RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(Stated in thousands of Canadian dollars)	Note	September 30, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		**3,952**	**1,098**
Restricted cash	4	**1,527**	**-**
Accounts receivable	13	**12,349**	**6,464**
Prepaid expenses and deposits		**7,097**	**1,547**
Inventory	6	**314**	**345**
		25,239	**9,454**
Property, plant and equipment	7	**174,044**	**154,255**
TOTAL ASSETS		**199,283**	**163,709**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	13	**40,413**	**24,970**
Commodity contracts	13	**705**	**-**
Decommissioning obligations	10	**2,522**	**3,097**
Current portion of lease obligation	9	**1,450**	**2,905**
Current portion of long-term debt	8	**6,079**	**50,765**
		51,169	**81,737**
Non-Current			
Long-term debt	8	**66,172**	**113**
Long-term lease obligation	9	**571**	**389**
Decommissioning obligations	10	**137,491**	**136,080**
TOTAL LIABILITIES		**255,403**	**218,319**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	12	**27,540**	**27,540**
Contributed surplus	12	**694**	**694**
Deficit		**(84,354)**	**(82,844)**
		(56,120)	**(54,610)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**199,283**	**163,709**
Future Operations	2		
Commitments and Contingencies	14		
Subsequent Events	20		

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME(LOSS) AND COMPREHENSIVE INCOME(LOSS)

(UNAUDITED)

(Stated in thousands of Canadian dollars, except per share amounts)	Note	**Three Months Ended Sept 30,** **2021**	2020	**Nine Months Ended Sept 30,** **2021**	2020
REVENUES					
Commodity sales from production		**20,643**	12,057	**50,287**	33,795
Blending and processing revenue		**455**	1,286	**2,599**	3,960
Other revenue		**248**	155	**800**	916
Total revenues	15	**21,346**	13,498	**53,686**	38,671
Royalties		**(3,738)**	(493)	**(7,192)**	(2,950)
Net revenues		**17,608**	13,005	**46,494**	35,721
Other income	19	**644**	2,181	**1,769**	4,765
Realized gain (loss) on commodity contracts	13	**(138)**	271	**(190)**	(1,482)
Unrealized loss on commodity risk management	13	**(351)**	(38)	**(1,273)**	(2)
		17,763	15,419	**46,800**	39,002
EXPENSES					
Operating		**14,240**	7,633	**39,021**	28,412
Transportation and treating		**870**	776	**2,091**	2,023
Blending and processing		**151**	497	**1,113**	829
General and administrative		**1,237**	818	**3,381**	3,473
Bad debt		**114**	-	**253**	1
Financing	16	**2,986**	2,731	**7,970**	6,532
Depletion, depreciation and amortization	7	**3,874**	4,758	**10,017**	13,085
Impairment on property, plant and equipment	7	**-**	-	**-**	24,740
Impairment recovery on inventory	6	**-**	34	**-**	34
Realized foreign exchange loss		**(18)**	-	**57**	-
Unrealized foreign exchange (gain) loss		**392**	10	**159**	22
Gain on business acquisition	5	**(12,129)**	-	**(12,129)**	-
		11,717	17,257	**51,933**	79,151
Income (Loss) before income tax		**6,046**	(1,838)	**(5,133)**	(40,149)
Deferred Income Tax Recovery		**3,623**		**3,623**	
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**9,669**	(1,838)	**(1,510)**	(40,149)
NET INCOME (LOSS) PER SHARE					
Basic and diluted	17	**0.46**	(0.09)	**(0.07)**	(1.91)

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

RAZOR ENERGY CORP.

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

(UNAUDITED)

(Stated in thousands of Canadian dollars)	Note	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
December 31, 2019		27,540	694	(36,384)	(8,150)
Dividends	12	-	-	(263)	(263)
Net loss		-	-	(40,149)	(40,149)
September 30, 2020		**27,540**	**694**	**(76,796)**	**(48,562)**
December 31, 2020		27,540	694	(82,844)	(54,610)
Net loss		-	-	(1,510)	(1,510)
September 30, 2021		**27,540**	**694**	**(84,354)**	**(56,120)**

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)		Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
(Stated in thousands of Canadian dollars)	Note	**2021**	2020	**2021**	2020
Operating Activities					
Net income (loss) for the period		**9,669**	(1,838)	**(1,510)**	(40,149)
Adjustments for non-cash items:					
Unrealized loss on commodity risk management	13	**351**	38	**1,273**	2
Unrealized loss on foreign currency translation		**369**	10	**159**	22
Gain on business acquisition	5	**(12,129)**	-	**(12,129)**	-
Gain on sale of assets	7	**(12)**	-	**(15)**	-
Other income	19	**(349)**	-	**(1,274)**	-
Financing costs	16	**2,986**	2,731	**7,970**	6,532
Depletion, depreciation and amortization	7	**3,851**	4,621	**10,001**	13,111
Impairment	7	**-**	-	**-**	24,740
Decommissioning costs incurred	10	**(758)**	36	**(1,040)**	(334)
Purchase commodity contracts	13	**(49)**	-	**(567)**	-
Deferred Income Tax Recovery		**(3,623)**	-	**(3,623)**	-
Changes in non-cash working capital	18	**(2,646)**	(3,474)	**(4,699)**	(87)
Net cash flows from (used in) operating activities		**(2,340)**	2,124	**(5,454)**	3,837
Financing Activities					
Proceeds from long-term debt	8	**11,035**	-	**25,041**	**-**
Repayment of long-term debt	8	**(1,028)**	(93)	**(2,935)**	(238)
Deferred financing cost	8	**(1,548)**	-	**(4,197)**	**-**
Payment of lease obligation	9	**(460)**	(422)	**(1,468)**	(1,261)
Interest expense	16	**(1,716)**	(1,271)	**(2,841)**	(1,608)
Dividends	12	**-**	-	**-**	(263)
Changes in non-cash working capital	18	**1,462**	1,197	**1,462**	1,197
Net cash flows from (used in) financing activities		**7,745**	(589)	**15,062**	(2,173)
Investing Activities					
Capital expenditures	7	**(3,865)**	(364)	**(10,955)**	(1,082)
Business acquisition	5	**(6,312)**	-	**(6,312)**	-
Proceeds from government grants for assets	7	**3,254**	270	**4,617**	1,121
Proceeds on sale of assets	7	**102**	-	**124**	-
Restricted cash	4	**(446)**	299	**(1,527)**	-
Changes in non-cash working capital	18	**3,009**	(97)	**7,276**	(951)
Net cash flows from (used in) investing activities		**(4,258)**	108	**(6,777)**	(912)
Foreign currency translation		**95**	(10)	**23**	(22)
Change in cash and cash equivalents		**1,242**	1,633	**2,854**	730
Cash and cash equivalents, beginning of period		**2,710**	1,002	**1,098**	1,905
Cash and cash equivalents, end of period		**3,952**	2,635	**3,952**	2,635
Cash interest paid		**252**	72	**1,378**	409

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

RAZOR ENERGY CORP.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

AS AT SEPTEMBER 30, 2021 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2021, the Company has a working capital deficit of $25.9 million, of which $4.0 million is comprised of cash and cash equivalents and used cash in operating activities of $5.5 million for the nine months ended September 30, 2021. Further, at September 30, 2021, the Company has contractual repayments of $58.0 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 leases were classified as potentially due on demand current liabilities. At March 31, 2021, the Company had not remedied the defaults for these equipment loans and leases and continued to classify these items as potentially due on demand current liabilities. The Company had cross covenant default provisions in the AIMCo Term Loan and the Arena Term Loan, which were in default as a result of the default on the equipment loans and leases at March 31, 2021 and as a result had classified the AIMCo Term Loan and the Arena Term Loan as potentially due on demand current liabilities at March 31, 2021.

At June 30, 2021, the Company received executed agreements from all parties that waived all defaults conditions (notes 8 and 9). As a result, the loans and leases are currently no longer due on demand and have reverted to their original repayment terms.

While the Company anticipates reducing the working capital deficit over the next twelve months, it is still projecting to have a working capital deficit at September 30, 2022, which would result in non-compliance with the working capital covenant requirement under the AIMCo facility of 1:1 at September 30, 2022. Further, there can be no assurance that the Company will be able to obtain a waiver for the potential covenant default or an amendment, if necessary, to revise the working capital ratio covenant from AIMCo prior to September 30, 2022. This potential covenant default may result in the AIMCo debt being due on demand. The potential covenant default would also result in a potential cross-covenant default for the Amended Arena Term Loan and certain other loans and leases at the same time. The Company does not have the financial ability to repay the AIMCo debt, Amended Arena Term Loan and certain other loans and leases should they come due as a result of the default.

Although the support of the lenders and lessors is important to the Company remaining a going concern, the fact remains that the Company has a significant working capital deficit and contractual payments with the potential for covenant and cross-covenant violations commencing September 30, 2022. The Company anticipates funding the working capital deficit and contractual repayments, which include the Amended Arena Term Loan, with a combination of cash from operations, other new debt or equity financings. The Company is employing the following specific strategies to assist in reducing the working capital deficit and making the contractual payments:

- Strategic investment in high quality reactivations to provide ongoing increases in production volumes to maximize monthly revenue and cashflows in the current strong commodity price environment
- Conducting operations under a disciplined approach to capital and operating cost expenditures
- Working proactively with vendors on payment schedules
- Working with partners to bring non-operated production back on stream
- Strategic acquisitions (refer to Note 5)
- Equity financing (refer to Note 20 – Subsequent Events)

Further, the Company will utilize funds from the original Arena Term Loan, a portion of the proceeds from the Amended Arena Term Loan and funds from the Private Placement (refer to Note 20) to reactivate wells in order to increase production, which is not without risk, to provide a positive contribution towards funding the working capital deficit. While commodity prices have shown a steady rebound 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. In addition, the AIMCo debt has certain covenants that will come into effect in 2022, specifically the working capital ratio as noted above, that based on current financial results will be difficult to maintain.

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 the working capital deficit and 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 September 30, 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.

The accounting policies and significant accounting judgments, estimates and assumptions used in these unaudited interim condensed consolidated financial statements are consistent with those described in Notes 3 and 4 of the Company's 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 November 25, 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 September 30, 2021, the global economy has 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 resulting in significantly higher market prices. Global spot prices for crude oil have continued to rise 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 remains significant volatility in price, uncertainty related to the COVID-19, and OPEC production curtailments have been considered in our estimates for the period ended September 30, 2021.

4. RESTRICTED CASH

Restricted cash consists of cash held in a restricted account as collateral under the terms of the commodity contracts totaling $1.1 million ($USD 874 thousand) and is considered not available for general use by the Company. In addition, as per the terms of the Amended Arena Term Loan $414 thousand ($USD 325 thousand) is held as restricted cash as at September 30, 2021. The Company held a total of $1,527 thousand as restricted cash at September 30, 2021 (December 31, 2020 - Nil).

5. ACQUISITIONS

SWAN HILLS WORKING INTEREST CONSOLIDATION

On August 12, 2021, Razor completed the acquisition of certain non-operating working interest positions in its Swan Hills, Alberta core region. The Assets consist of Swan Hills Unit No. 1, Judy Creek Gas Plant and South Swan Hills Unit Gas Gathering System at 32.5%, 8.6% and 27.6% working interest, respectively. The acquisition will allow Razor to further consolidate its existing working interest in the area to a 49.7% non-operated working interest in the Unit, as well as increasing its working interest in critical area infrastructure including the Plant and Gathering System to 38.1% and 43.9% respectively. The total purchase price is $6.3 million, subject to customary adjustments.

This business 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 being August 12, 2021. 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]	22,537
Decommissioning obligations [2]	(473)
Deferred Income Tax Liability	(3,623)
Total net assets acquired	18,441

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%.

Consideration	*($000's)*
Cash	6,312
Gain on acquisition	**12,129**

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. The transaction has resulted in a gain on acquisition of $12.1 million.

6. 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 September 30, 2021, the Company held 7,752 barrels of oil (December 31, 2020 – 8,203 barrels) in inventory. The inventory at September 30, 2021 was valued at an average cost of $40.50 per barrel (December 31, 2020 - $42.01 per barrel) for a total value of $314 thousand (December 31, 2020 - $345 thousand). Included in this amount is $87 thousand of depletion expense for the period ended September 30, 2021 (December 31, 2020 - $103 thousand). For the current period there were no inventory impairments (September 30, 2020, impairment of $34 thousand).

7. PROPERTY, PLANT AND EQUIPMENT

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

($000's)	**Total**
Cost	
December 31, 2020	**244,069**
Capital expenditures	10,955
Right-of-use asset	194
Asset disposals	(162)
Acquisition (note 5)	22,537
Government grants	(4,617)
Change in decommissioning obligations	830
September 30, 2021	**273,806**
Accumulated depletion, depreciation and amortization	
December 31, 2020	**61,074**
Depletion, depreciation and amortization	10,001
Accumulated depreciation on asset disposal	(53)
September 30, 2021	**71,022**
Impairment	
December 31, 2020	28,740
Impairment expense	-
September 30, 2021	**28,740**
Net book value	
December 31, 2020	**154,255**
September 30, 2021	**174,044**

At September 30, 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 September 30, 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).

8. 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 (see below), 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 were held in trust, contingent on Razor receiving funding for the project by July 31, 2021. The Swan Hills Geothermal Project was not funded by July 31, 2021, and the shares held in trust as part of this transaction were returned to Razor and $3.5 million was added to the principal amount due at maturity as part of the AIMCo Term Loan. 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 Investors 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.

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.

At March 31, 2021, the default condition on certain equipment loans and leases (notes 8 and 9) had created a cross covenant default for the AIMCo Term Loan and had resulted in this loan being potentially due on demand and classified as a current liability at March 31, 2021.

At June 30, 2021, Razor has received executed agreements from all parties that waived all default conditions for this loan and the other loans and leases impacted, and therefore the classification of the loan is a long-term liability based on the contractual terms.

As at September 30, 2021, Razor was in compliance with all of its non-financial debt covenants. As at September 30, 2021, the Company has a working capital deficit of $25.9 million. While the Company expects to reduce the working capital deficit over the next twelve months, it is projecting to have a working capital ratio of less than 1:1 as at September 30, 2022. There can be no assurance that the Company will be able to obtain a waiver for the potential covenant default or an amendment, if necessary, to revise the working capital ratio covenant from AIMCo prior to September 30, 2022. This potential covenant default may result in the AIMCo debt potentially being due on demand. The potential covenant default would also then result in a potential cross-covenant default for the Amended Arena Term Loan and certain other loans and leases at that time. The Company does not have the financial ability to repay the AIMCo debt, Amended Arena Term Loan and certain other loans and leases should they come due as a result of the default.

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 Power and its subsidiaries, and Razor Resources Corp.

On August 12, 2021, RRLP entered into an amendment agreement on its Arena Term Loan ("Amended Arena Term Loan") with Arena Investors, LP for an additional $8,833,922 (CAD $11,035,336). The proceeds of which are primarily to fund the acquisition of the Swan Hills working interest (refer to note 5). The term of the amended loan is extended to April 1, 2024. Monthly principal and interest payments increased effective September 1 to approximately US$0.5 million per month with payments increasing to approximately US$0.7 million in 2022. The funded principal amount of the Amended Arena Term Loan, after the original issuer discount is US $8,000,000 (CAD 9,993,600).

The Amended 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 period ended June 30, 2022;
- Minimum hedge requirements for not less than 80% of RRLP's 20 month forward projected overriding royalty;
- Commencing in August 2021, maintain minimum production 4,000 boe/day; and
- The general and administrative expenses of RRLP shall not exceed $100,000 in any fiscal year.

At March 31, 2021, the default condition on certain equipment loans and leases (note 9) had created a cross covenant default for the original Arena Term Loan and had resulted in this loan being potentially due on demand and classified as a current liability at March 31, 2021.

At June 30, 2021, Razor has received executed agreements from all parties that waived all default conditions and therefore is classifying this loan into its current and long-term liability portions based on the contractual terms. The Amended Arena Term Loan is still subject to cross covenant default clauses that if triggered may accelerate and require immediate repayment of amounts outstanding.

As at September 30, 2021, Razor was in compliance with all of its non-financial debt covenants.

The changes in long-term debt are as follows:

($000's)	**September 30, 2021**	**December 31, 2020**
Balance, beginning of period	**50,878**	44,667
Arena Term Loan[1]	**14,006**	-
Amended Arena Term Loan [3]	**11,035**	-
Unrealized FX gain on US denominated debt	**181**	-
AIMCo Term Loan – FutEra consideration	**3,500**	-
Deferred financing costs	**(7,697)**	-
Repayment of amended Arena Term Loan	**(2,670)**	-
Repayment of Promissory Notes	**(265)**	(325)
Amortization of deferred financing costs	**1,442**	1,207
Amended Term Loan Facility - Interest deferral	**-**	2,693
Amended Term Loan Facility - Interest deferral	**-**	2,452
Amended Term Loan Facility – Interest deferral [2]	**1,841**	-
Promissory Note-3	**-**	184
Balance, end of period	**72,251**	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.

2) The interest payment due June 30, 2021 for the period of February 16, 2021 to June 30, 2021 was added to the existing $50.145 million principal based on 10% interest.

3) The Amended Arena Term Loan is U.S. dollar denominated debt of $8,833,922 converted at Aug.12 fx rate – date of inception and revalued at each statement of financial position date.

As at September 30, 2021 and December 31, 2020, Razor had the following outstanding long-term debt:

($000's)	Maturity	**September 30, 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	**50,145**	45,000
AIMCo Term Loan – FutEra consideration	Jan-2024	**3,500**	-
AIMCo Term Loan – interest deferral	Jan-2024	**1,841**	
Amended Arena Term Loan	Mar-2024	**22,579**	-
Promissory Note-1	Sep-2022	**279**	478
Promissory Note-2	Dec-2022	**65**	101
Promissory Note-3	May-2024	**124**	154
		78,533	50,878
Deferred financing costs		**(6,282)**	-
Total debt		**72,251**	50,878
Current portion		**6,079**	50,765
Long-term portion		**66,172**	113
Total debt		**72,251**	50,878

Deferred financing costs totaling $7.8 million were netted against debt. Deferred financing costs related to the AIMCo Term Loan are comprised of FutEra consideration of $3.5 million and legal fees of $111 thousand. 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. The Amended Arena Term Loan added deferred financing costs comprised of an additional original issuer discount of CAD $1.0 million and various fees and expenses totaling CAD $0.5 million.

9. LEASE OBLIGATION

On April 20, 2021, the Company signed an extension to its existing lease agreement for the lease of office space in Swan Hills. The lease extension is for a period of three years and Razor has setup as a right-of-use asset to be amortized over the three-year lease term.

On March 1, 2021, the Company entered into a lease agreement for the lease of office space in Swan Hills for its subsidiary 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 covenant default 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. This condition remained in effect as at March 31, 2021.

At June 30, 2021, the Company has received executed agreements from all impacted lessors that waived all the default provisions, therefore classifying the leases into its current and long-term liability portions based on the contractual terms. Certain of the leases are still subject to cross covenant default clauses that if triggered may accelerate and require immediate repayment of amounts outstanding.

The changes in lease obligations are as follows: *($000's)*	**September 30, 2021**	**December 31, 2020**
Balance, beginning of period	**3,294**	4,744
Liabilities incurred	**195**	196
Liabilities settled	**(1,604)**	(1,997)
Interest expense	**136**	351
Balance, end of period	**2,021**	3,294
Current portion	**1,450**	2,905
Long-term portion	**571**	389
Lease obligation	**2,021**	3,294

The total undiscounted amount of the estimated future cash flows to settle the lease obligations over the remaining lease term is $2.2 million.

Razor's minimum lease payments are as follows:

($000's)	**September 30, 2021**	**December 31, 2020**
Within one year	**1,533**	2,938
Later than one year but not later than three years	**490**	251
Later than three years	**215**	280
Minimum lease payments	**2,238**	3,469
Amount representing finance charge	**(217)**	(175)
Present value of net minimum lease payments	**2,021**	3,294

10. 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)	**September 30, 2021**	**December 31, 2020**
Balance, beginning of period	**139,177**	119,148
Non-monetary transaction	**-**	2,666
Acquisition (note 5)	**473**	
Government subsidy for decommissioning expenditures	**(1,274)**	(198)
Decommissioning expenditures	**(1,040)**	(340)
Effect of change in discount rate and inflation [1]	**705**	17,861
Revisions to estimates	**126**	(1,398)
Accretion expense	**1,846**	1,438
Balance, end of period	**140,013**	139,177
Current portion	**2,522**	3,097
Long-term portion	**137,491**	136,080
Decommissioning obligations	**140,013**	139,177

1) Decommissioning obligations acquired as part of a business acquisition are initially measured at fair value using a credit-adjusted risk-free rate to discount estimated future cash outflows. The revaluation of liabilities acquired using the risk-free rate at the end of the period results in an increase in the present value of the obligation reported in the Interim Condensed Consolidated Statements of Financial Position. Impact of the adjustment from credit-adjusted risk-free rate to the risk-free rate on acquisition was $9.1 million.

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

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

	September 30, 2021	**December 31, 2020**
Undiscounted cash flows (000's)	**149,291**	129,801
Discount rate (%)	**1.98**	1.21
Inflation rate (%)	**1.73**	1.49
Weighted average expected timing of cash flows (years)	**25**	25

11. 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 restrictions and covenants in the AIMCo Term Loan and the Amended Arena Term Loan.

12. 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.

	September 30, 2021		December 31, 2020	
Common Shares	**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.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

The fair value hierarchy is as follows:

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

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

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash, cash equivalents, 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)
Measured at Fair Value	
Commodity contracts	Financial contracts are classified as commodity contracts and are measured at fair value with the changes during the period recorded in profit or loss as unrealized gains or losses. Determined using observable period-end forward curves. (Level 2)

The carrying value and fair value of the Company's financial instruments at September 30, 2021 are as follows:

($000's)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	**3,952**	3,952
Restricted cash	**1,527**	1,527
Accounts receivable	**12,349**	12,349
Accounts payable and accrued liabilities	**40,413**	40,413
Commodity contract liability	**705**	705
Minimum Lease obligation	**2,238**	2,238
Promissory Notes	**468**	456
Term Loan Facilities (AIMCo and Arena)	**78,065**	78,255

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 September 30, 2021, the Company has a working capital deficit of $25.9 million, of which $4.0 million is comprised of cash and cash equivalents and used cash in operating activities of $5.5 million for the nine months ended September 30, 2021. Further, at September 30, 2021, the Company has contractual repayments of $58.0 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 leases were classified as potentially due on demand current liabilities. At March 31, 2021, the Company had not remedied the defaults for these equipment loans and leases and continued to classify these items as potentially due on demand current liabilities. The Company had cross covenant default provisions in the AIMCo Term Loan and the Arena Term Loan, which were in default as a result of the default on the equipment loans and leases at March 31, 2021 and as a result had classified the AIMCo Term Loan and the Arena Term Loan as potentially due on demand current liabilities at March 31, 2021.

At June 30, 2021, the Company has received executed agreements from all parties that waived all defaults conditions (notes 7 and 8). As a result, the loans and leases are currently no longer due on demand and have reverted to their original repayment terms.

As at September 30, 2021, Razor was in compliance with all of its non-financial debt covenants. As at September 30, 2021, the Company has a working capital deficit of $25.9 million. While the Company anticipates reducing the working capital deficit over the next twelve months, it is still projecting to have a working capital deficit at September 30, 2022, which would result in non-compliance with the working capital covenant requirement under the AIMCo facility of 1:1 at September 30, 2022. Further, there can be no assurance that the Company will be able to obtain a waiver for the potential covenant default or an amendment, if necessary, to revise the working capital ratio covenant from AIMCo prior to September 30, 2022. This potential covenant default may result in the AIMCo debt potentially being due on demand. The potential covenant default would also then result in a potential cross-covenant default for the Amended Arena Term Loan and certain other loans and leases at that time. The Company does not have the financial ability to repay the AIMCo debt, Amended Arena Term Loan and certain other loans and leases should they come due as a result of the default.

Although the support of the lenders and lessors is important to the Company remaining a going concern, the fact remains that the Company has a significant working capital deficit and contractual payments with the potential for covenant and cross-covenant violations commencing September 30, 2022. The Company anticipates reducing the working capital deficit and contractual repayments, which include the Amended Arena Term Loan, with a combination of cash from operations, other new debt or equity financings. The Company is employing the following specific strategies to assist in funding the working capital deficit and making the contractual payments:

- Strategic investment in high quality reactivations to provide ongoing increases in production volumes to maximize monthly revenue and cashflows in the current strong commodity price environment
- Conducting operations under a disciplined approach to capital and operating cost expenditures
- Working proactively with vendors on payment schedules
- Working with partners to bring non-operated production back on stream
- Strategic acquisitions (refer to Note 5)
- Equity financing (refer to Note 20 – Subsequent Events)

Further, the Company will utilize funds from the original Arena Term Loan, a portion of the proceeds from the Amended Arena Term Loan, and funds from the Private Placement (refer to Note 20) to reactivate wells in order to increase production, which is not without risk, to provide a positive contribution towards funding the working capital deficit. While commodity prices have shown a steady rebound 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. In addition, the AIMCo debt has certain covenants that will come into effect in 2022, specifically the working capital ratio as noted above, that based on current financial results will be difficult to maintain.

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 the working capital deficit and 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.

The table below summarizes the Company's contractual obligations as at September 30, 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	Yes-Liability	**40,413**	40,413	-	-	-
AIMCo Term Loan	Yes-Liability	**55,486**	-	55,486	-	-
Amended Arena Term Loan	Yes-Liability	**22,579**	8,577	14,002	-	-
Promissory notes	Yes-Liability	**468**	374	94	-	-
Minimum lease obligation	Yes-Liability	**2,238**	1,533	490	215	-
Interest payable [1 2]	No	**14,710**	6,826	7,780	13	91
Lease operating costs	No	**166**	166	-	-	-
Transportation services	No	**1,184**	85	256	205	638
Total		**137,244**	**57,974**	**78,108**	**433**	**729**

1) Interest costs incurred but unpaid are included as part of the accrued liabilities in the financial statements.

2) 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 Amended 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 September 30, 2021, Razor had the following derivative contracts outstanding:

Oil - Upside enhanced traditional collars [1]

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	11,000	Oct 1'21-Feb 28'22	50.00	66.00	73.00	(327)
NYMEX WTI financial futures	11,000	Mar 1'22-Apr 30'23	50.00	65.00	75.00	(378)
						(705)

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 September 30, 2021, the Company fair valued the oil commodity contracts as a liability of $705 thousand (December 31, 2020 – N/A) on the Statement of Financial Position. The Company recorded an unrealized loss of $351 thousand and $1,273 thousand for the three and nine month periods ended September 30, 2021, respectively (Sept 30, 2020 – unrealized loss of $38 thousand and $2 thousand for the three and nine months respectively) and a realized loss of $138 thousand and $190 thousand in earnings for the three and nine month periods ended September 30, 2021 (September 30, 2020 – realized gain of $271 thousand and a realized loss of $1,482 thousand for the three and nine months respectively). In conjunction with entering into the above contracts Razor paid CAD $567 thousand (US$448 thousand).

Subsequent to September 30, 2021, the Company has sold and purchased certain commodity contracts as follows:

Oil - Upside enhanced traditional collars [1]

Reference point	Volume (bbls/mth)	Remaining Term	Floor Long Put USD/bbl	Ceiling Short Call USD/bbl	Long Upside Call USD/bbl
NYMEX WTI financial futures	11,000	May 31'23	50.00	65.00	75.00

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.

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 $12.3 million at September 30, 2021, (December 31, 2020 - $6.5 million) are non-interest bearing.

The Company's receivables are summarized as follows:

($000's)	**September 30, 2021**	**December 31, 2020**
Trade receivables	**10,230**	4,714
Joint venture receivables	**2,372**	1,696
Other receivables	**111**	227
Allowance for doubtful accounts	**(364)**	(173)
	12,349	6,464

The majority of the credit exposure on trade receivables as at September 30, 2021, pertains to revenue for accrued September 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:

($000's)	**September 30, 2021**	**December 31, 2020**
Current (less than 30 days)	**10,322**	5,052
31 to 90 days	**471**	885
Over 90 days	**1,556**	527
Total receivables	**12,349**	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, Amended Arena Term Loan, lease obligation, and Promissory Notes. See notes 8 and 9.

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 Amended Arena Term Loan facility matures on April 1, 2024 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 Amended 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)	(183,000)	183,000

14. COMMITMENTS AND CONTINGENCIES

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

Razor assumed decommissioning liabilities included in its Swan Hills, Kaybob and District South acquisitions. The Company spent $1,106 thousand in Q3 2021 on abandonment, reclamation and remediation expenditures for a nine month total of $2,314 thousand (Q3 2020 – recovery of $36 thousand and cumulative spend of $334 thousand for the three and nine months, respectively) which includes $349 thousand related to government grants earned for well site rehabilitation through the SRP program in Q3 and a nine month total of $1,274 thousand (Q3 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 $2.7 million in 2021, of which $1.0 million has been spent (see Note 10).

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 September 30, 2021 which total approximately $1.8 million. Subsequent to September 30, 2021, Razor filed a Statement of Defence and a Counterclaim which alleges the joint venture partner over charged the joint account, underpaid revenue, conducted work without authorization and generally mis handled the joint account to the detriment of Razor. There can be no assurance that further financial damages will not occur, however, with the improved commodity price outlook, the Company anticipates it will reduce amounts owing throughout the remainder of 2021 and into 2022.

15. REVENUES

The significant components recognized in revenues are as follows:

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
($000's)	**2021**	**2020**	**2021**	**2020**
Crude oil	**17,354**	10,127	**42,314**	28,106
Gas	**1,348**	712	**3,179**	2,078
NGL	**1,941**	1,218	**4,794**	3,611
Blending and processing	**455**	1,286	**2,599**	3,960
Road Use	**156**	119	**419**	592
Other revenue[1]	**92**	36	**381**	324
	21,346	13,498	**53,686**	38,671

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.

16. FINANCING COSTS

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

The components of financing costs are summarized below.

	Three Months Ended Sept 30,		**Nine Months Ended Sept 30,**	
($000's)	**2021**	**2020**	**2021**	**2020**
Interest expense	**1,716**	1,719	**4,682**	4,293
Amortization of deferred financing costs (Note 8)	**650**	654	**1,442**	1,207
Accretion (Note 10)	**620**	358	**1,846**	1,032
	2,986	2,731	**7,970**	6,532

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

17. 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 and nine months ended September 30, 2021, and 2020, there are no dilutive instruments affecting the basic common share calculations.

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

	Three Months Ended Sept 30,		**Nine Months Ended Sept 30,**	
	2021	**2020**	**2021**	**2020**
Weighted average shares outstanding (basic and diluted)	**21,064,466**	21,064,466	**21,064,466**	21,064,466
Net income (loss) for the period (000's)	**$ 9,669**	$ (1,838)	**(1,510)**	$ (40,149)
Net income (loss) per share (basic and diluted)	**$ 0.46**	$ (0.09)	**(0.07)**	$ (1.91)

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
($000's)	**2021**	**2020**	**2021**	**2020**
Accounts receivable	**(4,960)**	(222)	**(5,885)**	3,732
Prepaid expenses and deposits	**(3,921)**	387	**(5,550)**	(1,464)
Inventory	**251**	539	**31**	24
Accounts payable and accrued liabilities	**10,455**	(3,078)	**15,443**	(2,133)
	1,825	(2,374)	**4,039**	159

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

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
($000's)	**2021**	**2020**	**2021**	**2020**
Operating	**(2,646)**	(3,474)	**(4,699)**	(87)
Financing	**1,462**	1,197	**1,462**	1,197
Investing	**3,009**	(97)	**7,276**	(951)
	1,825	(2,374)	**4,039**	159

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

	Sept 30,	December 31,
($000's)	**2021**	**2020**
Cash	**3,952**	1,098
Restricted cash	**1,527**	-
Cash and Restricted cash	**5,479**	1,098

19. OTHER INCOME

The components for other income are summarized below.

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
($000's)	**2021**	**2020**	**2021**	**2020**
Insurance proceeds	**90**	2,174	**225**	4,724
Interest and other	**205**	7	**270**	41
SRP subsidy for decommissioning expenditures (note 10)	**349**	-	**1,274**	-
	644	2,181	**1,769**	4,765

During Q3 2021, there were $90 thousand in insurance proceeds received (Q3 2020 - $2.2 million) and for the nine months ended September 30, 2021, insurance proceeds received were $225 thousand (Q3 YTD 2020 - $4.7 million).

20. SUBSEQUENT EVENTS

On October 22, 2021, the Company closed a private placement of common shares ("the Private Placement"). The Company executed subscription agreements with Alberta Investment Management Corporation ("AIMCo"), on behalf of certain of its clients and certain members of management to purchase common shares of Razor for a subscription price of $0.84 per Razor Share (the "Issue Price"). AIMCo subscribed for and agreed to purchase 2,200,000 Razor Shares for aggregate proceeds of $1,848,000 (the "AIMCo Subscription"). In addition, certain members of management collectively subscribed for 50,000 Razor Shares at the Issue Price for proceeds of $42,000 (the "Management Subscription"). The gross proceeds of the Private Placement were $1,890,000.

The proceeds of the Private Placement will be used by Razor to continue its well reactivation program and for general corporate purposes. The Razor Shares issued in connection with the completion of the Private Placement are subject to a hold period of four months that will expire on February 23, 2022.

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 (1) (2) (3)

Frank Muller

Sean Phelan (1) (2) (3)

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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.V
TSX Venture Exchange

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