RAZOR ENERGY CORP.

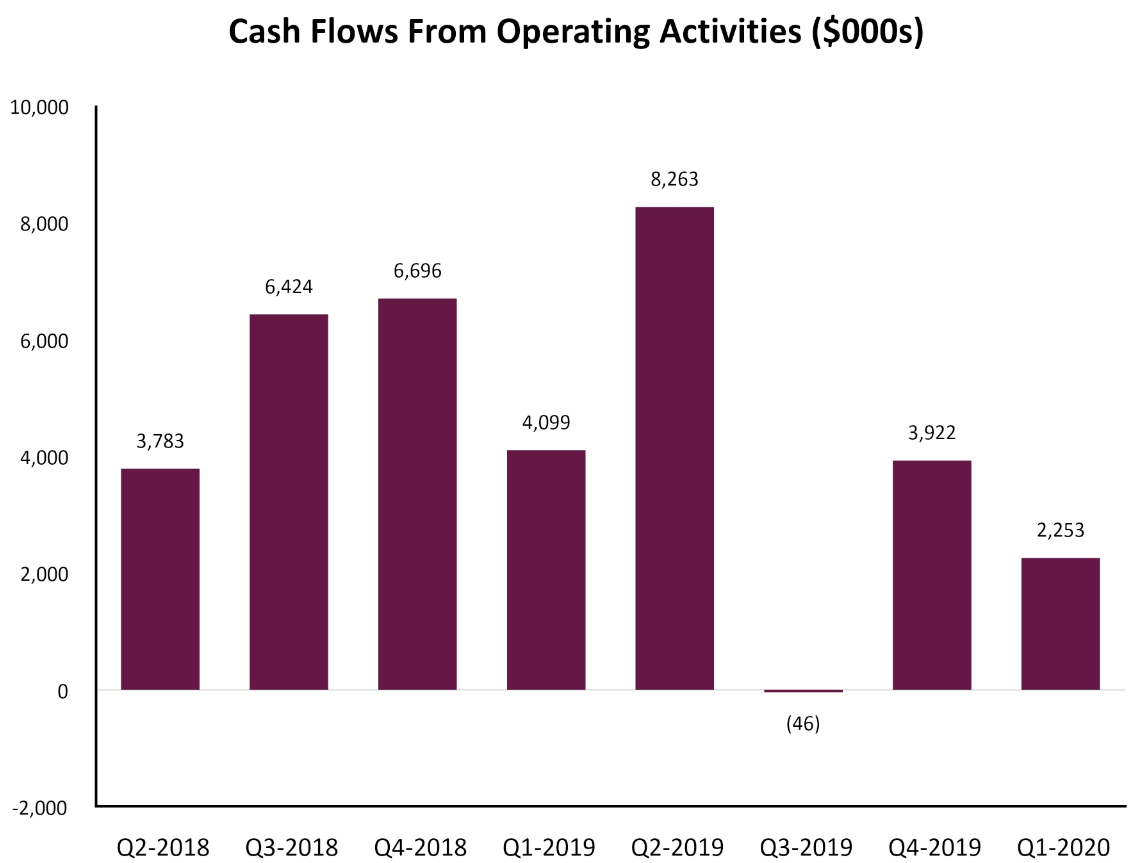
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

RAZOR AT A GLANCE

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

$15.6 million	**$(6.91)/boe**	**$2.3 million**	**4,195 boe/d**
Q1 2020 sales and other operating revenue	Q1 2020 operating netback*	Q1 2020 cash from operating activities	Q1 2020 net average production



* Refer to "Non-IFRS" measures

RAZOR ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 28, 2020

GENERAL

The Management's Discussion and Analysis ("MD&A") intends to augment the financial statement reader's understanding of key operational and financial events that influenced the results of Razor Energy Corp. ("Razor" or "the Company") during the three months ended March 31, 2020.

This MD&A was prepared as of May 27, 2020 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the reporting currency is the Canadian dollar. This MD&A should also be read in conjunction with the Company's MD&A for the year ended December 31, 2019, as disclosure which is unchanged from December 31, 2019 may not be duplicated herein. Additional information, including the Company's annual information form and audited financial statements for the year ended December 31, 2019, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and the Company's website www.razor-energy.com.

All amounts presented are in Canadian dollars, except where otherwise indicated. Certain terms used throughout this MD&A are defined in the "Abbreviations and Definitions" section at the end of this document.

This MD&A contains forward-looking statements that should be read in conjunction with the Company's disclosure under "Forward Looking Information", outlined at the end of this MD&A.

Razor's website, www.razor-energy.com, is a valuable source for the latest news of the Company's activities. Prior years' reports are also available on Razor's website.

COVID-19

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

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

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

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

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

Recoverable Amounts

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

Amended Term Loan Facility

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

Accounts receivable

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

FUTURE OPERATIONS

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

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

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

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

COMPANY OVERVIEW

Razor is focused on shareholder returns through share buybacks and growth through a combination of acquiring, enhancing, and producing oil and gas from properties primarily in Alberta. The Company currently has light and heavy oil, natural gas, and natural gas liquids ("NGL") production in Alberta. Razor's full-cycle objectives have positioned the Company as a disciplined junior exploration and production company. With an experienced management team and a strong, committed board of directors, growth is anticipated to occur through operational execution, strategic acquisitions and business combinations with other oil and gas producers, as well as service companies.

Razor currently trades on TSX Venture Exchange under the symbol "RZE.V".

MANAGEMENT STRATEGY AND OUTLOOK

The recent volatility in both West Texas Intermediate ("WTI") and Edmonton light sweet crude oil differentials has resulted in limited capital spending in 2020. Razor will take a cautious and case-by-case approach to spending in 2020, focusing on low risk, low capital opportunities to increase field and corporate netbacks. Production levels will not be a priority with the significant decrease in oil prices resulting from the COVID-19 virus, lowered global demand, and uncertainty related to supply.

In response to the aforementioned decrease in oil prices, the Company has shut in all of its operated heavy oil production, along with certain light oil wells which are sub-economic at current prices. As of the date of this MD&A, the Company is forecasting Q2 2020 production to be approximately 3,600 boe/d. The Company actively monitors the economics for all of its operated production and may shut in additional wells. The timing to restart shut in oil wells is dependent on improvements in both WTI prices and local price differentials. In recent weeks, WTI pricing and local price differentials have improved as global demand for oil has rebounded as countries gradually ease COVID-19 lockdown restrictions.

The preparation of financial forecasts is challenging at this time; however, the Company anticipates negative cash flow from operations during Q2 2020 and into the second half of 2020 if oil prices remain depressed. The Company is working to mitigate losses by limiting field spending and applying for government assistance programs where available, including the Canada Emergency Wage Subsidy.

The Company's working capital deficit at March 31, 2020 was $69.7 million and is forecast to increase throughout 2020. As a result, the Company will require additional financing during the year to provide sufficient liquidity to allow the Company to continue operations. There are no assurances the Company will be able to obtain financing at favourable terms, if at all. The Company may need to seek creditor protection.

SELECT QUARTERLY HIGHLIGHTS

The following tables summarizes key financial and operating highlights associated with the Company's financial performance.

	Three Months Ended March 31,	
($000's, except for per share amounts and production)	**2020**	**2019**
Production		
Light Oil (bbl/d)	**2,642**	2,664
Gas (mcf/d) [1]	**3,676**	3,929
NGL (boe/d)	**940**	1,036
Total (boe/d)	**4,195**	4,355
Sales volumes		
Light Oil (bbl/d)	**2,537**	2,741
Gas (mcf/d)[1]	**3,676**	3,929
NGL (bbl/d)	**940**	1,036
Total (boe/d)	**4,089**	4,432
Oil inventory volumes (bbls)	**18,848**	28,360
Oil and natural gas revenue		
Oil and NGLs sales	**12,476**	18,855
Natural gas sales	**624**	760
Sales of commodities purchased from third parties [4]	—	6,041
Blending and processing	**1,613**	2,241
Other revenues	**928**	353
Total revenue	**15,641**	28,250
Cash flows from (used in) operating activities	**2,253**	4,099
Per share -basic and diluted	**0.11**	0.27
Funds flow [2]	**(3,659)**	1,165
Per share -basic and diluted	**(0.17)**	0.08
Adjusted funds flow [2]	**(3,314)**	1,377
Per share -basic and diluted	**(0.16)**	0.09
Net income (loss)	**(34,228)**	(9,791)
Per share - basic and diluted	**(1.62)**	(0.64)
Dividends paid	**263**	570
Dividends paid per share	**0.01**	0.04
Weighted average number of shares outstanding (basic and diluted)	**21,064,466**	15,188,834
Capital expenditures	**450**	4,075
Netback ($/boe)		
Oil and gas sales [3]	**35.20**	49.17
Royalty	**(4.26)**	(7.01)
Operating expenses	**(36.06)**	(34.05)
Transportation and treating	**(1.79)**	(1.96)
Operating netback [2]	**(6.91)**	6.15
Gain/(Loss) on sale of commodities purchased from third parties [4]	—	(0.67)
Net blending and processing income [2]	**3.21**	3.55
Realized gain/(loss) on commodity contracts settlement [3]	**(2.19)**	(0.74)
Other revenues	**2.49**	0.88
General and administrative	**(5.11)**	(5.67)
Other expenses	**0.01**	—
Impairment	**(67.45)**	—
Interest	**(3.52)**	(3.00)
Corporate netback [2]	**(79.47)**	0.50

1) Gas production and sales volumes include internally consumed gas used in power generation.
2) Refer to "Non-IFRS measures".
3) Excludes the effects of financial risk management contracts but includes the effects of fixed price physical delivery contracts.
4) From time to time, Razor purchases commodity products from third parties to fulfill sales commitments, and subsequently sells these products to its customers.

SELECT QUARTERLY HIGHLIGHTS (continued)

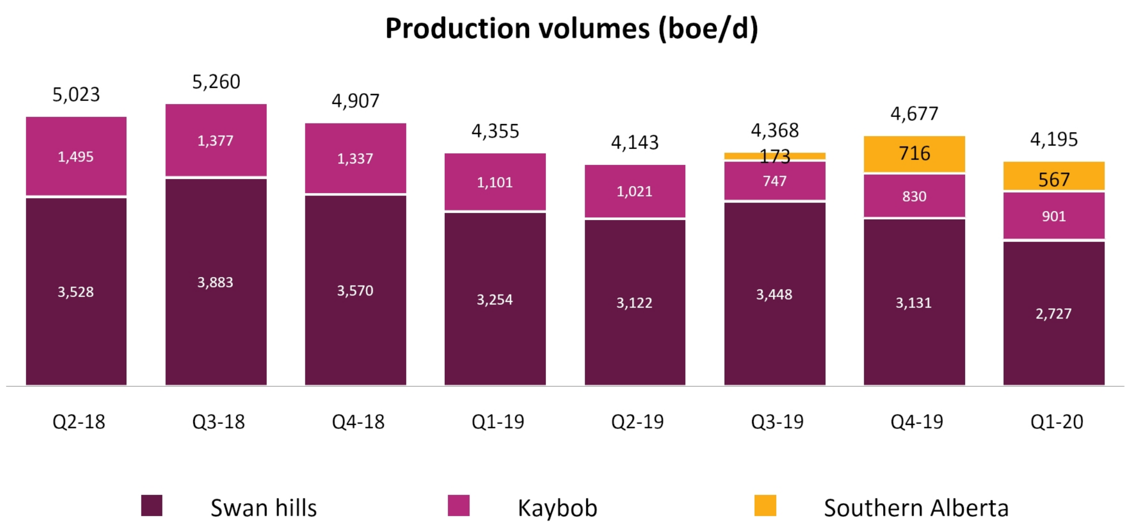
($000's, except for share amounts)	**March 31, 2020**	**December 31, 2019**
Total assets	**151,031**	189,158
Cash	**2,322**	1,905
Long-term debt (principal)	**45,803**	45,874
Minimum lease obligation	**4,469**	4,744
Net debt [1]	**72,875**	66,911
Number of shares outstanding	**21,064,466**	21,064,466

1) Refer to "Non-IFRS measures".

Q1 2020 HIGHLIGHTS

OPERATING

- Production volumes in the first quarter of 2020 averaged 4,195 boe/d, down 4% from the production volumes in the same period of 2019, impacted by non-operated production interruptions in the Swan Hills and Kaybob areas.



- Reported $2.3 million of cash flows from operating activities in the first quarter of 2020 compared to $4.1 million of cash flows from operating activities in the first quarter of 2019.
- Reported a $34.2 million net loss in the first quarter of 2020 compared to a $9.8 million net loss in the same period last year.

CAPITAL

- Invested $0.5 million on its capital program in the first quarter of 2020, mainly on the South Swan Hills co-produced geothermal power generation project, a portion of which is funded by government grants.
- No capital reactivations were conducted in Q1 2020.

DIVIDENDS

- Paid a cash dividend of $0.0125 per share in January, for a total of $0.3 million in dividends paid in the quarter.
- 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.

VOLUMES

Sales volumes in the first quarter of 2020 averaged 4,089 boe/d, down 8% from the sales volumes in the same period in 2019 as Razor was building up inventory volumes in existing surface tanks due to low commodity prices in Q1 2020. As at March 31, 2020, Razor had 18,848 bbls of light oil inventory (December 31, 2019 - 9,251 bbls).

Production averaged 4,195 boe/d in Q1 2020 down 4% from the same quarter in 2019. Production in the first quarter of 2020 was adversely impacted by non-operated production interruptions in the Swan Hills and Simonette areas. In the Simonette area, roughly 350 boe/d was curtailed for the quarter as a result of non-operated pipeline integrity concerns. This production was brought back online late in Q1, however was shut in early in Q2 due to weak pricing. In the Swan Hills area, roughly 150 boe/d was curtailed for the quarter as a result of non-operated pipeline repairs. These repairs were completed in late Q1 however, volumes were not brought back onstream due to weak pricing. It is expected that those volumes will be brought on in Q2 pending stronger pricing.

Effective July 2018, Razor began utilizing a portion of its own gas production to generate electrical power. Gas production of internally consumed gas for the three months ended March 31, 2020 was 1,328 mcf/d.

Production represents gross production before royalties, unless noted otherwise.

	Three Months Ended March 31,	
Production (boe/d)	**2020**	**2019**
Light oil (bbl/d)	**2,642**	2,664
Gas (mcf/d)[1]	**3,676**	3,929
NGL (bbl/d)	**940**	1,036
Total	**4,195**	4,355

1) Gas production for the three months ended March 31, 2020 includes 1,328 mcf/d of internally consumed gas in power generation.

	Three Months Ended March 31,	
Production (boe/d)	**2020**	**2019**
Swan Hills	**2,727**	3,254
Kaybob	**901**	1,101
Southern Alberta	**567**	—
Total	**4,195**	4,355

	Three Months Ended March 31,	
Sales volumes (boe/d)[1]	**2020**	**2019**
Light oil (bbl/d)	**2,537**	2,741
Gas (mcf/d)[2]	**3,676**	3,929
NGL (bbl/d)	**940**	1,036
Total	**4,089**	4,432

1) Sales volumes include change in inventory volumes.
2) Gas sales for the three months ended March 31, 2020 includes 1,328 mcf/d of internally consumed gas in power generation.

Sales volumes (boe/d)[1 2]	Three Months Ended March 31, 2020	2019
Swan Hills	**2,748**	3,323
Kaybob	**774**	1,109
Southern Alberta	**567**	—
Total	**4,089**	4,432

1) Sales volumes include change in inventory volumes.
2) Gas sales for the three months ended March 31, 2020 includes 1,328 mcf/d of internally consumed gas in power generation.

Inventory (bbls)	
Opening light oil inventory as at December 31, 2019	**9,251**
Inventory movement	**9,597**
Closing light oil inventory as at March 31, 2020	**18,848**
Inventory movement (bbl/d)	**104**

COMMODITY PRICES AND BUSINESS ENVIRONMENT

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Average selling price								
Oil price ($/bbl)	**48.08**	67.59	64.19	76.48	65.10	43.63	80.80	79.71
NGL price ($/bbl)	**16.07**	23.82	24.24	28.14	30.98	28.86	35.70	34.37
Gas price ($/mcf)	**1.87**	1.69	1.01	1.06	2.56	2.03	1.86	1.74
Average benchmark prices and foreign exchange rates								
OIL ($/bbl)								
WTI (USD)	**46.17**	56.94	56.44	59.80	54.83	59.10	69.75	68.05
WTI (CAD)	**61.64**	75.17	74.54	80.00	72.91	77.98	91.17	87.87
MSW (Light Sweet Oil - Edmonton)	**51.35**	67.97	68.32	73.84	66.34	40.58	78.54	78.90
WTI vs MSW oil differential (CAD/bbl)	**(10.30)**	(7.19)	(6.22)	(6.16)	(6.57)	(37.40)	(12.63)	(8.98)
WTI vs MSW oil differential (%)	**(17)%**	(10)%	(8)%	(8)%	(9)%	(48)%	(14)%	(10)%
NATURAL GAS (CAD/mcf)								
AECO NGX AB-5a [1]	**2.04**	2.49	0.84	1.02	2.59	1.57	1.19	1.25
ELECTRICITY ($/MWh)								
AESO Pool price	**66.37**	46.97	46.87	56.57	69.46	55.52	54.65	56.01
CAD/USD EXCHANGE RATE	**0.75**	0.76	0.76	0.75	0.75	0.76	0.76	0.78

1) Benchmark gas pricing is shown per mcf using a conversion factor of 1.06 GJs per mcf.

Crude oil benchmark prices weakened in the first quarter of 2020 in comparison to the same period in 2019 due to excess oil supply from OPEC+ and the steep decline in oil demand as a result of COVID-19. West Texas Intermediate ("WTI") averaged CAD $61.64/bbl in the first quarter of 2020, a 18% decrease from Q4 2019 and a 15% decrease from the same period in 2019. The prices received by the Company for its oil production is primarily driven by the price of WTI, which is adjusted for quality and a differential. Razor produces the following grades of oil: Swan Hills Sweet/Sweet Oil ("SW"), Peace Sour/Medium Sour Blend ("MSB") and Bow River South/Western Canadian Select ("WCS"). In the first quarter of 2020 the differential between WTI and SW increased to 17% from 10% in Q4 2019.

Razor realized an oil price of $48.08/bbl during the first quarter of 2020, which was a 22% discount to the WTI (CAD) price and is up from the 10% and 11% discounts in Q4 2019 and Q1 2019, respectively. These discounts were partially due to lower average oil quality realized by the Company as a result of the Little Rock acquisition in Q3 2019, which added WCS exposure to Razor's oil pricing portfolio, as well as timing of monthly sales contracts.

The price realized by the Company for natural gas production is primarily determined by the AECO benchmark and based on Canadian fundamentals. AECO NGX AB-5a price, in the first quarter of 2020, was down by 21% as compared to the same period in 2019 due to significant decrease in demand for natural gas.

Sales of NGL is primarily comprised of ethane, propane, butane, pentane, and condensate. The Company's realized price for NGL during the first quarter of 2020 decreased 48% in comparison to the same period in 2019, mostly due to lower realized NGL pricing. Condensate prices, which are priced at a differential to WTI, were impacted due to weakness in WTI prices. After high fractionation costs and weak pricing, coupled with lower demand for propane and butane due to a shorter and warmer than expected winter, the Company has multiple months of negative propane and butane pricing.

Electricity costs have a significant impact on the Company's results, as electricity accounted for 29% of operating expense in the first quarter of 2020. Average electricity pool prices in the first quarter of 2020 increased by 25% from the same quarter in 2019, and by 41% in comparison to Q4 2019. Razor is operating a natural gas-powered electricity generation program and has reduced its reliance on grid-based electricity.

COMMODITY PRICE RISK

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

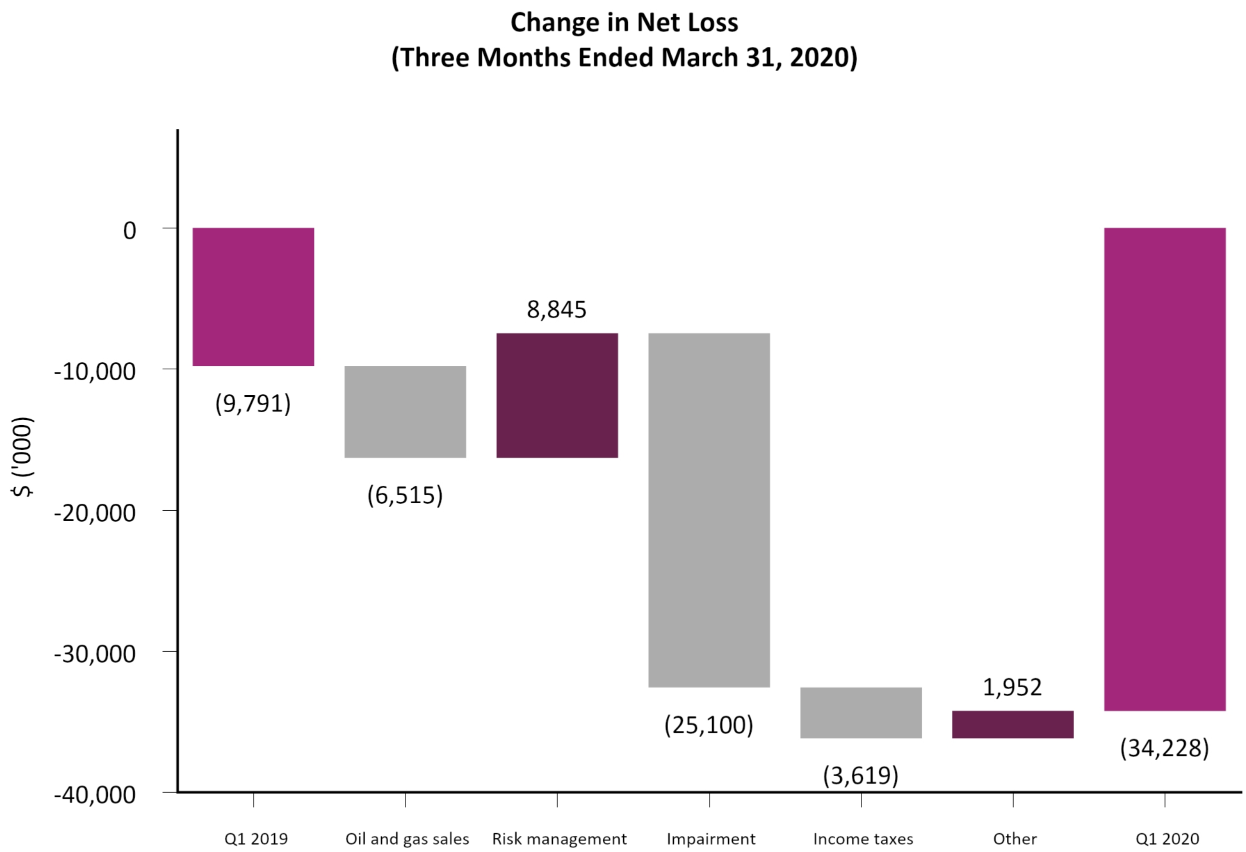
As at March 31, 2020, Razor had the following derivative contracts outstanding:

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

As at March 31, 2020, the Company fair valued the oil commodity contracts with a liability of $63 thousand (March 31, 2019 - liability of $1.2 million) on the Statement of Financial Position and recorded an unrealized loss of $0.1 million in earnings for the three months ended March 31, 2020 (March 31, 2019 - unrealized loss of $9.4 million).

NET LOSS

Razor realized a net loss of $34.2 million in the first quarter of 2020 as compared to a $9.8 million net loss in the same quarter of last year, primarily due to impairment expense, lower production and lower realized prices, offset by lower risk management losses.



NETBACKS

	Three Months Ended March 31,	
($/boe) [2]	**2020**	**2019**
Light oil and gas sales	**35.20**	49.17
Royalty	**(4.26)**	(7.01)
Operating expenses	**(36.06)**	(34.05)
Transportation and treating	**(1.79)**	(1.96)
Operating netback [1]	**(6.91)**	6.15
Income on sale of commodities purchased from third parties [1]	**—**	(0.67)
Net blending and processing income[1]	**3.21**	3.55
Realized (loss) gain on commodity contracts	**(2.19)**	(0.74)
Other revenues	**2.49**	0.88
General and administrative	**(5.11)**	(5.67)
Other expenses	**0.01**	—
Impairment	**(67.45)**	—
Interest	**(3.52)**	(3.00)
Corporate netback [1]	**(79.47)**	0.50

1) Refer to "Non-IFRS measures" section of the MD&A.
2) $/boe amounts are calculated using sales volumes.

During the first quarter of 2020, the Company realized an operating netback of $6.91/boe down from operating income of $6.15/boe in the first quarter of 2019 due to lower realized prices, decreased production and sales volumes.

Royalty rates averaged 12% in the first quarter of 2020 as compared to 14% for the same period in 2019. This decrease in royalties is mostly due to the decrease in commodity prices and production volumes.

Operating expenses increased 6%, on a per boe basis, in the first quarter of 2020 compared to the same period in 2019, and was on par on a total dollar basis. Workovers, facility and pipeline integrity expenses averaged $5.15/boe in the first quarter of 2020 down 30% from $7.33/boe in the same quarter of 2019. The Company has reduced its well intervention activity in response to the current weak commodity price environment. Non-operated pipeline repairs accounted for 12% of total operating expenses in Q1 2020 (Q1 2019 - 1%) and downhole workovers accounted for 3% of total operating expenses in Q1 2020 (Q1 2019 - 17%).

The top cost drivers, fuel and electricity, labour, property taxes, facility repairs and non-operated pipeline repairs accounted for 73% of total operating expenses in the first quarter of 2020 (Q1 2019 - 75%).

Electricity and fuel increased 20% in Q1 2020 as compared to the same quarter of last year mostly due to a 25% increase in average electricity pool prices, despite a usage decrease of 9% in the same period with decreased reliance on compressed gas and lower production levels. The Company continues to operate its six natural gas-powered generators which reduced its reliance on grid electric power and resulted in savings of $0.9 million in Q1 2020 (Q1 2019 - $0.8 million).

INCOME (LOSS) ON SALE OF COMMODITIES PURCHASED FROM THIRD PARTIES

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Sales of commodities purchased from third parties	—	6,041
Commodities purchased from third parties	—	(6,308)
Income on sale of commodities purchased from third parties [1 2]	—	(267)
($/boe)[3]	—	(0.67)

1) Refer to "Non-IFRS measures".
2) Includes gains and losses due to the timing and inventory related to market conditions at sales.
3) Based on sales volumes.

Periodically, Razor purchases commodity products from third parties in order to fulfill its sales commitments.

BLENDING AND PROCESSING INCOME

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Blending and processing income	**1,613**	2,241
Blending and processing expenses	**(420)**	(824)
Net blending and processing income [1]	**1,193**	1,417
($/boe)[2]	**3.21**	3.55

1) Refer to "Non-IFRS measures".
2) Based on sales volumes.

Net blending and processing income was down 16% in the first quarter of 2020 as compared to Q1 2019, or a 10% decrease on a per boe basis, however gross margins increased from 63% in Q1 2019 to 74% in Q1 2020 mostly due to decreased input prices.

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Gross G&A	**2,525**	2,763
Overhead recoveries	**(405)**	(411)
Capitalized G&A	**(220)**	(92)
Net G&A	**1,900**	2,260
($/boe)[1]	**5.11**	5.67

1) $/boe amounts are calculated using sales volumes.

The Company's gross G&A costs in the first quarter of 2020 decreased 9% from the same quarter of 2019 due to decreased employee and consulting costs.

FINANCING COSTS

The components of financing costs are summarized below.

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Interest expense	**1,310**	1,197
Amortization of deferred financing costs	**274**	275
Accretion	**392**	378
	1,976	1,850
($/boe)[1]		
Interest expense	**3.52**	3.00
Amortization of deferred financing costs	**0.73**	0.69
Accretion	**1.05**	0.95
	5.30	4.64

1) $/boe amounts are calculated using sales volumes.

Interest expense primarily arises from interest on the Amended Term Loan Facility, Promissory Notes, and lease obligations. Interest expense was up 10% in the first quarter of 2020 as compared to the same period of 2019 due to increased long-term debt and lease obligations. Accretion, which relates to the time value change of the Company's decommissioning obligations, increased in 2020 as compared to the same period of last year due to the higher decommissioning liability as a result of the Little Rock acquisition in Q3 2019.

DEPLETION, DEPRECIATION AND AMORTIZATION

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Depletion, depreciation and amortization	**3,917**	4,260
($/boe)[1]	**10.53**	10.68

1)$/boe amounts are calculated using sales volumes.

DD&A expense, for the first quarter of 2020, was down 8% from the fourth quarter of 2019. The per unit DD&A for 2020 stayed on par in comparison to the same period in 2019. The decrease in DD&A expense is due to the decrease in the depletable base as a result of the impairment expense incurred in Kaybob and Southern Alberta. Future development costs required to develop the proved plus probable reserves, included in the depletable base, are $66.7 million (2019 - $67.5 million).

IMPAIRMENT LOSS

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Impairment Expense	**24,740**	—

At March 31, 2020, Razor identified indicators of any impairment as a result of declines in forecasted commodity prices. As a result, the Company completed an impairment test on all its CGU's. The Company used fair value less cost to sell, discounted at pre-tax rates between 15% and 30% (December 31, 2019 - 12% and 30%) dependent on the risk profile of the reserve category and CGU. At March 31, 2020, the recoverable value of Razor's Swan Hill 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 District South CGUs exceeded their recoverable amounts and impairment charges of $16.0 million and $8.7 million, respectively, were recognized for the CGUs.

CAPITAL EXPENDITURES

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Reactivations, recompletions and optimizations	**(101)**	1,619
Pipelines and injection management	**18**	287
Facilities and other	**37**	433
Finding and development related capital	**(46)**	2,339
Field equipment	**—**	853
Power generation	**298**	269
Information technology systems	**41**	234
Operational enhancement related capital	**339**	1,356
Corporate related capital expenditures	**157**	380
Gross capital expenditures	**450**	4,075
Government grants on assets	**—**	(2,015)
Net capital expenditures	**450**	2,060

In the first quarter of 2020, due to the volatile commodity price environment, the Company did not initiate any projects related to finding and development capital. Amounts recorded in the first quarter of 2020 related to final cost true ups on projects from 2019.

During the first quarter of 2020, Razor invested $0.3 million on its South Swan Hills co-produced geothermal power generation project. The Company expects the capital cost of the project to be $35 million, generating 21 MW of grid connected power, of which 6MW will be from geothermal power generation. Natural Resources Canada's Clean Growth Program ("NRCAN") will contribute $5.0 million toward the project, and Alberta Innovates has committed $2.0 million.

Corporate capital expenditures related to an upgrade of the corporate information technology infrastructure and the purchase of corporate vehicles.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is managed through cash, debt and equity management strategies, when available. Razor manages its liquidity requirements by use of both short-term and long-term cash forecasts.

As at March 31, 2020, the Company had Net Debt[1] of $72.9 million, a working capital deficit of $69.7 million, of which only $2.3 million is comprised of cash and cash equivalents, and contractual repayments of $82.3 million due in less than one year. Included in the working capital deficit is the Company's Amended Term Loan Facility of $45.0 million with AIMCo which is due January 31, 2021. The Company is projecting financial covenant violations with respect to both the adjusted net debt-to-adjusted cash flow ratio and the minimum working capital ratio on the Amended Term Loan Facility at the next annual compliance date of December 31, 2020. Accordingly, the Company is dependent on the ongoing support of AIMCo through to its contractual maturity of January 2021. See "Future Operations" section of the MD&A.

The Company anticipates funding the working capital deficit and contractual repayments with a combination of cash from operations and potential new debt financing, which will also be necessary to address the upcoming maturity of the Amended Term Loan Facility. However, the operational challenges that impacted production and operating costs along with a volatile economic environment due to severe negative global commodity price pressures and COVID-19 implications continues to negatively impact current and forecasted operating cash flows. The Company is currently projecting to use cash flow in operations while commodity prices are low and certain production is shut-in, and as such a material uncertainty remains as to whether the Company can generate sufficient positive cash flow from operations to meet all of its obligations as they come due.

In addition, no assurance can be provided that the Company will be able to obtain new debt financing to bridge any working capital or contractual repayment shortfall or to replace the Amended Term Credit Facility. Razor also may reduce the working capital deficit through either corporate acquisitions or amalgamations, however, no assurance can be provided that the Company will be able to close such a transaction at favourable terms.

In response to commodity price pressures, the Company has very limited plans for capital expenditures until commodity prices improve. Any significant acceleration of development activities or acquisition of additional oil and gas properties would require additional funding which may include debt, equity, joint ventures or other external financing. The availability of any additional future funding will depend on, among other things, the current commodity price environment, operating performance, and the current state of the equity and debt capital markets.

1) Refer to "Non-IFRS Measures" section of the MD&A

SOURCES AND USES OF CASH

Major sources and uses of cash are outlined in the following table:

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Adjusted funds flow [1]	**(3,314)**	1,377
Proceeds of financing lease	—	234
Proceeds from government grants	—	2,015
Cash sourced	**(3,314)**	3,626
Capital expenditures	**(450)**	(3,074)
Decommissioning costs incurred	**(345)**	(212)
Property acquisitions	—	(88)
Finance costs	**(1,311)**	(1,197)
Repayment of lease obligation	**(274)**	(285)
Repayment of long-term debt	**(72)**	(78)
Dividends declared	**(263)**	(570)
Restricted cash	—	103
Cash used	**(2,715)**	(5,401)
	(6,029)	(1,775)
Changes in non-cash working capital	**6,454**	4,129
Foreign currency translation	**(8)**	(53)
Change in cash position	**417**	2,301
Cash, beginning of period	**1,905**	2,239
Cash, end of period	**2,322**	4,540

1) Refer to "Non-IFRS Measures".

NORMAL COURSE ISSUER BID ("NCIB")

On September 20, 2019, the TSXV approved the Company's application for a renewed NCIB to purchase up to 1,039,148 of its common shares over a 12-month period commencing September 23, 2019 and ending September 22, 2020. Under this NCIB, 11,000 common shares were repurchased in open market transactions on the TSXV at a weighted average cost of $0.93 at December 31, 2019. A copy of the TSXV approval may be obtained by contacting Razor's Chief Financial Officer at Suite 800, 500-5th Ave. S.W. Calgary, AB T2P 3L5.

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

SHARE CAPITAL

As at March 31, 2020 and May 27, 2020, the Company had a total of 21,064,466 common shares outstanding (December 31, 2019 - 21,064,466 common shares outstanding).

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.

CORPORATE FINANCING

Proceeds from promissory notes

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

On December 13, 2018, the Company entered into a $0.2 million promissory note and security agreement ("Promissory Note-2") with an unrelated third party for the purpose of purchasing field service equipment. The Promissory Note-2 is due on December 13, 2022. The Promissory Note-2 bears interest of 6.50% per annum. Monthly payments of $4.5 thousand include interest and principal.

Leases

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

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

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

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

Proceeds from non-revolving term loan

On January 15, 2018, Razor secured an increase of $15.0 million in its existing non-revolving term loan facility from AIMCo, for an amended principal amount of $45.0 million. The terms of the Amended Term Loan Facility are materially unchanged from the term loan facility established in January 2017. Principal continues to be due in January 2021 with an interest rate of 10% per annum, payable semi-annually. Taking into consideration the common shares issued in conjunction with the Amended Term Loan Facility, the effective interest rate is 12% per annum. The proceeds of the Amended Term Loan Facility will be used by Razor to fund its development program and for general corporate purposes.

FINANCIAL COVENANTS

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

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

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

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

COMMITMENTS AND CONTINGENCIES

As part of its normal business, the Company entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. The principal commitments of the Company as at March 31, 2020 were as follows:

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

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

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.

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

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

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

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

NON-IFRS MEASURES

Certain financial measures included in this MD&A do not have a standardized meaning prescribed by IFRS and therefore are considered non-IFRS measures; accordingly, they may not be comparable to similar measures provided by other companies.

FUNDS FLOW AND ADJUSTED FUNDS FLOW

This document contains the term "funds flow", which should not be considered an alternative to, or more meaningful than "cash flow from operating activities" as determined in accordance with IFRS. Funds flow is a non-IFRS measure that represents cash generated from operating activities before changes in non-cash working capital. "Adjusted funds flow" represents cash flow from operating activities before changes in non-cash working capital and decommissioning obligation expenditures are incurred. This is considered a key measure as it demonstrates Razor's ability to generate the cash flow necessary to fund future growth through capital investment. Adjusted funds flow may not be comparable to similar measures used by other companies.

Reconciliation of Funds Flow and Adjusted funds flow

	Three Months Ended March 31,	
($000's)	**2020**	**2019**
Cash flow from (used in) operating activities	**2,253**	4,099
Changes in non-cash working capital	**(5,912)**	(2,934)
Funds flow	**(3,659)**	1,165
Decommissioning costs incurred	**345**	212
Adjusted funds flow	**(3,314)**	1,377

OPERATING NETBACK

Operating netback is a measure that represents sales net of royalties and operating expenses. Management believes that operating netback is a useful supplemental measure to analyze operating performance and provide an indication of the results generated by the Company's principal business activities prior to the consideration of other income and expenses. Operating netback may not be comparable to similar measures used by other companies.

NET BLENDING AND PROCESSING INCOME

Net blending and processing income is calculated by adding blending and processing income and deducting blending and processing expense. Net blending and processing income may not be comparable to similar measures used by other companies.

INCOME (LOSS) ON SALE OF COMMODITIES PURCHASED FROM THIRD PARTIES

Income on sale of commodities purchased from third parties is calculated by adding sales of commodities purchased from third parties and deducting commodities purchased from third parties. Income on sale of commodities purchased from third parties may not be comparable to similar measures used by other companies.

CORPORATE NETBACK

Corporate netback is calculated by adding net blending and processing income and other revenues and deducting general & administration, acquisition and transaction costs, and interest from operating netback. Razor considers corporate netback as an important measure to evaluate its overall corporate financial performance.

Corporate netback may not be comparable to similar measures used by other companies.

NET DEBT

Net debt is calculated as the sum of the long-term debt (includes Amended Term Loan Facility and Promissory Notes) and lease obligation, less working capital (or plus working capital deficiency), with working capital excluding mark-to-market risk management contracts. Razor believes that net debt is a useful supplemental measure of the total amount of current and long-term debt of the Company. Net debt may not be comparable to similar measures used by other companies.

Reconciliation of net debt *($000's)*	**March 31, 2020**	**December 31, 2019**
Long term debt	**501**	44,370
Long term lease obligation	**2,739**	3,065
	3,240	47,435
Less: Working capital		
Current assets	**8,684**	13,488
Exclude commodity contracts	**63**	(2)
Current liabilities	**(78,382)**	(32,962)
	(69,635)	(19,476)
Net debt	**72,875**	66,911

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 judgment.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

The fair value hierarchy is as follows:

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

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

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

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

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

MARKET RISK

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

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

Credit Risk

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

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

The Company's receivables are summarized as follows:

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

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

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

The Company's accounts receivable is aged as follows:

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

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

Interest Rate Risk

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

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

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

Foreign Exchange Risk

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

RISK MANAGEMENT

The business risks the Company is exposed to are those inherent in the oil and gas industry as well as those governed by the individual nature of Razor's operations. Geological and engineering risks, the uncertainty of discovering commercial quantities of new reserves, commodity prices, interest rate and foreign exchange risks, competition and government regulations, risk of interruption or failure of information technology systems and data – all of these govern the business and influence the controls and management at the Company.

Razor manages these risks by:

- attracting and retaining a team of highly qualified and motivated professionals who have a vested interest in the success of the Company;
- operating properties in order to maximize opportunities;
- employing risk management instruments to minimize exposure to volatility of commodity prices;
- maintaining a comprehensive property loss and business interruption insurance program to reduce risk;
- implementing cyber security protocols and procedures to reduce the risk of a significant breach of the Company's information technology systems and related data;
- maintaining a strong financial position; and
- maintaining strict environmental, safety and health practices.

For additional details on the risks relating to Razor's business, see "Risk Factors" in the Company's most recent annual information form, which is available on SEDAR at www.sedar.com.

QUARTERLY OPERATING AND FINANCIAL INFORMATION

($000's, except for per share amounts and production)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Total revenue and other income	**15,641**	22,755	21,297	27,870	28,250	21,883	31,778	33,109
Total revenues net of royalties	**14,055**	18,085	18,053	24,397	25,454	17,996	25,023	29,174
Cash flows from (used in) operating activities	**2,253**	3,922	(46)	8,263	4,099	6,696	6,424	3,783
Per share - basic and diluted	**0.11**	0.19	—	0.54	0.27	0.44	0.41	0.24
Funds Flow [1]	**(3,659)**	37	2,639	3,878	1,165	903	2,511	8,468
Per share - basic and diluted	**(0.17)**	—	0.16	0.26	0.08	0.06	0.16	0.54
Adjusted funds flow [1]	**(3,314)**	305	2,653	3,624	1,377	1,974	4,198	8,733
Per share - basic and diluted	**(0.16)**	0.01	0.16	0.24	0.09	0.13	0.27	0.55
Net (loss) income	**(34,228)**	(11,853)	(6,183)	(1,746)	(9,791)	3,774	(2,305)	2,504
Per share - basic and diluted	**(1.62)**	(0.56)	(0.38)	(0.12)	(0.64)	0.25	(0.15)	0.16
Dividends declared per share	**0.01**	0.04	0.04	0.04	0.04	0.20	—	—
Operating expenditures ($/boe)	**36.06**	29.90	29.34	34.12	34.05	24.53	32.96	32.63
Capital expenditures	**450**	2,378	2,518	4,619	4,075	3,315	4,060	11,981
Production Volumes								
Light Oil (bbl/d)	**2,642**	2,839	2,600	2,744	2,664	2,995	3,271	3,274
Gas (mcf/d)	**3,676**	4,962	6,206	3,414	3,929	3,225	4,505	4,056
NGL (bbl/d)	**940**	1,011	734	831	1,036	1,374	1,238	1,074
Total (boe/d)	**4,195**	4,677	4,368	4,143	4,355	4,907	5,260	5,023
Sales Volumes [2]								
Light Oil (bbl/d)	**2,537**	2,862	2,598	2,932	2,741	2,611	3,271	3,274
Gas (mcf/d)	**3,676**	4,962	6,206	3,414	3,929	3,225	4,505	4,056
NGL (bbl/d)	**940**	1,011	734	831	1,036	1,374	1,238	1,074
Total (boe/d)	**4,089**	4,700	4,367	4,332	4,432	4,523	5,260	5,023

1) Refer to "Non-IFRS measures".
2) Sales volumes include change in inventory volumes.

As at *($000's)*	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep.30, 2018	Jun. 30, 2018
Total assets	**151,031**	189,158	205,873	172,367	166,120	157,937	163,114	165,291
Cash	**2,322**	1,905	3,443	5,324	4,540	2,239	5,528	3,617
Long-term debt (principal)	**45,803**	45,874	46,690	46,017	46,311	46,155	46,021	45,000
Lease obligations	**4,469**	4,744	5,150	5,108	5,042	3,860	4,113	4,361
Net debt [1]	**72,875**	66,911	66,939	60,632	57,213	54,244	49,411	43,984

1) Refer to "Non-IFRS measures" .

Quarter over quarter fluctuations in revenue is the result of both production sold as well as Razor's realized price. Production fluctuations are the result of well productivity and timing of deliveries to the sales point. The amount of volumes sold can be influenced by a variety of factors some of which include timing of reactivations, weather, processing facility availability, as well as pipeline capacity. Razor has worked to increase production through reactivations as well as asset acquisitions.

Production was down 4% in Q1 2020 in comparison to the same period in 2019 and 315% down from Q4 2019 primarily. Production in the first quarter of 2020 was adversely impacted by non-operated production interruptions in the Swan Hills and Kaybob areas. In the Kaybob area, roughly 350 boe/d was curtailed for the quarter as a result of non-operated pipeline integrity concerns. In the Swan Hills area, roughly 150 boe/d was curtailed for the quarter as a result of non-operated pipeline repairs. These pipelines are also in the process of being repaired, and production is expected to resume in Q2 2020.

Q1 2020 funds flow decreased 414% to funds outflow of $3.7 million in the first quarter of 2020 compared to $1.2 million funds inflow in the first quarter of 2019 due to decrease in revenues as a result of decreased production and lower commodity pricing with Q1 2020 MSW oil price averaging 18% lower than in the fourth quarter of 2019.

Razor realized a net loss of $34.2 million in the first quarter of 2020 as compared to a $11.9 million net loss in Q4 2019, primarily due to an impairment expense of $14.95 million and lower revenues, partially offset by lower expenses.

Total assets decreased in Q1 2020 from prior quarter predominantly due to the impairment recognized at Kaybob and the South District.

SIGNIFICANT JUDGMENTS AND ESTIMATES

In preparing the condensed interim consolidated financial statements, management made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. There have been no significant changes to the Company's use of judgments and estimates as described in the Company's December 31, 2019 MD&A.

OTHER FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENTS

Razor does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including, without limitation, the Company's liquidity and capital resources.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal controls over financial reporting, no matter how well designed, have inherent limitations. Therefore, internal controls over financial reporting can provide only reasonable assurance regarding the reliability of financial statement preparation and may not prevent or detect all misstatements.

FORWARD LOOKING INFORMATION

Certain statements and information contained within this MD&A constitute forward-looking statements. These statements include, without limitation, the potential and uncertain impact of COVID-19 on the Company's operations and results, statements regarding the status of development or expenditures relating to our business, the natural gas-powered electricity generation program, the design of the co-produced geothermal electricity project, geothermal waste heat recovery, the partnership with NRCan and Alberta Innovates, future business combinations, the anticipated benefits and effects of acquisitions, plans to fund our current and future activities, including debt and equity financings and joint ventures, plans related to the performance and growth of the Company and future operations, future drilling opportunities, commitments under ABC program and other environmental, social and governance initiatives, the Company's capital program and budget, the availability, terms and use of the Amended Term Loan Facility, share buybacks, contractual obligations and commitments, future oil and natural gas production estimates, efficiencies and weighting, future financial position, future revenues, projected costs, the outcome of pending litigation and shareholder returns. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "estimate", "potential", "could", "intend", "continue", "target", or the negative of such terms or other comparable terminology. We made a number of assumptions in the preparation of these forward-looking statements including with respect to oil and natural gas production levels, the success of the Company's operations and exploration and development activities, prevailing climatic conditions, commodity and electricity prices, exchange rates, price volatility, price differentials, the actual prices received for the Company’s products. You should not place undue reliance on our forward-looking statements, which are subject to a multitude of risks and uncertainties that could cause actual results, future circumstances or events to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, commodity and electricity price, interest rate and exchange rate volatility, the need for additional capital and the effect of capital market conditions and other factors, risks relating to the oil and gas and geothermal industries in general, such as operational risks and market demand, government regulation, the potential dilutive effects of any financing, the timing of exploration and development, the timely performance by third-parties of contractual obligations, the timing and costs of obtaining regulatory approvals, our estimates regarding our capital requirements and future revenues, the timing and amount of tax credits, and other risks detailed from time to time in our public disclosure documents. Additional risks and uncertainties relating to the Company and our business can be found in the "Risk Factors" section of the annual information for the year ended December 31, 2019 and in Razor’s other public filings on SEDAR at www.sedar.com.

The forward-looking statements are made as of the date hereof, and we disclaim any intention and have no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Razor's prospective results of operations, sales volumes, production and production efficiency, balance sheet, capital spending, future financings, investment infrastructure and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as a set forth in the above paragraph. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Razor's future business operations. Razor disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

ADVISORY PRODUCTION INFORMATION

Unless otherwise indicated herein, all production information presented herein is presented on a gross basis, which is the Company's working interest prior to deduction of royalties and without including any royalty interests.

ABBREVIATIONS AND DEFINITIONS

AECO	Alberta Energy Company natural gas price, the natural gas storage facility located at Suffield, Alberta, connected to TransCanda's Alberta System
AESO	Alberta Electric System Operator, manages and operates the Alberta power grid.
bbl	barrels
bbls	barrels
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
F&D	finding and development
FD&A	finding, development and acquisition
GJ	gigajoule
IFRS	International Financial Reporting Standards
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
Mmboe	millions of barrels of oil equivalent
NGL	natural gas liquids
NGX	Natural Gas Exchange
NI	National Instrument
WTI	West Texas Intermediate crude oil price, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade.
MSW	Light Sweet Oil Edmonton crude price

CONVERSION OF UNITS

To Convert From	To	Multiply By
mcf	cubic metres	28.317
cubic metres	cubic feet	35.315
bbls	cubic metres	0.159
cubic metres	bbls	6.289
feet	metres	0.305
miles	kilometres	1.609
acres	hectares	0.405
gigajoules	MMbtu	0.950

BARRELS OF OIL EQUIVALENT CONVERSIONS

The oil and gas industry commonly expresses production volumes and reserves on a barrel of oil equivalent basis (boe) whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants. Throughout this MD&A the Company has used the 6:1 boe measure which is the approximate energy equivalency of the two commodities at the burner tip. Boe does not represent a value equivalency at the wellhead nor at the plant gate, which is where the Company sells its production volumes, and therefore, may be a misleading measure, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a 6:1 conversion may be misleading as an indication of value.