RAZOR ENERGY CORP.

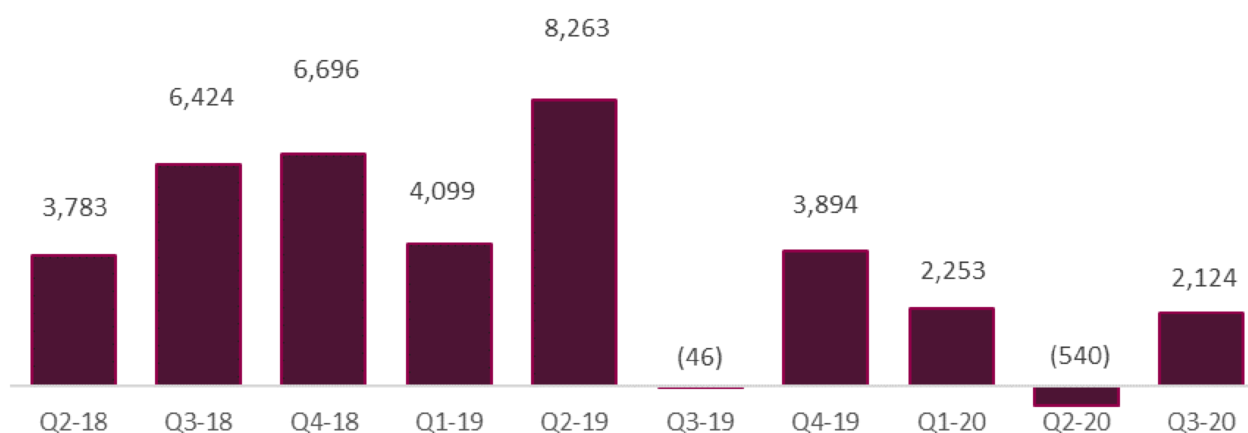
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

RAZOR AT A GLANCE

Razor Energy Corp. ("Razor" or the "Company") is a publicly listed company incorporated in the province of Alberta, Canada and its shares are listed on the TSX Venture Exchange ("**TSXV**"). The address of its head office is 800, 500-5th Avenue SW, Calgary, Alberta, Canada, T2P 3L5. Razor is engaged in the exploration, development and production, and the acquisition of oil and natural gas properties in Alberta. The Company trades under the symbol "RZE.V" on the TSXV.

$13.5 million	**3,573 boe/d**	**$1.7 million**	**$22.35/boe**	**$11.66/boe**
Q3 2020 Total Sales	**Q3 2020 Net Average Production**	**YTD 2020 Electricity Savings from Natural Gas Power Generation**	**Q3 2020 Operating Expenses per boe**	**Q3 2020 Corporate Netback***



* Refer to "Non-IFRS" measures

RAZOR ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 26, 2020

GENERAL

The Management's Discussion and Analysis ("MD&A") intends to augment the financial statement reader's understanding of key operational and financial events that influenced the results of Razor Energy Corp. ("Razor" or "the Company") during the three and nine months ended September 30, 2020.

This MD&A was prepared as of November 26, 2020 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, 2020. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the reporting currency is the Canadian dollar. This MD&A should also be read in conjunction with the Company's MD&A for the year ended December 31, 2019, as disclosure which is unchanged from December 31, 2019 may not be duplicated herein. Additional information, including the Company's annual information form and audited financial statements for the year ended December 31, 2019, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and the Company's website www.razor-energy.com.

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

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

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

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 currently has light and heavy oil, natural gas, and natural gas liquids ("NGL") production in Alberta. Razor's full-cycle objectives have positioned the Company as a disciplined junior exploration and production company. With an experienced management team and a strong, committed board of directors, growth is anticipated to occur through operational execution, strategic acquisitions and business combinations with other oil and gas producers, as well as service companies. Razor is intent on leading in Environmental, Social Governance (ESG) 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".

COVID-19

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity, including significantly reducing worldwide demand for certain commodities, including crude oil, natural gas and NGL. The result has been significant volatility and a decline in the near and medium term price for these commodities. The duration of the current commodity price volatility is uncertain.

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

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

Razor's response to COVID-19

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 has implemented business procedures that comply with Alberta Health Guidelines to protect the well-being of all stakeholders. Razor has successfully transitioned the majority of its corporate staff back to the head office and the field sites continue to take site specific pre-cautionary measures related to COVID-19.

Estimation uncertainty

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

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

Recoverable Amounts

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

Amended Term Loan Facility

The Company's Amended Term Loan Facility of $47.7 million is due on January 31, 2021. There can be no assurance that the Amended Term Loan Facility will be extended or renewed by AIMCo. As at June 30, 2020, a Second Amending Agreement was signed to allow the Company to defer payment of interest due at June 30, 2020 by adding the deferred amount to the principal of the Term Loan Facility. At September 30, 2020, the Company was not in compliance with one of its non-financial covenants in the Amended Term Loan Facility and therefore has an event of default at September 30, 2020. As a result, AIMCo has the right to demand repayment of the Amended Term Loan Facility at any time. The Company also has cross default provisions in certain equipment loans and leases, which are in default as a result of the AIMCo non-financial covenant default, and as a result has classified these potentially due on demand loans and leases as current liabilities at September 30, 2020.

Accounts receivable

The Company has increased its monitoring of receivables due from petroleum and natural gas marketers, joint asset partners and third-party users of the Company's facilities and roads. The Company historically has not experienced any significant collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. To protect against credit losses from joint asset partners, the Company has the ability to withhold production or to 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 has the ability to restrict third parties from access to its facilities and roads in the event of non-payment. The Company continues to expect that its receivables are substantially collectible at September 30, 2020.

FUTURE OPERATIONS

As at September 30, 2020, the Company has a working capital deficit of $67.9 million, of which only $2.6 million is comprised of cash and cash equivalents. Further, at September 30, 2020, the Company has contractual repayments of $80.0 million due in less than one year. The Company is also not in compliance with one of its non-financial covenants in the Amended Term Loan Facility at September 30, 2020 and therefore has an event of default at September 30, 2020. As a result, Alberta Investment Management Corporation ("AIMCo") has the right to demand repayment of the Amended Term Loan Facility at any time. The Company also has cross default provisions in certain equipment loans and leases, which are in default as a result of the AIMCo non-financial covenant default, and as a result has classified these loans and leases as potentially due on demand current liabilities at September 30, 2020. In addition, the Company is projecting further financial covenant violations with respect to the adjusted net debt-to-adjusted cash flow ratio and the minimum working capital ratio on the Amended Term Loan Facility with AIMCo at the next annual compliance date of December 31, 2020, which in any regard matures and requires repayment of $47.7 million on January 31, 2021.

The Company anticipates funding the working capital deficit and contractual repayments with a combination of cash from operations, potential new debt financing and/or renewal of the Amended Term Loan Facility with AIMCo. However, the operational challenges that impacted production and operating costs, along with a volatile economic environment due to severe negative global commodity price pressures and COVID-19 implications continues to negatively impact current and forecasted operating cash flows 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. Further, no assurance can be provided, that AIMCo and the other lenders and lessors will not demand repayment of the Amended Term Loan Facility and other loans and leases prior to maturity, or that waivers can be obtained from AIMCo and the other lenders and lessors, or the Company will be able to renew the AIMCo Amended Term Loan Facility or obtain new debt financing to bridge any working capital or contractual repayment shortfall. The Company will also seek to obtain relief from the projected covenant violations, however in light of current economic conditions there is no certainty that relief will be obtained.

Due to the conditions noted above there remains a material uncertainty surrounding the Company's ability to generate adequate cash flow from operations, obtain the necessary waivers from AIMCo and the other lenders and lessors for the covenant violations, renew the AIMCo Amended Term Loan Facility 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. The Company may need to seek creditor protection.

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

MANAGEMENT STRATEGY AND OUTLOOK

The Company continues to focus on cost control on its operated properties and the stabilizing effect of reduced operating costs in each area. However, the continued volatility in both West Texas Intermediate ("WTI") and Edmonton light sweet crude oil differentials has resulted in limited capital spending in 2020. Razor will take a cautious and case-by-case approach to spending in 2020 and into 2021, focusing on low risk, low capital opportunities to increase field and corporate netbacks. Production levels will not be a priority with the significant decrease in oil prices resulting from the COVID-19 virus, lowered global demand, and uncertainty related to supply.

In response to the aforementioned decrease in oil prices, during the early part of the second quarter of 2020 the Company shut in all of its operated heavy oil production, along with certain light oil wells which were sub-economic at the time, and also built oil inventory in anticipation of improved future crude oil prices. Since June 2020, WTI pricing and local price differentials have improved as global demand for oil has rebounded as countries gradually ease COVID-19 lockdown restrictions. Starting in the latter part of the second quarter, the Company began the process of restarting the heavy oil and light oil wells which were shut in. During the third quarter, the Company reduced crude oil inventory by 12,805 barrels such that at September 30, 2020, the Company held 8,306 barrels of crude oil in inventory.

As of the date of this MD&A, the Company has restarted all the wells shut in during Q2 2020. The Company actively monitors the economics for all its operated production and anticipates reactivating additional wells as prices further improve. These reactivations have the potential to add approximately 1,000 boe/d of production. Reactivation timing is dependent on new debt refinancing, positive cash flow from operations, WTI prices and local price differentials all of which have material uncertainty.

The preparation of financial forecasts is challenging at this time; however, the Company anticipates minimal cash flow from operations during the remainder of 2020 and into 2021 if oil prices remain at current levels. The Company is working to protect cash flow by limiting field spending and applying for government assistance programs where available. The Canada Emergency Wage Subsidy ("CEWS") has provided the Company with just over $1.1 million since the subsidy was introduced, $726 thousand in the second quarter and $397 thousand in the third quarter of 2020. The CEWS has been accounted for as a reduction in general and administrative expenses of $684 thousand and a reduction in operating expenses of $440 thousand for the nine months ended September 30, 2020. The Company has also 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 $1.5 million. As at September 30, none of the work related to these approved applications is complete and therefore no decommissioning costs have been recognized related to these projects.

SELECT QUARTERLY HIGHLIGHTS

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

($000's, except for per share amounts and production)	Three Months Ended Sept 30, 2020	Three Months Ended Sept 30, 2019	Nine Months Ended Sept 30, 2020	Nine Months Ended Sept 30, 2019
Production				
Light Oil (bbl/d)	**2,047**	2,600	**2,228**	2,669
Natural gas (mcf/d) [1]	**4,411**	6,206	**4,538**	4,524
NGL (boe/d)	**791**	734	**865**	866
Total (boe/d)	**3,573**	4,368	**3,849**	4,289
Sales volumes				
Light Oil (bbl/d)	**2,186**	2,598	**2,231**	2,756
Natural gas (mcf/d)[1]	**4,411**	6,206	**4,538**	4,524
NGL (bbl/d)	**791**	734	**865**	866
Total (boe/d)	**3,712**	4,367	**3,852**	4,377
Oil inventory volumes (bbls)	**8,306**	11,378	**8,306**	11,378
Revenue				
Oil and NGLs sales	**11,345**	17,548	**31,717**	60,016
Natural gas sales	**712**	-	**2,078**	-
Sale of commodities purchased from third parties [4]	**-**	122	**-**	8,576
Blending and processing income	**1,286**	2,395	**3,960**	6,968
Other revenue	**155**	461	**916**	1,000
Total revenue	**13,498**	20,526	**38,671**	76,560
Cash flows from (used in) operating activities	**2,124**	(46)	**3,837**	12,316
Per share -basic and diluted	**0.10**	-	**0.18**	0.79
Funds flow [2]	**5,598**	2,639	**3,924**	7,682
Per share -basic and diluted	**0.27**	0.16	**0.19**	0.49
Adjusted funds flow [2]	**5,562**	2,653	**4,258**	7,654
Per share -basic and diluted	**0.26**	0.16	**0.20**	0.49
Net income (loss)	**(1,838)**	(6,183)	**(40,149)**	(17,720)
Per share - basic and diluted	**(0.09)**	(0.38)	**(1.91)**	(1.14)
Dividend paid	**-**	-	**263**	-
Dividends per share	-	0.04	**0.01**	0.11
Weighted average number of shares outstanding (basic and diluted)	**21,064**	15,535	**21,064**	16,268
Gross Capital expenditures	**481**	2,518	**1,493**	11,212
Government Grants	**(270)**	(1,980)	**(1,121)**	(4,436)
Netback ($/boe)				
Oil and gas sales [3]	**35.31**	43.68	**32.02**	50.23
Royalties	**(1.44)**	(8.07)	**(2.79)**	(7.96)
Operating expenses	**(22.35)**	(29.34)	**(26.92)**	(32.49)
Transportation and treating	**(2.27)**	(1.82)	**(1.92)**	(2.16)
Operating netback [2]	**9.25**	4.45	**0.39**	7.62
Gain/ (Loss) on sale of commodities purchased from third parties[4]	**-**	0.30	**-**	0.01
Net blending and processing income [2]	**2.31**	4.11	**2.97**	3.56
Realized loss on commodity contracts settlement [3]	**0.79**	(1.64)	**(1.41)**	(2.36)
Other revenue and income	**6.84**	3.07	**5.38**	1.55
General and administrative	**(2.40)**	(3.24)	**(3.29)**	(3.66)
Impairment	**(0.10)**	-	**(23.47)**	-
Interest	**(5.03)**	(3.08)	**(4.06)**	(3.07)
Corporate netback [2]	**11.66**	3.97	**(23.49)**	3.65

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

SELECT QUARTERLY HIGHLIGHTS (continued)

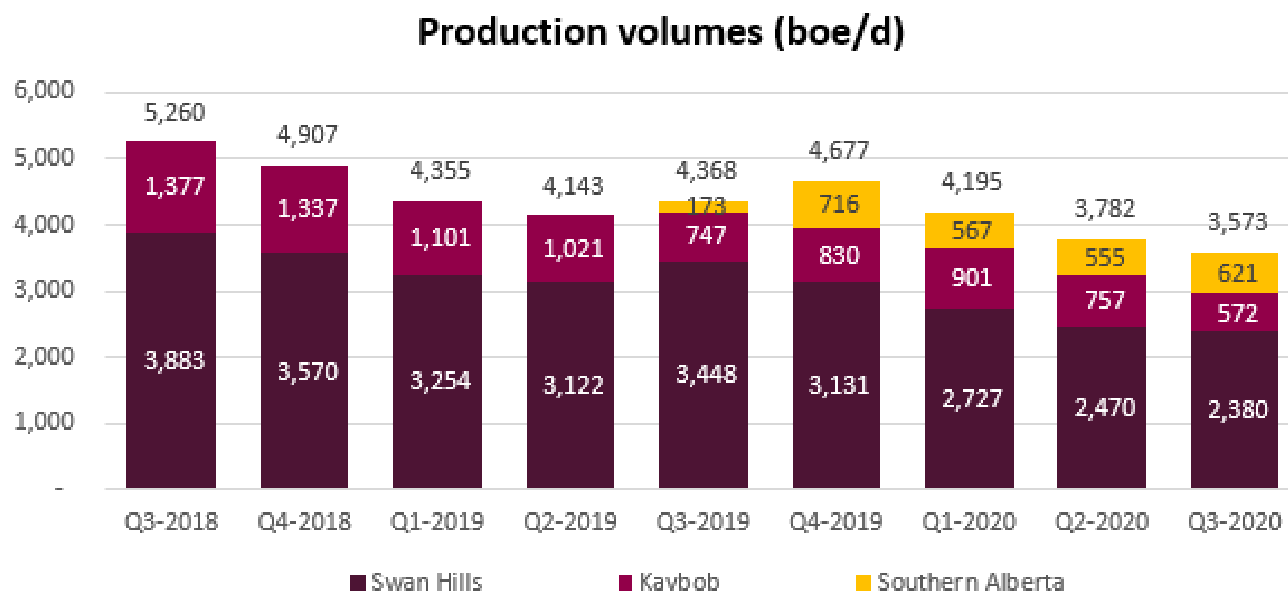
($000's, except for share amounts)	**September 30, 2020**	**December 31, 2019**
Total assets	**163,857**	189,158
Cash	**2,635**	1,905
Long-term debt (principal)	**48,505**	45,874
Minimum lease obligation	**3,887**	5,329
Net debt [1]	**68,442**	66,911
Number of shares outstanding	**21,064,466**	21,064,466

1) Refer to "Non-IFRS measures".

Q3 2020 HIGHLIGHTS

OPERATING

Production volumes in the third quarter of 2020 averaged 3,573 boe/d, down 18% from the production volumes in the same period of 2019 and down 6% from the second quarter of 2020. Decreased production volumes are the result of reduced spending on well reactivations and repairs, on operated well curtailments, and non-operated production interruptions in the Swan Hills and Kaybob areas.



Reported $2.1 million of cash flows from operating activities in the third quarter of 2020 compared to $46 thousand of cash flows used in operating activities in the third quarter of 2019. Positive cash flow in the third quarter of 2020 compared to the same period 2019 was due to the continued focus on reducing operating expenses by the Company and significant decreases in royalties due to low oil prices during 2020 which were partially offset by decreased realized commodity prices.

Reported a $1.8 million net loss in the third quarter of 2020 compared to a $6.2 million net loss in the same period last year.

CAPITAL

During the third quarter of 2020, Razor invested $0.3 million on its South Swan Hills Co-Produced Geothermal Natural Gas power project. Razor has received $5.9 million since inception in government grants to support this power generation project.

During the first nine months of 2020, due to the volatile commodity price environment, the Company did not initiate any projects related to finding and development capital and no capital reactivations were conducted during this period.

ALBERTA SITE REHABILITATION PROGRAM

Razor has been successful in obtaining approved applications under the SRP. To date, Razor has received approval for $1.5 million in funding to assist with abandonment and reclamation activities primarily in the Company's Virginia Hills area in northern Alberta and Chin Coulee area in southern Alberta. The Company also expects to receive additional grants in subsequent phases of the SRP.

VOLUMES

Sales volumes in the third quarter of 2020 averaged 3,712 boe/d, down 15% from the sales volumes in the same period in 2019. Razor's inventory increased by 21,111 bbls in existing surface tanks due to low commodity prices during Q2 2020. As at September 30, 2020, Razor had 8,306 bbls of light oil inventory (December 31, 2019 - 9,251 bbls) and sold 12,805 bbls during the third quarter of 2020 due to improved crude oil pricing.

Production averaged 3,573 boe/d in Q3 2020 down 18% from the same quarter in 2019, primarily due to reduced spending on well reactivations and repairs. In addition, both operated and non-operated curtailments and voluntary shut-ins due to weaker market pricing further negatively affected production in the quarter. For the first nine months of 2020, production averaged 3,849 boe/d down 10% as compared to the same period last year, as the Company's non-operated production was impacted by production curtailments and shut ins in the Swan Hills and Kaybob areas, which was offset by production in the Southern Alberta area due to the Little Rock acquisition, effective September 11, 2019.

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 and nine months ended September 30, 2020 was 1,126 mcf/d and 1,317 mcf/d, respectively.

Production represents gross production before royalties, unless noted otherwise.

	Three Months Ended Sept 30,		**Nine Months Ended Sept 30,**	
Production (boe/d)	**2020**	2019	**2020**	**2019**
Light oil (bbl/d)	**2,047**	2,600	**2,228**	2,669
Natural gas (mcf/d)[1]	**4,411**	6,206	**4,538**	4,524
NGL (bbl/d)	**791**	734	**865**	866
Total (boe/d)	**3,573**	4,368	**3,849**	4,289

1) Natural gas production for the three and nine months ended September 30, 2020 includes 1,126 mcf/d and 1,317 mcf/d, respectively, of internally consumed natural gas in power generation.

Production (boe/d)	Three Months Ended Sept 30, 2020	2019	Nine Months Ended Sept 30, 2020	2019
Swan Hills	**2,380**	3,448	**2,525**	3,275
Kaybob	**572**	747	**742**	956
Southern Alberta	**621**	173	**582**	58
Total	**3,573**	4,368	**3,849**	4,289

Sales volumes (boe/d)	Three Months Ended Sept 30, 2020	2019	Nine Months Ended Sept 30, 2020	2019
Light oil (bbl/d)	**2,186**	2,598	**2,231**	2,756
Natural gas (mcf/d)[1]	**4,411**	6,206	**4,538**	4,524
NGL (bbl/d)	**791**	734	**865**	866
Total boe/d	**3,712**	4,367	**3,852**	4,377

1) Sales volumes include change in inventory volumes.

2) Natural gas sales for the three and nine months ended September 30, 2020 includes 1,126 mcf/d and 1,317 mcf/d, respectively, of internally consumed natural gas in power generation.

Sales volumes (boe/d)[1 2]	Three Months Ended Sept 30, 2020	2019	Nine Months Ended Sept 30, 2020	2019
Swan Hills	**2,435**	3,448	**2,536**	3,344
Kaybob	**680**	746	**743**	975
Southern Alberta	**597**	173	**573**	58
Total	**3,712**	4,367	**3,852**	4,377

1) Sales volumes include change in inventory volumes.

2) Natural gas sales for the three and nine months ended September 30, 2020 includes 1,126 mcf/d and 1,317 mcf/d, respectively of internally consumed natural gas in power generation.

Inventory (bbls)	Nine Months Ended Sept 30, 2020	2019
Opening light oil inventory	**9,251**	35,267
Inventory movement	**(945)**	(23,889)
Closing light oil inventory	**8,306**	11,378
Inventory movement (bbl/d)	**(3)**	(132)

COMMODITY PRICES AND BUSINESS ENVIRONMENT

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Average selling price								
Oil price ($/bbl)	**49.08**	**30.95**	48.08	67.59	64.19	76.48	65.10	43.63
NGL price ($/bbl)	**16.74**	**12.96**	16.07	23.82	24.24	28.14	30.98	28.86
Natural gas price ($/mcf)	**1.75**	**1.47**	1.87	1.69	1.01	1.06	2.56	2.03
Average benchmark prices and foreign exchange rates								
OIL ($/bbl)								
WTI (USD)	**40.93**	**27.85**	46.17	56.94	56.44	59.80	54.83	59.10
WTI (CAD)	**54.51**	**38.42**	61.64	75.17	74.54	80.00	72.91	77.98
MSW (Light Sweet Oil - Edmonton)	**49.77**	**29.72**	51.35	67.97	68.32	73.84	66.34	40.58
WTI vs MSW oil differential (CAD/bbl)	**(4.74)**	**(8.70)**	(10.30)	(7.19)	(6.22)	(6.16)	(6.57)	(37.40)
WTI vs MSW oil differential (%)	**(9)%**	**(23)%**	(17)%	(10)%	(8)%	(8)%	(9)%	(48)%
NATURAL GAS (CAD/mcf)								
AECO NGX AB-5a [1]	**2.24**	**2.00**	2.04	2.49	0.84	1.02	2.59	1.57
ELECTRICITY ($/MWh)								
AESO Pool price	**43.83**	**28.78**	66.37	46.97	46.87	56.57	69.46	55.52
CAD/USD EXCHANGE RATE	**0.75**	**0.72**	0.75	0.76	0.76	0.75	0.75	0.76

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

Crude oil benchmark prices strengthened in the third quarter of 2020 over the second quarter of 2020 but were still weaker in comparison to the same period in 2019 due to the steep decline in oil demand as a result of COVID-19 and excess oil supply from OPEC+. West Texas Intermediate (“WTI”) averaged CAD $54.51/bbl in the third quarter of 2020, a 42% increase from Q2 2020 and a 27% decrease from the same period in 2019. In the first nine months WTI averaged CAD $51.52/bbl, down 32% 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, 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 third quarter of 2020 the differential between WTI and MSW decreased to 9% from 23% in Q2 2020. For the first nine months of 2020 the WTI to MSW differential averaged 16% down from the 8% differential in the same period of 2019.

Razor realized an oil price of $49.08/bbl during the third quarter of 2020, which was a 10% discount to the WTI (CAD) price, an improvement from the 19% discount in Q2 2020 and up from the 14% discount in Q3 2019. These discounts were partially due to lower average oil quality realized by the Company as a result of the Little Rock acquisition in Q3 2019, which added WCS exposure to Razor's oil pricing portfolio, as well as timing of monthly sales contracts. For the nine months ended September 30, 2020 the Company realized oil price was down 38% from the same period of 2019 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 and first nine months of 2020, was up by 166% and 41%, respectively, from their respective periods in 2019 due to an increase in demand for natural gas.

Sales of NGL is comprised of ethane, propane, butane, pentane, and condensate. The Company's realized price for NGL during the third quarter and first nine months of 2020 decreased 31% and 45%, respectively, from their respective periods in 2019, mostly due to lower realized NGL pricing. Condensate prices, which are priced at a differential to WTI, were impacted due to weakness in WTI prices. After high fractionation costs and weak pricing, coupled with lower demand for propane and butane due to a shorter and warmer than expected winter, the Company has multiple months of negative propane and butane pricing.

Electricity costs have a significant impact on the Company's results, as electricity accounted for 29% and 31% of operating expense in the third quarter and first nine months of 2020. Average electricity pool prices in the third quarter and first nine months of 2020 decreased by 6% and 20%, respectively, from their respective periods in 2019. Razor is operating a natural gas-powered electricity generation plant and has reduced its reliance on grid-based electricity resulting in lower electricity costs when combined with the reduction in average electricity pool prices.

COMMODITY PRICE RISK

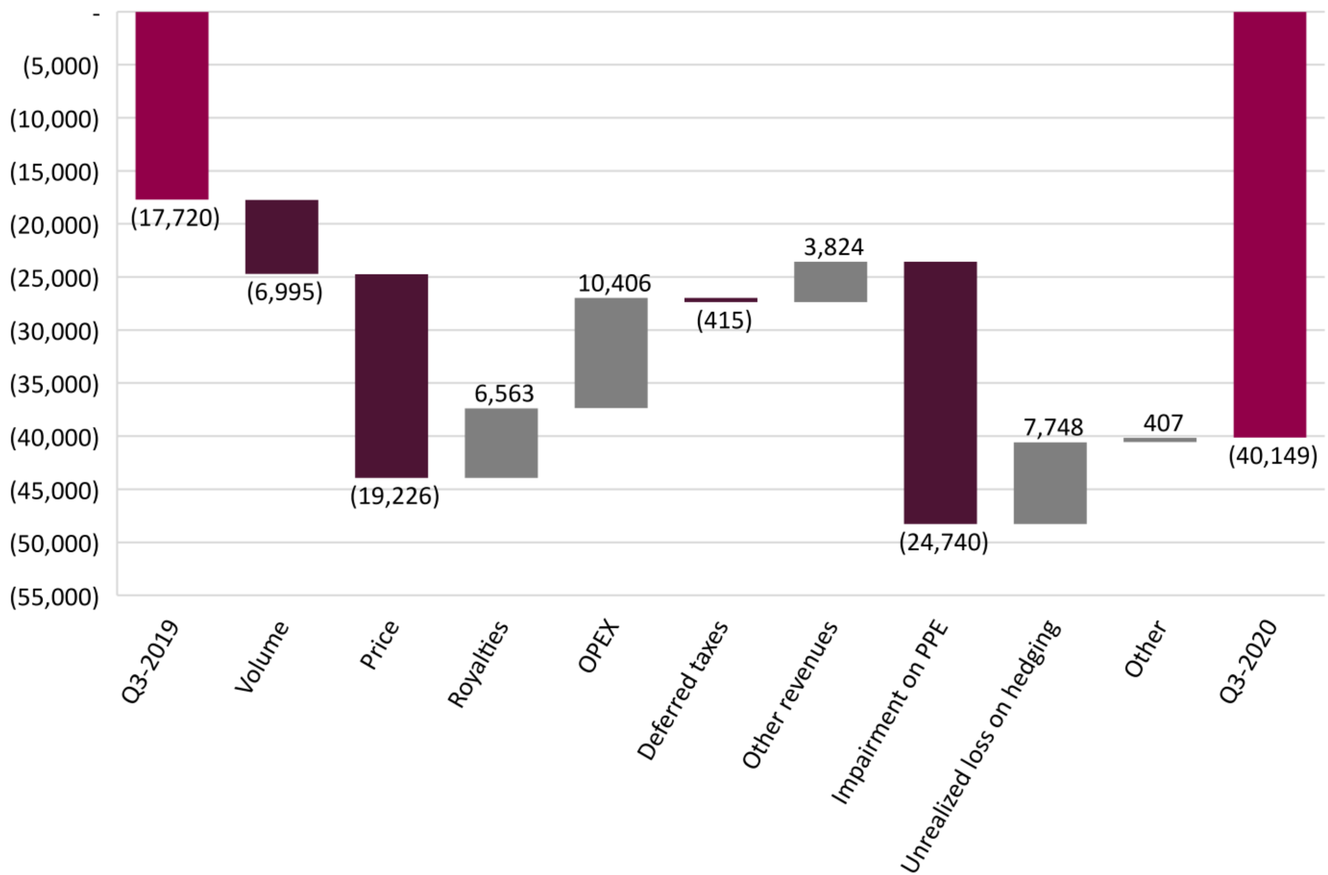
Razor is exposed to commodity price risk as prices for oil and natural gas products fluctuate in response to many factors including local and global supply and demand, weather patterns, pipeline transportation, political stability, and economic factors. Commodity price fluctuations are an inherent part of the oil and gas business. Historically Razor mitigated some of the exposure to commodity price risk to protect the return on investment and provide a level of stability to operating cash flow. However, due to the Company's significant working capital deficiency the Company has been unable to hedge its future production to protect cash flows.

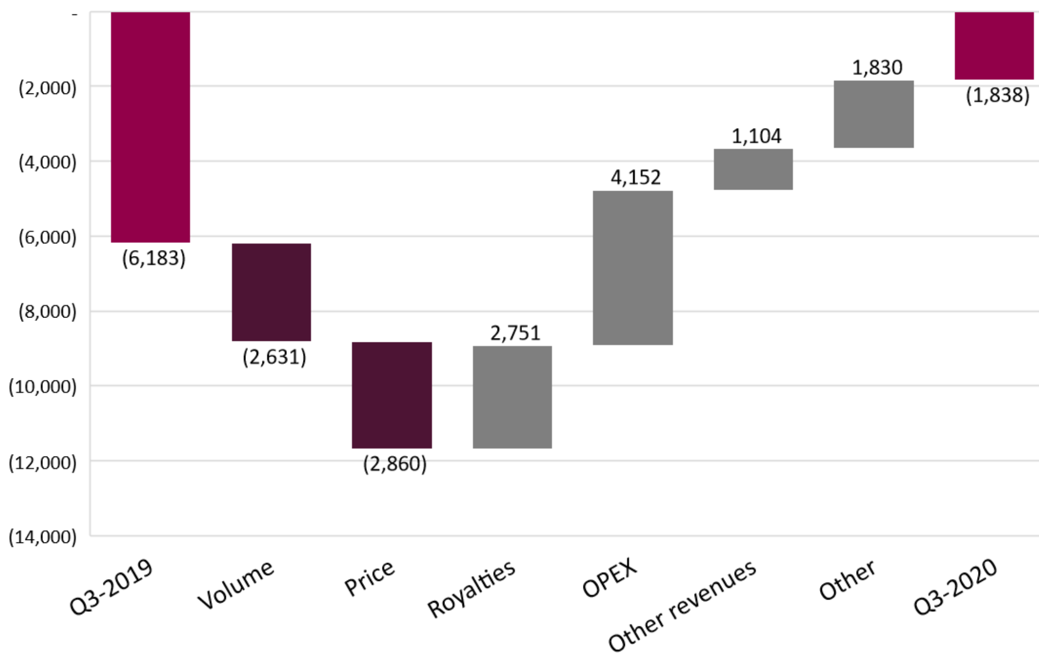
As at September 30, 2020, Razor had no derivative contracts outstanding and thus no asset or liability recorded on the Statement of Financial Position (September 30, 2019 – asset of $0.5 million).

NET LOSS

Razor realized a net loss of $1.8 million in the third quarter of 2020 as compared to a $6.2 million net loss in the same quarter of last year, primarily due to 18% lower production, a 19% decrease in realized prices, offset by 34% lower expenses, in particular, 82% reduction in royalties and a 24% decrease in operating costs.

For the first nine months of 2020, the Company recorded a net loss of $40.1 million, up from a net loss of $17.7 million in the same period last year, mostly due to lower production and realized prices, in addition to a $24.7 million impairment, offset by lower losses on commodity risk management contracts and lower operating costs and royalties.





The above charts reconcile the changes in net loss for the nine and three month periods ended September 30, 2019 and 2020.

NETBACKS

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
($/boe)[2]	**2020**	**2019**	**2020**	**2019**
Oil and natural gas sales	**35.31**	43.68	**32.02**	50.23
Royalty	**(1.44)**	(8.07)	**(2.79)**	(7.96)
Operating expenses	**(22.35)**	(29.34)	**(26.92)**	(32.49)
Transportation and treating	**(2.27)**	(1.82)	**(1.92)**	(2.16)
Operating netback [1]	**9.25**	4.45	**0.39**	7.62
Income (loss) on sale of commodities purchased from third parties[1]	**-**	0.30	**-**	0.01
Net blending and processing income [1]	**2.31**	4.11	**2.97**	3.56
Realized loss on commodity contracts settlement	**0.79**	(1.64)	**(1.40)**	(2.36)
Other revenue and income[3]	**6.84**	3.07	**5.38**	1.55
General and administrative	**(2.40)**	(3.24)	**(3.29)**	(3.66)
Impairment	**(0.10)**	-	**(23.47)**	-
Interest	**(5.03)**	(3.08)	**(4.07)**	(3.07)
Corporate netback [1]	**11.66**	3.97	**(23.50)**	3.65

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

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

3) Primarily comprised of insurance proceeds, trucking, road use and road maintenance.

During the third quarter of 2020, the Company realized an operating netback of $9.25/boe, up from an operating netback of $4.45/boe in the third quarter of 2019. Realized prices decreased by $8.37/boe, however, the impact of decreased prices was offset by royalty decreases of $6.63/boe due to significantly lower oil prices and reduced operating expenses of $6.99/boe in comparison to the same period as in 2019. For the first nine months of 2020, the operating netback was $0.39/boe compared to $7.62/boe for the same period in 2019 mainly as a result of lower realized prices which were down 36%, partially offset by 65% lower royalty and 17% lower operating expenses.

Royalty rates averaged 4% in the third quarter of 2020 as compared to 18% for the same period in 2019. This decrease in royalties is mostly due to the decrease in commodity prices and production volumes. For the first nine months of the year, royalties averaged 9%, down 16% from the same period last year, mostly due to lower commodity prices and production volumes.

Operating expenses decreased 24%, on a per boe basis, in the third quarter of 2020 compared to the same period in 2019 and was down $4.2 million on a total dollar basis. The Company has limited its well intervention activity in response to the current weak commodity price environment. Workovers and facility expenses averaged $0.41/boe in the third quarter of 2020, down 94% from $6.98/boe in the same quarter of 2019, while fuel and electricity costs were $7.73/boe in both third quarters of 2020 and 2019. Razor operated properties had an operating cost of $23.49/boe for the first nine months of 2020, while non-operated properties had an operating cost of $49.03/boe for the same period.

Other revenue and income received during the nine months ended September 30, 2020 primarily consist of $4.7 million of non-recurring insurance proceeds related to environmental clean-up costs as a result of an injection line failure in 2019 as well as proceeds from business interruption insurance related to a non-operated pipeline being offline for repairs in 2019.

In first nine months of 2020, the Company received funds from Canada Emergency Wage Subsidy, $257 thousand applicable to Razor field operations and $182 thousand applicable to Blade Energy Services Corp. ("Blade"), a wholly owned subsidiary of Razor.

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. This attention to spending has resulted in Razor operated properties having operating expenses significantly lower than its non-operated properties. The Company's operating costs for operated properties were $23.49/boe while non-operated properties were $49.03/boe for the first nine months of 2020. Non-operated production volumes and operating costs on a per boe basis were impacted by facility and pipeline repairs during the first quarter of 2020, along with production curtailments as a result of weak commodity prices.

The top cost drivers consisting of fuel and electricity, labour, property taxes, facility repairs, chemicals and non-operated pipeline repairs accounted for 65% of total operating expenses in the third quarter of 2020 (Q3 2019 – 68%). For the first nine months of 2020, these same top cost drivers accounted for 72% of total operating expenses (2019 – 67%).

The cost of electricity and fuel decreased 15% in Q3 2020 as compared to the same quarter of last year mostly due a 7% decrease in consumption, 6% decrease in average electricity pool prices and a decreased reliance on compressed gas and lower production levels.

For the first nine months of 2020, the cost of electricity and fuel decreased 10% as compared to the same period of last year, with average electricity pool prices decreasing by 28% and with usage increasing by 6%. The Company continues to operate its natural gas-powered generation 9 MW facility which reduced its reliance on grid electric power and resulted in savings of $0.5 million in Q3 2020 (Q3 2019 - $0.6 million). For the first nine months of 2020, the Company incurred electricity savings of $1.7 million (2019 - $1.6 million).

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

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
($000's)	**2020**	**2019**	**2020**	**2019**
Sales of commodities purchased from third parties	-	122	-	8,576
Commodities purchased from third parties	-	-	-	(8,564)
Income (loss) on sale of commodities purchased from third parties [1 2]	-	122	-	12
($/boe)[3]	-	0.30	-	0.01

1) Refer to "Non-IFRS measures".

2) Includes gains and losses due to the timing and inventory related to market conditions at sales.

3) Based on sales volumes.

Periodically, Razor purchases commodity products from third parties in order to fulfill its sales commitments. There were no purchases or sales of commodities purchased from third parties in 2020 because the Company's sales commitments were closely matched to the Company's commodity production.

BLENDING AND PROCESSING INCOME

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
($000's)	**2020**	**2019**	**2020**	**2019**
Blending and processing income	**1,286**	2,395	**3,960**	6,968
Blending and processing expenses	**(497)**	(742)	**(829)**	(2,712)
Net blending and processing income [1]	**789**	1,653	**3,131**	4,256
($/boe)[2]	**2.31**	4.11	**2.97**	3.56

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

Net blending and processing income was down 52% alongside a 44% decrease on a per boe basis, in the third quarter of 2020 as compared to Q3 2019. However, gross margins only decreased by 8% from 69% gross margin in Q3 2019 to 61% in Q3 2020 mostly due to careful review of commodity pricing and identifying opportunities to increase blending and processing income. For the first nine months of the year, net blending and processing income was down 26% as compared to the same period last year, mostly due to decreased commodity pricing and commodity price differentials.

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
($000's)	**2020**	**2019**	**2020**	**2019**
Gross G&A	**1,503**	2,357	**5,794**	6,734
Canada Emergency Wage Subsidy	**(230)**	-	**(684)**	-
Overhead recoveries	**(318)**	(648)	**(1,124)**	(1,751)
Capitalized G&A	**(137)**	(409)	**(513)**	(610)
Net G&A	**818**	1,300	**3,473**	4,373
($/boe)[1]	**2.40**	3.24	**3.29**	3.66

1) Based on sales volumes.

The Company's gross G&A costs in the third quarter of 2020 decreased 36% from the same quarter of 2019 due to decreased employee and consulting costs, and was down 14% in the first nine months of 2020 as compared to the same period of 2019, due to decreased consulting and legal costs. During the first nine months of 2020, the Company received $0.7 million from the Canada Emergency Wage Subsidy that was recognized in G&A.

FINANCING COSTS

The components of financing costs are summarized below.

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
($000's)	**2020**	**2019**	**2020**	**2019**
Interest expense	**1,719**	1,236	**4,293**	3,665
Amortization of deferred financing costs	**654**	281	**1,207**	834
Accretion	**358**	350	**1,032**	1,096
	2,731	1,867	**6,532**	5,595

($/boe)[1]				
Interest expense	**5.03**	3.08	**4.07**	3.07
Amortization of deferred financing costs	**1.92**	0.70	**1.14**	0.70
Accretion	**1.05**	0.87	**0.98**	0.92
	8.00	4.65	**6.19**	4.69

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 39% and 17% in the third quarter and first nine months of 2020 respectively, as compared to the same period of 2019 due to interest from January to June 2020 on the Amended Term Loan Facility being calculated at an increased rate of 12% as a result of interest being deferred and being added to the principal amount of the loan. Accretion, which relates to the time value change of the Company's decommissioning obligations, decreased in 2020 as compared to the same period of last year due to a lower risk-free discount rate.

DEPLETION, DEPRECIATION AND AMORTIZATION

	Three Months Ended Sept 30,		**Nine Months Ended Sept 30,**	
($000's)	**2020**	**2019**	**2020**	**2019**
Depletion, depreciation and amortization	**4,758**	4,538	**13,085**	13,310
($/boe)[1]	**13.93**	11.30	**12.40**	11.14

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

DD&A expense, for the third quarter of 2020, increased 5% from the third quarter of 2019, and decreased 2% in the first nine months of 2020 as compared to the same period last year. The slight decrease in the nine months DD&A expense is due to the decrease in the depletable base as a result of the impairment expense incurred in Kaybob and Southern Alberta. The per unit DD&A for the three and nine month periods in 2020 increased slightly in comparison to the same periods in 2019 mostly due to lower sales volumes. As at September 30, 2020, future development costs required to develop proved and probable reserves in the amount of $44.9 million are included in the depletion calculation for PP&E (September 30, 2019 - $60.6 million).

IMPAIRMENT LOSS

($000's)	Three Months Ended Sept 30, 2020	2019	Nine Months Ended Sept 30, 2020	2019
Impairment expense	**-**	-	**24,740**	-

At September 30, 2020, there were no indicators of impairment or impairment reversal for the Company's CGUs, and therefore Razor did not perform an impairment test.

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. The Company used fair value less cost to sell, discounted at pre-tax rates between 15% and 30% (December 31, 2019 - 12% and 30%) depending on the risk profile of the reserve category and CGU.

At March 31, 2020, the recoverable value of Razor's Swan Hill CGU exceeded its carrying value and no impairment was recorded. At March 31, 2020, it was determined that the carrying value of the Kaybob and District South CGUs exceeded their recoverable amounts and impairment charges of $16.03 million and $8.71 million, respectively, were recognized for the CGUs.

CAPITAL EXPENDITURES

($000's)	Three Months Ended Sept 30, 2020	2019	Nine Months Ended Sept 30, 2020	2019
Reactivations, recompletions and optimizations	**24**	630	**(67)**	4,352
Pipelines and injection management	**18**	250	**63**	1,475
Facilities and other	**0**	170	**177**	1,100
Finding and development related capital	**42**	1,050	**173**	6,927
Field equipment	**100**	200	**441**	1,290
Power generation	**282**	1,239	**851**	2,270
Information technology systems	**-**	14	**11**	306
Operational enhancement related capital	**382**	1,453	**1,303**	3,866
Corporate related capital expenditures	**1**	15	**17**	419
Gross capital expenditures	**425**	2,518	**1,493**	11,212
Government grants on assets	**(270)**	(1,980)	**(1,121)**	(4,436)
Net capital expenditures	**155**	538	**372**	**6,776**

During the first nine months of 2020, due to the volatile commodity price environment, the Company did not initiate any projects related to finding and development capital and expects limited activity in Q4 2020. Operated capital investment in the first nine months of 2020 consisted primarily of $0.9 million on the Company's Co-Produced Geothermal Natural Gas power project, $0.4 million on field equipment, a variety of project cost adjustments from prior periods, offset by government grants of $1.1 million.

During the third quarter of 2020, Razor invested $0.3 million on its South Swan Hills Co-Produced Geothermal Natural Gas power project. The Company expects the capital cost of the project to be $37 million, generating 21 MW of grid connected power, of which 6MW will be clean 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. 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 September 30, 2020, the Company has a working capital deficit of $67.9 million, of which only $2.6 million is comprised of cash and cash equivalents. Further, at September 30, 2020, the Company has contractual repayments of $80.0 million due in less than one year. The Company is also not in compliance with one of its non-financial covenants in the Amended Term Loan Facility at September 30, 2020 and therefore has an event of default at September 30, 2020. As a result, Alberta Investment Management Corporation ("AIMCo") has the right to demand repayment of the Amended Term Loan Facility at any time. The Company also has cross default provisions in certain equipment loans and leases, which are in default as a result of the AIMCo non-financial covenant default, and as a result has classified these loans and leases as potentially due on demand current liabilities at September 30, 2020. In addition, the Company is projecting further financial covenant violations with respect to the adjusted net debt-to-adjusted cash flow ratio and the minimum working capital ratio on the Amended Term Loan Facility with AIMCo at the next annual compliance date of December 31, 2020, which in any regard matures and requires repayment of $47.7 million on January 31, 2021.

The Company anticipates funding the working capital deficit and contractual repayments with a combination of cash from operations, potential new debt financing and/or renewal of the Amended Term Loan Facility with AIMCo. However, the operational challenges that impacted production and operating costs, along with a volatile economic environment due to severe negative global commodity price pressures and COVID-19 implications continues to negatively impact current and forecasted operating cash flows 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. Further, no assurance can be provided, that AIMCo and the other lenders and lessors will not demand repayment of the Amended Term Loan Facility and other loans and leases prior to maturity, or that waivers can be obtained from AIMCo and the other lenders and lessors, or the Company will be able to renew the AIMCo Amended Term Loan Facility or obtain new debt financing to bridge any working capital or contractual repayment shortfall. The Company will also seek to obtain relief from the projected covenant violations, however in light of current economic conditions there is no certainty that relief will be obtained.

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

SOURCES AND USES OF CASH

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

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
($000's)	**2020**	**2019**	**2020**	**2019**
Adjusted funds flow [1]	**5,562**	2,653	**4,258**	7,654
Proceeds of financing lease	**-**	—	**-**	1,235
Proceeds from government grants	**270**	1,980	**1,121**	4,436
Cash sourced	**5,832**	4,633	**5,379**	13,325
Capital expenditures	**(364)**	(2,518)	**(1,082)**	(11,212)
Decommissioning costs incurred	**36**	(14)	**(334)**	28
Property acquisitions	**—**	(168)	—	(256)
Finance costs	**(1,271)**	(1,266)	**(1,608)**	(3,695)
Repayment of lease obligation	**(422)**	(186)	**(1,261)**	(797)
Repayment of long term debt	**(93)**	(71)	**(238)**	(208)
Repayment of director loans [2]	—	(528)	—	(528)
Common shares repurchased	—	—	—	(228)
Dividends declared	—	(637)	**(263)**	(1,774)
Restricted cash	**299**	1,073	—	1,810
Cash used	**(1,815)**	(4,315)	**(4,786)**	(16,860)
	4,017	318	**593**	(3,535)
Changes in non-cash working capital	**(2,374)**	(2,217)	**159**	4,824
Foreign currency translation	**(10)**	18	**(22)**	(85)
Change in cash position	**1,633**	(1,881)	**730**	1,204
Cash, beginning of period	**1,002**	5,324	**1,905**	2,239
Cash, end of period	**2,635**	3,443	**2,635**	3,443

1) Refer to "Non-IFRS Measures".

2) Repayment of director loans relates to the Little Rock acquisition.

NORMAL COURSE ISSUER BID ("NCIB")

On September 20, 2019, the TSXV approved the Company's application for a renewed NCIB to purchase up to 1,039,148 of its common shares over a 12-month period commencing September 23, 2019 and ending September 22, 2020. The Company has not made an application to renew for the upcoming year. Under this NCIB, 11,000 common shares were repurchased in open market transactions on the TSXV at a weighted average cost of $0.93 at December 31, 2019. A copy of the TSXV approval may be obtained by contacting Razor's Chief Financial Officer at Suite 800, 500-5th Ave. S.W. Calgary, AB T2P 3L5.

During the three and nine months ended September 30, 2020, the Company did not repurchase any of its common shares (during the nine months ended September 30, 2019 – 95,400 shares were repurchased).

SHARE CAPITAL

As at September 30, 2020 and November 26, 2020, the Company had a total of 21,064,466 common shares outstanding (December 31, 2019 - 21,064,466 common shares outstanding).

DIVIDENDS

On January 9, 2020, Razor announced a monthly cash dividend of $0.0125 per share, for a total of $263 thousand in dividends. On February 5, 2020, the Company suspended the payment of dividends effective February 2020 in response to significant price volatility for crude products in the Canadian energy sector.

LEASES

On January 9, 2020, Razor entered into two lease agreements for the lease of vehicles for a total of $0.14 million. The lease agreements are discounted with an effective interest rate of 4.99% each, respectively. Both lease agreements end on January 31, 2024. Monthly payments for both leases are $2,600 includes interest and principal.

On August 21, 2020, the Company entered into a lease agreement for the lease of a vehicle for a total of $0.04 million. The lease agreement is discounted with an effective interest rate of 4.99% per annum and ends on August 20, 2024. Monthly payments of $450 includes interest and principal.

As a result of the event of default under the Amended Term Loan Facility, cross default provisions in certain equipment leases have resulted in these leases being potentially due on demand and classified as current liabilities at September 30, 2020.

AMENDED TERM LOAN FACILITY

Revised terms on existing 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 except for the period January 1 to June 30, 2020 which was 12%.

On June 30, 2020, the Company entered into a Second Amending Agreement with AIMCo which deferred the scheduled June 30, 2020 interest payment of $2.7 million owing under the Amended Term Loan Facility. The interest rate for the period January 1 to June 30, 2020 was 12%.

The proceeds of the Amended Term Loan Facility were used by Razor to fund asset acquisitions, its development program and for general corporate purposes. Including share-based consideration, the effective interest rate of the Amended Term Loan Facility is 12% per annum (December 31, 2019 - 12%).

Covenants

The Company is not in compliance with one of its non-financial covenants of its Amended Term Loan Facility at September 30, 2020 and therefore has an event of default at September 30, 2020. As a result, AIMCo has the right to demand repayment of the Amended Term Loan Facility at any time. The Company is projecting further financial covenant violations with respect to the adjusted net debt-to-adjusted cash flow ratio and the minimum working capital ratio on the Amended Term Loan Facility with AIMCo at the next annual compliance date of December 31, 2020, which in any regard matures and requires repayment of $47.7 million on January 31, 2021.

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

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

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, 2020 were as follows:

($000's)	**Recognized in Financial Statements**	**Total**	**Less than 1 year**	**2-3 years**	**4-5 years**	**More than 5 years**
Accounts payable and accrued liabilities [1]	Yes-Liability	**26,616**	26,616	—	—	—
Amended Term Loan Facility	Yes-Liability	**47,685**	47,685	—	—	—
Promissory notes	Yes-Liability	**820**	696	91	33	—
Minimum lease obligation	Yes-Liability	**3,887**	3,278	307	302	—
Interest payable [2 3]	No	**1,837**	1,675	48	16	98
Lease operating costs	No	**387**	55	332	—	—
Transportation services	No	**1,306**	31	311	232	732
Total		**82,538**	**80,036**	**1,089**	**583**	**830**

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 Q3 2020, the Company had a recovery of $36 thousand on abandonment, reclamation, and remediation (Q3 2019 – spend of $14 thousand). During the nine months ended September 30, 2020, the Company spent $334 thousand on abandonment, reclamation, and remediation (2019 – recovery of $28 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 $3.1 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 $1.5 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 demanding immediate payment for past services totaling $4.6 million. These amounts are included in accounts payable and accrued liabilities at September 30, 2020. The Company continues to assess all mechanisms for payment of these amounts outstanding in light of the Company's current financial situation. There can be no assurance that further financial damages will not occur.

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 Sept 30,		**Nine Months Ended Sept 30,**	
($000's)	**2020**	**2019**	**2020**	**2019**
Cash flow from operating activities	**2,124**	(46)	**3,837**	12,316
Changes in non-cash working capital	**3,474**	2,685	**87**	(4,634)
Funds flow	**5,598**	2,639	**3,924**	7,682
Decommissioning costs incurred	**(36)**	14	**334**	(28)
Adjusted funds flow	**5,562**	2,653	**4,258**	7,654

OPERATING NETBACK

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

NET BLENDING AND PROCESSING INCOME

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

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

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

CORPORATE NETBACK

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

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

NET DEBT

Net debt is calculated as the sum of the long-term debt (includes Amended Term Loan Facility and Promissory Notes) and lease 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)*	**Sept 30, 2020**	**December 31, 2019**
Long term debt	**(124)**	(44,370)
Long term lease obligation	**(434)**	(3,065)
	(558)	(47,435)
Less: Working capital		
Current assets	**11,924**	13,488
Exclude commodity contracts	**-**	(2)
Current liabilities	**(79,808)**	(32,962)
	(67,884)	(19,476)
Net debt	**68,442**	66,911

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

The fair value hierarchy is as follows:

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

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

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

The carrying value and fair value of the Company's financial instruments at September 30, 2020 are as follows:

($000's)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	**2,635**	2,635
Accounts receivable	**5,910**	5,910
Accounts payable and accrued liabilities	**26,616**	26,616
Lease obligation	**3,679**	3,679
Promissory Notes	**820**	817
Amended Term Loan Facility	**47,685**	47,657

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 $5.9 million at September 30, 2020 (December 31, 2019 - $9.6 million) are non-interest bearing.

The Company's receivables are summarized as follows:

($000's)	**September 30, 2020**	**December 31, 2019**
Trade receivables	**4,682**	8,032
Joint venture receivables	**1,072**	584
Other receivables	**357**	1,268
Allowance for doubtful accounts	**(201)**	(242)
	5,910	9,642

The majority of the credit exposure on trade receivables as at September 30, 2020 pertains to revenue for accrued September 2020 production volumes. Receivables from the oil and gas marketing companies are typically collected on the 25th day of the month following production. Razor mitigates the credit risk associated with these receivables by establishing relationships with credit worthy purchasers. Razor has not experienced any collection issues with its oil and gas marketers.

Receivables from partners in jointly owned assets are typically collected within one to three months of the bill being issued to the partner. The Company mitigates the risk from joint interest billings by obtaining partner approval of capital expenditures

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

The Company's accounts receivable is aged as follows:

($000's)	**September 30, 2020**	**December 31, 2019**
Current (less than 30 days)	**4,961**	8,966
31 to 90 days	**551**	289
Over 90 days	**398**	387
Total receivables	**5,910**	9,642

The Company does not believe that the amounts outstanding for more than 90 days are impaired. Subsequent to September 30, 2020, the Company has collected $138 thousand relating to accounts receivable categorized as older than 90 days at September 30, 2020. In addition, the Company has set up a payment schedule to collect a significant portion of the remaining amount over 90 days.

Interest Rate Risk

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

The Amended Term Loan Facility matures on January 31, 2021 and bears interest at the rate of 10% per annum (paid semi-annually on June 30 and December 31). The Promissory Notes mature on September 12, 2022, December 13, 2022, and May 8, 2024, and interest is paid monthly at 6.1%, 6.5% and 7.94% per annum along with the principal.

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

Foreign Exchange Risk

Razor's business is conducted primarily in Canadian dollars. However, the Company's commodity contracts, 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

($000's, except for per share amounts and production)	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Total revenue and other income	**13,498**	**12,116**	15,641	22,755	21,297	27,870	28,250	21,883
Total revenues net of royalties	**13,005**	**11,245**	14,055	18,085	18,053	24,397	25,454	17,996
Cash flows from (used in) operating activities	**2,124**	**(540)**	2,253	3,922	(46)	8,263	4,099	6,696
Per share - basic and diluted	**0.10**	**(0.03)**	0.11	0.19	—	0.54	0.27	0.44
Funds Flow [1]	**5,598**	**1,985**	(3,659)	37	2,639	3,878	1,165	903
Per share - basic and diluted	**0.27**	**0.09**	(0.17)	—	0.16	0.26	0.08	0.06
Adjusted funds flow [1]	**5,562**	**2,010**	(3,314)	305	2,653	3,624	1,377	1,974
Per share - basic and diluted	**0.26**	**0.10**	(0.16)	0.01	0.16	0.24	0.09	0.13
Net (loss) income	**(1,838)**	**(4,083)**	(34,228)	(11,853)	(6,183)	(1,746)	(9,791)	3,774
Per share - basic and diluted	**(0.09)**	**(0.19)**	(1.62)	(0.56)	(0.38)	(0.12)	(0.64)	0.25
Dividends declared per share	-	-	0.01	0.04	0.04	0.04	0.04	0.20
Operating expenditures ($/boe)	**22.35**	**21.52**	36.06	29.90	29.34	34.12	34.05	24.53
Gross Capital expenditures	**481**	**587**	425	2,378	2,518	4,619	4,075	3,315
Government Grants received	**(270)**	**(851)**	—	(1,669)	(2,237)	(2,199)	—	—
Production Volumes								
Light Oil (bbl/d)	**2,047**	**1,996**	2,642	2,839	2,600	2,744	2,664	2,995
Natural gas (mcf/d)	**4,411**	**5,528**	3,676	4,962	6,206	3,414	3,929	3,225
NGL (bbl/d)	**791**	**865**	940	1,011	734	831	1,036	1,374
Total (boe/d)	**3,573**	**3,782**	4,195	4,677	4,368	4,143	4,355	4,907
Sales Volumes [2]								
Light Oil (bbl/d)	**2,186**	**1,971**	2,537	2,862	2,598	2,932	2,741	2,611
Natural gas (mcf/d)	**4,411**	**5,528**	3,676	4,962	6,206	3,414	3,929	3,225
NGL (bbl/d)	**791**	**865**	940	1,011	734	831	1,036	1,374
Total (boe/d)	**3,712**	**3,757**	4,089	4,700	4,367	4,332	4,432	4,523

1) Refer to "Non-IFRS measures".

2) Sales volumes include change in inventory volumes.

As at *($000's)*	Sept. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Total assets	**163,857**	**162,412**	151,031	189,158	205,873	172,367	166,120	157,937
Cash	**2,635**	**1,002**	2,322	1,905	3,443	5,324	4,540	2,239
Long-term debt (principal)	**48,505**	**47,312**	45,803	45,874	46,690	46,017	46,311	46,155
Lease obligations	**3,679**	**4,222**	4,469	4,744	5,150	5,108	5,042	3,860
Net debt [1]	**68,442**	**71,499**	72,875	66,911	66,939	60,632	57,213	54,244

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 third 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

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, other than COVID-19 highlighted matters on page 3 of this MD&A, as described in the Company's December 31, 2019 MD&A.

OTHER FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENTS

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

FORWARD LOOKING INFORMATION

Certain statements and information contained within this MD&A constitute forward-looking statements. These statements include, without limitation, the Company's ability to continue to operate in accordance with developing public health efforts to contain COVID-19, the Company's ability to renew the Amended Term Loan Facility, 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 Amended Term Loan Facility, including relief from projected covenant violations, 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, 2019 and in Razor’s other public filings on SEDAR at www.sedar.com.

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

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Razor's prospective results of operations, sales volumes, 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. 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.