RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(Stated in thousands of Canadian dollars)	Note	March 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		**1,471**	2,424
Restricted cash	3	**2,220**	3,810
Accounts receivable	11	**12,747**	13,545
Prepaid expenses and deposits		**997**	852
Inventory	4	**677**	660
		18,112	21,291
Commodity contracts	11	**256**	396
Property, plant and equipment	5	**169,755**	179,074
TOTAL ASSETS		**188,123**	200,761
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	**52,367**	50,518
Commodity contracts	11	**866**	2,338
Decommissioning obligations	8	**2,627**	2,627
Current portion of lease obligation	7	**2,380**	2,417
Current portion of long-term debt	6	**87,929**	88,677
		146,169	146,577
Non-Current			
Long-term debt	6	**677**	632
Long-term lease obligation	7	**1,930**	2,015
Flow-through share premium liabilities	10	**121**	194
Deferred tax liability		**587**	587
Decommissioning obligations	8	**99,530**	103,353
TOTAL LIABILITIES		**249,014**	253,358
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	10	**33,696**	33,696
Contributed surplus	10	**1,543**	1,433
Deficit		**(96,130)**	(87,726)
		(60,891)	(52,597)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**188,123**	200,761
Future Operations	2		
Commitments and Contingencies	12		
Subsequent Events	11, 18		

See accompanying notes to the Unaudited Interim Condensed Consolidated Financial Statements.

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(UNAUDITED)

(Stated in thousands of Canadian dollars, except per share amounts)	Note	Three Months Ended March 31, 2023	2022
REVENUES			
Commodity sales from production		**25,630**	34,634
Power generation revenue		**2,207**	-
Blending and processing revenue		**510**	903
Other revenue		**596**	482
Total revenues	13	**28,943**	36,019
Royalties		**(5,875)**	(7,632)
Net revenues		**23,068**	28,387
Other income		**2**	32
Unrealized gain (loss) on commodity contracts	11	**1,262**	(1,713)
Realized gain (loss) on commodity contracts	11	**(1,875)**	628
		22,457	27,334
EXPENSES			
Operating		**17,816**	16,822
Power generation		**1,620**	-
Transportation and treating		**1,317**	957
Blending and processing		**295**	324
General and administrative		**1,841**	1,118
Bad debt (recovery)		**(2)**	92
Share-based compensation		**110**	87
Financing	14	**3,063**	3,569
Depletion, depreciation and amortization	5	**4,899**	5,533
Realized foreign exchange loss (gain)		**(2)**	23
Unrealized foreign exchange loss (gain)		**(23)**	(415)
		30,934	28,110
Loss before income tax		**(8,477)**	(776)
Deferred income tax recovery (expense)		**73**	-
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**(8,404)**	(776)
NET INCOME (LOSS) PER SHARE			
Basic and diluted	15	**(0.33)**	(0.03)

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	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
December 31, 2021		29,358	977	(65,106)	(34,771)
Share-based compensation	10	-	87	-	87
Net income		-	-	(776)	(776)
March 31, 2022		**29,358**	**1,064**	**(65,882)**	**(35,460)**
December 31, 2022		33,696	1,433	(87,726)	(52,597)
Share–based compensation	10	-	110	-	110
Net loss		-	-	(8,404)	(8,404)
March 31, 2023		**33,696**	**1,543**	**(96,130)**	**(60,891)**

See accompanying notes to the Unaudited Interim Condensed Consolidated Financial Statements.

RAZOR ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Stated in thousands of Canadian dollars)	Note	Three Months Ended March 31, 2023	2022
Operating Activities			
Net income (loss) for the period		**(8,402)**	(776)
Adjustments for non-cash items:			
Unrealized (gain) loss on commodity contracts	11	**(1,262)**	1,713
Unrealized (gain) loss on foreign currency translation		**(23)**	(415)
Bad Debt (Recovery)		**(2)**	-
Deferred Income Tax		**(73)**	-
Financing costs	14	**3,063**	3,569
Depletion, depreciation and amortization	5	**4,899**	5,483
Share-based compensation	10	**110**	87
Decommissioning costs incurred	8	**-**	(318)
(Purchase) sale commodity contracts	11	**(69)**	540
Changes in non-cash working capital	16	**6,461**	(7,479)
Net cash flows from operating activities		**4,702**	2,404
Financing Activities			
Proceeds from long-term debt	6	**138**	14,128
Repayment of long-term debt	6	**(2,325)**	(1,581)
Deferred financing cost	6	**-**	(1,952)
Payment of lease obligation	7	**(376)**	(1,166)
Interest expense	14	**(650)**	(1,930)
Changes in non-cash working capital	16	**-**	1,659
Net cash flows from (used in) financing activities		**(3,213)**	**9,158**
Investing Activities			
Capital expenditures	5	**(2,417)**	(5,389)
Proceeds from government grants for assets	5	**2,328**	1,048
Restricted cash	3	**1,590**	(2,313)
Changes in non-cash working capital	16	**(3,942)**	1,356
Net cash flows used in investing activities		**(2,441)**	**(5,298)**
Foreign currency translation		**(1)**	(105)
Change in cash and cash equivalents		**(953)**	6,159
Cash and cash equivalents, beginning of period		**2,424**	2,841
Cash and cash equivalents, end of period		**1,471**	9,000
Cash interest paid		**612**	272

See accompanying notes to the Unaudited Interim Condensed Consolidated Financial Statements

RAZOR ENERGY CORP.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

AS AT MARCH 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(*Amounts expressed in Canadian dollars, except as otherwise noted*)

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. Razor's wholly owned subsidiary, FutEra Power Corp., is developing transformational power and sustainable infrastructure solutions in Western Canada. The Company trades under the symbol "RZE.V" on the TSXV.

2. BASIS OF PRESENTATION

FUTURE OPERATIONS

As at March 31, 2023, the Company has a working capital deficit of $128.1 million and contractual obligations of $163.4 million due in less than one year. The company has $1.5 million of cash and cash equivalents as at March 31, 2023.

Further, as at March 31, 2023, the Company was 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) regarding the minimum production requirement allowing the lenders to demand repayment. As a result, amounts outstanding under the AIMCo Term Loan and the Arena Amended and Restated Term Loan have been presented as a current liability. The defaults noted above also triggered a cross covenant default on certain equipment loans and leases resulting in these loans and leases being potentially due on demand and classified as a current liability as at March 31, 2023.

Subsequent to March 31, 2023, the Company has executed a debt settlement agreement with AIMCo (note 18) and obtained a waiver from the lender for the Arena Amended and Restated Term Loan (note 18). The Company is also undertaking a Rights Offering on a best-efforts basis (note 18) for up to $10 million. There is no certainty that the Rights Offering will be successful in raising any additional cash. The completion of these transactions are subject to the satisfaction of a number of conditions to which there is no certainty. The Company is currently in discussions with the third parties under the equipment loans and leases, to attempt to remediate all events of default however, there can be no assurance that the Company will be successful in obtaining amendments or waivers under those agreements.

Although these arrangements have the potential to alleviate some of the working capital deficit and contractual obligations for the 2023 year, 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 that will be significant, and the Company will need to maintain production levels above the minimum required levels to avoid a future event of default under the Arena 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 March 31, 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"), FutEra Power Corp. ("FutEra") and its subsidiary Swan Hills Geothermal Power Corp., Razor Royalties Limited Partnership ("RRLP"), Razor Holdings GP Corp. and Razor Resources Corp. 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 May 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 wholly owned 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.

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 $0.7 million ($USD 0.6 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 $0.5 million ($USD 0.3 million) is held as restricted cash as at March 31, 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 has set aside an equivalent Guaranteed Investment Certificate (“GIC”) at the financial institution that issued the letter of credit. The Company held a total of $2.2 million as restricted cash at March 31, 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 March 31, 2023, the Company held 11,082 barrels of oil (December 31, 2022 – 9,921 barrels) in inventory. The inventory at March 31, 2023 was valued at an average cost of $62.23 per barrel (December 31, 2022 - $67.80 per barrel) for a total value of $0.7 million (December 31, 2022 - $0.7 million). Included in this amount is $0.1 million of depletion expense for the period ended March 31, 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	2,274
Right-of-use asset	255
Government grants	(2,328)
Change in decommissioning obligations	(4,612)
March 31, 2023	**276,314**
Accumulated depletion, depreciation and amortization	
December 31, 2022	**101,651**
Depletion, depreciation and amortization	4,908
March 31, 2023	**106,559**
Net book value	
December 31, 2022	**179,074**
March 31, 2023	**169,755**

As at March 31, 2023, the forecasted future development costs required to develop proved and probable oil and gas reserves in the amount of $21.7 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 $3.5 million (March 31, 2022 - $4.8 million) for the months ended March 31, 2023.

Impairment

At the end of each reporting period, the Company assesses whether there were indicators of impairment for any of its CGUs. As at March 31, 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. 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 (see below), the effective interest rate of the Amended Term Loan Facility is 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 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 (or used in) operating activities less changes in non-cash working capital, plus the sum of i) interest paid ii) income taxes paid and iii) finance costs paid. Working capital ratio is the ratio of (i) current assets, excluding the fair value of commodity contracts classed as assets, to (ii) the current liabilities, excluding the current portion of long-term debt and excluding the fair value of commodity contracts classed as liabilities. All financial covenant calculations exclude FutEra Power Corp. and its Subsidiaries.

As at March 31, 2023, Razor did not receive a waiver from AIMCo for the 1:1 minimum working capital covenant and was in default. In addition, the Company was in default related to the minimum production requirement under the Arena Amended and Restated 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 classified as a current liability as at March 31, 2023. As at March 31, 2023, the Company has a working capital deficit of $128.1 million. The Company expects to reduce the working capital deficit over the next year, however, excluding the impacts of proposed transactions (note 18), the Company is projecting to have a working capital ratio of less than 1:1 throughout 2023.

Subsequent to March 31, 2023, the Company has executed a debt settlement agreement with AIMCo (note 18) and obtained a waiver from the lender for the Arena Amended and Restated Term Loan (note 18). The Company is also undertaking a Rights Offering on a best-efforts basis (note 18) for up to $10 million. There is no certainty that the Rights Offering will be successful in raising any additional cash. The completion of these transactions are subject to the satisfaction of a number of conditions to which there is no certainty. If these transactions are not completed, 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 December 31, 2023. The Company is currently in discussions with the third parties under the equipment loans and leases, to attempt to remediate all events of default however, there can be no assurance that the Company will be successful in obtained amendments or waivers under those agreements. 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 Arena Amended and Restated 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, 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 are approximately US$0.7 million in 2022. 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. At March 31, 2023, the principal balance of the Arena Amended and Restated Term Loan is US$19.0 million (CAD $25.7 million) (December 31, 2022 – US$19.9 million (CAD $27.3 million). Other terms of the Arena Amended and Restated Term Loan are materially unchanged from Arena Amended Term Loan.

The Arena 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 April 1, 2022, maintain minimum production 4,150 boe/day; and
- The general and administrative expenses of RRLP shall not exceed US$100,000 in any fiscal year.

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 as at March 31, 2023. These events of default triggered a cross covenant default under certain equipment loans and leases resulting in these loans being potentially due on demand and classified as a current liability as at March 31, 2023. Subsequent to March 31, 2023, the Company obtained a waiver from Arena (note 18) and executed a debt settlement agreement with AIMCo (note 18). The Company is also undertaking a Rights Offering on a best-efforts basis (note 18) for up to $10 million. There is no certainty that the Rights Offering will be successful in raising any additional cash. The completion of these transactions are subject to the satisfaction of a number of conditions to which there is no certainty. The Company is currently in discussions with the third parties under the equipment loans and leases, to attempt to remediate all events of default however, there can be no assurance that the Company will successful in obtained amendments or waivers under those agreements.

The changes in long-term debt are as follows:

($000's)	**March 31, 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	**115**	364
Unrealized FX (gain) loss on US denominated debt	**(25)**	1,637
Deferred financing costs	**-**	(1,952)
Repayment of AIMCo deferred interest [2]	**-**	(2,767)
Repayment of Arena Amended Term Loan	**(2,382)**	(9,189)
Repayment of Promissory Notes	**(57)**	(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]	**1,508**	-
Equipment Loans [6]	**138**	893
Balance, end of period	**88,606**	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 March 2023 was added to the existing debt.

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

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

($000's)	Final Maturity	**March 31, 2023**	**December 31, 2022**
AIMCo Term Loan – principal	Jan-2024	**55,486**	55,486
AIMCo Term Loan – interest deferral	Jan-2024	**1,509**	-
AIMCO Term Loan – interest deferral	Jan-2024	**2,751**	2,751
AIMCo Term Loan – interest deferral	Jan-2024	**2,936**	2,936
Arena Amended and Restated Term Loan (1&2)	Mar-2024	**9,539**	11,934
Arena Amended and Restated Term 3 Loan	Mar-2026	**15,434**	15,332
Promissory Note	May-2024	**58**	69
Equipment Loan 1	Aug-2026	**257**	273
Equipment Loans 2	Sep-2026	**498**	528
Equipment Loans 3	Feb-2027	**138**	-
Total debt		**88,606**	89,309
Current portion		**87,929**	88,677
Long-term portion		**677**	632
Total debt		**88,606**	89,309

7. LEASE OBLIGATIONS

The changes in lease obligations are as follows: *($000's)*	**March 31, 2023**	**December 31, 2022**
Balance, beginning of year	**4,431**	1,756
Liabilities incurred	**255**	5,943
Liabilities settled	**(462)**	(3,715)
Interest expense	**86**	449
Balance, end of year	**4,310**	4,431
Current portion	**2,380**	2,417
Long-term portion	**1,930**	2,015
Lease obligation	**4,310**	4,431

The total undiscounted amount of the estimated future cash flows to settle the lease obligations over the remaining lease term is $4.5 million.

Razor's minimum lease payments are as follows:

($000's)	**March 31, 2023**	**December 31, 2022**
Within one year	**1,737**	3,014
Later than one year but not later than three years	**2,455**	1,842
Later than three years	**336**	448
Minimum lease payments	**4,528**	5,304
Amount representing finance charge	**(218)**	(873)
Present value of net minimum lease payments	**4,310**	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 three months ended March 31, 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.

At March 31, 2023, certain equipment loans and leases were in default due to cross covenant default issues related to covenant violations under both the AIMCo Term Loan and the Arena Amended and Restated Term Loan and at March 31, 2023, these loans and lease were classified as potentially due on demand current liabilities (note 6).

8. 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)	**March 31, 2023**	**December 31, 2022**
Balance, beginning of year	**105,980**	154,618
Acquisition (disposition)	**-**	(6,058)
Additions	**-**	1,233
Government subsidy for decommissioning expenditures	**-**	(921)
Decommissioning expenditures	**-**	(2,934)
Effect of change in discount rate and inflation	**(3,850)**	(43,653)
Revisions to estimates	**(762)**	191
Accretion expense	**789**	3,504
Balance, end of year	**102,157**	105,980
Current portion	**2,627**	2,627
Long-term portion	**99,530**	103,353
Decommissioning obligations	**102,157**	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:

	March 31, 2023	**December 31, 2022**
Undiscounted cash flows (000's)	**141,546**	141,546
Discount rate (%)	**3.02**	3.28
Inflation rate (%)	**1.68**	2.09
Weighted average expected timing of cash flows (years)	**27**	27

9. 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 AIMCo Term Loan and the Arena Amended and Restated Term Loan (see future operations disclosures in note 2).

10. 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

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

	March 31, 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	**-**	**-**	1,960,784	5,000
Premium on flow-through shares	**-**	**-**	-	(471)
Share issuance costs	**-**	**-**	-	(191)
Shares outstanding, end of period	**25,275,250**	**33,696**	25,275,250	33,696

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 on the Swan Hills Geothermal Power Project, solar and eligible expenses on various early-stage power projects including additional geothermal initiatives in 2022 and 2023 of which $0.8 million has been spent in Q1 2023 for a total of $3.7 million spend to March 31, 2023. The Company is required to spend the remaining $1.3 million by December 31, 2023.

AWARD BASED INCENTIVE PLANS

Razor Energy Corp.

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:

	Three Months Ended		Year Ended	
	March 31, 2023		December 31, 2022	
	Number	Price ($)	Number	Price ($)
Outstanding, beginning of period	**949,600**	**1.37**	-	-
Granted	**-**	**-**	1,096,000	1.48
Forfeited	**(23,900)**	**1.00**	(146,400)	2.20
Outstanding, end of period	**925,700**	**1.38**	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	March 31, 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

FutEra Power Corp.

On October 1, 2021, the Company initiated a stock option plan for its subsidiary, FutEra Power Corp. The option plan originally issued a total of 261,000 options, out of a maximum of 284,000, with an exercise price of $1.74 per share, whereby 200,000 vested immediately and 61,000 vest equally over three years. The options granted in 2022 vest equally over three years. All options expire in five years. The number and weighted-average exercise prices of stock options are as follows:

	Three Months Ended		Year Ended	
	March 31, 2023		December 31, 2022	
	Number	Price ($)	Number	Price ($)
Outstanding, beginning of the period	**264,000**	**1.74**	261,000	1.74
Granted	**-**	**-**	3,000	1.74
Outstanding, end of the period	**264,000**	**1.74**	264,000	1.74

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

Period ending	**March 31, 2023**	**December 31, 2022**
Risk-free interest rate	-	1.61%
Expected life (years)	-	5
Expected volatility	-	108%
Fair value of options granted	-	$1.36

Total share-based compensation expense of $0.1 million was recorded for the three months ended March 31, 2023 (three months ended March 31, 2022 - $0.1 million).

11. 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 March 31, 2023 are as follows:

($000's)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	**1,471**	1,471
Restricted cash	**2,220**	2,220
Accounts receivable	**12,747**	12,747
Accounts payable and accrued liabilities	**52,367**	52,367
Commodity contract asset	**256**	256
Commodity contract liability	**866**	866
Minimum lease obligation	**4,529**	4,529
Promissory notes and equipment loans	**951**	840
Term Loan Facilities (AIMCo and Arena)	**87,655**	81,017

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 March 31, 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	**52,367**	52,367	-	-	-
AIMCo Term Loan	Yes-Liability	**62,682**	62,682	-	-	-
Arena Amended and Restated Term Loan 1&2	Yes-Liability	**9,539**	9,539	-	-	-
Arena Amended and Restated Term 3 Loan	Yes-Liability	**15,434**	15,434	-	-	-
Promissory notes and equipment loans	Yes-Liability	**951**	274	519	158	-
Commodity contracts	Yes-Liability	**866**	866	-	-	-
Flow-through Share eligible expenditures	Yes-Liability	**1,288**	1,288	-	-	-
Minimum lease obligation	Yes-Liability	**4,528**	1,737	2,454	337	-
Interest payable [1 2]	No	**19,277**	18,921	245	26	85
Lease operating costs	No	**666**	221	376	69	-
Transportation services	No	**963**	104	221	183	455
Total		**168,561**	163,433	3,815	773	540

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 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 March 31, 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	Apr 30’23-Sep 30’23	50.00	65.00	75.00	(562)

Oil - Upside traditional collars

Reference point	Volume (bbls/mth)	Remaining Term	Floor Long Put USD/bbl	Ceiling Short Call USD/bbl		Fair Value (CAD 000's)
NYMEX WTI financial futures	11,000	Sept 30’24-Oct 31’24	50.00	90.00		453

Oil – options

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-Oct 31’24	Long	Put	50.00	(10)
NYMEX WTI financial futures	15,000	Apr 30’23	Short	Put	100.00	(491)

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 March 31, 2023, the Company recorded the fair value of the oil commodity contracts as a liability of $3.6 million (December 31, 2022 – asset of $0.4 & liability of $2.3 million) on the Statement of Financial Position. The Company recorded an unrealized loss of $1.7 million for the three months ended March 31, 2023 (year ended December 31, 2022 – unrealized gain of $0.3 million) and a realized loss of $1.9 million in earnings for the three months ended March 31, 2022 (year ended December 31, 2022 – realized loss of $2.2 million).

Subsequent to March 31, 2023, the Company bought back the ceiling short calls for September and October 2024 and has purchased certain commodity contracts as follows:

Oil - options

Reference point	Volume (bbls/mth)	Remaining Term		Option type	Strike price
NYMEX WTI financial futures	11,000	Nov 30’24	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 $12.7 million at March 31, 2023, (December 31, 2022 - $13.5 million) are non-interest bearing. The Company's receivables are summarized as follows:

($000's)	**March 31, 2023**	**December 31, 2022**
Trade receivables	**10,265**	10,669
Joint venture receivables	**2,258**	2,759
Other receivables	**347**	240
Allowance for doubtful accounts	**(123)**	(123)
	12,747	13,545

The majority of the credit exposure on trade receivables as at March 31, 2023, pertains to revenue for accrued March 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)	**March 31, 2023**	**December 31, 2022**
Current (less than 30 days)	**10,510**	10,356
31 to 90 days	**551**	513
Over 90 days	**1,686**	2,675
Total receivables	**12,747**	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 AIMCo Term Loan, Arena Amended and Restated Term Loan, lease obligation, and Promissory Notes and equipment loans. See notes 6 and 7.

The AIMCo Term Loan Facility has an original maturity date of January 31, 2024 and bears interest at the rate of 10% per annum (paid semi-annually on June 30 and December 31). The Arena 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 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)	(243,681)	243,681

12. 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 11).

Razor assumed decommissioning liabilities included in its Swan Hills, Kaybob and District South acquisitions. In Q1 2023, the Company spent $nil on abandonment, reclamation and remediation expenditures for the three months (March 31, 2022 - $0.3 million).

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 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 has set aside an equivalent GIC at the financial institution that issued the letter of credit. The Company held a total of $2.2 million restricted cash as at March 31, 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 $0.8 million was spent in Q1 2023 for a total spend of $3.7 million to March 31, 2023 with the remainder $1.3 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 March 31, 2023.

13. REVENUES

The significant components recognized in revenues are as follows:

	Three Months Ended March 31,	
($000's)	**2023**	**2022**
Crude oil	**20,930**	28,937
Gas	**1,756**	1,710
NGL	**2,944**	3,987
Power generation	**2,207**	-
Blending and processing	**510**	903
Road use	**256**	175
Other revenue[1]	**340**	307
	28,943	36,019

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.

14. 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 March 31,	
($000's)	**2023**	**2022**
Interest expense	**2,274**	1,930
Amortization of deferred financing costs (note 6)	**-**	736
Accretion (note 8)	**789**	903
	3,063	3,569

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

15. 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 March 31,	
	2023	**2022**
Weighted average shares outstanding (basic and diluted)		
Basic and diluted [1]	**25,275,250**	23,314,466
Net income (loss) for the year (000's)	**(8,404)**	(776)
Net income (loss) per share		
Basic and diluted [1]	**$(0.33)**	$(0.03)

(1) For the three months ended March 31, 2023, 925,700 stock options were excluded from the calculation of diluted loss per share as their effect was anti-dilutive (March 31, 2022 – 816,000).

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended March 31,	
($000's)	**2023**	**2022**
Accounts receivable	**798**	(4,090)
Prepaid expenses and deposits	**(145)**	408
Inventory	**17**	231
Accounts payable and accrued liabilities	**1,849**	(1,013)
	2,519	(4,464)

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

	Three Months Ended March 31,	
($000's)	**2023**	**2022**
Operating	**6,461**	(7,479)
Financing	**-**	1,659
Investing	**(3,942)**	1,356
	2,519	(4,464)

17. SEGMENTED REPORTING

The Company determines its reportable segments based on the nature of operations and includes three operating segments: Oil & Gas, Power Generation and Oil & Gas Services. The Oil & Gas segment includes all exploration, development and production of oil, natural gas and natural gas liquids ("NGLs"). The Power Generation segment includes the construction, commissioning and operation of a geothermal and natural gas hybrid power project. The Oil & Gas Services segment includes all activities pertaining to oilfield services including: oil field hauling, field services and earthwork services. For the three months ended March 31, 2022, the Company did not have any reportable segments.

For the three months ended March 31, 2023 *$(000)s*	**Oil & Gas**	**Power Generation**	**Oil & Gas Services**	**Inter-Segment Eliminations**	**Total**
REVENUES					
Commodity sales from production	**25,827**	**-**	**-**	**(197)**	**25,630**
Power generation revenue	**-**	**2,207**	**-**	**-**	**2,207**
Blending and processing revenue	**510**	**-**	**-**	**-**	**510**
Other revenue	**319**	**-**	**1,489**	**(1,212)**	**596**
Total revenues	**26,656**	**2,207**	**1,489**	**(1,409)**	**28,943**
Royalties	**(5,875)**	**-**	**-**	**-**	**(5,875)**
Net revenues	**20,781**	**2,207**	**1,489**	**(1,409)**	**23,068**
Other income	**516**	**-**	**1**	**(515)**	**2**
Realized loss on commodity contracts settlement	**(1,875)**	**-**	**-**	**-**	**(1,875)**
Unrealized gain (loss) on commodity risk	**1,262**	**-**	**-**	**-**	**1,262**
	20,684	**2,207**	**1,490**	**(1,924)**	**22,457**
EXPENSES					
Operating	**16,928**	**-**	**2,017**	**(1,129)**	**17,816**
Power generation	**-**	**1,669**	**-**	**(49)**	**1,620**
Transportation and treating	**1,317**	**-**	**-**	**-**	**1,317**
Blending and processing	**295**	**-**	**-**	**-**	**295**
General and administrative	**1,467**	**349**	**25**	**-**	**1,841**
Bad debt (recovery)	**(2)**	**-**	**-**	**-**	**(2)**
Share-based compensation	**105**	**5**	**-**	**-**	**110**
Financing	**2,987**	**422**	**204**	**(550)**	**3,063**
Depletion, depreciation and amortization	**4,139**	**517**	**243**	**-**	**4,899**
Realized foreign exchange loss (gain)	**1**	**(3)**	**-**	**-**	**(2)**
Unrealized foreign exchange loss	**(25)**	**2**	**-**	**-**	**(23)**
	27,212	**2,961**	**2,489**	**(1,728)**	**30,934**
(Loss) Income before income tax	**(6,528)**	**(754)**	**(999)**	**(196)**	**(8,477)**
Deferred income tax recovery	**(73)**	**-)**	**-**	**-**	**73**
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**(6,455)**	**(754)**	**(999)**	**(196)**	**(8,404)**
Capital Expenditures	**2,027**	**333**	**153**	**(239)**	**2,274**
Total Assets	**182,275**	**22,900**	**5,761**	**(22,813)**	**188,123**

18. SUBSEQUENT EVENTS

Recapitalization Transaction

On May 1, 2023, the Company announced a recapitalization transaction, including debt settlement and a rights offering to all common shareholders.

Debt Settlement

On May 1 2023, the Company entered into a Debt Settlement Agreement (the "Debt Settlement Agreement") with Alberta Investment Management Corporation, ("AIMCo"), pursuant to which AIMCo and the Company have agreed, subject to certain terms and conditions, to the settlement of all obligations owing by Razor to AIMCo under the AIMCo Term Loan through the transfer to AIMCo of equity interests held by Razor in its currently wholly-owned, non-listed subsidiary, FutEra.

The Debt Settlement Agreement provides for the following transactions:

- Following the Internal Reorganization (as defined below), Razor will settle all outstanding indebtedness owed to AIMCo in the approximate aggregate amount of $63.2 million (the "Outstanding Indebtedness") by way of the sale and transfer by Razor to AIMCo of that number of FutEra Common Shares representing 70.00% of the issued and outstanding FutEra Common Shares and 100% of the issued and outstanding FutEra Preferred Shares, in each case following the Internal Reorganization.
- FutEra will create a new class of voting, convertible preferred shares ("FutEra Preferred Shares") and Razor and FutEra will complete an internal corporate restructuring to exchange a portion of the common shares in FutEra ("FutEra Common Shares") held by Razor for FutEra Preferred Shares (the "Internal Reorganization"). The FutEra Preferred Shares will have, among other rights, the right to receive cumulative dividends which will accrue daily at a rate of 12% per annum and compound quarterly; a liquidation preference per share equal to the original issue price plus all unpaid accrued and compounded dividends; the right to convert each FutEra Preferred Share into a number of FutEra Common Shares equal to the liquidation preference at the time of conversion divided by the original issue price (subject to adjustment in certain circumstances); and voting rights on an as-converted basis with FutEra Common Shares.
- As a condition to the completion of the transactions contemplated by the Debt Settlement Agreement, Razor will conduct a rights offering to all holders of Razor Common Shares by way of a rights offering circular (the "Rights Offering").

Rights Offering

On May 9, 2022, 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"). Pursuant to the Rights Offering, each holder of Common Shares resident in a province or territory in Canada or in the United States (subject to restrictions in certain states) (the "Eligible Jurisdictions") will receive one right (a "Right") for each one Common Share held. Each whole Right will entitle the holder to subscribe for 0.494555 of a unit (a "Rights Unit"). Each Rights Unit will consist of one Common Share (a "Unit Share") and one transferable Common Share purchase warrant (a "Unit Warrant"). Each Unit Warrant will entitle the holder to purchase, subject to adjustment in certain circumstances, 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 will need to exercise 2.022 Rights to acquire one Right Unit. A holder of Rights must pay $0.80 (the "Subscription Price") to purchase one Right Unit. No fractional Rights Units, fractional Unit Shares or fractional Unit Warrants will be issued and, where the exercise of Rights would otherwise entitle the holder of Rights to a fractional Rights Unit, fractional Unit Share or fractional Unit Warrant, the holder's entitlement will be reduced to the next lowest whole number of Rights Unit, Unit Share or Unit Warrant, as applicable, and no cash or other consideration will be paid in lieu thereof. Razor expects to raise gross proceeds of up to $10 million from the Rights Offering and intends to use the proceeds to fund certain production enhancement activities and for general working capital purposes. The expected closing date of the Rights Offering and the Recapitalization Transaction is June 12, 2023.

Pursuant to a standby purchase agreement dated May 1, 2023 between AIMCo and the Corporation (the "Standby Purchase Agreement), up to $5,825,000 of the Rights Offering has been guaranteed by AIMCo, assuming the fulfilment of all closing conditions to the Standby Purchase Agreement (the "Standby Commitment"), including that a minimum of $1,000,000 of subscription proceeds (the "Minimum Additional Proceeds") have been received from holders of Rights other than AIMCo and its affiliates.

In the event that the Minimum Additional Proceeds are not received, the Corporation will not receive any funds from AIMCo and the Rights Offering will not be completed. In such circumstances, Alliance Trust Company, as subscription agent, will return all subscription funds delivered by subscribers without interest or deduction.

Assuming the Minimum Additional Proceeds are received and the Standby Commitment is completed in full to the standby maximum of $4 million in accordance with the terms and conditions of the Standby Purchase Agreement, the Corporation will issue a minimum of 8,531,250 Unit Shares and 8,531,250 Unit Warrants in connection with the Rights Offering and pursuant to the terms of the Standby Purchase Agreement for aggregate gross proceeds of $6,825,000.

AIMCo currently holds approximately 18.25% of Razor's issued and outstanding Common Shares. If all of the holders of Rights do not exercise their Rights in full then AIMCo's ownership percentage of Common Shares owned will increase. AIMCo would own or control approximately 35.18% of the outstanding Common Shares following the completion of the Rights Offering, assuming the Minimum Additional Proceeds are the only proceeds that have been received from holders of Rights other than AIMCo and its affiliates and the Standby Commitment is completed in full to the standby maximum of $4 million.

In addition, Arena has agreed to waive the production covenant found in the 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.

The Recapitalization Transaction is subject to the satisfaction of a number of conditions, including concurrent completion of the Internal Reorganization, the FutEra Share Transfer Transaction and the Rights Offering, as well as the receipt by Razor and FutEra of all necessary third party and regulatory approvals, including the approval of the TSXV and consent of Arena Investors, LP ("Arena") as a secured lender under Razor's amended and restated term loan agreement dated March 9, 2022 (the "Amended and Restated Term Loan Agreement"), no occurrence of a material adverse change or material adverse effect, satisfactory completion of due diligence, and other customary closing conditions.

Wildfire Update and Production Impact

On May 17, 2023, the Company announced that as a result of recent developments in the status of the Alberta wildfires, it has shut-in its operated and non-operated production in Kaybob and Swan Hills. The production impact is approximately 2,500 boe/d between the two areas. As of May 29, 2023, a significant portion of production has come back online and the Company will provide an update once all production has been restored. Razor is not aware of any significant damage to the Company's assets.

CORPORATE INFORMATION

MANAGEMENT

Doug Bailey
President and Chief Executive Officer

Michael Blair
Chief Operating Officer

Kevin Braun
Chief Financial Officer

Lisa Mueller
Vice President, New Ventures
President and Chief Executive Officer of FutEra Power Corp.

Devin Sundstrom
Vice President, Production

Stephen Sych
Vice President, Operations

BOARD OF DIRECTORS

Doug Bailey

Sonny Mottahed (1) (2) (3)

Frank Muller

Sean Phelan (1) (2) (3)

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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