RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(Stated in thousands of Canadian dollars)	Note	**June 30, 2023**	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		**4,062**	2,424
Restricted cash	3	**1,489**	3,810
Accounts receivable	13	**14,302**	13,545
Loan receivable from associate	6	**2,363**	-
Prepaid expenses and deposits		**3,477**	852
Inventory	4	**575**	660
		26,268	21,291
Commodity contracts	13	**324**	396
Loan receivable from associate	6	**8,135**	-
Investment in associate	8	**5,556**	-
Property, plant and equipment	5	**143,235**	179,074
TOTAL ASSETS		**183,518**	200,761
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	13	**53,851**	50,518
Commodity contracts	13	**49**	2,338
Decommissioning obligations	10	**2,626**	2,627
Current portion of lease obligation	9	**1,964**	2,417
Current portion of long-term debt	6	**7,717**	88,677
		66,207	146,577
Non-Current			
Long-term debt	6	**13,893**	632
Long-term lease obligation	9	**2,018**	2,015
Flow-through share premium liabilities	12	**50**	194
Deferred tax liability		**-**	587
Decommissioning obligations	10	**96,847**	103,353
TOTAL LIABILITIES		**179,015**	253,358
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	12	**40,289**	33,696
Warrants	12	**2,489**	-
Contributed surplus	12	**1,255**	1,433
Deficit		**(39,530)**	(87,726)
		4,503	(52,597)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**183,518**	200,761
Future operations	2		
Commitments and contingencies	14		
Subsequent events	12, 13, 14		

See accompanying notes to the unaudited interim condensed consolidated financial statements.

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

(Stated in thousands of Canadian dollars, except per share amounts)	Note	Three Months Ended June 30, **2023**	Three Months Ended June 30, 2022	Six Months Ended June 30, **2023**	Six Months Ended June 30, 2022
REVENUES					
Commodity sales from production		**20,742**	39,866	**46,372**	74,500
Blending and processing revenue		**562**	916	**1,072**	1,819
Other revenue		**344**	521	**940**	1,003
Total revenues	15	**21,648**	41,303	**48,384**	77,322
Royalties		**(3,575)**	(10,241)	**(9,450)**	(17,873)
Net revenues		**18,073**	31,062	**38,934**	59,449
Other income		**1,187**	964	**1,153**	996
Unrealized gain (loss) on commodity contracts	13	**676**	857	**1,938**	(856)
Realized gain (loss) on commodity contracts	13	**(841)**	(496)	**(2,715)**	132
		19,095	32,387	**39,310**	59,721
EXPENSES					
Operating		**19,207**	18,833	**37,022**	35,655
Transportation and treating		**835**	995	**2,152**	1,952
Blending and processing		**122**	381	**417**	705
General and administrative		**1,244**	2,033	**2,734**	2,887
Bad debt (recovery)		**-**	(880)	**(2)**	(788)
Share-based compensation		**46**	132	**150**	207
Financing	16	**3,006**	4,055	**6,059**	7,613
Transaction costs		**1,448**	-	**1,448**	-
Depletion, depreciation and amortization	5	**3,811**	5,400	**8,193**	10,933
Realized foreign exchange loss (gain)		**19**	(120)	**19**	(97)
Unrealized foreign exchange loss (gain)		**(463)**	945	**(488)**	530
Loss (gain) on acquisition/disposition	5	**(1,260)**	2,615	**(1,260)**	2,615
Loss from associate	8	**44**	-	**44**	-
Gain on derecognition	7	**(66,212)**	-	**(66,212)**	-
		(38,153)	34,389	**(9,724)**	62,212
Income (loss) before income tax		**57,248**	(2,002)	**49,034**	(2,755)
Deferred income tax recovery (expense)		**72**	-	**144**	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS		**57,320**	(2,002)	**49,178**	(2,755)
Discontinued Operations					
Net income (loss) from discontinued operations	7	**650**	(276)	**393**	(299)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		**57,970**	(2,278)	**49,571**	(3,054)
Net Income (Loss) per Share – Basic and Diluted - Continuing Operations	17	**2.14**	(0.08)	**1.89**	(0.11)
Net Income (Loss) per Share – Basic and Diluted	17	**2.16**	(0.09)	**1.90**	(0.13)

See accompanying notes to the unaudited interim condensed consolidated financial statements.

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(UNAUDITED)

(Stated in thousands of Canadian dollars)	Note	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
December 31, 2021		29,358	-	977	(65,106)	(34,771)
Shares issued	12	5,000	-	-	-	5,000
Premium on flow-through shares	12	(471)	-	-	-	(471)
Share issue cost	12	(151)	-	-	-	(151)
Share-based compensation	12	-	-	230	-	230
Net loss		-	-	-	(3,054)	(3,054)
June 30, 2022		**33,736**	**-**	**1,207**	**(68,160)**	**(33,217)**
December 31, 2022		33,696	-	1,433	(87,726)	(52,597)
Share–based compensation	12	-	-	153	-	153
Rights offering	12	6,900	2,489	-	(1,375)	8,014
Share issue cost	12	(307)	-	-	-	(307)
Derecognition of former subsidiary	7	-	-	(331)	-	(331)
Net income		-	-	-	49,571	49,571
June 30, 2023		**40,289**	**2,489**	**1,255**	**(39,530)**	**4,503**

See accompanying notes to the unaudited interim condensed consolidated financial statements.

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)		Three Months Ended June 30,		Six Months Ended June 30,	
(Stated in thousands of Canadian dollars)	Note	**2023**	2022	**2023**	2022
Operating Activities					
Net income (loss) for the period		**57,970**	(2,278)	**49,571**	(3,054)
Adjustments for non-cash items:					
Unrealized (gain) loss on commodity contracts	13	**(676)**	(857)	**(1,938)**	856
Unrealized (gain) loss on foreign currency translation		**(463)**	945	**(488)**	530
Gain on disposition	5	**(1,260)**	(789)	**(1,260)**	(789)
Gain on derecognition	7	**(66,212)**	-	**(66,212)**	-
Loss from associate	8	**44**	-	**44**	-
Other income		**-**	(612)	**-**	(612)
Bad debt (recovery)		**-**	-	**(2)**	-
Deferred Income Tax		**(72)**	-	**(144)**	-
Financing costs	16	**3,006**	4,055	**6,059**	7,613
Depletion, depreciation and amortization	5	**3,811**	5,398	**8,193**	10,881
Share-based compensation	12	**46**	132	**150**	207
Decommissioning costs incurred	10	**(215)**	(127)	**(215)**	(445)
(Purchase) sale commodity contracts	13	**(209)**	(54)	**(278)**	486
Cash from operations pertaining to discontinued operations	7	**1,310**	(172)	**1,843**	(311)
Changes in non-cash working capital	18	**4,441**	(4,432)	**10,902**	(11,795)
Net cash flows from operating activities		**1,521**	1,315	**6,225**	3,719
Financing Activities					
Proceeds from long-term debt	6	**-**	-	**138**	14,128
Repayment of long-term debt	6	**(4,043)**	(5,867)	**(6,367)**	(7,448)
Deferred financing cost	6	**-**	-	**-**	(1,952)
Payment of lease obligation	9	**(1,054)**	(963)	**(1,431)**	(2,129)
Rights offering	12	**8,014**	5,000	**8,014**	5,000
Interest expense	16	**(846)**	630	**(1,487)**	(1,301)
Share issuance cost		**-**	(151)	**-**	(151)
Cash used in financing pertaining to discontinued operations	7	**(777)**	-	**(786)**	-
Changes in non-cash working capital	18	**-**	(1,659)	**-**	-
Net cash flows from (used in) financing activities		**1,294**	(3,010)	**(1,919)**	6,147
Investing Activities					
Capital expenditures	5	**(834)**	546	**(3,015)**	3,213
Property disposition	5	**3,535**	-	**3,535**	-
Restricted cash	3	**731**	(58)	**2,321**	(2,371)
Cash from (used in) investing pertaining to discontinued	7	**(23)**	(6,620)	**2,102**	(8,294)
Changes in non-cash working capital	18	**(3,651)**	2,975	**(7,628)**	4,331
Net cash flows used in investing activities		**(242)**	(4,249)	**(2,685)**	(9,547)
Foreign currency translation		**18**	(85)	**17**	(189)
Change in cash and cash equivalents		**2,591**	(6,029)	**1,638**	130
Cash and cash equivalents, beginning of period		**1,471**	9,000	**2,424**	2,841
Cash and cash equivalents, end of period		**4,062**	2,971	**4,062**	2,971
Cash interest paid		**639**	1,028	**1,251**	1,300

See accompanying notes to the unaudited interim condensed consolidated financial statements.

1. REPORTING ENTITY

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 western Canada. The Company trades under the symbol "RZE.V" on the TSXV.

2. BASIS OF PRESENTATION

FUTURE OPERATIONS

As at June 30, 2023, the Company has a working capital deficit of $39.9 million and contractual obligations of $65.3 million due in less than one year. The company has $4.1 million of cash and cash equivalents as at June 30, 2023.

On June 16, 2023, the Company closed a debt settlement agreement (the "Debt Settlement Agreement") with Alberta Investment Management Corp. "AIMCo" (note 6) and obtained a waiver from the lender for the Arena Second Amended and Restated Term Loan (note 6). Also on June 16, 2023, the Company closed a Rights Offering (note 12) for gross proceeds of $8.0 million. As at March 31, 2023, the Company had been in default with certain financial covenants under the AIMCo Term Loan (note 6) and was also in default of certain non-financial covenants under the Arena Amended and Restated Term Loan (note 6) and these defaults have been remedied as at June 30, 2023. These prior period defaults noted above also triggered a cross covenant default on certain equipment loans and leases. The Company has remedied all events of default with third parties under the equipment loans and leases as at June 30, 2023, with the exception of one equipment loan in the Company's oil and gas services subsidiary which was remedied subsequent to June 30, 2023 and this loan has been classified as a current liability as at June 30, 2023.

Although these arrangements have reduced the working capital deficit and contractual obligations, the Company will be reliant on the support of lenders, suppliers and other providers to the Company, as forecasted cash flows from operations is not sufficient to enable the Company to address the remaining working capital deficit and contractual obligations, and the Company will need to maintain production levels above the minimum required levels to avoid a future event of default under the Arena Second Amended and Restated Term Loan.

Due to the conditions noted above there remains material uncertainties that create significant doubt with respect to the Company's ability to meet its obligations as they come due and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

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

STATEMENT OF COMPLIANCE

These unaudited interim condensed consolidated financial statements are prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") effective as of June 30, 2023. They do not include all the disclosures required in annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2022.

These unaudited interim condensed consolidated financial statements include the accounts of Razor Energy Corp. and its wholly owned subsidiaries, Blade Energy Services Corp. ("Blade"), Razor Royalties Limited Partnership ("RRLP"), Razor Holdings GP Corp. and Razor Resources Corp. as well as results up to June 16, 2023, for FutEra Power Corp. ("FutEra") and its wholly owned subsidiary Swan Hills Geothermal Power Corp. which were derecognized (note 7) as part of the Company's debt restructuring which closed on June 16, 2023 (note 6). All inter-entity transactions have been eliminated.

Expenses in the statement of earnings (loss) are presented as a combination of function and nature in conformity with industry practice. Depletion and depreciation expenses are presented on separate lines by their nature, while operating, transportation and treating, blending and processing, and general and administrative expenses are presented on a functional basis.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors, on August 29, 2023.

BASIS OF MEASUREMENT

These unaudited interim condensed consolidated financial statements are prepared on a historic cost basis; except for financial instruments which are measured at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiary's functional currency. Transactions completed in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the time of the transactions. Foreign currency assets and liabilities are translated to functional currency at the period-end exchange rate. Revenue and expenses are translated to functional currency using the average exchange rate for the period. Realized and unrealized gains and losses resulting from the settlement or translation of foreign currency transactions are included in net income or loss.

USE OF ESTIMATES AND JUDGMENTS

The preparation of these unaudited interim condensed 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 and are in accordance with IFRS. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Significant estimates and judgements made by management in the preparation of these condensed interim financial statements remain unchanged and are outlined in Note 2 of the December 31, 2022, audited annual financial statements with the exception of the new estimates and judgments noted below pertaining to the accounting for the derecognition of subsidiary and recognition of investment in associate for the three and six months ended June 30, 2023.

Derecognition of Subsidiary and Recognition of Investment in Associate

On June 16, 2023, the Company closed a Debt Settlement Agreement with AIMCo whereby AIMCo and the Company agreed to the settlement of all obligations owing by Razor to AIMCo under the AIMCo Term Loan as at June 16, 2023 through the transfer to AIMCo of equity interests held by Razor in its previously wholly-owned, non-listed subsidiary, FutEra. As at June 16, 2023, Razor settled all outstanding indebtedness owed to AIMCo of $64.0 million by way of the sale and transfer by Razor to AIMCo of the number of FutEra Common Shares representing 70% of the issued and outstanding FutEra Common Shares and 100% of the issued and outstanding FutEra Preferred Shares. Following the closing of the transaction, Razor holds 30% of the FutEra Common Shares.

Due to the nature of the transaction described above, the Company has determined that Razor ceased to have control of FutEra on June 16, 2023 and has derecognized FutEra as a subsidiary on June 16, 2023. In addition, Razor has determined that it has retained significant influence in FutEra and recognized its investment in FutEra as an investment in associate (note 8) as a result of its retained equity position as well as the fact that Razor is entitled to have one board representative on the Board of Directors of FutEra (out of a five person Board).

As Razor lost control of FutEra, but retained significant influence, the Company:

- Derecognized the assets and liabilities of FutEra at June 16, 2023;
- Recognized the fair value of the Debt Settlement Agreement that resulted in the loss of control;
- Recognized the fair value of the retained equity investment in associate;
- Recognized any resulting difference as a gain or loss in income attributable to Razor.

Please see Notes 7 and Note 8 for the derecognition of FutEra as a subsidiary on June 16, 2023 and the recognition of Razor's investment in FutEra as an investment in associate.

Climate Change and Environmental Reporting Regulations

Climate and emission related reporting standards are constantly evolving. 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. The Company continues to monitor progress on these reporting requirements and have not yet quantified the cost to comply with these standards.

3. RESTRICTED CASH

Restricted cash consists of cash held in a restricted account as collateral under the terms of the commodity contracts totaling $0.05 million ($USD 0.04 million) and is considered not available for general use by the Company. In addition, as per the terms of the Arena Amended and Restated Term Loan $0.4 million ($USD 0.3 million) is held as restricted cash as at June 30, 2023. In May 2022, the Company issued a letter of credit in favor of a utility provider in the amount of $1.0 million. As security, the Company is required to hold an Guaranteed Investment Certificate ("GIC") for an equivalent amount and maturity at the financial institution that issued the letter of credit. The Company held a total of $1.5 million as restricted cash at June 30, 2023 (December 31, 2022 - $3.8 million).

4. INVENTORY

Razor's product inventory consists of the Company's unsold crude oil barrels, which is valued at the lower of cost and net realizable value. Costs include operating expenses and depletion associated with the unsold crude oil barrels on a CGU basis. As at June 30, 2023, the Company held 9,862 barrels of oil (December 31, 2022 – 9,921 barrels) in inventory. The inventory at June 30, 2023 was valued at an average cost of $59.61 per barrel (December 31, 2022 - $67.80 per barrel) for a total value of $0.6 million (December 31, 2022 - $0.7 million). Included in this amount is $0.1 million of depletion expense for the period ended June 30, 2023 (December 31, 2022 - $0.1 million).

5. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment (PP&E) is as follows:

($000's)	**Total**
Cost	
December 31, 2022	**280,725**
Capital expenditures	3,491
Derecognition of subsidiary (note 7)	(19,936)
Disposition	(2,305)
Right-of-use asset	982
Government grants	(2,578)
Change in decommissioning obligations	(6,400)
June 30, 2023	**253,979**
Accumulated depletion, depreciation and amortization	
December 31, 2022	**101,651**
Depletion, depreciation and amortization	9,093
June 30, 2023	**110,744**
Net book value	
December 31, 2022	**179,074**
June 30, 2023	**143,235**

As at June 30, 2023, the forecasted future development costs required to develop proved and probable oil and gas reserves in the amount of $21.4 million are included in the depletion calculation for development and production assets (December 31, 2022 - $21.7 million). Depletion expense on development and production assets was $6.5 million (June 30, 2022 - $9.0 million) for the six months ended June 30, 2023.

On June 29, 2023, the Company disposed of non-operated, non-core Enchant area assets for proceeds of $3.5 million. The disposition consisted of petroleum and natural gas properties with a net book value (net of decommissioning obligations) of $2.3 million resulting in a $1.2 million gain on disposition.

Impairment

At the end of each reporting period, the Company assesses whether there were indicators of impairment for any of its CGUs. As at June 30, 2023, Razor concluded there are no indicators of impairment.

6. LONG-TERM DEBT

LOAN WITH 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. Prior to the debt restructuring (see below), the principal under the extended AIMCo Term Loan would have been due in full on January 31, 2024, with an interest rate of 10%, payable semi-annually. Including the contingent consideration of $3.5 million (see below), the effective interest rate of the Amended Term Loan Facility was 12% per annum (December 31, 2022 - 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 Swan Hills Geothermal 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 due at maturity as part of the AIMCo Term Loan. The AIMCo Term Loan was 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.

AIMCo DEBT SETTLEMENT

On May 1, 2023, the Company entered into a Debt Settlement Agreement (the "Debt Settlement Agreement") with AIMCo which closed on June 16, 2023. As at June 16, 2023, Razor settled all outstanding indebtedness owed to AIMCo of $64.0 million by way of the sale and transfer by Razor to AIMCo of the number of FutEra Common Shares representing 70% of the issued and outstanding FutEra Common Shares and 100% of the issued and outstanding FutEra Preferred Shares. The transfer of the shares results in Razor losing control of FutEra (note 7). In addition, in accordance with the Debt Settlement Agreement, the Company conducted a rights offering to all holders of Razor Common Shares by way of a rights offering circular (the "Rights Offering") which closed on June 16, 2023 (note 12).

LOAN WITH ARENA INVESTORS, LP

On February 16, 2021, RRLP, a wholly owned subsidiary of Razor, entered into a new term loan with Arena Investors, LP ("the Arena Term Loan") of US$11,042,617 (CAD$14,006,455).

The Arena Term Loan was to be repaid over 29 months with principal and interest payments of approximately US$0.4 million per month, commencing April 1, 2021, and full and final 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 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, FutEra and its subsidiaries, and Razor Resources Corp.

On August 12, 2021, RRLP entered into an amendment agreement on its Arena Term Loan ("Arena Amended Term Loan") with Arena Investors, LP for an additional US$8,833,922 (CAD $11,035,336). The term of the amended loan was extended to April 1, 2024. Monthly principal and interest payments on this loan are approximately US$0.7 million. The additional funded principal amount of the Arena Amended Term Loan, after the original issuer discount was US $8,000,000 (CAD $9,993,600).

On March 9, 2022, the Company entered a definitive agreement and closed senior debt financing specifically for its Co-produced Geothermal Power Project in Swan Hills, Alberta.

The financing is funded by Arena Investors, LP by way of amending the Arena Amended Term Loan (the “Arena 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 7.875%;
- 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 7.875%;
- 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$3.8 million (CAD$4.8 million).

The funded principal amount for the Term Loan 3, after the original issuer discount, is US$10 million (CAD $12,793,941), less related fees and expenses.

In conjunction with the Debt Settlement Agreement, Razor entered into a Second Amended and Restated Term Loan with Arena Investors LP (the “Arena Second Amended and Restated Term Loan”). As FutEra’s wholly owned subsidiary, Swan Hills Geothermal Power Corp., continues to be party a to the Arena Amended and Restated Loan Agreement, upon the derecognition of FutEra as a subsidiary of Razor (note 7), the Company has recognized a Loan Receivable from Associate representing the amounts receivable by Razor from FutEra related to Term Loan 3.

At June 30, 2023, the principal balance of the Second Arena Amended and Restated Term Loan is US$15.9 million (CAD $20.7 million) (March 31, 2023 – US$19.0 million (CAD $25.7 million), December 31, 2022 – US$19.9 million (CAD $27.3 million). Other terms of the Arena Second Amended and Restated Term Loan are materially unchanged from Arena Amended and Restated Term Loan with the exception of a revised production covenant which is detailed below.

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

- Use at least US$6,700,000 (CAD $8,481,013) to complete the activities outlined in an agreed development plan for the period ended June 30, 2022;
- Minimum hedge requirements for not less than 80% of RRLP’s 20 month forward projected overriding royalty;
- Commencing in May 2023, maintain minimum production of 3,380 boe/day escalating each month to 4,150 boe/day in October 2023 until the maturity date; and
- The general and administrative expenses of RRLP shall not exceed US$100,000 in any fiscal year.

Arena has agreed to waive the production covenant found in the Arena Amended and Restated Term Loan Agreement from November 1, 2022 to April 30, 2023 and has further amended the production covenant for the period from May 1, 2023 to September 30, 2023 as noted above.

On June 16, 2023, the Company closed a Debt Settlement Agreement with AIMCo (see above) and obtained a waiver from the lender for the Arena Amended and Restated Term Loan. As at March 31, 2023 the Company did not meet the minimum production requirement under the Arena Amended and Restated Term Loan. In addition, the Company was in default under the AIMCo Term Loan. These events of default caused a cross covenant default under certain equipment loans and leases resulting in these loans being potentially due on demand and they were classified as a current liability. The AIMCo debt has been settled as of June 16, 2023 pursuant to the debt settlement arrangement. The Arena default has been remedied as at June 30, 2023. The Company has remedied all events of default with third parties under the equipment loans and leases as at June 30, 2023, with the exception of one equipment loan in the Company's oil and gas services subsidiary which was remedied subsequent to June 30, 2023 and this loan has been classified as a current liability as at June 30, 2023.

The changes in long-term debt are as follows:

($000's)	**June 30, 2023**	**December 31, 2022**
Balance, beginning of period	**89,309**	73,192
Arena Amended and Restated Term Loan 3[1]	**-**	14,128
Arena Term 3 PIK interest	**197**	364
Unrealized FX (gain) loss on US denominated debt	**(488)**	1,637
Financing costs	**-**	(1,952)
Repayment of AIMCO deferred interest [2]	**-**	(2,767)
Repayment and fees on Arena Amended Term Loan	**(6,249)**	(9,189)
Repayment of Promissory Notes	**(124)**	(400)
Amortization of deferred financing costs	**-**	7,716
AIMCo Amended Term Loan Facility – interest deferral [3]	**-**	2,751
AIMCo Amended Term Loan Facility – interest deferral [4]	**-**	2,936
AIMCo Amended Term Loan Facility – Interest deferral [5]	**2,799**	-
Equipment Loans [6]	**138**	893
AIMCo Debt Settlement Agreement	**(63,972)**	-
Balance, end of period	**21,610**	89,309

1) The Arena Amended and Restated Term 3 Loan is U.S. dollar denominated debt of $11,042,403 converted at March 9, 2022 fx rate – date of inception and revalued at each statement of financial position date.

2) The interest payment due December 31, 2021 for the period of July 1, 2021 to December 31, 2021 was deferred and was paid including additional accrued interest in three payments on April 30, 2022, May 31, 2022 and June 30, 2022.

3) The interest payment due June 30, 2022 for the period of Jan 1, 2022 to June 30, 2022 was deferred and added to the existing debt

4) The interest payment due December 31, 2022 for the period of July 1, 2022 to December 31, 2022 was added to the existing debt.

5) The interest payment for the period of January 2023 to June 16, 2023 was added to the existing debt.

6) Loans were entered into during 2022 & 2023 to purchase equipment for Blade.

As at June 30, 2023 and December 31, 2022, Razor had the following outstanding long-term debt:

($000's)	Final Maturity	**June 30, 2023**	**December 31, 2022**
AIMCo Term Loan – principal	Jun-2023	**-**	55,486
AIMCO Term Loan – interest deferral	Jun-2023	**-**	2,751
AIMCo Term Loan – interest deferral	Jun-2023	**-**	2,936
Arena Amended and Restated Term Loan (1&2)	Mar-2024	**5,775**	11,934
Arena Amended and Restated Term 3 Loan	Mar-2026	**14,950**	15,332
Promissory Note	May-2024	**45**	69
Equipment Loan 1	Aug-2026	**241**	273
Equipment Loans 2	Sep-2026	**467**	528
Equipment Loans 3	Feb-2027	**132**	-
Total debt		**21,610**	89,309
Current portion		**7,717**	88,677
Long-term portion		**13,893**	632
Total debt		**21,610**	89,309

7. DERECOGNITION OF SUBSIDIARY

On June 16, 2023, the Company closed a Debt Settlement Agreement with AIMCo whereby AIMCo and the Company agreed to the settlement of all obligations owing by Razor to AIMCo under the AIMCo Term Loan as at June 16, 2023 through the transfer to AIMCo of equity interests held by Razor in its previously wholly-owned, non-listed subsidiary, FutEra. As at June 16, 2023, Razor settled all outstanding indebtedness owed to AIMCo of $64.0 million by way of the sale and transfer by Razor to AIMCo of the number of FutEra Common Shares representing 70% of the issued and outstanding FutEra Common Shares and 100% of the issued and outstanding FutEra Preferred Shares. Following the closing of the transaction, Razor holds 30% of the FutEra Common Shares.

Due to the nature of the transaction described above, the Company has determined that Razor ceased to have control of FutEra on June 16, 2023 and has derecognized FutEra as a subsidiary on June 16, 2023. In addition, Razor has determined that it has retained significant influence in FutEra and recognized its investment in FutEra as an investment in associate (note 8) as a result of its retained equity position as well as the fact that Razor is entitled to have one board representative on the Board of Directors of FutEra (out of a five person Board).

As Razor lost control of FutEra, but retained significant influence, the Company:

- Derecognized the assets and liabilities of FutEra at June 16, 2023;
- Recognized the fair value of the Debt Settlement Agreement that resulted in the loss of control;
- Recognized the fair value of the retained equity interest in associate;
- Recognized any resulting difference as a gain or loss in income attributable to Razor.

The gain on derecognition of FutEra as subsidiary on loss of control is calculated as follows:

($000's)	**Total**
Carrying amount of former subsidiary's net assets derecognized	
Cash and cash equivalents	(58)
Accounts receivable	(1,093)
Prepaids	(358)
Property, plant & equipment	(19,936)
Accounts payable & accrued liabilities	5,633
Intercompany receivable	2,910
Intercompany loan	10,453
Decommissioning liability	1,150
Deferred tax liability	908
Contributed surplus	331
Carrying amount of former subsidiary's net assets derecognized	**(60)**
Fair value of retained non-controlling investment in associate (note 8)	5,600
Debt Settlement Agreement (note 6)	63,972
Settlement of intercompany balances	(3,300)
Gain on derecognition of FutEra	**66,212**

In conjunction with the derecognition of FutEra as a subsidiary, the Company has identified the activities of its former wholly owned subsidiary as discontinued operations as at June 16, 2023 and the results of FutEra are reported separately for all periods presented. As a result of the classification of the operations of FutEra as discontinued operations, the Company has ceased segmented reporting for the three and six months ended June 30, 2023.

8. INVESTMENT IN ASSOCIATE

($000's)	**June 30, 2023**	**December 31, 2022**
Balance, beginning of period	**-**	-
Fair value of retained non-controlling investment in FutEra (note 7)	**5,600**	-
Razor's share of losses of associate	**(44)**	-
Balance, end of period	**5,556**	-

The Company holds 30% of the common shares of FutEra and no preferred shares as at June 30, 2023. Summarized financial information in respect of the Company's associate is set out below:

($000's)	**June 30, 2023**	**December 31, 2022**
Revenue of associate	**317**	-
Net loss of associate	**(147)**	-
Razor's share of net income (loss) of associate	**(44)**	-

9. LEASE OBLIGATIONS

The changes in lease obligations are as follows: *($000's)*	**June 30, 2023**	**December 31, 2022**
Balance, beginning of year	**4,431**	1,756
Liabilities incurred	**982**	5,943
Liabilities settled	**(1,867)**	(3,715)
Interest expense	**436**	447
Balance, end of year	**3,982**	4,431
Current portion	**1,964**	2,416
Long-term portion	**2,018**	2,015
Lease obligation	**3,982**	4,431

The total undiscounted amount of the estimated future cash flows to settle the lease obligations over the remaining lease term is $4.2 million.

Razor's minimum lease payments are as follows:

($000's)	**June 30, 2023**	**December 31, 2022**
Within one year	**1,756**	3,014
Later than one year but not later than three years	**2,193**	1,842
Later than three years	**298**	448
Minimum lease payments	**4,247**	5,304
Amount representing finance charge	**(265)**	(873)
Present value of net minimum lease payments	**3,982**	4,431

The Company has lease liabilities for contracts related to office space, vehicles, field equipment and surface leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Discount rates for the six months ended June 30, 2023 were between 4.15% and 14% (2022 – between 4.99% and 14%), depending on the duration of the lease term. Certain of the leases are still subject to cross covenant default clauses that if triggered may accelerate and require immediate repayment of amounts outstanding.

In prior reporting periods certain events of default (note 6) caused a cross covenant default under certain equipment loans and leases resulting in these loans being potentially due on demand and these loans were classified as a current liability. The Company has remedied all events of default with third parties under the equipment loans and leases as at June 30, 2023, with the exception of one equipment loan in the Company's oil and gas services subsidiary which was remedied subsequent to June 30, 2023 and this loan has been classified as a current liability as at June 30, 2023.

10. DECOMMISSIONING OBLIGATIONS

Decommissioning obligations represent the present value of the future costs to be incurred to abandon and reclaim the Company's wells, facilities, and pipelines.

The changes in decommissioning obligations are as follows:

($000's)	**June 30, 2023**	**December 31, 2022**
Balance, beginning of year	**105,980**	154,618
Acquisition (disposition)	**(305)**	(6,058)
Additions	**-**	1,233
Government subsidy for decommissioning expenditures	**-**	(921)
Decommissioning expenditures	**(215)**	(2,934)
Effect of change in discount rate and inflation	**(4,800)**	(43,653)
Revisions to estimates	**(1,600)**	191
Derecognition	**(1,150)**	-
Accretion expense	**1,563**	3,504
Balance, end of year	**99,473**	105,980
Current portion	**2,626**	2,627
Long-term portion	**96,847**	103,353
Decommissioning obligations	**99,473**	105,980

The provision for the costs of decommissioning production wells, 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. Revisions to estimates were primarily driven by revisions to estimates in the timing of projected cash outflows on decommissioning obligations.

The significant assumptions used to estimate the decommissioning obligations are as follows:

	June 30, 2023	**December 31, 2022**
Undiscounted cash flows (000's)	**140,558**	141,546
Discount rate (%)	**3.11**	3.28
Inflation rate (%)	**1.72**	2.09
Weighted average expected timing of cash flows (years)	**27**	27

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

1. Retain access to capital markets
2. Ensure its ability to meet all financial obligations and meet its operational and strategic objectives

Razor's capital structure consists of shareholders' equity and long-term debt and leases. The Company makes adjustments to its capital structure based on changes in economic conditions and its planned requirements. Razor adjusts its capital structure by issuing new common or preferred equity, or debt, changing its dividend policy, or making adjustments to its capital expenditure program, subject to restrictions and covenants in the Arena Second Amended and Restated Term Loan (see future operations disclosures in note 2).

12. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series.

AUTHORIZED AND ISSUED COMMON SHARES & WARRANTS

A reconciliation of the number and dollar amount of outstanding shares is shown below.

	June 30, 2023		December 31, 2022	
Common Shares	**Number**	**($000's)**	**Number**	**($000's)**
Shares outstanding, beginning of period	**25,275,250**	**33,696**	23,314,466	29,358
Rights offering	**10,014,821**	**6,900**	1,960,784	5,000
Premium on flow-through shares	**-**	**-**	-	(471)
Share issuance costs	**-**	**(307)**	-	(191)
Shares outstanding, end of period	**35,290,071**	**40,289**	25,275,250	33,696

A reconciliation of the number and dollar amount of outstanding warrants is shown below.

	June 30, 2023		December 31, 2022	
Warrants	**Number**	**($000's)**	**Number**	**($000's)**
Warrants outstanding, beginning of period	**-**	**-**	-	-
Rights offering	**10,014,821**	**2,489**	-	-
Warrants outstanding, end of period	**10,014,821**	**2,489**	-	-

The following weighted average assumptions were used to value the warrants using the Black-Scholes pricing model with the following inputs adjusted for a liquidity discount of 30%:

Period ending	June 30, 2023	December 31, 2022
Risk-free interest rate	**3.68%**	-
Expected life (years)	**5**	-
Forfeiture rate	**0%**	-
Expected volatility	**80%**	-
Fair value of warrants	**$0.25**	-

2023 RIGHTS OFFERING

On May 9, 2023, the Company announced the Rights Offering to eligible holders of its common shares (the "Common Shares") of record at the close of business on May 16, 2023 (the "Record Date"). This rights offering closed on June 16, 2023. A total of 20,249,985 rights were exercised, resulting in the issuance of 10,014,821 Common Shares and 10,014,821 Warrants for gross proceeds of $8.0 million.

Pursuant to the Rights Offering, each holder of Common Shares received one right (a "Right") for each one Common Share held. Each whole Right entitled the holder to subscribe for 0.494555 of a unit (a "Rights Unit"). Each Rights Unit consisted of one Common Share (a "Unit Share") and one transferable Common Share purchase warrant (a "Unit Warrant"). Each Unit Warrant entitled the holder to purchase one Common Share at a price of $1.20 per Common Share for a period of five years from the date of issuance. Holders of Common Shares needed to exercise 2.022 Rights to acquire one Right Unit. A holder of Rights paid $0.80 (the "Subscription Price") to purchase one Right Unit. The issuance of the Rights was considered a distribution by the Company which was recorded at its fair value of $1.4 million.

2022 RIGHTS OFFERING & PRIVATE PLACEMENT

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") received one right (a "Right") for each 1 Common Share held. Each whole Right entitled the holder to subscribe for 0.0841016 of a Common Share. As a result, holders of Common Shares needed to exercise 11.8903796 Rights to acquire one Common Share. A holder of Rights paid $2.55 to purchase one Common Share.

The Common Shares issued as a result of the rights offering were 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 renounced 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 committed to incur an amount of eligible expenses equal to the Rights Offering proceeds prior to December 31, 2023.

The Rights Offering closed on May 11, 2022. A total of 23,314,466 rights were exercised, resulting in the issuance of 1,960,784 Common Shares for gross proceeds of $5.0 million. The common shares were issued on a flow-through basis in respect of Canadian Renewable and Conservation Expense ("CRCE") within the meaning of the Income Tax Act (Canada). The proceeds will be used to fund certain eligible expenses of which $0.8 million has been spent in Q2 2023 for a total of $4.5 million spend to June 30, 2023. The Company is required to spend the remaining $0.5 million by December 31, 2023.

AWARD BASED INCENTIVE PLANS

The Company has a stock option plan under which options to purchase common shares may be granted to officers, directors, employees and consultants. The options under this plan vest equally over three years and expire in five years from the date of issuance. The number and weighted-average exercise prices of stock options are as follows:

	Six Months Ended June 30, 2023		Year Ended December 31, 2022	
	Number	**Price ($)**	**Number**	**Price ($)**
Outstanding, beginning of period	**949,600**	**1.38**	-	-
Granted	**-**	**-**	1,096,000	1.48
Forfeited	**(127,400)**	**1.00**	(146,400)	2.20
Outstanding, end of period	**822,200**	**1.43**	949,600	1.37

The following weighted average assumptions were used to value the options granted using the Black-Scholes pricing model with the following inputs:

Period ending	**June 30, 2023**	**December 31, 2022**
Risk-free interest rate	-	1.98%
Expected life (years)	-	5
Forfeiture rate	-	5%
Expected volatility	-	108%
Fair value of options granted	-	$1.09

Subsequent to June 30, 2023, the Company issued 2,300,786 stock options with an exercise price of $0.80.

13. 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 judgement.

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 June 30, 2023 are as follows:

($000's)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	**4,062**	4,062
Restricted cash	**1,489**	1,489
Accounts receivable	**14,302**	14,302
Accounts payable and accrued liabilities	**53,851**	53,851
Commodity contract asset	**324**	324
Commodity contract liability	**49**	49
Minimum lease obligation	**4,247**	4,247
Promissory notes and equipment loans	**885**	774
Term loan facilities (Arena)	**20,725**	23,092

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 and to comply with banking requirements. Risk management policies are reviewed regularly to reflect changes in market conditions and Razor’s activities.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity is managed through cash, debt and equity management strategies, when available. Razor manages its liquidity requirements by use of both short-term and long-term cash forecasts (refer to Future Operations – note 2).

The table below summarizes the Company's contractual obligations as at June 30, 2023:

($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	**53,851**	53,851	-	-	-
AIMCo Term Loan	Yes-Liability	**-**	-	-	-	-
Arena Amended and Restated Term Loan 1&2	Yes-Liability	**5,775**	5,775	-	-	-
Arena Amended and Restated Term 3 Loan	Yes-Liability	**14,950**	1,666	13,284	-	-
Promissory notes and equipment loans	Yes-Liability	**885**	276	526	83	-
Commodity contracts	Yes-Liability	**49**	49	-	-	-
Flow-through Share eligible expenditures	Yes-Liability	**526**	526	-	-	-
Minimum lease obligation	Yes-Liability	**4,247**	1,756	2,193	298	-
Interest payable [1 2]	No	**2,120**	1,132	986	2	-
Lease operating costs	No	**541**	211	323	7	-
Transportation services	No	**963**	104	220	184	455
Total		**83,907**	**65,346**	**17,532**	**574**	**455**

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 lease liability.

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. As part of the requirements of the Arena Second Amended and Restated Term Loan, Razor has entered into hedge contracts on a portion of its future production to protect cash flows. The Company does not apply hedge accounting for these contracts.

As at June 30, 2023, Razor had the following derivative contracts outstanding:

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	Jul 30'23-Sep 30'23	50.00	65.00	75.00	(225)

Oil – Options [1]

Reference point	Volume (bbls/mth)	Remaining Term		Option type	Strike price	Fair Value (CAD 000's)
NYMEX WTI financial futures	11,000	Oct 31'23-Jan 31'25	Long	Put	50.00	500
NYMEX WTI financial futures						

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 June 30, 2023, the Company recorded the fair value of the oil commodity contracts as a non-current asset of $0.3 million & short term liability of $0.05 million (December 31, 2022 – non-current asset of $0.4 & short term liability of $2.3 million) on the Statement of Financial Position. The Company recorded an unrealized gain of $0.7 million for the three months ended June 30, 2023 (June 30, 2022 – unrealized gain of $0.9 million) and a realized loss of $0.8 million in earnings for the three months ended June 30, 2023 (June 30, 2022 – realized loss of $0.5 million). For the six months ended June 30, 2023, the company recorded an unrealized gain of $1.9 million (six months ended June 30, 2022 – unrealized loss of $0.9 million) and a realized loss of $2.7 million (six months ended June 30, 2022 – realized gain of $0.1 million).

Subsequent to June 30, 2023, the Company entered into the following commodity contracts:

Oil - Options

Reference point	Volume (bbls/mth)	Remaining Term		Option type	Strike price
NYMEX WTI financial futures	11,000	Feb 28'25	Long	Put	50.00

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's accounts receivables of $14.3 million at June 30, 2023, (December 31, 2022 - $13.5 million) are non-interest bearing. The Company's receivables are summarized as follows:

($000's)	**June 30, 2023**	**December 31, 2022**
Trade receivables	**9,507**	10,669
Joint venture receivables	**4,399**	2,759
Other receivables	**478**	240
Allowance for doubtful accounts	**(82)**	(123)
	14,302	13,545

The majority of the credit exposure on trade receivables as at June 30, 2023, pertains to revenue for accrued June 2023 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)	June 30, 2023	December 31, 2022
Current (less than 30 days)	**11,880**	10,356
31 to 90 days	**615**	513
Over 90 days	**1,807**	2,676
Total receivables	**14,302**	13,545

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 Arena Second Amended and Restated Term Loan, lease obligation, and Promissory Notes and equipment loans. See notes 6 and 9.

The Arena Second Amended and Restated Term Loan facility has an original maturity date of April 1, 2026 and bears interest at the rate of 7.875% per annum and paid monthly. The Promissory Notes mature May 8, 2024, and interest is paid monthly at 7.94% per annum along with the principal. The equipment loans have original maturity dates up to September 1, 2026, and interest is paid monthly at 8.75%, 8.85%, 8.99% and 9.30%. 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 Second Amended and Restated 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)	(208,863)	208,863

14. COMMITMENTS AND CONTINGENCIES

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 (see note 13).

Razor assumed decommissioning liabilities included in its Swan Hills, Kaybob and District South acquisitions. In Q2 2023, the Company spent $0.2 million on abandonment, reclamation and remediation expenditures for a six month total of $0.2 million (2022 - $0.7 million and $1.1 million for the three and six months respectively) which includes $nil related to government grants earned for well site rehabilitation through the SRP program (2022 - $0.6 million for the six months ended June 30, 2022).

The Alberta Energy Regulator (AER) released its new Liability Management Framework under Directive 88. Under this new framework, which took effect in 2022, all industry licensees have a mandatory spend target for end of life abandonment and reclamation activity as part of the Industry Reduction Program. Razor has been assigned a mandatory spend of $2.6 million for 2023.

In May 2023, the Company issued a letter of credit in favor of a utility provider in the amount of $1.0 million. As security, the Company has set aside an equivalent GIC at the financial institution that issued the letter of credit. The Company held a total of $1.5 million restricted cash as at June 30, 2023 (December 31, 2022 - $3.8 million).

As a result of the Flow-through Share issuance, Razor and its subsidiaries are committed to incur an amount of eligible expenses equal to the Rights Offering proceeds of $5.0 million of which $1.5 million was spent in 2023 for a total spend of $4.5 million to June 30, 2023 with the remainder $0.5 million to be spent by December 31, 2023.

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. During the fourth quarter of 2021, Razor filed a Statement of Defense 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. The Company did not have any amounts related to the Statement of Claim owing to this joint venture partner as at June 30, 2023.

Subsequent to June 30, 2023, the joint venture partner filed an Amended Statement of Claim demanding immediate payment for past services totaling $11.6 million. Razor will file a Statement of Defense and Counter Claim in the third quarter of 2023.

15. REVENUES

The significant components recognized in revenues are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($000's)	**2023**	**2022**	**2023**	**2022**
Crude oil	**17,807**	31,636	**38,737**	60,573
Gas	**1,578**	3,242	**3,333**	4,952
NGL	**1,357**	4,988	**4,302**	8,975
Blending and processing	**562**	916	**1,072**	1,819
Road use	**-**	216	**-**	391
Other revenue[1]	**344**	305	**940**	612
	21,648	**41,303**	**48,384**	**77,322**

1) Primarily comprised of trucking and road maintenance.

Razor sells its production of crude oil, natural gas, and NGL pursuant to variable price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location and other factors. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period. Fees associated with blending and processing services are primarily based on fixed price contracts.

Razor's revenue transactions do not contain any significant financing components and payments are typically due within 30 days of revenue recognition. The Company does not adjust transaction prices for the effects of a significant financing component when the period between the transfer of the promised goods or services to the customer and payment by the customer is less than one year. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

16. FINANCING COSTS

Financing costs are comprised of interest expense on the AIMCo Term Loan, the Arena Amended and Restated Term Loan, the Promissory Notes, Equipment loans, the lease obligation, accretion of the discount on provisions, and amortization of deferred financing costs.

The components of financing costs are summarized below.

	Three Months Ended June 30,		Six Months Ended June 30,	
($000's)	**2023**	**2022**	**2023**	**2022**
Interest expense & fees	**2,223**	2,214	**4,496**	4,133
Amortization of financing costs (note 6)	**-**	836	**-**	1,572
Accretion (note 10)	**783**	1,005	**1,563**	1,908
	3,006	4,055	**6,059**	7,613

Accretion relates to the time value change of the Company's decommissioning obligation.

17. PER SHARE AMOUNTS

Per share amounts are calculated by dividing net (loss) income by the weighted average number of common shares outstanding. Diluted per share amounts are calculated by adjusting the weighted average number of common shares outstanding for potentially dilutive instruments.

The net income (loss) and average number of shares used to calculate the per share amounts are as follows:

	Three Months Ended June		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Weighted average shares outstanding (basic and diluted)				
Basic and diluted [1]	**26,815,992**	24,391,820	**26,049,877**	23,856,119
Net income (loss) for the period from continuing operations ($000s)	**$57,320**	$(2,002)	**$49,178**	$(2,755)
Net income (loss) for the period (000's)	**$57,970**	$(2,278)	**$49,571**	$(3,054)
Net income (loss) per share from continuing operations				
Basic and diluted [1]	**$2.14**	$(0.08)	**$1.89**	$(0.11)
Net income (loss)				
Basic and diluted [1]	**$2.16**	$(0.09)	**$1.90**	$(0.13)

(1) For the three & six months ended June 30, 2023, 925,700 stock options were excluded from the calculation of diluted loss per share as their effect was anti-dilutive (June 30, 2022 – 816,000).

18. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in non-cash working capital are summarized below.

	Three Months Ended June 30,		Six Months Ended June 30,	
($000's)	**2023**	**2022**	**2023**	**2022**
Accounts receivable	**(1,610)**	307	**(813)**	(3,783)
Prepaid expenses and deposits	**(2,480)**	(2,835)	**(2,625)**	(2,427)
Inventory	**102**	(111)	**85**	120
Accounts payable and accrued liabilities	**1,483**	(596)	**3,332**	(1,609)
	(2,505)	(3,235)	**(21)**	(7,699)

The changes in non-cash working capital have been allocated to the following activities:

	Three Months Ended June 30,		Six Months Ended June 30,	
($000's)	**2023**	**2022**	**2023**	**2022**
Operating	**4,441**	(4,551)	**10,902**	(12,030)
Financing	**(3,651)**	(1,659)	**(7,628)**	-
Investing	**-**	2,975	**-**	4,331
Derecognition of subsidiary (note 7)	**(3,295)**	-	**(3,295)**	-
	(2,505)	(3,235)	**(21)**	(7,699)

CORPORATE INFORMATION

MANAGEMENT

Doug Bailey
President and Chief Executive Officer

Michael Blair
Chief Operating Officer

Kevin Braun
Chief Financial Officer

Darren Jackson
Vice President Production & Operations

BOARD OF DIRECTORS

Doug Bailey

Sonny Mottahed (1) (2) (3)

Frank Muller

Sean Phelan (1) (2) (3)

CORPORATE OFFICE

Razor Energy Corp.
800, 500-5th Ave SW
Calgary, Alberta, Canada T2P 3L5
Website: www.razor-energy.com

TRANSFER AGENT

Alliance Trust Company
1010, 407-2 Ave SW
Calgary, Alberta T2P 2Y3
403-237-6111

BANK

National Bank of Canada

AUDITORS

KPMG LLP

LEGAL COUNSEL

McCarthy Tétrault LLP

INDEPENDENT RESERVE EVALUATORS

Sproule Associates Limited

STOCK SYMBOL

RZE.V
TSX Venture Exchange

(1) Audit Committee
(2) Reserves and Environment Committee
(3) Corporate Governance and Compensation Committee