RAZOR ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

INNOVATIVE. DIVERSE. INSPIRED.

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.

“Pivotal leading-edge enterprise, balancing creativity and discipline, focused on growing an enduring energy company.”

CAD$14.0 million	$15.2 million	3,009 boe/d	$0.6 million
Q1 2021 New Financing secured for 2021 production enhancement program	Q1 2021 Total Revenue	Q1 2021 Net Average Production	Q1 2021 Electricity Savings from Natural Gas Power Generation

RAZOR ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 27, 2021

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, 2021 in comparison to the three months ended March 31, 2020.

This MD&A was prepared as of May 27, 2021 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 and 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, 2020, as disclosure which is unchanged from December 31, 2020 may not be duplicated herein. Additional information, including the Company's annual information form and audited financial statements for the year ended December 31, 2020, 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.

COMPANY OVERVIEW

Razor is focused on shareholder returns through a combination of acquiring, enhancing, and producing oil and gas from properties primarily in Alberta. The Company produces primarily light oil, natural gas, and natural gas liquids (“NGL“)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 is intent on leading in Environmental, Social and Governance (ESG) initiatives as the Company transforms to lower carbon outcomes and continues to lead a diverse and equitable culture.

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

OPERATING ENVIRONMENT AND THE COVID-19 PANDEMIC

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

Razor is dedicated to ensuring the health, safety and security of its employees, contractors, partners and residents within all of its operating areas and communities. The Company is following all applicable rules and regulations as set out in Alberta Health and Health Canada guidelines to protect the well-being of all stakeholders.

FUTURE OPERATIONS

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

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

The Company anticipates funding the remaining working capital deficit and contractual repayments, which include the Arena Term Loan, with a combination of cash from operations, other new debt or equity financings. The operational and commodity price challenges that impacted revenue, production and operating costs in 2020, are anticipated to be somewhat mitigated in 2021 as the Company utilizes funds from the Arena Loan to reactivate wells in order to increase production, which is not without risk. While forecasted prices and operating cashflows are expected to improve in 2021, a material uncertainty remains as to whether the Company can generate sufficient positive cash flow from operations to meet all of its obligations as they come due.

Due to the conditions noted above there remains a material uncertainty surrounding the Company's ability to generate adequate cash flow from operations to enable the Company to address contractual payment obligations. These material uncertainties create significant doubt with respect to the Company's ability to meet its obligations as they come due and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

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

MANAGEMENT STRATEGY AND OUTLOOK

Razor

Razor continues to look forward and plan for the future while remaining focused on its long-term sustainability. On February 16, 2021 Razor secured an extension to the AIMCo Term Loan, for an amended principal amount of $50.1 million. There were no additional proceeds received from the AIMCo Term Loan. On the same date, a subsidiary of Razor entered into the Arena Term Loan in the principal amount of US$11.0 million (CAD$14.0 million).

The majority of the proceeds from the Arena Term Loan are required to be used to invest US$6.7 million (CAD$8.4 million) in 2021 on production enhancement. The production enhancement activity started in February 2021 and will continue into 2022. The Company has an extensive opportunity set of high-quality wells requiring reactivation. Most activities involve repairs and maintenance work which will be expensed for accounting purposes and operating netbacks will be reduced during this timeframe. In aggregate, the annual base decline of these wells is anticipated to be consistent with the Company's current corporate decline of approximately 12 percent. In its history the Company has reactivated over 60 wells adding approximately 2,000 boe/d and it expects that this program will result in similar favorable metrics. The production enhancement program has resulted in an average production increase during Q1 2021 of 164 boe/d and an exit rate production increase as at March 31, 2021 of 435 boe/d.

The Company continues to focus on cost control on its operated properties. In addition to the planned the production enhancement program, Razor will take a cautious and case-by-case approach to spending in 2021 and into 2022, focusing on low risk, low investment capital opportunities to increase field and corporate netbacks.

FutEra

In May 2021 FutEra Power Corp. ("FutEra"), a subsidiary of Razor entered the project execution stage of its Co-produced Geothermal Power Generation Project in Swan Hills, Alberta ("Geothermal Project"). FutEra expects the total capital cost of the Geothermal Project to be $37 million. Stage Gate 1 is fully funded and will produce up to 3 MW of green geothermal electricity. Stage Gate 2 requires additional financing of $10 million which FutEra continues to seek. With both Stage Gate 1 and 2 of the Geothermal Project complete, the total nameplate electricity output will be 21 MW. FutEra has partnered with provincial and federal government agencies to invigorate the emerging geothermal industry. Provincially, Alberta Innovates ("AI") and Emissions Reduction Alberta ("ERA"), and federally, Natural Resources Canada ("NRCan"), have provided grants to complete funding. To date, Razor has received $5.9 million in government grants to support this power generation project. See May 4, 2021 Razor press release and www.futerapower.com for more details.

FutEra has identified and is in the process of reviewing and capturing additional projects including solar, wind, and well head geothermal. As at March 31, 2021, FutEra is executing a 10 Petahash Bitcoin mining operation supplying both power generation and the behind-the-fence mining offtake installation. In addition, FutEra is under contract with an industry resource partner to evaluate a geothermal direct heat use program.

SELECT QUARTERLY HIGHLIGHTS

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

($000's, except for per share amounts and production)	Three Months Ended March 31 2021	2020
Production		
Crude oil (bbl/d)	**1,952**	2,642
Natural gas (mcf/d) [1]	**3,741**	3,676
NGL (boe/d)	**434**	940
Total (boe/d)	**3,009**	4,195
Sales volumes		
Crude oil (bbl/d)	**1,907**	2,537
Natural gas (mcf/d)	**3,463**	2,954
NGL (bbl/d)	**434**	940
Total (boe/d)	**2,918**	3,969
Oil inventory volumes (bbls)	**12,197**	18,848
Revenue		
Oil and NGLs sales	**12,367**	12,476
Natural gas sales	**1,017**	624
Blending and processing income	**1,368**	1,613
Other revenue	**403**	932
Total revenue	**15,155**	15,645
Cash flows (used in) from operating activities	**(3,518)**	2,253
Per share -basic and diluted	**(0.17)**	0.11
Funds flow [2]	**(1,424)**	(3,659)
Per share -basic and diluted	**(0.07)**	(0.17)
Adjusted funds flow [2]	**(863)**	(3,314)
Per share -basic and diluted	**(0.04)**	(0.16)
Net (loss)	**(5,635)**	(34,228)
Per share - basic and diluted	**(0.27)**	(1.62)
Dividend paid	-	263
Dividends per share	-	0.01
Weighted average number of shares outstanding (basic and diluted)	**21,064**	21,064
Capital expenditures	**859**	450
Netback ($/boe)		
Oil and gas sales [3]	**49.43**	34.32
Royalties	**(4.66)**	(4.15)
Adjusted operating expenses [2 4]	**(38.51)**	(31.22)
Production enhancement expenses[2]	**(7.98)**	(3.93)
Transportation and treating	**(2.36)**	(1.75)
Operating netback [2]	**(4.08)**	(6.73)
Net blending and processing income [2]	**3.42**	3.13
Realized loss on commodity contracts settlement [3]	-	(2.14)
Unrealized gain/(loss) on commodity risk management	**0.30**	(0.17)
Other revenue and income	**3.59**	2.43
General and administrative	**(4.49)**	(4.98)
Other expenses	**(0.21)**	0.01
Impairment	-	(64.81)
Interest	**(5.55)**	(3.43)
Corporate netback [2]	**(7.02)**	(76.68)

1) Natural gas production includes internally consumed natural gas primarily 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) Excludes production enhancement expenses incurred in the period.

SELECT QUARTERLY HIGHLIGHTS (continued)

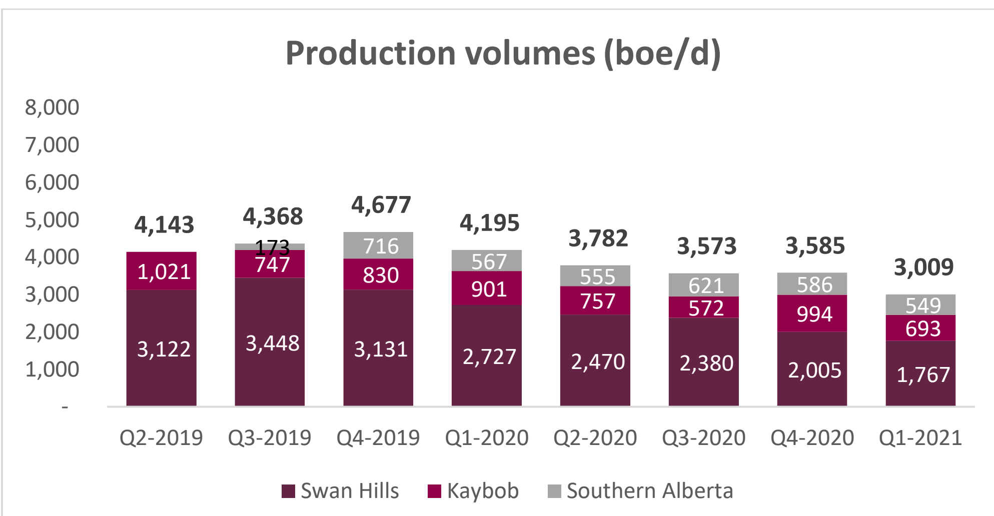
($000's, except for share amounts)	**March 31, 2021**	**December 31, 2020**
Total assets	**150,560**	163,709
Cash	**6,018**	1,098
Long-term debt (principal)	**62,261**	50,878
Minimum lease obligation	**3,193**	3,469
Net debt [1]	**76,622**	72,789
Number of shares outstanding	**21,064,466**	21,064,466

1) Refer to "Non-IFRS measures."

Q1 2021 HIGHLIGHTS

OPERATING

Production volumes in the first quarter of 2021 averaged 3,009 boe/d, down 28% from the production volumes in the same period of 2020. Decreased production volumes in Q1 2021 are largely due to reduced spending on well and pipeline reactivations and repairs throughout 2020 and into early 2021, non-operated production shut-in at Kaybob and natural 12% annual base decline. Razor commenced its 2021 operated production enhancement program in February 2021 with funds acquired from the Arena Term Loan. The Company is required to use at least US$6.7 million (CAD$8.4 million) to complete the activities outlined in an agreed upon development plan for the fiscal year ended December 31, 2021. In Q1 2021, the Company invested $1.8 million on the development plan which resulted in an average production increase during Q1 2021 of 164 boe/d and an exit rate production increase as at March 31, 2021 of 435 boe/d.



Net revenues were consistent as compared to the first quarter of 2020. The decline in production in the first quarter of 2021 was offset by a 46% increase in commodity prices as compared to the same period in 2020. The Edmonton light sweet crude oil differential to West Texas Intermediate ("WTI") was 9% in the first quarter of 2021 compared to 17% in the same quarter of 2020. Realized NGL prices increased 108% in the first quarter of 2021 from the same period in 2020.

Razor reported $3.5 million cash flows used in operating activities in the first quarter of 2021 compared to $2.3 million cash flows from operating activities in the first quarter of 2020.

The Company reported a $5.6 million net loss in the first quarter of 2021 compared to a $34.2 million net loss in the same period last year. The majority of net loss in the first quarter of 2020 was the result of the $24.7 million impairment recorded for Kaybob and District South CGU's.

CAPITAL

During the first quarter of 2021, Razor invested $0.5 million in field equipment for its service company subsidiary and $0.2 million on its Geothermal Project. As of March 31, 2021, Razor has received $5.9 million since inception in government grants to support this power generation project.

Razor did not initiate any projects related to finding and development capital and minimal capital reactivations were conducted during this period as the Company's focus is on investing in its 2021 production enhancement on program to increase production and cash flow.

CORPORATE SUSTAINABILITY, ENVIRONMENT & GOVERNANCE

Razor is committed to a strong corporate sustainability program.

ENVIRONMENT

GHG Emissions

- Razor operates a natural gas-powered electricity generation program which allows the Company to reduce its reliance on coal-biased grid electricity and has reduced GHG emissions by 6,000 tCO2 annually and has reduced electricity costs by $6.7 million since the program was implemented in 2018.
- Once constructed, Razor's co-produced geothermal power generation project will reduce GHG emissions by up to 31,000 tCO2 annually.
- Razor has opted all assets/facilities into Alberta's Technology Innovation and Emissions Reduction (TIER) program and, as such, has catalogued all GHG sources and is committed to following or exceeding guidelines for GHG reductions in its oil and gas operations.

Abandonment, Reclamation, and Remediation

- The Company has been successful in obtaining approved applications under the Alberta Site Rehabilitation Program ("SRP") to assist with its abandonment and reclamation activities. The total value of approved applications is $3.4 million. Razor will continue to apply for SRP funding as opportunities become available.

  Funds will be used primarily in Razor's Chin Coulee and Virginia Hills areas, assisting with the progression of approximately 70 wells towards a reclamation certificate. Total SRP completed to March 31, 2021 is $0.6 million

- In 2020, Razor opted to participate in the Alberta Energy Regulators ("AER") Area Based Closure ("ABC") program, to further reduce our footprint on the environment. Planned work consists of well, facility and pipeline abandonment, site remediation and reclamation.

- The Company has commenced construction to repurpose certain facilities in Virginia Hills to become a Waste Management Component employing bioremediation to treat hydrocarbon-impacted soils. This Soil Treatment Facility will use naturally occurring microbes to digest hydrocarbons in soils and will be integral to Razor's Area Based Closure operations in the Virginia Hills area. The facility is anticipated to be operational in the second quarter of 2021.

- In the first three months of 2021, the Company settled $452 thousand (twelve months 2020 - $538 thousand) of decommissioning obligations which includes $399 thousand (twelve months 2020 - $198 thousand) related to government grants earned for well site rehabilitation through the SRP.

GOVERNANCE

- Razor is committed to diversity and equality in the workplace.
- Razor is committed to conducting our operations safely and with proper policies, procedures, standards, training, equipment and emergency response procedures in accordance with all government regulations and industry practices.
- Razor maintains a complete series of documented Corporate policies and requires an annual review and sign off from all employees, consultants, management, executive and directors. Corporate policies include code of conduct, corporate disclosure and whistleblower guidance.

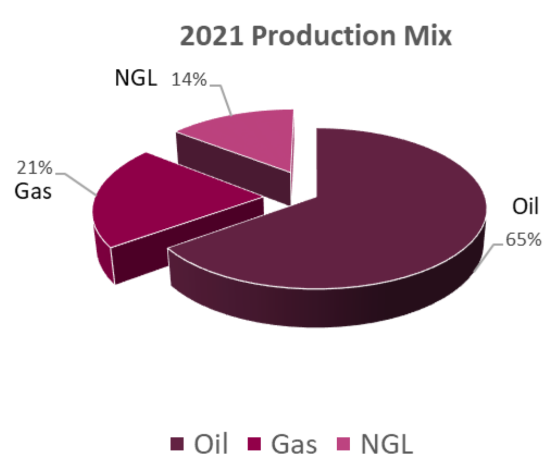
DAILY AVERAGE PRODUCTION

Sales volumes in the first quarter of 2021 averaged 2,918 boe/d, down 26% from the sales volumes in the same period in 2020.

Production volumes in the first quarter of 2021 averaged 3,009 boe/d, down 28% from the production volumes in the same period of 2020. Decreased production volumes in Q1 2021 are largely due to reduced spending on well reactivations and repairs throughout 2020 and into early 2021, non-operated production shut-in at Kaybob and natural 12% annual base decline. Razor commenced its 2021 operated production enhancement program in February 2021 with funds acquired from the Arena Term Loan. The Company is required to use at lease US$6.7 million (CAD$8.4 million) to complete the activities outlined in an agreed upon development plan which resulted in an average production increase during Q1 2021 of 164 boe/d and an exit rate production increase as at March 31, 2021 of 435 boe/d.

Inventory in existing surface tanks increased in the first quarter by 3,994 bbls (Q1 2020 – increased by 9,597 bbls). As at March 31, 2021, Razor had 12,197 bbls of crude oil inventory (December 31, 2020 – 8,203 bbls).

Effective July 2018, Razor began utilizing a portion of its own natural gas production to generate electrical power. Natural gas production of internally consumed natural gas for the three months ended March 31, 2021 was 638 mcf/d (three months ended March 31, 2020 was 1,328 mcf/d).



Production represents gross production before royalties, unless noted otherwise.

Production (boe/d)	Three Months Ended March 31, 2021	2020
Crude oil (bbl/d)	**1,952**	2,642
Natural gas (mcf/d)[1]	**3,741**	3,676
Natural gas liquids (bbl/d)	**434**	940
Total (boe/d)	**3,009**	4,195

1) Natural gas production for the three months ended March 31, 2021 include 638 mcf/d (Q1 2020 - 1,328 mcf/d) of internally consumed natural gas in power generation.

Production (boe/d)[1]	Three Months Ended March 31, 2021	2020
Swan Hills	**1,767**	2,727
Kaybob	**693**	901
Southern Alberta	**549**	567
Total	**3,009**	4,195

1) Natural gas production for the three months ended March 31, 2021 include 638 mcf/d (Q1 2020 – 1,328 mcf/d) of internally consumed natural gas in power generation.

Sales volumes (boe/d)[1]	Three Months Ended March 31, 2021	2020
Crude oil (bbl/d)	**1,907**	2,537
Natural gas (mcf/d)[1]	**3,463**	2,954
NGL (bbl/d)	**434**	940
Total boe/d	**2,918**	3,969

1) Sales volumes include change in inventory volumes.

Sales volumes (boe/d)[1]	Three Months Ended March 31, 2021	2020
Swan Hills	**1,682**	2,628
Kaybob	**692**	774
Southern Alberta	**544**	567
Total	**2,918**	3,969

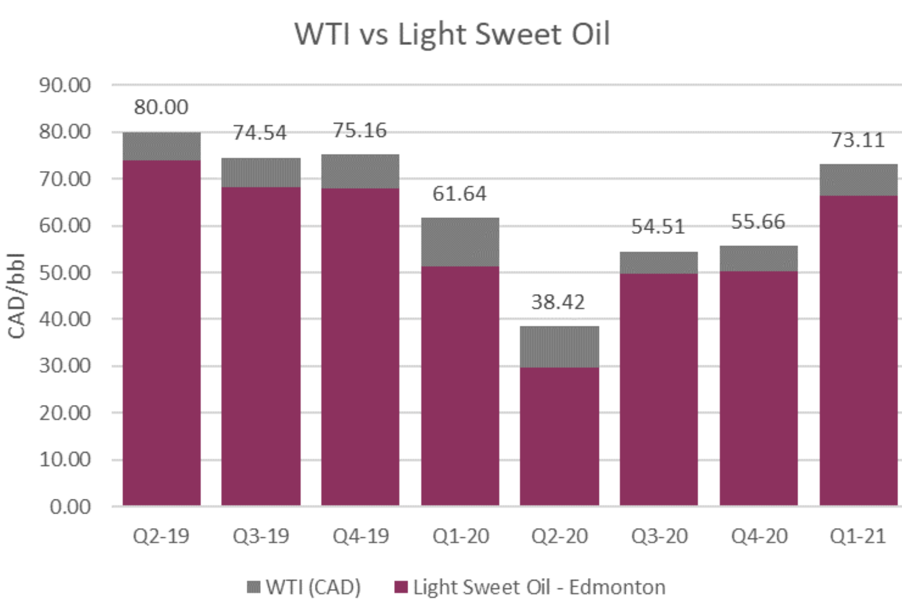
1) Sales volumes include change in inventory volumes.

Inventory (bbls)	
Opening oil inventory as at December 31, 2020	**8,203**
Inventory movement	**3,994**
Closing oil inventory as at March 31, 2021	**12,197**
Inventory movement (bbl/d)	**44**

COMMODITY PRICES AND BUSINESS ENVIRONMENT

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Average selling price								
Oil price ($/bbl)	**65.17**	49.53	49.08	30.95	48.08	67.59	64.19	76.48
NGL price ($/bbl)	**33.49**	22.50	16.74	12.96	16.07	23.82	24.24	28.14
Natural gas price ($/mcf)	**3.26**	2.21	1.75	1.47	1.87	1.69	1.01	1.06
Average benchmark prices and foreign exchange rates								
OIL ($/bbl)								
WTI (USD)	**57.75**	42.76	40.93	27.85	46.17	56.94	56.44	59.80
WTI (CAD)	**73.11**	55.66	54.51	38.42	61.64	75.17	74.54	80.00
MSW (Light Sweet Oil - Edmonton)	**66.47**	50.13	49.77	29.72	51.35	67.97	68.32	73.84
WTI vs MSW oil differential (CAD/bbl)	**(6.65)**	(5.53)	(4.74)	(8.70)	(10.30)	(7.19)	(6.22)	(6.16)
WTI vs MSW oil differential (%)	**(9)%**	(10)%	(9)%	(23)%	(17)%	(10)%	(8)%	(8)%
NATURAL GAS (CAD/mcf)								
AECO NGX AB-5a [1]	**3.14**	2.65	2.24	2.00	2.04	2.49	0.84	1.02
ELECTRICITY ($/MWh)								
AESO Pool price	**95.41**	46.13	43.83	28.78	66.37	46.97	46.87	56.57
CAD/USD EXCHANGE RATE	**0.79**	0.77	0.75	0.72	0.75	0.76	0.76	0.75

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



Crude Oil Prices

Crude oil benchmark prices continued to strengthen in the first quarter of 2021 over the fourth quarter of 2020 and over the same period in 2020. Signs of an improving global economy due to a roll-out of COVID-19 vaccinations has led to increased oil demand. West Texas Intermediate (“WTI”) averaged CAD $73.11/bbl in the first quarter of 2021, a 19% increase from the same period in 2020. 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/Mixed Sweet Blend ("MSW"), Peace Sour/Medium Sour Blend ("MSB") and Bow River South/Western Canadian Select ("WCS"). In the first quarter of 2021, the differential between WTI and MSW was 9% compared to 17% in Q1 2020.

Razor realized an oil price of $65.17/bbl during the first quarter of 2021, which was an 11% discount to the WTI (CAD) price, compared to the 9% discount in Q4 2020 and improved over the 22% discount in Q1 2020.

Natural Gas and NGLs Prices

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 2021, was up by 54% from the same period in 2020 due to an increase in demand for natural gas.

The Company’s sale of NGLs is comprised of ethane, propane, butane, pentane, and condensate. Realized prices for NGLs during the first quarter 2021 increased 108% from their respective periods in 2020. The increase reflects significantly higher benchmark prices for ethane, propane, butane, and pentane prices, which correlates with the increase in natural gas, oil and condensate benchmark prices during the period. Condensate prices, which are priced at a differential to WTI, increased due to strengthening of WTI prices.

Electricity Prices

Electricity costs have a significant impact on the Company's results, as electricity accounted for 22% of operating expense in the first quarter 2021. Average electricity pool prices in the first quarter 2021 increased by 44% from the same period in 2020 but electricity usage was down by 33%. Razor is operating a natural gas-powered electricity generation plant and has reduced its reliance on grid-based electricity resulting in lower electricity usage and cumulative savings of $6.7 million since July 2018. For the three months ended March 31, 2021, Razor has generated savings of $0.6 million (Q1 2020 - $0.9 million) in electricity costs.

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 has mitigated some its exposure to commodity price risk to protect the return on investment and provide a level of stability to operating cash flow. In Q1 2021, Razor has entered certain financial hedges to protect cash flows and as a requirement of the Arena Term Loan to have in place minimum hedge requirements of not less than 80% of Razor Royalty Limited Partnership’s 20 month forward projected overriding royalty. These hedges are not used for trading or speculative purposes. The Company has not designated its derivative contracts as effective accounting hedges, even though the Company considers all derivative contracts to be effective economic hedges. Such derivative contracts are recorded on the consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain (loss) on the consolidated statement of income (loss) and comprehensive income (loss).

As at March 31, 2021, Razor had the following derivative contracts outstanding (December 31, 2020 – nil):

Oil - Upside enhanced traditional collars [1]

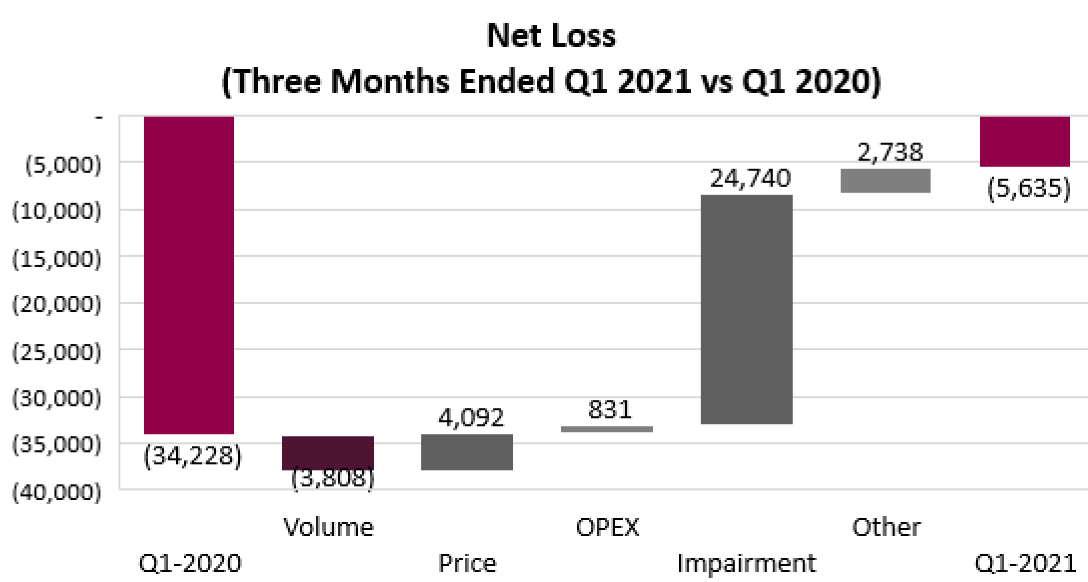
Reference point	Volume (bbls/mth)	Remaining Term	Floor Long Put USD/bbl	Ceiling Short Call USD/bbl	Long Upside Call USD/bbl	Fair Value (CAD 000's)
NYMEX WTI financial futures	8,000	May 1'21-Feb 28'22	50.00	66.00	73.00	159
NYMEX WTI financial futures	8,000	Mar 1'22-Dec 31'22	50.00	65.00	75.00	431
			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

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

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

NET LOSS

Razor realized a net loss of $5.6 million in the first quarter of 2021 as compared to a $34.2 million net loss in the same quarter of 2020. The majority of net loss in the first quarter of 2020 was the result of the $24.7 million impairment recorded for Kaybob and District South CGU's in Q1 2020. The remaining difference of $3.9 million of the loss between Q1 2021 and Q1 2020 is due to a 44% increase in realized prices and a 44% increase in production enhancement expenses, offset by the decreases in the following; 28% lower production, 20% reduction in royalties, 13% reduction in adjusted operating expenses, 36% decrease in general and administrative expenditures along with a 26% decrease in DD&A expense primarily due to the decrease in the depletable base as a result of the impairment in Q1 2020.



The above chart reconciles the changes in net loss for the three-month periods ending March 31, 2021 and 2020.

NETBACKS

($/boe)[2]	Three Months Ended March 31, 2021	2020
Oil and natural gas sales	**49.43**	34.32
Royalty	**(4.66)**	(4.15)
Adjusted operating expenses [1 4]	**(38.51)**	(31.22)
Production enhancement expenses[1 4]	**(7.98)**	(3.93)
Transportation and treating	**(2.36)**	(1.75)
Operating netback (loss) [1]	**(4.08)**	(6.73)
Net blending and processing income [1]	**3.42**	3.13
Realized loss on commodity contracts settlement	**-**	(2.14)
Unrealized gain/(loss) on commodity risk management	**0.30**	(0.17)
Other revenue and income [3]	**3.59**	2.43
General and administrative	**(4.49)**	(4.98)
Other expenses	**(0.21)**	0.01
Impairment	**-**	(64.81)
Interest	**(5.55)**	(3.43)
Corporate netback (loss) [1]	**(7.02)**	(76.68)

1) Refer to "Non-IFRS measures" section of the MD&A.
2) $/boe amounts are calculated using production volumes.
3) Primarily comprised of insurance proceeds, trucking, road use and road maintenance.
4) Production enhancement expenses are excluded from Operating expenses and identified separately for the period.

During the first quarter of 2021, the Company realized an operating loss of ($4.08)/boe, an improvement from the operating loss of ($6.73)/boe in the first quarter of 2020. Realized prices increased by $15.11/boe, however, the impact of increased prices was offset by royalty increases of $0.51/boe due to significantly higher commodity prices and an increase in adjusted operating expenses of $7.29/boe as well as an increased in production enhancement expenses of $4.05/boe in comparison to the same period as in 2020.

Royalty rates averaged 9% in the first quarter of 2021 as compared to 12% for the same period in 2020 due to lower production and as a result of a reduction in the Government of Alberta's PAR prices used in the calculation of crown royalties in Q1 2021 as compared to Q1 2020.

Adjusted operating expenses decreased $1.5 million or 13% on a total dollar basis but increased 23% on a per boe basis in the first quarter of 2021 compared to the same period in 2020 due to a 28% decrease in production. The largest increase in the adjusted operating expense per boe was fuel and electricity costs which averaged $13.55/boe in the first quarter 2021 as compared to $9.59/boe in 2020. Other adjusted operating expense changes from Q1 2020 to Q1 2021 are chemicals averaged $0.90/boe in Q1 2021 compared to $2.04/boe in Q1 2020, repairs and maintenance decreased by 14% from $3.76/boe to $3.24/boe and a decrease of 69% for road and lease maintenance compared to Q1 2020.

The Company has increased its production enhancement activity in Q1 2021 in response to the stronger commodity price environment which reflects an increase of 103%, production enhancement expenses per boe averaged $7.98/boe in the first quarter 2021 as compared to $3.93/boe in 2020. The production enhancement program initiated in February 2021 has resulted in, on average, a production increase of 164 boe/d during Q1 2021 and an exit rate production increase as at March 31, 2021 of 435 boe/d.

Razor has focused on cost control on all expenditures within its operations by implementing a procurement system, internalizing field services and producing its own electricity. Blade Energy Services Corp. ("Blade"), a wholly owned subsidiary of Razor, provides services such as crude oil hauling, earthworks and environmental services. Blade conducted $1.0 million of services on behalf of Razor during the first three months of 2021 (Q1 2020 - $0.3 million).

The top cost drivers of the adjusted operating expenses consists of fuel and electricity, labour, property taxes, lease rentals, fluid hauling, pipeline repairs and maintenance and environmental work. The top cost drivers accounted for 61% of the adjusted operating expenses in the first quarter of 2021 (comparable costs in Q1 2020 – 85%).

The cost of electricity and fuel decreased 7% in Q1 2021 as compared to the same quarter of last year mostly due a 33% decrease in consumption, decreased reliance on non-operated fuel gas and lower production levels partially offset by a 44% increase in average electricity pool prices.

Other revenue and income received during the three months ended March 31, 2021 was $1.0 million which primarily consisted of $0.4 million SRP grant income and $0.1 million each of insurance proceeds, road use, road maintenance and other revenue.

During the first quarter of 2021, the Company received funds from Canada Emergency Wage Subsidy of $0.2 million. These grants were recognized as a $0.1 million reduction to both general and administrative expense and a reduction of operating expenses.

BLENDING AND PROCESSING INCOME

	Three Months Ended March 31,	
($000's)	**2021**	**2020**
Blending and processing income	**1,368**	1,613
Blending and processing expenses	**(441)**	(420)
Net blending and processing income [1]	**927**	1,193
($/boe)[2]	**3.42**	3.13

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

Net blending and processing income was down 22% but up 9% on a per boe basis in the first quarter of 2021 as compared to Q1 2020. Gross margins decreased by 6% from 74% gross margin in Q1 2020 to 68% in Q1 2021. Razor continues to review commodity pricing in order to identify opportunities to increase blending and processing income.

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

($000's)	Three Months Ended March 31, 2021	2020
Gross G&A	**1,907**	2,525
Canada Emergency Wage Subsidy	**(122)**	-
Overhead recoveries	**(378)**	(405)
Capitalized G&A	**(192)**	(220)
Net G&A	**1,215**	1,900
($/boe)[1]	**4.49**	4.98

1) Based on production volumes.

The Company is committed to ongoing focus on cost control and cost reduction in all areas of Razor's business including gross G&A costs. The Company has reduced its gross G&A costs in the first quarter of 2021 by 24% from the same quarter of 2020. The decrease is due to a 68% decrease in consulting and legal costs, the receipt of wage subsidies, the suspension of the employee stock purchase plan and a 45% reduction in the cost of computer software and licenses. During the first quarter of 2021, the Company received $0.1 million from the Canada Emergency Wage Subsidy that was recognized in G&A.

FINANCING COSTS

The components of financing costs are summarized below.

($000's)	Three Months Ended March 31, 2021	2020
Interest expense	**1,504**	1,310
Amortization of deferred financing costs	**233**	274
Accretion	**674**	392
	2,411	1,976
($/boe)[1]		
Interest expense	**5.55**	3.43
Amortization of deferred financing costs	**0.86**	0.72
Accretion	**2.49**	1.03
	8.90	5.18

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

Interest expense primarily arises from interest on the AIMCo Term Loan, Arena Term Loan, Promissory Notes, and lease obligations. Interest expense was up 5% in the first quarter of 2021 as compared to the same period of 2020 due to additional interest expense related to the new Arena Term Loan for February and March, 2021. Amortization of deferred financing costs is down 14% in the first quarter of 2021 as compared to the same period of 2020 as 2021 amortization only began in mid-February 2021 after the AIMCo loan was extended and the Arena debt added. Accretion, which relates to the time value change of the Company's decommissioning obligations, increased 72% in 2021 as compared to the same period of 2020 due to a higher risk-free discount rate.

DEPLETION, DEPRECIATION AND AMORTIZATION

	Three Months Ended March 31,	
($000's)	**2021**	**2020**
Depletion, depreciation and amortization	**2,893**	3,917
($/boe)[1]	**10.68**	10.26

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

DD&A expense, for the first quarter of 2021, decreased 26% from the first quarter of 2020. The decrease in the three-month DD&A expense is primarily due to the decrease in the depletable base as a result of the impairment expense incurred in Kaybob and Southern Alberta in the first quarter of 2020 as well as lower production in the first three months 2021 compared to the prior year. As at March 31, 2021, future development costs required to develop proved and probable reserves in the amount of $43.1 million are included in the depletion calculation for PP&E (December 31, 2020 - $43.1 million).

IMPAIRMENT LOSS

	Three Months Ended March 31,	
($000's)	**2021**	**2020**
Impairment expense	**-**	24,740

At March 31, 2021, Razor evaluated its developed and producing assets for indicators of impairment or impairment reversal of previously recognized impairments for the Company's CGU's. There were no indicators and therefore an impairment test was not performed. The company performed impairment tests and recorded impairment charges in the first quarter of 2020 as detailed below.

At March 31, 2020, Razor evaluated its developed and producing assets on a CGU (Swan Hills, Kaybob, and District South) basis for indicators of any potential impairment. The declines in the forecasted commodity prices were identified as an indicator of impairment. As a result, the Company completed an impairment test on all 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 District South CGUs exceeded their recoverable amounts and impairment charges of $16.03 million and $8.71 million, respectively, were recognized for the CGUs.

CAPITAL EXPENDITURES

	Three Months Ended March 31,	
($000's)	**2021**	**2020**
Reactivations, recompletions and optimizations	**68**	(101)
Pipelines and injection management	**4**	18
Facilities and other	**3**	37
Finding and development related capital	**75**	(46)
Field equipment	**463**	-
Power generation	**220**	298
Information technology systems	**35**	41
Operational enhancement related capital	**718**	339
Corporate related capital expenditures	**66**	157
Gross capital expenditures	**859**	450
Government grants on assets	**-**	-
Net capital expenditures	**859**	450

During the first quarter of 2021, Razor invested $0.5 million in field equipment for its service company subsidiary and $0.2 million on its South Swan Hills Co-Produced Geothermal Natural Gas power project.

Razor did not initiate any projects related to finding and development capital and minimal capital reactivations were conducted during this period as the Company's focus is on investing in its 2021 production enhancement program to increase production and cash flow.

In May 2021, FutEra announced it is entering the project execution stage of its Geothermal Project in Swan Hills, Alberta. The Company expects the total capital cost of the project to be $37 million. Stage Gate 1 is fully funded and will produce up to 3 MW of green geothermal electricity. Stage Gate 2 is estimated to cost $10 million with financing ongoing. With both Stage Gate 1 and 2 of the Project complete, the total nameplate electricity output will be up to 21 MW. FutEra has partnered with our provincial and federal governments to invigorate the emerging geothermal industry. Provincially, Alberta Innovates ("AI") and Emissions Reduction Alberta ("ERA"), and federally, Natural Resources Canada ("NRCan"), have provided grants to complete funding. To date Razor has received $5.9 million in government grants to support this power generation project.

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, 2021, the Company has a working capital deficit of $75.5 million, of which only $6.0 million is comprised of cash and cash equivalents. Further, at March 31, 2021, the Company has contractual repayments of $111.1 million due in less than one year.

On February 16, 2021, the Company renewed the Amended Term Loan Facility with AIMCo (the "AIMCo Term Loan"). There were no additional proceeds received from the AIMCo Term Loan, only an extension of the maturity date to January 31, 2024.

In addition, the Company entered into a new term loan with Arena Investors LP ("the Arena Term Loan") to provide additional funding of US$11.0 million (CAD$14.0 million) which can only be utilized for specific purposes and requires monthly repayments commencing April 1, 2021. At December 31, 2020, certain equipment loans and leases were in default due to cross covenant violations under the Amended Term Loan Facility with AIMCo and at December 31, 2020 these loans and lease were classified as potentially due on demand current liabilities. At March 31, 2021, the Company has not remedied the defaults for these equipment loans and leases and they continue to be classified as potentially due on demand current liabilities. The Company has cross covenant default provisions in the AIMCo Term Loan and the Arena Term Loan, which are in default as a result of the default on the equipment loans and leases at March 31, 2021 and as a result has classified the AIMCo Term Loan and the Arena Term Loan as potentially due on demand current liabilities at March 31, 2021.

The Company anticipates funding the remaining working capital deficit and contractual repayments, which include the Arena Term Loan, with a combination of cash from operations, other new debt or equity financings. The operational and commodity price challenges that impacted revenue, production and operating costs in 2020, are anticipated to be somewhat mitigated in 2021 as the Company utilizes funds from the Arena Loan to reactivate wells in order to increase production, which is not without risk. While forecasted prices and operating cashflows are expected to improve in 2021, a material uncertainty remains as to whether the Company can generate sufficient positive cash flow from operations to meet all of its obligations as they come due.

Due to the conditions noted above there remains a material uncertainty surrounding the Company's ability to generate adequate cash flow from operations to enable the Company to address contractual payment obligations. These material uncertainties create significant doubt with respect to the Company's ability to meet its obligations as they come due and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Razor utilized the funds from the Arena Term Loan to conduct the production enhancement program commencing in February 2021 and the Company has limited other plans for capital expenditures during 2021. 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.

SOURCES AND USES OF CASH

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

	Three Months Ended March 31,	
($000's)	**2021**	**2020**
Adjusted funds flow [1]	**(863)**	(3,314)
Proceeds from Long-term debt	**14,006**	—
Cash sourced	**13,143**	(3,314)
Capital expenditures	**(859)**	(450)
Decommissioning costs incurred	**(53)**	(345)
Purchase of commodity contracts	**(508)**	—
Finance costs	**(4,153)**	(1,311)
Repayment of lease obligation	**(402)**	(274)
Repayment of long-term debt	**(87)**	(72)
Dividends declared	—	(263)
Restricted cash	**(754)**	—
Cash used	**(6,816)**	(2,715)
	6,327	(6,029)
Changes in non-cash working capital	**(1,371)**	6,454
Foreign currency translation	**(36)**	(8)
Change in cash position	**4,920**	417
Cash, beginning of period	**1,098**	1,905
Cash, end of period	**6,018**	2,322

1) Refer to "Non-IFRS Measures".

SHARE CAPITAL

As at March 31, 2021 and May 27, 2021, the Company had a total of 21,064,466 common shares outstanding (December 31, 2020 - 21,064,466 common shares outstanding).

As consideration for the extension of 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 which are being held in trust. In the event that the Swan Hills Geothermal Project has not been funded by July 31, 2021, the shares issued as part of this transaction shall be returned to Razor and $3.5 million will be added to the principal amount of the AIMCo Term Loan.

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.

LEASES

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

TERM LOANS

Loan with Alberta Investment Management Corporation ("AIMCo")

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

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

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

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

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

Loan with Arena Investors, LP

On February 16, 2021, Razor Royalties Limited Partnership ("RRLP"), a subsidiary of Razor, entered into a new term loan with Arena Investors, LP ("the Arena Term Loan") to provide additional liquidity of US$11,042,617 (CAD$14,006,455).

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

The Arena Term Loan is subject to the following covenants:

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

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

The intended use of proceeds are production enhancements and associated spending, hedging and various upfront payments and transaction fees.

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, 2021 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	**24,506**	24,506	—	—	—
AIMCo Term Loan	Yes-Liability	**53,645**	53,645	-	—	—
Arena Term Loan	Yes-Liability	**13,886**	13,886	—	—	—
Promissory notes	Yes-Liability	**646**	543	94	9	—
Minimum lease obligation	Yes-Liability	**3,193**	2,510	296	387	—
Interest payable [2 3]	No	**15,840**	15,697	38	14	91
Lease operating costs	No	**277**	222	55	—	—
Transportation services	No	**1,223**	122	258	205	638
Total		**113,216**	**111,131**	**741**	**615**	**729**

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 2021, the Company settled $452 thousand of decommissioning obligations which includes $399 thousand related to government grants earned for well site rehabilitation through the SRP program (Q1 2020 – spend of $345 thousand).

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.

On May 14, 2020, the AER reduced all liability reduction targets for 2020 to zero in response to COVID-19 and the decline in oil prices. Razor's liability reduction target is $2.7 million in 2021.

Razor has been successful in obtaining approved applications under the Alberta Site Rehabilitation Program ("SRP"). To date, Razor has received approval for $3.4 million in funding to assist with abandonment and reclamation activities. The Company also expects to receive additional grants in subsequent phases of the SRP.

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, and at March 31, 2021 total approximately $3.9 million. There can be no assurance that further financial damages will not occur, however, with the improved commodity price outlook, the Company and the joint venture partner have agreed to a payment schedule which will reduce amounts owing throughout 2021.

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)	**2021**	**2020**
Cash flow from operating activities	**(3,518)**	2,253
Changes in non-cash working capital	**2,094**	(5,912)
Funds flow	**(1,424)**	(3,659)
Decommissioning costs incurred	**53**	345
Purchase of commodity contracts	**508**	-
Adjusted funds flow	**(863)**	(3,314)

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.

ADJUSTED OPERATING EXPENSES

Adjusted operating expenses are regular field or general operating costs that occur throughout the year and do not include production enhancement expenses. Management believes that removing the expenses related to production enhancements from total operating expenses is a useful supplemental measure to analyze regular operating expenses. Adjusted operating expenses may not be comparable to similar measures used by other companies.

PRODUCTION ENHANCEMENT EXPENSES

Production enhancement expenses are expenses made by the company to increase production volumes which are not regular field or general operating costs that occur throughout a year. Management believes that separating the expenses related to production enhancements is a useful supplemental measure to analyze the cost of bringing wells back on production and the related increases in production volumes. Production enhancement expenses 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.

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 AIMCo Term Loan, Arena Term Loan and Promissory Notes) and lease obligations, 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, 2021**	**December 31, 2020**
Long term debt	**(102)**	(113)
Long term lease obligation	**(393)**	(389)
	(495)	(502)
Less: Working capital		
Current assets	**16,625**	9,450
Exclude commodity contracts	**(590)**	-
Current liabilities	**(92,162)**	(81,737)
	(76,127)	(72,287)
Net debt	**76,622**	72,789

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, 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 March 31, 2021 are as follows:

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

MARKET RISK

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

Management has overall responsibility for the establishment of risk management strategies and objectives. Razor's risk management policies are established to identify the risks faced, to set appropriate risk limits, and to monitor adherence to risk limits. 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 $7.5 million at March 31, 2021 (December 31, 2020 - $6.5 million) are non-interest bearing.

The Company's receivables are summarized as follows:

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

The majority of the credit exposure on trade receivables as at March 31, 2021 pertains to revenue for accrued March 2021 production volumes. Receivables from the oil and gas marketing companies are typically collected on the 25th day of the month following production. Razor mitigates the credit risk associated with these receivables by establishing relationships with credit worthy purchasers. Razor has not experienced any collection issues with its oil and gas marketers.

Receivables from partners in jointly owned assets are typically collected within one to three months of the bill being issued to the partner. The Company mitigates the risk from joint interest billings by obtaining partner approval of capital expenditures prior to starting a project. However, the receivables are from participants in the petroleum and natural gas sector, and collection is dependent on typical industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. Further risk exists with partners in jointly owned assets as disagreements occasionally arise which increases the potential for non-collection. To protect against credit losses with joint asset partners, the Company has the ability to withhold sale proceeds from production or offset outstanding partner invoices in the event of non-payment and also, the ability to obtain the partners' share of capital expenditures in advance of a project.

The Company's accounts receivable is aged as follows:

($000's)	**March 31, 2021**	**December 31, 2020**
Current (less than 30 days)	**6,359**	5,052
31 to 90 days	**1,007**	885
Over 90 days	**116**	527
Total receivables	**7,482**	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 Amended Term Loan Facility, lease obligation, and Promissory Notes.

The Amended 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 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. The Arena Term Loan facility matures on August 1, 2023 and bears interest at the rate of 7.875% per annum and paid monthly.

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

Foreign Exchange Risk

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

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

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

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

($000's, except for per share amounts and production)	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**	**Q4 2019**	**Q3 2019**	**Q2 2019**
Total revenue and other income	**15,155**	14,276	13,498	12,116	15,641	22,755	21,297	28,780
Total revenues net of royalties	**13,894**	12,813	13,005	11,245	14,055	18,085	18,053	24,397
Cash flows from (used in) operating activities	**(3,518)**	356	2,124	(540)	2,253	3,922	(46)	8,263
Per share - basic and diluted	**(0.17)**	0.02	0.10	(0.03)	0.11	0.19	—	0.54
Funds Flow [1]	**(1,424)**	(126)	5,598	1,985	(3,659)	37	2,639	3,878
Per share - basic and diluted	**(0.07)**	(0.01)	0.27	0.09	(0.17)	—	0.16	0.26
Adjusted funds flow [1]	**(863)**	78	5,562	2,010	(3,314)	305	2,653	3,624
Per share - basic and diluted	**(0.04)**	0.00	0.26	0.10	(0.16)	0.01	0.16	0.24
Net (loss) income	**(5,635)**	(6,048)	(1,838)	(4,083)	(34,228)	(11,853)	(6,183)	(1,746)
Per share - basic and diluted	**(0.27)**	(0.29)	(0.09)	(0.19)	(1.62)	(0.56)	(0.38)	(0.12)
Dividends declared per share	**-**	-	—	—	0.01	0.04	0.04	0.04
Operating expenditures ($/boe)	**46.49**	30.44	23.22	21.38	35.15	30.05	29.32	35.67
Gross Capital expenditures	**859**	428	481	587	425	2,518	4,619	4,075
Government Grants received	—	—	(270)	(851)	—	(2,237)	(2,199)	—
Production Volumes								
Crude Oil (bbl/d)	**1,952**	2,023	2,047	1,996	2,642	2,839	2,600	2,744
Natural gas (mcf/d)	**3,741**	5,165	4,411	5,528	3,676	4,962	6,206	3,414
NGL (bbl/d)	**434**	701	791	865	940	1,011	734	831
Total (boe/d)	**3,009**	3,585	3,573	3,782	4,195	4,677	4,368	4,143
Sales Volumes [2]								
Crude Oil (bbl/d)	**1,907**	2,024	2,186	1,971	2,537	2,862	2,598	2,932
Natural gas (mcf/d)	**3,463**	4,461	3,362	4,287	2,954	3,563	5,123	2,396
NGL (bbl/d)	**434**	701	791	865	940	1,011	734	831
Total (boe/d)	**2,918**	3,469	3,537	3,550	3,969	4,467	4,186	4,162

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

As at *($000's)*	**Mar. 31, 2021**	**Dec. 31, 2020**	**Sept. 30, 2020**	**Jun. 30, 2020**	**Mar. 31, 2020**	**Dec. 31, 2019**	**Sep. 30, 2019**	**Jun. 30, 2019**
Total assets	**150,560**	163,709	163,857	162,412	151,031	189,158	205,873	172,367
Cash	**6,018**	1,098	2,635	1,002	2,322	1,905	3,443	5,324
Long-term debt (principal)	**62,261**	50,878	48,505	47,312	45,803	45,874	46,690	46,017
Long-term Lease obligations	**3,026**	3,294	3,679	4,222	4,469	4,744	5,150	5,108
Net debt [1]	**76,622**	72,789	68,442	71,499	72,875	66,911	66,939	60,632

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, shut ins and curtailments. Razor has worked to increase production through reactivations as well as asset acquisitions.

During the eight most recent quarters, the following items have had a significant impact on the Company's results:

- reduced spending on producing enhancing projects such as workovers and reactivations as a result of significant fluctuations in commodity prices, including WTI and Canadian oil price differentials;
- in early March 2020, and continuing into the fourth quarter of 2020, global crude oil prices started experiencing multi-decade lows coupled with extreme levels of volatility driven primarily by an unprecedented reduction in global demand due COVID-19;
- impairment losses;
- gains and losses on commodity risk management contracts; and
- timing of capital projects.

SIGNIFICANT JUDGMENTS AND ESTIMATES

USE OF ESTIMATES AND JUDGMENTS

The preparation of these condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management's estimates and judgments are continually evaluated and are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates. Judgments and estimates are reviewed on a continual basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. There have been no significant changes to the Company's use of judgments and estimates as described in the Company's December 31, 2020 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 Company's ability to continue to operate in accordance with developing public health efforts to contain COVID-19, 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 Natural Gas power 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, restarting wells, future drilling opportunities, assistance from government programs including the SRP and Canada Emergency Wage Subsidy, 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 AIMCo Term Loan and the Arena Term Loan, 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 the potential financial impact thereof and shareholder returns. Statements relating to “reserves” are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. 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. In addition, the Company cautions that COVID-19 may continue to have a material adverse effect on global economic activity and worldwide demand for certain commodities, including crude oil, natural gas and NGL, and may continue to result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could continue to affect commodity prices, interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company. The duration of the current commodity price volatility is uncertain. 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, 2020 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, including sale of inventory 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 TransCanada'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.

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. Barrels of oil equivalent 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.