RAZOR ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2019

INNOVATIVE. DIVERSE. INSPIRED.

RAZOR AT A GLANCE

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

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

$100.2 million	**$6.92/boe**	**$16.2 million**
2019 sales and other operating revenue	**2019 operating netback***	**2019 cash flow from operating activities**

20.8 Mmboe	**$116.8 million**	**4,387 boe/d**
gross proved + probable reserves	**2019 proved developed producing NPV10****	**2019 net average production**

*Refer to "Non-IFRS measures".

**Includes all abandonment, decommissioning and reclamation costs and inactive well costs totaling $61.3 million.

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APRIL 29, 2020

GENERAL

The Management's Discussion and Analysis (“MD&A”) intends to augment the financial statements and the reader's understanding of key operational and financial events that influenced the results of Razor during the year ended December 31, 2019.

This MD&A was prepared as of April 29, 2020 and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2019 and 2018. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the reporting currency is the Canadian dollar. Additional information, including the Company's annual information form and audited financial statements for the year ended December 31, 2019, is 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

As at December 31, 2019, the Company has a working capital deficit of $19.5 million, of which only $1.9 million is comprised of cash and cash equivalents, with contractual repayments of $37.2 million due in less than one year. In addition, the Company is projecting covenant violations with respect to the adjusted net debt-to-adjusted EBITDA cash flow ratio and the minimum working capital ratio on the Amended Term Loan Facility with Alberta Investment Management Corporation (“AIMCo”) at the next annual compliance date of December 31, 2020, which in any regard matures and requires repayment of $45.0 million on January 31, 2021.

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

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

These 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. These 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 these consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. These adjustments could be material.

COMPANY OVERVIEW

Razor is focused on shareholder returns through share buybacks and growth through a combination of acquiring, enhancing, and producing oil and gas from properties primarily in Alberta. The Company currently has light 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 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, comprised of the Jumpbush, Majorville, Badger, Enchant and Chin Coulee areas.

The Acquisition is valued at $13.2 million, 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 added 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 tendered to the offer, representing 95.11% of the total issued and outstanding Little Rock common 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.

MANAGEMENT STRATEGY AND OUTLOOK

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

Production in Q1 2020 is anticipated to average 4,200 boe/d due to impacts from the significant decrease in realized oil prices, leading to a reduction of reactivation and workover spending in Q1 2020. These wells will be brought back online when economics justify, with spending being focused on the highest capital efficiency projects. As well, Q1 production has been adversely affected by non-operated pipeline outages. These outages were rectified by the end of Q1 2020.

In response to the aforementioned decrease in oil prices, the Company has shut in all of its operated heavy oil production, along with certain light oil wells which are sub-economic at current prices. As of the date of this MD&A, the

Company is forecasting Q2 2020 production to be approximately 3,600 boe/d. The Company actively monitors the economics for all of its operated production and may shut in additional wells. The timing to restart shut in oil wells is dependent on improvements in both WTI prices and local price differentials. The Company currently forecasts WTI pricing and local price differentials will improve starting in Q3 2020. However, the timing of an improvement depends on successful progress with the COVID-19 virus and an increase in the global demand for oil.

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

The Company's working capital deficit at December 31, 2019 was $19.5 million and is forecast to increase throughout 2020. As a result, the Company will require additional financing during the year to provide sufficient liquidity to allow the Company to continue operations. There are no assurances the Company will be able to obtain financing at favourable terms, if at all.

2019 INNOVATION HIGHLIGHTS

- In 2019, Razor advanced its South Swan Hills co-produced geothermal power generation project.
- Continued operation of its six natural gas-powered generators which reduced the Company's reliance on grid electric power and resulted in savings of $2.2 million in electricity costs during 2019.
- Razor implemented cost saving measures by internalizing certain oilfield services through its subsidiary, Blade Energy Services Corp. ("Blade"), which provides services such as crude oil hauling along with earthworks and environmental services. Blade conducted $2.3 million of services on behalf of Razor during 2019.

CORPORATE SUSTAINABILITY, ENVIRONMENT, SOCIAL & GOVERNANCE

Razor is committed to a strong corporate sustainability program.

ENVIRONMENT

GHG Emissions

- Razor operates its own natural gas-powered electricity generation which allows the Company to reduce its reliance on coal-based grid electricity and has reduced GHG emissions by 6,000 tCO_2 annually.
- Once commissioned and in operation, Razor's co-produced geothermal power generation project will reduce GHG emissions by 40,000 tCO_2 annually.

Abandonment, Reclamation, and Remediation

- During the fourth quarter of 2019, Razor initiated and has now substantially completed the deconstruction and salvage of its Virginia Hills Unit 1 Production Complex. This was a significant legacy facility with ongoing reclamation and remediation which will take place over the remainder of 2020 and beyond.
- Starting in 2020, Razor has opted to participate in the Alberta Energy Regulator's ("AER") Area Based Closure ("ABC") program, to further reduce our footprint on the environment. Planned work consists of well, facility and pipeline abandonment, site remediation and reclamation.

- Since inception, Razor has received 18 reclamation certificates from the AER which confirms that the land has been reclaimed to its natural state in accordance with regulations.

- In addition to Razor's annual abandonment and reclamation program, Razor also paid $194 thousand in 2019 into the industry-wide Alberta Orphan Well Fund.

- Razor is in the early development stage for an advance soil treatment facility, which would use naturally occurring microbes to digest hydrocarbons in soils. The facility is anticipated to be operational in 2021.

SOCIAL

- Razor is actively involved in community engagement and recognizes the importance of supporting charitable organizations in the communities in which the Company operates.

- Razor has supported STARS Air Ambulance, the Swan Hills School, The Terry Fox Foundation, Kids Cancer Care, Ovarian Cancer Canada, Movember Foundation, and Crohn's and Colitis Canada, amongst others.

- Razor has provided sponsorship funds to community events and initiatives, as well as community sporting events.

GOVERNANCE

- Razor maintains clear oversight with a diverse and independent board that is aligned with shareholder interests and adheres to governance best practices.

- Razor is committed to diversity and equality in the workplace and on its Board of Directors.

- All board committees are comprised of independent board members.

- Razor is committed to conducting our operations safely and with proper policies, procedures, standards, training, equipment and emergency response procedures in accordance with all government regulations and industry practices.

- Razor maintains a complete series of documented corporate policies and requires an annual review and sign off from all employees and directors. Corporate policies include Code of Conduct, Corporate Disclosure and Whistleblower guidance.

SELECT QUARTERLY AND ANNUAL HIGHLIGHTS

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

	Three Months Ended December 31,		Twelve months ended December 31,	
($000's, except for per share amounts and volumes)	**2019**	**2018**	**2019**	**2018**
Production volumes[2]				
Oil (bbl/d)	**2,839**	2,995	**2,712**	3,143
Gas (mcf/d)[1]	**4,962**	3,225	**4,635**	3,770
NGL (bbl/d)	**1,011**	1,374	**903**	1,117
Total (boe/d)	**4,677**	4,907	**4,387**	4,888
Sales volumes [3]				
Oil (bbl/d)	**2,862**	2,611	**2,783**	3,046
Gas (mcf/d)[1]	**4,962**	3,225	**4,635**	3,770
NGL (bbl/d)	**1,011**	1,374	**903**	1,117
Total (boe/d)	**4,700**	4,523	**4,458**	4,792
Oil inventory volumes (bbls)	**9,251**	35,267	**9,251**	35,267
Oil and natural gas revenue				
Oil and NGLs sales	**20,013**	14,712	**78,365**	91,901
Natural gas sales	**774**	565	**2,438**	2,481
Sales of commodities purchased from third parties [7]	**(25)**	4,352	**8,551**	15,639
Blending and processing	**1,874**	1,912	**8,842**	10,472
Other revenues	**119**	342	**1,976**	2,406
Total revenue	**22,755**	21,883	**100,172**	122,899
Cash flows from operating activities	**3,894**	6,696	**16,210**	22,360
Per share -basic and diluted	**0.19**	0.06	**0.96**	1.10
Funds flow [4]	**9**	903	**7,691**	17,200
Per share -basic and diluted	**—**	0.06	**0.45**	1.10
Adjusted funds flow [4]	**277**	1,974	**7,931**	20,435
Per share -basic and diluted	**0.01**	0.13	**0.47**	1.31
Net income (loss)	**(11,853)**	3,773	**(29,573)**	4,239
Per share - basic and diluted	**(0.56)**	0.25	**(1.75)**	0.27
Dividends paid	**790**	3,126	**2,564**	3,126
Dividends paid per share	**0.04**	0.20	**0.15**	0.20
Weighted average number of shares outstanding (basic and diluted)	**21,056,770**	15,360,729	**16,926,491**	15,622,374
Capital expenditures	**2,378**	3,315	**13,590**	33,758
Net assets acquired [5]	**—**	43	**256**	3,921
Netback ($/boe)				
Oil and gas sales [6]	**48.07**	36.71	**49.66**	53.97
Royalty	**(10.80)**	(9.34)	**(8.72)**	(11.18)
Operating expenses	**(29.90)**	(24.53)	**(31.80)**	(29.26)
Transportation and treating	**(2.37)**	(2.17)	**(2.22)**	(2.17)
Operating netback [4]	**5.00**	0.67	**6.92**	11.36
Gain/(Loss) on sale of commodities purchased from third parties [7]	**(0.06)**	1.07	**(0.01)**	0.47
Net blending and processing income [4]	**2.74**	1.74	**3.34**	3.01
Realized gain/(loss) on commodity contracts settlement [6]	**0.46**	2.38	**(1.61)**	(1.51)
Other revenues	**0.28**	0.82	**1.21**	1.38
General and administrative	**(4.52)**	(2.91)	**(3.89)**	(3.24)
Other expenses	**(3.13)**	—	**(0.83)**	—
Impairment	**(9.25)**	—	**(2.46)**	—
Acquisition and transaction costs	**—**	—	**(0.13)**	(0.01)
Interest	**(2.87)**	(2.87)	**(3.02)**	(2.62)
Corporate netback [4]	**(11.35)**	0.90	**(0.48)**	8.84

1) Gas production and sales volumes include internally consumed gas used in power generation.
2) Production volumes for the twelve months ended December 31, 2019 includes Little Rock's daily average production from September 11 to December 31, 2019.
3) Sales volumes for the twelve months ended December 31, 2019 includes Little Rock's daily average sales from September 11 to December 31, 2019. Sales volumes include change in inventory volumes.
4) Refer to "Non-IFRS measures".
5) Net acquisitions exclude non-cash items and is net of post-closing adjustments.
6) Excludes the effects of financial risk management contracts but includes the effects of fixed price physical delivery contracts.
7) Since 2018, Razor started to purchase commodity products from third parties to fulfill sales commitments, and subsequently sell these products to its customers.

	December 31,	
($000's unless otherwise stated)	**2019**	**2018**
Total assets	**189,158**	157,937
Cash	**1,905**	2,239
Long-term debt (principal)	**45,876**	46,155
Net debt [1]	**66,911**	54,244
Number of shares outstanding	**21,064,466**	15,188,834

1) Refer to "Non-IFRS measures".

2019 YEAR-END RESERVES

In October 2019, the Calgary Chapter of the Society of Petroleum Evaluation Engineers (SPEE) and associated industry professionals updated the Canadian Oil and Gas Evaluation Handbook ("COGEH"). These updates clarify and streamline previous guideline recommendations initiated in 2018 and offer additional guidance regarding Canadian reserves evaluations.

For the second year in a row, Razor continues to be an industry leader, alongside Sproule Associates Limited ("Sproule"), by incorporating industry best practice by including all abandonment, decommissioning and reclamations costs (ADR) and inactive well costs (“IWC”) into the Company's 2019 year-end reserves report.

For 2019, the net present value of before tax cash flows discounted at 10% ("NPV10") for each reserve category disclosed below includes all abandonment, decommissioning and reclamation costs, and inactive well costs totaling $61.3 million.

	December 31,	
Reserves Summary[1]		
($000's unless otherwise stated)	**2019**	**2018**
Proved developed producing (Mboe)	**11,144**	12,194
Total Proved (Mboe)	**16,258**	15,397
Total Proved plus probable (Mboe)	**20,750**	20,223
Proved developed producing - NPV10[2]	**116,832**	148,671
Total Proved - NPV10[2]	**189,257**	197,733
Total Proved plus probable - NPV10[2]	**242,719**	209,047

1) The table summarizes the data contained in an independent report of Razor's gross reserves, as evaluated by Sproule, qualified reserves evaluators, dated February 24, 2020. The figures have been prepared in accordance with the standards contained in the COGEH and the reserve definitions contained in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities. Gross reserves means the total working interest (operating and non-operating) share of remaining recoverable reserves owned by Razor before deductions of royalties payable to others and without including any royalty interests owned by Razor. Additional reserve information is included in the AIF.
2) NPV 10 is net present value of before tax cash flows discounted at 10%.

Q4 2019 INFORMATION

- Averaged production of 4,677 boe/d in the fourth quarter of 2019, a 5% decrease from the same period in 2018 due to the decrease in general reactivation and optimization activities, as well as due to non-operated pipeline outages in effect during Q4 2019, offset by production from the Little Rock Acquisition;

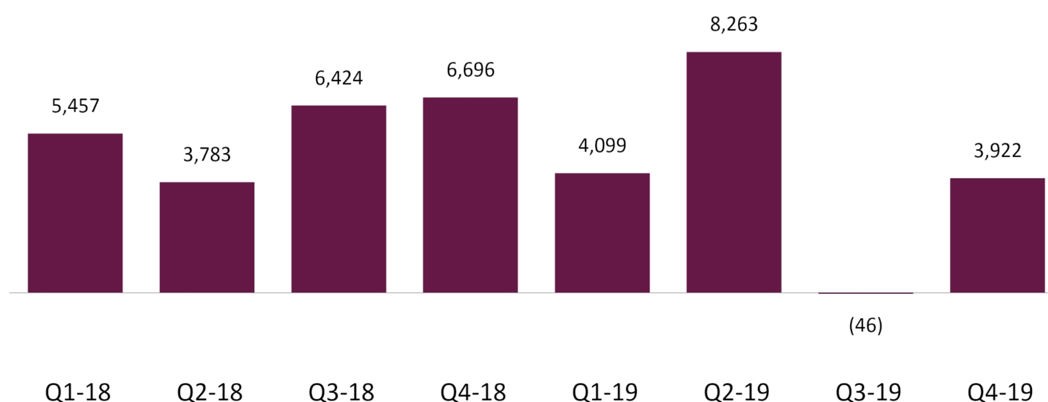
- Net revenues increased 4% in the fourth quarter of 2019 from the same period in 2018, due to the decrease in Edmonton light sweet ("MSW") crude oil differential in the fourth quarter of 2019, offsetting the decrease in production along with significant decrease in NGL prices, as well as a decrease in revenue from sales of commodities purchased from third parties. Realized NGL prices decreased 17% in the fourth quarter of 2019 from the same period

in 2018. Realized oil prices increased 55% in the fourth quarter of 2019 from the same period in 2018 as the Edmonton light sweet crude oil differential to West Texas Intermediate ("WTI") decreased to 10% in the fourth quarter of 2019 compared to 48% in the same quarter of 2018;

- Reported cash flows from operating activities of $3.9 million in the fourth quarter of 2019 compared to $6.7 million in the fourth quarter of 2018, mostly as a result of a lower change in non-cash working capital in the fourth quarter of 2019;

- Reported adjusted funds flow of $0.3 million in the fourth quarter of 2019, a 54% decrease from the same period of 2018 due to a 27% increase in operating cost and one-time third party charges, partially offset by a 4% increase in net revenues;

- Reported a $11.9 million net loss in the fourth quarter of 2019 compared to $3.8 million of net income in the same period of 2018, primarily due to $9.8 million of unrealized gains on commodity risk management contracts in the fourth quarter of 2018 along with a $4.0 million impairment loss in the fourth quarter of 2019;

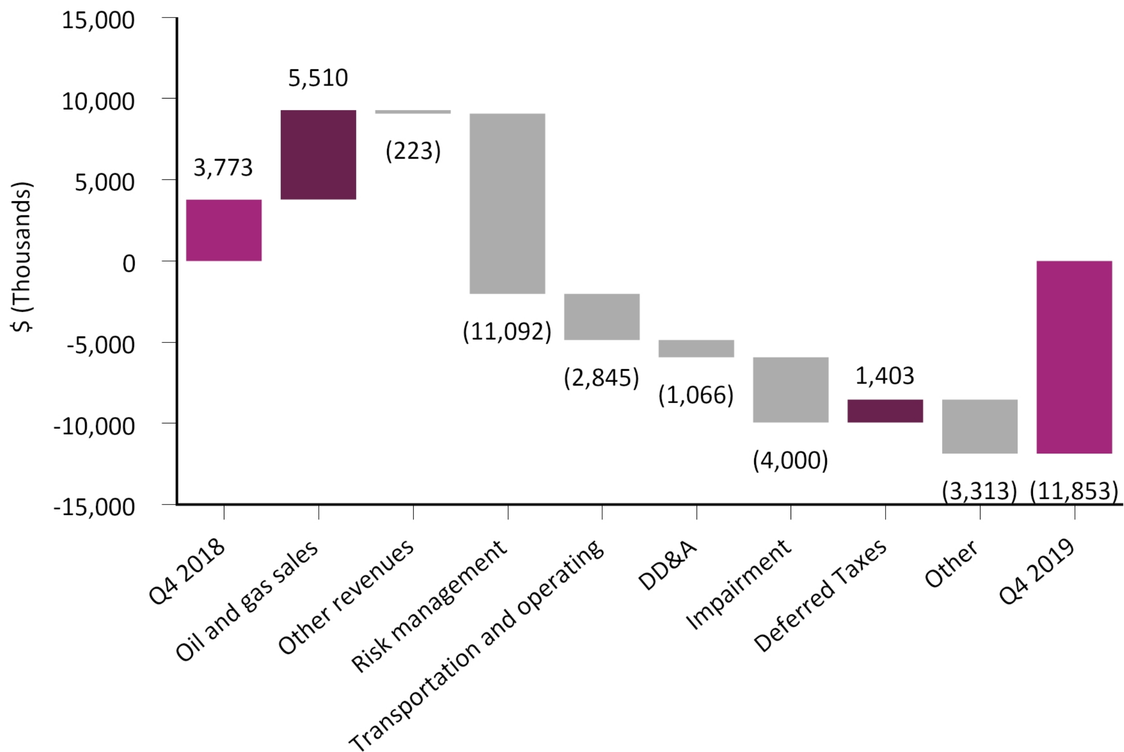


- Per boe operating expenses in the fourth quarter of 2019 stayed on par as compared to the previous quarter in 2019, and increased by 22% in comparison to the same period in 2018, due to decreased production, as well as non-operated pipeline expenditures, and the incremental operating costs associated with the Little Rock Acquisition during Q3 2019.

Dividends

Razor paid out $0.8 million in dividends or $0.04 per share in Q4 2019.

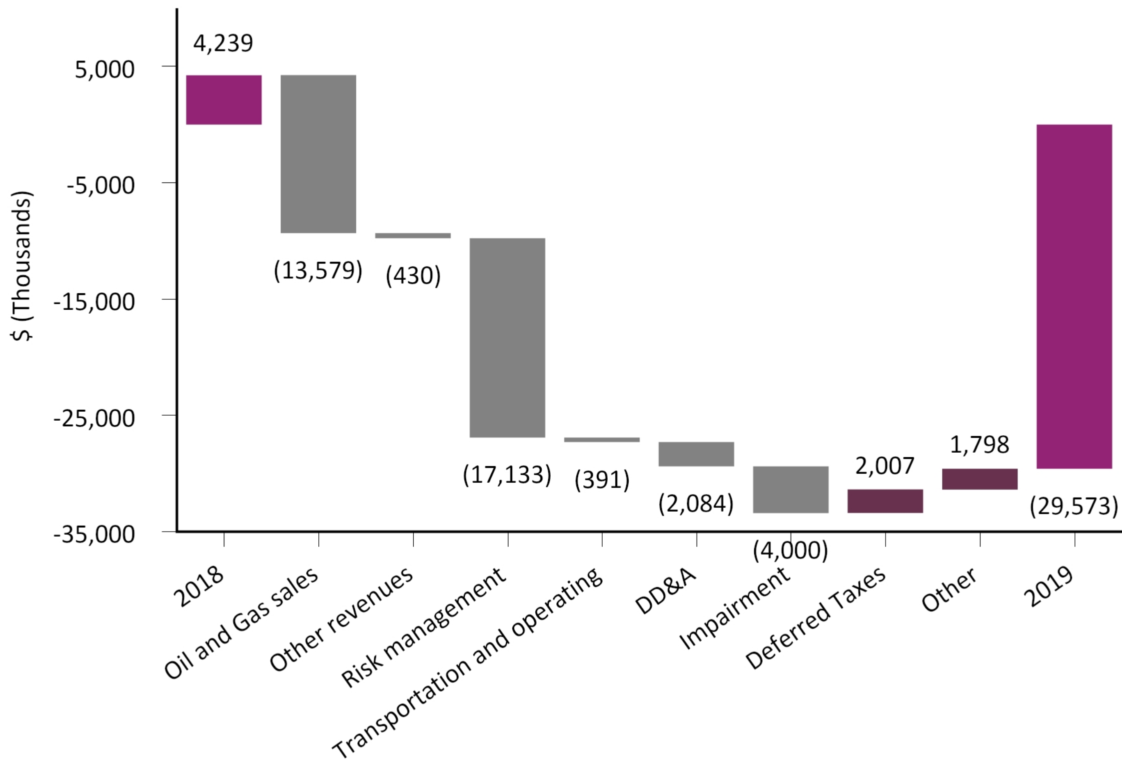
On February 5, 2020, the Company suspended the payment of dividends effective February 2020 in response to significant price volatility for crude products in the Canadian energy sector.



2019 INFORMATION

OPERATING

- Production during the year averaged 4,387 boe/d, representing a decrease of 10% in comparison to 2018 when production averaged 4,888 boe/d. The decrease was due to the Company's reduced reactivation program in 2019, reduced workover activity, issues with third party fuel gas supply and composition, as well as non-operated pipeline outages, partially offset by production from the properties of Little Rock Resources Ltd. ("Little Rock") properties acquired during Q3 2019 (the "Little Rock Acquisition");
- Achieved 2019 operating netback of $6.92/boe, down 39% from 2018;
- Achieved adjusted funds flow of $7.9 million in 2019 a 58% decrease from 2018, mainly driven by a 18% decrease in total revenues from 2018.



CAPITAL

- Invested a total of $13.6 million in 2019, comprised mainly of the continuation of the well reactivation program and the South Swan Hills co-produced geothermal power generation project. See "Capital Expenditures" section for further detail;
- Reactivated 24 gross (23.3 net) wells during 2019, resulting in 422 boe/d of additional initial production.

ACQUISITIONS

- Completed the Little Rock Acquisition, providing Razor with a second core region in southern Alberta, comprised of the Jumpbush, Majorville, Badger, Enchant and Chin Coulee areas. The acquisition added approximately 800 boe/d of production.

FINANCING

- Entered into various loan and lease agreements for field service equipment for $1.5 million.

DISTRIBUTIONS TO SHAREHOLDERS

- Paid out $2.6 million in dividends (2018 - $3.1 million) or $0.15 per share;
- The Company bought back 106,400 shares in 2019 for $0.2 million (2018 - 578,700 shares for $1.6 million) under its NCIB at an average of $2.24 per share (2018 - $2.76 per share).

2019 ACTUAL RESULTS VS. 2019 GUIDANCE

With the market volatility in commodity prices and Razor's ability to grow production through high frequency/low capital intensive projects and with emerging acquisition opportunities, the Company took a disciplined approach to the 2019 budget.

The following table provides a summary of the 2019 guidance and the actual results for 2019:

($000's unless otherwise stated)	**2019 Actual Results**	**2019 Revised Guidance [2]**	**2019 Initial Guidance**
Average daily production (boe/d)	4,387	4,400	4,900
Acquisitions, capital and decommissioning	7,485	10,000	13,500
Net Debt[1]	66,911	51,100	51,100

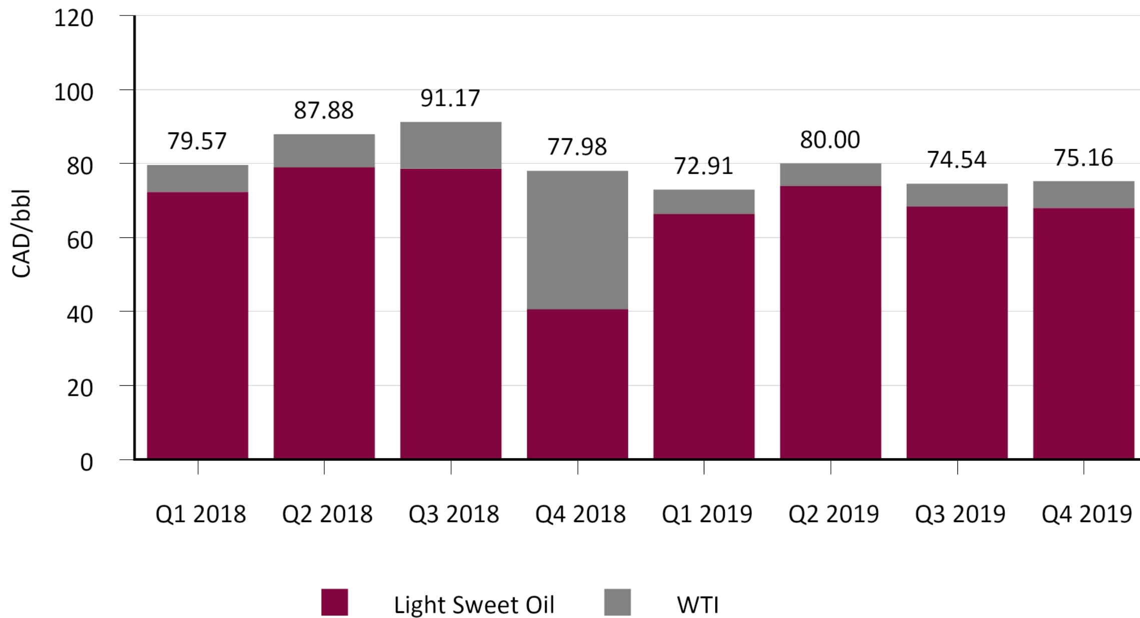
1) Refer to "Non-IFRS measures" section of the MD&A.
2) Revised in response to lower than anticipated cash flow from operating activities resulting from third party outages.

Realized 2019 production was in line with revised guidance with the Little Rock Acquisition in Q3 2019 offsetting non-operated pipeline outages. Lower than expected capital and decommissioning expenditures are mostly due to decreased reactivation, pipeline, facility expenditures which were reduced in response to lower cash flow from operating activities. Higher than expected net debt was primarily as a result of the increased working capital deficiency due to lower cash flows from operating activities.

COMMODITY PRICES AND BUSINESS ENVIRONMENT

	Q4-2019	**Q3-2019**	**Q2-2019**	**Q1-2019**	**Q4-2018**	**Q3-2018**	**Q2-2018**	**Q1-2018**
Average selling price								
Oil price ($/bbl)	**67.59**	64.19	76.48	65.10	43.63	80.80	79.71	69.76
NGL price ($/bbl)	**23.82**	24.24	28.14	30.98	28.86	35.70	34.37	35.89
Gas price ($/mcf)	**1.69**	1.01	1.06	2.56	2.03	1.86	1.74	2.42
Benchmark prices and foreign exchange rates								
OIL ($/bbl)								
WTI (USD)	**56.94**	56.44	59.80	54.83	59.10	69.75	68.05	62.91
WTI (CAD)	**75.16**	74.54	80.00	72.91	77.98	91.17	87.88	79.57
MSW (Light Sweet Oil - Edmonton)	**67.97**	68.32	73.84	66.34	40.58	78.54	78.90	72.30
WTI vs MSW Oil differential (CAD/bbl)	**(7.19)**	(6.22)	(6.16)	(6.57)	(37.40)	(12.63)	(8.98)	(7.27)
WTI vs MSW Oil differential (%)	**(10)%**	(8)%	(8)%	(9)%	(48)%	(14)%	(10)%	(9)%
NATURAL GAS (CAD/mcf)								
AECO NGX AB-5a [1]	**2.49**	0.84	1.02	2.59	1.57	1.19	1.25	2.08
ELECTRICITY ($/MWh)								
Average Pool Price	**46.97**	46.87	56.57	69.46	55.52	54.65	56.01	34.92
CAD/USD EXCHANGE RATE	**0.76**	0.76	0.75	0.75	0.76	0.76	0.78	0.79

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



Crude Oil Prices

Crude oil benchmark prices strengthened in the fourth quarter in comparison to Q3 2019 and the same period in 2018. West Texas Intermediate ("WTI") averaged CAD $75.16 per barrel in the fourth quarter of 2019, on par with Q3 2019 and a 4% decrease from the same period in 2018. During 2019 WTI averaged CAD $75.65/bbl down 12% in comparison to 2018. 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 fourth quarter of 2019 the differential between WTI and MSW decreased to 10% from 48% in Q4 2018. For the twelve months of 2019 the WTI to MSW differential averaged 9% slightly down from the 20% 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 $67.59 per barrel during the fourth quarter of 2019, which was a 10% discount to the WTI (CAD) price and is up from the 4% and down from 14% discounts in Q2 2019 and Q3 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. During the fourth quarter of 2019, Razor's realized crude oil price increased 5% from the third quarter of 2019 and 55% from the same quarter of 2018. However, for the twelve months ending December 31, 2019 the Company realized oil price was on par with the same period of 2018.

In early January 2020, WTI benchmark pricing was trending upwards, however, the price dropped significantly as concerns over global demand were raised after the COVID-19 outbreak, as it started to impact countries around the world. Furthermore, despite OPEC+ agreeing on production cuts in response to COVID 19, estimated demand destruction globally has kept WTI benchmark prices and local realized pricing at lows not experienced since the early 2000's.

Natural Gas and NGLs Prices

The price realized by the Company for natural gas production is primarily determined by the AECO benchmark and based on Canadian fundamentals. AECO NGX AB-5a prices have almost doubled from the fourth quarter of 2019 and reached $2.49/mcf, as maintenance on TransCanada's pipeline was completed allowing it to operate at full capacity. In addition, unusually cold weather in Canada in late December, increased heating demand further strengthening the price. For the

twelve months of 2019, AECO NGX AB-5a price averaged $1.74/mcf, which was 15% up in comparison to the same period in 2018.

Sales of NGL is primarily comprised of ethane, propane, butane, pentane, and condensate. During 2019, average NGL pricing decreased 35% in comparison to 2018, mostly due to the decrease in condensate prices resulting from the weakness in crude oil prices offset by the strengthening of propane and butane prices.

Electricity Prices

Electricity costs have a significant impact on the Company's results, since electricity accounts for 26% of operating expense. Average electricity pool prices in the fourth quarter of 2019 increased 15% from the same quarter in 2018 and was on par with the third quarter of 2019. Razor operates its own natural gas-powered electricity generation and has reduced its reliance on grid-based electricity.

COMMODITY PRICE RISK

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

The following table demonstrates the impact of changes in commodity pricing on income before taxes, based on the derivative contracts in place at December 31, 2019:

	Gain/(Loss) (USD $000's)
$10 increase in USD WTI/bbl	(2)
$10 decrease in USD WTI/bbl	182

As at December 31, 2019, Razor had the following derivative contracts outstanding:

Reference point	Volume (bblspd)	Remaining Term	Price USD/bbl	Fair Value (CAD 000's)
Oil - Long Put				
NYMEX WTI financial futures	45,000	Jan-2020	45.00	—
NYMEX WTI financial futures	25,000	Feb-2020	45.00	2

As at December 31, 2019, the Company fair valued the oil and gas commodity contracts recording an asset of $2 thousand (2018 - $8.3 million asset) on the Statement of Financial Position and recorded an unrealized loss of $8.3 million (2018 - $8.9 million gain) in earnings for the year ended December 31, 2019.

Subsequent to December 31, 2019, the Company has sold and purchased certain commodity contracts and has the following derivative contracts outstanding as at April 28, 2020:

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

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

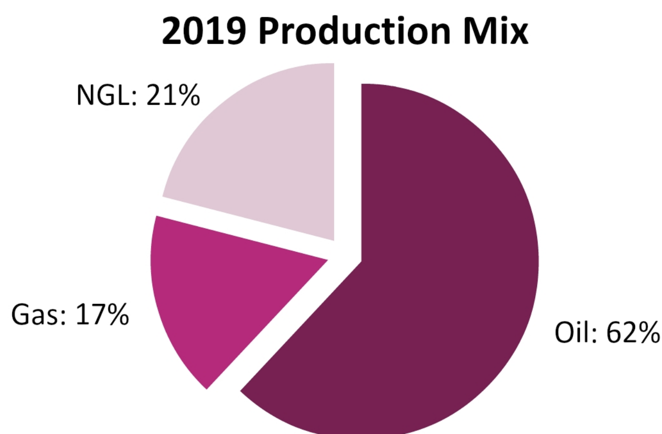
DAILY AVERAGE PRODUCTION

In 2019, Razor's average production decreased 10% to 4,387 boe/d, from 4,888 boe/d average production in 2018, of which approximately 82% was light oil and NGLs.

As at December 31, 2019, Razor had 9,251 bbls of light oil inventory (2018 - 35,267 bbls). MSW differentials and WTI pricing improved significantly during 2019 and the Company sold a portion of its light oil inventory throughout the year. The Company continues to improve the effectiveness of sales and production management through more advanced inventory, blending and transportation processes and controls.

In Q4 2019, production of 4,677 boe/d was down 4% from the same quarter of 2018 due to the decrease in general reactivation and optimization activities, as well as due to non-operated pipeline outages in effect for Q4 2019.

However, Q4 2019 production was up 7% from Q3 2019 due to a strategic acquisition of a second core region in southern Alberta, comprised of the Jumpbush, Majorville, Badger, Enchant and Chin Coulee areas. This strategic acquisition provided additional average daily production of 716 boe/d during Q4 2019.



Production and sale volumes represent gross volumes before royalties, unless noted otherwise:

	Three Months Ended December 31,		Year Ended December 31,	
Production (boe/d)[2]	**2019**	**2018**	**2019**	**2018**
Light oil (bbl/d)	**2,839**	2,995	**2,712**	3,143
Gas (mcf/d)[1]	**4,962**	3,225	**4,635**	3,770
NGL (bbl/d)	**1,011**	1,374	**903**	1,117
Total	**4,677**	4,907	**4,387**	4,888

1) Gas production for the three and twelve months ended December 31, 2019 includes 1,398 mcf/d and 1,247 mcf/d, respectively, of internally consumed gas used in power generation.
2) Production volumes for the twelve months ended December 31, 2019 includes Little Rock's daily average sales from September 11 to December 31, 2019.

	Three Months Ended December 31,		Year Ended December 31,	
Production (boe/d)[1]	**2019**	**2018**	**2019**	**2018**
Swan Hills	**3,131**	3,570	**3,226**	3,509
Kaybob	**830**	1,337	**936**	1,379
Southern Alberta	**716**	—	**225**	—
Total	**4,677**	4,907	**4,387**	4,888

1) Production volumes for the twelve months ended December 31, 2019 includes Little Rock's daily average sales from September 11 to December 31, 2019.

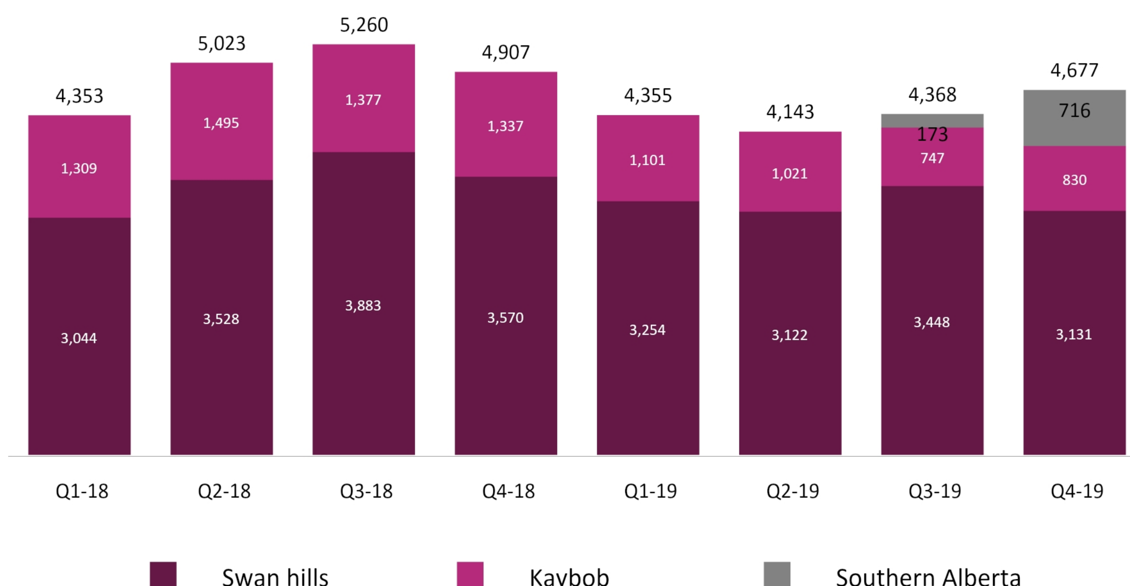
	Three Months Ended December 31,		Year Ended December 31,	
Sales volumes (boe/d)[1 3]	**2019**	**2018**	**2019**	**2018**
Light oil (bbl/d)	**2,862**	2,611	**2,783**	3,046
Gas (mcf/d)[2]	**4,962**	3,225	**4,635**	3,770
NGL (bbl/d)	**1,011**	1,374	**903**	1,117
Total	**4,700**	4,523	**4,458**	4,792

1) Sales volumes include change in inventory volumes.
2) Gas sales for the three and twelve months ended December 31, 2019 includes 1,398 mcf/d and 1,247 mcf/d, respectively, of internally consumed gas used in power generation.
3) Production volumes for the twelve months ended December 31, 2019 includes Little Rock's daily average sales from September 11 to December 31, 2019.

	Three Months Ended December 31,		Year Ended December 31,	
Sales volumes (boe/d)[1 2 3]	**2019**	**2018**	**2019**	**2018**
Swan Hills	**3,153**	3,260	**3,296**	3,431
Kaybob	**831**	1,263	**938**	1,360
Southern Alberta	**716**	—	**224**	—
Total	**4,700**	4,523	**4,458**	4,792

1) Sales volumes include change in inventory volumes.
2) Gas sales for the three and twelve months December 31, 2019 includes 1,398 mcf/d and 1,247 mcf/d, respectively, of internally consumed gas used in power generation.
3) Production volumes for the twelve months ended December 31, 2019 includes Little Rock's daily average sales from September 11 to December 31, 2019.

	Twelve months ended December 31, 2019	
Inventory (bbls)	**2019**	**2018**
Opening light oil inventory	**35,267**	—
Inventory movement	**(26,016)**	35,267
Closing light oil inventory	**9,251**	35,267
Inventory movement (bbl/d)	**(71)**	—



NETBACKS

	Three Months Ended December 31,		Year Ended December 31,	
($/boe) [2]	**2019**	**2018**	**2019**	**2018**
Light oil and gas sales	**48.07**	36.71	**49.66**	53.97
Royalty	**(10.80)**	(9.34)	**(8.72)**	(11.18)
Operating expenses	**(29.90)**	(24.53)	**(31.80)**	(29.26)
Transportation and treating	**(2.37)**	(2.17)	**(2.22)**	(2.17)
Operating netback [1]	**5.00**	0.67	**6.92**	11.36
Income on sale of commodities purchased from third parties [1]	**(0.06)**	1.07	**(0.01)**	0.47
Net blending and processing income[1]	**2.74**	1.74	**3.34**	3.01
Realized (loss) gain on commodity contracts	**0.46**	2.38	**(1.61)**	(1.51)
Other revenues	**0.28**	0.82	**1.21**	1.38
General and administrative	**(4.52)**	(2.91)	**(3.89)**	(3.24)
Other expenses	**(3.13)**	—	**(0.83)**	—
Impairment	**(9.25)**	—	**(2.46)**	—
Acquisition and transaction costs	**—**	—	**(0.13)**	(0.01)
Interest	**(2.87)**	(2.87)	**(3.02)**	(2.62)
Corporate netback [1]	**(11.35)**	0.90	**(0.48)**	8.84

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

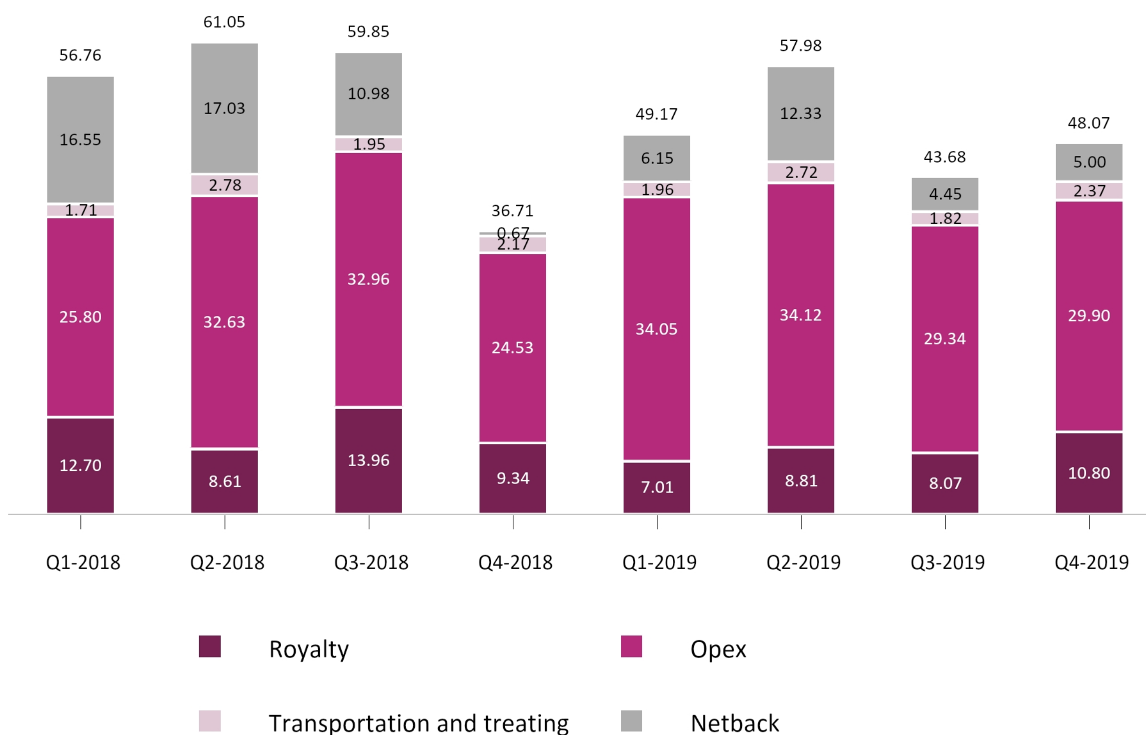
During the fourth quarter of 2019, the Company realized an average operating netback of $5.00/boe, up 857% as compared to Q4 2018, primarily attributable to the sharp decrease in MSW differentials to WTI in the fourth quarter of 2018. For the year ended December 31, 2019, the average operating netback of $6.92/boe was a 39% decrease from the same period in 2018, due to lower realized oil and gas sales and higher operating expenses during 2019.

Royalty rates averaged 22% in the fourth quarter of 2019, up from 18% in the third quarter of 2019, and down from 25% in the same quarter of 2018, primarily due to the timing of realized oil prices as compared to the reference oil price used by the Government of Alberta as the basis for calculating royalties. As the index price is set a month in advance, periods of sharp price decreases will result in higher than expected royalty rates, conversely in periods of price increases, due to the pricing lag, realized royalties will be lower than expected.

In the fourth quarter of 2019, operating expenses increased by 22% as compared to Q4 2018 and stayed on par as compared to Q3 2019 due to decreased production, as well as non-operated pipeline expenditures, and the incremental operating costs associated with the Little Rock Acquisition during Q3 2019.

The top five cost drivers are fuel and electricity, labour, taxes and licenses, facility and pipeline repairs which accounted for 76% of total operating expenses in 2019 (2018 - 80%). Facility and pipeline repairs, and workovers accounted for 28% (2018 - 33%) of operating expenses while fuel and electricity followed closely at 26% (2018 - 29%) of operating expenses.

Management is focused on continuous improvement of operational efficiencies to drive down key cost drivers.



Note: For purposes of consistency, all $/boe amounts are based on sales volumes.

INCOME ON SALE OF COMMODITIES PURCHASED FROM THIRD PARTIES

	Three Months Ended December 31,		Year Ended December 31,	
($000's)	**2019**	**2018**	**2019**	**2018**
Sales of commodities purchased from third parties	**(25)**	4,352	**8,551**	15,639
Commodities purchased from third parties	**—**	(3,907)	**(8,564)**	(14,812)
Income on sale of commodities purchased from third parties [1 2]	**(25)**	445	**(13)**	827
($/boe)[3]	**(0.06)**	1.07	**(0.01)**	0.47

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.

In 2018, the Company began marketing its own light oil production. At certain times during 2018 and 2019, Razor purchased commodity products from third parties to fulfill sales commitments, and subsequently sold these products to its customers.

BLENDING AND PROCESSING INCOME

	Three Months Ended December 31,		Year Ended December 31,	
($000's)	**2019**	**2018**	**2019**	**2018**
Blending and processing income	**1,874**	1,912	**8,842**	10,472
Blending and processing expenses	**(690)**	(1,188)	**(3,402)**	(5,207)
Net blending and processing income [1]	**1,184**	724	**5,440**	5,265
($/boe)[2]	**2.74**	1.74	**3.34**	3.01

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

Net blending and processing income for the fourth quarter of 2019 increased 64% compared to the same period in 2018, due to higher prices for the blended products and decreased product differentials. For the full year, blending net income was on par with 2018, as a result of increased volumes and the optimization of the Company's blending facility. In response to variable market pricing for both inputs and outputs in relation to blending, management uses discretion over which type and volume of sales products to produce.

DEPLETION, DEPRECIATION AND AMORTIZATION (DD&A)

	Three Months Ended December 31,		Year Ended December 31,	
($000's)	**2019**	**2018**	**2019**	**2018**
Depletion, depreciation and amortization	**5,599**	4,533	**18,909**	16,825
($/boe)[1]	**12.95**	10.89	**11.62**	9.62

1) Based on sales volumes.

DD&A expense, for the fourth quarter of 2019, was up 24% from the fourth quarter of 2018. The per unit DD&A for 2019 increased 21% from 2018. The increase in DD&A expense and DD&A per boe is due to an increase in its depletable base as a result of the Little Rock Acquisition during Q3 2019. Future development costs required to develop the proved plus probable reserves, included in the depletable base, increased to $67.5 million (2018 - $60.6 million).

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

	Three Months Ended December 31,		Year Ended December 31,	
($000's)	**2019**	**2018**	**2019**	**2018**
Gross G&A	**2,681**	1,913	**9,415**	8,889
Overhead recoveries	**(522)**	(650)	**(2,273)**	(2,669)
Capitalized G&A	**(205)**	(50)	**(815)**	(557)
Net G&A	**1,954**	1,213	**6,327**	5,663
($/boe)[1]	**4.52**	2.91	**3.89**	3.24

1) Based on sales volumes.

Labour costs accounted for approximately 63% of gross 2019 G&A, while consulting, technical support, audit and legal fees comprised a further 25% of gross G&A. The Company's gross G&A costs increased 6% in 2019 as compared to 2018 mostly as a result of increased staffing levels and increased costs associated with information technology.

ACQUISITION AND TRANSACTION COSTS

	Three Months Ended December 31,		Year Ended December 31,	
($000's)	**2019**	**2018**	**2019**	**2018**
Acquisition and transaction costs	**—**	—	**213**	16
($/boe)[1]	**—**	—	**0.13**	0.01

1) Based on sales volumes.

Acquisition costs in 2018 are related to the additional working interest acquisition in Kaybob Triassic Units 1 and 2. For the year ended December 31, 2019, total transaction costs of $0.2 million related to the Little Rock acquisition were expensed. These costs include professional fees for legal and valuation services.

FINANCING COSTS

The components of financing costs are summarized below.

	Three Months Ended December 31,		Year Ended December 31,	
($000's)	**2019**	**2018**	**2019**	**2018**
Interest expense	**1,242**	1,196	**4,907**	4,579
Amortization of deferred financing costs	**281**	280	**1,115**	1,115
Accretion	**539**	435	**1,635**	1,771
	2,062	1,911	**7,657**	7,465
($/boe)[1]				
Interest expense	**2.87**	2.87	**3.02**	2.62
Amortization of deferred financing costs	**0.65**	0.68	**0.69**	0.64
Accretion	**1.25**	1.04	**1.00**	1.01
	4.77	4.59	**4.71**	4.27

1) Based on sales volumes.

Interest expense primarily arises from interest on the Amended Term Loan Facility, the Promissory Notes, and the lease obligation. Deferred financing costs are comprised of legal fees of $0.3 million and the fair value of the common shares issued to AIMCo of $3.9 million and are being amortized over the life of the loan. Accretion relates to the time value change of the Company's decommissioning obligations.

Interest expense increased 7% in 2019 as compared with 2018 due to an increase in the Company's debt and financing lease obligations in 2019.

CAPITAL EXPENDITURES

	Three Months Ended December 31,		Year Ended December 31,	
($000's)	**2019**	**2018**	**2019**	**2018**
Reactivations, recompletions and optimizations	**16**	191	**4,368**	4,915
Drilling	**—**	49	**—**	7,978
Pipelines and injection management	**64**	572	**1,539**	6,151
Facilities and other	**59**	207	**1,159**	1,889
Finding and development related capital	**139**	1,019	**7,066**	20,933
Field equipment	**—**	774	**1,290**	774
Power generation	**2,194**	1,040	**4,464**	9,491
Information technology systems	**42**	417	**348**	1,807
Operational enhancement related capital	**2,236**	2,231	**6,102**	12,072
Corporate related capital expenditures	**3**	65	**422**	753
Gross capital expenditures	**2,378**	3,315	**13,590**	33,758
Government grants on assets	**(1,669)**	—	**(6,105)**	—
Net capital expenditures	**709**	3,315	**7,485**	33,758

In 2019, Razor invested $13.6 million (before $6.1 million of government grants) through its capital program, comprised mainly of the continuation of the well reactivation program and on its South Swan Hills co-produced geothermal power generation project.

The Company reactivated 24 gross (23.3 net) wells during 2019, resulting in 422 boe/d of additional initial production.

During 2019, Razor invested $4.5 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 renewable and sustainable 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 million. The Company received $4.3 million of grants related to the project in 2019.

Razor, through its wholly-owned subsidiary Blade Energy Services Corp., 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 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 December 31, 2019, the Company had Net Debt[1] of $66.9 million, a working capital deficit of $19.5 million, of which only $1.9 million is comprised of cash and cash equivalents, and contractual repayments of $37.2 million due in less than one year. In addition, the Company's Amended Term Loan Facility of $45 Million with Alberta Investment Management Corporation ("AIMCo") is due January 31, 2021. See "Future Operations" section of the MD&A.

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

Razor obtained an amendment to the financial covenants for the Amended Term Loan Facility for the December 31, 2019 compliance date and and was in compliance with the amended financial covenants at December 31, 2019. The Company is projecting financial covenant violations with respect to both the adjusted net debt-to-adjusted cash flow ratio and the minimum working capital ratio on the Amended Term Loan Facility at the next annual compliance date of December 31, 2020. Accordingly, the Company is dependent on the ongoing support of AIMCo through to its contractual maturity of January 2021.

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

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

SOURCES AND USES OF CASH

Cash decreased from $2.2 million as at December 31, 2018 to $1.9 million as at December 31, 2019. Major movements are outlined in the following table:

	Three Months Ended December 31,		Year Ended December 31,	
($000's)	**2019**	**2018**	**2019**	**2018**
Adjusted funds flow [1]	**277**	1,974	**7,931**	20,435
Proceeds of lease obligation	**—**	190	**—**	16,211
Proceeds from long-term debt	**—**	—	**1,235**	4,361
Government grants	**1,669**	—	**6,105**	—
Proceeds of resource property dispositions	**—**	153	**—**	953
Cash sourced	**1,946**	2,317	**15,271**	41,960
Capital expenditures	**(2,378)**	(3,315)	**(13,590)**	(33,758)
Decommissioning costs incurred	**(268)**	(1,071)	**(240)**	(3,235)
Property acquisitions	**—**	(43)	**(256)**	(3,921)
Finance costs	**(1,242)**	(1,196)	**(4,937)**	(4,769)
Repayment of lease obligation	**(406)**	(253)	**(1,203)**	(501)
Repayment of long-term debt	**(816)**	(57)	**(1,024)**	(57)
Repayment of director loans[2]	**—**	—	**(528)**	—
Common share repurchase	**(11)**	(652)	**(239)**	(1,599)
Dividends paid	**(790)**	(3,126)	**(2,564)**	(3,126)
Restricted cash	**—**	37	**1,810**	(826)
Cash used	**(5,911)**	(9,676)	**(22,771)**	(51,792)
	(3,965)	(7,359)	**(7,500)**	(9,832)
Changes in non-cash working capital	**2,437**	3,981	**7,261**	4,412
Foreign currency translation	**(10)**	89	**(95)**	172
Change in cash and cash equivalents	**(1,538)**	(3,289)	**(334)**	(5,248)
Cash and cash equivalents, beginning of period	**3,443**	5,528	**2,239**	7,487
Cash and cash equivalents, end of period	**1,905**	2,239	**1,905**	2,239

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

NORMAL COURSE ISSUER BID

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 course of 2019, the Company repurchased and canceled 106,400 common shares (2018 - 578,700 common shares) for $0.2 million at an average price of $2.24 per share (2018 - $2.76 per share). The purchases resulted in a decrease to share capital of $127 thousand (2018 - $0.7 million) and an increase to deficit of $112 thousand (2018 - $0.9 million).

SHARE CAPITAL

A reconciliation of the number and dollar amount of outstanding shares at December 31, 2019 is shown below.

	December 31, 2019		December 31, 2018	
Common Shares	**Number**	**($000's)**	**Number**	**($000's)**
Shares outstanding, beginning of year	**15,188,834**	**18,057**	15,511,934	18,333
Common shares issued as part of debt issuance	**—**	**—**	255,600	409
Common shares issued as part of corporate acquisition	**5,982,032**	**9,640**	—	—
Share issuance costs	**—**	**(30)**	—	—
Shares repurchased and cancelled	**(106,400)**	**(127)**	(578,700)	(685)
Shares outstanding, end of year	**21,064,466**	**27,540**	15,188,834	18,057

On January 15, 2018, Razor issued 255,600 common shares to AIMCo as consideration for the Amended Term Loan Facility. The common shares issued to AIMCo were valued based on the share price of the Company. No preferred shares have been issued.

On September 11, 2019, Razor completed the Little Rock acquisition, resulting in the issuance of an aggregate of 5,689,532 Common Shares valued at $1.61 per share, based on the weighted average price of Razor common shares on September 11, 2019. Razor acquired the balance of the shares by way of a 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.

As at December 31, 2019 and as at April 28, 2020, the Company had a total of 21,064,466 common shares outstanding. (December 31, 2018 - 15,188,834 common shares outstanding).

DIVIDENDS

Dividends declared for the year ended December 31, 2019 were $0.15 per share (2018 - $0.20). In total the Company paid $2.6 million in dividends in 2019 (2018 - $3.1 million).

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

CORPORATE FINANCING

Proceeds from promissory notes

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

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

Lease Obligations

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

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

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

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

Adoption of New IFRS 16 Accounting Policy - Leases

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

On November 20, 2019, 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 December 31, 2019, Razor was in compliance with all of its 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

In the ordinary course of business, the Company enters into arrangements and incurs obligations that will impact the Company's future operations and liquidity.

The table below summarizes the Company’s contractual obligations as at December 31, 2019:

($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	**28,749**	28,749	—	—	—
Amended Term Loan Facility	Yes-Liability	**45,000**	—	45,000	—	—
Promissory notes	Yes-Liability	**874**	296	578	—	—
Minimum lease obligation	Yes-Liability	**5,328**	1,942	3,031	355	—
Interest payable [2 3]	No	**6,733**	5,660	1,073	—	—
Lease operating costs	No	**497**	199	298	—	—
Transportation services	No	**1,406**	297	193	186	730
Processing services	No	**65**	65	—	—	—
Total		**88,652**	**37,208**	**50,173**	**541**	**730**

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.

Razor inherited decommissioning liabilities included in its Swan Hills, Kaybob and Little Rock acquisitions. In Q4 2019, the Company spent $0.3 million on abandonment, reclamation, and remediation expenditures (Q4 2018 - $1.1 million).

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

In the normal course of its operations, the Company may be subject to litigation and claims and records provisions for claims as required. On March 20, 2017, the Company was served with a statement of claim whereby the plaintiffs allege that the Company was provided with confidential information about certain petroleum and natural gas assets that a third party had agreed to sell to the plaintiff. The Company has filed a statement of defense denying all allegations made against them. The potential outcome of the lawsuit and claim are uncertain, however the Company's opinion is that the claim is 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 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 December 31,		**Year Ended December 31,**	
($000's)	**2019**	**2018**	**2019**	**2018**
Cash flow from (used in) operating activities	**3,922**	6,696	**16,210**	22,360
Changes in non-cash working capital	**3,885**	5,793	**8,519**	5,160
Funds flow	**37**	903	**7,691**	17,200
Decommissioning costs incurred	**(268)**	(1,071)	**(240)**	(3,235)
Adjusted funds flow	**305**	1,974	**7,931**	20,435

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.

CORPORATE NETBACK

Corporate netback is calculated by 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 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 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 the cost of 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.

NET DEBT

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

Reconciliation of net debt

	December 31,	
($000's)	**2019**	**2018**
Long term debt	**44,370**	43,553
Long term lease obligation	**3,065**	2,843
	47,435	46,396
Less: Working capital		
Current assets	**13,488**	20,904
Exclude commodity contracts	**(2)**	(8,265)
Current liabilities	**(32,962)**	(20,487)
	(19,476)	(7,848)
Net debt	**66,911**	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's judgment.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The carrying value and fair value of the Company's financial instruments at December 31, 2019 are as follows:

($000's)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	1,905	1,905
Accounts receivable	9,642	9,642
Accounts payable and accrued liabilities	28,749	28,749
Lease obligation	4,744	4,744
Commodity contracts	2	2
Promissory note	874	928
Amended Term Loan Facility	43,793	42,815

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 judgement 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, lease obligation	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)

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, 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, 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 controlled 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 accounts receivable. The Company has not experienced any credit losses in the collection of accounts receivable to date.

The Company's trade and other receivables of $9.6 million as at December 31, 2019, are non-interest bearing and have not been impaired. The Company's receivables are summarized as follows:

	December 31,	
($000's)	**2019**	**2018**
Trade receivables	**8,032**	4,032
Joint interest billings	**1,852**	2,077
Allowance for doubtful accounts	**(242)**	(40)
Accounts receivable	**9,642**	6,069

The majority of the credit exposure on trade receivables as at December 31, 2019, pertains to revenue for accrued December 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.

For the year ended December 31, 2019, the Company recognized a bad debt of $1.1 million (2018 - nil) related to joint venture activities where the operator has passed on the bad debt of one partner to the remaining partners on a proportionate share of each remaining partner's working interest. The Company's accounts receivable is aged as follows:

	December 31,	
($000's)	**2019**	**2018**
Current (less than 30 days)	**8,966**	4,348
31 to 90 days	**289**	701
Over 90 days	**387**	1,020
Total receivables	**9,642**	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 fixed interest rates on the Amended Term Loan Facility, lease obligations, and Promissory Notes. Consequently, there is no exposure to fluctuations in market interest rates.

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), while the lease obligation bears interest at the rate of 6.1% per annum and expires on June 18, 2022. The Promissory Notes mature on September 12, 2022 and December 13, 2022, and interest is paid monthly at 6.1% and 6.5% per annum along with the principal.

Foreign Exchange Risk

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

At December 31, 2019, the Company had commodity contracts valued at $2 thousand and no restricted cash. The Company estimates that a 10% increase or decrease of the Canadian dollar against the U.S. dollar would not result in a material impact on net income (loss).

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; 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.

SELECT QUARTERLY OPERATING AND FINANCIAL INFORMATION

($000's, except for per share amounts and production)	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018
Total revenue and other income	**22,755**	21,297	27,870	28,250	21,883	36,034	40,140	24,842
Total revenues net of royalties	**18,696**	18,053	24,397	25,454	17,996	29,279	36,205	19,868
Cash flows from (used in) operating activities	**3,922**	(46)	8,263	4,099	6,696	6,424	3,783	5,457
Cash flows from (used in) operating activities per share (basic and diluted)	**0.19**	—	0.54	0.27	0.44	0.41	0.24	0.35
Adjusted funds flow [1]	**305**	2,653	3,624	1,377	1,974	4,198	8,733	5,530
Adjusted funds flow per share (basic and diluted)	**0.01**	0.06	0.24	0.09	0.13	0.27	0.55	0.35
Funds flow [1]	**37**	2,639	3,878	1,165	903	2,511	8,468	5,318
Funds flow per share (basic and diluted)	**—**	0.16	0.26	0.08	0.06	0.16	0.54	0.34
Net income (loss)	**(11,853)**	(6,183)	(1,746)	(9,791)	3,773	(2,305)	2,504	267
Net income (loss) per share (basic and diluted)	**(0.56)**	(0.38)	(0.12)	(0.64)	0.25	(0.15)	0.16	0.02
Dividends per share	**0.04**	0.04	0.04	0.04	0.20	—	—	—
Capital expenditures	**2,378**	2,518	4,619	4,075	3,315	4,060	11,981	14,402
Production Volumes								
Light oil (bbl/d)	**2,839**	2,600	2,744	2,664	2,995	3,271	3,274	3,032
Gas (mcf/d)	**4,962**	6,206	3,414	3,929	3,225	4,505	4,056	3,286
NGL (bbl/d)	**1,011**	734	831	1,036	1,374	1,238	1,074	774
Total (boe/d)	**4,677**	4,368	4,143	4,355	4,907	5,260	5,023	4,353
Sales Volumes[2]								
Light oil (bbl/d)	**2,862**	2,598	2,932	2,741	2,611	3,271	3,274	3,032
Gas (mcf/d)	**4,962**	6,206	3,414	3,929	3,225	4,505	4,056	3,286
NGL (bbl/d)	**1,011**	734	831	1,036	1,374	1,238	1,074	774
Total (boe/d)	**4,700**	4,367	4,332	4,432	4,523	5,260	5,023	4,353

1) Refer to "Non-IFRS measures" section of the MD&A
2) Sales volumes include change in inventory volumes.

As at *($000's)*	**Dec. 31, 2019**	**Sep. 30, 2019**	**Jun. 30, 2019**	**Mar. 31, 2019**	**Dec. 31, 2018**	**Sep. 30, 2018**	**Jun. 30, 2018**	**Mar. 31, 2018**
Total assets	**189,158**	205,873	172,367	166,120	157,937	163,114	165,291	160,887
Long-term debt (principal)	**45,874**	46,690	46,017	46,311	46,155	46,021	45,000	45,000
Long-term lease obligation	**4,744**	5,150	5,108	5,042	3,860	4,113	4,361	—
Net debt [1]	**66,911**	66,939	60,632	57,213	54,244	49,411	43,984	39,744
Cash	**1,905**	3,443	5,324	4,540	2,239	5,528	3,617	13,105

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

Cash flows from operating activities increased to $3.9 million in the fourth quarter of 2019 compared to $46.0 thousand cash flows used in operating activities in the prior quarter due to non-cash working capital movement due to timing of revenue collections and decreased spending in Q4 reducing accounts payable.

Funds flow and adjusted funds flow decreased 96% and 85%, respectively, in the fourth quarter of 2019 as compared to the same period of 2018. These decreases were primarily the result of decreased revenues offset by a increase in operating costs and G&A.

Production volumes in Q4 2019 were down 4% from the same quarter of 2018 due to the decrease in general reactivation and optimization activities, in addition to non-operated pipeline outages in effect for Q4 2019.

SELECTED ANNUAL INFORMATION

The following table summarizes key financial and operating highlights associated with the Company's financial performance since incorporation of the Company.

	Years Ended December 31,		
($000's except share, per share and volume data)	**2019**	**2018**	**2017**
Production [2]			
Light oil (bbl/d)	**2,712**	3,143	2,487
Gas (mcf/d) [1]	**4,635**	3,770	2,448
NGL (bbl/d)	**903**	1,117	918
Total (boe/d)	**4,387**	4,888	3,813
Sales [3]			
Light oil (bbl/d)	**2,783**	3,046	2,487
Gas (mcf/d)	**4,635**	3,770	2,448
NGL (bbl/d)	**903**	1,117	918
Total (boe/d)	**4,458**	4,792	3,813
Light oil inventory (bbls)	**9,251**	35,267	—
Total revenue	**100,172**	122,899	66,267
Cash flows from (used in) operating activities	**16,210**	22,360	4,351
Adjusted funds flow [4]	**7,931**	20,435	9,965
Adjusted funds flow per share (basic and diluted)	**0.47**	1.31	0.73
Funds flow [4]	**7,691**	17,200	6,657
Funds flow per share (basic and diluted)	**0.45**	1.10	0.49
Net (loss) income	**(29,573)**	4,239	(3,650)
Net (loss) income per share (basic and diluted)	**(1.75)**	0.27	—
Dividends per share	**0.15**	0.20	—
Weighted average number of shares outstanding (basic and diluted)	**16,926,491**	15,622,374	13,709,753
Capital expenditures	**13,590**	33,758	15,055
Net assets acquired [5]	**256**	3,921	15,661
Netback ($/boe)			
Oil and gas sales and other revenues	**49.66**	53.97	47.97
Royalty	**(8.72)**	(11.18)	(9.87)
Operating expenses	**(31.80)**	(29.26)	(27.98)
Transportation and treating	**(2.22)**	(2.17)	(0.61)
Operating netback [4]	**6.92**	11.36	9.51

1) Gas production includes internally consumed gas in power generation.
2) Production volumes for the twelve months ended December 31, 2019 includes Little Rock's daily average production from September 11 to December 31, 2019.
3) Sales volumes for the twelve months ended December 31, 2019 includes Little Rock's daily average sales from September 11 to December 31, 2019. Sales volumes include change in inventory volumes.
4) Refer to "Non-IFRS measures".
5) Net acquisitions exclude non-cash items and is net of post-closing adjustments.

	December 31,		
($000's unless otherwise stated)	**2019**	**2018**	**2017**
Total assets	**189,158**	157,937	133,904
Long-term debt (principal)	**45,876**	46,155	30,000
Net debt [1]	**66,911**	54,244	24,376
Cash	**1,905**	2,239	7,487

1) Refer to "Non-IFRS measures".

CHANGES IN ACOUNTING POLICIES

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 10 in the Company's Financial Statements.

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 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 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, 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 illustrates 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 illustrates 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	**(812)**
Lease component of lease commitment at December 31, 2018	**304**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**269**
Add: Lease liabilities recognized on adoption of IFRS 16	**198**
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 IN APPLYING ACCOUNTING POLICIES

USE OF ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management's estimates and judgments are continually evaluated and are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates. Judgments and estimates are reviewed on a continual basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

SIGNIFICANT JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are the significant judgments, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

PROPERTY, PLANT AND EQUIPMENT (PP&E)

The Company makes judgments to assess the nature of the costs to be capitalized and the time period over which they are capitalized in the purchase or construction of an asset; evaluate the appropriate level of componentization where an asset is made up of individual components for which different depletion, depreciation and amortization methods and useful lives are appropriate; distinguish major overhauls to be capitalized from repair and maintenance activities to be expensed; and determine the useful lives over which assets are depleted, depreciated and amortized.

CASH GENERATING UNIT (CGU)

CGUs are the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverability of development and production asset carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management's judgment. The asset composition of a CGU can directly impact the recoverability of the assets included therein. In assessing the recoverability of oil and gas properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of fair value less costs to sell and value in use.

ASSESSMENT OF ASSET IMPAIRMENT

Judgments are required when the Company assesses CGUs for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable; for example, changes in assumptions relating to future prices, future costs, reserves and contingent resources.

SIGNIFICANT ESTIMATES

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these consolidated financial statements:

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and property, plant and equipment acquired generally require estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Assumptions are also required to determine the fair value of decommissioning obligations associated with the properties. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets and liabilities in the acquisition equation. Future profit (loss) can be affected as a result of changes in future depletion and depreciation or impairment.

IMPAIRMENT OF ASSETS

Razor evaluates its PP&E for indicators of any potential impairment for any of its CGUs at each reporting period. If impairment indicators exist, the CGU is tested for impairment and a loss is recognized to the extent that the carrying amount of the CGU exceeds its estimated recoverable amount.

The estimated recoverable amount is determined using the fair value less costs of disposal model by discounting the future before-tax cash flows generated from proved plus probable reserve values. The discount rate applied was fifteen percent. Key input estimates used in the determination of cash flows from oil and gas reserves included: quantities of reserves and future production; forward commodity pricing as prepared by the independent reserve engineer consultant, Sproule Associates Limited ("Sproule"); development costs; operating costs; royalty obligations; abandonment costs; and discount rates. The proved plus probable reserve values are based on Razor's 2019 Year End reserve report as prepared by Sproule.

Forward commodity prices used in the December 31, 2019 impairment test:

Year	WTI Oil ($US/Bbl)	Edmonton Light Sweet Oil	Natural Gas AECO ($Cdn/MMBTU)	Exchange Rate ($US/$CDN)
Forecast				
2020	61.00	73.84	2.04	0.76
2021	65.00	78.51	2.27	0.77
2022	67.00	78.73	2.81	0.80
2023	68.34	80.30	2.89	0.80
2024	69.71	81.91	2.98	0.80
2025	71.10	83.54	3.06	0.80
2026	72.52	85.21	3.15	0.80
2027	73.97	86.92	3.24	0.80
2028	75.45	88.66	3.33	0.80
2029	76.96	90.43	3.42	0.80
Thereafter 2% inflation rate				

The results of impairment tests are sensitive to changes in any of the key judgments, such as a revision in reserves or resources, a change in forecast commodity prices, expected royalties, required future development capital expenditures or expected future production costs, which could decrease or increase the recoverable amounts of assets and result in additional impairment charges or reversal of impairment charges.

DEPLETION, DEPRECIATION AND AMORTIZATION (DD&A)

The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least once annually.

Other assets, except field equipment, are depreciated on a straight-line basis over their estimated useful lives estimated to be three years. Field equipment is depreciated using declining balance method at a rate of 20% per year. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

RESERVES

Razor's estimates regarding oil and natural gas assets are based on estimates of oil and natural gas reserves.

The quantity of reserves is subject to a number of estimates and projections including assessment of engineering data, projected future rates of production, commodity prices, regulatory changes, operating costs, and sustaining capital expenditures. All reserve and associated financial information is evaluated and reported on by a firm of qualified independent reserve evaluators in accordance with the Canadian Oil and Gas Evaluation Handbook consistent with the standards of National Instrument 51-101 *Standard of Disclosures for Oil and Gas Activities.* The calculation of future cash flows based on these reserves is dependent on a number of estimates including production volumes, facility performance, commodity prices, royalties, operating costs, sustaining capital and tax rates. The price used in the Company's assessment of future cash flows is based on the Company's independent evaluator's estimate of future prices and evaluated for reasonability by the Company against other available information. The Company believes these prices are reasonable estimates for a long-term outlook.

DECOMMISSIONING OBLIGATIONS

Decommissioning obligations are measured based on the estimated cost of abandonment and reclamation discounted to its net present value using an inflation-adjusted risk-free rate. Due to the long-term nature of current and future project developments, abandonment and reclamation costs will be incurred many years in the future. The provision for the cost of decommissioning wells, production facilities, and pipelines at the end of their economic lives has been estimated using existing technology, at current prices or long-term assumptions and based upon the expected timing of the activity. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and timing of incurring these costs.

INCOME TAXES

Current tax is based on estimated taxable income and tax rates, which are determined pursuant to the tax laws that are enacted or substantively enacted as at the date of the statement of financial position.

Deferred tax is determined using the liability method. Under the liability method, deferred tax is calculated based on the differences between assets and liabilities reported for financial accounting purposes and those reported for income tax purposes. Deferred tax assets and liabilities are measured using substantively enacted tax rates. The impact of a change in tax rate is recognized in net income in the period in which the tax rate is substantively enacted. The Company recognizes in its financial statements the best estimate of the impact of a tax position by determining if the available evidence indicates whether it is more likely than not, based solely on technical merits, that the position will be sustained on audit. The Company estimates the amount to be recorded by weighting all possible outcomes by their associated probabilities.

Deferred tax assets and liabilities are offset only when a legally enforceable right of offset exists, and the deferred tax assets and liabilities arose in the same tax jurisdiction and relate to the same taxable entity. The determination of the income tax provision is an inherently complex process, requiring management to interpret continually changing regulations and make estimates as to their impact on the provision.

FINANCIAL INSTRUMENTS

The Company enters into derivative financial instruments in order to manage risks associated with fluctuations in commodity prices. As detailed in Note 14 of the consolidated financial statements, derivative instruments are recorded at fair value on the Statement of Financial Position. Gains or losses on financial instruments are recognized in net income. Fair values are determined based on third party market information and are subject to a degree of uncertainty. Estimates of fair value are subject to change with fluctuations in commodity prices. Settlement of derivative financial instruments may vary from fair value estimates, depending on the underlying market prices at the date of settlement.

SHARE PURCHASE WARRANTS

Share purchase warrants granted by the Company are valued at the fair value of the goods or services received unless the fair value cannot be reliably measured. Share purchase warrants are valued using the Black-Scholes pricing model. Estimates and assumptions for inputs to the model, including the expected volatility of the Company's shares and the expected life of the warrants granted, are subject to significant uncertainties and judgment.

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, 2019 and in Razor’s other public filings on SEDAR at www.sedar.com.

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

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Razor's prospective results of operations, sales volumes, production and production efficiency, balance sheet, capital spending, future financings, investment infrastructure and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as a set forth in the above paragraph. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing

further information about Razor's future business operations. Razor disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

ADVISORY PRODUCTION INFORMATION

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

ABBREVIATIONS AND DEFINITIONS

AECO	Alberta Energy Company natural gas price, the natural gas storage facility located at Suffield, Alberta, connected to TransCanada's Alberta System
bbl	barrels
bbls	barrels
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
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 cure 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 presents 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 equivalence of the two commodities at the burner tip. Boe does not represent a value equivalence 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 equivalence of 6:1, utilizing a 6:1 conversion may be misleading as an indication of value.