



Condensed Interim Financial Statements (Unaudited)
As at and for the three and nine months ended September 30, 2017

Notice of No Auditor Review of Condensed Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Raise Production Inc. (the "Company") for the three and nine months ended September 30, 2017 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed an interim review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.



Eric Laing
President and Chief Executive Officer



Susan Scullion, CA
Chief Financial Officer

November 22, 2017

RAISE PRODUCTION INC.

Interim Statements of Financial Position (Unaudited)

	As at September 30, 2017	As at December 31, 2016
Assets (note 4)		
Current assets:		
Cash	\$ 1,283,426	\$ 775,675
Trade receivables (note 9)	40,829	136,116
Inventories (note 5)	261,151	209,171
Prepaid expenses and deposits	25,830	97,670
	<u>1,611,236</u>	<u>1,218,632</u>
Non-current assets:		
Property and equipment (note 6)	516,982	541,209
Intangible assets and goodwill (note 6)	6,142,593	5,752,852
Deposits	29,739	–
Total Assets	<u>\$ 8,300,550</u>	<u>\$ 7,512,693</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities	\$ 257,546	\$ 223,720
Finance lease obligation (note 8)	31,491	72,134
Deferred leasehold inducements	–	4,051
Deferred revenue (note 13)	440,000	509,402
	<u>729,037</u>	<u>809,307</u>
Non-current liabilities:		
Finance lease obligation (note 8)	–	12,563
Total Liabilities	<u>729,037</u>	<u>821,870</u>
Commitments (note 8)		
Shareholders' equity:		
Share capital (note 7)	26,537,756	24,780,142
Warrants (note 7)	473,593	–
Contributed surplus	2,464,967	2,503,279
Deficit	(21,904,803)	(20,592,598)
Total Shareholders' Equity	<u>7,571,513</u>	<u>6,690,823</u>
Total Liabilities and Shareholders' Equity	<u>\$ 8,300,550</u>	<u>\$ 7,512,693</u>

See accompanying notes to condensed interim financial statements.

RAISE PRODUCTION INC.

Interim Statements of Operations and Comprehensive Loss (Unaudited)

	Three months ended Sept 30		Nine months ended Sept 30	
	2017	2016	2017	2016
Revenue	\$ 25,946	\$ 56,855	\$ 118,466	\$ 217,835
Cost of sales (note 5)	11,850	53,734	101,033	166,597
Gross margin	14,096	3,151	17,433	51,238
Other income	3,529	2,998	20,522	13,523
Expenses:				
General and administration (note 11)	420,520	287,316	1,158,762	1,032,044
Depreciation and amortization (note 6)	22,625	34,757	77,024	104,222
Stock-based compensation (note 7)	37,320	26,110	61,292	76,362
Research expenses	46,496	52,041	46,496	80,852
Finance costs	1,586	3,573	6,586	12,687
Asset impairment (note 6)	–	–	–	5,867
	528,547	403,797	1,350,160	1,312,034
Net loss and comprehensive loss	\$ (510,922)	\$ (397,648)	\$ (1,312,205)	\$ (1,247,273)
Net loss per common share (note 7(e)):				
Basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)

See accompanying notes to condensed interim financial statements.

RAISE PRODUCTION INC.

Interim Statements of Changes in Shareholders' Equity (Unaudited)

For the nine months ended September 30

	Share Capital	Contributed Surplus	Warrants	Deficit	Total
	(note 7)	(note 7)	(note 7)		
Balance at December 31, 2015	\$ 24,747,722	\$ 2,341,350	\$ –	\$ (18,897,352)	\$ 8,191,720
Net loss	–	–	–	(1,247,273)	(1,247,273)
Stock-based compensation	–	148,976	–	–	148,976
Exercise of stock options	32,420	(11,419)	–	–	21,001
Balance at September 30, 2016	\$ 24,780,142	\$ 2,478,907	\$ –	\$ (20,144,625)	\$ 7,114,424
Balance at December 31, 2016	\$ 24,780,142	\$ 2,503,279	\$ –	\$ (20,592,598)	\$ 6,690,823
Net loss	–	–	–	(1,312,205)	(1,312,205)
Shares issued	1,813,859	–	–	–	1,813,859
Warrants issued	–	–	473,593	–	473,593
Share issuance expenses	(216,720)	–	–	–	(216,720)
Stock-based compensation	–	18,213	–	–	18,213
Exercise of stock options	160,475	(56,525)	–	–	103,950
Balance at September 30, 2017	\$ 26,537,756	\$ 2,464,967	\$ 473,593	\$ (21,904,803)	\$ 7,571,513

See accompanying notes to condensed interim financial statements.

RAISE PRODUCTION INC.

Interim Statements of Cash Flows (Unaudited)

For the nine months ended September 30

	2017	2016
Operating activities:		
Net loss	\$(1,312,205)	\$(1,247,273)
Items not involving cash:		
Depreciation and amortization	77,024	104,222
Stock-based compensation	61,292	76,362
Fixed asset impairment	–	5,867
Net change in non-cash operating working capital (note 10)	(119,943)	6,720
Cash used in operating activities	(1,293,832)	(1,054,102)
Financing activities:		
Private placement issuance (note 7)	2,070,732	–
Issuance of shares – option exercise (note 7)	103,950	21,001
Cash provided by financing activities	2,174,682	21,001
Investing activities:		
Horizontal wellbore system development (note 6)	(440,320)	(528,156)
Purchase of property and equipment (note 6)	(45,297)	(118,533)
Finance lease payments (note 8)	(53,206)	(51,366)
Net change in non-cash investing working capital (note 10)	165,724	11,756
Cash used in investing activities	(373,099)	(686,299)
Net increase (decrease) in cash and cash equivalents	507,751	(1,719,400)
Cash, beginning of period	775,675	3,002,918
Cash, end of period	\$ 1,283,426	\$ 1,283,518
Cash interest received	\$ 20,522	\$ 13,523
Cash interest paid	\$ 4,986	\$ 10,796

See accompanying notes to condensed interim financial statements.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited)

As at and for the three and nine months ended September 30, 2017

1. Corporate information:

Raise Production Inc. (“Raise Production” or “the Company”) is an innovative oilfield service company that focuses its efforts on the production service sector, utilizing its proprietary products to enhance and increase ultimate production in both conventional and unconventional oil and gas wells.

Raise Production is a public company incorporated under the Business Corporations Act (Alberta) on December 23, 1993 and is listed on the TSX Venture Exchange. The address of its registered office is 2620, 58th Avenue SE, Calgary, Alberta, Canada.

These condensed interim financial statements for the three and nine months ended September 30, 2017 were approved and authorized for issuance by the Board of Directors (the “Board”) on November 22, 2017.

2. Going concern:

These condensed interim financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon the successful commercialization of its proprietary research and development projects and the ability of the Company to continue to obtain external financing in order to fund operations. While the Company has been successful attracting external financing to date (see Note 7), there is no assurance that it will continue to do so in the future. These circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to meet its obligations as they come due and, accordingly, continue as a going concern.

These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications used that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Basis of presentation:

These condensed interim financial statements are unaudited and have been prepared in accordance with *IAS 34 - Interim Financial Reporting* as at and for the three and nine months ended September 30, 2017. These condensed interim financial statements do not include all the necessary annual disclosures in accordance with International Financial Reporting Standards (“IFRS”) and accordingly should be read in conjunction with the Company’s financial statements and notes thereto for the year ended December 31, 2016.

The condensed interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars unless otherwise noted.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 2

As at and for the three and nine months ended September 30, 2017

3. Basis of presentation (continued):

The preparation of these condensed interim financial statements requires the use of certain critical accounting estimates and also requires management to exercise judgment in applying the Company's accounting policies.

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in Note 4 to the financial statements for the year ended December 31, 2016.

These condensed interim financial statements have been prepared using the same accounting policies and methods as the financial statements for the year ended December 31, 2016.

4. Credit facility:

The Company has a credit facility with a Canadian bank consisting of a maximum \$500,000 demand revolving loan bearing interest at the lender's prime rate plus 2% per annum available by account overdraft when the Company's EBITDA to total debt service exceeds 1.25:1.00. EBITDA is defined as earnings before interest, taxes and depreciation/amortization, adjusted for any non-cash charges, provisions or extraordinary items. The amount available under the facility at any point in time is subject to margin requirements being the aggregate of 75% of acceptable receivables plus the lesser of 50% of acceptable inventory and/or equipment and \$100,000 minus any priority claims.

At September 30, 2017, \$nil is available (December 31, 2016 - \$nil) to the Company for withdrawal and the Company is in compliance with all debt covenants.

5. Inventories:

	As at September 30, 2017	As at December 31, 2016
Work-in-progress	\$ 233,594	\$ 114,005
Finished goods and third-party products	18,832	86,381
Raw materials	8,725	8,785
	<u>\$ 261,151</u>	<u>\$ 209,171</u>

For the three months ended September 30, 2017, the cost of inventories recognized as an expense and included in the cost of sales was \$11,850 (2016 - \$53,734).

For the nine months ended September 30, 2017, the cost of inventories recognized as an expense and included in the cost of sales was \$101,033 (2016 - \$70,749).

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 3

As at and for the three and nine months ended September 30, 2017

6. Non-current assets:

Property and equipment

	Finance lease equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Cost						
At December 31, 2015	\$ 395,535	\$ 504,855	\$ 63,569	\$ 44,648	\$ 59,815	\$ 1,068,422
Additions	–	147,949	–	–	–	147,949
Derecognition	–	(181,954)	–	–	–	(181,954)
At December 31, 2016	395,535	470,850	63,569	44,648	59,815	1,034,417
Additions	–	45,297	–	–	–	45,297
At September 30, 2017	\$ 395,535	\$ 516,147	\$ 63,569	\$ 44,648	\$ 59,815	\$ 1,079,714

	Finance lease equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Accumulated Depreciation						
At December 31, 2015	\$ 94,096	\$ 237,763	\$ 63,569	\$ 29,391	\$ 59,246	\$ 484,065
Depreciation	30,144	60,636	–	9,153	445	100,378
Derecognition	–	(91,235)	–	–	–	(91,235)
At December 31, 2016	124,240	207,164	63,569	38,544	59,691	493,208
Depreciation	20,347	42,949	–	6,104	124	69,524
At September 30, 2017	\$ 144,587	\$ 250,113	\$ 63,569	\$ 44,648	\$ 59,815	\$ 562,732

	Finance lease equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Net book value						
At December 31, 2016	\$ 271,295	\$ 263,686	\$ –	\$ 6,104	\$ 124	\$ 541,209
At September 30, 2017	\$ 250,948	\$ 266,034	\$ –	\$ –	\$ –	\$ 516,982

Equipment under finance leases included in the table above had a net carrying amount of \$250,948 at September 30, 2017 (December 31, 2016 - \$271,295).

The derecognition of assets for the year ended December 31, 2016 includes \$90,719 of equipment impairment charges for equipment that management determined had a carrying value in excess of its recoverable amount.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 4

As at and for the three and nine months ended September 30, 2017

6. Non-current assets (continued):

Intangible assets and goodwill

	Patents, licenses and rights	Horizontal wellbore system	Goodwill	Total
Cost				
At December 31, 2015	\$ 281,597	\$4,848,278	\$1,427,695	\$6,557,570
Additions	–	637,141	–	637,141
At December 31, 2016	281,597	5,485,419	1,427,695	7,194,711
Additions	–	397,242	–	397,242
At September 30, 2017	\$ 281,597	\$5,882,661	\$1,427,695	\$7,591,953

	Patents, licenses and rights	Horizontal wellbore system	Goodwill	Total
Accumulated amortization and impairment				
At December 31, 2015	\$ 233,687	\$ –	\$1,167,763	\$1,401,450
Amortization	40,409	–	–	40,409
At December 31, 2016	274,096	–	1,167,763	1,441,859
Amortization	7,501	–	–	7,501
At September 30, 2017	\$ 281,597	\$ –	\$1,167,763	\$1,449,360

Net book value				
At December 31, 2016	\$ 7,501	\$ 5,485,419	\$ 259,932	\$ 5,752,852
At September 30, 2017	\$ –	\$ 5,837,536	\$ 259,932	\$ 6,142,593

During the nine months ended September 30, 2017, \$43,078 of stock-based compensation was deducted from the carrying value of the Horizontal Wellbore Production System, which has been renamed by the Company to the Horizontal Artificial Recovery Technology (“HART” or the “System”) (year ended December 31, 2016 - \$88,959 was included in the carrying value of the System).

7. Share capital:

Details of the Company's share capital are as follows:

(a) Authorized

Unlimited number of common shares, no par value

Unlimited number of preferred shares, no par value

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 5

As at and for the three and nine months ended September 30, 2017

7. Share capital (continued):

(b) Issued:

	Common Shares	Amount
Balance, December 31, 2015	88,791,691	\$24,747,722
Shares issued upon option exercise	150,000	32,420
Balance, December 31, 2016	88,941,691	\$24,780,142
Private placement issuance	8,932,144	1,597,139
Shares issued upon option exercise	742,500	160,475
Balance, September 30, 2017	98,616,335	\$26,537,756

For the nine months ended September 30, 2017, 742,500 stock options were exercised for cash proceeds of \$103,950.

In February 2017, the Company completed a private placement issuance of 8,932,144 units for total gross proceeds of \$2,233,036. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable for one common share of the Company for a period of eighteen months from the applicable closing date at an exercise price of \$0.40 per share, subject to accelerated expiry in certain circumstances at the discretion of the Company. The net proceeds, after share issuance costs of \$216,720, were allocated \$1,597,139 to the common shares and \$419,177 to the share purchase warrants.

In addition, the Company issued 437,529 agent warrants as compensation to the finders involved in the private placement issuance. Each warrant is exercisable for one common share of the Company for a period of eighteen months from the applicable closing date at an exercise price of \$0.25 per share, subject to accelerated expiry in certain circumstances at the discretion of the Company. The agent warrants were valued at \$54,416 using the Black-Scholes option model, which is included in the share issuance costs and netted against the proceeds of the offering. The fair value of the warrants was determined using the Black-Scholes option model (see note 7(d)).

(c) Stock options:

The Company grants stock options for the benefit of directors, officers, employees and consultants of the Company. The options may be granted, at the discretion of the Board of Directors, to purchase not more than 10,600,000 of the issued and outstanding common shares of the Company. This fixed option plan was approved by the Company's shareholders on October 19, 2012. All stock options issued by the Company have an exercise price that is equal to the market price of the underlying shares on the date of the grant. All options granted expire five years after the date of the grant and vesting terms vary by grant with one-third released at each of three specified dates during the vesting period.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 6

As at and for the three and nine months ended September 30, 2017

7. Share capital (continued):

(c) Stock options (continued):

The following movement of stock options occurred:

	Number	Weighted-average exercise price (\$)
Options outstanding, December 31, 2015	8,212,500	0.43
Options exercised	(150,000)	0.14
Options forfeited	(250,000)	0.66
Options outstanding, December 31, 2016	7,812,500	0.43
Options granted	1,170,000	0.20
Options exercised	(742,500)	0.14
Options forfeited	(1,825,000)	0.53
Options outstanding, September 30, 2017	6,415,000	0.39
Options exercisable, September 30, 2017	5,083,333	0.41

At September 30, 2017, the following options were outstanding and exercisable:

Grant date	Options outstanding			Options exercisable	
	Number of options	Exercise price (\$)	Years to expiry	Number of options	Exercise price (\$)
August 24, 2012	2,251,250	0.24	4.31	2,251,250	0.24
November 6, 2012	998,750	0.43	0.10	998,750	0.43
November 23, 2012	775,000	0.51	0.15	775,000	0.51
February 1, 2013	700,000	0.42	0.34	700,000	0.42
October 8, 2014	35,000	1.29	2.02	23,333	1.29
November 18, 2014	300,000	1.15	2.13	200,000	1.15
December 4, 2014	130,000	0.98	2.17	86,666	0.98
April 30, 2015	70,000	1.25	2.58	46,667	1.25
October 29, 2015	5,000	0.52	3.08	1,667	0.52
May 29, 2017	1,130,000	0.205	4.66	–	0.205
September 8, 2017	20,000	0.16	4.94	–	0.16
	6,415,000	0.39 ⁽¹⁾		5,083,333	0.41 ⁽¹⁾

(1) Weighted average

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 7

As at and for the three and nine months ended September 30, 2017

7. Share capital (continued):

(c) Stock options (continued):

During the three months ended September 30, 2017, \$37,320 (2016 - \$26,110) of stock-based compensation was recognized in the statement of loss and comprehensive loss and \$nil was capitalized and included in the carrying value of the System (2016 - \$21,082).

During the nine months ended September 30, 2017, \$61,292 (2016 - \$76,362) of stock-based compensation was recognized in the statement of loss and comprehensive loss and \$43,078 was deducted from the carrying value of the System (2016 - \$72,614 was capitalized and included in the carrying value of the System).

The following weighted average assumptions used in the Black-Scholes option pricing model to determine the fair value of the 1,170,000 options granted during the nine months ended September 30, 2017 are as follows:

	2017	2016
Weighted average share price	\$ 0.20	\$ -
Risk free interest rate	0.9%	-
Expected life	4.6 yrs	-
Expected volatility	115%	-
Pre-vest forfeiture rate	13%	-
Expected annual dividend yield	0%	-

The weighted average fair value of options granted during the nine months ended September 30, 2017 was \$0.16 per option. No options were granted during the nine months ended September 30, 2016.

Volatility is calculated based on the historical daily price change in the Company's closing price on the TSX-V Exchange over the one year period prior to the stock option grant date.

(d) Share purchase warrants:

	Warrants	Amount
Warrants outstanding, December 31, 2016	—	\$ —
Private placement issuance	4,466,072	419,177
Agent warrants issued	437,529	54,416
Warrants outstanding, September 30, 2017	4,903,601	\$ 473,593

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 8

As at and for the three and nine months ended September 30, 2017

7. Share capital (continued):

(d) Share purchase warrants (continued):

Each share purchase warrant issued through the February 2017 private placement is exercisable for one common share of the Company for a period of eighteen months from the applicable closing date at an exercise price of \$0.40, subject to accelerated expiry in certain circumstances at the discretion of the Company. As of March 31, 2017, 3,556,072 share purchase warrants expire on August 11, 2018 and 910,000 share purchase warrants expire on August 21, 2018. The fair value ascribed to these warrants was \$419,177 upon issuance based on the Black-Scholes valuation model using an expected life of 1.5 years, a risk free interest rate of 0.60% and an expected volatility rate of 107% as the underlying assumptions.

Each agent warrant is exercisable for one common share of the Company for a period of eighteen months from the applicable closing date at an exercise price of \$0.25, subject to accelerated expiry in certain circumstances at the discretion of the Company. As of September 30, 2017, 328,329 agent warrants expire on August 11, 2018 and 109,200 agent warrants expire on August 21, 2018. The fair value ascribed to these warrants was \$54,416 upon issuance based on the Black-Scholes valuation model using an expected life of 1.5 years, a risk free interest rate of 0.60% and an expected volatility rate of 107% as the underlying assumptions

Volatility is calculated based on the historical daily price change in the Company's closing price on the TSX-V Exchange over a one year period prior to the stock option grant date.

(e) Loss per share calculation:

The weighted average number of common shares used in calculating the net loss per share for the three months ended September 30, 2017 is 98,616,335 (2016 – 88,941,691) and nine months ended September 30, 2017 is 97,087,095 (2016 – 88,934,027). The effect of all stock options outstanding has been excluded from the calculation in periods where the Company reported a loss, as they are anti-dilutive.

8. Commitments and contingencies:

Operating Lease Commitments

The Company has a long-term operating lease with respect to its Calgary premises, which expires August 31, 2020, and various other operating leases for office equipment. Future annual minimum lease payments as at September 30, 2017 are approximately as follows:

2017	\$ 43,960
2018	139,466
2019	139,466
2020	93,866
2021	2,666
	<u>\$ 419,424</u>

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 9

As at and for the three and nine months ended September 30, 2017

8. Commitments and contingencies (continued):

Operating Lease Commitments (continued)

During the three months ended September 30, 2017, the Company expensed \$49,627 (2016 - \$51,136) and during the nine months ended September 30, 2017 the Company expensed \$152,123 (2016 - \$155,198) exclusive of operating costs and GST, relating to operating lease commitments and included in general and administration expenses.

Finance Lease Commitments

The Company has one long-term finance lease for a horizontal machining centre bearing interest at 10.9%, repayable at \$6,340 per month that expires on February 28, 2018 with a \$250 purchase option.

The future minimum lease payments with the present value of net minimum lease payments as at September 30, 2017 are as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
Total finance lease obligation	\$ 32,337	\$ 846	\$ 31,491
Due no later than one year	(32,337)	(846)	(31,491)
Due between one and five years	\$ –	\$ –	\$ –

9. Financial instruments and risk management:

The Company's financial instruments are represented by cash, trade receivables, deposits, trade payables and finance lease obligations.

The Company is exposed to financial risks arising from normal course business operations and its financial assets and liabilities. The financial risks include liquidity risk, interest rate risk and credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk by investing excess cash in a fully liquid investment bank account. This allows the Company to have access to additional funds in a very short time frame. All financial liabilities are due within one year.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 10

As at and for the three and nine months ended September 30, 2017

9. Financial instruments and risk management (continued):

With the completion of a non-brokered private placement subsequent to year-end, in February 2017, as disclosed in note 7, the Company believes its current cash resources are sufficient to complete its strategic objectives into April 2018 based on the current monthly operating expense burn rate, not taking into account future sales. The Company's ability to accomplish its future plans is dependent upon the addition of positive cash flow through the successful commercialization of its products and obtaining additional financing, if required, to complete the commercialization process; however, there is no assurance that the Company will achieve these objectives.

Refer to the going concern discussion in note 2 of the Company's condensed interim financial statements for the three and nine months ended September 30, 2017.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk if the cash flows generated from its cash fluctuate in response to changes in market interest rates.

At September 30, 2017, cash was comprised of \$1,283,426, of which \$1,245,351 was held on deposit in a HSBC commercial investment account which earns a fixed interest of 0.80% per annum, thus the Company has no exposure to fluctuating market interest rates.

Credit risk

The Company is exposed to credit risk where a financial loss would be experienced if a counterparty to a financial asset failed to meet its obligations. The Company's maximum credit risk exposure is limited to the carrying values of its cash, trade receivables and deposits as disclosed in the financial statements as at September 30, 2017.

The Company mitigates its exposure to credit risk with respect to cash by maintaining its bank accounts and cash investments with a major international bank, thus the Company's management believes the credit risk associated with cash is low.

The Company manages its credit risk with respect to trade receivables and deposits by performing credit evaluations of its customers and only grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. The majority of the trade receivables balance at September 30, 2017 consists of amounts owing from two customers and the federal government for GST refunds. The majority of the balance owing to the Company at September 30, 2017 was collected subsequent to quarter-end.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 11

As at and for the three and nine months ended September 30, 2017

10. Supplemental cash flow information:

Changes in non-cash operating assets and liabilities for nine months ended September 30, 2017 and 2016 are as follows:

	2017	2016
Trade receivables	\$ 95,287	\$ 345,448
Inventories	(51,980)	41,741
Prepaid expenses and deposits	42,102	24,493
Trade payables and accrued liabilities	33,825	(197,648)
Leasehold inducement	(4,051)	(4,558)
Deferred revenue	(69,402)	(191,000)
Change in non-cash working capital	\$ 45,781	\$ 18,476

	2017	2016
Change in non-cash operating working capital	\$ (119,943)	\$ 6,720
Change in non-cash investing working capital	165,724	11,756
Change in non-cash working capital	\$ 45,781	\$ 18,476

11. General and administration expenses:

General and administration expenses for the three and nine months ended September 30, 2017 and 2016 consisted of the following:

	Three months ended Sept 30		Nine months ended Sept 30	
	2017	2016	2017	2016
Salaries and benefits	\$ 262,209	\$ 153,134	\$ 657,247	\$ 572,134
Facilities	51,217	51,438	162,850	157,217
Sub-contracted and consulting services	21,951	14,275	96,826	52,028
Legal, audit & accounting	33,747	32,009	93,978	144,576
Other administration	51,396	36,460	147,861	106,089
	\$ 420,520	\$ 287,316	\$ 1,158,762	\$1,032,044

RAISE PRODUCTION INC.

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As at and for the three and nine months ended September 30, 2017

12. Capital management:

The Company requires capital to finance the commercialization of its products, its planned research and development activities, intellectual property expansion and protection, product manufacturing as well as for corporate administration, capital expenditures and to minimize dilution to existing shareholders whenever possible.

The fundamental components of the Company's capital structure include cash and shareholders' equity, which comprise share capital, contributed surplus and deficit. The following table summarizes the Company's capital as at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Cash	\$ 1,283,426	\$ 775,675
Share capital	\$26,537,756	\$24,780,142
Warrants	473,593	—
Contributed surplus	2,464,967	2,503,279
Deficit	(21,904,803)	(20,592,598)
Shareholders' equity	\$ 7,571,513	\$ 6,690,823

In managing capital, the Company estimates its future cash requirements by preparing a quarterly cash-flow forecast for review by the Company's management and Board of Directors. The cash-flow forecast estimates the costs associated with approved activities for the upcoming year. Forecast to actual variances are prepared quarterly for review by the Company's management.

Financing decisions are based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to take on new debt or to issue equity include the amount of cash sought, the availability of these sources and their terms, and the need to balance value creation for shareholders against the increased liquidity risks associated with debt. The Company works toward managing its capital objectives to the extent possible while facing the challenges of market conditions and the public's assessment of the Company's risk profile.

13. Deferred Revenue:

The Company's deferred revenue balance at September 30, 2017 consists of cash payments of \$440,000 (December 31, 2016 - \$509,402) received from a third party during the year ended December 31, 2012. These payments were for the retention of the Company's employees to assist in its proprietary research and development project. The amount paid will be used as a credit by the third party to apply against future purchases of the Company's products and services.

RAISE PRODUCTION INC.

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As at and for the three and nine months ended September 30, 2017

13. Deferred Revenue (continued):

The amounts received have been recorded as current deferred revenue as at September 30, 2017 and December 31, 2016 and will be recognized into revenue as future purchases are completed, services completed or inventory delivered.

14. Related Party Transactions:

During the nine months ended September 30, 2017, \$7,009 was paid to a corporation owned by the spouse of an officer of the Company for website development and marketing materials design services (2016 - \$nil).

15. Segmented Information:

The Company's segmented information disclosure is based on reportable operating segments according to the products and services each segment provides.

The patent pending High Angle Lift Solution ("HALS") segment provides an artificial lift solution for the build and vertical section of a horizontal wellbore. HALS addresses the production challenges and downtime associated with the currently available artificial lift technology, particularly in high gas to oil ratio wells. HALS can have certain downhole tools added, such as horizontal separation, sand control, velocity flow tubes and pack off assemblies for flow control. The initial sales to date for this segment have included the high angle pump only.

The patented Horizontal Artificial Recovery Technology ("HART") segment provides an artificial lift solution for the lateral section of a horizontal wellbore which consists of multiple pumps running in parallel along the horizontal wellbore to access trapped or stranded reserves and draw fluid from the toe area of the wellbore. This product is in the development stage and has not yet generated revenue from commercial sales to external customers. All costs incurred for this segment have been capitalized as HART development costs beginning April 1, 2013.

The Engineering Project Consulting segment provides engineering services to external customers for the design and development of new artificial lift products, such as a large bore pump the Company was developing during the three and nine months ended September 30, 2016 until the project was put on hold by the customer.

The Hydraulic Submersible Pump ("HSP") inventory segment consists of sales of the Company's legacy inventory at cost to an external customer. Additional sales of this legacy inventory are not anticipated at this point in time.

The Corporate and Other segment includes costs related to administrative activities that support all segments.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 14

As at and for the three and nine months ended September 30, 2017

15. Segmented Information (continued):

Revenue	Three months ended Sept 30		Nine months ended Sept 30	
	2017	2016	2017	2016
High Angle Lift Solution	\$ 25,700	\$ 53,185	\$ 45,400	\$ 53,185
Horizontal Artificial Recovery Technology	–	–	–	–
Engineering Project Consulting	–	–	–	156,000
HSP Inventory	–	–	69,402	–
Corporate and Other	246	3,700	3,664	8,650
Total	\$ 25,946	\$ 56,885	\$ 118,466	\$ 217,835

Net Loss	Three months ended Sept 30		Nine months ended Sept 30	
	2017	2016	2017	2016
High Angle Lift Solution	\$ (199,349)	\$ 2,227	\$ (331,405)	\$ (11,733)
Horizontal Artificial Recovery Technology	–	–	–	–
Engineering Project Consulting	–	–	–	60,153
HSP Inventory	–	–	–	–
Corporate and Other	(311,573)	(399,875)	(980,800)	(1,295,693)
Total	\$ (510,922)	\$ (397,648)	\$ (1,312,205)	\$ (1,247,273)

Capital Expenditures (Additions)	Three months ended Sept 30		Nine months ended Sept 30	
	2017	2016	2017	2016
High Angle Lift Solution	\$ –	\$ –	\$ –	\$ –
Horizontal Artificial Recovery Technology	45,125	169,685	483,047	646,689
Engineering Project Consulting	–	–	–	–
HSP Inventory	–	–	–	–
Corporate and Other	–	–	2,570	–
Total	\$ 45,125	\$ 169,685	\$ 485,617	\$ 646,689

Intangible Assets (including Goodwill)	September 30,	December 31,
	2017	2016
High Angle Lift Solution	\$ –	\$ –
Horizontal Artificial Recovery Technology	6,142,593	5,745,352
Engineering Project Consulting	–	–
HSP Inventory	–	–
Corporate and Other	–	7,500
Total	\$ 6,142,593	\$ 5,752,852

RAISE PRODUCTION INC.

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As at and for the three and nine months ended September 30, 2017

15. Segmented Information (continued):

	September 30, 2017	December 31, 2016
Total Assets		
High Angle Lift Solution	\$ 132,172	\$ 91,531
Horizontal Artificial Recovery Technology	6,447,498	5,955,534
Engineering Project Consulting	—	—
HSP Inventory	—	69,402
Corporate and Other	1,720,880	1,396,226
Total	\$8,300,550	\$ 7,512,693

For nine months ended September 30, 2017, revenues from a single customer amounted to \$19,700 in the HALS segment and \$69,402 from a separate single customer in the HSP Inventory segment. The Company does not rely on these customers due to the HALS product being in the start-up phase of commercialization and no additional sales of the Company's HSP inventory being anticipated.