RAZOR ENERGY CORP.

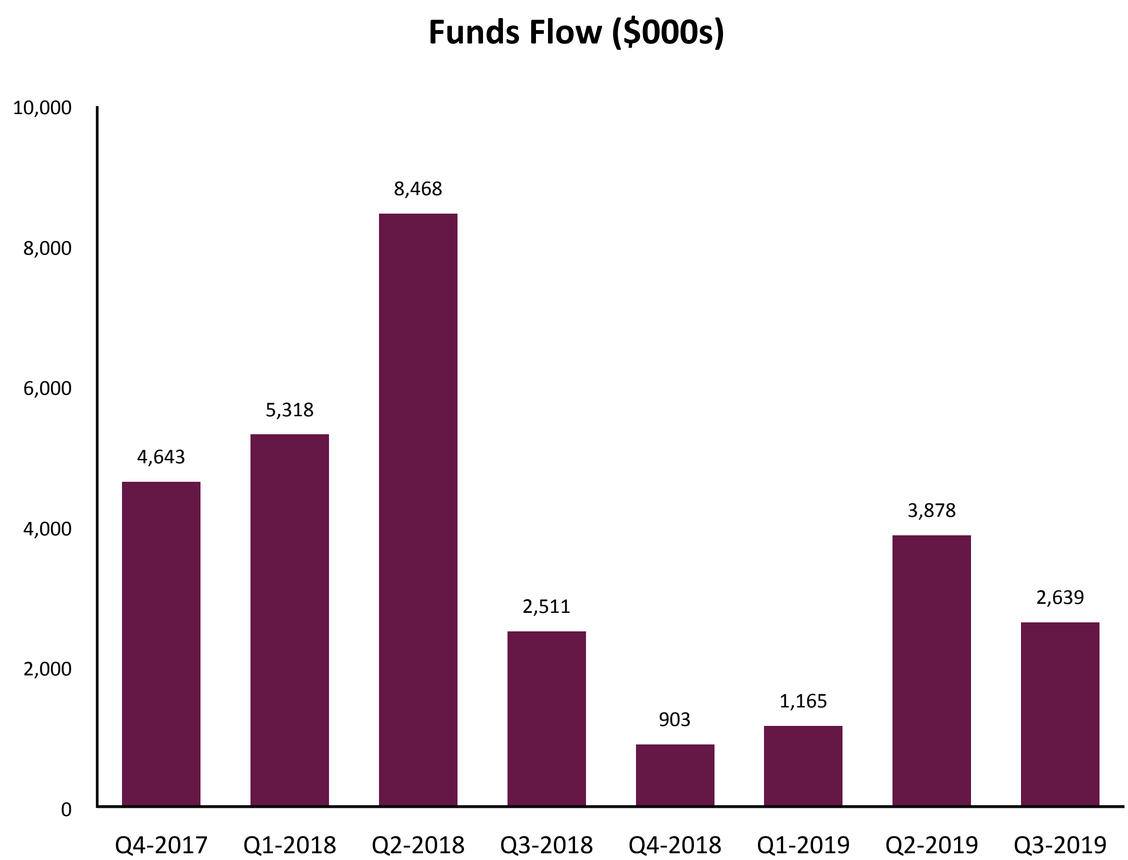
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

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.

$21.3 million	**$4.45/boe**	**$2.6 million**	**4,368 boe/d**
Q3 2019 sales and other operating revenue	**Q3 2019 operating netback**	**Q3 2019 funds flow**	**Q3 2019 net average production**



RAZOR ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 28, 2019

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 and nine months ended September 30, 2019.

This MD&A was prepared as of November 28, 2019 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2019. 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, 2018, as disclosure which is unchanged from December 31, 2018 may not be duplicated herein. Additional information, including the Company's annual information form and audited financial statements for the year ended December 31, 2018, 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.

FUTURE OPERATIONS

These 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.

As at September 30, 2019, the Company has a working capital deficit of $18.8 million, of which only $3.4 million is comprised of cash and cash equivalents. Further, in the third quarter of 2019, the Company had negative cash flow from operating activities and has contractual repayments of $37.4 million due in less than one year. The Company anticipates funding the working capital deficit and contractual repayments with a combination of cash from operations and potential new debt financing. However, the operational challenges that impacted production and operating costs along with a volatile economic environment continues to negatively impact operating cash flows 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 with terms that are acceptable to the Company.

Due to the conditions noted above there remains a material uncertainty surrounding the Company’s ability to generate adequate cash flow from operations or obtain new financing to fund the working capital deficit and contractual payments. 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.

These consolidated financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern.

COMPANY OVERVIEW

Razor is focused on shareholder returns through sustainable monthly dividends, 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 oil, natural gas, and natural gas liquids (“NGL“) production in Alberta. Razor’s full-cycle objectives have positioned the Company as a disciplined yield and growth 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 and strategic acquisitions.

Razor started operations on February 1, 2017 through an acquisition of producing assets in the Swan Hills area. On May 24, 2017, Razor added to its asset base with the acquisition of complementary assets in the Kaybob area. Throughout the remainder of 2017, 2018 and into 2019 Razor has grown through well reactivations and strategic acquisitions to further consolidate its operated working interest in these key operating areas. On September 11, 2019, Razor acquired its Southern Alberta assets through a corporate acquisition of Little Rock Resources Ltd. Razor is actively seeking and considering 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”.

LITTLE ROCK ACQUISITION

On September 11, 2019, Razor completed the strategic acquisition ("Acquisition") of Little Rock Resources Ltd. ("Little Rock") in order to provide Razor with a second core region in southern Alberta, with significant presence in the Jumpbush, Majorville, Badger, Enchant and Chin Coulee areas.

The Acquisition is valued at $13.2 million, subject to post close adjustments, including the issuance of $9.6 million in Common Shares and the assumption of Little Rock's net debt of $3.6 million (consisting of working capital deficit, director loans and convertible debentures). Little Rock adds approximately 800 boe/d of production, while independently evaluated proved developed producing reserves were 2.15 MMBoe at December 31, 2018.

Pursuant to the Acquisition, each common share of Little Rock (each, a Little Rock Share) tendered pursuant to the offer, representing 95.11% of the total issued and outstanding Little Rock Shares, was exchanged for 0.45 of a common share of Razor (each, a "Common Share") resulting in the issuance of an aggregate of 5,689,532 Common Shares valued at $1.61 per share. Razor acquired the balance of the Little Rock Shares by way of compulsory acquisition on the same terms as the original offer, resulting in the issuance of an additional 292,500 Common Shares on October 4, 2019.

Total transaction costs of $0.2 million for legal and advisory services related to the Little Rock acquisition were expensed.

SELECT QUARTERLY HIGHLIGHTS

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

($000's, except for per share amounts and production)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Production [2]				
Light Oil (bbl/d)	**2,600**	3,271	**2,669**	3,193
Gas (mcf/d) [1]	**6,206**	4,505	**4,524**	3,953
NGL (boe/d)	**734**	1,238	**866**	1,030
Total (boe/d)	**4,368**	5,260	**4,289**	4,882
Sales volumes [3]				
Light Oil (bbl/d)	**2,598**	3,271	**2,756**	3,193
Gas (mcf/d)[1]	**6,206**	4,505	**4,524**	3,953
NGL (bbl/d)	**734**	1,238	**866**	1,030
Total (boe/d)	**4,367**	5,260	**4,377**	4,882
Closing oil inventory volumes (bbls)	**11,378**	—	**11,378**	—
Revenue				
Oil and gas sales	**17,548**	28,964	**60,016**	79,105
Sale of commodities purchased from third parties	**122**	4,256	**8,576**	11,287
Blending and processing income	**2,395**	2,625	**6,968**	8,560
Other revenue	**1,232**	189	**1,857**	2,064
Total revenue	**21,297**	36,034	**77,417**	101,016
Cash flows from (used in) operating activities	**(46)**	6,424	**12,316**	15,664
Per share -basic and diluted	—	0.41	**0.79**	1.00
Funds flow [4]	**2,639**	2,511	**7,682**	16,297
Per share -basic and diluted	**0.16**	0.16	**0.49**	1.04
Adjusted funds flow [4]	**2,653**	4,198	**7,654**	18,461
Per share -basic and diluted	**0.16**	0.27	**0.49**	1.18
Net income (loss)	**(6,183)**	(2,305)	**(17,720)**	466
Per share - basic and diluted	**(0.38)**	(0.15)	**(1.14)**	0.03
Dividends per share	**0.04**	—	**0.11**	—
Capital expenditures	**2,518**	4,060	**11,212**	30,443
Netback ($/boe)				
Oil and gas sales [5]	**43.68**	59.85	**50.23**	59.35
Royalties	**(8.07)**	(13.96)	**(7.96)**	(11.75)
Operating expenses	**(29.34)**	(32.96)	**(32.49)**	(30.74)
Transportation and treating	**(1.82)**	(1.95)	**(2.16)**	(2.16)
Operating netback [4]	**4.45**	10.98	**7.62**	14.70
Income (loss) on sale of commodities purchased from third parties [4]	**0.30**	0.62	**0.01**	0.29
Net blending and processing income [4]	**4.11**	2.57	**3.56**	3.41
Realized loss on commodity contracts settlement	**(1.64)**	(1.90)	**(2.36)**	(2.73)
Other revenues	**3.07**	0.39	**1.55**	1.55
General and administrative	**(3.24)**	(3.98)	**(3.66)**	(3.35)
Interest	**(3.08)**	(2.49)	**(3.07)**	(2.54)
Corporate netback [4]	**3.97**	6.19	**3.65**	11.33

1) Gas production and sales volumes include internally consumed gas used in power generation.
2) Production volumes for the three and nine months ended September 30, 2019 includes Little Rock's daily average production from September 11 to September 30, 2019.
3) Sales volumes for the three and nine months ended September 30, 2019 includes Little Rock's daily average sales from September 11 to September 30, 2019. Sales volumes include change in inventory volumes.
4) Refer to "Non-IFRS measures".
5) Excludes the effects of financial risk management contracts but includes the effects of fixed price physical delivery contracts.

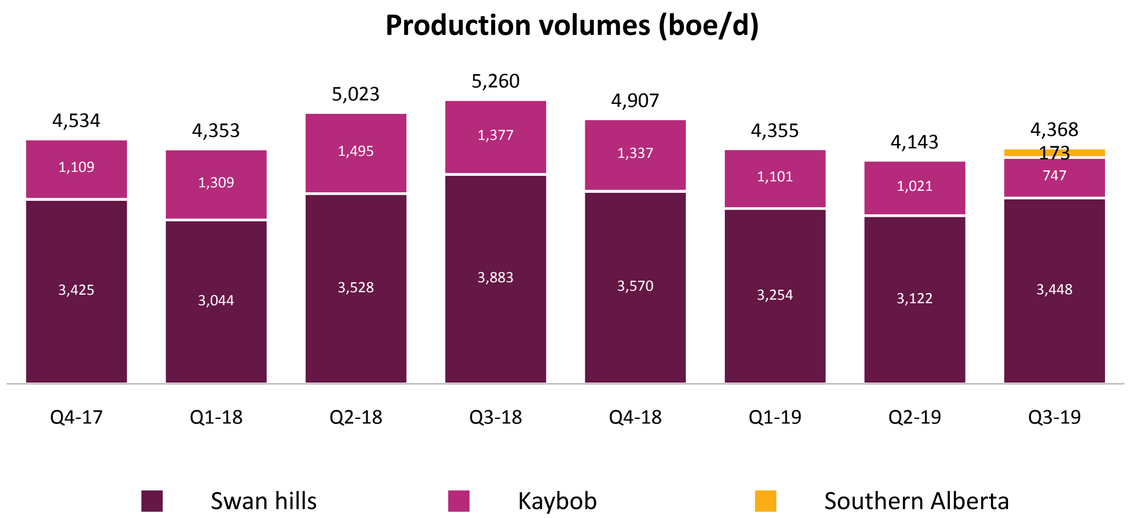
($000's, except for share amounts)	September 30, 2019	December 31, 2018
Total assets	**205,873**	157,937
Cash	**3,443**	2,239
Long-term debt (principal)	**46,690**	46,155
Minimum lease obligation	**5,150**	3,860
Net debt [1]	**66,939**	54,244
Number of shares outstanding	**20,782,966**	15,188,834

1) Refer to "Non-IFRS measures".

Q3 2019 HIGHLIGHTS

OPERATING

- Production volumes in the third quarter of 2019 averaged 4,368 boe/d, down 17% from the production volumes in the same period of 2018, 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, while 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 in the process of being repaired, and production is expected to resume early in Q1 2020.



- Reported $46 thousand of cash flows used in operating activities in the third quarter of 2019 compared to $6.4 million of cash flows from operating activities in the third quarter of 2018.
- Reported funds flow of $2.6 million in the third quarter of 2019 compared to $2.5 million in the third quarter of 2018.
- Reported a $6.2 million net loss in the third quarter of 2019 compared to a $2.3 million net loss in the same period last year.

CAPITAL

- Invested $2.5 million on its capital program in the third quarter of 2019, mainly on the well reactivation program and power generation project offset by $2.0 million of government grants.
- Reactivated 4 gross (4 net) wells during the third quarter of 2019, resulting in 70 boe/d of additional production.

DIVIDENDS

- Paid a monthly cash dividend of $0.0125 per share, for a total of $0.6 million in dividends paid in the quarter. The dividend is paid monthly and is subject to commodity prices, production levels, and other factors.

MANAGEMENT STRATEGY AND OUTLOOK

For fiscal 2019, the Board of Directors of the Company (the "Board") has approved a capital budget of $13.5 million net of grants, which includes $2.2 million of end of life expenditures. This budget allows Razor to maintain a stable production profile and continue to pay a dividend. The capital budget is reviewed continuously by management and the Board and adjusted in response to changes in light oil price assumptions, project economics, and other market opportunities. As a result of this review process and in response to lower than anticipated cash flow from operations resulting from the third-party outages, the Company anticipates that that capital spending will be approximately $10.0 million net of government grants.

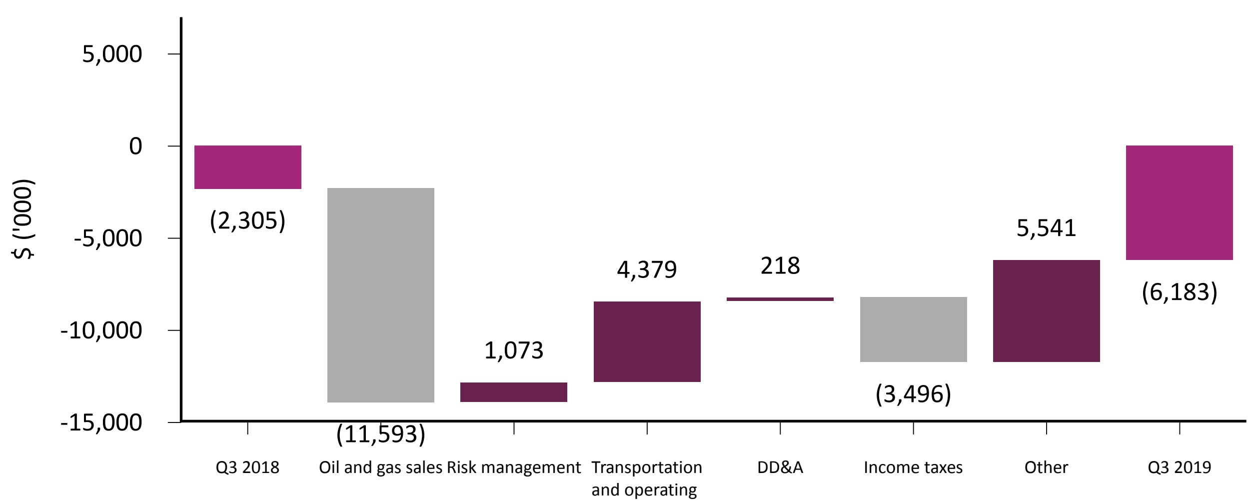
Razor is working closely with the operators of the facilities and pipelines impacting production. Gas composition issues are resolved and the third-party gas pipelines are expected to be repaired throughout Q4 2019 and Q1 2020. Uneconomic gas production will remain shut-in until gas and NGL prices improve.

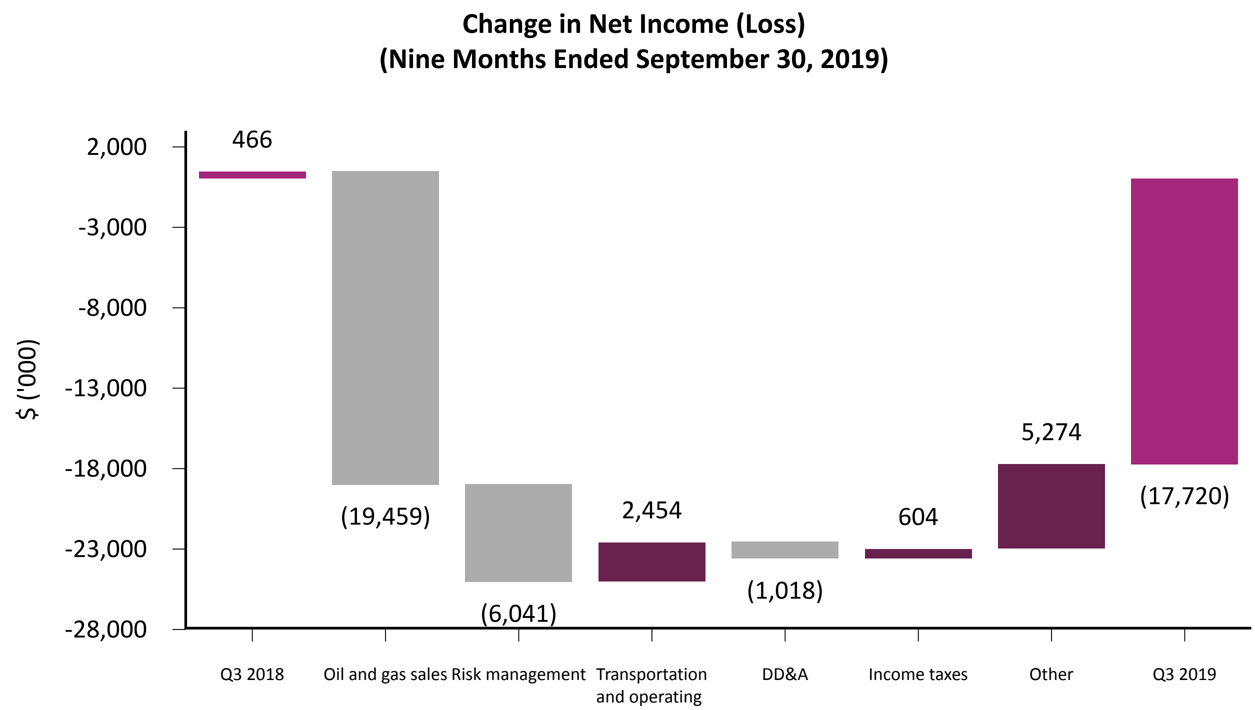
Razor expects to pursue consolidation of land and production within the Company's existing project areas, in addition to complementary shallow, light oil horizons within western Canada. In order to achieve this objective, Razor intends to continue to pursue value-driven acquisitions and is actively seeking and considering business combinations with other oil and gas producers, as well as service companies. The Company remains focused on adding to its inventory of high-quality projects to sustain longer-term growth.

NET INCOME (LOSS)

Razor realized a net loss of $6.2 million in the third quarter of 2019 as compared to a $2.3 million net loss in the same quarter of last year, mostly due to lower production and lower realized prices, offset by lower operating costs. For the first nine months of 2019, the Company recorded a net loss of $17.7 million, down from net income of $0.5 million in the same period last year, mostly due to an incremental $6.0 million loss on commodity risk management contracts and lower production and commodity prices.

Change in Net Loss
(Three Months Ended September 30, 2019)





VOLUMES

Sales volumes in the third quarter of 2019 averaged 4,367 boe/d, down 17% from the sales volumes in the same period in 2018 as production volumes declined due to operational challenges.

Production averaged 4,368 boe/d in Q3 2019 down 17% from the same quarter in 2018 and up 5% in comparison to Q2 2019 due to a one-time third-party gas volume adjustment in Q3 2019. Production in the third quarter of 2019 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 early in Q1 2020.

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 and nine months ended September 30, 2019 was 1,315 mcf/d and 1,185 mcf/d, respectively.

Due to the unprecedented discounts on Western Canadian Light Sweet Oil ("MSW") in the fourth quarter of 2018, Razor did not sell all of its produced oil, instead Razor temporarily stored it in existing surface tanks which established material inventory. MSW differentials and WTI pricing improved significantly in 2019 and the Company has been reducing its inventory levels. As at September 30, 2019, Razor had 11,378 bbls of light oil inventory (December 31, 2018 - 35,267 bbls), with none of the oil inventory being attributable to the acquired Little Rock properties.

Production represents gross production before royalties, unless noted otherwise.

Production (boe/d)[2]	Three Months Ended September 30, 2019	2018	Nine Months Ended September 30, 2019	2018
Light oil (bbl/d)	**2,600**	3,271	**2,669**	3,193
Gas (mcf/d)[1]	**6,206**	4,505	**4,524**	3,953
NGL (bbl/d)	**734**	1,238	**866**	1,030
Total (boe/d)	**4,368**	5,260	**4,289**	4,882

1) Gas production for the three and nine months ended September 30, 2019 includes 1,315 mcf/d and 1,185 mcf/d, respectively, of internally consumed gas in power generation.
2) Production volumes for the three and nine months ended September 30, 2019 includes Little Rock's daily average sales from September 11 to September 30, 2019.

Production (boe/d)[1]	Three Months Ended September 30, 2019	2018	Nine Months Ended September 30, 2019	2018
Swan Hills	**3,448**	3,883	**3,275**	3,488
Kaybob	**747**	1,377	**956**	1,394
Southern Alberta	**173**	—	**58**	—
Total	**4,368**	5,260	**4,289**	4,882

1) Production volumes for the three and nine months ended September 30, 2019 includes Little Rock's daily average sales from September 11 to September 30, 2019.

Sales volumes (boe/d)[2]	Three Months Ended September 30, 2019	2018	Nine Months Ended September 30, 2019	2018
Light oil (bbl/d)	**2,598**	3,271	**2,756**	3,193
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Swan Hills	**3,448**	3,883	**3,344**	3,488
Kaybob	**746**	1,377	**975**	1,394
Southern Alberta	**173**	—	**58**	—
Total	**4,367**	5,260	**4,377**	4,882

1) Sales volumes for the three and nine months ended September 30, 2019 includes Little Rock's daily average production from September 11 to September 30, 2019. Sales volumes include change in inventory volumes.

Inventory (bbls)	Nine Months Ended September 30, 2019	2018
Opening light oil inventory	**35,267**	—
Inventory movement	**(23,889)**	—
Closing light oil inventory	**11,378**	—
Inventory movement (bbl/d)	**(132)**	—

COMMODITY PRICES AND BUSINESS ENVIRONMENT

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Average selling price								
Oil price ($/bbl)	**64.19**	76.48	65.10	43.63	80.80	79.71	69.76	68.14
NGL price ($/bbl)	**24.24**	28.14	30.98	28.86	35.70	34.37	35.89	34.72
Gas price ($/mcf)	**1.01**	1.06	2.56	2.03	1.86	1.74	2.42	1.85
Average benchmark prices and foreign exchange rates								
OIL ($/bbl)								
WTI (USD)	**56.44**	59.80	54.83	59.10	69.75	68.05	62.91	55.35
WTI (CAD)	**74.53**	80.01	72.90	77.98	91.17	87.87	79.58	70.39
MSW (Light Sweet Oil - Edmonton)	**68.32**	73.84	66.34	40.58	78.54	78.90	72.30	68.68
WTI vs MSW oil differential (CAD/bbl)	**(6.22)**	(6.16)	(6.57)	(37.40)	(12.63)	(8.98)	(7.27)	(1.72)
WTI vs MSW oil differential (%)	**(8)%**	(8)%	(9)%	(48)%	(14)%	(10)%	(9)%	(2)%
NATURAL GAS (CAD/mcf)								
AECO NGX AB-5a [1]	**0.84**	1.02	2.59	1.57	1.19	1.25	2.08	1.70
ELECTRICITY ($/MWh)								
AESO Pool price	**46.87**	56.57	69.46	55.52	54.65	56.01	34.92	22.46
CAD/USD EXCHANGE RATE	**0.76**	0.75	0.75	0.76	0.76	0.78	0.79	0.79

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 third quarter and for the first nine months of 2019 in comparison to the same periods in 2018. West Texas Intermediate ("WTI") averaged CAD $74.53/bbl in the third quarter of 2019, a 7% decrease from Q2 2019 and a 18% decrease from the same period in 2018. In the first nine months of 2019 WTI averaged CAD $75.81/bbl down 12% from the same period a year ago. The prices received by the Company for its oil production is primarily driven by the price of WTI, adjusted to Western Canadian Light Sweet Oil ("MSW"). In the third quarter of 2019 the differential between WTI and MSW decreased to 8% from 48% in Q4 2018 and was on par with Q1 2019 and Q2 2019. For the first nine months of 2019 the WTI to MSW differential averaged 8% slightly down from the 11% in the same period of 2018. The decrease in the differential between WTI and MSW is primarily due to both the refinery capacity coming back online after their seasonal turnarounds and the government of Alberta mandated production curtailment, which is intended to reduce the backlog of oil in Alberta caused by export pipeline capacity constraints.

Razor realized an oil price of $64.19 per barrel during the third quarter of 2019, which was a 14% discount to the WTI (CAD) price and is up from the 4% and 11% discounts in Q1 2019 and Q2 2019, respectively, partially due to lower average oil quality realized by the Company as a result of the Little Rock acquisition in Q3 2019, as well as timing of monthly sales contracts. For the nine months ending September 30, 2019 the Company realized oil price was down 12% from the same period of 2018 mostly due to a lower WTI index price.

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 third quarter of 2019, was down by 29% as compared to the same period in 2018 due to significant decrease in demand for natural gas, however, for the first nine months of 2019 the price averaged CAD $1.48/mcf and was on par compared the same period in 2018.

Sales of NGL is primarily comprised of ethane, propane, butane, pentane, and condensate. The Company's realized price for NGL during the third quarter and first nine months of 2019 decreased 32% and 22%, respectively, from their comparative periods in 2018, mostly due to lower realized condensate prices and weak butane prices.

Electricity costs have a significant impact on the Company's results, as electricity accounts for 25% of operating expense. Average electricity pool prices in the third quarter of 2019 decreased by 14% from the same quarter in 2018, and decreased by 17% in comparison to Q2 2019. Razor is operating a natural gas-powered electricity generation program and has reduced its reliance on grid-based electricity.

COMMODITY PRICE RISK

Razor monitors its exposure to variations in commodity prices and on occasion enters into physical contracts and derivative financial instruments to reduce its exposure to unfavourable movements in commodity prices. The terms of these contracts or instruments may limit the benefit of favourable changes in commodity prices and may result in financial or opportunity cost. The Company hedges a portion of its future production to protect cash flows to allow it to meet its strategic objectives. The Company does not apply hedge accounting for these contracts.

As at September 30, 2019, Razor had the following derivative contracts outstanding:

Reference point	Volume (bbls)	Remaining Term	Price USD/bbl	Fair Value (CAD 000's)
Oil - Long Call				
NYMEX WTI financial futures	45,000	Oct-19	69.00	—
Oil - Long Put				
NYMEX WTI financial futures	150,000	Oct-19	45.00	4
NYMEX WTI financial futures	50,000	Oct-19	52.50	48
NYMEX WTI financial futures	105,000	Nov-19	45.00	44
NYMEX WTI financial futures	45,000	Nov-19	47.00	32
NYMEX WTI financial futures	105,000	Dec-19	45.00	100
NYMEX WTI financial futures	45,000	Jan-20	45.00	69
NYMEX WTI financial futures	25,000	Feb-20	45.00	52
				349

As at September 30, 2019, the Company fair valued the oil and gas commodity contracts with an asset of $0.5 million (September 30, 2018 - liability of $1.5 million) on the Statement of Financial Position and recorded an unrealized loss of $7.7 million in earnings for the nine months ended September 30, 2019 (September 30, 2018 - unrealized loss of $0.9 million).

In order to mitigate price fluctuations for the gas consumed internally for operations, Razor had entered into physical gas contracts. As at September 30, 2019, the Company had the following contracts outstanding:

Reference point	Type	Volume (GJ/d)	Term	Price per GJ (CAD)	Fair Value (CAD 000's)
Natural gas - fixed price physical contracts					
AECO	Buy	1,250	Oct-Dec 2019	1.41	93
AECO	Buy	1,250	Jan-Dec 2020	1.45	74
					167

NETBACKS

($/boe)[2]	Three Months Ended September 30, 2019	2018	Nine Months Ended September 30, 2019	2018
Oil and gas sales	**43.68**	59.85	**50.23**	59.35
Royalty	**(8.07)**	(13.96)	**(7.96)**	(11.75)
Operating expenses	**(29.34)**	(32.96)	**(32.49)**	(30.74)
Transportation and treating	**(1.82)**	(1.95)	**(2.16)**	(2.16)
Operating netback [1]	**4.45**	10.98	**7.62**	14.70
Income (loss) on sale of commodities purchased from third parties[1]	**0.30**	0.62	**0.01**	0.29
Net blending and processing income [1]	**4.11**	2.57	**3.56**	3.41
Realized gain (loss) on commodity contracts settlement	**(1.64)**	(1.90)	**(2.36)**	(2.73)
Other revenues	**3.07**	0.39	**1.55**	1.55
General and administrative	**(3.24)**	(3.98)	**(3.66)**	(3.35)
Interest	**(3.08)**	(2.49)	**(3.07)**	(2.54)
Corporate netback [1]	**3.97**	6.19	**3.65**	11.33

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

During the third quarter of 2019, the Company realized an average operating netback of $4.45/boe down 59% from the third quarter of 2018 due to lower realized prices, decreased production volumes and higher per boe operating expenses. For the first nine months of 2019 the operating netback was down 49% from the same period in 2018, as a result of lower realized prices which were down 13% and a decrease in sales volumes of 10%.

Royalty rates averaged 18% in the third quarter of 2019 as compared to 23% for the same period in 2018. For the first nine months of the year, royalties averaged 16%, down from 20% in the same period last year. This decrease in royalties is mostly due to the decrease in commodity prices and production volumes.

Operating expenses decreased 11%, on a per boe basis, in the third quarter of 2019 compared to the same period in 2018, and decreased 26% on a total dollar basis, mostly due to lower workover and facility and pipeline integrity work. Workovers and facility and pipeline integrity expenses averaged $6.98/boe in the third quarter of 2019 down 25% from $9.26/boe in the same quarter of 2018. For the nine months of the year, operating costs averaged 6% higher, on a per boe basis, as compared to the same period last year, mostly due to decreasing production volumes. On a dollar basis, opex was down 5%, due to lower workovers and facility and pipeline integrity expenses which decreased 9%.

The top cost drivers, fuel and electricity, labour, property taxes, and repairs and workovers, accounted for 66% of total operating expenses in the third quarter of 2019 (82% in Q3 2018). Environmental cleanup costs accounted for 15% of operating costs in Q3 2019 as compared to less than 1% in the same quarter of 2018, mostly due to cleanup costs as a result of an injection line failure.

Electricity and fuel decreased 27% in Q3 2019 as compared to the same quarter of last year mostly due to lower average electricity pool prices, which decreased 14% in the same period, and decreased reliance on compressed gas and lower production levels.

Downhole workover costs accounted for only 3% of opex in Q3 2019 down from 19% in Q3 2018. Similarly facility and pipeline maintenance costs decreased 47% in Q3 2019 from Q3 2018, accounting for 16% of operating expenses in Q3 2019.

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

($000's)	Three Months Ended September 30, 2019	2018	Nine Months Ended September 30, 2019	2018
Sales of commodities purchased from third parties	**122**	4,256	**8,576**	11,287
Commodities purchased from third parties	**—**	(3,957)	**(8,564)**	(10,905)
Income (loss) on sale of commodities purchased from third parties [1]	**122**	299	**12**	382
($/boe)[2]	**0.30**	0.62	**0.01**	0.29

1) Refer to "Non-IFRS measures".
2) $/boe amounts are calculated using sales volumes.

In 2018, the Company began marketing its own light oil production. Periodically, Razor purchases commodity products from third parties in order to fulfill its sales commitments.

BLENDING AND PROCESSING INCOME

($000's)	Three Months Ended September 30, 2019	2018	Nine Months Ended September 30, 2019	2018
Blending and processing income	**2,395**	2,625	**6,968**	8,560
Blending and processing expenses	**(742)**	(1,380)	**(2,712)**	(4,019)
Net blending and processing income [1]	**1,653**	1,245	**4,256**	4,541
($/boe)[2]	**4.11**	2.57	**3.56**	3.41

1) Refer to "Non-IFRS measures".
2) $/boe amounts are calculated using sales volumes.

Net blending and processing income was up 33% in the third quarter of 2019 as compared to Q3 2018, or an 81% increase on a per boe basis, mostly due to lower input prices, resulting in gross margins increasing from 47% in Q3 2018 to 69% in Q3 2019. For the first nine months of the year as compared to the same period of last year, blending and processing gross margins increased to 61% in 2019 as compared to 53% for the first nine months of 2018, mostly due to decreased input prices offset by lower sales prices.

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

($000's)	Three Months Ended September 30, 2019	2018	Nine Months Ended September 30, 2019	2018
Gross G&A	**2,357**	2,663	**6,734**	6,992
Overhead recoveries	**(648)**	(647)	**(1,751)**	(2,019)
Capitalized G&A	**(409)**	(91)	**(610)**	(507)
Net G&A	**1,300**	1,925	**4,373**	4,466
($/boe)[1]	**3.24**	3.98	**3.66**	3.35

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

The Company's gross G&A costs in the third quarter of 2019 decreased 11% from the same quarter of 2018 , and down 4% in the first nine months of 2019 as compared to the same period of 2018, mostly due to decreased employee and consulting costs.

FINANCING COSTS

The components of financing costs are summarized below.

($000's)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Interest expense	**1,236**	1,204	**3,665**	3,383
Amortization of deferred financing costs	**281**	287	**834**	835
Accretion	**350**	485	**1,096**	1,336
	1,867	1,976	**5,595**	5,554
($/boe)[1]				
Interest expense	**3.08**	2.49	**3.07**	2.54
Amortization of deferred financing costs	**0.70**	0.59	**0.70**	0.63
Accretion	**0.87**	1.00	**0.92**	1.00
	4.65	4.08	**4.69**	4.17

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 3% in the first nine months of 2019 as compared to the same period of 2018 due to increased long-term debt and lease obligations, and new IFRS 16 accounting policy resulting in interest expense on lease liability. Implementation of IFRS 16 accounted for $25.7 thousand of the increase in the first nine months of 2019. Accretion, which relates to the time value change of the Company's decommissioning obligations, decreased in 2019 as compared to the same periods of last year due to the decrease in the risk-free interest rate used to discount the decommissioning obligations.

DEPLETION, DEPRECIATION AND AMORTIZATION

($000's)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Depletion, depreciation and amortization	**4,538**	4,756	**13,310**	12,292
($/boe)[1]	**11.30**	9.83	**11.14**	9.22

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

DD&A expense was down 5% for the third quarter of 2019 from Q3 2018 mainly due to the decrease in production volumes. However, DD&A expense is still up 8% for the first nine months of 2019 as compared to the same period last year due to higher per unit basis DD&A which increased by 15% in the third quarter of 2019 and 21% for the first nine months of 2019 as compared to the same periods of 2018, due to an increase in net capital asset values, as well as increased future development costs.

CAPITAL EXPENDITURES

($000's)	Three Months Ended September 30, 2019	2018	Nine Months Ended September 30, 2019	2018
Reactivations, recompletions and optimizations	**630**	315	**4,352**	4,724
Drilling	**—**	(311)	**—**	7,929
Pipelines and injection management	**250**	1,243	**1,475**	5,579
Facilities and other	**170**	946	**1,100**	1,682
Finding and development related capital	**1,050**	2,193	**6,927**	19,914
Field equipment	**200**	—	**1,290**	—
Power generation	**1,239**	1,028	**2,270**	8,451
Information technology systems	**14**	719	**306**	1,390
Operational enhancement related capital	**1,453**	1,747	**3,866**	9,841
Corporate related capital expenditures	**15**	120	**419**	688
Gross capital expenditures	**2,518**	4,060	**11,212**	30,443
Government grants on assets	**(1,980)**	—	**(4,436)**	—
Net capital expenditures	**538**	4,060	**6,776**	30,443

In the third quarter of 2019, the Company reactivated a total of 4 gross (4 net) wells, resulting in production of 70 boe/d. The reactivation capital includes 2 Swan Hills reactivations and 2 Kaybob reactivations.

During third quarter of 2019, Razor invested $4.0 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. The Company received $2.0 million from NRCAN in the quarter.

Razor has been building up its field equipment fleet since Q4 2018 in order to internalize certain field services such as road maintenance and trucking.

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity is managed through cash, debt and equity management strategies, when available. Razor manages its liquidity requirements by use of both short-term and long-term cash forecasts.

Given the volatile economic environment, and operational challenges that affected production and operating costs, there exists significant uncertainty as pertains to cash flow projections and could manifest into future covenant violations. In response, Razor has obtained an amendment to the financial covenants from AIMCo for the December 31, 2019 financial covenant calculation. The Company is dependent on the ongoing support of AIMCo through to its contractual maturity of January 2021.

Razor also plans to reduce the working capital deficit through either corporate acquisitions, amalgamations or debt and/or equity financings. See "Future Operations" section of the MD&A.

It is anticipated that Razor's capital and operating activities will be funded through cash flow from operations and existing cash and cash equivalents. Any significant acceleration of development activities or acquisition of additional oil and gas properties could 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.

At September 30, 2019, Razor's Net Debt[1] was $66.9 million, of which the Amended Term Loan Facility of $45.0 million does not become due until January 31, 2021, at which point the Company intends to use retained cash flows from operations, debt financing, equity or a combination thereof to satisfy the Company's debt obligation.

SOURCES AND USES OF CASH

Cash decreased from $5.5 million as at September 30, 2018 to $3.4 million as at September 30, 2019. Major movements are outlined in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000's)	**2019**	**2018**	**2019**	**2018**
Adjusted funds flow [1]	**2,653**	4,198	**7,654**	18,461
Proceeds from long-term debt	**—**	—	**1,235**	4,361
Proceeds of financing lease	**—**	1,021	**—**	16,021
Proceeds from government grants	**1,980**	—	**4,436**	—
Proceeds of resource property dispositions	**—**	—	**—**	800
Cash sourced	**4,633**	5,219	**13,325**	39,643
Capital expenditures	**(2,518)**	(4,060)	**(11,212)**	(30,443)
Decommissioning costs incurred	**(14)**	(1,687)	**28**	(2,164)
Property acquisitions	**(168)**	272	**(256)**	(3,878)
Finance costs	**(1,266)**	(1,204)	**(3,695)**	(3,573)
Repayment of lease obligation	**(186)**	(248)	**(797)**	(248)
Repayment of long-term debt	**(71)**	—	**(208)**	—
Repayment of director loans [2]	**(528)**	—	**(528)**	—
Common shares repurchased	**—**	(947)	**(228)**	(947)
Dividends declared	**(637)**	—	**(1,774)**	—
Restricted cash	**1,073**	(102)	**1,810**	(863)
Cash used	**(4,315)**	(7,976)	**(16,860)**	(42,116)
	318	(2,757)	**(3,535)**	(2,473)
Changes in non-cash working capital	**(2,217)**	4,708	**4,824**	431
Foreign currency translation	**18**	(40)	**(85)**	83
Change in cash position	**(1,881)**	1,911	**1,204**	(1,959)
Cash, beginning of period	**5,324**	3,617	**2,239**	7,487
Cash, end of period	**3,443**	5,528	**3,443**	5,528

1) Refer to "Non-IFRS Measures".
2) Repayment of director loans relates to the Little Rock acquisition.

NORMAL COURSE ISSUER BID ("NCIB")

On September 13, 2018, Razor began a Normal Course Issuer Bid (the "NCIB") to repurchase up to 772,442 of its outstanding common shares. Under this NCIB, 355,400 common shares were repurchased in open market transactions on the TSXV at a weighted average cost of $2.48 per share. The NCIB expired on September 13, 2019.

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. 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 third quarter of 2019, no shares were repurchased. During the nine months ended September 30, 2019, the Company repurchased 95,400 of its common shares (during three and nine months ended September 30, 2018 - 318,700 shares repurchased).

SHARE CAPITAL

As at September 30, 2019, the Company had a total of 20,782,966 common shares outstanding. Subsequent to quarter end, 292,500 shares were issued as a result of the Little Rock acquisition, and 11,000 shares were repurchased and cancelled under the NCIB. As at November 28, 2019, the Company had a total of 21,064,466 common shares outstanding.

DIVIDENDS

Razor pays a monthly cash dividend of $0.0125 per share. During the nine months ended September 30, 2019, Razor paid out a total of $1.8 million. The dividend is paid monthly and is subject to commodity prices, production levels, and other factors.

On October 2, 2019, Razor announced a cash dividend of $0.0125 per share, payable on October 31, 2019.

On November 5, 2019, Razor announced a cash dividend of $0.0125 per share, payable on November 29, 2019.

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 and adoption of New Accounting Standards

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 8.95% 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.

Effective January 1, 2019, Razor applied IFRS 16 accounting policy and recognized its office lease contracts and certain land surface leases as a right-of-use (ROU) assets on a lease-by-lease basis, amortized based on the lease term or expected life of their respective operating area.

Effective January 1, 2019, Razor applied IFRS 16 accounting policy and recognized its office lease contracts and certain land surface leases as a right-of-use (ROU) assets on a lease-by-lease basis. Lease liability is discounted with an effective interest rate of 6.1% and right-of-use asset is amortized based on the lease term or expected life of their respective operating area.

According to IFRS 16, Razor separates the lease components from non-lease components. Any additional payment for the operating costs is a non-lease component and is accounted for as a rent expense. The asset amount was recognized equal to the lease liability for the following contracts:

– In 2017, Razor has entered into a fixed contract for office space for a period of 5 years and 1 month. There is no renewal option in the lease agreement.

– In addition, Razor has entered into a fixed contract for warehouse space and field office space for a period of 3 years. For these contracts, Razor has the option to renew the lease if required. At this time Razor has assumed that these leases will not be renewed.

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

Subsequent to quarter end, the covenants were amended and 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 8:1 for 2019, and 3:1 for each year thereafter, measured on December 31 of each year; and
- a minimum working capital ratio of 0.25:1 for 2019, and 1:1 for each year thereafter, measured on December 31 of each year.

As at September 30, 2019, Razor was in compliance with all of its non-financial debt covenants.

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 September 30, 2019 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	**28,535**	28,535	—	—	—
Convertible debentures	Yes-Liability	**744**	744	—	—	—
Amended Term Loan Facility	Yes-Liability	**45,000**	—	45,000	—	—
Promissory notes	Yes-Liability	**946**	291	641	14	—
Minimum lease obligation	Yes-Liability	**5,813**	1,947	3,407	459	—
Interest payable [2 3]	No	**7,881**	5,667	2,214	—	—
Lease operating costs	No	**547**	50	199	199	99
Transportation services	No	**1,537**	131	297	98	1,011
Processing services	No	**132**	67	65	—	—
Total		**91,135**	**37,432**	**51,823**	**770**	**1,110**

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.

Effective January 1, 2019, Razor applied IFRS 16 accounting policy and recognized its office lease contracts and certain land surface leases as a right-of-use (ROU) assets on a lease-by-lease basis, amortized based on the lease term or expected life of their respective operating area.

The Company has an annual commitment with the Alberta Energy Regulator ("AER") to either suspend, reactivate, or abandon non-compliant inactive wells, under the Inactive Well Compliance Program ("IWCP"). As at September 30, 2019, the Company had 20 wells remaining in the IWCP that it needs to address before March 31, 2020. The Company continues to invest in end-of-life well and facility decommissioning.

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 without merit. 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 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 and abandonment costs. 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 September 30,		Nine Months Ended September 30,	
($000's)	**2019**	**2018**	**2019**	**2018**
Cash flow from (used in) operating activities	**(46)**	6,424	**12,316**	15,664
Changes in non-cash working capital	**2,685**	(3,913)	**(4,634)**	633
Funds flow	**2,639**	2,511	**7,682**	16,297
Decommissioning costs incurred	**14**	1,687	**(28)**	2,164
Adjusted funds flow	**2,653**	4,198	**7,654**	18,461

OPERATING NETBACK

Operating netback is a measure that represents sales net of royalties and operating expenses and excludes the effects of hedges using financial instruments but includes the effects of fixed price physical delivery contracts. 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 principal amount of the long-term debt (includes Amended Term Loan Facility and Promissory Note) 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	September 30,	December 31,
($000's)	2019	2018
Long-term debt	**44,165**	43,553
Long-term lease obligation	**3,492**	2,843
Working capital:		
Current assets	**18,384**	20,904
Less current liabilities	**37,150**	20,487
Commodity contracts	**516**	8,265
Net debt	**66,939**	54,244

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

The carrying value and fair value of the Company's financial instruments at September 30, 2019 are as follows:

($000's)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	**3,443**	3,443
Accounts receivable	**11,901**	11,901
Accounts payable and accrued liabilities	**29,651**	29,651
Promissory Notes	**946**	1,007
Convertible debentures	**744**	744
Amended Term Loan Facility	**43,512**	43,062

MARKET RISK

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

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

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 credit losses in the collection of accounts receivable to date.

The Company's accounts receivables of $11.9 million at September 30, 2019 (December 31, 2018 - $6.1 million) are non-interest bearing. The Company's receivables are summarized as follows:

($000's)	**September 30, 2019**	**December 31, 2018**
Trade receivables	**8,950**	4,032
Joint venture receivables	**2,951**	2,037
	11,901	6,069

The majority of the credit exposure on trade receivables as at September 30, 2019, pertains to revenue for accrued September 2019 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)	September 30, 2019	December 31, 2018
Current (less than 30 days)	**10,375**	4,348
31 to 90 days	**63**	701
Over 90 days	**1,463**	1,020
Total receivables	**11,901**	6,069

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 Note. See Note 9.

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

($000's, except for per share amounts and production)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Total revenue and other income	**21,297**	27,870	28,250	21,883	36,034	40,140	24,842	24,516
Total revenues net of royalties	**18,053**	24,397	25,454	17,996	29,279	36,205	19,868	19,912
Cash flows from (used in) operating activities	**(46)**	8,263	4,099	6,696	6,424	3,783	5,457	4,404
Per share - basic and diluted	**—**	0.54	0.27	0.44	0.41	0.24	0.35	0.28
Funds Flow [1]	**2,639**	3,878	1,165	903	2,511	8,468	5,318	4,643
Per share - basic and diluted	**0.16**	0.26	0.08	0.06	0.16	0.54	0.34	0.30
Adjusted funds flow [1]	**2,653**	3,624	1,377	1,974	4,198	8,733	5,530	6,281
Per share - basic and diluted	**0.16**	0.24	0.09	0.13	0.27	0.55	0.35	0.40
Net (loss) income	**(6,183)**	(1,746)	(9,791)	3,774	(2,305)	2,504	267	2,256
Per share - basic and diluted	**(0.38)**	(0.12)	(0.64)	0.25	(0.15)	0.16	0.02	0.14
Dividends declared per share	**0.04**	0.04	0.04	0.20	—	—	—	—
Operating expenditures ($/boe)	**29.34**	34.12	34.05	24.53	32.96	32.63	27.51	24.53
Capital expenditures	**2,518**	4,619	4,075	3,315	4,060	11,981	14,402	3,670
Production Volumes [2]								
Light Oil (bbl/d)	**2,600**	2,744	2,664	2,995	3,271	3,274	3,032	2,917
Gas (mcf/d)	**6,206**	3,414	3,929	3,225	4,505	4,056	3,286	3,299
NGL (bbl/d)	**734**	831	1,036	1,374	1,238	1,074	774	1,067
Total (boe/d)	**4,368**	4,143	4,355	4,907	5,260	5,023	4,353	4,534
Sales Volumes [3]								
Light Oil (bbl/d)	**2,598**	2,932	2,741	2,611	3,271	3,274	3,032	2,917
Gas (mcf/d)	**6,206**	3,414	3,929	3,225	4,505	4,056	3,286	3,299
NGL (bbl/d)	**734**	831	1,036	1,374	1,238	1,074	774	1,067
Total (boe/d)	**4,367**	4,332	4,432	4,523	5,260	5,023	4,353	4,534

1) Refer to "Non-IFRS measures".
2) Production volumes for the three and nine months ended September 30, 2019 includes Little Rock's daily average production from September 11 to September 30, 2019.
3) Sales volumes for the three and nine months ended September 30, 2019 includes Little Rock's daily average production from September 11 to September 30, 2019. Sales volumes include change in inventory volumes.

As at *($000's)*	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep.30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
Total assets	**205,873**	172,367	166,120	157,937	163,114	165,291	160,887	133,904
Cash	**3,443**	5,324	4,540	2,239	5,528	3,617	13,105	7,487
Long-term debt (principal)	**46,690**	46,017	46,311	46,155	46,021	45,000	45,000	30,000
Lease obligations	**5,150**	5,108	5,042	3,860	4,113	4,361	—	—
Net debt [1]	**66,939**	60,632	57,213	54,244	49,411	43,984	39,744	24,376

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 up 5% in Q3 2019 from Q2 2019 primarily due to third-party one-time gas volume adjustment.

Q3 2019 funds flow decreased 47% from Q2 2019 due to decrease in revenues as a result of decreased production and lower commodity pricing with Q3 2019 MSW oil price averaging 8% lower than in the second quarter of 2019.

Razor realized a net loss of $6.2 million in the third quarter of 2019 as compared to a $1.7 million net loss in Q2 2018, primarily due to lower revenues partially offset by lower expenses.

Total assets increased in Q3 2019 from prior quarter predominantly due to the corporate acquisition of Little Rock Resources Ltd. in Q3 2019 and an increase in capital assets as an offset to the increase in the decommissioning obligation as a result of decreasing long-term risk-free interest rates.

CHANGES IN ACOUNTING POLICIES

The unaudited interim condensed consolidated financial statements are prepared following the same accounting policies used in the Company's audited consolidated financial statements as at December 31, 2018, except as described below.

GOVERNMENT GRANTS

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. If a grant is received but compliance with any attached condition is not achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the grant relates to an expense item, it is recognized as income in the period in which the costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and then subsequently in net income (loss) over the expected useful life of the related asset through lower charges to impairment and/or depletion, depreciation and amortization.

LEASES

The Company applied IFRS 16 with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information before the initial application has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 9.

At inception of a contract, Razor assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after January 1, 2019.

The Company may elect not to apply the lessee accounting model to:

- leases with a lease term of 12 months or less that do not contain a purchase option; and
- leases for which the underlying asset is of low value when it is new.

At inception or on reassessment of a contract that contains a lease component, Razor allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. For the leases of building spaces in which it is a lessee, Razor has elected to separate non-lease components, and account for the lease and non-lease components as a separate lease component. Any additional payment for the operating costs is a non-lease component and is accounted for as a rent expense.

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, Razor uses its incremental borrowing rate as the discount rate.

The Company recognizes a right-of-use (ROU) asset on a lease-by-lease basis as the amount equal to the lease liability on January 1, 2019 with no impact to retained earnings. The right-of-use asset is subsequently depreciated using the straight-line method from the initial application date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The following table show the impact of IFRS 16 implementation on opening balances:

($000's)	**January 1, 2019**
Right-of-use asset	339
Lease liabilities	(467)
Other liabilities	128
Retained earnings	—

The following table shows the impact of IFRS 16 implementation on the operating lease commitments previously disclosed:

($000's)	
Operating lease commitments at December 31, 2018 as disclosed in the Company's consolidated financial statements	**1,116**
Non-lease component included in the above	**(731)**
Lease component of lease commitment at December 31, 2018	**385**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**346**
Add: lease liabilities recognized on adoption of IFRS 16	**121**
Lease liability recognized at January 1, 2019	**467**

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

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, 2018 MD&A, other than those judgments made as a part of the adoption of new accounting standards and policies in the second quarter of 2019, as described under Changes in Accounting Policies.

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, 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, maintaining a dividend, 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, 2018 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.

INDEPENDENT RESERVES EVALUATION

Estimates of Little Rock's reserves, as at December 31, 2018 are based upon the report prepared by GLJ Petroleum Consultants Ltd., dated February 1, 2019 (the "Little Rock Reserves Report"). The Little Rock Reserves Report was prepared in accordance with the Canadian Oil and Gas Evaluation Handbook requirements and National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

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.