



Condensed Interim Financial Statements (Unaudited)
As at and for the three and nine months ended September 30, 2018

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, 2018 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 21, 2018

RAISE PRODUCTION INC.

Interim Statements of Financial Position (Unaudited)

	As at September 30, 2018	As at December 31, 2017
Assets (note 4)		
Current assets:		
Cash	\$ 2,694,286	\$ 729,124
Trade receivables (note 9)	121,689	252,294
Inventories (note 5)	742,354	308,808
Prepaid expenses and deposits	67,158	48,154
	<u>3,625,487</u>	<u>1,338,380</u>
Non-current assets:		
Property and equipment (note 6)	453,555	507,901
Intangible assets and goodwill (note 6)	6,175,663	6,164,196
Deposits	37,907	36,307
Total Assets	<u>\$10,292,612</u>	<u>\$ 8,046,784</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities	\$ 486,160	\$ 428,061
Other current financial liabilities (note 13)	33,862	30,000
Finance lease obligation	—	13,154
Deferred revenue (note 14)	538,000	440,000
Total Current Liabilities	<u>1,058,022</u>	<u>911,215</u>
Commitments (note 8)		
Shareholders' equity:		
Share capital (note 7)	30,140,134	26,537,756
Warrants (note 7)	419,177	473,594
Contributed surplus	3,011,599	2,734,461
Deficit	(24,336,320)	(22,610,242)
Total Shareholders' Equity	<u>9,234,590</u>	<u>7,135,569</u>
Total Liabilities and Shareholders' Equity	<u>\$10,292,612</u>	<u>\$ 8,046,784</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	
	2018	2017	2018	2017
Revenue from contracts with customers (note 16)	\$ 80,840	\$ 25,946	\$ 289,418	\$ 118,466
Cost of sales (note 5)	54,887	11,850	214,065	101,033
Gross margin	25,953	14,096	75,353	17,433
Other income	10,947	3,529	16,688	20,522
Expenses:				
General and administration (note 11)	549,976	420,520	1,358,831	1,158,762
Stock-based compensation (note 7)	88,220	37,320	277,138	61,292
Research expenses	41,494	46,496	119,730	46,496
Depreciation and amortization (note 6)	20,062	22,625	60,185	77,024
Finance costs	823	1,586	2,235	6,586
	700,575	528,547	1,818,119	1,350,160
Net loss and comprehensive loss	\$ (663,675)	\$ (510,922)	\$ (1,726,078)	\$ (1,312,205)
Net loss per common share (note 7(e)):				
Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (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, 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	—	—	473,594	—	473,594
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	\$ 473,594	\$(21,904,803)	\$ 7,571,514
Balance at December 31, 2017	\$ 26,537,756	\$ 2,734,461	\$ 473,594	\$(22,610,242)	\$ 7,135,569
Net loss	—	—	—	(1,726,078)	(1,726,078)
Shares issued	3,500,000	—	—	—	3,500,000
Share issuance expenses	(47,790)	—	—	—	(47,790)
Stock-based compensation	—	277,138	—	—	277,138
Exercise of agent warrants	143,387	—	(47,636)	—	95,751
Expiry of agent warrants	6,781	—	(6,781)	—	—
Balance at September 30, 2018	\$ 30,140,134	\$ 3,011,599	\$ 419,177	\$(24,336,320)	\$ 9,234,590

See accompanying notes to condensed interim financial statements.

RAISE PRODUCTION INC.

Interim Statements of Cash Flows (Unaudited)

For the nine months ended September 30

	2018	2017
Operating activities:		
Net loss	\$(1,726,078)	\$(1,312,205)
Items not involving cash:		
Depreciation and amortization	60,185	77,024
Stock-based compensation	277,138	61,292
Net change in non-cash operating working capital (note 10)	(163,584)	(119,943)
Cash used in operating activities	(1,552,339)	(1,293,832)
Financing activities:		
Private placement issuance (note 7)	3,452,210	2,070,732
Issuance of shares – agent warrant exercise (note 7)	95,751	–
Issuance of shares – option exercise (note 7)	–	103,950
Cash provided by financing activities	3,547,961	2,174,682
Investing activities:		
Horizontal wellbore system development (note 6)	(11,468)	(440,320)
Purchase of property and equipment (note 6)	(5,839)	(45,297)
Finance lease payments	(13,153)	(53,206)
Net change in non-cash investing working capital (note 10)	–	165,724
Cash used in investing activities	(30,460)	(373,099)
Net increase in cash and cash equivalents	1,965,162	507,751
Cash, beginning of period	729,124	775,675
Cash, end of period	\$ 2,694,286	\$ 1,283,426
Cash interest received	\$ 16,688	\$ 10,522
Cash interest paid	\$ 271	\$ 4,986

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, 2018

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 horizontal 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, 2018 were approved and authorized for issuance by the Board of Directors (the “Board”) on November 21, 2018.

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, if required, in order to fund operations. While the Company has been successful attracting external financing to date (see Note 7 and Note 9), 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, 2018. 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, 2017.

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, 2018

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, 2017.

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, 2017, except for the adoption of new standards effective as of January 1, 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company has applied for the first time, IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") and IFRS 9, *Financial Instruments* ("IFRS 9"), both of which do not require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

a) IFRS 15, Revenue from Contracts with Customers

The Company adopted IFRS 15 using the modified retrospective method and has elected to apply this method to all contracts not completed as of January 1, 2018. Open contracts on this date consisted of the Company's USA distribution agreement with Endurance Lift Solutions, LLC. ("ELS") for its Raise Efficient Artificial Lift ("REAL") system, previously referred to as the High Angle Lift Solution ("HALS"), and the Company's contract liability with Shellbrook Energy Ltd. for \$440,000 in deferred revenue to be applied against future purchases of the Company's Horizontal Artificial Recovery Technology ("HART") as disclosed in note 14 and described as "Deferred Revenue" in the Statements of Financial Position.

The Company's contracts with customers for the sale of its High Angle Reciprocating Pump ("HARP"), REAL and HART, have one performance obligation, the delivery of the HARP, REAL or HART ("Raise Product") to the customer. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and there is no impact on the opening balance of Deficit as presented in the Statement of Financial Position. The typical timing of payment upon completion of the performance obligation is within 90 days of delivery of the Raise Product to the customer, which has no effect on the contract asset balance. The Company does not allow the right to return the product for a refund, thus the payment terms do not include variable components.

The Company does provide an assurance-type warranty for general repairs of defects in materials and workmanship that existed at the time of sale for a period of one year from the date of delivery, which the Company accounts for under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with its practice prior to the adoption of IFRS 15.

RAISE PRODUCTION INC.

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

As at and for the three and nine months ended September 30, 2018

3. Basis of presentation (continued):

b) IFRS 9, Financial Instruments

The Company adopted IFRS 9 retrospectively as of January 1, 2018. The application of this standard does not result in a material change to the classification and measurement of the Company's financial instruments.

The Company's financial instruments are represented by cash, trade receivables, deposits, trade payables and finance lease obligations. The classification and measurement of the Company's financial instruments under the previous standard IAS 39 and IFRS 9 is as follows:

	IAS 39	IFRS 9
Cash	FVTPL ⁽¹⁾	FVTPL ⁽¹⁾
Trade receivables	Amortized Cost	Amortized Cost
Deposits	Amortized Cost	Amortized Cost
Trade Payables	Amortized Cost	Amortized Cost
Finance Lease Obligations	Amortized Cost	Amortized Cost

(1) Fair Value through Profit or Loss

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, 2018, \$nil is available (December 31, 2017 - \$nil) to the Company for withdrawal and the Company is in compliance with all debt covenants.

5. Inventories:

	As at September 30, 2018	As at December 31, 2017
Finished goods and third-party parts	\$ 673,869	\$ 246,712
Work-in-progress	48,442	53,377
Raw materials	20,043	8,719
	\$ 742,354	\$ 308,808

RAISE PRODUCTION INC.

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

As at and for the three and nine months ended September 30, 2018

5. Inventories (continued):

For the three months ended September 30, 2018, the cost of inventories recognized as an expense and included in the cost of sales was \$43,314 (2017 - \$11,850).

For the nine months ended September 30, 2018, the cost of inventories recognized as an expense and included in the cost of sales was \$177,734 (2017 - \$101,033).

6. Non-current assets:

Property and equipment

	Capital lease equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Cost						
At December 31, 2016	\$ 395,535	\$ 470,850	\$ 63,569	\$ 44,648	\$ 59,815	\$ 1,034,417
Additions	2,570	43,327	13,998	-	-	59,895
At December 31, 2017	398,105	514,177	77,567	44,648	59,815	1,094,312
Additions	250	5,589	-	-	-	5,839
At September 30, 2018	\$ 398,355	\$ 519,766	\$ 77,567	\$ 44,648	\$ 59,815	\$ 1,100,151

	Capital lease equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Accumulated Depreciation						
At December 31, 2016	124,240	\$ 207,164	\$ 63,569	\$ 38,544	\$ 59,691	\$ 493,208
Depreciation	27,386	57,069	2,520	6,104	124	93,203
At December 31, 2017	151,626	264,233	66,089	44,648	59,815	586,411
Depreciation	18,495	37,911	3,779	-	-	60,185
At September 30, 2018	\$ 170,121	\$ 302,144	\$ 69,868	\$ 44,648	\$ 59,815	\$ 646,596

	Capital lease equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Net book value						
At December 31, 2017	\$ 246,479	\$ 249,944	\$ 11,478	\$ -	\$ -	\$ 507,901
At September 30, 2018	\$ 228,234	\$ 217,622	\$ 7,699	\$ -	\$ -	\$ 453,555

Equipment under finance leases included in the table above had a net carrying amount of \$nil at September 30, 2018 (December 31, 2017 - \$246,479).

RAISE PRODUCTION INC.

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

As at and for the three and nine months ended September 30, 2018

6. Non-current assets (continued):

Intangible assets and goodwill

	Patents, licenses and rights	Horizontal Technology	Goodwill	Total
Cost				
At December 31, 2016	\$ 281,597	\$5,485,419	\$1,427,695	\$ 7,194,711
Additions	–	418,845	–	418,845
At December 31, 2017	281,597	5,904,264	1,427,695	7,613,556
Additions	–	11,467	–	11,467
At September 30, 2018	\$ 281,597	\$5,915,731	\$1,427,695	\$ 7,625,023

	Patents, licenses and rights	Horizontal Technology	Goodwill	Total
Accumulated amortization and impairment				
At December 31, 2016	\$ 274,096	\$ –	\$1,167,763	\$ 1,441,859
Amortization	7,501	–	–	7,501
At December 31, 2017	281,597	–	1,167,763	1,449,360
Amortization	–	–	–	–
At September 30, 2018	\$ 281,597	\$ –	\$1,167,763	\$ 1,449,360

Net book value				
At December 31, 2017	\$ –	\$ 5,904,264	\$ 259,932	\$ 6,164,196
At September 30, 2018	\$ –	\$ 5,915,731	\$ 259,932	\$ 6,175,663

During the nine months ended September 30, 2018, \$nil of stock-based compensation was included in the carrying value of the Horizontal Artificial Recovery Technology (“HART” or the “System”) (year ended December 31, 2017 - \$43,078 of stock-based compensation was deducted from the carrying value of the HART due to the reversal of stock option expense required for individuals that were no longer employed by the Company).

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 6

As at and for the three and nine months ended September 30, 2018

7. Share capital (continued):

(b) Issued:

	Common Shares	Amount
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, December 31, 2017	98,616,335	\$ 26,537,756
Private placement issuance	14,583,333	3,452,210
Shares issued upon agent warrant exercise	383,005	143,387
Expiry of agent warrants	—	6,781
Balance, September 30, 2018	113,582,673	\$ 30,140,134

For the nine months ended September 30, 2018, 383,005 agent warrants were exercised for cash proceeds of \$95,751.

On May 11, 2018 and June 4, 2018, the Company completed a private placement issuance in two tranches for 14,583,333 common shares for total gross proceeds of \$3,500,000. Net proceeds, after share issuance costs of \$47,790, amounted to \$3,452,210.

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, in February 2017 the Company issued 437,529 agent warrants as compensation to the finders involved in the private placement issuance which were 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 \$54,417 using the Black-Scholes option model, which is included in the share issuance costs and was netted against the proceeds of the offering. The fair value of the agent warrants was determined using the Black-Scholes option model and all agent warrants have been exercised or expired as of September 30, 2018 (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

RAISE PRODUCTION INC.

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

As at and for the three and nine months ended September 30, 2018

7. Share capital (continued):

(c) Stock options (continued):

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.

The following movement of stock options occurred:

	Number	Weighted-average exercise price (\$)
Options outstanding, December 31, 2016	8,212,500	0.43
Options granted	3,393,750	0.23
Options exercised	(742,500)	0.14
Options forfeited	(1,825,000)	0.53
Options expired	(1,773,750)	0.46
Options outstanding, December 31, 2017	6,865,000	0.32
Options granted	700,000	0.39
Options forfeited	(68,333)	0.75
Options expired	(700,000)	0.42
Options outstanding, September 30, 2018	6,796,667	0.31
Options exercisable, September 30, 2018	4,155,417	0.34

At September 30, 2018, 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	3.57	2,251,250	0.24
November 18, 2014	300,000	1.15	1.38	300,000	1.15
December 4, 2014	130,000	0.98	1.43	130,000	0.98
April 30, 2015	70,000	1.25	1.83	70,000	1.25
October 29, 2015	5,000	0.52	2.33	3,333	0.52
May 29, 2017	1,110,000	0.205	3.91	370,000	0.205
September 8, 2017	6,667	0.16	4.19	6,667	0.16
November 24, 2017	2,223,750	0.24	4.40	1,024,167	0.24
February 23, 2018	700,000	0.39	4.65	-	0.39
	6,796,667	0.31 ⁽¹⁾		4,155,417	0.34 ⁽¹⁾

(1) Weighted average

RAISE PRODUCTION INC.

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

As at and for the three and nine months ended September 30, 2018

7. Share capital (continued):

(c) Stock options (continued):

During the three months ended September 30, 2018, \$88,220 (2017 - \$37,320) of stock-based compensation was recognized in the statement of loss and comprehensive loss and \$nil (2017 - \$nil) was deducted from the carrying value of the System.

During the nine months ended September 30, 2018, \$277,138 (2017 - \$61,292) of stock-based compensation was recognized in the statement of loss and comprehensive loss and \$nil (2017 - \$43,078) was deducted from 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 700,000 options granted during the nine months ended September 30, 2018 are as follows:

	2018	2017
Weighted average share price	\$ 0.39	\$ -
Risk free interest rate	2.0%	-
Expected life	4.6 yrs	-
Expected volatility	123%	-
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, 2018 was \$0.32 per option (2017 - \$0.16).

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, 2017	4,903,601	\$ 473,594
Agent warrants exercised	(383,005)	(47,636)
Agent warrants expired	(54,524)	(6,781)
Warrants outstanding, September 30, 2018	4,466,072	\$ 419,177

Each outstanding share purchase warrant issued in the February 2017 private placement is exercisable for one common share of the Company at an exercise price of \$0.40 with an initial expiry date of eighteen months from the applicable closing date, subject to accelerated expiry in certain circumstances at the discretion of the Company.

RAISE PRODUCTION INC.

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

As at and for the three and nine months ended September 30, 2018

7. Share capital (continued):

(d) Share purchase warrants (continued):

On July 23, 2018, the Corporation received approval from the TSX Venture Exchange to extend the term of the share purchase warrants by six months. The new expiry dates of the outstanding warrants are February 11, 2019 and February 21, 2019. The exercise price of \$0.40 per share remains unchanged.

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 issued through the February 2017 private placement was exercisable for one common share of the Company at an exercise price of \$0.25 for a period of eighteen months from the applicable closing date, being August 11, 2018 and August 21, 2018. For the nine months ended September 30, 2018, 383,005 agent warrants were exercised for cash proceeds of \$95,751 and 54,524 agent warrants expired on August 11, 2018. The initial fair value ascribed to these warrants and recorded against share issuance costs was \$54,417 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, 2018 is 113,553,991 (2017 – 98,616,335) and nine months ended September 30, 2018 is 106,088,745 (2017 – 97,087,095). 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:

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 vehicles and office equipment. Future annual minimum lease payments as at September 30, 2018 are approximately as follows:

2018	\$ 56,793
2019	229,583
2020	171,700
2021	2,666
2022	1,333
	<hr/>
	\$ 462,075

RAISE PRODUCTION INC.

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

As at and for the three and nine months ended September 30, 2018

8. Commitments and contingencies (continued):

During the three months ended September 30, 2018, the Company expensed \$54,016 (2017 - \$49,627) and during the nine months ended September 30, 2018 the Company expensed \$153,885 (2017 - \$152,123) exclusive of operating costs and GST, relating to operating lease commitments and included in general and administration expenses.

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, credit risk and foreign currency exchange 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.

As disclosed in note 7, the Company closed two tranches of a non-brokered private placement in May and June 2018 for gross proceeds of \$3,500,000 and net proceeds after share issuance costs of \$3,452,210. The Company believes this cash injection and projected revenues will be sufficient to complete its strategic objectives through 2019 based on current forecasts. However, the Company's ability to accomplish its plans beyond this is dependent upon the addition of positive cash flow through the successful commercialization of its products and obtaining additional financing, if necessary, 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.

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, 2018, cash was comprised of \$2,694,286, of which \$2,666,127 was held on deposit in a HSBC commercial investment account which earns a fixed interest of 1.55% per annum for balances held over \$1,000,000, 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, 2018.

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9. Financial instruments and risk management (continued):

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, 2018 consists of amounts owing from four customers and the federal government for GST refunds. The majority of the balance owing was collected subsequent to quarter-end and there are no collectability concerns with amounts not yet received.

Foreign Currency Exchange Risk

Events in the global financial markets have been coupled with increased volatility in the currency markets. A substantial portion of the Company's incoming revenue may be earned in U.S. dollars, but a substantial portion of its operating expenses may be incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results.

10. Supplemental cash flow information:

Changes in non-cash operating assets and liabilities for nine months ended September 30, 2018 and 2017 are as follows:

	2018	2017
Trade receivables	\$ 130,605	\$ 95,287
Inventories	(433,546)	(51,980)
Prepaid expenses and deposits	(20,604)	42,102
Trade payables and accrued liabilities	58,099	33,825
Other current financial liabilities	3,862	—
Deferred revenue	98,000	(69,402)
Leasehold inducement	—	(4,051)
Change in non-cash working capital	\$ (163,584)	\$ 45,781

	2018	2017
Change in non-cash operating working capital	\$ (163,584)	\$ (119,943)
Change in non-cash investing working capital	—	165,724
Change in non-cash working capital	\$ (163,584)	\$ 45,781

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11. General and administration expenses:

General and administration expenses for the three and nine months ended September 30, 2018 and 2017 consisted of the following:

	Three months ended Sept 30		Nine months ended Sept 30	
	2018	2017	2018	2017
Salaries and benefits	\$ 311,802	\$ 262,209	\$ 812,467	\$ 657,247
Legal, audit & accounting	71,488	33,747	152,939	93,978
Facilities	51,593	51,217	150,913	162,850
Sub-contracted and consulting services	20,858	21,951	57,389	96,826
Other administration	94,235	51,396	185,123	147,861
	\$ 549,976	\$ 420,520	\$ 1,358,831	\$1,158,762

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, warrants, contributed surplus and deficit. The following table summarizes the Company's capital as at September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Cash	\$ 2,694,286	\$ 729,124
Share capital	\$30,140,134	\$26,537,756
Warrants	419,177	473,594
Contributed surplus	3,011,599	2,734,461
Deficit	(24,336,320)	(22,610,242)
Shareholders' equity	\$ 9,234,590	\$ 7,135,569

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.

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12. Capital management (continued):

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. Provisions:

	Maintenance Warranty
Provision balance, December 31, 2017	\$ 30,000
Additions	22,500
Utilized	(18,638)
Provision balance, September 30, 2018	\$ 33,862

A provision is recognized for expected maintenance warranty claims on products sold during the year. The provision reflects the estimated costs of repair or replacement and free-of-charge services that may be incurred by the Company with respect to products sold. Assumptions used to calculate the provision were based on current sales levels and current information available about returns based on the one-year warranty period for all products sold in Canada. It is expected that most of these costs will be incurred within the current financial year.

14. Deferred Revenue:

The majority of the Company's deferred revenue balance at September 30, 2018 consists of cash payments of \$440,000 (December 31, 2017 - \$440,000) 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.

The additional balance in deferred revenue at September 30, 2018 consist of cash payments of \$98,000 (December 31, 2017 - \$nil) received for Project Revenue for which services have not yet been completed.

The amounts received have been recorded as current deferred revenue as at September 30, 2018 and December 31, 2017 and will be recognized into revenue as future purchases are completed, services completed or inventory delivered.

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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 Raise Efficient Artificial Lift ("REAL") system segment, previously referred to as the High Angle Lift Solution ("HALS"), provides an artificial lift solution for the build and vertical section of a horizontal wellbore. REAL addresses the production challenges and downtime associated with the currently available artificial lift technology, particularly in high gas to oil ratio wells. REAL includes the High Angle Reciprocating Pump ("HARP") with the addition of certain downhole tools, 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 HARP 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 year ended December 31, 2016 until the project was put on hold by the customer. During the nine months ended September 30, 2018, a cash payment of \$98,000 was received for Engineering Project Consulting, however no services have been completed as of September 30, 2018 thus it is classified as Deferred Revenue (see note 14). Thus, no revenue was earned or expenses were incurred for Engineering Project Consulting during the nine months ended September 30, 2018 and September 30, 2017.

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 interest earned on cash balances and costs related to administrative activities that support all segments.

	Three months ended Sept 30		Nine months ended Sept 30	
Total Company Revenue	2018	2017	2018	2017
Raise Efficient Artificial Lift	\$ 80,840	\$ 25,700	\$ 288,368	\$ 45,400
Horizontal Artificial Recovery Technology	—	—	—	—
HSP Inventory	—	—	—	69,402
Corporate and Other	10,947	3,775	17,738	24,186
Total	\$ 91,787	\$ 29,475	\$ 306,106	\$ 138,988

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15. Segmented Information (continued):

Net Loss	Three months ended Sept 30		Nine months ended Sept 30	
	2018	2017	2018	2017
Raise Efficient Artificial Lift	\$ (202,973)	\$ (199,349)	\$ (460,061)	\$ (331,405)
Horizontal Artificial Recovery Technology	—	—	—	—
HSP Inventory	—	—	—	—
Corporate and Other	(460,702)	(311,573)	(1,266,017)	(980,800)
Total	\$ (663,675)	\$ (510,922)	\$ (1,726,078)	\$ (1,312,205)

Capital Expenditures (Additions)	Three months ended Sept 30		Nine months ended Sept 30	
	2018	2017	2018	2017
Raise Efficient Artificial Lift	\$ —	\$ —	\$ —	\$ —
Horizontal Artificial Recovery Technology	—	45,125	11,468	483,047
Corporate and Other	—	—	5,839	2,570
Total	\$ —	\$ 45,125	\$ 17,307	\$ 485,617

Intangible Assets (including Goodwill)	Sept 30,	December 31,
	2018	2017
Raise Efficient Artificial Lift	\$ —	\$ —
Horizontal Artificial Recovery Technology	6,175,663	6,164,196
Corporate and Other	—	—
Total	\$ 6,175,663	\$ 6,164,196

Total Assets	Sept 30,	December 31,
	2018	2017
Raise Efficient Artificial Lift	\$ 708,090	\$ 430,938
Horizontal Artificial Recovery Technology	6,444,429	6,456,019
Corporate and Other	3,140,093	1,159,827
Total	\$ 10,292,612	\$ 8,046,784

For the nine months ended September 30, 2018, revenues from three customers amounted to \$127,522, \$82,150 and \$30,428 in the REAL segment. The Company does not rely on these customers due to the REAL product being in the initial stages of commercialization.

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16. Revenue from Contracts with Customers

Set out below is the disaggregation of the Company's revenue from contracts with customers in addition to the segmented information provided in note 15.

Contracts with Customers by Geographical Market	Three months ended Sept 30		Nine months ended Sept 30	
	2018	2017	2018	2017
Raise Efficient Artificial Lift - Canada	\$ 80,840	\$ 25,700	\$ 206,218	\$ 45,400
Raise Efficient Artificial Lift - USA	—	—	82,150	—
HSP Inventory	—	—	—	69,402
Corporate and Other	—	246	1,050	3,664
Total	\$ 80,840	\$ 25,946	\$ 289,418	\$ 118,466