

# Razor Energy Corp. Announces First Quarter 2023 Results

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CALGARY, May 29, 2023 - [Razor Energy Corp.](#) ("Razor" or the "Company") (TSXV: RZE) announces its first quarter financial and operating results. Selected financial and operational information is outlined below and should be read in conjunction with Razor's unaudited interim condensed consolidated financial statements, management's discussion and analysis for the quarter ended March 31, 2023 which are available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website [www.razor-energy.com](http://www.razor-energy.com).

All amounts are expressed in Canadian dollars. Certain metrics, including those expressed on an adjusted basis, are non-IFRS and other financial measures. See "Non-IFRS and Other Financial Measures" below.

## RECAPITALIZATION TRANSACTION

### Summary

On May 1, 2023, the Company announced a recapitalization transaction (the "Recapitalization Transaction"), including debt settlement ("Debt Settlement") and a rights offering to all holders of common shares in the capital of Razor ("Razor Common Shares") by way of a rights offering circular (the "Rights Offering"), pursuant to which:

- Razor will dispose of 70% of its common share holdings in FutEra Power Corp. ("FutEra") and 100% of a class of newly created voting, convertible preferred shares in FutEra to settle \$63.2 million of secured debt with Alberta Investment Management Corporation ("AIMCo"), on behalf of certain designated entities managed and advised by AIMCo;
- Razor will retain a 30% common share position in FutEra (subject to dilution upon preferred share conversion); and
- FutEra will be responsible for repayment of US\$7.9 million of Razor's current senior secured debt owed to Arena Investors, LP ("Arena") under Razor's Amended and Restated Term Loan Agreement dated March 9, 2022 (the "Arena Debt").

No Razor Common Shares will be issued as part of the Debt Settlement.

As a condition to the completion of the transactions contemplated by the Debt Settlement Agreement, Razor is launching the Rights Offering to re-accelerate production development. It anticipates investing approximately \$5 million to increase corporate production by 800 boe/d. Closing of the Rights Offering is conditional upon and will happen concurrently with the closing of the Debt Settlement.

The Recapitalization Transaction deleverages Razor, reducing interest expense with an increased potential for transactions that would improve the oil and gas asset portfolio.

Please refer to Razor's May 1, 2023 press release for further details.

### 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 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.

## OUTLOOK

### Razor

Razor continues to look forward with plans for the future while remaining focused on its mid to long-term sustainability. Razor recognizes multiple deep value streams in its assets and is actively engaged in liberating them for the benefit of shareholders. The Company has an extensive opportunity set of high-quality wells requiring reactivation, many of which have payout metrics which exceed the Company's economic thresholds. Razor will continue production enhancement activity into 2023. Certain activities involve repairs and maintenance work which will be expensed for accounting purposes and operating netbacks will be

reduced during this timeframe. In aggregate, the annual base decline of these wells is anticipated to be consistent with the Company's current corporate rate of approximately 12%. The Company continues to focus on cost control on its operated properties. In addition to the planned production enhancement program, Razor will take a cautious and case-by-case approach to capital spending in 2023, focusing on low risk, capital efficient opportunities to increase field efficiencies and corporate netbacks.

While the Company anticipates reducing its working capital deficit and net debt<sup>1</sup> over time, it is still projecting to have a working capital deficit throughout 2023.

Razor has high reservoir quality, low decline, isolate carbonate Swan Hills reef light oil pools that contain large original oil in place with over 60 years of production history. Razor believes these reefs are ideally suited for open-hole horizontal development drilling upside.

#### FutEra

FutEra, a subsidiary of Razor Energy, is now commissioning the first co-produced geothermal power plant in Canada with a nameplate capacity of 21 MW of which up to 30% will be sustainable clean power generation. The Swan Hills Geothermal Power Project began producing power to the grid on September 9, 2022. The final stages of construction were completed in January 2023, with commissioning nearing completion.

Power generation revenue for September 2022 to March 2023 from the Swan Hills Geothermal Power Project was \$10.1 million, which exceeded expectations due to a historically higher than average merchant power price which averaged \$216/MWH. FutEra has successfully partnered with provincial and federal government agencies to invigorate the emerging geothermal industry. To date, Razor has received \$18.6 million in government grants to support this power generation project. The total construction budget for the Swan Hills Geothermal Power Project is \$49 million.

#### 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 today, 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.

<sup>1</sup> See "Non-IFRS and other financial measures".

## SELECT QUARTERLY HIGHLIGHTS

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

(\$000s, except for per share amounts and production)	Three Months Ended March 31,		
	2023	2022	% Change
Production			
Light oil (bbl/d)	2,441	2,830	(14 )
Natural gas (mcf/d) <sup>1</sup>	6,245	4,350	44
NGLs (boe/d)	531	902	(41 )
Total (boe/d)	4,013	4,457	(10 )
Sales Volumes			
Light oil (bbl/d)	2,430	2,876	(16 )
Natural gas (mcf/d) <sup>1</sup>	5,509	3,906	41

NGLs (boe/d)	654	902	(27	)
Total (boe/d)	4,002	4,429	(10	)
Oil inventory volumes (bbls)	11,082	11,058	-	
Financial				
Oil and NGL sales	23,874	32,924	(27	)
Natural gas sales	1,756	1,710	3	
Power generation	2,207	-	100	
Blending and processing income	510	903	(44	)
Other revenue	596	482	24	
Total Revenue	28,943	36,019	(20	)
Cash flow from (used in) operating activities	4,702	2,404	96	
Funds flow <sup>2</sup>	(1,759	) 9,883	(118	)
Adjusted funds flow <sup>2</sup>	(1,690	) 9,661	(117	)
Net income (loss)	(8,404	) (776	) 989	
Per share - basic and diluted	(0.33	) (0.03	) 1,000	
Common shares outstanding, end of period	25,275	23,314	8	
Weighted average, basic	25,275	23,314	8	
Weighted average, diluted <sup>4</sup>	25,275	23,314	8	
Total Assets	188,123	225,255	(16	)
Cash	1,471	9,000	(84	)
Total debt	88,606	84,003	5	
Net debt <sup>2</sup>	127,189	96,940	31	
Netback (\$/boe) <sup>2</sup>				
Oil and gas sales	70.97	86.34	(18	)
Royalties	(16.27	) (19.03	) (15	)
Adjusted net operating expenses <sup>2 3</sup>	(46.28	) (32.99	) 40	
Production enhancement expenses <sup>2</sup>	-	(7.50	) (100	)
Transportation and treating	(3.65	) (2.39	) 53	
Operating Netback prior to Realized Gain (Loss)	4.77	24.43	(80	)
Realized gain (loss) on commodity contracts	(5.19	) 1.57	(431	)
Operating Netback <sup>2</sup>	(0.42	) 26.00	(102	)

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

2) See "Non-IFRS and other financial measures".

3) Excludes production enhancement expenses incurred in the period.

4) The Company uses the weighted average common shares (basic) when there is a net loss for the period to calculate net income (loss) per share diluted.

## FIRST QUARTER OPERATIONAL UPDATE

Production volumes in Q1 2023 averaged 4,013 boe/d, a decrease of 10% from Q1 2022 volumes of 4,457 boe/d and increased 4% from 3,859 boe/d from Q4 2022. Highlights of the changes in production volumes are as follows:

- Swan Hills - production volumes decreased 18% for Q1 2023 as compared to Q1 2022 and decreased 1% as compared to Q4 2022. The decrease in production volumes for the three months ended March 31, 2023, is the result of third-party infrastructure that went offline in the second half of 2022 and has not yet been put back on online. Production was consistent with Q4 2022.
- Kaybob - production volumes increased 11% for Q1 2023 as compared to Q1 2022 and increased 11% from Q4 2022. The increase in production volumes for the three months ended March 31, 2023 was the result of the Company's 2022 reactivation program which increased production in the second half of 2022 and into 2023.

- Southern Alberta - production volumes increased 9% for Q1 2023 as compared to Q1 2022 and increased 19% from Q4 2022. The increase in production volumes for the three months ended March 31, 2023 was the result of the Company's 2022 reactivation program which increased production in the second half of 2022 and into 2023.

Adjusted net operating expenses increased \$3.5 million or 26% on a total dollar basis and increased 40% on a per boe basis in Q1 2023 compared to the same period in 2022. The increase in the adjusted net operating expense on a total dollar basis was due to increased operating costs associated with environmental activities as well as higher utility costs related to the increase in the AESO pool price by 57% as compared to the same period in the prior year. This increase was partially offset by no production enhancement activity taking place in Q1 2023. Operating costs increased on a per boe basis as a result of this increase in operating costs combined with lower production volumes for Q1 2023.

The primary factors affecting operating costs on a \$/boe basis are production levels, workover activity and electricity pricing. Inherent within the Company's hydrocarbon operations is a prominent fixed cost element, or those costs that are not correlated to production levels. On a relative basis these costs are higher with lower production. Razor's reactivation program took place throughout 2022 and will resume in June 2023.

#### CAPITAL EXPENDITURES

Total capital expenditures, before grant proceeds was \$2.3 million in Q1 2023. For the quarter ended March 31, 2023, Razor executed pipeline work of \$0.5 million, spent \$0.4 million on capitalized turnarounds, invested \$1.0 million in its Swan Hills Geothermal Power Project and received grant proceeds of \$2.3 million.

#### About Razor

Razor is a publicly traded junior oil and gas development and production company headquartered in Calgary, Alberta, concentrated on acquiring, and subsequently enhancing, and producing oil and gas from properties primarily in Alberta. The Company is led by experienced management and a strong, committed Board of Directors, with a long-term vision of growth focused on efficiency and cost control in all areas of the business. Razor currently trades on TSX Venture Exchange under the ticker "RZE.V".

[www.razor-energy.com](http://www.razor-energy.com)

#### About FutEra

FutEra leverages Alberta's resource industry innovation and experience to create transformational power and sustainable infrastructure solutions to commercial markets and communities, both in Canada and globally. FutEra has constructed and is commissioning Canada's first co-produced geothermal and natural gas hybrid power project in Swan Hills, Alberta.

[www.futerapower.com](http://www.futerapower.com)

#### About Blade

Blade Energy Services is a subsidiary of Razor. Operating in west central Alberta, Blade's primary services include fluid hauling, road maintenance, earth works including well site reclamation and other oilfield services.

[www.blade-es.com](http://www.blade-es.com)

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READER ADVISORIES

*FORWARD-LOOKING STATEMENTS:*

This press release may contain certain statements that may be deemed to be forward-looking statements. Such statements relate to possible future events, including, but not limited to, the Company's objectives and anticipated results, including the completion of the Recapitalization Transaction (including the various elements thereof), the potential benefits and effects of the Recapitalization Transaction on Razor, the ability of Razor to satisfy the closing conditions for the Recapitalization Transaction and related matters, the conditions to closing of the Recapitalization Transaction, the Company's capital program and other activities; the Swan Hills Geothermal Power Project and its capacity, construction and commissioning budget; opportunities for power generation, oil blending and services integration; restarting wells; execution of production enhancement programs; future rates of production; expectations regarding commodity prices, cash flow from operating activities, working capital and net debt; and possible business combination transactions. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "estimate", "potential", "will", "should", "continue", "may", "objective" and similar expressions. The forward-looking statements are based on certain key expectations and assumptions made by the Company, including but not limited to expectations and assumptions concerning the ability of Razor to complete the Rights Offering and all other portions of the Recapitalization Transaction in the manner described herein, the availability of capital, current legislation, receipt of required regulatory approvals, the timely performance by third-parties of contractual obligation, the success of future geothermal, drilling and development activities, the performance of existing wells, the performance of new wells, the Company's growth strategy, general economic conditions, availability of required equipment and services prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry and geothermal electricity projects in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; variability in geothermal resources; as the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), electricity and commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas and geothermal industries and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. In addition, the Company cautions that COVID-19 or other global pandemics may have a material adverse effect on global economic activity and worldwide demand for certain commodities, including crude oil, natural gas and NGL, and may continue to result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could continue to affect commodity prices, interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company. The duration of the current commodity price volatility is uncertain. Please also refer to the risk factors identified in the most recent annual information form and management discussion and analysis of the Company which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Razor's prospective results of operations, sales volumes, including sale of inventory volumes, production and production efficiency, balance sheet, capital spending, cost and net debt reductions, operating efficiencies, investment infrastructure and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as a set forth in the above paragraph. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Razor's future business operations. Razor disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a

result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

#### NON-IFRS AND OTHER FINANCIAL MEASURES

This press release contains certain specified measure consisting of non-IFRS measures and non-IFRS financial ratios. Since these specified financial measures may not have a standardized meaning, they must be clearly defined and, where required, reconciled with their nearest IFRS measure. Accordingly, they may not be comparable to similar measures used by other companies.

#### FUNDS FLOW AND ADJUSTED FUNDS FLOW

##### *Funds Flow*

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

##### *Adjusted funds flow*

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

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

	The Months Ended	
	March 31,	
(\$000's)	2023	2022
Cash flow from (used in) operating activities	4,702	2,404
Changes in non-cash working capital	(6,461 )	7,479
Funds flow	(1,759 )	9,883
Decommissioning costs incurred	-	318
Sale (purchase) of commodity contracts	69	(540 )
Adjusted funds flow	(1,690 )	9,661

#### NET DEBT

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

<i>Reconciliation of net debt</i>	March 31,	December 31,
(\$000's)	2023	2022
Long term debt	(677 )	(632 )
Long term lease obligation	(1,930 )	(2,014 )
	(2,607 )	(2,646 )
Less: Working capital		

Current assets	18,112	21,293
Exclude current liability commodity contracts	867	2,338
Current liabilities	(146,170 )	(146,577 )
	(127,191 )	(122,946 )
Net debt	129,798	125,592

#### Adjusted operating expenses

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

#### Production enhancement expenses

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

#### *Reconciliation of Adjusted Operating expenses, Production Enhancement Expenses and Operating Expenses*

	Three Months Ended March 31,	
(\$000's)	2023	2022
Operating expenses	17,816	16,822
Production enhancement expenses	-	(3,010 )
Other operating segments & elimination entries <sup>1</sup>	(888 )	-
Adjusted operated expenses	16,928	13,812

1) Represents operating costs and intercompany eliminations on the Company's non-oil & gas production activities. Please see segment reporting section of MD&A for additional details.

#### Adjusted Net Operating Expenses

Adjusted net operating expenses equals adjusted operating expenses less net blending and processing income. Management considers adjusted net operating expenses an important measure to evaluate its operational performance.

	Three Months Ended March 31,	
(\$000's)	2023	2022
Adjusted operating expenses	16,928	13,821
Net blending and processing income	(215 )	(579 )
Adjusted net operating expenses	16,713	13,233

#### *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.

	Three Months Ended March 31,	
(\$000's)	2023	2022
Blending and processing income	510	903
Blending and processing expenses	(295 )	(324 )
Net blending and processing income	(215 )	579

## OPERATING NETBACK

Operating netback is a measure that represents sales net of royalties and operating expenses. Management believes that operating netback is a useful supplemental measure to analyze operating performance and provide an indication of the results generated by the Company's principal business activities prior to the consideration of other income and expenses.

	Three Months Ended December 31,	
(\$000's)	2023	2022
Petroleum and natural gas sales <sup>1</sup>	25,630	34,634
Royalties	(5,875 )	(7,632 )
Adjusted net operating expenses	(16,713 )	(13,233 )
Production enhancement expenses	-	(3,010 )
Transportation and treating expenses	(1,317 )	(957 )
Operating netback prior to realized derivative gain (loss)	1,725	9,802
Realized derivative gain (loss) on settlement	(1,875 )	628
Operating netback <sup>2</sup>	(150 )	10,430

1) Natural gas production includes internally consumed natural gas primarily used in power generation and excludes certain intercompany eliminations.

2) Please see segment reporting section of MD&A for additional details.

## NON-IFRS AND FINANCIAL RATIOS

### Operating expenses per BOE

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

	Three Months Ended March 31,	
(\$/boe) <sup>1</sup>	2023	2022
Operating expenses per BOE	49.33	41.93
Production enhancement expenses	-	(7.50 )
Other corporate operating expenses & elimination entries <sup>2</sup>	(2.46 )	-
Adjusted operating expenses	46.87	34.43

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

2) Represents operating costs and intercompany eliminations on the Company's non-oil & gas production activities. See segmented reporting section of the MD&A.

Three Months Ended

	March 31,	
(\$/boe) <sup>1</sup>	2023	2022
Adjusted operating expenses	46.87	34.43
Net blending and processing income	(0.59 )	(1.44 )
Adjusted net operating expenses per BOE	46.28	32.99

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

### Operating Netback per Boe

Operating netback per boe is used to calculate the results of Razor's operating efficiency of its petroleum and natural gas assets on a per unit of production basis. Net operating expense per boe is a useful supplemental measure to analyze operating performance and provide an indication of the results generated by the Company's principal business activities prior to the consideration of other income and expenses.

	Three Months Ended March 31,	
(\$/boe) <sup>2</sup>	2023	2022
Petroleum and natural gas sales <sup>1</sup>	70.97	86.34
Royalties	(16.27 )	(19.03 )
Adjusted net operating expenses	(46.28 )	(32.99 )
Production enhancement expenses	-	(7.50 )
Transportation and treating expenses	(3.65 )	(2.39 )
Operating net back per BOE before realized gain (loss)	4.78	24.43
Realized derivative gain (loss) on settlement	(5.19 )	1.57
Operating netback per BOE	(0.41 )	26.00

1) Please see segment reporting section of MD&A for additional details.

2) \$/boe amounts are calculated using production volumes

### 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.

### BARRELS OF OIL EQUIVALENT

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, 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 conversion ratio of 6:1 may be misleading as an indication of value.

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