RAZOR ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2021

INNOVATIVE. DIVERSE. INSPIRED.

RAZOR AT A GLANCE

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

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

FutEra Power Corp. ("FutEra") leverages Alberta's resource industry innovation and experience to create transitional power and sustainable infrastructure solutions to commercial markets and communities, both in Canada and globally. Currently it is developing a 21 MW co-produced geothermal and natural gas hybrid power project in Swan Hills, Alberta.

RAZOR ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 11, 2022

GENERAL

The Management's Discussion and Analysis (“MD&A”) intends to augment the financial statement reader's understanding of key operational and financial events that influenced the results of Razor Energy Corp. (“Razor” or “the Company”) during the three months and year ended December 31, 2021 in comparison to the three months and year ended December 31, 2020.

This MD&A was prepared as of April 11, 2022 and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2021 and 2020. 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, 2021, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and the Company's website www.razor-energy.com.

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

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

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

COMPANY OVERVIEW

Razor is focused on shareholder returns through a combination of acquiring, enhancing, and producing oil and gas from properties primarily in Alberta. The Company produces primarily light oil, natural gas, and natural gas liquids (“NGL“) in Alberta. Razor’s full-cycle objectives have positioned the Company as a disciplined junior exploration and production company. With an experienced management team and a strong, committed board of directors, growth is anticipated to occur through operational execution, strategic acquisitions and business combinations with other oil and gas producers, as well as service companies. Razor is intent on leading in Environmental, Social and Governance (ESG) initiatives as the Company transforms to lower carbon outcomes and continues to lead a diverse and equitable culture. Razor’s wholly owned subsidiary, FutEra, is developing Canada’s first co-Produced Geothermal Natural Gas power project and is reviewing other projects including solar, wind and other low carbon technologies.

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

FUTURE OPERATIONS

As at December 31, 2021, the Company has a working capital deficit of $35.1 million, of which $2.8 million is comprised of cash and cash equivalents. Further, at December 31, 2021, the Company has contractual repayments of $67.3 million due in less than one year.

At December 31, 2020, certain equipment loans and leases were in default due to cross covenant violations under the Amended Term Loan Facility with AIMCo and at December 31, 2020 these loans and leases were classified as potentially due on demand current liabilities. At March 31, 2021, the Company had not remedied the defaults for these equipment loans and leases and continued to classify these items as potentially due on demand current liabilities. The Company had cross covenant default provisions in the AIMCo Term Loan and the Arena Term Loan, which were in default as a result of the default on the equipment loans and leases at March 31, 2021 and as a result had classified the AIMCo Term Loan and the Arena Term Loan as potentially due on demand current liabilities at March 31, 2021.

At June 30, 2021, the Company received executed agreements from all parties that waived all defaults conditions. As a result, the loans and leases are currently no longer due on demand and have reverted to their original repayment terms.

While the Company anticipates reducing the working capital deficit over the next nine months, it is still projecting to have a working capital deficit at September 30, 2022, which would result in non-compliance with the working capital covenant requirement under the AIMCo facility of 1:1 at September 30, 2022. Further, there can be no assurance that the Company will be able to obtain a waiver for the potential covenant default or an amendment, if necessary, to revise the working capital ratio covenant from AIMCo prior to September 30, 2022. This potential covenant default may result in the AIMCo debt being due on demand. The potential covenant default would also result in a potential cross-covenant default for the Amended Arena Term Loan and certain other loans and leases at the same time. The Company does not have the financial ability to repay the AIMCo debt, Amended Arena Term Loan and certain other loans and leases should they come due as a result of the default.

Although the support of the lenders and lessors is important to the Company remaining a going concern, the fact remains that the Company has a significant working capital deficit and contractual payments with the potential for covenant and cross-covenant violations commencing September 30, 2022. The Company anticipates funding the working capital deficit and contractual repayments, which include the Amended Arena Term Loan, with a combination of cash from operations, other new debt or equity financings. The Company is employing the following specific strategies to assist in reducing the working capital deficit and making the contractual payments:

- Strategic investment in high quality reactivations to provide ongoing increases in production volumes to maximize monthly revenue and cashflows in the current strong commodity price environment
- Conducting operations under a disciplined approach to capital and operating cost expenditures
- Working with partners to bring non-operated production back on stream
- Working proactively with vendors on payment schedules
- Strategic acquisitions
- Equity financing

Further, the Company will utilize funds from the Arena Loan, a portion of the proceeds from the Amended Arena Term Loan and funds from the Private Placement to reactivate wells in order to increase production, which is not without risk, to provide a positive contribution towards funding the working capital deficit. While commodity prices have shown a steady rebound in 2021 and have significantly increased in 2022, 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, the debt has certain covenants that will come into effect in 2022 that based on current financial results will be difficult to maintain.

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

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

MANAGEMENT STRATEGY AND OUTLOOK

Razor

Razor continues to look forward and plan for the future while remaining focused on its long-term sustainability. The Company has an extensive opportunity set of high-quality wells requiring reactivation, many of which have payout metrics which exceed the Company's economic thresholds. Razor will continue production enhancement activity throughout 2022. Most activities involve repairs and maintenance work which will be expensed for accounting purposes and operating netbacks will be reduced during this timeframe. In aggregate, the annual base decline of these wells is anticipated to be consistent with the Company's current corporate rate of approximately 12%.

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

The significant improvement in oil prices thus far in 2022 combined with a strong price outlook in the medium term, provides Razor with improved cash flow from operations and the Company anticipates reducing its working capital deficit and net debt throughout 2022, it is still projecting to have a working capital deficit at September 30, 2022, which would result in non-compliance with the working capital covenant requirement under the AIMCo facility of 1:1 at September 30, 2022 (see future operations section of this MD&A).

Razor has high reservoir quality, low decline, isolate carbonate Swan Hills reef light oil pools that contain large original oil in place with over 60 years of production history. Razor believes these reefs are ideally suited for carbon capture, utilization and storage and enhanced oil recovery ("EOR") purposes[1], in addition to geothermal power production and conventional open-hole horizontal development drilling upside.

[1] These programs have been successfully demonstrated by the previous operator's South Swan Hills Unit CO2 EOR Injection Pilot which ran from 2008 to 2010 in addition to CO2 injection programs carried out in the Swan Hills Unit No. 1 and Judy Creek oil pools from 2004 to 2010.

Razor recognizes multiple deep value streams in its assets and is actively engaged in liberating them for the benefit of shareholders.

FutEra

In May 2021, FutEra, a subsidiary of Razor entered the project execution stage of its Co-produced Geothermal Power Generation Project in Swan Hills, Alberta (“Geothermal Project”). On March 9, 2022, FutEra announced that it is fully financed and in final construction of its 21 MW Geothermal Project, of which up to 30% will be sustainable clean power generation. FutEra has successfully partnered with provincial and federal government agencies to invigorate the emerging geothermal industry. To date, Razor has received $13.0 million in government grants to support this power generation project. The total construction and commissioning budget for the Project is $37.0 million.

Legacy oil and gas fields face economic challenges with lower production levels and high fixed costs. However, these fields also have practical advantages when considering the existing infrastructure, pipelines, wells, and operational footprints. To meet the objectives of creating lower carbon electricity and leveraging oil and gas operations, FutEra and Razor have successfully designed a geothermal/natural gas hybrid power plant in an operational oil and gas facility. Razor and FutEra continue to demonstrate the synergies and cooperation needed to define a type of transition energy and sets the standard of how traditional oil and gas companies can evolve into ‘energy and technology’ companies necessary for the future of the Alberta energy complex.

FutEra’s next phase of the Geothermal Project will be the design and implementation of a Carbon Capture with Usage and/or Sequestration (“CCUS”) solution, with the objective to create a net negative carbon emitting power generation facility.

With Razor’s strategic acquisition of additional working interest in the Swan Hills area in the third quarter of 2021, FutEra has identified the potential for additional geothermal and/or natural gas power generation projects in Swan Hills Unit No.1. The volume and temperature of the produced fluids processed through two of the Unit’s main facilities are highly analogous to FutEra’s current Geothermal Project.

FutEra has identified and is in the process of reviewing and capturing additional projects including solar, wind, and other low carbon technologies. In addition, FutEra is in discussions with an industry resource partner to evaluate its renewable energy options and to develop a long term environmental, social and governance plan.

SELECT QUARTERLY AND ANNUAL HIGHLIGHTS

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

	Three Months Ended Dec 31,		Twelve Months Ended Dec 31,	
($000's, except for per share amounts and production)	**2021**	**2020**	**2021**	**2020**
Production				
Light Oil (bbl/d)	**2,774**	2,023	**2,250**	2,176
Gas (mcf/d) [1]	**5,023**	5,165	**4,209**	4,695
NGL (boe/d)	**747**	701	**572**	824
Total (boe/d)	**4,359**	3,585	**3,524**	3,783
Sales volumes				
Light Oil (bbl/d)	**2,693**	2,024	**2,231**	2,179
Gas (mcf/d)[1]	**4,481**	4,461	**3,772**	3,767
NGL (bbl/d)	**747**	701	**572**	824
Total (boe/d)	**4,187**	3,469	**3,432**	3,631
Oil inventory volumes (bbls)	**15,200**	8,203	**15,200**	8,203
Revenue				
Oil and NGLs sales	**25,157**	11,011	**72,265**	42,728
Natural gas sales	**2,052**	1,048	**5,231**	3,126
Blending and processing income	**623**	1,456	**3,222**	5,416
Other revenue	**6**	761	**806**	1,677
Total revenue	**27,838**	14,276	**81,524**	52,947
Cash flows from operating activities	**13,514**	356	**8,060**	4,193
Funds flow [2]	**1,508**	(126)	**753**	3,798
Adjusted funds flow [2]	**2,408**	(120)	**3,260**	4,138
Net income (loss)	**19,248**	(6,048)	**17,738**	(46,197)
Per share - basic and diluted	**0.85**	(0.29)	**0.83**	(2.19)
Weighted average number of shares outstanding (basic and diluted)	**22,757**	21,064	**21,491**	21,064
Net capital expenditures [2]	**8,113**	363	**14,451**	324
Government grants	**(2,558)**	-	**(7,175)**	(1,121)
Netback ($/boe) [2]				
Oil and gas sales	**67.85**	36.56	**60.26**	33.12
Royalties	**(14.82)**	(4.44)	**(10.21)**	(3.19)
Adjusted operating expenses [2 3]	**(36.90)**	(28.21)	**(38.08)**	(26.07)
Production enhancement expenses [2]	**(5.78)**	(2.23)	**(5.57)**	(1.70)
Transportation and treating	**(1.57)**	(2.93)	**(2.11)**	(2.16)
Operating netback [2]	**8.78**	(1.25)	**4.29**	-

1) Natural gas production includes internally consumed natural gas primarily used in power generation.
2) See "Non-IFRS and other financial measures"
3) Excludes production enhancement expenses incurred in the period.

SELECT QUARTERLY HIGHLIGHTS

($000's, except for share amounts)	**December 31, 2021**	**December 31, 2020**
Total assets	**239,166**	163,709
Cash	**2,841**	1,098
Long-term debt (principal)	**73,192**	50,878
Minimum lease obligation	**1,947**	3,469
Net debt [1]	**99,020**	72,785
Number of shares outstanding	**23,314,466**	21,064,466

1) See "Non-IFRS and other financial measures"

2021 YEAR-END RESERVES

For 2021, 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 $63.3 million.

Summary of Gross Oil and Gas Reserves at December 31[1]

	Reserves Volumes (Mboe)		NPV Before Income Tax Discounted at 10% (M$)[1,2]	
	2021	**2020**	**2021**	**2020**
Proved				
Developed Producing	9,768	7,416	89,144	26,553
Developed Non-Producing	4,704	4,468	67,995	49,199
Undeveloped	1,721	1,641	36,293	19,756
Total Proved	**16,193**	**13,525**	**193,413**	**95,508**
Total Probable	4,892	3,793	60,273	37,709
Total Proved plus Probable	**21,085**	**17,319**	**253,686**	**133,216**

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 17, 2022. 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 2021 HIGHLIGHTS

OPERATING

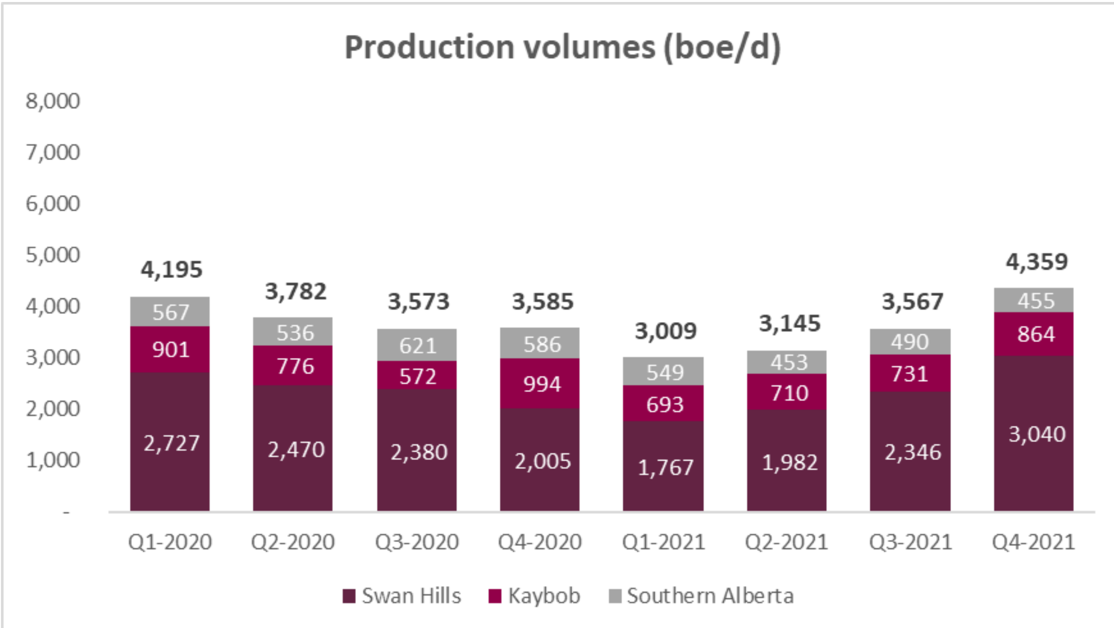
Production volumes for the fourth quarter of 2021 averaged 4,359 boe/d, an increase of 22% from production volumes in the same period of 2020 and represents a 22% production increase from Q3 2021. Highlights of the causes for the differences in production volumes between Q4 2021 and Q4 2020 are as follows:

- Swan Hills – production volumes increased 52% from the same period of 2020. Production in Q4 2021 was positively impacted by increased production as a result of the 32.5% working interest acquisition of Swan Hills Unit No.1 in August 2021. In addition, the Company's production enhancement program in Q4 2021 resulted in an additional 124 boe/d in production volumes, slightly offset by various third party, temporary infrastructure issues.

  The Company is continuing with its reactivation program in 2022, which will increase production in Swan Hills. In addition, the operator of Swan Hills Unit No.1 completed various production enhancement activities in Q3 and Q4 2021 and the Company anticipates production enhancement activities to continue in 2022.

- Kaybob – production volumes decreased 13% from the same period in 2020 due to operated wells going down, offset partially by an increase in non-operated production. The Company's production enhancement program in Q1 2022 is focused in the Kaybob area.

- Southern Alberta – production volumes decreased 22% from the same period in 2020 primarily due to non-operated infrastructure issues and a non-operated field being shut in due to operator insolvency. By the end of Q4 2021, the non-operated infrastructure issues had been resolved and the particular non-operated field was restarted under a new operator. Production declines were somewhat offset by a production enhancement program during Q4 2021.



Net revenues in the fourth quarter of 2021 were 72% higher compared to the same period in 2020. Net revenues were impacted by an 84% increase in realized oil prices combined with a 22% increase in production levels. These increases were tempered by a significant increase of 306% in royalties. The Edmonton light sweet crude oil differential to West Texas Intermediate ("WTI") was 7% in the fourth quarter of 2021 compared to 11% in the same quarter of 2020. Realized NGL prices increased 90% in the fourth quarter of 2021 from the same period in 2020.

Razor reported $13.5 million cash flow from operating activities in the fourth quarter of 2021 compared to $0.4 million of cash flows from operating activities in the fourth quarter of 2020.

The Company reported $19.2 million net income in the fourth quarter of 2021 compared to a $6.0 million net loss in the same period last year. The increase in net income of $25.2 million quarter over quarter was primarily due to the following factors:

- a $24.3 million impairment reversal recorded for Kaybob and Southern Alberta,
- a 22% increase in overall production rates, and
- an 84% increase in realized oil prices

With income being negatively offset by the following:

- a significant increase in royalties due to an 84% increase in the Alberta Par Price since the fourth quarter 2020,
- a 70% increase in adjusted operating costs and production enhancement expenses, and
- a $0.3 million increase in realized hedging losses

CAPITAL

During the fourth quarter of 2021, Razor invested $8.5 million on its Geothermal Project and completed a major upgrade of one of its group pipelines at a cost of $1.6 million. As of December 31, 2021, Razor has received $13.0 million in government grants since inception in to support its Geothermal Project.

CORPORATE SUSTAINABILITY, ENVIRONMENT & GOVERNANCE

Razor is committed to a strong corporate sustainability program.

ENVIRONMENT

Sustainability

- With the increased working interest in the Plant through the acquisition in Swan Hills, the Company envisions the potential to advance Alberta's hydrogen initiative and the opportunity to implement CCUS in the greater Swan Hills area. Design and planning have begun on both small-scale hydrogen production and a CCUS facility.
- FutEra has identified, and is in the process of reviewing and capturing, additional projects including solar, wind and other low carbon technologies.

GHG Emissions

- Razor operates a natural gas-powered electricity generation program which allows the Company to reduce its reliance on grid power and has reduced its electricity costs by approximately $8.1 million since the program was implemented in 2018.
- Once constructed, the Geothermal Project will reduce GHG emissions by up to 31,000 tCO2 annually.
- Razor has opted all assets/facilities into Alberta's Technology Innovation and Emissions Reduction (TIER) program and, as such, has catalogued all GHG sources and is committed to following or exceeding guidelines for GHG reductions in its oil and gas operations.

Abandonment, Reclamation, and Remediation

- The Company has been successful in obtaining approved applications under the Alberta Site Rehabilitation Program ("SRP") to assist with its abandonment and reclamation activities. The total value of approved applications is $4.3 million. Razor will continue to apply for SRP funding as opportunities become available.
- During 2021, the Company settled $3.6 million (2020 - $0.5 million) of decommissioning obligations which includes $1.9 million (2020 - $0.2 million) related to government grants earned for well site rehabilitation. Through the SRP, funds have been used primarily in Razor's Chin Coulee and Virginia Hills areas, assisting with the progression of approximately 85 wells through the closure process.
- The Company completed construction during Q2 2021 to repurpose certain facilities in Virginia Hills to become a Waste Management Component employing bioremediation to treat hydrocarbon-impacted soils. Approximately 2,500 tonnes of hydrocarbon impacted soils were deposited into the facility in Q3 2021 for treatment. While operations were static in Q4, the soils are expected to be remediated by Q2 2022. This facility is a positive step towards Razor's overall sustainability as it reduces use of landfills and lowers exposure to trucking costs and related greenhouse gas emissions.

GOVERNANCE

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

DAILY AVERAGE PRODUCTION

Sales volumes in the fourth quarter of 2021 averaged 4,187 boe/d, an increase of 21% from the sales volumes in the same period in 2020. Inventory in the fourth quarter increased by 7,448 bbls (fourth quarter 2020 – decreased by 103 bbls). For the year ended 2021, inventory increased by 6,997 bbls (2020 – decrease 1,048 bbls) in existing surface tanks. As at December 31, 2021, Razor had 15,200 bbls of light oil inventory (December 31, 2020 – 8,203 bbls).

Production volumes in the fourth quarter of 2021 averaged 4,359 boe/d, an increase of 22% from production volumes in the same period of 2020 and represents a 22% production increase from Q3 2021. Production volumes for the twelve months ended December 31, 2021, averaged 3,524 boe/d, down 7% from the production volumes of 3,783 boe/day for the twelve months ended December 31, 2020. Highlights of the causes for the differences in production volumes between Q4 2021 and Q4 2020 are as follows:

- Swan Hills – production volumes have increased 52% from the same period of 2020. Production in Q4 2021 was positively impacted by increased production in the Swan Hills Unit No.1 as a result of the 32.5% working interest acquisition in August 2021. In addition, the Company completed 7 well reactivations and completed an upgrade to a group pipeline in Q4 2021, resulting in an additional 124 boe/d in production volumes, slightly offset by various third party, temporary infrastructure issues.

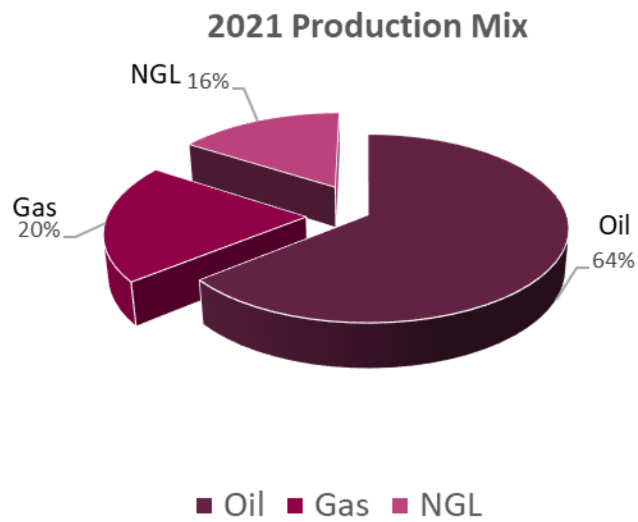
  The Company is continuing with its reactivation program in 2022, which will increase production in Swan Hills. In addition, the operator in Swan Hills Unit No.1 has embarked on various production enhancement activities in Q3 and Q4 2021 and the Company anticipates production enhancement activities to continue in 2022.

- Kaybob – production volumes have decreased 13% from the same period in 2020 due to operated wells going down, offset partially by a increase in non-operated well production. The Company's production enhancement program in Q1 2022 is focused in the Kaybob area.

- Southern Alberta – production volumes decreased 22% from the same period in 2020 primarily due to non-operated infrastructure issues and a non-operated field being shut in due to operator insolvency. By the end of Q4 2021, the non-operated infrastructure issues had been resolved and the particular non-operated field was restarted under a new operator. Production declines were somewhat offset by a production enhancement program during Q4 2021.

Inventory in existing surface tanks increased in the fourth quarter by 7,448 bbls (Q4 2020 – decreased by 103 bbls). As at December 31, 2021, Razor had 15,200 bbls of crude oil inventory (December 31, 2020 – 8,203 bbls).

Effective July 2018, Razor began utilizing a portion of its own natural gas production to generate electrical power. Natural gas production of internally consumed natural gas for the three and twelve months ended December 31, 2021, was 518 mcf/d and 476 mcf/d, respectively (three and twelve months ended December 31, 2020 was 912 mcf/d and 1,213 mcf/d, respectively).



Production represents gross production before royalties, unless noted otherwise.

Production (boe/d)[2]	Three Months Ended Dec 31, 2021	2020	Year Ended Dec 31, 2021	2020
Crude oil (bbl/d)	**2,774**	2,023	**2,250**	2,176
Gas (mcf/d)[1]	**5,023**	5,165	**4,209**	4,695
NGL (bbl/d)	**747**	701	**572**	824
Total (boe/d)	**4,359**	3,585	**3,524**	3,783

1) Natural gas production for the three and twelve months ended December 31, 2021, include 518 mcf/d and 476 mcf/d, respectively, of internally consumed natural gas in power generation.
2) Production volumes for the twelve months ended December 31, 2021 includes Swan Hills WI acquisition daily average sales from August 12 to December 31, 2021 of 360 boe/d on an annualized basis.

Production (boe/d)[12]	Three Months Ended Dec 31, 2021	2020	Year Ended Dec 31, 2021	2020
Swan Hills	**3,040**	2,005	**2,287**	2,395
Kaybob	**864**	994	**750**	805
Southern Alberta	**455**	586	**487**	583
Total	**4,359**	3,585	**3,524**	3,783

1) Natural gas production for the three and twelve months ended December 31, 2021, include 518 mcf/d and 476 mcf/d, respectively, of internally consumed natural gas in power generation.
2) Production volumes for the twelve months ended December 31, 2021 includes Swan Hills WI acquisition daily average sales from August 12 to December 31, 2021 of 360 boe/d on an annualized basis.

Sales volumes (boe/d)[12]	Three Months Ended Dec 31, 2021	2020	Year Ended Dec 31, 2021	2020
Crude oil (bbl/d)	**2,693**	2,024	**2,231**	2,179
Gas (mcf/d)[1]	**4,481**	4,461	**3,772**	3,767
NGL (bbl/d)	**747**	701	**572**	824
Total boe/d	**4,187**	3,469	**3,432**	3,631

1) Sales volumes include change in inventory volumes.
2) Sales volumes for the twelve months ended December 31, 2021 includes Swan Hills WI acquisition daily average sales from August 12 to December 31, 2021 of 383 boe/d on an annualized basis.

Sales volumes (boe/d)[1 2]	Three Months Ended Dec 31, 2021	2020	Year Ended Dec 31, 2021	2020
Swan Hills	**2,879**	1,889	**2,196**	2,248
Kaybob	**863**	992	**751**	806
Southern Alberta	**445**	588	**485**	577
Total	**4,187**	3,469	**3,432**	3,631

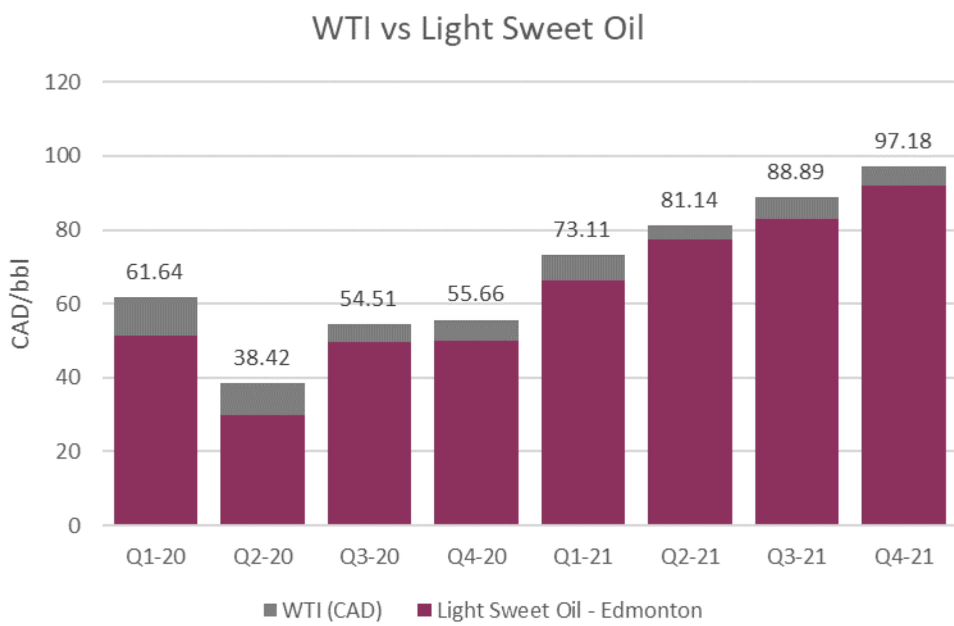
1) Sales volumes include change in inventory volumes.
2) Sales volumes for the twelve months ended December 31, 2021 includes Swan Hills WI acquisition daily average sales from August 12 to December 31, 2021 of 383 boe/d on an annualized basis.

Inventory (bbls)	Twelve Months Ended Dec 31, 2021	2020
Opening light oil inventory	**8,203**	9,251
Inventory movement	**6,997**	(1,048)
Closing light oil inventory	**15,200**	8,203
Inventory movement (bbl/d)	**19**	(3)

COMMODITY PRICES AND BUSINESS ENVIRONMENT

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Average selling price								
Oil price ($/bbl)	**90.00**	82.29	75.43	65.17	49.53	49.08	30.95	48.08
NGL price ($/bbl)	**42.67**	38.08	30.91	33.49	22.50	16.74	12.96	16.07
Natural gas price ($/mcf)	**5.03**	3.44	3.64	3.20	2.21	1.75	1.47	1.87
Average benchmark prices and foreign exchange rates								
OIL ($/bbl)								
WTI (USD)	**77.17**	70.55	66.11	57.75	42.76	40.93	27.85	46.17
WTI (CAD)	**97.18**	88.89	81.14	73.11	55.66	54.51	38.42	61.64
MSW (Light Sweet Oil - Edmonton)	**92.14**	83.01	77.33	66.47	50.13	49.77	29.72	51.35
WTI vs MSW oil differential (CAD/bbl)	**(5.04)**	(5.88)	(3.81)	(6.65)	(5.53)	(4.74)	(8.70)	(10.30)
WTI vs MSW oil differential (%)	**(5)%**	(7)%	(5)%	(9)%	(10)%	(9)%	(23)%	(17)%
NATURAL GAS (CAD/mcf)								
AECO NGX AB-5a [1]	**4.64**	3.63	3.10	3.14	2.65	2.24	2.00	2.04
ELECTRICITY ($/MWh)								
AESO Pool price	**107.32**	100.33	104.51	95.41	46.13	43.83	28.78	66.37
CAD/USD EXCHANGE RATE	**0.79**	0.79	0.81	0.79	0.77	0.75	0.72	0.75

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



Crude Oil Prices

Crude oil benchmark prices continued to surge in the fourth quarter 2021 leading to an average WTI price in Q4 2021 of USD $77.17/bbl which is the highest quarterly average price since 2014. Continued signs of an improving global economy due to a roll-out of COVID-19 vaccinations, loosening pandemic-related restrictions, combined with a resurgent global economy has led to increased oil demand. West Texas Intermediate ("WTI") averaged CAD $97.18/bbl in the fourth quarter of 2021, a 75% increase from the fourth quarter of 2020. The prices received by the Company for its oil production is primarily driven by the price of WTI, which is adjusted for quality and a differential. Razor produces the following grades of oil: Swan Hills Sweet/Mixed Sweet Blend ("MSW"), Peace Sour/Medium Sour Blend ("MSB") and Bow River South/Western Canadian Select ("WCS"). In the fourth quarter of 2021, the differential between WTI and MSW was 5% compared to 10% in Q4 2020. For the twelve months ended 2021 the WTI to MSW differential averaged 6%, down from the 14% differential in the same period of 2020.

Razor realized an oil price of $90.00/bbl during the fourth quarter of 2021, which was a 7% discount to the WTI (CAD) price, compared to the 11% discount in Q4 2020.

Natural Gas and NGLs Prices

The price realized by the Company for natural gas production is primarily determined by the AECO benchmark and based on Canadian fundamentals. AECO NGX AB-5a price, in the fourth quarter 2021 and twelve months ended 2021, was up by 75% and 63% respectively, from the same period in 2020 due to an increase in demand for natural gas.

The Company's sale of NGLs is comprised of ethane, propane, butane, pentane, and condensate. Realized prices for NGLs during the fourth quarter 2021 and twelve months ended 2021 increased 90% and 113%, respectively, from the comparative periods in 2020. The increase reflects significantly higher benchmark prices for ethane, propane, butane, and pentane prices, which correlates with the increase in natural gas, oil and condensate benchmark prices during the period. Fourth quarter 2021 realized NGL pricing is also higher as a result of a temporary shutdown of the Plant which decreased sales of ethane (a lower value NGL). Condensate prices, which are priced at a differential to WTI, increased due to strengthening of WTI prices.

Electricity Prices

Electricity costs have a significant impact on the Company's results, as electricity accounted for 29% of operating expense in the fourth quarter of 2021 and 27% in the fourth quarter of 2020. For the twelve months ended December 31, 2021, electricity accounted for 28% of operating expense compared to 30% in the same period of 2020. Average electricity pool prices in the fourth quarter of 2021 increased by 133% from the same period in 2020 but electricity usage was down by 22%. For the twelve months ended December 31, 2021, average electricity pool prices increased 118% from the same period in 2020 but electricity usage was down by 34%. Razor is operating a natural gas-powered electricity generation plant and has reduced its reliance on grid-based electricity resulting in lower electricity usage and cumulative savings of approximately $8.1 million since July 2018. For the three months ended December 31, 2021, Razor generated savings of $0.4 million (Q4 2020 - $0.5 million) in electricity costs.

COMMODITY PRICE RISK

Razor is exposed to commodity price risk as prices for oil and natural gas products fluctuate in response to many factors including local and global supply and demand, weather patterns, pipeline transportation, political stability, and economic factors. Commodity price fluctuations are an inherent part of the oil and gas business.

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

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

Oil - Upside enhanced traditional collars [1]						
Reference point	Volume (bbls/mth)	Remaining Term	Floor Long Put USD/bbl	Ceiling Short Call USD/bbl	Long Upside Call USD/bbl	Fair Value (CAD 000's)
NYMEX WTI financial futures	11,000	Jan 1 21-Feb 28 22	50.00	66.00	73.00	(156)
NYMEX WTI financial futures	11,000	Mar 1 22-Jul 31 23	50.00	65.00	75.00	(527)
Oil – Call options						
NYMEX WTI financial futures	25,000	Feb 1’22			75.00	110
						(573)

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

As at December 31, 2021, the Company fair valued the oil commodity contracts with a liability of $573 thousand (December 31, 2020 - $0) on the Statement of Financial Position. The Company recorded an unrealized loss of $1,346 thousand for the year ended December 31, 2021 (year ended Dec 31, 2020 - unrealized loss of $2 thousand) and a realized loss of $463 thousand in income for the year ended December 31, 2021 (year ended December 31, 2020 - realized loss of $1,441 thousand). In conjunction with entering into the above contracts, Razor paid CAD $773 thousand (US$638 thousand).

Subsequent to December 31, 2021, the Company has purchased and sold certain commodity contracts as follows:

Oil - Upside enhanced traditional collars [1]

Reference point	Volume (bbls/mth)	Remaining Term	Floor Long Put USD/bbl	Ceiling Short Call USD/bbl	Long Upside Call USD/bbl
NYMEX WTI financial futures	11,000	Aug 31'23-Sept 30'23	50.00	65.00	75.00

Oil - options

Reference point	Volume (bbls/mth)	Remaining Term		Option type	Strike price
NYMEX WTI financial futures	15,000	Apr 30'22	Short	Call	75.00
NYMEX WTI financial futures	30,000	Apr 30'22	Long	Call	90.00
NYMEX WTI financial futures	11,000	Oct 31'23	Long	Put	50.00
NYMEX WTI financial futures	11,000	Jul 31'22-Dec 31'22	Short	Put	100.00

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.

NET INCOME/LOSS

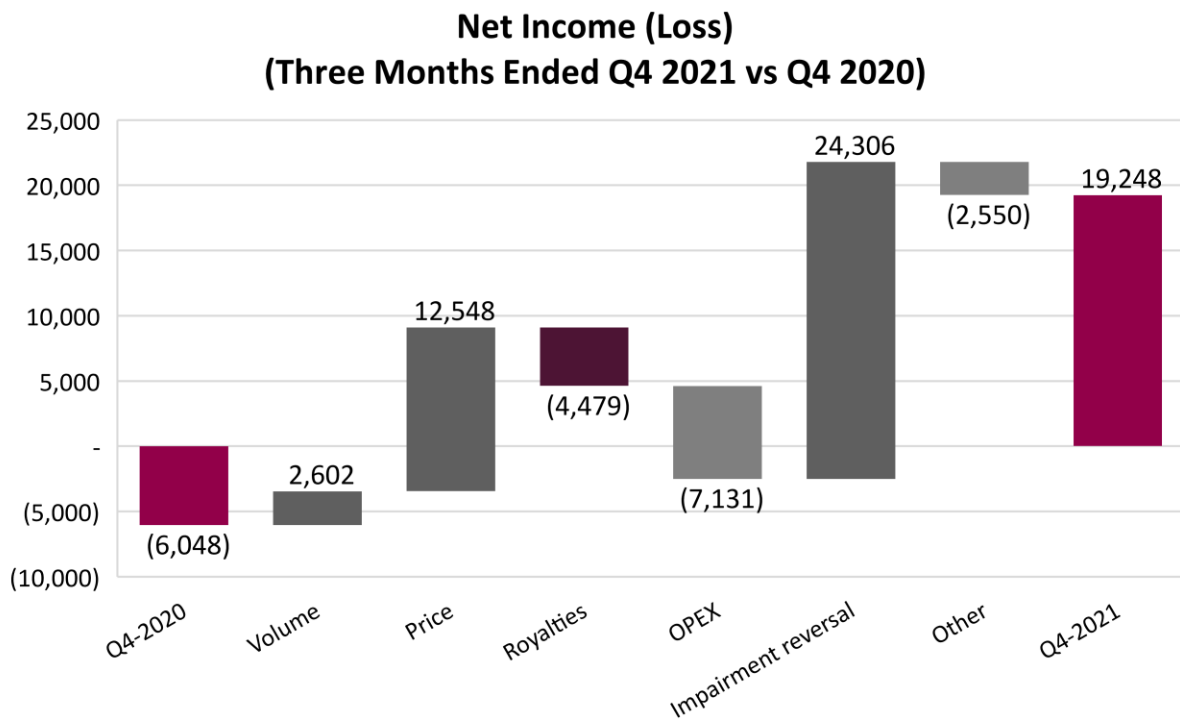
The Company reported $19.2 million of net income in the fourth quarter of 2021 compared to a $6.0 million net loss in the same period last year. The increase in net income of $25.2 million quarter over quarter was primarily due to the following factors:

- a $24.3 million impairment reversal for Kaybob and Southern Alberta
- a 22% increase in overall production rates,
- an 84% increase in realized oil prices

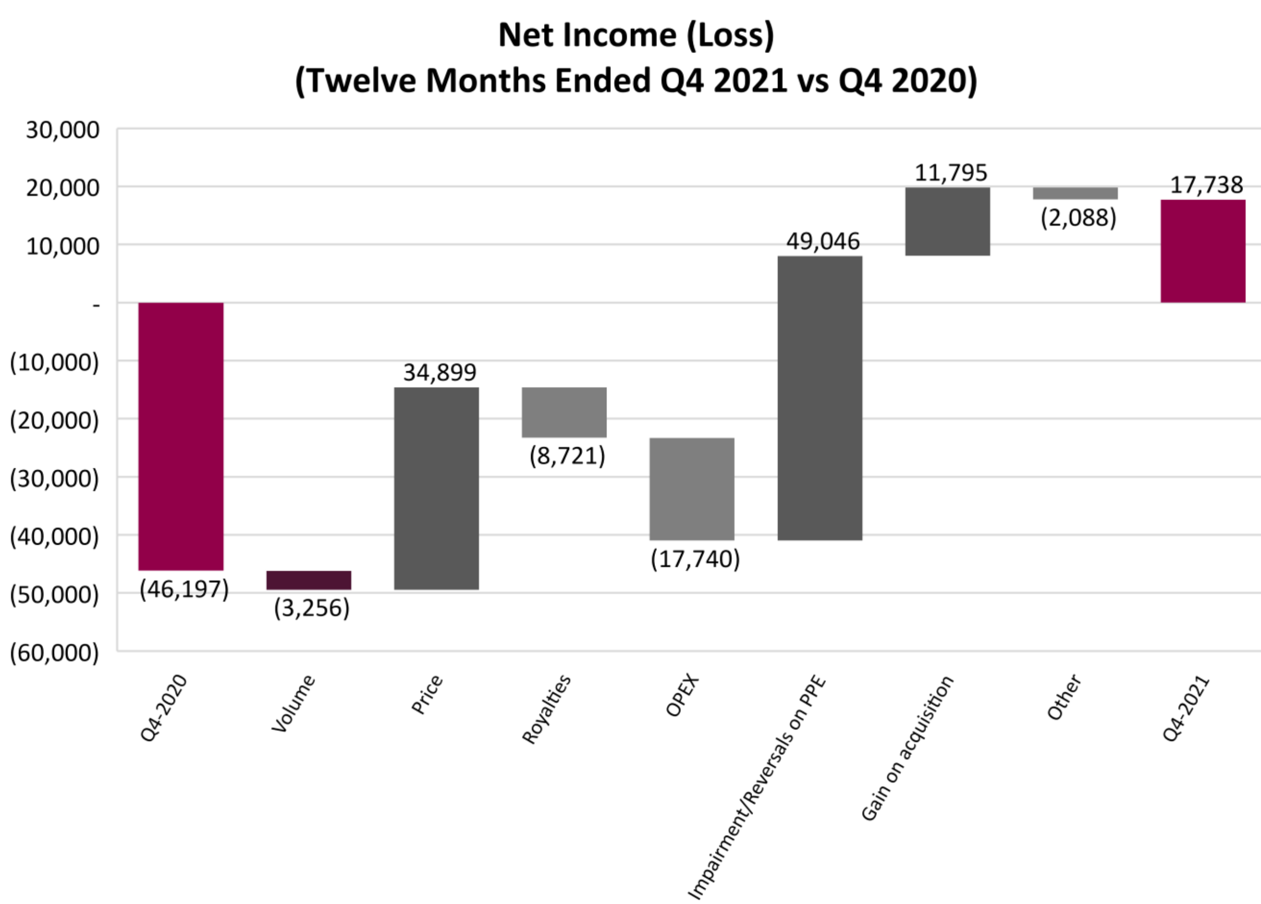
With income being negatively offset by the following:

- a significant increase in royalties due to an 84% increase in the Alberta Par Price since the fourth quarter 2020,
- a 70% increase in operating expenses, and,
- a $0.3 million increase in realized hedging losses

The chart below reconciles the changes in net loss to net income for the three-month periods ending December 31, 2020 to 2021.



The chart below reconciles the changes from net loss to net income for the twelve-month periods ending December 31, 2020 to 2021.



For the year ended 2021, the Company recorded net income of $17.7 million, as compared to a $46.2 million net loss for the year ended 2020. The increase of $63.9 million is primarily due to:

- the $12.1 million gain on acquisition recorded in the third quarter of 2021,
- the $24.7 million impairment recorded for Kaybob and Southern Alberta CGU's in Q1 2020, and,
- the $24.3 million impairment reversal recorded for Kaybob and Southern Alberta CGU's in Q4 2021.

The remaining change in net income of $2.8 million of the net gain between the twelve months ended December 31, 2021 and 2020 is due to:

- an 82% increase in realized oil prices,

With income being negatively offset by the following:

- a 46% increase in operating expenses which includes a $4.8 million increase in production enhancement expenses[1] ,
- 7% lower production,
- a 198% increase in royalties due to a 53% increase in the Alberta Par Price and additional high production wells which attract the maximum crown royalty rates,
- a 48% decrease in other revenue and income received due to insurance proceeds received in 2020 offset somewhat by SRP grant income received in 2021,
- unrealized loss on commodity risk management contracts of $1.3 million, and,
- a 21% increase in financing costs.

NETBACKS

	Three Months Ended Dec 31,		Year Ended Dec 31,	
($/boe)[2]	**2021**	**2020**	**2021**	**2020**
Oil and gas sales	**67.85**	36.56	**60.26**	33.12
Royalty	**(14.82)**	(4.44)	**(10.21)**	(3.19)
Adjusted operating expenses [1, 4]	**(36.90)**	(28.21)	**(38.08)**	(26.07)
Production enhancement expenses [1, 4]	**(5.78)**	(2.23)	**(5.57)**	(1.70)
Transportation and treating	**(1.57)**	(2.93)	**(2.11)**	(2.16)
Operating netback (loss) [1]	**8.78**	(1.25)	**4.29**	-

1) See "Non-IFRS and other financial measures"
2) $/boe amounts are calculated using production volumes.
3) Primarily comprised of SRP grant income, road use and road maintenance.
4) Production enhancement expenses are excluded from Operating expenses and identified separately for the period.

During the fourth quarter of 2021, the Company realized an operating netback[1] of $8.78/boe, an improvement from the operating loss of ($1.25)/boe in the fourth quarter of 2020. Realized prices increased by $31.29/boe, however the impact of increased prices was offset by a significant and related royalty increase of $10.38/boe. For the twelve months ended December 31, 2021, the operating netback[1] was $4.29/boe compared to an operating netback[1] of $0.00/boe for the same period in 2020 mainly as a result of a $27.14/boe increase in realized prices which were up 86%, offset by the associated royalty rate increases of $7.02/boe.

[1] See "Non-IFRS and other financial measures"

Royalty rates averaged 22% in the fourth quarter of 2021 as compared to 12% for the same period in 2020 due to an 84% increase in the Government of Alberta's PAR prices used in the calculation of crown royalties in Q4 2021 as compared to Q4 2020. For the twelve months ended December 31, 2021, royalties averaged 17% compared to 10% in the same period in 2020 again mainly due to an increase in PAR prices and lower production on a year-to-date basis.

Adjusted operating[1] and production enhancement[1] costs increased by $8.69/boe and $3.55/boe respectively in the fourth quarter of 2021 as compared to 2020. When comparing the twelve month periods ended December 31, 2021 and 2020, adjusted operating costs increased by $12.01/boe and production enhancement expenses increased by $3.87/boe.

Adjusted operating expenses[1] increased $5.5 million or 59% on a total dollar basis and 31% on a per boe basis in the fourth quarter of 2021 compared to the same period in 2020. The increase in the adjusted operating expense[1] per boe was due primarily to fuel and electricity costs which averaged $12.55/boe in Q4 2021 as compared to $9.11/boe in 2020, surface repairs and maintenance costs which averaged $4.51/boe in Q4 2021 as compared to $1.92/boe in 2020 and labour costs which averaged $5.62/boe in Q4 2021 as compared to $4.43/boe in 2020. Chemical costs averaged $1.56/boe in Q4 2021 as compared to $1.26/boe in 2020. For the twelve months ended December 31, 2021, adjusted operating expenses[1] increased $12.9 million or 36% on a total dollar basis and increased 46% on a per boe basis (an improvement from the Q3 2021 YTD increase of 52% on a per boe basis) as production decreased 7% compared to the same period in 2020. The Company has a high proportion of fixed operating costs and anticipates operating costs on a dollar per boe basis to continue improving as production volumes increase.

The top cost drivers of the adjusted operating expenses[1] consist of fuel and electricity, labour, property taxes, insurance, lease rentals, fluid hauling and chemicals. The top cost drivers accounted for 55% of the adjusted operating expenses in the fourth quarter of 2021 (comparable costs in Q4 2020 – 75%). For the twelve months ended December 31, 2021, the same top cost drivers accounted for 57% of the adjusted operating expenses[1] (comparable costs for the same period in 2020 – 75%).

The cost of electricity and fuel increased 66% in Q4 2021 as compared to the same quarter of last year mostly due to a 133% increase in average electricity pool prices which was offset by a 22% decrease in consumption, decreased reliance on non-operated fuel gas and lower production levels. For the twelve months ended December 31, 2021, the cost of electricity and fuel increased 29% as compared to the same period of last year mostly due to a 118% increase in average electricity pool prices offset by a 34% decrease in consumption.

Razor has focused on cost control on all expenditures within its operations by implementing a procurement system, internalizing field services and producing its own electricity. Blade Energy Services Corp. ("Blade"), a wholly owned subsidiary of Razor, provides services such as crude oil hauling, earthworks and environmental services. Blade conducted $0.8 million of services on behalf of Razor during Q4 2021 (Q4 2020 - $0.5 million) and $4.2 million of services during the twelve months of 2021 (2020 - $2.1 million), which is eliminated upon consolidation.

The Company continued its production enhancement activity in Q4 2021 in response to the stronger commodity price environment. Production enhancement expenses[1] per boe averaged $5.78/boe in the fourth quarter 2021 as compared to $2.23/boe in 2020. The production enhancement program has resulted in an average production increase during Q4 2021 of 124 boe/d. For the twelve months ended December 31 2021, production enhancement expenses[1] averaged $5.57/boe as compared to $1.70/boe for the same period in 2020.

[1] See "Non-IFRS and other financial measures"

Other revenue and income received during the three months ended December 31, 2021 was $0.9 million which primarily consisted of $0.6 million SRP grant income. For the twelve months ended December 31, 2021, other revenue and income received was $3.5 million compared to $6.6 million for the same period in 2020. The decrease for the twelve months is mainly due to insurance proceeds received in 2020 offset somewhat by SRP grant income received in 2021.

During the fourth quarter of 2021, the Company no longer qualified to receive funds from Canada Emergency Wage Subsidy. For the year ended December 31, 2021, the Company received $0.6 million (2020 - $1.5 million) and the grants were recognized as a $0.3 million reduction to general and administrative expense and a $0.3 million reduction of operating expenses (2020 - $0.9 million and $0.6 million respectively for the year ended December 31, 2020).

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

	Three Months Ended Dec 31,		**Year Ended Dec 31,**	
($000's)	**2021**	**2020**	**2021**	**2020**
Gross G&A	**2,018**	1,696	**7,632**	7,557
Canada Emergency Wage Subsidy	**-**	(161)	**(300)**	(912)
Overhead recoveries	**(540)**	(354)	**(1,823)**	(1,478)
Capitalized G&A	**(203)**	(147)	**(853)**	(660)
Total G&A	**1,275**	1,034	**4,656**	4,507
($/boe)[1]	**3.18**	3.14	**3.62**	3.26

1) Based on production volumes.

The Company is committed to ongoing focus on cost optimization in all areas of Razor's business including gross G&A costs. Gross G&A costs in the fourth quarter of 2021 increased 19% from the same quarter of 2020. The increase is due to higher wages, higher legal fees and increased insurance expense.

For the twelve months ended December 31, 2021, gross G&A was up 1% from the same period in 2020. The increase higher wages, insurance expense and brokerage fees related to the hedging program, offset by decreases in consulting fees and the suspension of the employee stock purchase plan. For the twelve months ended December 2021, the Company received $0.3 million from the Canada Emergency Wage Subsidy that was recognized in G&A ($0.9 million for the twelve months ended December 2020).

FINANCING COSTS

The components of financing costs are summarized below.

	Three Months Ended Dec 31,		Year Ended Dec 31,	
($000's)	**2021**	**2020**	**2021**	**2020**
Interest expense	**1,931**	2,322	**6,613**	6,615
Amortization of deferred financing costs	**720**	-	**2,162**	1,207
Accretion	**591**	406	**2,437**	1,438
Financing costs	**3,242**	2,728	**11,212**	9,260
($/boe)[1]				
Interest expense	**4.82**	7.04	**5.14**	4.78
Amortization of deferred financing costs	**1.80**	-	**1.68**	0.87
Accretion	**1.47**	1.23	**1.89**	1.04
Financing costs	**8.09**	8.27	**8.71**	6.69

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

Interest expense primarily arises from interest on the AIMCo Term Loan, Amended Arena Term Loan, Promissory Notes, and lease obligations. Overall interest expense was lower in the fourth quarter of 2021 as compared to the same period of 2020 due to the following factors: increased interest expense in Q4 2021 due to the addition of the Arena loan in 2021 which was offset by reduced interest charges in preexisting equipment notes and lease obligations and lower other interest charges compared to 2020. Amortization of deferred financing costs is up $720 thousand in the fourth quarter of 2021 as compared to the same period of 2020 reflecting the impact of additional deferred financing charges added and amortized in 2021 related to the renewed AIMCo loan and the Arena debt and the expensing in Q3 2020 of the balance of the original AIMCo deferred financing charges due to the default condition triggered in Q3 2020 and thus no additional deferred financing charges in Q4 2020. Accretion, which relates to the time value change of the Company's decommissioning obligations, increased 46% in 2021 as compared to the same period of 2020 due to a higher risk-free discount rate as well as higher ARO liabilities and thus higher accretion in the Swan Hills CGU due to the Q3 2021 acquisition.

For the twelve months ended December 31, 2021, financing costs increased 21% over the same period in the prior year due to additional interest expense related to the Amended Arena Term Loan, increased deferred financing charges for both the AIMCo and Arena term loans and increased accretion charges due to a higher risk-free discount rate as well as higher decommissioning obligations related to the Q3 2021 acquisition.

DEPLETION, DEPRECIATION AND AMORTIZATION

	Three Months Ended Dec 31,		Year Ended Dec 31,	
($000's)	**2021**	**2020**	**2021**	**2020**
Depletion, depreciation and amortization	**4,661**	3,819	**14,678**	16,904
($/boe)[1]	**11.62**	11.58	**11.41**	12.21

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

DD&A expense, for the fourth quarter of 2021, increased 22% from the same period in 2020. The increase in the three-month DD&A expense reflects the larger depletable base in the Swan Hills CGU as a result of its working interest acquisition in Q3 2021. As at December 31, 2021, future development costs required to develop proved and probable reserves in the amount of $63.9 million are included in the depletion calculation for PP&E (December 31, 2020 - $43.1 million).

For the twelve months ended December 31, 2021, DD&A expense decreased 13% primarily due to a lower depletion rate for the Swan Hills area reflecting a lower depletion rate due to the Swan Hills working interest acquisition. Reduced depletion expense is also reflective of lower production volumes in 2021 and the decrease in the depletable base in Kaybob and Southern Alberta as a result of the impairment expense incurred in Q1 2020.

IMPAIRMENT REVERSAL

	Three Months Ended Dec 31,		Year Ended Dec 31,	
($000's)	**2021**	**2020**	**2021**	**2020**
Impairment expense (reversal)	**(24,306)**	-	**(24,306)**	24,740

At December 31, 2021, Razor assessed whether there were indicators of impairment or reversals of prior period impairments. It was determined that there were indicators for impairment reversals for the Kaybob and Southern Alberta Cash Generating Units (“CGU’s”) and as a result, the CGU’s were tested for impairment reversal. Management determined that the recoverable amount for the CGU’s that were tested had significantly exceeded their carrying amount and therefore impairment reversals were calculated. The recoverable amount was calculated as the fair value of the assets which was determined using a discounted cash flow approach based on the December 31, 2021 reserve evaluation of proved plus probable reserves provided by an independent reserve evaluation. Impairment reversals were recorded of $17.1 million for Kaybob and $7.2 million for Southern Alberta. There was no trigger of impairment for the Swan Hills CGU and no prior impairments to contemplate reversal on.

At March 31, 2020, Razor evaluated its developed and producing assets on a CGU (Swan Hills, Kaybob, and Southern Alberta) basis for indicators of any potential impairment. The declines in the forecasted commodity prices were identified as an indicator of impairment. As a result, the Company completed an impairment test on all its CGU's in accordance with IAS 36. At March 31, 2020, the recoverable value of Razor's Swan Hills CGU exceeded its carrying value and no impairment was recorded. At March 31, 2020, it was determined that the carrying value of the Kaybob and Southern Alberta CGUs exceeded their recoverable amounts and impairment charges of $16.03 million and $8.71 million, respectively, were recognized for the CGUs. There were no indicators of impairment or impairment reversal on any of the three CGU's as at December 31, 2020.

CAPITAL EXPENDITURES

	Three Months Ended Dec 31,		Year Ended Dec 31,	
($000's)	**2021**	**2020**	**2021**	**2020**
Reactivations, recompletions and optimizations	**129**	12	**335**	(56)
Pipelines and injection management	**1,623**	11	**1,616**	74
Facilities and other	**(11)**	41	**196**	219
Field equipment	**143**	115	**1,125**	557
Power generation	**8,517**	235	**13,782**	1,086
Information technology systems	**-**	-	**49**	11
Capitalized turnarounds	**360**	-	**4,420**	-
Corporate and other capital expenditures	**(90)**	(51)	**103**	(446)
Capital expenditures	**10,671**	363	**21,626**	1,445
Proceeds from Government Grants	**(2,558)**	-	**(7,175)**	(1,121)
Net capital expenditures[1]	**8,113**	363	**14,451**	324

[1] See "Non-IFRS and other financial measures"

During the fourth quarter of 2021, Razor invested $8.5 million on its Geothermal Project and executed a major upgrade of one of its group pipelines at a cost of $1.6 million. The Company also capitalized an additional $0.4 million of turnaround costs that were executed on operated and non-operated turnarounds.

In May 2021, FutEra entered the project execution stage of its Geothermal Project in Swan Hills, Alberta. On March 9, 2022, FutEra announced that it is fully financed and in final construction of its 21 Geothermal Project. FutEra has successfully partnered with provincial and federal government agencies to invigorate the emerging geothermal industry. To date, Razor has received $13.0 million in government grants to support this power generation project. The total construction and commissioning budget for the Project is $37.0 million.

LIQUIDITY AND CAPITAL RESOURCES

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

As at December 31, 2021, the Company has a working capital deficit of $35.1 million, of which $2.8 million is comprised of cash and cash equivalents. Further, at December 31, 2021, the Company has contractual repayments of $67.3 million due in less than one year. At December 31, 2020, certain equipment loans and leases were in default due to cross covenant violations under the Amended Term Loan Facility with AIMCo and at December 31, 2020 these loans and leases were classified as potentially due on demand current liabilities. At March 31, 2021, the Company had not remedied the defaults for these equipment loans and leases and continued to classify these items as potentially due on demand current liabilities. The Company had cross covenant default provisions in the AIMCo Term Loan and the Arena Term Loan, which were in default as a result of the default on the equipment loans and leases at March 31, 2021 and as a result had classified the AIMCo Term Loan and the Arena Term Loan as potentially due on demand current liabilities at March 31, 2021.

At June 30, 2021, the Company has received executed agreements from all parties that waived all default conditions. As a result, the loans and leases are currently no longer due on demand and have reverted to their original repayment terms.

While the Company anticipates reducing the working capital deficit over the next nine months, it is still projecting to have a working capital deficit at September 30, 2022, which would result in non-compliance with the working capital covenant requirement under the AIMCo facility of 1:1 at September 30, 2022. Further, there can be no assurance that the Company will be able to obtain a waiver for the potential covenant default or an amendment, if necessary, to revise the working capital ratio covenant from AIMCo prior to September 30, 2022. This potential covenant default may result in the AIMCo Term Loan being due on demand. The potential covenant default would also result in a potential cross-covenant default for the Amended Arena Term Loan and certain other loans and leases at the same time. The Company does not have the financial ability to repay the AIMCo Term Loan, Amended Arena Term Loan and certain other loans and leases should they come due as a result of the default.

Although the support of the lenders and lessors is important to the Company remaining a going concern, the fact remains that the Company has a significant working capital deficit and contractual payments with the potential for covenant and cross-covenant violations commencing September 30, 2022. The Company anticipates reducing the working capital deficit and contractual repayments, which include the Amended Arena Term Loan, with a combination of cash from operations, other new debt or equity financings. The Company is employing the following specific strategies to assist in funding the working capital deficit and making the contractual payments:

- Strategic investment in high quality reactivations to provide ongoing increases in production volumes to maximize monthly revenue and cashflows in the current strong commodity price environment
- Conducting operations under a disciplined approach to capital and operating cost expenditures
- Working with partners to bring non-operated production back on stream
- Working proactively with vendors on payment schedules
- Strategic acquisitions
- Equity financing

Further, the Company will utilize funds from the original Arena Loan, a portion of the proceeds from the Amended Arena Term Loan, and funds from the Private Placement to reactivate wells in order to increase production, which is not without risk, to provide a positive contribution towards funding the working capital deficit. While commodity prices have shown a steady rebound in 2021, a material uncertainty remains as to whether the Company can generate sufficient positive cash flow from operations to meet all of its obligations as they come due. In addition, the AIMCo debt has certain covenants that will come into effect in 2022, specifically the working capital ratio as noted above, that based on current financial results will be difficult to maintain.

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

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

SHARE CAPITAL

As at December 31, 2021 and April 11, 2022, the Company had a total of 23,314,466 common shares outstanding (December 31, 2020 - 21,064,466 common shares outstanding).

On October 22, 2021, the Company closed a private placement of common shares of Razor Energy. The company executed subscription agreements with Alberta Investment Management Corporation (AIMCo), to purchase common shares of Razor for a subscription price of $0.84 per Razor Share (the "Issue Price"). AIMCo subscribed for and agreed to purchase 2,200,000 Razor Shares for aggregate proceeds of $1,848,000. In addition, certain members of management collectively subscribed for 50,000 Razor Shares at the Issue Price for proceeds for $42,000 (the "Management Subscription"). The gross proceeds of the Private Placement were $1,890,000.

On October 1, 2021, the Company initiated a stock option plan for its subsidiary, FutEra. The option plan issued a total of 261,000 options with an exercise price of $1.74 per FutEra share, whereby 200,000 vested immediately and 61,000 vest equally over three years. All options expire in five years. As at December 31, 2021 and FutEra had 261,000 stock options shares outstanding and at April 7, 2022 had 264,000 stock options outstanding.

As at December 31, 2021 the Company had no stock options outstanding (December 31, 2020 – nil). On February 9, 2022, the Company granted 816,000 incentive stock options ("Options") to acquire common shares ("Common Shares") of the Company under its stock option plan. An aggregate of 631,000 Options were granted to certain of the Company's directors and officers and 185,000 Options were granted to certain of its employees.

All of the Options are exercisable for a period of five years at an exercise price of $1.00 per Common Share. One-third of the Options will vest on the date that is one year after the date of the grant of such Options and the remainder will vest one-third per year thereafter.

As at April 11, 2022, the Company had 816,000 stock options outstanding.

Rights Offering

On March 31, 2022, the Company announced a rights offering (the "Rights Offering") for eligible holders of its common shares (the "Common Shares") of record at the close of business on April 7, 2022 (the "Record Date").

Each holder of Common Shares resident in a province or territory in Canada (the "Eligible Jurisdictions") will receive one right (a "Right") for each 1 Common Share held. Each whole Right will entitle the holder to subscribe for 0.0841016 of a Common Share. As a result, holders of Common Shares will need to exercise 11.8903796 Rights to acquire one Common Share. A holder of Rights must pay $2.55 to purchase one Common Share.

The Common Shares issued as a result of the rights offering will be issued on a "flow-through" basis in respect of Canadian renewable and conservation expense ("CRCE") within the meaning of the Income Tax Act (Canada). Upon issuing the Common Shares to shareholders of Razor at the closing of the Rights Offering, Razor will renounce 100% of the to-be-incurred eligible expenses to the Rights Offering subscribers which can be deducted from ordinary income in calculating the subscriber's liability for income tax. Razor and its subsidiaries are then committed to incur an amount of eligible expenses equal to the Rights Offering proceeds prior to December 31, 2023.

The Rights commenced trading on the TSX Venture Exchange ("TSXV") under the symbol RZE.RT on April 6, 2022. Common Shares purchased on or following the Record Date will not be entitled to receive Rights under the Rights Offering. Rights are exercisable until May 6, 2022, after which time unexercised Rights will be void and of no value.

If all of the Rights are exercised, the Company will raise gross proceeds of $5 million from the Rights Offering.

The expected closing date of the Rights Offering is May 9, 2022.

DIVIDENDS

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

LEASES

On December 21, 2021, the Company signed a lease for submersible pumping equipment and related services. The lease is a short-term lease arrangement where the Company pays for the total over a period of six months after which they own the equipment. Razor has setup as a lease obligation that is being amortized over the lease term with an effective interest rate of 14%. Monthly payments of $16,230 include interest and principal.

On November 11, 2021, the Company signed an extension to its existing lease agreement for warehouse space. The lease extension is until March 2023. Razor has setup as a right-of-use assets to be amortized of the lease term and all terms and conditions remain the same, utilizing an effective interest rate of 6.1%. Monthly payments of $1,863 include interest and principal.

On April 20, 2021, the Company signed an extension to its existing lease agreement for the lease of office space in Swan Hills. The lease extension is for a period of three years and Razor has setup as a right-of-use asset to be amortized over the three-year lease term utilizing an effective interest rate of 6.1%. Monthly payments of $1,850 include interest and principal.

On March 1, 2021, the Company entered into a lease agreement for the lease of office space in Swan Hills for its subsidiary to replace its existing office lease. The lease is for a period of two years and Razor has setup as a right-of-use asset to be amortized over the two-year lease term utilizing an effective interest rate of 6.1%. Monthly payments of $5,000 include interest and principal.

TERM LOANS

Loan with Alberta Investment Management Corporation (“AIMCo”)

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

As consideration for the AIMCo Term Loan, FutEra, a wholly owned subsidiary of Razor at the time, granted AIMCo common shares of FutEra representing 22.4% of the total outstanding common shares and these shares were held in trust contingent on Razor receiving funding for the project by July 31, 2021. The Swan Hills Geothermal Project was not funded by July 31, 2021, and the shares held in trust as part of this transaction were returned to Razor and $3.5 million was added to the principal amount and due at maturity as part of the AIMCo Term Loan.

The AIMCo Term Loan is secured by a first charge on all present and after-acquired personal property as well as a floating charge on land pursuant to a general security agreement and a promissory note. Razor has obtained exemptions to the first charge from AIMCo for certain field equipment for which Razor obtained loans or lease financing. In addition, Razor has obtained exemptions to the first charge from AIMCo to allow Arena Investors LP to have first lien security on all assets within Razor Royalties Limited Partnership and Razor Holdings GP Corp.

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

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

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. All financial covenant calculations exclude FutEra and its subsidiaries.

At March 31, 2021, the default condition on certain equipment loans and leases (notes 9 and 10) had created a cross covenant default for the AIMCo Term Loan and had resulted in this loan being potentially due on demand and classified as a current liability at March 31, 2021.

At June 30, 2021, Razor has received executed agreements from all parties that waived all default conditions for this loan and the other loans and leases impacted, and therefore the classification of the loan is a long-term liability based on the contractual terms.

As at December 31, 2021, Razor was in compliance with all of its non-financial debt covenants. As at December 31, 2021, the Company has a working capital deficit of $35.1 million. While the Company expects to reduce the working capital deficit over the next nine months, it is projecting to have a working capital ratio of less than 1:1 as at September 30, 2022. There can be no assurance that the Company will be able to obtain a waiver for the potential covenant default or an amendment, if necessary, to revise the working capital ratio covenant from AIMCo prior to September 30, 2022. This potential covenant default may result in the AIMCo debt potentially being due on demand. The potential covenant default would also then result in a potential cross-covenant default for the Amended Arena Term Loan and certain other loans and leases at that time. The Company does not have the financial ability to repay the AIMCo debt, Amended Arena Term Loan and certain other loans and leases should they come due as a result of the default.

Loan with Arena Investors, LP

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

The Arena Term Loan will be repaid over 29 months with principal and interest payments of approximately US$0.4 million (CAD$0.5 million) per month, commencing April 1, 2021 and full repayment with interest of the loan on August 1, 2023. The funded principal amount, after the original issuer discount, is US$10,035,000 (CAD $12,702,532). The Arena Term Loan carries a fixed annual interest rate of 7.875%. Security consists of a first lien on all assets within Razor Royalties Limited Partnership ("RRLP") and Razor Holdings GP Corp. The Arena Term Loan is also secured by a second lien on the assets of Razor, excluding Razor's subsidiaries Blade Energy Services Corp. ("Blade"), FutEra and its subsidiaries, and Razor Resources Corp.

On August 12, 2021, RRLP entered into an amendment agreement on its Arena Term Loan ("Amended Arena Term Loan") with Arena Investors, LP for an additional US$8,833,922 (CAD $11,035,336). The proceeds of which are primarily to fund the acquisition of the Swan Hills working interest. The term of the amended loan is extended to April 1, 2024. Monthly principal and interest payments increased effective September 1 to approximately US$0.5 million (CAD$0.7 million) per month with payments increasing to approximately US$0.7 million (CAD$0.9 million) in 2022. The funded principal amount of the Amended Term Loan, after the original issuer discount is US $8,000,000 (CAD 9,993,600).

The Amended Arena Term Loan is subject to the following covenants:

- Use at least US$6,700,000 (CAD$ 8,481,013) to complete the activities outlined in an agreed development plan by June 30, 2022;
- Minimum hedge requirements for not less than 80% of RRLP's 20 month forward projected overriding royalty;
- Commencing in August 2021, maintain minimum production 4,000 boe/day; and
- The general and administrative expenses of RRLP shall not exceed USD$100,000 (CAD$ 125,000) in any fiscal year.

At March 31, 2021, the default condition on certain equipment loans and leases had created a cross covenant default for the original Arena Term Loan and had resulted in this loan being potentially due on demand and classified as a current liability at March 31, 2021.

At June 30, 2021, Razor has received executed agreements from all parties that waived all default conditions and therefore is classifying this loan into its current and long-term liability portions based on the contractual terms. The Amended Arena Term Loan is still subject to cross covenant default clauses that if triggered may accelerate and require immediate repayment of amounts outstanding.

As at December 31, 2021, Razor was in compliance with all of its non-financial debt covenants.

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

On March 9, 2022, the Company entered a definitive agreement and closed senior debt financing for its Geothermal Project. The financing is funded by way of amending the Amended Arena Term Loan (the "Amended and Restated Term Loan") for an additional principal amount of US$11,042,403 (CAD$ 14,127,650) (the "Term Loan 3"). Term Loan 3 has the following terms:

- 48-month maturity.
- First lien security on the assets held within Swan Hills Geothermal Power Corp. along with FutEra's equity in Swan Hills Geothermal Power Corp.

Months 1 to 24

- Interest payments only on the prevailing monthly principal balance of Term Loan 3 at an annualized interest rate of 7.7875%;
- Accrued interest on the prevailing monthly principal balance of Term Loan 3 at an annualized interest rate of 3%.

Months 25 to 48

- Principal payments at an amortization rate of 5% on the prevailing monthly principal balance of Term Loan 3;
- Interest payments on the prevailing monthly principal balance of Term Loan 3 at an annualized interest rate of 7.7875%;
- Accrued interest on the prevailing monthly principal balance of Term Loan 3 at an annualized interest rate of 3%;
- The principal balance of Term Loan 3 at maturity is expected to be US$3.6 million (CAD$4.5 million).

COMMITMENTS AND CONTINGENCIES

As part of its normal business, the Company entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. The principal commitments of the Company as at December 31, 2021 were as follows:

($000's)	**Recognized in Financial Statements**	**Total**	**Less than 1 year**	**2-3 years**	**4-5 years**	**More than 5 years**
Accounts payable and accrued liabilities	Yes-Liability	**43,798**	43,798	-	-	-
Amended term loan facility	Yes-Liability	**58,253**	2,767	55,486	-	-
Amended Arena Term Loan	Yes-Liability	**20,108**	11,171	8,937	-	-
Promissory notes	Yes-Liability	**376**	307	69	-	-
Commodity contracts	Yes-Liability	**573**	561	12	-	-
Minimum lease obligation	Yes-Liability	**1,947**	1,383	348	216	-
Interest payable [1 2]	No	**13,761**	7,016	6,641	13	91
Lease operating costs	No	**123**	119	4	-	-
Transportation services	No	**1,135**	153	249	186	547
Total		**140,074**	**67,275**	**71,746**	**415**	**638**

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

The Company has a firm commitment for oil and gas transportation services that includes contracts to transport oil and natural gas through third party owned pipeline systems. The Company also has a firm commitment for gas processing services that includes contracts to process natural gas through third party owned processing facilities.

Razor inherited decommissioning liabilities included in its Swan Hills, Kaybob and Southern Alberta acquisitions. In Q4 2021, the Company settled $1.3 million of decommissioning obligations for a twelve month total of $3.6 million (Q4 2020 - $0.2 million and cumulative spend of $0.5 million for the twelve months, respectively) which includes $586 thousand related to government grants earned for well site rehabilitation through the SRP program in Q4 2021 and a twelve month total of $1,861 thousand (Q4 2020 and full year 2020 – $199 thousand).

Razor has been successful in obtaining approved applications under the Alberta Site Rehabilitation Program (“SRP”). To date, Razor has received approval for $4.3 million in funding to assist with abandonment and reclamation activities. The Company also expects to receive additional grants in subsequent phases of the SRP.

In the normal course of its operations, the Company may be subject to litigation and claims and records provisions for claims as required.

During the third quarter of 2020, the Company was served a statement of claim from a joint venture partner demanding immediate payment for past services totaling $4.6 million. Amounts owing to this joint venture partner are included in accounts payable and accrued liabilities, and at December 31, 2021 total approximately $1.9 million. During the fourth quarter of 2021, Razor filed a Statement of Defence and a Counterclaim which alleges the joint venture partner over charged the joint account, underpaid revenue, conducted work without authorization and generally mis handled the joint account to the detriment of Razor. There can be no assurance that further financial damages will not occur, however, with the higher production and improved commodity price outlook, the Company anticipates it will continue to reduce amounts owing throughout 2022.

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 AND OTHER FINANCIAL 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.

Non-IFRS Financial Measures

Funds Flow

Management utilizes funds flow as a useful measure of Razor's ability to generate cash not subject to short-term movements in non-cash operating working capital. As shown below, funds flow is calculated as cash flow from operating activities excluding change in non-cash working capital.

Adjusted funds flow

Management utilizes adjusted funds flow as a key measure to assess the ability of the Company to generate the funds necessary for financing activities, operating activities, and capital expenditures. As shown below, adjusted funds flow is calculated as funds flow excluding purchasing of commodity contracts, and decommissioning expenditures since Razor believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and variability. Expenditures on decommissioning obligations vary from period to period depending on the maturity of the Company's operating areas and availability of adjusted funds flow and are viewed as part of the Company's capital budgeting process.

The following table reconciles cash flow from operating activities, funds flow and adjusted funds flow:

	Three Months Ended Dec 31,		Year Ended Dec 31,	
($000's)	**2021**	**2020**	**2021**	**2020**
Cash flow from (used in) operating activities	**13,604**	356	**8,150**	4,193
Changes in non-cash working capital	**11,949**	482	**7,250**	395
Funds flow	**1,655**	(126)	**900**	3,798
Decommissioning costs incurred	**(694)**	(6)	**(1,734)**	(340)
Purchasing of commodity contracts	**(206)**	-	**(773)**	-
Adjusted funds flow	**2,555**	(120)	**3,407**	4,138

Net Debt

Net debt is calculated as the sum of the long-term debt (includes AIMCo Term Loan, Amended Arena Term Loan and Promissory Notes) and lease obligations, less working capital (or plus working capital deficiency), with working capital excluding mark-to-market risk management contracts. Razor believes that net debt is a useful supplemental measure of the total amount of current and long-term debt of the Company and includes it in its select quarterly highlights (refer to page 8).

Reconciliation of net debt	**December 31,**	**December 31,**
($000's)	**2021**	**2020**
Long term debt	**(64,047)**	(113)
Long term lease obligation	**(435)**	(389)
	(64,482)	(502)
Less: Working capital		
Current assets	**22,108**	9,454
Exclude commodity contracts	**573**	-
Current liabilities	**(57,219)**	(81,737)
	(34,538)	(72,283)
Net debt	**99,020**	72,785

ADJUSTED OPERATING EXPENSES AND PRODUCTION ENHANCEMENT EXPENSES

Adjusted Operating Expenses

Adjusted operating expenses are regular field or general operating costs that occur throughout the year and do not include production enhancement expenses. Management believes that removing the expenses related to production enhancements from total operating expenses is a useful supplemental measure to analyze operating expenses.

Production Enhancement Expenses

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

Reconciliation of Adjusted Operating expenses and Production Enhancement Expenses

	Three Months Ended Dec 31,		**Year Ended Dec 31,**	
($000's)	**2021**	**2020**	**2021**	**2020**
Adjusted Operating Expenses	**14,855**	9,304	**49,032**	36,100
Production Enhancement Expenses	**2,316**	736	**7,160**	2,352
Operating Expenses	**17,171**	10,040	**56,192**	38,452

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.

	Three Months Ended		Year Ended Dec 31,	
($000's)	**2021**	**2020**	**2021**	**2020**
Oil and gas sales[1]	**27,209**	12,059	**77,496**	45,854
Royalties	**(5,942)**	(1,463)	**(13,134)**	(4,413)
Operating expenses	**(17,171)**	(10,040)	**(56,192)**	(38,452)
Transportation and treating expenses	**(629)**	(967)	**(2,720)**	(2,990)
Operating netback	**3,467**	(411)	**5,450**	(1)

1) Natural gas production includes internally consumed natural gas primarily used in power generation.

Net Capital Expenditures

Net capital expenditures equals capital expenditures less government grants received. Razor uses net capital expenditures to measure its total capital investment on property plant and equipment.

	Three Months Ended Dec 31,		Year Ended Dec 31,	
($000's)	**2021**	**2020**	**2021**	**2020**
Capital expenditures	**10,671**	363	**21,626**	1,445
Proceeds from Government Grants	**(2,558)**	-	**(7,175)**	(1,121)
Net capital expenditures	**8,113**	363	**14,451**	324

Non-IFRS Financial Ratios

OPERATING EXPENSES per BOE

Operating expenses per boe is consists of adjusted operating expenses per boe and production enhancement expenses per boe. Operating expense per boe is a useful supplemental measure to calculate the efficiency of its operating expenses on a per unit of production basis.

	Three Months Ended Dec 31,		Year Ended Dec 31,	
($/boe)[1]	**2021**	**2020**	**2021**	**2020**
Adjusted Operating Expenses	**36.90**	28.21	**38.08**	26.07
Production Enhancement Expenses	**5.78**	2.23	**5.57**	1.70
Operating Expenses	**42.68**	30.44	**43.65**	27.77

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

OPERATING NETBACK per BOE

Operating netback per boe is used to calculate the results of Razor's operating efficiency of its petroleum and natural gas assets on a per unit of production basis. Net operating expense per boe 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.

	Three Months Ended Dec 31,		Year Ended Dec 31,	
($/boe)	**2021**	**2020**	**2021**	**2020**
Oil and gas sales[1]	**67.85**	36.56	**60.26**	33.12
Royalties	**(14.82)**	(4.44)	**(10.21)**	(3.19)
Adjusted operating expenses	**(36.90)**	(28.21)	**(38.08)**	(26.07)
Production enhancement expenses	**(5.78)**	(2.23)	**(5.57)**	(1.70)
Transportation and treating	**(1.57)**	(2.93)	**(2.11)**	(2.16)
Operating netback per boe	**8.78**	(1.25)	**4.29**	-

1) Natural gas production includes internally consumed natural gas primarily used in power

Supplementary Financial Measures

NI 52-112 defines a supplementary financial measure as a financial measure that: (i) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity; (ii) is not disclosed in the financial statements of the entity; (iii) is not a non-IFRS financial measure; and (iv) is not a non-IFRS ratio. The supplementary financial measures used in this MD&A are either a per unit disclosure of a corresponding IFRS measure, or a component of a corresponding IFRS measure, presented in the financial statements. Supplementary financial measures that are disclosed on a per unit basis are calculated by dividing the aggregate IFRS measure (or component thereof) by the applicable unit for the period. Supplementary financial measures that are disclosed on a component basis of a corresponding IFRS measure are a granular representation of a financial statement line item and ae determined in accordance with IFRS.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

The fair value hierarchy is as follows:

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

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

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

The carrying value and fair value of the Company's financial instruments at December 31, 2021 are as follows:

($000's)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	**2,841**	2,841
Restricted cash	**1,384**	1,384
Accounts receivable	**16,367**	16,367
Accounts payable and accrued liabilities	**43,798**	43,798
Commodity contract liability	**573**	573
Lease obligation	**1,947**	1,947
Promissory Notes	**376**	369
Term Loan Facilities (AIMCo and Arena)	**78,361**	78,261

MARKET RISK

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

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

Credit Risk

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

The Company's accounts receivables of $16.4 million at December 31, 2021 (December 31, 2020 - $6.5 million) are non-interest bearing.

The Company's receivables are summarized as follows:

($000's)	**December 31, 2021**	**December 31, 2020**
Trade receivables	**13,754**	4,714
Joint venture receivables	**2,610**	1,696
Other receivables	**282**	227
Allowance for doubtful accounts	**(279)**	(173)
	16,367	6,464

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

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

The Company's accounts receivable is aged as follows:

($000's)	**December 31, 2021**	**December 31, 2020**
Current (less than 30 days)	**12,432**	5,052
31 to 90 days	**2,724**	885
Over 90 days	**1,211**	527
Total receivables	**16,367**	6,464

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

Interest Rate Risk

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

The AIMCo Term Loan Facility matures on January 31, 2024 and bears interest at the rate of 10% per annum (paid semi-annually on June 30 and December 31). The Amended Arena Term Loan facility matures on April 1, 2024 and bears interest at the rate of 7.875% per annum and paid monthly. The Promissory Notes mature on September 12, 2022, December 13, 2022, and May 8, 2024, and interest is paid monthly at 6.1%, 6.5% and 7.94% per annum along with the principal. The Arena Term Loan facility matures on August 1, 2023 and bears interest at the rate of 7.875% per annum and paid monthly.

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

Foreign Exchange Risk

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

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

	USD/CDN exchange Rate	
	1% increase	1% decrease
Income statement gain/(loss)	(167,000)	167,000

RISK MANAGEMENT

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

Razor manages these risks by:

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

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

QUARTERLY OPERATING AND FINANCIAL INFORMATION

($000's, except for per share amounts and production)	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Total revenue and other income	**27,838**	21,346	17,185	15,155	14,276	13,498	12,116	15,641
Total revenues net of royalties	**21,896**	17,608	14,992	13,894	12,813	13,005	11,245	14,055
Cash flows from (used in) operating activities	**13,514**	(2,316)	380	(3,518)	356	2,124	(540)	2,253
Net (loss) income	**19,248**	9,669	(5,544)	(5,635)	(6,048)	(1,838)	(4,083)	(34,228)
Per share - basic and diluted	**0.85**	0.46	(0.26)	(0.27)	(0.29)	(0.09)	(0.19)	(1.62)
Dividends declared per share	—	—	—	—	—	—	—	0.01
Government Grants received	**(2,558)**	(3,254)	(1,363)	—	—	(270)	(851)	—
Production Volumes								
Crude Oil (bbl/d)	**2,774**	2,282	1,983	1,952	2,023	2,047	1,996	2,642
Natural gas (mcf/d)	**5,023**	4,381	3,673	3,741	5,165	4,411	5,528	3,676
NGL (bbl/d)	**747**	554	549	434	701	791	865	940
Total (boe/d)	**4,359**	3,567	3,145	3,009	3,585	3,573	3,782	4,195
Sales Volumes [1]								
Crude Oil (bbl/d)	**2,693**	2,304	2,010	1,907	2,024	2,186	1,971	2,537
Natural gas (mcf/d)	**4,481**	3,831	3,301	3,463	4,461	3,362	4,287	2,954
NGL (bbl/d)	**747**	554	549	434	701	791	865	940
Total (boe/d)	**4,187**	3,497	3,110	2,918	3,469	3,537	3,550	3,969

1) Sales volumes include change in inventory volumes.

As at *($000's)*	Dec. 31, 2021	Sept. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sept. 30, 2020	Jun. 30, 2020	Mar. 31, 2020
Total assets	**239,166**	199,283	155,385	150,560	163,709	163,857	162,412	151,031
Cash	**2,841**	3,952	2,710	6,018	1,098	2,635	1,002	2,322
Long-term debt (principal)	**73,192**	72,251	62,678	62,261	50,878	48,505	47,312	45,803
Long-term Lease obligations	**1,756**	2,021	2,482	3,026	3,294	3,679	4,222	4,469

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

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

- reduced spending on producing enhancing projects during 2020 such as workovers and reactivations as a result of significant fluctuations in commodity prices, including WTI and Canadian oil price differentials followed by an increase in spending in 2021 as commodity prices improved,

- in early March 2020, and continuing into the fourth quarter of 2020, global crude oil prices started experiencing multi-decade lows coupled with extreme levels of volatility driven primarily by an unprecedented reduction in global demand due COVID-19,
- pricing improvement in 2021,
- impairment losses and subsequent impairment reversals,
- gains and losses on commodity risk management contracts,
- timing of capital projects and outcomes, and
- Operated and non-operated turnarounds conducted in the second quarter 2021.

SELECTED ANNUAL INFORMATION

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

	Years Ended December 31,		
($000's except share, per share and volume data)	**2021**	**2020**	**2019**
Production [2]			
Crude oil (bbl/d)	**2,250**	2,176	2,712
Gas (mcf/d) [1]	**4,209**	4,695	4,635
NGL (bbl/d)	**572**	824	903
Total (boe/d)	**3,524**	3,783	4,387
Sales [3]			
Crude oil (bbl/d)	**2,231**	2,179	2,783
Gas (mcf/d)	**3,772**	3,767	3,501
NGL (bbl/d)	**572**	824	903
Total (boe/d)	**3,432**	3,631	4,269
Crude oil inventory (bbls)	**15,200**	8,203	9,251
Total revenue	**81,524**	52,947	100,065
Cash flows from operating activities	**8,060**	4,193	16,210
Net income (loss)	**17,738**	(46,197)	(29,573)
Net income (loss) per share (basic and diluted)	**0.83**	(2.19)	(1.75)
Dividends per share	**-**	-	0.15
Weighted average number of shares outstanding (basic and diluted)	**21,491,178**	21,064,466	16,926,491
Capital expenditures	**21,626**	1,445	12,355
Netback ($/boe)			
Oil and gas sales and other revenues	**60.26**	33.12	50.46
Royalty	**(10.21)**	(3.19)	(8.86)
Operating expenses	**(43.69)**	(27.77)	(32.32)
Transportation and treating	**(2.11)**	(2.16)	(2.25)
Operating netback [5]	**4.25**	-	7.03

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. Production volumes for the twelve months ended December 31, 2021 includes Swan Hills WI acquisition daily average sales from August 12 to December 31, 2021.

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 volume. Production volumes for the twelve months ended December 31, 2021 includes Swan Hills WI acquisition daily average sales from August 12 to December 31, 2021.

4) Net acquisitions exclude non-cash items and is net of post-closing adjustments

5) See "Non-IFRS and other financial measures"

Over the last three years, a volatile commodity price environment has impacted revenue and cash provided by operating activities. The overall decline in forecasted future commodity prices has also led to the assessment and realization of impairment charges on the Company's CGUs in 2020 along with impairment reversals in 2021.

	December 31,		
($000's unless otherwise stated)	**2021**	**2020**	**2019**
Total assets	**225,780**	163,709	189,158
Long-term debt (principal)	**73,192**	50,878	45,874
Cash	**2,841**	1,098	1,905

SIGNIFICANT JUDGMENTS AND ESTIMATES

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.

Current Environment and Estimation Uncertainty

The outbreak of the COVID-19 pandemic had a significant negative impact on global economic conditions in 2020. This included a sharp decrease in crude oil demand which, combined with other macro-economic conditions, resulting in significant volatility in oil and natural gas commodity prices, as well as economic uncertainty. In 2021, the global economy has continued to recover from the impacts of the COVID-19 pandemic and an improved oil and natural gas supply and demand balance in the global markets, resulting in significant increases in benchmark commodity prices.

The Corporation continues to closely monitor the recommendations of applicable government and health authorities and has established procedures to ensure business continuity and the reliability of its operations in the event of future restrictions or lockdowns.

The COVID-19 pandemic remains an evolving situation that has had, and may continue to have, a significant impact on Razor's business, results of operations, financial condition and the environment in which it operates. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption will impact the Corporation long-term.

Climate Change and Environmental Reporting Regulations

Climate and emission related reporting standards continue to evolve and may have additional disclosure requirements in the future. The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the goal to develop sustainability disclosure standards that are globally consistent, comparable and reliable. The Canadian Securities Administrators have also issued a proposed National Instrument 51-107 *Disclosure of Climate-related Matters* which details the additional reporting requirements for Canadian Public Companies. If the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. The Company continues to monitor progress on these reporting requirements and have not yet quantified the cost to comply with these standards.

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. The Company has identified three CGU's being: Swan Hills, Kaybob and Southern Alberta.

ASSESSMENT OF ASSET IMPAIRMENT (REVERSALS)

Judgments are required when the Company assesses CGUs for possible impairment or reversal whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable or part impairments may be reversed; 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 / IMPAIRMENT REVERSALS

Razor evaluates its PP&E for indicators of any potential impairment or reversal of existing impairments 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. If impairment reversal indicators exist, the CGU is tested for impairment reversal. A reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depletion) had no impairment loss been recognized for the asset in prior periods. Such a reversal is recognized in net income, following which the depletion charge is adjusted in future periods to allocate the CGU's revised carrying amount on a systematic basis over its remaining useful life.

For the purposes of determining the extent of any impairment or its reversal, estimates must be made regarding the future before-tax cash flows generated from proved plus probable reserve values. Key input estimates used in the determination of cash flows from oil and gas reserves include: quantities of reserves and future production; forward commodity pricing as prepared by the independent reserve engineer consultant; development costs; operating costs; royalty obligations; abandonment costs; and discount rates. The proved plus probable reserve values are based on Razor's Year End reserve report as prepared by a third party – independent reserve engineer.

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. Capitalized turnaround costs are depreciated evenly over the period until the next scheduled turnaround.

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.

LEASES

The Company is required to make judgments, estimates and assumptions regarding the incremental borrowing rates and terms of leases. The key assumptions utilized by the Company include not renewing office leases and opting to buyout equipment at the end of the lease term. The carrying balance of the right-of use assets, lease liabilities and related interest and depreciation expense, may differ due to changes in lease terms and in market conditions.

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.

SHARE-BASED COMPENSATION

Stock options granted by the Company 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 are subject to significant uncertainties and judgement.

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.

FORWARD LOOKING INFORMATION

Certain statements and information contained within this MD&A constitute forward-looking statements. These statements include, without limitation, the Company’s ability to continue to operate in accordance with developing public health efforts to contain COVID-19, statements regarding the status of development or expenditures relating to our business, the natural gas-powered electricity generation program, the design of the Geothermal Project, geothermal waste heat recovery, future business combinations, the anticipated benefits and effects of acquisitions, plans to fund our current and future activities, including debt and equity financings, plans related to the performance and growth of the Company and future operations, restarting wells, assistance from government programs including the SRP and Canada Emergency Wage Subsidy, commitments under area based closure program and other environmental, social and governance initiatives, the Company's capital program and budget, the availability, terms and use of the AIMCo Term Loan and the Amended Arena Term Loan, contractual obligations and commitments, future oil and natural gas production estimates, efficiencies and weighting, future financial position, future revenues, projected costs, the outcome of pending litigation and the potential financial impact thereof and shareholder returns. Statements relating to “reserves” are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "estimate", "potential", "could", "intend", "continue", "target", or the negative of such terms or other comparable terminology. We made a number of assumptions in the preparation of these forward-looking statements including with respect to oil and natural gas production levels, the success of the Company's operations and exploration and development activities, prevailing climatic conditions, commodity and electricity prices, exchange rates, price volatility, price differentials, the actual prices received for the Company's products. You should not place undue reliance on our forward-looking statements, which are subject to a multitude of risks and uncertainties that could cause actual results, future circumstances or events to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, commodity and electricity price, interest rate and exchange rate volatility, the need for additional capital and the effect of capital market conditions and other factors, risks relating to the oil and gas and geothermal industries in general, such as operational risks and market demand, government regulation, the potential dilutive effects of any financing, the timing of exploration and development, the timely performance by third-parties of contractual obligations, the timing and costs of obtaining regulatory approvals, our estimates regarding our capital requirements and future revenues, the timing and amount of tax credits, and other risks detailed from time to time in our public disclosure documents. In addition, the Company cautions that COVID-19 may continue to have a material adverse effect on global economic activity and worldwide demand for certain commodities, including crude oil, natural gas and NGL, and may continue to result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could continue to affect commodity prices, interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company. The duration of the current commodity price volatility is uncertain. Additional risks and uncertainties relating to the Company and our business can be found in the "Risk Factors" section of the annual information for the year ended December 31, 2020 and in Razor's other public filings on SEDAR at www.sedar.com.

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

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

ADVISORY PRODUCTION INFORMATION

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

ABBREVIATIONS AND DEFINITIONS

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

CONVERSION OF UNITS

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

BARRELS OF OIL EQUIVALENT CONVERSIONS

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