costs.

REVENUE RECOGNITION

Revenue from the sale of oil and natural gas is recognized when the product is delivered to the buyer and collection is reasonably assured. Revenue from processing and other miscellaneous sources is recognized upon completion of the relevant service.

EXPLORATION AND EVALUATION (E&E) ASSETS

Pre-license costs are recognized in the statement of income as incurred.

Exploration and evaluation costs, including the costs of acquiring leases and licenses, initially are capitalized as exploration and evaluation assets. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to related cash-generating units ("CGUs").

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and/or probable reserves are determined to exist. At least once annually, a review of each exploration license or field is carried out to ascertain whether proven and/or probable reserves have been discovered. Upon determination of proven and/or probable reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property and equipment.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PP&E) are recorded at cost less accumulated depletion, depreciation and amortization and any accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, costs attributable to bringing the asset into operation, and the initial estimate of decommissioning obligations. When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Costs of developing and acquiring oil and gas properties are capitalized. These costs include lease acquisition costs, geological and geophysical expenditures, costs of drilling and completion of wells, plant and production equipment costs, and related overhead charges.

Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest method.

Subsequent costs
Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing major parts of property, plant and equipment are recognized as PP&E or other assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized property and equipment generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a well, field or geotechnical area basis, together with the discounted value of estimated future costs of decommissioning obligations. When components of an asset are replaced, disposed of, or no longer in use, the carrying amount is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depletion, depreciation and amortization
The depletion, depreciation and amortization of PP&E and other assets are recognized in profit or loss as incurred.

The net carrying value of PP&E is depleted using the unit of production method by reference to the ratio of production in the period to the related proved and probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future development costs necessary to bring those reserves into production. These estimates are reviewed by independent reserve engineers at least once annually and determined in accordance with National Instrument 51-101 *Standards of Disclosure of Oil and Gas Activities*. Proved and probable reserves are estimated using independent reserve evaluator reports and represent the estimated quantities of oil, natural gas, and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. The specified degree of certainty must be a minimum 90% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and a minimum 50% statistical probability for proved and probable reserves to be considered commercially viable.

Other assets are depreciated on a straight-line basis over their estimated useful lives estimated to be three years. Depreciation methods, useful lives, and residual values are reviewed annually.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

PP&E assets are tested for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed at the CGU level, which is the smallest identifiable group of assets that generates independent cash inflows. An impairment loss is recognized in earnings when the CGU's carrying value is higher than its recoverable amount. The recoverable amount is the greater of the CGU's fair value less costs of disposal and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved plus probable reserves. Fair value less costs to sell is determined as the amount that would be obtained from the sale of an asset in an arm's length transaction between knowledgeable and willing parties.

A previously recognized impairment loss is reversed only if there has been a change in the estimates or assumptions used to determine the CGU's recoverable amount since the impairment loss was recognized. A reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior periods. Such a reversal is recognized in net income, following which the depreciation charge is adjusted in future periods to allocate the CGU's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

PROVISIONS

The Company recognizes provisions when:

(i) there is a current legal or constructive obligation as a result of a past event;
(ii) a probable outflow of economic benefits will be required to settle the obligation; and
(iii) a reliable estimate of the obligation can be made.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. If discounting is used, the increase in the provision due to the passage of time is recognized in financing expense.

DECOMMISSIONING OBLIGATIONS

Decommissioning obligations are legal obligations connected with the abandonment and reclamation of the Company's oil and natural gas assets.

These obligations are measured at management's best estimate of the expenditure required to settle the obligation and are discounted to present value when the effect is material. Cash flows for decommissioning obligations are adjusted to take risks and uncertainties into account and are inflated and discounted using a risk-free discount rate. Initially, the net present value of the estimated decommissioning obligations is recorded as a liability, with a corresponding increase in the carrying amount of the related asset.

Revaluations of the decommissioning obligations at each reporting period take into account changes in estimated future cash flows and the discount rate. Any change in the carrying amount of the provision due to change in the present value is accreted over the estimated time period until the obligation is to be settled; the accretion expense is recognized as financing costs.

Actual costs incurred upon the settlement of the decommissioning obligations are charged against the decommissioning obligations. Any difference between the estimated decommissioning obligations and the actual retirement costs incurred is recorded as a gain or loss. Management reviews the decommissioning obligation estimate and changes, if any, are applied prospectively. Revisions made to the decommissioning obligation estimate are recorded as an increase or decrease to the decommissioning obligation with a corresponding change made to the carrying amount of the related asset. The asset is depreciated over the remaining useful life of the underlying asset. The carrying amount of both the liability and the capitalized asset, net of accumulated depreciation, are derecognized if the asset is subsequently disposed.

FINANCIAL INSTRUMENTS

The Company classifies financial instruments when they are first recognized as fair value through profit or loss, available for sale, held to maturity investments or loans and receivables. Financial liabilities are classified as fair value through profit or loss or amortized cost.

Fair value through profit or loss
Financial instruments classified as fair value through profit or loss, other than derivative instruments that are effective hedging instruments, are measured at fair value. Changes in fair value are recognized in earnings.

Available for sale
Financial instruments classified as available for sale are measured at fair value using quoted prices in an active market. When actively quoted prices are not available, fair value is determined using other valuation techniques. Changes in fair value are recognized in other comprehensive income. If fair value cannot be reliably estimated, the item is carried at cost.

Held to maturity
Financial instruments classified as held to maturity, loans and receivables, or other liabilities are initially measured at fair value. Thereafter, they are measured at their amortized cost using the effective interest method. Investments in equity instruments that do not have an actively quoted price and whose fair value cannot be reliably measured are measured at cost.

Non-derivative financial instruments
Non-derivative financial instruments are comprised of cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt. Non-derivative financial instruments are recognized initially at fair value, then at amortized cost using the effective interest method.

Transaction costs incurred in connection with the issuance of long-term debt instruments with a maturity of greater than one year are deducted against the carrying value of the debt and amortized to net income (loss) using the effective interest rate method over the expected life of the debt.

Derivative financial instruments
Contracts settled net in cash or in another financial asset are classified as derivatives, unless they meet the Company's own use requirements.

The Company accounts for its forward physical delivery sales contracts, entered into and held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and will not be recorded at fair value on the Statement of Financial Position. Settlements on physical sales contracts are recognized in oil and natural gas revenue.

The Company also enters into financial derivative contracts from time to time in order to reduce its exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Company does not designate financial derivative contracts as effective accounting hedges, and thus does not apply hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, the Company's policy is to classify all financial derivative contracts at fair value through profit or loss and to record them on the Statement of Financial Position at fair value. Attributable transaction costs are recognized in earnings when incurred. The estimated fair value of all derivative instruments is based on quoted market prices and/or third party market indications and forecasts.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If such evidence exists, an impairment loss is recognized in earnings.

Impairment losses on financial assets carried at amortized cost are calculated as the difference between the amortized cost and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment losses on financial assets carried at amortized cost may be reversed in whole or in part if there is objective evidence that a change in the estimated recoverable amount is warranted. The revised recoverable amount cannot exceed the carrying amount had no impairment charge been recognized in previous periods.

INCOME TAXES

Income taxes is comprised of current and deferred taxes. Income tax is recognized in earnings, except to the extent it relates to items recorded in equity, in which case it is recognized in equity.

Current tax is calculated on taxable earnings using rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the asset and liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to temporary differences between the amounts reported in the financial statements and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on deferred income tax liabilities and assets is recognized in income in the period that the change occurs. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognized only when it is probable that future taxable earnings will be available against which the temporary differences can be applied.

CONTINGENCIES

A contingent liability is a possible obligation, and a contingent asset is a possible asset, that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent liability may also be a present obligation that arises from past events that is not recognized because it is not probable that an outflow of economic resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably. Neither contingent liabilities nor assets are recognized in the financial statements. However, a contingent liability is disclosed, unless the possibility of an outflow of resources is remote. A contingent asset is only disclosed where an inflow of economic benefits is probable. Management evaluates the likelihood of contingent events based on the probability of exposure to potential loss. Actual results could differ from these estimates.

SHARE CAPITAL

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction to share capital, net of any tax effect.

SHARE-BASED COMPENSATION PLANS

The fair value of options granted to employees is recognized as compensation expense as at the date of grant, with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon exercise of the option, consideration received, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

SHARE PURCHASE WARRANTS

The Company has issued share purchase warrants as part of a financing arrangement. The share purchase warrants are issued with an exercise price based on the Company's market share price at the date of issue. The share purchase warrants are classified as equity instruments. Consideration received on the sale of a share and share purchase warrant classified as equity is allocated, within equity, to the respective equity accounts on a reasonable basis. The amounts for the share purchase warrants are recognized in warrants. The fair value of these share purchase warrants is measured at issue date using the Black-Scholes pricing model taking into account the terms and conditions upon which the share purchase warrants were issued. Share purchase warrants classified as equity instruments are not subsequently re-measured for changes in fair value.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new or amended standards or interpretations issued by the IASB or IFRS Interpretations Committee (IFRIC) do not have to be early adopted in the current period.

The standards issued, but not yet effective, are described below:

- IFRS 15 Revenue from Contracts with Customers - this standard replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations and is effective on or after January 1, 2018. It provides a framework to determine when to recognize revenue and at what amount. It applies to new contracts created on or after the effective date and to existing contracts not yet completed as of the effective date. Under IFRS 15, the timing of revenue recognition for certain contracts may be significantly impacted by the new revenue recognition model and transitional adjustments are currently being reviewed. The Company is currently assessing the impact of the adoption of IFRS 15 on the financial statements. Razor will adopt the new standard on the required effective date.

- IFRS 16 Leases - this standard replaces IAS 17 Leases and related interpretations and is effective on or after January 1, 2019. It requires a lessee to recognize assets and liabilities on the balance sheet for the rights and obligations created by leases. Lessor accounting remains substantially unchanged. The Company is currently assessing the impact of the adoption of IFRS 16 on the financial statements.

- IFRS 9 Financial Instruments - this standard replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective on or after January 1, 2018. It includes revised guidance on the classification and measurement of financial assets and liabilities. Razor has determined that the adoption of IFRS 9 will not result in changes to the classification, measurement, and carrying value of the Company's financial assets or financial liabilities. IFRS 9 also provides a single impairment model for financial instruments and introduces a new expected credit loss model for calculating impairment of financial assets, replacing the incurred loss impairment model required by IAS 39. Razor has determined that the new impairment model will not result in material changes to the valuation of its financial assets on adoption of IFRS 9. IFRS 9 also provides a new model to be applied for hedge accounting. Razor does not currently apply hedge accounting to its risk management contracts and does not intend to apply hedge accounting on adoption of IFRS 9. Razor will adopt IFRS 9 on the required effective date.

There are no other standards or interpretations issued, but not yet effective, that the Company anticipates may have a material effect on the interim condensed consolidated financial statements once adopted.

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

USE OF ESTIMATES AND JUDGEMENTS

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management's estimates and judgments are continually evaluated and are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates. Judgments and estimates are reviewed on a continual basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are the significant judgments, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these interim condensed consolidated financial statements:

PROPERTY, PLANT AND EQUIPMENT (PP&E)

The Company makes judgments to assess the nature of the costs to be capitalized and the time period over which they are capitalized in the purchase or construction of an asset; evaluate the appropriate level of componentization where an asset is made up of individual components for which different depletion, depreciation and amortization methods and useful lives are appropriate; distinguish major overhauls to be capitalized from repair and maintenance activities to be expensed; and determine the useful lives over which assets are depleted, depreciated and amortized.

CASH GENERATING UNIT (CGU)

CGUs are the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverability of development and production asset carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management's judgment. The asset composition of a CGU can directly impact the recoverability of the assets included therein. In assessing the recoverability of oil and gas properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of fair value less costs to sell and value in use.

ASSESSMENT OF ASSET IMPAIRMENT

Judgments are required when the Company assesses CGUs for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable; for example, changes in assumptions relating to future prices, future costs, reserves and contingent resources.

SIGNIFICANT ESTIMATES

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these interim condensed consolidated financial statements:

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and property, plant and equipment acquired generally require estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Assumptions are also required to determine the fair value of decommissioning obligations associated with the properties. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets and liabilities in the acquisition equation. Future profit (loss) can be affected as a result of changes in future depletion and depreciation or impairment.

IMPAIRMENT OF ASSETS

If an indication of asset impairment exists, an estimate of the CGU's recoverable amount is made. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. These assessments require the use of estimates and assumptions regarding production volumes, discount rates, long-term commodity prices, reserve quantities, operating costs, royalty rates, future capital cost estimates, foreign exchange rates, income taxes, and life of field.

DEPLETION, DEPRECIATION AND AMORTIZATION (DD&A)

The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least once annually.

For other assets, a straight-line basis is used over the assets' estimated useful lives. Average useful life for other assets is three years. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

RESERVES

Razor's estimates regarding oil and natural gas assets are based on estimates of oil and natural gas reserves.

The quantity of reserves is subject to a number of estimates and projections including assessment of engineering data, projected future rates of production, commodity prices, regulatory changes, operating costs, and sustaining capital expenditures. All reserve and associated financial information is evaluated and reported on by a firm of qualified independent reserve evaluators in accordance with the Canadian Oil and Gas Evaluation Handbook consistent with the standards of National Instrument 51-101 *Standard of Disclosures for Oil and Gas Activities.* The calculation of future cash flows based on these reserves is dependent on a number of estimates including: production volumes, facility performance, commodity prices, royalties, operating costs, sustaining capital and tax rates. The price used in the Company's assessment of future cash flows is based on the Company's independent evaluator's estimate of future prices and evaluated for reasonability by the Company against other available information. The Company believes these prices are reasonable estimates for a long-term outlook.

DECOMMISSIONING OBLIGATIONS

Decommissioning obligations are measured based on the estimated cost of abandonment and reclamation discounted to its net present value using an inflation-adjusted risk free rate. Due to the long-term nature of current and future project developments, abandonment and reclamation costs will be incurred many years in the future. The provision for the cost of decommissioning wells, production 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. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and timing of incurring these costs.

INCOME TAXES

Current tax is based on estimated taxable income and tax rates, which are determined pursuant to the tax laws that are enacted or substantively enacted as at the date of the balance sheet.

Deferred tax is determined using the liability method. Under the liability method, deferred tax is calculated based on the differences between assets and liabilities reported for financial accounting purposes and those reported for income tax purposes. Deferred tax assets and liabilities are measured using substantively enacted tax rates. The impact of a change in tax rate is recognized in net income in the period in which the tax rate is substantively enacted. The Company recognizes in its financial statements the best estimate of the impact of a tax position by determining if the available evidence indicates whether it is more likely than not, based solely on technical merits, that the position will be sustained on audit. The Company estimates the amount to be recorded by weighting all possible outcomes by their associated probabilities.

Deferred tax assets and liabilities are offset only when a legally enforceable right of offset exists and the deferred tax assets and liabilities arose in the same tax jurisdiction and relate to the same taxable entity. The determination of the income tax provision is an inherently complex process, requiring management to interpret continually changing regulations and make estimates as to their impact on the provision.

FINANCIAL INSTRUMENTS

The Company enters into derivative financial instruments in order to manage risks associated with fluctuations in commodity prices. As detailed in Note 11 of the interim condensed consolidated financial statements, derivative instruments are recorded at fair value on the Statement of Financial Position. Gains or losses on financial instruments are recognized in net income. Fair values are determined based on third party market information and are subject to a degree of uncertainty. Estimates of fair value are subject to change with fluctuations in commodity prices. Settlement of derivative financial instruments may vary from fair value estimates, depending on the underlying market prices at the date of settlement.

SHARE PURCHASE WARRANTS

Share purchase warrants granted by the Company are valued at the fair value of the goods or services received unless the fair value cannot be reliably measured. Share purchase warrants are valued using the Black-Scholes pricing model. Estimates and assumptions for inputs to the model, including the expected volatility of the Company's shares and the expected life of the warrants granted, are subject to significant uncertainties and judgement.

5. ACQUISITIONS

KAYBOB AQUISITION

On May 24, 2017, the Company completed the acquisition of certain producing oil and natural gas interest in the Kaybob area of Alberta from a third party for cash consideration of $11.6 million, subject to customary adjustments. The acquired assets are situated within Razor's core region and complement Razor's existing operations.

The Kaybob Acquisition was accounted for using the acquisition method, with the operating results included in the Company's financial and operating results commencing on the closing date of the acquisition. The fair values of the identifiable assets acquired and liabilities assumed by Razor were preliminarily allocated as follows:

Fair value of net assets acquired	(000's)
Property, plant and equipment [1]	15,440
Decommissioning obligations [2]	(3,882)
Total net assets acquired	11,558

1) The fair value of property, plant and equipment has been determined with reference to a reserve report.
2) Estimated using a credit-adjusted risk-free rate of 15%.

The above amounts are estimates, which were made by management at the time of preparation of these financial statements based on information available. Amendments may be made to these amounts as values subject to estimate are finalized, including the determination of decommissioning obligations acquired.

Consideration	(000's)
Cash	11,558

SWAN HILLS ACQUISITION

On January 31, 2017, the Company completed the acquisition of certain producing oil and natural gas interests in the Swan Hills area of Alberta from a third party for cash consideration of $15.9 million, before customary adjustments.

This acquisition was accounted for using the acquisition method, with the operating results included in the Company's financial and operating results commencing on the closing date of the acquisition. The fair values of the identifiable assets acquired and liabilities assumed by Razor were preliminarily allocated as follows:

Fair value of net assets acquired	(000's)
Property, plant and equipment [1]	38,651
Decommissioning obligations [2]	(22,731)
Total net assets acquired	15,920

1) The fair value of property, plant and equipment has been determined with reference to a reserve report.
2) Estimated using a credit-adjusted risk-free rate of 15%.

The above amounts are estimates, which were made by management at the time of preparation of these financial statements based on information available. Amendments may be made to these amounts as values subject to estimate are finalized, including the determination of decommissioning obligations acquired.

Consideration	(000's)
Cash	15,920

VECTOR AMALGAMATION

On January 31, 2017, Vector was acquired by Razor Private under the Arrangement, pursuant to which, each common share of Razor Private was exchanged for 2,042.13 common shares of Vector resulting in a reverse takeover of Vector by Razor Private. In connection with the Arrangement, Vector amalgamated with Razor Private and continued as a combined entity under the name "Razor Energy Corp.". Following completion of the Arrangement, Razor Private shareholders held approximately 98% of the outstanding shares and provided the management and directorship of the ongoing entity. Consequently, Razor Private is the continuing legal entity. The above noted transaction allowed the combined entity to be a listed entity on the TSXV.

Fair value of net assets acquired	(000's)
Cash	14
Non-cash working capital	14
Total net assets acquired	28

Consideration	(000's)
Shares issued (8,976,285 shares)	28

6. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

(000's)	Petroleum and Natural Gas Assets	Other Assets	Total
Cost			
December 31, 2016	—	20	20
Property Acquisitions	54,091	—	54,091
Capital expenditures	5,732	450	6,182
Change in decommissioning obligations	46,026	—	46,026
September 30, 2017	**105,849**	**470**	**106,319**
Accumulated depletion, depreciation and amortization			
December 31, 2016	—	2	2
Depletion, depreciation and amortization	5,756	85	5,841
September 30, 2017	**5,756**	**87**	**5,843**
Net book value			
December 31, 2016	—	18	18
September 30, 2017	**100,093**	**383**	**100,476**

In the third quarter of 2017, Razor evaluated its developed and producing assets on a cash generating unit basis for indicators of any potential impairment. As a result of this assessment, the indicators identified were deemed not significant and an impairment test was not required for the three months ended September 30, 2017.

There were no borrowing costs capitalized in the quarter, as the Company did not have any qualifying assets. Future development costs required to develop proved and probable reserves in the amount of $3.6 million are included in the depletion calculation for PP&E.

7. LONG-TERM DEBT

Razor entered into a $30.0 million senior secured term loan facility ("Term Loan Facility") with Alberta Investment Management Corporation ("AIMCo") on January 31, 2017. The 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 effective interest rate is 13%. A portion of the proceeds of the Term Loan Facility were used to fund the Swan Hills Acquisition and for working capital purposes of Razor. The 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. In addition, the Company issued 1,024,128 common shares post consolidation to AIMCo, representing approximately 10.05% of the issued and outstanding common shares of the Company at the time.

The changes in long-term debt are as follows:

	(000's)
December 31, 2016	—
Proceeds of long-term debt	30,000
Deferred financing costs	(3,680)
Amortization of deferred financing costs	609
September 30, 2017	**26,929**

Deferred financing costs related to the Term Loan Facility have been presented net against the debt obligation and will be accreted such that the debt balance equals the principal of $30.0 million at maturity. Deferred financing costs are comprised of legal fees of $158 thousand and the fair value of the shares issued to AIMCo of $3.5 million (see note 10).

The Term Loan Facility contains customary covenants for loan facilities of this nature and size. As at September 30, 2017, Razor was in compliance with all of its debt covenants.

There are no financial covenants under the Term Loan Facility in 2017. The Company is required to maintain the following financial covenants for the year ended December 31, 2018 and onwards:

- a maximum adjusted net debt-to-adjusted cash flow ratio of less than 5:1 for 2018, 4:1 for 2019, and 3:1 for each year thereafter; and
- a minimum working capital ratio of 0.85:1 for 2018 and 1:1 for each year thereafter.

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

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)	**Decommissioning Obligations**
December 31, 2016	—
Acquisitions	26,613
Decommissioning costs incurred	(1,670)
Effect of change in discount rate [1]	46,098
Revisions to estimates	(72)
Accretion expense	1,060
September 30, 2017	**72,029**
Current portion	1,848
Long-term portion	70,181
	72,029

(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.

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.

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

	September 30, 2017
Undiscounted cash flows (000's)	84,600
Discount rate (%)	2.47
Inflation rate (%)	1.50
Weighted average expected timing of cash flows (years)	18

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. 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 equity or debt, making adjustments to its capital expenditure program, subject to customary restrictions and covenants in the Term Loan Facility.

10. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

AUTHORIZED AND ISSUED

A reconciliation of the number and dollar amount of outstanding shares at September 30, 2017 is shown below.

Common Shares	Number	(000's)
Issued		
Balance at December 31, 2016 - Razor Private	97,941	10
Shares repurchased and cancelled - Razor Private	(10,030)	(1)
	87,911	9
Shares exchanged on closing - Razor Private	(87,911)	—
Shares issued by Vector to Razor Private (1:2,042.13)	179,525,690	28
Existing Vector shares	3,736,221	—
	183,261,911	37
Share consolidation (20:1) post amalgamation	9,163,106	—
Common shares issued as part of debt issuance	1,024,128	3,522
Prospectus financing	5,750,000	16,557
Share issuance costs	—	(1,774)
Shares repurchased and cancelled	(115,900)	(135)
Balance at September 30, 2017	**15,821,334**	**18,207**

On January 31, 2017, Vector and Razor Private closed an arrangement agreement with Vector. Pursuant to the terms of the agreement, each common share of Razor Private was exchanged for 2,042.13 common shares of Vector resulting in a reverse takeover of Vector by Razor Private. The transaction was the qualifying transaction for Vector pursuant to the policies of the TSXV. The above noted transaction allowed the combined entity to be a listed entity.

On January 31, 2017, Vector changed its name to Razor Energy Corp. and consolidated its shares on a 20:1 ratio basis, resulting in 9,163,106 post consolidation common shares outstanding. In addition, 1,024,128 common shares were issued to AIMCo as additional consideration for the Term Loan Facility. The common shares issued to AIMCo were valued based on discounted cash flow analysis in determination of the fair value of long-term debt using the estimated market rate of interest of 14%.

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

On May 15, 2017, the Company closed a prospectus financing of 5,750,000 subscription receipts at a price of $3.00 per subscription receipt for gross proceeds of $17.3 million (net proceeds of approximately $15.5 million). In connection with the closing of the Kaybob Acquisition, on May 24, 2017, each subscription receipt was converted to one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole warrant is exercisable into one common share of the Company at an exercise price of $3.50 per common share and expires on May 24, 2018.

SHARE PURCHASE WARRANTS

A summary of the Company's issued and outstanding common share purchase warrants as at September 30, 2017 is shown below.

Warrants	Number	Weighted average exercise price $
Issued		
Balance at December 31, 2016	—	—
Issued	2,875,000	3.50
Balance at September 30, 2017	**2,875,000**	**3.50**

The fair value of the warrants issued was estimated at $0.24 per warrant at the issue date using the Black-Scholes pricing model for a total value of $694 thousand. The weighted average assumptions used for the Black-Scholes pricing model were a common share price of $2.75, exercise price of $3.50, expected share price volatility of 43%, risk-free interest rate of 0.60%, and expected term of 1 year.

NORMAL COURSE ISSUER BID

On September 11, 2017, Razor announced its intention to commence a Normal Course Issuer Bid (NCIB) to repurchase shares in open market transactions on the TSXV. Under the NCIB, the Company may purchase for cancellation up to 796,861 of its common shares, which represents 5% of outstanding common shares at September 11, 2017. The NCIB will expire no later than September 13, 2018.

During the third quarter of 2017, the Company repurchased and cancelled 115,900 common shares for $187 thousand.

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 judgement 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	
Accounts receivable, accounts payable and accrued liabilities, and shareholder loan	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	
Cash	Measured at fair value through profit or loss. Fair value approximates carrying value due to their short-term nature.
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 September 30, 2017 are as follows:

('000)	Carrying Value	Fair Value
Cash	12,191	12,191
Accounts receivable	7,354	7,354
Accounts payable and accrued liabilities	10,930	10,930
Long-term debt	26,929	26,386

MARKET RISK

Razor is exposed to normal market risks inherent in the oil and natural gas business, including, but not limited to, commodity price risk, credit risk, interest rate risk, and liquidity 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.

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 September 30, 2017, Razor had the following derivative contracts outstanding:

Natural gas:

Reference point	Type	Volume (GJ/d)	Remaining Term	Price per GJ (CAD$)	Fair Value ($000's)
AECO	Buy	500	Oct 1, 2017 - Oct 31, 2017	2.51	18
AECO	Buy	500	Nov 1, 2017 - Mar 31, 2018	3.13	50
AECO	Sell	500	Nov 1, 2017 - Mar 31, 2018	2.48	(1)
					67

Oil:

Reference point	Type	Volume (bbls/month)	Remaining Term	Price per bbl (US$)	Fair Value (CAD $000's)
NYMEX WTI oil index	Call	30,000	Oct 1 , 2017 - Dec 31, 2017	56.00	(57)
NYMEX WTI oil index	Put	30,000	Oct 1 , 2017 - Dec 31, 2017	45.00	(28)
NYMEX WTI oil index	Call	60,000	Oct 1 , 2017 - Dec 31, 2017	61.00	21
NYMEX WTI oil index	Put	60,000	Oct 1 , 2017 - Dec 31, 2017	40.00	12
					(52)

At September 30, 2017, the Company fair valued the commodity contracts with an asset of $15 thousand on the Statement of Financial Position and recorded an unrealized gain of $15 thousand in earnings for the nine months ended September 30, 2017.

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 accounts receivable. The Company has not experienced any credit losses in the collection of accounts receivable to date.

The Company's trade and other receivables of $7.4 million at September 30, 2017 are non-interest bearing and have not been impaired. The Company's receivables are summarized as follows:

(000's)	**September 30, 2017**	**December 31, 2016**
Trade receivables	5,091	1
Joint venture receivables	2,263	—
GST receivables	—	6
	7,354	7

The majority of the credit exposure on trade receivables as at September 30, 2017, pertains to revenue for accrued September 2017 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. All the trade receivables from the oil and gas marketers were collected in October 2017.

Receivables from joint venture partners are typically collected within one to three months of the bill being issued to the partner. The Company mitigates the risk from joint venture receivables 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 joint venture partners as disagreements occasionally arise which increases the potential for non-collection. For properties that are operated by Razor, production can be withheld from joint venture partners in the event of non-payment. In addition, the Company often has offsetting amounts payable to joint venture partners from which it can net receivable balances.

The Company's accounts receivable is aged as follows:

(000's)	September 30, 2017	December 31, 2016
Current (less than 30 days)	6,740	7
31 to 90 days	312	—
Over 90 days	302	—
Total Receivables	7,354	7

As at September 30, 2017, approximately 4% of Razor's total accounts receivable is aged over 90 days and considered past due. These amounts are from various joint venture partners, and the Company does not believe that these amounts are currently 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 Term Loan Facility. Consequently, there is no exposure to fluctuations in market interest rates.

The 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).

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.

The table below summarizes the Company's non-derivative financial liabilities based on contractual undiscounted payments at September 30, 2017:

(000's)	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Accounts payable and accrued liabilities [1]	10,174	10,174	—	—	—
Long-term debt	30,000	—	—	30,000	—
Interest payable	10,767	3,000	6,004	1,763	—
	50,941	**13,174**	**6,004**	**31,763**	**—**

1) Accounts payable and accrued liabilities exclude interest payable on long-term debt.

12. COMMITMENTS AND CONTINGENCIES

Future commitments are as follows:

(000's)	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Transportation services	1,363	577	786	—	—
Processing services	262	110	152	—	—
Office lease	1,239	210	804	225	—
	2,864	**897**	**1,742**	**225**	**—**

1) Commitments exclude interest and principal on long-term debt and payments to settle derivative contracts.

Razor's commitments relate to the following:

- 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 has a firm commitment foil gas processing services that includes contracts to process natural gas through third party owned processing facilities.
- In June 2017, the Company entered into an operating lease for office premises. The term of the lease commenced on June 1, 2017 and expires on June 30, 2022.
- The Company has an annual commitment with the Alberta Energy Regulator ("AER") to either suspend, reactivate, or abandon non-compliant inactive wells, under the Inactive Well Compliance Program. The Company has met the AER's requirements under its 2017 Inactive Well Compliance Program and continues to invest in end-of-life well and facility operations.

In the normal course of its operations, the Company may be subject to litigations 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 without merit.

13. FINANCING COSTS

Financing costs are comprised of interest expense on borrowings, accretion of the discount on provisions, and accretion of deferred financing costs.

The components of financing costs are summarized below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000's)	**2017**	**2016**	**2017**	**2016**
Interest expense	769	—	2,014	—
Amortization of deferred financing costs	231	—	609	—
Accretion	473	—	1,060	—
	1,473	—	3,683	—

Interest expense primarily arises from interest on the Term Loan Facility. Deferred financing costs are comprised of legal fees of $158 thousand and the fair value of the shares issued to AIMCo of $3.5 million, and are being amortized over the life of the Term Loan Facility.

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

14. RELATED PARTY TRANSACTIONS

On November 24, 2016, two shareholders of the Company provided the Company with a shareholders' loan of $50,000. The loan was repaid in full in February, 2017.

Transactions with related parties are conducted and recorded at the exchange amount.

15. OTHER INCOME

The significant components recognized in other income are as follows:

(000's)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Processing and other income	1,214	—	2,876	—
Interest and other income	59	—	90	—
	1,273	—	2,966	—

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

16. LOSS PER SHARE

Net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for potentially dilutive instruments. For the three and nine months ended September 30, 2017, there is no dilution in the net loss per share as there are no potential dilutive instruments outstanding.

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

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Weighted average shares outstanding (basic and diluted)	15,920,374	102	13,042,372	102
Net loss for the period (000's)	$ (2,519)	$ (1)	$ (5,906)	$ (1)
Net loss per share (basic and diluted)	$ (0.16)	$ (5.44)	$ (0.46)	$ (5.44)

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

(000's)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Accounts receivable	(2,155)	—	(7,327)	—
Prepaid expenses and deposits	(532)	—	(2,391)	—
Accounts payable and accrued liabilities	1,469	20	10,467	20
	(1,218)	20	749	20

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

(000's)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Operating	(2,261)	—	(2,067)	—
Financing	756	—	756	—
Investing	287	20	2,060	20
	(1,218)	20	749	20

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) (4)]
Chair

Doug Bailey

Sonny Mottahed [(1) (2) (3)]

Frank Muller

Vick Saxon [(2) (3) (4)]

Stan Smith [(1) (2) (4)]

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

CORPORATE OFFICE

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TRANSFER AGENT

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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
TSX Venture Exchange