



RAZOR ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

RAZOR AT A GLANCE

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

\$27.9 million

**Q2 2019 sales
and other
operating
revenue**

\$12.33/boe

**Q2 2019
operating
netback**

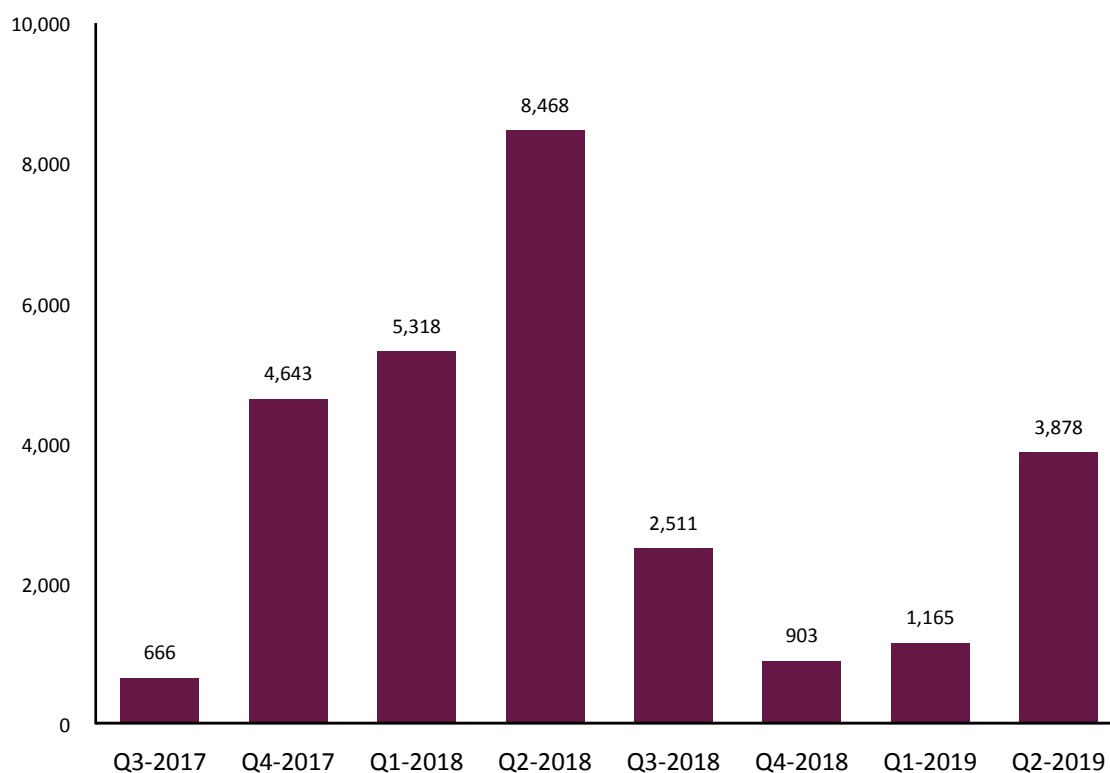
\$8.3 million

**Q2 2019 cash
flow from
operating
activities**

4,143 boe/d

**Q2 2019 net
average
production**

Funds Flow (\$000s)



RAZOR ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 20, 2019

GENERAL

The Management's Discussion and Analysis ("MD&A") intends to augment the financial statement reader's understanding of key operational and financial events that influenced the results of Razor Energy Corp. ("Razor" or "the Company") during the three and six months ended June 30, 2019.

This MD&A was prepared as of August 20, 2019 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2019. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the reporting currency is the Canadian dollar. This MD&A should also be read in conjunction with the Company's MD&A for the year ended December 31, 2018, as disclosure which is unchanged from December 31, 2018 may not be duplicated herein. Additional information, including the Company's annual information form and audited financial statements for the year ended December 31, 2018, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and the Company's website www.razor-energy.com.

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

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

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

COMPANY OVERVIEW

Razor is focused on shareholder returns through sustainable monthly dividends, share buybacks, and growth through a combination of acquiring, enhancing, and producing oil and gas from properties primarily in Alberta. The Company currently has light oil, natural gas, and natural gas liquids ("NGL") production in Alberta. Razor's full-cycle objectives have positioned the Company as a disciplined yield and growth junior exploration and production company. With an experienced management team and a strong, committed board of directors, growth is anticipated to occur through operational execution and strategic acquisitions.

Razor started operations on February 1, 2017 through an acquisition of producing assets in the Swan Hills area. On May 24, 2017, Razor added to its asset base with the acquisition of complementary assets in the Kaybob area. Throughout the remainder of 2017, 2018 and into 2019 Razor has grown through well reactivations and strategic acquisitions to further consolidate its operated working interest in these key operating areas. Razor is actively seeking and considering business combinations with other oil and gas producers, as well as service companies.

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

STRATEGIC ACQUISITION

The Company has entered into a binding pre-acquisition agreement (the “**Pre-Acquisition Agreement**”) with Little Rock Resources Ltd. (“**Little Rock**”), an arm’s length private exploration and production company operating in southern Alberta. The Pre-Acquisition Agreement provides for the acquisition by Razor of all the issued and outstanding common shares (the “**Little Rock Shares**”) of Little Rock (the “**Transaction**”). There are 13,293,405 Little Rock Shares issued and outstanding.

Under the terms of the Pre-Acquisition Agreement, Little Rock shareholders will receive 0.45 of a Razor common share for each Little Rock Share held. All the officers and directors of Little Rock have entered into support agreements in favor of the Transaction. The Transaction includes a reciprocal break fee of \$0.5 million.

The Transaction implies a value of approximately \$12.7 million for Little Rock, including \$10.6 million of equity from Razor and the assumption of Little Rock’s net debt of \$2.1 million. Little Rock’s current production is approximately 900 boe/d, while independently evaluated proved developed producing reserves were 2.15 MMBoe at December 31, 2018.

STRATEGIC RATIONALE

Razor has focused on the exploitation and optimization of legacy oil and gas producing fields, as demonstrated with its success in Swan Hills and Kaybob. Little Rock’s assets share similar operational criteria and opportunities and provide Razor with a second core region in southern Alberta, with a significant presence in the Jumpbush, Majorville, Badger, Enchant and Chin Coulee areas. Razor is aggressively seeking additional corporate and asset consolidation opportunities.

The table below are values and metrics based on Little Rock’s Reserve Report (as defined herein):

Reserves Category	Net Present Value of Future Net Revenue, Before Income Taxes Discounted at 10% ¹	Working Interest Reserves boe	Working Interest Reserves boe / Implied Transaction Value
Proved Producing	\$16,451,000	2,148,000	\$5.93
Total Proved	\$42,087,000	3,228,000	\$3.95
Total Proved Plus Probable	\$68,394,000	4,719,000	\$2.70

¹⁾ Estimated values of future net revenue disclosed do not represent fair market value.

Using strip pricing assumptions and select maintenance spending, the total Transaction cost (including assumed debt) is approximately 3.6 times estimated annualized 2019 fund flow.

In addition to over 400 boe/d of well reactivation upside, drilling upside within certain Mannville lithic channels has been identified. Razor will carefully consider using different techniques to exploit this resource. Power generation, transportation and oil marketing opportunities will also be pursued within the areas.

The board of directors of each of Razor and Little Rock have unanimously approved the Transaction and recommended that Little Rock shareholders support the Transaction. The Transaction remains subject to customary closing conditions including the acquisition by Razor of not less than 90% of the Little Rock shares, the TSX Venture Exchange and other regulatory approvals, and is expected to close on or about September 19, 2019.

SELECT QUARTERLY HIGHLIGHTS

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

(\$000's, except for per share amounts and production)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Production				
Light Oil (bbl/d)	2,744	3,274	2,704	3,153
Gas (mcf/d) ¹	3,414	4,056	3,670	3,673
NGL (boe/d)	831	1,074	933	924
Total (boe/d)	4,143	5,023	4,249	4,690
Sales volumes ²				
Light Oil (bbl/d)	2,932	3,274	2,837	3,153
Gas (mcf/d) ¹	3,414	4,056	3,670	3,673
NGL (bbl/d)	831	1,074	933	924
Total (boe/d)	4,332	5,023	4,382	4,690
Closing oil inventory volumes (bbls)	11,228	—	11,228	—
Revenue				
Oil and gas sales	22,853	27,907	42,468	50,141
Sale of commodities purchased from third parties	2,413	7,031	8,454	7,031
Blending and processing income	2,332	3,560	4,573	5,935
Other revenue	272	1,642	625	1,875
Total revenue	27,870	40,140	56,120	64,982
Cash flows from operating activities	8,263	3,783	11,867	9,240
Per share -basic and diluted	0.54	0.24	0.78	0.59
Funds flow ³	3,878	8,468	5,043	13,786
Per share -basic and diluted	0.26	0.54	0.33	0.88
Adjusted funds flow ³	3,624	8,733	5,001	14,263
Per share -basic and diluted	0.24	0.55	0.33	0.91
Net income (loss)	(1,746)	2,504	(11,537)	2,771
Per share - basic and diluted	(0.12)	0.16	(0.76)	0.18
Dividends per share	0.04	—	0.08	—
Capital expenditures	4,619	11,981	8,694	26,383
Netback (\$/boe)				
Oil and gas sales ⁴	57.98	61.05	53.55	59.07
Royalties	(8.81)	(8.61)	(7.90)	(10.50)
Operating expenses	(34.12)	(32.63)	(34.09)	(29.48)
Transportation and treating	(2.72)	(2.78)	(2.34)	(2.29)
Operating netback ³	12.33	17.03	9.22	16.80
Income (loss) on sale of commodities purchased from third parties ³	0.40	0.18	(0.14)	0.10
Net blending and processing income ³	3.01	3.88	3.28	3.88
Realized loss on commodity contracts settlement	(4.72)	(2.61)	(2.72)	(3.20)
Other revenues	0.69	3.59	0.79	2.21
General and administrative	(2.06)	(2.96)	(3.87)	(2.99)
Interest	(3.13)	(2.46)	(3.06)	(2.57)
Corporate netback ³	6.52	16.65	3.50	14.23

1) Gas production and sales volumes include internally consumed gas used in power generation.

2) Sales volumes include change in inventory volumes.

3) Refer to "Non-IFRS measures".

4) Excludes the effects of financial risk management contracts but includes the effects of fixed price physical delivery contracts.

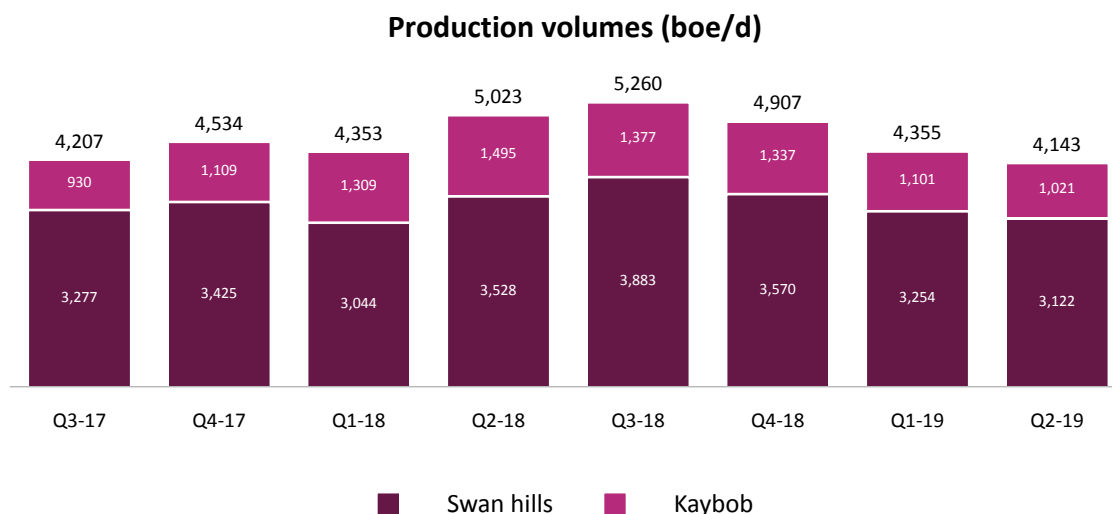
(\$000's, except for share amounts)	June 30, 2019	December 31, 2018
Total assets	172,367	157,937
Cash	5,324	2,239
Long-term debt (principal)	46,017	46,155
Minimum lease obligation	5,108	3,860
Net debt ¹	60,632	54,244
Number of shares outstanding	15,093,434	15,188,834

1) Refer to "Non-IFRS measures".

Q2 2019 HIGHLIGHTS

OPERATING

- Production volumes in the second quarter of 2019 averaged 4,143 boe/d, down 18% from the production volumes in the same period of 2018 mainly due to operational challenges resulting from third party fuel gas composition and supply issues, the failure of a third party fuel gas line which caused outages at Razor's major Swan Hills properties, in addition to wells awaiting downhole repair. Sales volumes averaged 4,332 boe/d, down 14% from the same quarter of last year as the Company continued selling inventory accumulated during Q4 2018.



- Reported cash flows from operating activities of \$8.3 million in the second quarter of 2019 compared to \$3.8 million in the second quarter of 2018.
- Reported funds flow of \$3.9 million in the second quarter of 2019 compared to \$8.5 million in the second quarter of 2018.
- Reported a \$1.7 million net loss in the second quarter of 2019 compared to \$2.5 million net income in the same period last year.

CAPITAL

- Invested \$4.6 million on its capital program in the second quarter of 2019, mainly on the well reactivation program.
- Reactivated 11 gross (10.9 net) wells during the second quarter of 2019, resulting in 205 boe/d of additional production.

DIVIDENDS

- Paid a monthly cash dividend of \$0.0125 per share, for a total of \$0.6 million in dividends paid in the quarter. The dividend is paid monthly and is subject to commodity prices, production levels, and other factors.

MANAGEMENT STRATEGY AND OUTLOOK

For fiscal 2019, the Board of Directors of the Company (the "Board") has approved a capital budget of \$13.5 million, which includes \$2.2 million of end of life expenditures. This budget allows Razor to maintain a stable production profile and continue to pay a dividend. The capital budget is reviewed continuously by management and the Board and adjusted in response to changes in light oil price assumptions, project economics, and other market opportunities. As a result of this review process and in response to lower than anticipated cash flow from operations resulting from the third-party outages, the Company anticipates capital spending in 2019 to be reduced by \$3.0 million to \$10.5 million net of government grants, including \$1.0 million on end of life expenditures.

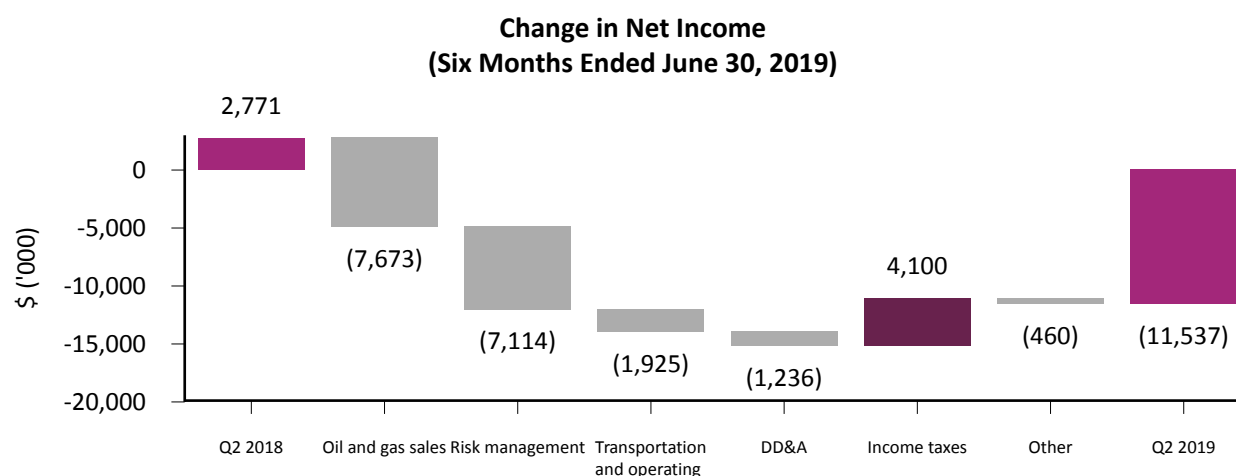
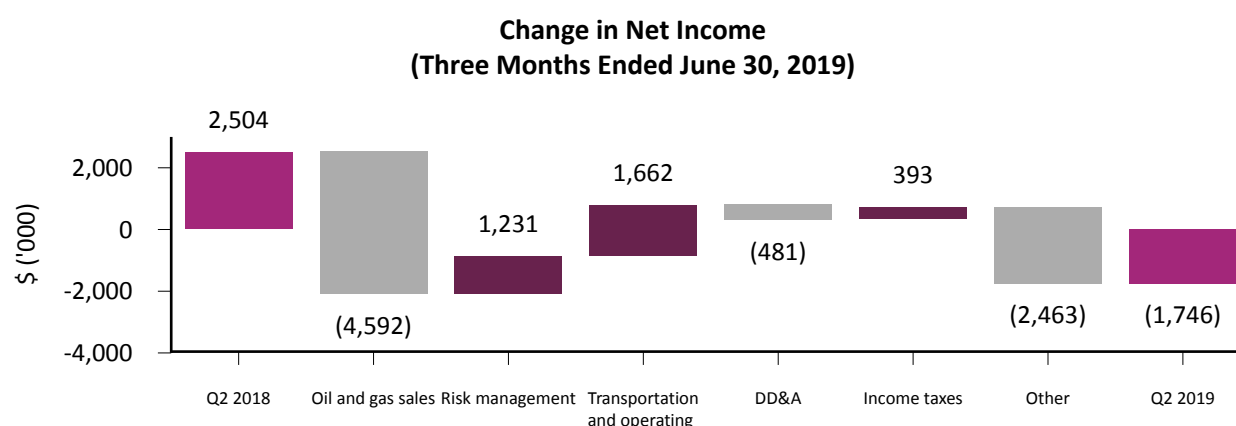
As a result of lower capital spending, third-party fuel gas pipeline supply and gas composition challenges in the Swan Hills area, additional third-party production curtailments starting in July 2019 at Simonette, the decision to shut in uneconomic gas production and offset by the business combination announced herein, Razor has revised its full-year production guidance to between 4,400 boe/d and 4,900 boe/d. The range reflects the uncertainty of when third-party production will resume.

Razor is working closely with the operators of the facilities and pipelines impacting production. Gas composition issues are expected to be resolved in September 2019, with the commissioning of key processing equipment in late August. The third-party gas pipeline is expected to be repaired in late Q3 or early Q4 2019. Uneconomic gas production will remain shut-in until gas and NGL prices improve.

Razor expects to pursue consolidation of land and production within the Company's existing project areas, in addition to complementary shallow, light oil horizons within western Canada. In order to achieve this objective, Razor intends to continue to pursue value-driven acquisitions and is actively seeking and considering business combinations with other oil and gas producers, as well as service companies. The Company remains focused on adding to its inventory of high-quality projects to sustain longer-term growth.

NET INCOME (LOSS)

Razor realized a net loss of \$1.7 million in the second quarter of 2019 as compared to a \$2.5 million net income in the same quarter of last year, mostly due to lower production and lower realized prices, offset by lower operating costs. For the first 6 months of 2019, the Company recorded a loss of \$11.5 million, down from income of \$2.8 million in the same period last year, mostly due to a \$10.5 million loss on commodity risk management contracts and lower production and commodity prices.



VOLUMES

Sales volumes in the second quarter of 2019 averaged 4,332 boe/d, down 14% from the sales volumes in the same period in 2018 as the Company continued selling inventory accumulated during Q4 2018.

Production averaged 4,143 boe/d in Q2 2019 down 18% from the same quarter in 2018. Production in the second quarter was adversely impacted by the failure of a third-party fuel gas line which caused outages at Razor's major Swan Hills properties. Razor achieved a solution to enable resumption of production. However, if Razor had not taken immediate action to secure fuel gas at key facilities within the Swan Hills area, production would have decreased by approximately 2,200 boe/d, which would have reduced Q2 2019 production by approximately 1,100 boe/d. Third party fuel gas composition issues continued in Q2 2019, resulting in further production interruptions at in the Swan Hills area throughout the quarter. These operational disruptions accounted for 285 boe/d in reduced production as compared to Q2 2018. It is expected that these issues will be addressed in Q3 2019. Kaybob production was down in this quarter due to the sale of the Kaybob BHL Unit 1 in Q1 2019, as this Unit accounted for 173 boe/d of production in Q2 2018. Kaybob production was further impacted in Q2 2019 compared to Q2 2018 due to wells being down awaiting downhole workovers. For the first 6 months of 2019 production was down 7% as compared to the same period last year, as the Company's production was impacted by the decreased Q4 2018 workover activity in Q1 2019 and severe cold weather, as well as the operational issues in Q2 discussed above.

Effective July 2018, Razor began utilizing a portion of its own gas production to generate electrical power. Gas production of internally consumed gas for the three and six months ended June 30, 2019 was 1,055 mcf/d and 933 mcf/d, respectively.

Due to the unprecedented discounts on Western Canadian Light Sweet Oil ("MSW") in the fourth quarter of 2018, Razor did not sell all of its produced oil, instead Razor temporarily stored it in existing surface tanks which established material inventory. MSW differentials and WTI pricing improved significantly in 2019 and the Company has been reducing its inventory levels. As at June 30, 2019, Razor had 11,228 bbls of light oil inventory (December 31, 2018 - 35,267 bbls).

Production represents gross production before royalties, unless noted otherwise.

Production (boe/d)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Light oil (bbl/d)	2,744	3,274	2,704	3,153
Gas (mcf/d) ¹	3,414	4,056	3,670	3,673
NGL (bbl/d)	831	1,074	933	924
Total (boe/d)	4,143	5,023	4,249	4,690

1) Gas production for the three and six months ended June 30, 2019 includes 1,055 mcf/d and 933 mcf/d, respectively, of internally consumed gas in power generation.

Production (boe/d)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Swan Hills	3,122	3,528	3,188	3,288
Kaybob	1,021	1,495	1,061	1,402
Total	4,143	5,023	4,249	4,690

Sales volumes (boe/d)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Light oil (bbl/d)	2,932	3,274	2,837	3,153
Gas (mcf/d) ¹	3,414	4,056	3,670	3,673
NGL (bbl/d)	831	1,074	933	924
Total boe/d	4,332	5,023	4,382	4,690

1) Gas production for the three and six months ended June 30, 2019 includes 1,055 mcf/d and 933 mcf/d, respectively, of internally consumed gas in power generation.

Sales volumes (boe/d)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Swan Hills	3,261	3,528	3,292	3,288
Kaybob	1,071	1,495	1,090	1,402
Total	4,332	5,023	4,382	4,690

Inventory (bbls)	Six Months Ended June 30,	
	2019	2018
Opening light oil inventory	35,267	—
Inventory movement	(24,039)	—
Closing light oil inventory	11,228	—
Inventory movement (bbl/d)	(133)	—

COMMODITY PRICES AND BUSINESS ENVIRONMENT

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Average selling price								
Oil price (\$/bbl)	76.48	65.10	43.63	80.80	79.71	69.76	68.14	54.79
NGL price (\$/bbl)	28.14	30.98	28.86	35.70	34.37	35.89	34.72	26.38
Gas price (\$/mcf)	1.06	2.56	2.03	1.86	1.74	2.42	1.85	1.57
Average benchmark prices and foreign exchange rates								
OIL (\$/bbl)								
WTI (USD)	59.80	54.83	59.10	69.75	68.05	62.91	55.35	48.17
WTI (CAD)	80.01	72.90	77.98	91.17	87.87	79.58	70.39	60.34
MSW (Light Sweet Oil - Edmonton)	73.84	66.34	40.58	78.54	78.90	72.30	68.68	57.03
WTI vs MSW oil differential (CAD/bbl)	(6.16)	(6.57)	(37.40)	(12.63)	(8.98)	(7.27)	(1.72)	(3.31)
WTI vs MSW oil differential (%)	(8)%	(9)%	(48)%	(14)%	(10)%	(9)%	(2)%	(5)%
NATURAL GAS (CAD/mcf)								
AECO NGX AB-5a ¹	1.02	2.59	1.57	1.19	1.25	2.08	1.70	1.45
ELECTRICITY (\$/MWh)								
AESO Pool price	56.57	69.46	55.52	54.65	56.01	34.92	22.46	24.57
CAD/USD EXCHANGE RATE	0.75	0.75	0.76	0.76	0.78	0.79	0.79	0.80

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

Crude oil benchmark prices strengthened in the second quarter and the first six months of 2019. West Texas Intermediate ("WTI") averaged CAD \$80.01/bbl second quarter of 2019, a 10% increase from Q1 2019, but a 9% decrease from the same period in 2018. In the first six months WTI averaged CAD \$76.47/bbl down 9% from the same period a year ago. The prices received by the Company for its oil production is primarily driven by the price of WTI, adjusted to Western Canadian Light Sweet Oil ("MSW"). In the second quarter of 2019 the differential between WTI and MSW decreased to 8% from 48% in Q4 2018 and was on par with Q1 2019 and Q2 2018. For the first six months of 2019 the WTI to MSW differential averaged 8% slightly down from the 10% in the same period of 2018. The decrease in the differential between WTI and MSW is primarily due to both the refinery capacity coming back online after their seasonal turnarounds and the government of Alberta mandated production curtailment, which is intended to reduce the backlog of oil in Alberta caused by export pipeline capacity constraints.

Razor realized an oil price of \$76.48 per barrel during the second quarter of 2019, which was a 4% discount to the WTI (CAD) down from the 11% and 9% discounts in Q1 2019 and Q2 2018, respectively, mostly due to the tightening of the MSW differential to WTI since Q4 2018. For the six months June 30, 2019 the Company realized oil price was down 5% from the same period of 2018 mostly due to a lower WTI index price.

The price realized by the Company for natural gas production is primarily determined by the AECO benchmark and based on Canadian fundamentals. AECO NGX AB-5a price, in the second quarter and first six months of 2019, was down by 18% and 13% respectively from their respective periods in 2018 due to significant decrease in demand for natural gas.

Sales of NGL is primarily comprised of ethane, propane, butane, pentane, and condensate. The Company's realized price for NGL during the second quarter and first six months of 2019 decreased 20% and 16% respectively from their respective periods in 2018, mostly due to lower realized condensate prices and weak butane prices.

Electricity costs have a significant impact on the Company's results, as electricity accounts for 25% of operating expense. Average electricity pool prices in the second quarter of 2019 increased by 1% from the same quarter in 2018, however, there was a significant decrease in electricity prices of 19% in comparison to Q1 2019. Razor is operating a natural gas-powered electricity generation program and has reduced its reliance on grid-based electricity.

COMMODITY PRICE RISK

Razor monitors its exposure to variations in commodity prices and on occasion enters into physical contracts and derivative financial instruments to reduce its exposure to unfavourable movements in commodity prices. The terms of these contracts or instruments may limit the benefit of favourable changes in commodity prices and may result in financial or opportunity cost. The Company hedges a portion of its future production to protect cash flows to allow it to meet its strategic objectives. The Company does not apply hedge accounting for these contracts.

As at June 30, 2019, Razor had the following derivative contracts outstanding:

Oil - Upside enhanced traditional collars ¹

Reference point	Volume (bbls)	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	55,000	Jul-19	52.50	60.00	64.00	(44)
NYMEX WTI financial futures	100,000	Aug-19	52.50	60.00	64.00	(55)
NYMEX WTI financial futures	50,000	Sep-19	52.50	59.00	63.00	(13)
NYMEX WTI financial futures	50,000	Oct-19	52.50	59.00	63.00	14
NYMEX WTI financial futures	45,000	Nov-19	47.00	51.00	55.00	(100)
NYMEX WTI financial futures	45,000	Dec-19	42.00	47.00	51.00	(143)
NYMEX WTI financial futures	45,000	Jan-20	45.00	54.00	58.00	(63)
NYMEX WTI financial futures	25,000	Feb-20	45.00	55.00	59.00	(178)
NYMEX WTI financial futures	25,000	Feb-20	52.50	61.00	65.00	219
NYMEX WTI financial futures	25,000	Mar-20	45.00	54.00	58.00	(21)
NYMEX WTI financial futures	25,000	Apr-20	55.00	61.00	65.00	116
						(268)

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.

Reference point	Volume (bbls)	Remaining Term	Price USD/bbl	Fair Value (CAD 000's)
Oil - Long Call				
NYMEX WTI financial futures	45,000	Jul-19	69.00	1
NYMEX WTI financial futures	45,000	Aug-19	73.00	3
NYMEX WTI financial futures	45,000	Sep-19	76.00	5
NYMEX WTI financial futures	45,000	Oct-19	69.00	34
Oil - Long Put				
NYMEX WTI financial futures	45,000	Jul-19	45.00	1
NYMEX WTI financial futures	100,000	Jul-19	50.00	5
NYMEX WTI financial futures	100,000	Aug-19	45.00	17
NYMEX WTI financial futures	150,000	Sep-19	45.00	64
NYMEX WTI financial futures	150,000	Oct-19	45.00	108
				238

As at June 30, 2019, the Company fair valued the oil and gas commodity contracts with a liability of \$30 thousand (June 30, 2018 - liability of \$1.3 million) on the Statement of Financial Position and recorded an unrealized gain of \$1.1 million (2018 - unrealized loss of \$0.7 million) in the second quarter and an unrealized loss of \$8.3 million in earnings for the six months ended June 30, 2019 (2018 - unrealized loss of \$0.6 million).

In order to mitigate price fluctuations for the gas consumed internally for operations, Razor had entered into physical gas contracts. As at June 30, 2019, the Company had the following contracts outstanding:

Reference point	Type	Volume (GJ/d)	Term	Price per GJ (CAD)
Natural gas - fixed price physical contracts				
AECO	Buy	1,250	2019	1.41
AECO	Buy	1,250	2020	1.45

NETBACKS

(\$/boe) ²	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Oil and gas sales	57.98	61.05	53.55	59.07
Royalty	(8.81)	(8.61)	(7.90)	(10.50)
Operating expenses	(34.12)	(32.63)	(34.09)	(29.48)
Transportation and treating	(2.72)	(2.78)	(2.34)	(2.29)
Operating netback ¹	12.33	17.03	9.22	16.80
Income (loss) on sale of commodities purchased from third parties ¹	0.40	0.18	(0.14)	0.10
Net blending and processing income ¹	3.01	3.88	3.28	3.88
Realized gain (loss) on commodity contracts settlement	(4.72)	(2.61)	(2.72)	(3.20)
Other revenues	0.69	3.59	0.79	2.21
General and administrative	(2.06)	(2.96)	(3.87)	(2.99)
Interest	(3.13)	(2.46)	(3.06)	(2.57)
Corporate netback ¹	6.52	16.65	3.50	14.23

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

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

During the second quarter of 2019, the Company realized an average operating netback of \$12.33/boe down 28% from the second quarter of 2018 due to lower realized prices, decreased production volumes, and higher per boe operating expenses. For the first six months of 2019 operating netback was down 45% from the same period in 2018, as a result of lower realized prices which were down 9% and higher operating costs which were up 16%.

Royalty rates averaged 15% in the second quarter of 2019, compared to 14% for the same period in 2018. This increase is mostly due to the relative decrease in gas production compared to oil production, as gas volumes attract lower royalty rates than oil volumes. For the first six months of the year, royalties averaged 15%, down 17% from the same period last year, mostly due to lower prices and production volumes.

Operating expenses increased 5%, on a per boe basis, in the second quarter of 2019 compared to the same period in 2018, mostly due to lower sales volumes. On a dollar basis, operating expense was down 10% in the second quarter as compared to the second quarter in 2018. Workovers and facility and pipeline integrity expenses averaged \$8.52/boe in the second quarter of 2019 compared to \$9.23/boe in the same quarter of 2018. For the first six months of the year, operating costs averaged 16% higher as compared to the same period last year, mostly due to increased workover costs.

The top cost drivers, fuel and electricity, labour, property taxes, and repairs and workovers, accounted for 71% of total operating expenses in the second quarter of 2019 (70% in Q2 2018). Electricity and fuel increased 10% in the quarter due to failure of a third-party fuel gas pipeline in May 2019, as well as third party fuel gas composition issues that started in February 2019 and continued in Q2 2019. In order to minimize production disruptions, as a result of these unforeseen gas supply disruptions, Razor trucked in compressed natural gas at a cost of \$1.1 million or \$2.73/boe in the second quarter of 2019. In June 2019, the Company implemented an alternative to natural compressed gas by repurposing certain pipelines to supply the gas required. Excluding the cost of compressed natural gas, electricity and fuel costs decreased 16% in Q2 2019 from Q2 2018, mostly due to decreased usage of grid-based electricity directly attributable to the installation of natural gas power generation in July 2018.

Workovers decreased 64% in Q2 2019 from Q2 2018 accounting for 8% of operating expenses in the second quarter, down from 18% in the same period last year. Similarly pipeline and facility repairs decreased 29% in Q2 2019 from Q2 2018, accounting for 17% of operating expenses in Q2 2019. For the first six months of the year, workovers increased 21% mostly due to work deferred from Q4 2018 being completed in Q1 2019 and compressed natural gas costs in Q2 2019.

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

(\$000's)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Sales of commodities purchased from third parties	2,413	7,031	8,454	7,031
Commodities purchased from third parties	(2,256)	(6,948)	(8,564)	(6,948)
Income (loss) on sale of commodities purchased from third parties ¹	157	83	(110)	83
(\$/boe) ²	0.40	0.18	(0.14)	0.10

1) Refer to "Non-IFRS measures".

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

In 2018, the Company began marketing its own light oil production. Periodically, Razor purchases commodity products from third parties in order to fulfill its sales commitments.

BLENDING AND PROCESSING INCOME

(\$000's)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Blending and processing income	2,332	3,560	4,573	5,935
Blending and processing expenses	(1,146)	(1,787)	(1,970)	(2,639)
Net blending and processing income ¹	1,186	1,773	2,603	3,296
(\$/boe) ²	3.01	3.88	3.28	3.88

1) Refer to "Non-IFRS measures".

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

Net blending and processing income for was down 33% in the second quarter of 2019 as compared to Q2 2018, and down 21% for the first six months of the year as compared to the same quarter of last year, mostly due to decreased commodity pricing and decreased commodity price differentials.

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

(\$000's)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Gross G&A	1,614	2,478	4,377	4,329
Overhead recoveries	(692)	(888)	(1,103)	(1,372)
Capitalized G&A	(109)	(236)	(201)	(416)
Net G&A	813	1,354	3,073	2,541
(\$/boe) ¹	2.06	2.96	3.87	2.99

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

The Company's gross G&A costs in the second quarter of 2019 decreased 35% from the same quarter of 2018 as a result of one-time cost cutting measures, but were flat in the first six month of 2019 as compared to the same period of 2018, mostly due to the one-time cost cutting measures implemented in Q2 2019 being offset by increased staffing and information technology costs.

FINANCING COSTS

The components of financing costs are summarized below.

(\$000's)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest expense	1,232	1,126	2,429	2,179
Amortization of deferred financing costs	278	275	553	548
Accretion	368	433	746	851
	1,878	1,834	3,728	3,578
(\$/boe) ¹				
Interest expense	3.13	2.46	3.06	2.57
Amortization of deferred financing costs	0.71	0.60	0.70	0.65
Accretion	0.93	0.95	0.94	1.00
	4.77	4.01	4.70	4.22

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

Interest expense primarily arises from interest on the Amended Term Loan Facility, Promissory Notes, and lease obligations. Interest expense was up 9% and 3% in the Q2 and the first six months of 2019 respectively as compared to the same period of 2018 mostly due to increased long-term debt and lease obligations, and new IFRS 16 accounting policy resulting in interest expense on lease liability, which accounted for \$18.2 thousand of the increase in the first 6 months of 2019. Accretion relates to the time value change of the Company's decommissioning obligations.

DEPLETION, DEPRECIATION AND AMORTIZATION

(\$000's)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Depletion, depreciation and amortization	4,512	4,031	8,772	7,536
(\$/boe) ¹	11.45	8.82	11.06	8.88

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

DD&A expense was up 12% for the second quarter of 2019 from Q2 2018, and up 16% in the first six months of 2019 as compared to the same period last year. On a per unit basis DD&A for the second quarter of 2019 increased 30% from 2018 and 25% for the first 6 months of 2019 as compared to the same period of prior year mostly due to a 7% increase in net capital asset value as well as increased future development costs.

CAPITAL EXPENDITURES

(\$000's)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Reactivations, recompletions and optimizations	2,103	899	3,722	4,409
Drilling	—	644	—	8,240
Pipelines and injection management	938	1,895	1,225	4,336
Facilities and other	497	448	930	736
Finding and development related capital	3,538	3,886	5,877	17,721
Field equipment	237	—	1,090	—
Power generation	762	6,903	1,031	7,423
Information technology systems	58	671	292	671
Operational enhancement related capital	1,057	7,574	2,413	8,094
Corporate related capital expenditures	24	521	404	568
Gross capital expenditures	4,619	11,981	8,694	26,383
Government grants on assets	(441)	—	(2,456)	—
Net capital expenditures	4,178	11,981	6,238	26,383

In the second quarter of 2019, the Company reactivated a total of 11 gross (10.9 net) wells, with 7 of those wells brought on production in the quarter. The resulting production was 205 boe/d net. The reactivation capital includes 9 Virginia Hills reactivations, 1 South Swan Hills Unit reactivation and 1 Kaybob reactivation.

During second quarter of 2019, Razor invested \$0.8 million in the design phase of its co-produced geothermal electricity project. The Company expects the capital cost of the Project to be \$15 million to \$20 million generating 3 to 5 MW of renewable electricity, with a \$5 million contribution from Natural Resources Canada's Clean Growth Program and a \$2 million contribution from Alberta Innovates. The Company contribution to the project will be partially in kind, through the use of its existing infrastructure, as well as through new external financing.

Corporate capital expenditures related to an upgrade of the corporate information technology infrastructure and the purchase of corporate vehicles.

Government grants on asset are related to the clean power development and energy efficiency initiatives.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity describes a business's ability to meet its financial obligations as they become due. Businesses operating in the upstream oil and gas industry require sufficient access to cash in order to fund capital programs necessary to maintain and increase production and reserves, acquire strategic oil and gas assets and repay debt.

At June 30, 2019 the Company had a working capital deficit of \$12.6 million. In addition to reducing the 2019 capital budget by \$3.0 million, Razor believes it has sufficient cash in the bank, cashflows from operations, and the ability to carefully manage its vendor obligations.

Management is forecasting that the adjusted debt-to-adjusted cash flow and the amended working capital ratio covenants will be met as at December 31, 2019. However, given the volatile economic environment, and operational challenges that affected production and operating costs, there exists significant uncertainty as pertains to cash flow projections, which although not currently anticipated, could manifest into other future covenant violations. The Company is dependent on the ongoing support of AIMCo through to its contractual maturity of January 2021.

Razor also plans to reduce the working capital deficit through either corporate acquisitions, amalgamations or equity financings. A corporate acquisition would preferably result in the issuance of common or preferred shares, or both, being issued. The objective of an acquisition of this nature is to increase production, increase operating cash flow and allow the Company to reduce its working capital deficit over time. Equity financings may include common or preferred shares, or both, and will depend on the current state of equity markets.

It is anticipated that Razor's Greater Swan Hills and Kaybob capital and operating activities will be funded through cash flow from operations and existing cash and cash equivalents. Any significant acceleration of development activities or acquisition of additional oil and gas properties could require additional funding which may include debt, equity, joint ventures or other external financing. The availability of any additional future funding will depend on, among other things, the current commodity price environment, operating performance, and the current state of the equity and debt capital markets.

At June 30, 2019, Razor's Net Debt¹ was \$60.6 million, of which the Amended Term Loan Facility of \$45.0 million does not become due until January 31, 2021, at which point the Company intends to use retained cash flows from operations, debt financing, equity or a combination thereof to satisfy the Company's debt obligation.

NORMAL COURSE ISSUER BID ("NCIB")

On September 13, 2018, Razor announced its intention to commence a new NCIB to repurchase up to 772,442 of its common shares in open market transactions on the TSXV, representing 5% of the outstanding common shares at September 13, 2018. The NCIB will expire no later than September 13, 2019. A copy of Razor's notice of intention to make an NCIB may be obtained by contacting Razor's Chief Financial Officer at Suite 800, 500-5th Ave. S.W. Calgary, AB T2P 3L5.

During the three and six months ended June 30, 2019, the Company has repurchased and cancelled 95,400 of its common shares (three and six months ended June 30, 2018-no shares were repurchased).

SHARE CAPITAL

As at June 30, 2019, the Company had a total of 15,093,434 common shares outstanding, and as at August 20, 2019, the Company had a total of 15,093,434 common shares outstanding.

DIVIDENDS

Razor declared a monthly cash dividend of \$0.0125 per share for the six months ended June 30, 2019 for a total of \$1.1 million. The dividend is paid monthly and is subject to commodity prices, production levels, and other factors.

On July 2, 2019, Razor announced monthly cash dividend of \$0.0125 per share, payable on July 31, 2019.

1) Refer to "Non-IFRS Measures".

SOURCES AND USES OF CASH

Cash increased from \$3.6 million as at June 30, 2018 to \$5.3 million as at June 30, 2019. Major movements are outlined in the following table:

(\$000's)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Adjusted funds flow ¹	3,624	8,733	5,001	14,263
Proceeds from long-term debt	—	4,361	1,235	4,361
Proceeds of financing lease	—	—	—	15,000
Proceeds from government grants	441	—	2,456	—
Proceeds of resource property dispositions	—	800	—	800
Cash sourced	4,065	13,894	8,692	34,424
Capital expenditures	(4,619)	(11,981)	(8,694)	(26,383)
Decommissioning costs incurred	254	(265)	42	(477)
Property acquisitions	—	491	(88)	(4,150)
Finance costs	(1,232)	(1,163)	(2,429)	(2,369)
Repayment of lease obligation	(316)	—	(611)	—
Repayment of long-term debt	(69)	—	(137)	—
Common shares repurchased	(228)	—	(228)	—
Dividends declared	(567)	—	(1,137)	—
Restricted cash	634	(698)	737	(761)
Cash used	(6,143)	(13,616)	(12,545)	(34,140)
	(2,078)	278	(3,853)	284
Changes in non-cash working capital	2,912	(9,957)	7,041	(4,277)
Foreign currency translation	(50)	191	(103)	123
Change in cash position	784	(9,488)	3,085	(3,870)
Cash, beginning of period	4,540	13,105	2,239	7,487
Cash, end of period	5,324	3,617	5,324	3,617

1) Refer to "Non-IFRS Measures".

CORPORATE FINANCING

Proceeds from promissory notes

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

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

Leases and adoption of New Accounting Standards

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

On February 22, 2019, the Company entered into two lease agreements for lease of field equipment for \$0.1 million each. The lease agreements are discounted with an effective interest rate of 8.95% and 4.99% respectively. Both lease agreements end on February 22, 2023 with a nominal final payment after which Razor own the equipment. Monthly payments for both leases are \$5.7 thousand and include interest and principal.

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

Effective January 1, 2019, Razor applied IFRS 16 accounting policy and recognized its office lease contracts and certain land surface leases as a right-of-use (ROU) assets on a lease-by-lease basis, amortized based on the lease term or expected life of their respective operating area.

Effective January 1, 2019, Razor applied IFRS 16 accounting policy and recognized its office lease contracts and certain land surface leases as a right-of-use (ROU) assets on a lease-by-lease basis. Lease liability is discounted with an effective interest rate of 6.1% and right-of-use asset is amortized based on the lease term or expected life of their respective operating area.

According to IFRS 16, Razor separates the lease components from non-lease components. Any additional payment for the operating costs is a non-lease component and is accounted for as a rent expense. The asset amount was recognized equal to the lease liability for the following contracts:

- In 2017, Razor has entered into a fixed contract for office space for a period of 5 years and 1 month. There is no renewal option in the lease agreement.
- In addition, Razor has entered into a fixed contract for warehouse space and field office space for a period of 3 years. For these contracts, Razor has the option to renew the lease if required. At this time Razor has assumed that these leases will not be renewed.

Proceeds from non-revolving term loan

On January 15, 2018, Razor secured an increase of \$15.0 million in its existing non-revolving term loan facility from AIMCo, for an amended principal amount of \$45.0 million. The terms of the Amended Term Loan Facility are materially unchanged from the term loan facility established in January 2017. Principal continues to be due in January 2021 with an interest rate of 10% per annum, payable semi-annually. Taking into consideration the common shares issued in conjunction with the Amended Term Loan Facility, the effective interest rate is 12% per annum. The proceeds of the Amended Term Loan Facility will be used by Razor to fund its development program and for general corporate purposes.

FINANCIAL COVENANTS

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

- a maximum adjusted net debt-to-adjusted cash flow ratio of less than 4:1 for 2019, and 3:1 for each year thereafter, measured on December 31 of each year; and
- a minimum working capital ratio of 0.5:1 for 2019, and 1:1 for each year thereafter, measured on December 31 of each year.

As at June 30, 2019, Razor was in compliance with all of its non-financial debt covenants.

Adjusted net debt is the sum of current liabilities, long-term debt (principal), and the fair value of commodity contracts classified as liabilities, less the sum of current assets and the fair value of commodity contracts classified as assets. Adjusted cash flow for the year is calculated as cash provided by and used in operating activities less changes in operating working capital, plus income taxes paid. Working capital ratio is the ratio of (i) current assets, excluding the fair value of commodity contracts, to (ii) the current liabilities, excluding the current portion of long-term debt and excluding the fair value of commodity contracts.

COMMITMENTS AND CONTINGENCIES

As part of its normal business, the Company entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. The principal commitments of the Company as at June 30, 2019 were as follows:

(\$000's)	Recognized in Financial Statements	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Accounts payable and accrued liabilities ¹	Yes-Liability	28,212	28,212	—	—	—
Amended Term Loan Facility	Yes-Liability	45,000	—	45,000	—	—
Promissory notes	Yes-Liability	1,017	288	631	98	—
Minimum lease obligation	Yes-Liability	5,815	1,825	3,464	311	215
Interest payable ^{2,3}	No	9,030	5,675	3,354	1	—
Lease operating costs	No	596	99	199	199	99
Transportation services	No	1,669	263	297	98	1,011
Processing services	No	199	134	65	—	—
Total		91,538	36,496	53,010	707	1,325

1) Accounts payable and accrued liabilities exclude interest payable on long-term debt.

2) Interest costs incurred but unpaid are included as part of the accrued liabilities in the financial statements.

3) Excludes interest paid on minimum lease obligation and right-of-use asset liability.

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

Effective January 1, 2019, Razor applied IFRS 16 accounting policy and recognized its office lease contracts and certain land surface leases as a right-of-use (ROU) assets on a lease-by-lease basis, amortized based on the lease term or expected life of their respective operating area.

The Company has an annual commitment with the Alberta Energy Regulator (AER) to either suspend, reactivate, or abandon non-compliant inactive wells, under the Inactive Well Compliance Program ("IWCP"). As at June 30, 2019, the Company had 22 wells remaining in the IWCP that it needs to address before March 31, 2020. The Company continues to invest in end-of-life well and facility decommissioning.

In the normal course of its operations, the Company may be subject to litigation and claims and records provisions for claims as required. On March 20, 2017, the Company was served with a statement of claim whereby the plaintiffs allege that the Company was provided with confidential information about certain petroleum and natural gas assets that a third party had agreed to sell to the plaintiff. The Company has filed a statement of defense denying all allegations made against them. The potential outcome of the lawsuit and claim are uncertain, however the Company's opinion is that the claim is without merit. For additional information, refer to "Legal Proceedings and Regulatory Actions" in the Company's most recent Annual Information Form, which is available on SEDAR at www.sedar.com.

NON-IFRS MEASURES

Certain financial measures included in this MD&A do not have a standardized meaning prescribed by IFRS and therefore are considered non-IFRS measures; accordingly, they may not be comparable to similar measures provided by other companies.

FUNDS FLOW AND ADJUSTED FUNDS FLOW

This document contains the term funds flow, which should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with IFRS. Funds flow is a non-IFRS measure that represents cash generated from operating activities before changes in non-cash working capital. Adjusted funds flow represents cash flow from operating activities before changes in non-cash working capital and decommissioning obligation expenditures incurred. This is considered a key measure as it demonstrates Razor's ability to generate the cash flow necessary to fund future growth through capital investment and abandonment costs. Adjusted funds flow may not be comparable to similar measures used by other companies.

Reconciliation of Funds Flow and Adjusted funds flow

(\$000's)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cash flow from operating activities	8,263	3,783	12,362	9,240
Changes in non-cash working capital	(4,385)	4,685	(7,319)	4,546
Funds flow	3,878	8,468	5,043	13,786
Decommissioning costs incurred	(254)	265	(42)	477
Adjusted funds flow	3,624	8,733	5,001	14,263

OPERATING NETBACK

Operating netback is a measure that represents sales net of royalties and operating expenses and excludes the effects of hedges using financial instruments but includes the effects of fixed price physical delivery contracts. Management believes that operating netback is a useful supplemental measure to analyze operating performance and provide an indication of the results generated by the Company's principal business activities prior to the consideration of other income and expenses. Operating netback may not be comparable to similar measures used by other companies.

NET BLENDING AND PROCESSING INCOME

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

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

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

CORPORATE NETBACK

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

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

NET DEBT

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

Reconciliation of net debt	June 30,	December 31,
<i>(\$000's)</i>	2019	2018
Long-term debt	43,959	43,553
Long-term lease obligation	3,579	2,843
Working capital:		
Current assets	19,829	20,904
Less current liabilities	32,953	20,487
Commodity contracts	(30)	8,265
Net debt	60,632	54,244

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

The fair value hierarchy is as follows:

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

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

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

The carrying value and fair value of the Company's financial instruments at June 30, 2019 are as follows:

(\$000's)	Carrying Value	Fair Value
Cash and cash equivalents	5,324	5,324
Restricted cash	1,073	1,073
Accounts receivable	9,937	9,937
Accounts payable and accrued liabilities	28,194	28,194
Lease obligation	5,108	5,108
Commodity contracts	30	30
Promissory Notes	1,017	1,104
Amended Term Loan Facility	43,230	44,437

MARKET RISK

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

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

Credit Risk

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

The Company's accounts receivables of \$9.9 million at June 30, 2019 (December 31, 2018 - \$6.1 million) are non-interest bearing. The Company's receivables are summarized as follows:

(\$000's)	June 30, 2019	December 31, 2018
Trade receivables	8,414	4,032
Joint venture receivables	1,523	2,037
	9,937	6,069

The majority of the credit exposure on trade receivables as at June 30, 2019, pertains to revenue for accrued June 2019 production volumes. Receivables from the oil and gas marketing companies are typically collected on the 25th day of the month following production. Razor mitigates the credit risk associated with these receivables by establishing relationships with credit worthy purchasers. Razor has not experienced any collection issues with its oil and gas marketers.

Receivables from partners in jointly owned assets are typically collected within one to three months of the bill being issued to the partner. The Company mitigates the risk from joint interest billings by obtaining partner approval of capital expenditures prior to starting a project. However, the receivables are from participants in the petroleum and natural gas sector, and collection is dependent on typical industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. Further risk exists with partners in jointly owned assets as disagreements occasionally arise which increases the potential for non-collection. For properties that are operated by Razor, production can be withheld from partners in jointly owned assets in the event of non-payment.

The Company's accounts receivable is aged as follows:

	June 30, 2019	December 31, 2018
(\$000's)		
Current (less than 30 days)	10,215	4,348
31 to 90 days	117	701
Over 90 days	100	1,020
Total receivables	10,432	6,069

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Company's interest-bearing assets and liabilities include cash and long-term debt. Razor manages its interest rate risk by entering into fixed interest rates on the Amended Term Loan Facility, lease obligation, and Promissory Note. See Note 9.

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

Foreign Exchange Risk

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

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. Accounts payable have increased in the second quarter of 2019, management believes that it has sufficient cash in the bank, cashflows from operations, and the ability to carefully manage its vendor obligations.

Management is forecasting that the adjusted debt-to-adjusted cash flow and the amended working capital ratio covenants will be met as at December 31, 2019. However, given the volatile economic environment, and operational challenges that affected production and operating costs, there exists significant uncertainty as pertains to cash flow projections, which although not currently anticipated, could manifest into other future covenant violations. The Company is dependent on the ongoing support of AIMCo through to its contractual maturity of January 2021.

RISK MANAGEMENT

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

Razor manages these risks by:

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

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

QUARTERLY OPERATING AND FINANCIAL INFORMATION

(\$000's, except for per share amounts and production)

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Total revenue and other income	27,870	28,250	21,883	36,034	40,140	24,842	24,516	17,793
Total revenues net of royalties	24,397	25,454	17,996	29,279	36,205	19,868	19,912	14,604
Cash flows from (used in) operating activities	8,263	4,099	6,696	6,424	3,783	5,457	4,404	(1,595)
Per share - basic and diluted	0.54	0.27	0.44	0.41	0.24	0.35	0.28	(0.10)
Funds Flow ¹	3,878	1,165	903	2,511	8,468	5,318	4,643	666
Per share - basic and diluted	0.26	0.08	0.06	0.16	0.54	0.34	0.30	0.04
Adjusted funds flow ¹	3,624	1,377	1,974	4,198	8,733	5,530	6,281	1,584
Per share - basic and diluted	0.24	0.09	0.13	0.27	0.55	0.35	0.40	0.10
Net (loss) income	(1,746)	(9,791)	3,774	(2,305)	2,504	267	2,256	(2,519)
Per share - basic and diluted	(0.12)	(0.64)	0.25	(0.15)	0.16	0.02	0.14	(0.16)
Dividends declared per share	0.04	0.04	0.20	—	—	—	—	—
Operating expenditures (\$/boe)	34.12	34.05	24.53	32.96	32.63	27.51	24.53	32.96
Capital expenditures	4,619	4,075	3,315	4,060	11,981	14,402	3,670	4,229
Production Volumes								
Light Oil (bbl/d)	2,744	2,664	2,995	3,271	3,274	3,032	2,917	2,702
Gas (mcf/d)	3,414	3,929	3,225	4,505	4,056	3,286	3,299	2,984
NGL (bbl/d)	831	1,036	1,374	1,238	1,074	774	1,067	1,009
Total (boe/d)	4,143	4,355	4,907	5,260	5,023	4,353	4,534	4,207
Sales Volumes								
Light Oil (bbl/d)	2,932	2,741	2,611	3,271	3,274	3,032	2,917	2,702
Gas (mcf/d)	3,414	3,929	3,225	4,505	4,056	3,286	3,299	2,984
NGL (bbl/d)	831	1,036	1,374	1,238	1,074	774	1,067	1,009
Total (boe/d)	4,332	4,432	4,523	5,260	5,023	4,353	4,534	4,207

1) Refer to "Non-IFRS measures".

As at (\$000's)	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep.30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep.30, 2017
Total assets	172,367	166,120	157,937	163,114	165,291	160,887	133,904	122,477
Cash	5,324	4,540	2,239	5,528	3,617	13,105	7,487	12,191
Long-term debt (principal)	46,017	46,311	46,155	46,021	45,000	45,000	30,000	30,000
Lease obligations	5,108	5,042	3,860	4,113	4,361	—	—	—
Net debt ¹	60,632	57,213	54,244	49,411	43,984	39,744	24,376	17,721

1) Refer to "Non-IFRS measures".

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

Production was down 5% in Q2 2019 from Q1 2019 mostly due to operational challenges resulting from third party fuel gas composition and supply issues.

Q2 2019 funds flow increased 232% from Q1 2019 mostly due to higher revenues as a result of increased commodity pricing with MSW oil price averaging 11% higher than in the first quarter of 2019 and lower G&A costs which were down 35% as a result of one-time cost cutting measures.

Razor realized a net loss of \$1.7 million in the second quarter of 2019 as compared to a \$9.8 million net loss in Q1 2018, primarily due to fluctuations in commodity prices resulting in a \$1.1 million unrealized gain on commodity risk management in Q2 2019 as compared to a \$9.4 million unrealized loss on commodity risk management in Q1 2019.

Total assets increased in Q2 2019 from prior quarter mostly due to the increased capital spending and an increase in capital assets as an offset to the increase in the decommissioning obligation as a result of decreasing long-term risk-free interest rates.

CHANGES IN ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements are prepared following the same accounting policies used in the Company's audited consolidated financial statements as at December 31, 2018, except as described below.

GOVERNMENT GRANTS

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. If a grant is received but compliance with any attached condition is not achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the grant relates to an expense item, it is recognized as income in the period in which the costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and then subsequently in net income (loss) over the expected useful life of the related asset through lower charges to impairment and/or depletion, depreciation and amortization.

LEASES

The Company applied IFRS 16 with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information before the initial application has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 9.

At inception of a contract, Razor assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after January 1, 2019.

The Company may elect not to apply the lessee accounting model to:

- leases with a lease term of 12 months or less that do not contain a purchase option; and
- leases for which the underlying asset is of low value when it is new.

At inception or on reassessment of a contract that contains a lease component, Razor allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. For the leases of building spaces in which it is a lessee, Razor has elected to separate non-lease components, and account for the lease and non-lease components as a separate lease component. Any additional payment for the operating costs is a non-lease component and is accounted for as a rent expense.

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, Razor uses its incremental borrowing rate as the discount rate.

The Company recognizes a right-of-use (ROU) asset on a lease-by-lease basis as the amount equal to the lease liability on January 1, 2019 with no impact to retained earnings. The right-of-use asset is subsequently depreciated using the straight-line method from the initial application date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The following table show the impact of IFRS 16 implementation on opening balances:

(\$000's)	January 1, 2019
Right-of-use asset	339
Lease liabilities	(467)
Other liabilities	128
Retained earnings	—

The following table shows the impact of IFRS 16 implementation on the operating lease commitments previously disclosed:

(\$000's)	
Operating lease commitments at December 31, 2018 as disclosed in the Company's consolidated financial statements	1,116
Non-lease component included in the above	(731)
Lease component of lease commitment at December 31, 2018	385
Discounted using the lessee's incremental borrowing rate at the date of initial application	346
Add: lease liabilities recognized on adoption of IFRS 16	121
Lease liability recognized at January 1, 2019	467

There are no other standards or interpretations issued, but not yet effective, that the Company anticipates may have a material effect on the unaudited interim condensed consolidated financial statements once adopted.

SIGNIFICANT JUDGMENTS AND ESTIMATES

In preparing the condensed interim consolidated financial statements, management made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. There have been no significant changes to the Company's use of judgments and estimates as described in the Company's December 31, 2018 MD&A, other than those judgments made as a part of the adoption of new accounting standards and policies in the second quarter of 2019, as described under Changes in Accounting Policies.

OTHER FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENTS

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

FORWARD LOOKING INFORMATION

Certain statements and information contained within this MD&A constitute forward-looking statements. These statements include, without limitation, statements regarding the status of development or expenditures relating to our business, the natural gas-powered electricity generation program, the design of the co-produced geothermal electricity project, future business combinations, the anticipated benefits and effects of acquisitions, plans to fund our current and future activities, including debt and equity financings and joint ventures, plans related to the performance and growth of the Company and future operations, future drilling opportunities, the Company's capital program, maintaining a dividend, the availability, terms and use of the Amended Term Loan Facility, share buybacks, contractual obligations and commitments, future oil and natural gas production estimates, efficiencies and weighting, future financial position, future revenues, projected costs, the outcome of pending litigation and shareholder returns. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "estimate", "potential", "could", "intend", "continue", "target", or the negative of such terms or other comparable terminology. We made a number of assumptions in the preparation of these forward-looking statements including with respect to oil and natural gas production levels, the success of the Company's operations and exploration and development activities, prevailing climatic conditions, commodity and electricity prices, exchange rates, price volatility, price differentials, the actual prices received for the Company's products. You should not place undue reliance on our forward-looking statements, which are subject to a multitude of risks and uncertainties that could cause actual results, future circumstances or events to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, commodity and electricity price, interest rate and exchange rate volatility, the need for additional capital and the effect of capital market conditions and other factors, risks relating to the oil and gas and geothermal industries in general, such as operational risks and market demand, government regulation, the potential dilutive effects of any financing, the timing of exploration and development, the timely performance by third-parties of contractual obligations, the timing and costs of obtaining regulatory approvals, our estimates regarding our capital requirements and future revenues, the timing and amount of tax credits, and other risks detailed from time to time in our public disclosure documents. Additional risks and uncertainties relating to the Company and our business can be found in the "Risk Factors" section of the annual information for the year ended December 31, 2018 and in Razor's other public filings on SEDAR at www.sedar.com.

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

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

ADVISORY PRODUCTION INFORMATION

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

INDEPENDENT RESERVES EVALUATION

Estimates of Little Rock's reserves, as at December 31, 2018 are based upon the report prepared by GLJ Petroleum Consultants Ltd., dated February 1, 2019 (the "Little Rock Reserves Report"). The Little Rock Reserves Report was prepared in accordance with the Canadian Oil and Gas Evaluation Handbook requirements and National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

ABBREVIATIONS AND DEFINITIONS

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

CONVERSION OF UNITS

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

BARRELS OF OIL EQUIVALENT CONVERSIONS

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