Acceleware Ltd.

Financial Statements
For the years ended December 31, 2018 and 2017

(in Canadian dollars)

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(in Canadian dollars)

Contents

Acceleware Ltd.

Management's Report to Shareholders

The accompanying financial statements of Acceleware Ltd. (the "Company" or "Acceleware") have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS"). The financial statements and other financial information have been prepared using the accounting policies described in Note 4 to the financial statements and reflect Management's best estimates and judgements based on available information.

The Company's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. Management is satisfied that these financial statements have been prepared accordingly and within reasonable limits of materiality.

MNP, LLP, an independent firm of Chartered Professional Accountants, was engaged to audit the financial statements and their independent professional opinion is provided herein.

The Audit Committee, consisting of independent members of the Board of Directors, has reviewed these financial statements with Management and the auditors and has reported the results of this review to the Board of Directors. The Board of Directors has approved the financial statements.

(Signed)
Geoff Clark
Chief Executive Officer
April 30, 2019

(Signed)
Brian LeBlanc
Chief Financial Officer

Acceleware Ltd.

Independent Auditors’ Report

To the Shareholders of Acceleware Ltd.:

Opinion

We have audited the financial statements of Acceleware Ltd. (“Acceleware”), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Acceleware as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Acceleware in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that Acceleware has a deficit balance of 27,420,449 as at December 31, 2018. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on Acceleware's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Acceleware’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Acceleware or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Acceleware's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Acceleware's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Acceleware's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Acceleware to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is James Fuerderer.

MNP LLP
Chartered Professional Accountants

Calgary, Alberta
April 30, 2019

Acceleware Ltd.

Statements of Financial Position
(in Canadian dollars)

As at December 31,

		2018		2017
Assets				
Current				
Cash and cash equivalents	**$**	**3,225,126**	$	781,315
Trade and other receivables *(note 6)*		**1,397,786**		203,621
Contract assets *(note 12)*		**1,082,352**		—
Alberta SR&ED tax credits receivable *(note 7)*		**227,311**		224,771
Deposits and prepaid expenses		**37,183**		38,153
		5,969,758		1,247,860
Non-current				
Property and equipment *(note 8)*		**197,931**		207,589
Total assets	**$**	**6,167,689**	$	1,455,449
Liabilities and Equity				
Current				
Accounts payable and accrued liabilities *(note 9)*	**$**	**3,670,918**	$	627,753
Deferred revenue		**153,911**		150,085
Finance lease *(note 10)*		**93,352**		66,521
		3,918,181		844,359
Non-current				
Finance lease *(note 10)*		**95,660**		116,852
Total liabilities		**4,013,841**		961,211
Going concern *(note 3)*				
Commitments *(note 19)*				
Shareholders' Equity				
Share capital *(note 11a)*		**22,134,230**		20,477,965
Reserves *(note 11)*		**7,440,067**		7,350,020
Deficit		**(27,420,449)**		(27,333,747)
Total shareholders' equity		**2,153,848**		494,238
Total liabilities and shareholders' equity	**$**	**6,167,689**	$	1,455,449

Approved on behalf of the Board:

"signed"

Bohdan Romaniuk, Director

"signed"

Dennis Nerland, Director

The accompanying notes are an integral part of these financial statements.

Acceleware Ltd.

Statements of Comprehensive Loss
(in Canadian dollars)

For the years ended December 31,

		2018		2017
Revenue *(note 12)*	**$**	**4,317,361**	$	1,320,067
Expenses				
Cost of revenue *(note 13)*		**67,669**		220,151
General and administrative *(note 14)*		**2,393,999**		1,948,445
Research and development *(note 15)*		**2,019,879**		1,775,892
		4,481,547		3,944,488
Loss from operations		**(164,186)**		(2,624,421)
Finance income		**730**		584
Finance expense		**(10,319)**		(153,075)
Gain on derivative instruments		**—**		51,766
Gain on disposal of property and equipment		**—**		5,489
Foreign exchange gain (loss)		**75,153**		(30,074)
		65,564		(125,310)
Total comprehensive loss for the year attributable to shareholders	**$**	**(98,622)**	$	(2,749,731)
Loss per share				
Basic and diluted	**$**	**(0.001)**	$	(0.030)
Weighted average shares outstanding – basic and diluted		**102,786,637**		96,631,923

The accompanying notes are an integral part of these financial statements.

Acceleware Ltd.

Statements of Changes in Shareholders' Equity
(in Canadian dollars)

		Share capital			Reserves				
		Common shares		Amount	Warrants	Contributed surplus	Total	Deficit	Total shareholders' equity
Balance at December 31, 2016	#	84,857,911	$	18,478,200	$ 625,582	$ 6,242,787	$ 6,868,369	$ (24,584,016)	$ 762,553
Total comprehensive loss		—		—	—	—	—	(2,749,731)	(2,747,032)
Conversion of convertible debenture *(note 11a)*		6,762,014		982,148	32,154	—	32,154		1,014,302
Common share units issued for cash, net of issue costs									
Common share component *(note 11a)*		4,651,066		812,101	—	—	—	—	812,101
Warrants component *(note 11b)*		—		—	13,706	—	13,706	—	13,706
Exercise of warrants *(note 11a)*		147,500		50,311	(17,861)	—	(17,861)	—	32,450
Exercise of stock options *(note 11a)*		973,500		155,205	—	(69,071)	(69,071	—	86,134
Share-based payments									
Current period expense *(note 11d)*		—		—	—	522,723	522,723	—	522,723
Balance at December 31, 2017	**#**	**97,391,991**	**$**	**20,477,965**	**$ 653,581**	**$ 6,696,439**	**$ 7,350,020**	**$ (27,333,747)**	**$ 494,238**
Adjustment for adoption of IFRS 15								**11,920**	**11,920**
Balance at January 1, 2018	#	97,391,991	$	20,477,965	$ 653,581	$ 6,696,439	$ 7,350,020	$ (27,321,827)	$ 506,158
Total comprehensive loss		—		—	—	—	—	(98,622)	(98,622)
Exercise of warrants *(note 11a)*		4,651,396		1,549,200	(487,028)	—	(487,028)	—	1,062,172
Expiry of warrants *(note 11a)*		—		—	(155,705)	155,705	—	—	—
Exercise of stock options *(note 11a)*		1,084,283		107,065	—	(47,284)	(47,284)	—	59,781
Share-based payments									
Current period expense *(note 11d)*		—		—	—	624,359	624,359	—	624,359
Balance at December 31, 2018	**#**	**103,127,670**	**$**	**22,134,230**	**$ 10,848**	**$ 7,429,219**	**$ 7,440,067**	**$ (27,420,449)**	**$ 2,153,848**

The accompanying notes are an integral part of these financial statements.

Acceleware Ltd.

Statements of Cash Flows
(in Canadian dollars)

For the years ended December 31,

		2018		2017
Cash flows (used for) from operating activities				
Total comprehensive loss	**$**	**(98,622)**	$	(2,749,731)
Adjustments for:				
Depreciation *(note 8)*		**95,591**		76,031
Gain on disposal of property and equipment		**—**		(5,489)
Share-based payments *(note 11d)*		**624,359**		522,723
Accrued interest on convertible debentures		**—**		85,502
Accretion on convertible debentures		**—**		65,645
Gain on derivative instruments		**—**		(51,766)
Rent inducement *(note 19)*		**—**		11,699
Bad debt expense (net)		**4,232**		—
Changes in non-cash working capital items				
Trade and other receivables		**(1,198,397)**		(7,096)
Contract assets		**(1,082,352)**		323,438
Alberta SR&ED tax credit receivable		**(2,540)**		(92,534)
Deposits and prepaid expenses		**970**		3,031
Accounts payable and accrued liabilities		**3,043,165**		(177,973)
Deferred revenue		**15,746**		(24,597)
		1,402,152		(2,021,117)
Cash flows from (used for) financing activities				
Issuance of common shares, net of issue costs *(note 11a)*		**1,121,953**		944,392
Repayment of finance lease		**(80,294)**		(50,879)
		1,041,659		893,513
Cash flows used for investing activities				
Proceeds from sale of property and equipment		**—**		5,489
Purchase of property and equipment *(note 8)*		**—**		(18,888)
		—		(13,399)
Increase (decrease) in cash and cash equivalents		**2,443,811**		(1,141,003)
Cash and cash equivalents, beginning of year		**781,315**		1,922,318
Cash and cash equivalents, end of year	**$**	**3,225,126**	$	781,315
Comprised of:				
Cash on deposit	**$**	**3,204,963**	$	559,637
Cash equivalents		**20,163**		221,678
	$	**3,225,126**	$	781,315

The accompanying notes are an integral part of these financial statements.

1. General information

Acceleware Ltd. (the "Company" or "Acceleware") is an oil and gas technology company based in Calgary, Alberta, that specializes in the development and marketing of special purpose computational software products for the oil and gas and other markets. The Company also provides specialized software development consulting services and training programs in the field of high-performance computing. In addition, the Company is developing an enhanced heavy oil and oil sands production technology based on radio frequency ("RF") heating. The Company is incorporated under the Alberta Business Corporations Act, has its registered offices at 1400, 350 - 7th Avenue SW, Calgary, Alberta, Canada, and trades on the TSX Venture Exchange under the symbol AXE.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and in effect as of January 1, 2018.

These financial statements were approved by the Board of Directors on April 30, 2019.

(b) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss which are measured at fair value with changes in fair value recorded in earnings, and share-based payment transactions. The method used to measure fair values is discussed in note 4(h) and 4(j).

(d) Significant accounting assumptions, estimates and judgements

The preparation of financial statements requires the Company's management ("Management") to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements. Judgement is used in situations where there is a choice or assessment required by Management. Estimates and underlying assumptions are required on an ongoing basis and revisions are recognized in the year in which such estimates are revised.

The determination of the amount of the Alberta Scientific Research and Experimental Development ("SR&ED") tax credit receivable requires Management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Company are subject to review by the relevant government agencies. Although the Company has used its best judgement and understanding of the related program agreements in determining the receivable amount, it is possible that the amounts could increase or decrease by a material amount in the near term, dependent on the review and audit by the government agency.

2. Basis of presentation (cont'd)

(d) Significant accounting assumptions, estimates and judgements (cont'd)

The Company makes use of estimates when calculating revenue for fixed fee service engagements included in the financial statements.

Management operates under the assumption that its carefully budgeted expenditures, coupled with expected revenue and cash flow will be sufficient to fund future operations as a going concern (note 3).

The Company must make use of estimates in calculating the fair value of share-based payments. Amounts recorded for share-based payments are subject to the inputs used in the Black-Scholes option pricing model, including assumptions such as volatility, dividend yield, risk-free interest rates, forfeiture rate estimates, and expected option life. Management estimates the fair values of the derivative liability related to the convertible debenture at initial recognition and at the end of each reporting period using both the Black-Scholes option pricing model and binomial option pricing model which requires Management estimates.

Other estimates employed are related to taxes and related provisions (note 4 (e) and note 4 (g)) and other provisions and contingencies. Actual results could differ from these and other estimates. The recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognize deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non-occurrence of such events in the future may lead to significant changes in the measurement of deferred tax assets.

3. Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has accumulated losses amounting to $27,420,449 (December 31, 2017 - 27,333,747) largely due to investments in new product development and in the penetration of new markets. In particular, the Company invested $2,019,879 for the year ended December 31, 2018 (2017 - $1,775,892), in research and development, principally for the Company's proprietary RF heating technology.

Within its software and services business, the Company actively manages its cash flow and investment in new products to match its cash requirements to cash generated from operations. In order to maximize cash generated from operations, the Company plans to continue to focus on high gross margin revenue streams such as software products, consulting services and training; focus on selected core vertical markets; minimize operating expenses where possible; and limit capital expenditure. As the Company continues to develop its RF heating technology, new research and development investments will be financed through a combination of internal cash flow from the software and services business, and external financing. Management believes that successful execution of its business plan will result in sufficient cash flow and new financing to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available. Further, if the Company's operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months.

3. Going concern (cont'd)

Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, and further reducing sales, marketing and general and administrative expenses, while seeking outside financing.

The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company's financial position, results of financial performance and cash flows.

These factors indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon successful execution of its plans noted above. The outcome of these initiatives cannot be predicted at this time. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern for a reasonable period of time.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

(a) Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates. Monetary assets and liabilities are retranslated at the exchange rates at the reporting date.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined.

Exchange gains or losses on translation or settlement are recognized in the statement of comprehensive loss for the current year.

(b) Revenue recognition

With the adoption of IFRS 15, revenue from contracts with customers are recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To recognize revenue from a contract, the Company applies the following five steps:

1. identify the contract(s) with the customer;
2. identify the performance obligations in the contract(s);
3. determine the transaction price;
4. allocate the transaction price; and
5. recognize revenue when a performance obligation is satisfied.

4. Significant Accounting Policies (cont'd)

(b) Revenue recognition (cont'd)

Services

The Company enters into contracts to provide services related to technology feasibility, engineering design, training, process simulation consulting, testing, and custom software development. The Company evaluates these arrangements to determine the appropriate unit of account (performance obligation) for revenue recognition purposes. These services are recognized when the performance obligation has been satisfied which is either at a point in time, or over time, using an input method to measure progress towards complete satisfaction of the service. The input method used is similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Company. The Company uses labour hours expended which it believes is appropriate for the nature of the contract and the pattern of delivery of the performance obligation. The transaction price is documented on the contract or purchase order and agreed to by the customer. Payment is due at the time a milestone or services are complete and as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due (usually payment terms of net 30-60 days).

Software and Post-contract support ("PCS")

The Company currently sells software licenses on a perpetual basis as well as on fixed-term contracts. Both arrangements include post-contract support ("PCS"), which is customer support, maintenance, and bug-fixing. The Company's multiple-element sales arrangements include arrangements where software licenses and the associated PCS are sold together. The total transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service with revenue being recognized based on the type of revenue (software license or PCS).

The Company currently recognizes revenue from the sale of software licenses at the time the control of the software has been transferred to the customer. This usually occurs when the software licenses have been delivered to the customer. The transaction price is documented in the contract or purchase order and agreed to by the customer. Payment is generally due at the time of shipment, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due (payment terms are generally net 30 days). Standalone selling price for software is observable in PCS transactions without multiple performance obligations.

PCS revenue associated with software licenses is recognized rateably over the term of the PCS period, which typically is one year. Any unrecognized revenue is recorded in deferred revenue. PCS revenue includes customer support, minor software updates, maintenance releases and bug fixes during the term of the PCS period. Payment is generally due at the beginning of the contract period. As such, the advance payment is recognized as deferred revenue with revenue recognized over the PCS term. Standalone selling price is observable in PCS renewal transactions and in current standalone pricing for initial PCS contracts.

4. Significant Accounting Policies (cont'd)

(b) Revenue recognition (cont'd)

Contracts with multiple products or services

The Company's contracts with customers may include multiple products and services, such as the bundling of software and PCS with consulting services. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the software, PCS or service is distinct from some or all of the other software, PCS and services in the arrangement and therefore can be accounted for as a separate performance obligation. A software product, PCS arrangement, or service performance obligation is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Where a contract consists of more than one performance obligation, revenue is allocated to each based on their relative estimated stand-alone selling price.

(c) Contract assets costs and unbilled revenue

Contract costs represents the work expended to date on contracts with performance obligations that are measured at a point in time and when the performance obligation has not yet been delivered to the customer. It is measured at cost and includes all expenditures related directly to the specific performance obligations. Unbilled revenue represents the gross unbilled amount expected to be collected from customers for contracts with performance obligations measured over time for work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditures related directly to the specific project.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and guaranteed investment certificates which are subject to insignificant risk of changes in value and that have an original maturity at date of purchase of three months or less.

(e) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment or write-down, if applicable. Cost is determined as the expenditure directly attributable to the asset at acquisition, only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. All repairs and maintenance costs are charged to the statement of comprehensive loss during the financial period in which they are incurred. Depreciation over the estimated useful life of assets is provided on the following bases and annual rates:

Furniture and fixtures	20% declining balance
Computer software	100% declining balance
Leasehold improvements	five years straight-line
Computer hardware	three years straight-line

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant components and depreciates separately each such component, where applicable. The estimated useful lives of property and equipment are reviewed at the end of each reporting period and adjusted if required.

4. Significant Accounting Policies (cont'd)

(e) Property and equipment (cont'd)

Gains or losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the statement of comprehensive loss.

(f) SR&ED Investment tax credits

The Company claims federal investment tax credits as a result of incurring scientific research and experimental development ("SR&ED") expenditures. Federal investment tax credits are recognized when the related expenditures are incurred and there is reasonable assurance of their realization. Federal investment tax credits are accounted for as a reduction of research and development expense on the statement of comprehensive loss. Management has made a number of estimates and assumptions in determining the expenditures eligible for the federal investment tax credit claim. It is possible that the allowed amount of the federal investment tax credit claim could be materially different from the recorded amount upon assessment by Canada Revenue Agency.

The Company claims provincial (Alberta) investment tax credits as a result of incurring SR&ED expenditures. Provincial investment tax credits are recognized when the related expenditures are incurred and there is reasonable assurance of their realization. Management has made a number of estimates and assumptions in determining the expenditures eligible for the provincial investment tax credit claim. The provincial investment tax credits are refundable and have been recorded as Alberta SR&ED tax credit receivable, and as a reduction in research and development expenses on the statement of comprehensive loss. It is possible that the allowed amount of the provincial investment tax credit claim could be materially different from the recorded amount upon assessment by Canada Revenue Agency and the Alberta Tax and Revenue Administration.

(g) Research and development costs and government assistance

Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless the Company believes a development project meets generally accepted criteria for deferral and amortization in terms of IAS 38 "Intangible Assets". Research and development ("R&D") costs comprise salaries, share-based payments, lab supplies, and an allocation of office costs and depreciation. No development costs have been deferred as at December 31, 2018 (December 31, 2017 - $nil).

Reimbursements of eligible costs pursuant to government assistance programs are recorded as a reduction of research and development costs when the related costs are incurred. Claims not settled by the reporting date are recorded as trade and other receivables on the statement of financial position when there is reasonable assurance of recovery. As at December 31, 2018, there was $1,127,682 (December 31, 2017 - $nil) included in trade and other receivables pursuant to government assistance programs. Funding amounts received in advance of expenses incurred are deferred and are recorded as accounts payable and accrued liabilities on the statement of financial position. As at December 31, 2018, there was $953,936 (December 31, 2017 - $nil) included in accounts payable and accrued liabilities pursuant to deferred funding from government assistance programs.

4. Significant Accounting Policies (cont'd)

(h) Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

i. Current tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable income nor the accounting income.

(i) Share-based payments

The Company uses the fair value method to account for options to be granted to employees, directors and officers. All options and similar instruments that are granted to non-employees are also accounted for at the fair value of the goods or services received unless the fair value of the goods or services cannot be estimated reliably. The fair value method consists of recording share-based payments to the statement of comprehensive loss over the vesting period of each tranche of options granted. Where the vesting period is based on the market price of the Company's common shares, the vesting period is estimated using a binomial option pricing model. At the time of exercise, the consideration and the related contributed surplus recognized to the exercise date are credited to share capital.

(j) Loss per share

Basic loss per share is computed by dividing the total comprehensive loss attributable to shareholders by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to determine the dilutive effect of stock options and warrants. The treasury stock method assumes the notional exercise of all in-the-money stock options and warrants and that all notional proceeds to the Company are used to repurchase the Company's stock at the average market price during the year. No adjustment to diluted loss per share is made if the result of this calculation is anti-dilutive or if the Company is in a loss position.

4. Significant Accounting Policies (cont'd)

(k) Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, all financial assets are classified into one of three subsequent measurement categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss. Classification is based on the business model under which a financial asset is managed and the nature of its contractual cash flows. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost comprise cash and cash equivalents and trade and other receivable.

Reclassifications

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Refer to note 17 for additional information about the Company's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

4. Significant Accounting Policies (cont'd)

(k) Financial instruments (cont'd)

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Transaction costs of equity transactions are treated as a deduction from equity.

Classification and subsequent measurement

Subsequent to initial recognition, all of the Company's financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains or losses relating to a financial liability or a component classified as a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

(l) Impairment of non-financial assets

The carrying amounts of the Company's property and equipment are assessed for impairment indicators on at least an annual basis to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or group of assets' estimated fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows (a cash generating unit or "CGU").

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but the increase is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss. The Company has one CGU and has determined that no indicators of impairment exist at December 31, 2018.

4. Significant accounting policies (cont'd)

(m) Leases

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum future lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease inducements received are recognized as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At inception or on re-assessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impractical to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

(n) Segment reporting

Management, including the Chief Operating Decision Maker, who is the Company's Chief Executive Officer, reviews and assesses operating performance using segment net revenues and operating loss before other income (expense), foreign exchange gain (loss) and income taxes. These performance measures include the allocation of expenses to the operating segments based on Management's judgement. The Company has two operating segments, RF Heating and High-Performance Computing.

5. New standards and interpretations

(a) New accounting standards adopted as of January 1, 2018

IFRS 9 Financial Instruments

Effective January 1, 2018 (hereafter referred to as the "initial date of application"), the Company adopted IFRS 9 Financial instruments as issued in July 2014. The requirements of IFRS 9 are substantially different from those of IAS 39 Financial instruments: recognition and measurement. The new standard fundamentally alters the classification and measurement of financial assets subsequent to initial recognition, including impairment and incorporates a new hedge accounting model. The key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarized below.

Classification of financial assets and financial liabilities

IFRS 9 requires financial assets be classified into one of three subsequent measurement categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss. Classification is based on the business model under which a financial asset is managed and the nature of its contractual cash flows. IFRS 9 eliminates the following IAS 39 classification categories: available for sale, held to maturity, and loans and receivables.

Derivatives embedded within host contracts that are financial assets in the scope of IFRS 9 are no longer separated from the host contract. Instead, the whole hybrid contract is assessed for classification in accordance with the above requirements.

The classification and measurement of financial liabilities is largely retained from IAS 39. However, under IAS 39, all fair value changes of liabilities designated under the fair value option were recognized in profit or loss. Under IFRS 9, the amount of change in fair value attributable to the Company's own credit risk is generally required to be presented in other comprehensive income.

Impairment of financial assets

IFRS 9 replaces the methodology under IAS 39 of recognizing impairment losses when incurred with a forward-looking expected credit loss model which requires a more timely recognition of losses expected to occur over the contractual life of the financial asset. IFRS 9 uses a single model for recognizing impairment losses on financial assets. This model also applies to certain loan commitments, financial guarantee contracts, trade receivables and contract assets. Application of the IFRS 9 model results in earlier recognition of impairment losses than under IAS 39. Equity investments are no longer assessed for impairment as all equity investments are measured at fair value.

Transition

In accordance with the transitional provisions provided in IFRS 9, the Company has applied the changes in accounting policies resulting from the adoption of IFRS 9 retrospectively but has elected not to restate comparative figures. All comparative information presented and disclosed for the prior year reflects the requirements of IAS 39. Additional transitional provisions applied are described below.

Classification and measurement

For the purposes of determining the classification of financial assets, the business model and solely payments of principal and interest tests have been applied on the basis of facts and circumstances existing at the date of initial application with the resulting classification applied retrospectively.

5. New standards and interpretations (cont'd)

(a) New accounting standards adopted as of January 1, 2018 (cont'd)

IFRS 9 Financial Instruments (cont'd)

Impairment

The Company uses the simplified approach for determining impairment of financial assets. The credit risk at the date that a financial asset was initially recognized has been determined on the basis of reasonable and supportable information available without undue cost or effort. This has been compared to the credit risk at the date of initial application for the purpose of determining whether there has been a significant increase in credit risk.

Initial application of IFRS 9

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 is presented in the following table. The only change in classification from the application of IAS 39 as at December 31, 2017 and the new measurement categories under IFRS 9 is cash and cash equivalents which was previously classified as fair value through profit or loss. There has been no change in carrying amount due to the application of IFRS 9.

Category	Classification
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Other liabilities

IFRS 15 Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration which the entity expects to receive in exchange for transferring goods or services to a customer.

The Company adopted IFRS 15 using the modified retrospective transition method. Under the modified transition method, the comparative figures for 2017 in the Company's financial statements are not restated but reflected as an adjustment through opening deficit. The Company applied the practical expedient to immediately expense contract acquisition costs when the asset that would have resulted from capitalizing such costs would have been amortized within one year or less. The Company does not incur any costs either to obtain a contract or to fulfil a contract that are eligible for capitalization.

5. New standards and interpretations (cont'd)

(a) New accounting standards adopted as of January 1, 2018 (cont'd)

IFRS 15 Financial Instruments (cont'd)

Services revenue

The Company enters into contracts to provide services related to technology feasibility, engineering design, training, process simulation consulting, testing, and custom software development. The Company evaluates these arrangements to determine the appropriate unit of account (performance obligation) for revenue recognition purposes. These services are recognized either at a point in time, when the performance obligation has been satisfied, or over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Company. The Company uses labour hours expended which it believes is appropriate for the nature of the contract and the pattern of delivery of the performance obligation. The transaction price is documented on the contract or purchase order and agreed to by the customer. Payment is due at the time a milestone or services are complete and as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due (usually payment terms of net 30-60 days).

The Company makes judgments in determining whether the promised goods and services are considered distinct performance obligations by considering the relationship of such promised goods and services; allocating the transaction price for each distinct performance obligation identified through stand-alone selling price and evaluating when a customer obtains control of the goods or service promised.

Prior to the adoption of IFRS 15, the Company recognized service revenue rendered when persuasive evidence of an arrangement existed, delivery had occurred, the fee was fixed or determinable, and collection was reasonably assured. The Company recognized service revenue from long-term arrangements using the percentage of completion method and was calculated based on actual hours incurred compared to the estimated total hours for the services under the arrangement, so long as persuasive evidence of an arrangement existed, delivery had occurred, the fee was fixed or determinable, and collection was reasonably assured.

The adoption of IFRS 15 did not have an impact on the timing or amount of services revenue recognition.

Software revenue

The Company currently sells software licenses on a perpetual basis as well as on fixed-term contracts. Both arrangements include post-contract support ("PCS"), which is customer support, maintenance, and bug-fixing.

The Company currently recognizes revenue from the sale of software licenses at the time the control of the software has been transferred to the customer. This usually occurs when the software licenses have been delivered to the customer. The transaction price is documented on the contract or purchase order and agreed to by the customer. Payment is generally due at the time of shipment, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due (payment terms are generally net 30 days). Standalone selling price is observable in transactions without multiple performance obligations.

5. New standards and interpretations (cont'd)

(a) New accounting standards adopted as of January 1, 2018 (cont'd)

IFRS 15 Financial Instruments (cont'd)

Prior to the adoption of IFRS 15, the Company recognized revenue from the sale of software licenses on a perpetual basis upon the transfer of title to the customer, so long as persuasive evidence of an arrangement existed, delivery had occurred, the fee was fixed or determinable, and collection was reasonably assured. The Company used the residual method to recognize revenue on delivered elements when a license agreement included one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements existed. Undelivered elements included PCS, which was recognized ratably over the term of the PSC period, which typically was one year. Any unrecognized revenue is recorded in deferred revenue. The Company recognized revenue from the sale of software licenses on a fixed-term basis ratably over the term of the license, so long as persuasive evidence of an arrangement existed, delivery had occurred, the fee was fixed or determinable, and collection was reasonably assured.

As a result of adopting IFRS 15, the opening balance sheet as at January 1, 2018 is adjusted to decrease deferred revenue by $11,920 and decrease deficit by a similar amount to account for the change in revenue recognition for software licenses.

Post-contract support ("PCS") revenue

PCS revenue associated with software licenses is recognized rateably over the term of the PCS period, which typically is one year. Any unrecognized revenue is recorded in deferred revenue. PCS revenue includes customer support, minor software updates, maintenance releases and bug fixes during the term of the PCS period. Payment is generally due at the beginning of the contract period. As such, the advance payment is recognized as deferred revenue with revenue recognized over the PCS term. Standalone selling price is observable in PCS renewal transactions and in current standalone pricing for initial PCS contracts.

Prior to the adoption of IFRS 15, the Company recognized PCS revenue associated with software licenses rateably over the term of the PCS period, which typically is one year. Any unrecognized revenue is recorded in deferred revenue. PCS revenue includes software license updates that provide customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the PCS period.

The adoption of IFRS 15 did not have an impact on the timing or amount of PCS revenue recognition.

5. New standards and interpretations (cont'd)

(b) Recent accounting pronouncements Issued and not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2018 or later periods. The standards affected are as follows:

IFRS 16 Leases

On January 13, 2018, the IASB issued a new Leases Standard, ("IFRS 16"), which supersedes IAS 17 Leases. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019. A company assesses whether to apply the requirements in IFRS 16 by identifying whether a contract is (or contains) a lease. IFRS 16 defines a lease and includes application guidance to help companies make this assessment. The definition applies to both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). Most significantly, IFRS 16 changes significantly how a company accounts for leases that were off balance sheet under IAS 17, other than short-term leases of 12 months or less and leases of low-value assets (such as personal computers and office furniture). Applying IFRS 16, in essence for all leases, a company is required to:

(i) recognize lease assets and lease liabilities in the balance sheet, initially measured at the present value of unavoidable future lease payments;

(ii) recognize depreciation of lease assets and interest on lease liabilities in the income statement over the lease term; and

(iii) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the cash flow statement.

The Company is analyzing the new standard to determine its impact on the Company's financial statements.

(in Canadian dollars)

6. Trade and other receivables

		December 31, 2018		December 31, 2017
Trade receivables	**$**	**1,376,797**	$	192,545
Goods and services tax and other receivables		**25,139**		13,775
Allowance for doubtful accounts		**(4,150)**		(2,699)
	$	**1,397,786**	$	203,621

Trade receivables are unsecured and non-interest bearing and are generally collected on 30-day terms.

7. Alberta SR&ED tax credit receivables

The benefit of investment tax credits for SR&ED expenses is recognized in the year the qualifying expenditure is made, provided there is reasonable assurance of recovery. This benefit is presented as a reduction of the related research and development costs recorded in the statement of comprehensive loss. The Company recorded $227,311 in refundable Alberta SR&ED tax credits for the year ended December 31, 2018 (2017 - $224,771).

(in Canadian dollars)

8. Property and equipment

Cost:		Furniture and fixtures		Computer hardware		Computer software		Leasehold improvements		Total
Opening balance at January 1, 2018	$	94,418	$	1,175,432	$	99,210	$	107,661	$	1,476,721
Additions		—		85,933		—		—		85,933
Closing balance at December 31, 2018	$	94,418	$	1,261,365	$	99,210	$	107,661	$	1,562,654

Accumulated depreciation and impairment:		Furniture and fixtures		Computer hardware		Computer software		Leasehold improvements		Total
Opening balance at January 1, 2018	$	81,590	$	980,671	$	99,210	$	107,661	$	1,269,132
Depreciation		2,564		93,027		—		—		95,591
Closing balance at December 31, 2018	$	84,154	$	1,073,698	$	99,210	$	107,661	$	1,364,723
Net book value at December 31, 2018	**$**	**10,264**	**$**	**187,667**	**$**	**—**	**$**	**—**	**$**	**197,931**

Cost:		Furniture and fixtures		Computer hardware		Computer software		Leasehold improvements		Total
Opening balance at January 1, 2017	$	94,418	$	993,256	$	99,210	$	107,661	$	1,294,545
Additions		—		195,045		—		—		195,045
Disposals		—		(12,869)		—		—		(12,869)
Closing balance at December 31, 2017	$	94,418	$	1,175,432	$	99,210	$	107,661	$	1,476,721

Accumulated depreciation and impairment:		Furniture and fixtures		Computer hardware		Computer software		Leasehold improvements		Total
Opening balance at January 1, 2017	$	78,382	$	931,284	$	99,210	$	97,094	$	1,205,970
Depreciation		3,208		62,256		—		10,567		76,031
Disposals		—		(12,869)		—		—		(12,869)
Closing balance at December 31, 2017	$	81,590	$	980,671	$	99,210	$	107,661	$	1,269,132
Net book value at December 31, 2017	**$**	**12,828**	**$**	**194,761**	**$**	**—**	**$**	**—**	**$**	**207,589**

50% of depreciation expense is allocated to research and development expense and 50% is allocated to general and administrative expense. For the year ended December 31, 2018, $47,796 (2017 – $38,016) in depreciation is included in each of general and administrative and research and development expense on the statement of comprehensive loss. Property and equipment under finance lease as at December 31, 2018 had a cost of $307,009 (December 31, 2017 - $244,824), and a carrying amount of $183,810 (December 31, 2017 - $182,691) net of depreciation (see note 10).

(in Canadian dollars)

9. Accounts payable and accrued liabilities

The Company's accounts payable and accrued liabilities are non-interest bearing and detailed below:

		December 31, 2018		December 31, 2017
Trade accounts payable	**$**	**1,227,328**	$	132,251
Other payroll liabilities		**553,381**		436,278
Customer deposits *(note 12)*		**263,105**		—
Deferred government assistance for R&D *(note 15)*		**953,936**		—
Accrued liabilities and other payables		**673,168**		59,224
	$	**3,670,918**	$	627,753

10. Finance Leases

The Company has certain computer equipment under financial lease expiring in 2019 through 2021. The leases carry a weighted average annual interest rate of 5.1%. Estimated lease payments are as follows:

		December 31, 2018		December 31, 2017
2018	**$**	**—**	$	74,316
2019		**99,834**		69,496
2020		**72,133**		41,074
2021		**26,730**		12,786
Minimum lease payments		**198,697**		197,672
Less: interest portion at a rate of 5.1% (2017 – 5.5%)		**9,685**		14,299
Net minimum lease payments		**189,012**		183,373
Less: current portion		**93,352**		66,521
	$	**95,660**	$	116,852

The equipment under finance lease has been recognized in property and equipment at the present value of minimum future lease payments. Interest charges on leased equipment during the year were approximately $9,369 (2017 – $5,169). Other than interest, no costs were incurred relating to this lease. The lease is secured by the assets under lease. At year end, the net book value of equipment pledged as security for finance leases is $183,810 (2017 – $182,691) which is included in computer hardware.

(in Canadian dollars)

11. Share capital and other components of shareholders' equity

(a) Share capital

The authorized share capital of the Company consists of an unlimited number of common shares, and unlimited number of first preferred shares, of which conditions are to be determined; and an unlimited number of second preferred shares, of which conditions are to be determined.

Common shares issued	Number		Amount
Balance, December 31, 2016	84,857,911	$	18,478,200
Issued on exercise of stock options (i)	973,500		155,205
Issued on exercise of warrants (iii)	147,500		50,311
Issued on private placement of units, net of issue costs (iii)	4,651,066		812,101
Issued on conversion of debenture (iv)	6,762,014		982,148
Balance, December 31, 2017	97,391,991	$	20,477,965
Issued on exercise of stock options (i)	1,084,283		107,065
Issued on exercise of warrants (ii)	4,651,396		1,549,200
Balance, December 31, 2018	**103,127,670**	**$**	**22,134,230**

i. During the year ended December 31, 2018, 1,084,283 stock options (2017 - 973,500) were exercised for cash proceeds of $59,781 (2017 - $86,134). Non-cash compensation charges of $47,284 (2017 - $69,071) were reclassified from reserves (contributed surplus) to share capital on the exercise of these options.

ii. During the year ended December 31, 2018, 4,651,396 common share purchase warrants (2017 - 147,500) were exercised for cash proceeds of $1,062,172 (2017 - $32,450). The fair value of the warrants at time of issue of $487,028 (2017 - $17,861) was reclassified from reserves (warrants) to share capital.

iii. On September 26, 2017, the Company closed a non-brokered private placement consisting of 4,651,066 units at a price of $0.18 per unit for gross proceeds of $837,192, and proceeds net of issue costs of $823,486. Each unit consisted of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of $0.27 per common share for a period of two years. The net proceeds from the private placement were allocated to share capital and warrants based on each component's pro-rata fair value of $812,101 and $13,706 respectively. The fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: expected volatility of 30%, a risk-free interest rate of 1.6%, expected dividend yield of nil%, and expected life of two years.

iv. On November 17, 2017 the Company exercised its Forced Conversion Option (see note 11 (c)) on all outstanding convertible debentures and related accrued interest. The Company converted $925,000 in principal and $89,302 in accrued interest and issued 6,762,014 units at a price of $0.15 per unit for a total value of $1,014,302. Each unit consisted of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of $0.30 per common share until December 16, 2018. The conversion amount was allocated to share capital and warrants based on each component's pro-rata fair value. The fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: expected volatility of 32%, a risk-free interest rate of 1.3%, expected dividend yield of nil%, and expected life of one year.

(in Canadian dollars)

11. Share capital and other components of shareholders' equity (cont'd)

(b) Warrants

A summary of share purchase warrants outstanding and exercisable as at December 31, 2018 are as follows:

Exercise price	Number outstanding	Expiry Date
$0.27	1,840,644	September 26, 2019

A summary of share purchase warrants outstanding and exercisable as at December 31, 2017 are as follows:

Exercise price	Number outstanding	Expiry Date
$0.22	8,943,409	October 7, 2018
$0.27	2,325,533	September 26, 2019
$0.30	3,381,007	November 17, 2018
	14,649,949	

(c) Share-based payments

At December 31, 2018, the Company had one equity-settled share-based compensation plan. The Company accounts for options granted under this plan in accordance with the fair value method of accounting for share-based compensation. The estimated fair value of the options that are ultimately expected to vest is recorded over the option's vesting period and charged to share-based compensation expenses.

During 2018, the Company granted to certain employees, contractors, officers, and directors options to purchase a total of 2,141,534 common shares at a weighted average exercise price of $0.29 per share. Of the total, 940,000 options vest one year from the date of grant, and 765,000 will vest two years from the date of grant. The remaining options vest based on the market price of the Company's common shares, such that 218,267 options will vest when the closing market price of the Company's common shares exceeds $0.37 for ten consecutive trading days, and 218,267 options will vest when the closing market price of the Company's common shares exceeds $0.445 for ten consecutive trading days. All options granted expire 5 years from the date of grant. The weighted average grant date fair value of the stock options granted during 2018 was estimated to be $0.269 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 175%, a risk-free interest rate of 2.09%, expected dividend yield of nil%, expected forfeiture rate of 1.3% and expected life of 5 years. The expected volatility was determined by calculating the historical volatility of the Company's common share price from the date of grant back to the date five years prior to the date of grant. The estimated fair value of each tranche of options not immediately vesting is amortized to share-based payments over the option vesting period on a straight-line basis. For options that had vesting conditions based on the closing price of the Company's common shares, the vesting period was estimated using a binomial option pricing simulation based on the following weighted average assumptions: expected volatility of 175%, a risk-free interest rate of 2.09%, expected dividend yield of nil%, expected forfeiture rate of 1.3% and expected life of 5 years. Total share-based payment expenses for the year ended December 31, 2018 were $433,057 relating to general and administrative (year ended December 31, 2017 - $364,600) and $191,302 relating to research and development (year ended December 31, 2017 - $158,123) for a total of $624,359 (year ended December 31, 2017 - $522,723).

(in Canadian dollars)

11. Share capital and other components of shareholders' equity (cont'd)

(c) Share-based payments (cont'd)

During 2017, the Company granted to certain employees, contractors, officers, and directors options to purchase a total of 3,099,632 common shares at an exercise price of $0.21 per share. Of the total, 2,800,000 options vest over two years, such that 1,400,000 of the options will vest one year from the date of grant, and 1,400,000 will vest two years from the date of grant. The remaining options vest based on the market price of the Company's common shares, such that 149,816 options will vest when the closing market price of the Company's common shares exceeds $0.26 for ten consecutive trading days, and 149,816 options will vest when the closing market price of the Company's common shares exceeds $0.31 for ten consecutive trading days. All options granted expire 5 years from the date of grant. The weighted average grant date fair value of the stock options granted during 2017 was estimated to be $0.202 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 182%, a risk-free interest rate of 1.16%, expected dividend yield of nil%, expected forfeiture rate of 1.7% and expected life of 5 years. For options that had vesting conditions based on the closing price of the Company's common shares, the vesting period was estimated using a binomial option pricing simulation based on the following weighted average assumptions: expected volatility of 182%, a risk-free interest rate of 1.16%, expected dividend yield of nil%, expected forfeiture rate of 1.7% and expected life of 5 years The expected volatility was determined by calculating the historical volatility of the Company's common share price from the date of grant back to the date five years prior to the date of grant.

The changes to the number of options granted by the Company and their weighted average exercise price are as follows:

	Number	Weighted Average Exercise Price
Balance, December 31, 2016	6,056,377	0.081
Granted	3,099,632	0.210
Exercised	(973,500)	0.088
Balance, December 31, 2017	8,182,509	0.129
Granted	2,141,534	0.285
Forfeited	(88,334)	0.235
Expired	(23,334)	0.147
Exercised	(1,084,283)	0.061
Balance, December 31, 2018	9,128,092	0.173

(in Canadian dollars)

11. Share capital and other components of shareholders' equity (cont'd)

(c) Share-based payments (cont'd)

Summary of options outstanding and exercisable as at December 31, 2018 are as follows:

Exercise price outstanding	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
$0.05	2,587,422	0.81	$0.050	2,587,422
$0.15	1,389,504	2.84	0.150	1,119,496
$0.20	320,000	4.99	0.200	—
$0.21	3,049,632	3.32	0.210	1,600,000
$0.30	1,781,534	4.24	0.300	—
	9,128,092	2.60	$0.173	5,606,918

(d) Contributed surplus

Balance, December 31, 2016	$	6,242,787
Share-based payments		522,723
Options exercised		(69,071)
Balance, December 31, 2017	$	6,696,439
Share-based payments		624,359
Options exercised		(47,284)
Warrants expired		155,705
Balance, December 31, 2018	**$**	**7,429,219**

12. Revenue

The Company sub-classifies revenue within the following components: software revenue, maintenance revenue, and services revenue. Software revenue comprises license fees charged for the use of software products licensed under fixed term or perpetual arrangements in which the fair values of PCS and/or services fees are determinable. Software revenue also includes the resale of third-party hardware as part of customized solutions, as well as sales of hardware assembled internally. Maintenance revenue primarily consists of fees charged for PCS on software products post-delivery. Services revenue consists of fees charged for technology feasibility, engineering design, training, process simulation consulting, testing, and custom software development.

		December 31, 2018		December 31, 2017
Software	**$**	**111,156**	$	194,598
Maintenance		**618,778**		616,869
Services		**3,587.427**		508,600
	$	**4,317,361**	$	1,320,067

(in Canadian dollars)

12. Revenue (cont'd)

Services revenue

AMD Contract

During the year ended December 31, 2018, the Company entered into a consulting services agreement with an affiliate of Advanced Micro Devices, Inc. ("AMD"). Under the terms of the agreement, Acceleware will receive US$2.51 million in exchange for custom software development human resources and consulting services. The contract contained three performance obligations, consisting of software development human resources and two types of consulting services obligations. Revenue is recognized at a point in time for each performance obligation when the human resources and consulting services are transferred and provided to the customer. For the year-ended December 31, 2018, the Company recognized $3,276,848 of revenue, of which $1,061,910 represented unbilled revenue, $1,111 was recorded for work in process, and $13,105 of revenue was deferred.

Pilot test data contract

During the year ended December 31, 2018, the Company entered into a contract with a major oil sands producer related to providing data from a commercial-scale pilot project of the Company's RF XL technology. Under the terms of the agreement, Acceleware will receive funding of up to $2,000,000 upon the achievement of certain milestones. The contract contained three performance obligations, consisting of a software license, PCS and the data. For the year-ended December 31, 2018 the Company received $300,000 in milestone payments, recognized $42,484 of revenue and deferred $257,516 for amounts received in advance of providing the data and the balance of PCS. Costs of $19,331 incurred to date associated with providing the data are included in work in process.

The Company operates in an international market within one reportable industry segment. Geographic revenue segmentation is as follows:

		Canada	USA		Total
December 31, 2018	**$**	**55,458**	**4,261,903**	**$**	**4,317,361**
December 31, 2017	$	239,825	1,080,241	$	1,320,067

The Company derives significant revenues from three major customers each of whom exceed 10% of total revenues for either the year ended December 31, 2017 or the year ended December 31, 2018:

		December 31, 2018		December 31, 2017
Customer A	**$**	**3,276,848**	$	—
Customer B		**347,816**		464,634
Customer C		**42,484**		200,000
	$	**3,667,148**	$	664,034

(in Canadian dollars)

13. Cost of revenue

The Company incurs costs directly related to the provision of its products and services. These costs relate to direct salaries, contactors, benefits, hardware and software, travel, freight and other expenses.

		December 31, 2018		December 31, 2017
Salaries and contractors	$	**43,200**	$	**193,857**
Cost of hardware and software		**20,624**		**9,067**
Travel, freight and other		**3,845**		**17,227**
	$	**67,669**	$	**220,151**

14. General and administrative

The Company incurs costs related to marketing and selling its products and services as well as costs related to general and administrative activities. These costs include salaries, marketing, travel, share-based payments, a proportionate share of rent, supplies, public company fees, depreciation, professional fees and bad debt expense.

		December 31, 2018		December 31, 2017
Salaries	$	**1,002,020**	$	796,469
Marketing		**154,087**		162,254
Travel		**45,628**		24,111
Share-based payments *(note 11c)*		**433,057**		364,600
Rent, supplies and public company fees		**302,184**		288,943
Depreciation *(note 8)*		**47,796**		38,016
Professional fees		**404,995**		271,353
Bad debt expense		**4,232**		2,699
	$	**2,393,999**	$	1,948,445

(in Canadian dollars)

15. Research and development

The Company incurs costs related to its R&D activities. To date, all of the costs relating to the Company's projects under development have been expensed as incurred. These costs include a portion of salaries, share-based payments, R&D lab supplies, a proportionate share of rent and overhead, and depreciation and other expenses. R&D costs incurred during the year are as follows:

		December 31, 2018		December 31, 2017
Salaries	$	**1,281,289**	$	1,473,549
Consultants		**2,317,186**		253,363
R&D lab supplies and other		**79,475**		145,406
Share-based payments *(note 11d)*		**191,302**		158,123
Rent and overhead allocation		**87,765**		78,146
Depreciation *(note 8)*		**47,796**		38,016
Non-refundable government assistance		**(1,774,902)**		(148,390)
Alberta SR&ED tax credits *(note 7)*		**(210,032)**		(222,321)
	$	**2,019,879**	$	1,775,892

The Company's assistance from government sources, $1,774,902 for the year ended December 31, 2018 ($148,390 – December 31, 2017), is non-refundable. In the year ended December 31, 2018, the Company entered into contribution agreements with Sustainable Development Technology Canada (SDTC) and Emissions Reduction Alberta (ERA) to provide funding for a commercial-scale test of RF XL enhanced oil recovery technology. Under the terms of the agreements, SDTC and ERA provide milestone-based funding, in advance. As at December 31, 2018 the Company had received $1,157,843 from SDTC and was entitled to receive a further $204,326, and received $438,813 from ERA and was entitled to receive a further $923,356. Amounts entitled to but not yet received are included in trade receivables on the statement of financial position. Funding received and entitled to in excess of expenses incurred are deferred and are recorded as accounts payable and accrued liabilities on the statement of financial position. As at December 31, 2018, there was $953,936 (December 31, 2017 - $nil) included in accounts payable and accrued liabilities pursuant to deferred funding from government assistance programs.

16. Income taxes

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian federal and provincial statutory tax rate of 27.0% (December 31, 2017 – 27.0%) to loss before taxes. The difference results from the following:

		December 31, 2018		December 31, 2017
Loss before income tax	**$**	**(98,622)**	$	(2,749,731)
Computed expected income tax (recovery)		**(26,628)**		(742,427)
Non-deductible expenses		**170,514**		142,327
SR&ED investment tax credits		**(222,254)**		(219,097)
Increase in deferred tax assets not recognized		**78,368**		819,197
Deferred tax recovery	**$**	**—**	$	—

(in Canadian dollars)

16. Income taxes (cont'd)

The components of the deferred tax asset are as follows:

		December 31, 2018		December 31, 2017
Deferred tax assets:				
SR&ED tax pools	$	512,589	$	430,386
SR&ED investment tax credits		(512,589)		(430,386)
Net deferred tax asset	$	—	$	—

The components of the unrecognized deductible temporary differences are as follows:

		December 31, 2018		December 31, 2017
Non-capital loss carried forward	$	—	$	1,348,126
SR&ED expenditure pool		2,960,279		2,445,008
SR&ED investment tax credits		1,898,477		1,594,021
Property and equipment		40,625		45,138
	$	4,899,381	$	5,432,293

The Company has $nil (December 31, 2017 - $1,348,126) in non-capital losses expiring in 2036 and 2037 available to claim against future income taxes. The Company has $4,858,756 (December 31, 2017 - $4,039,029) in deductible SR&ED expenditures and $1,898,477 (December 31, 2017 - $1,594,021) of SR&ED investment tax credits available to claim against future taxable income or income taxes. The investment tax credits begin to expire in 2031.

17. Financial Instruments

(a) Fair Value

The carrying value of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities approximates their fair values due to the immediate or short-term maturity of these financial instruments.

(b) Interest Rate Risk

The Company is exposed to interest rate risk in that changes in market interest rates will cause fluctuations in the fair value of future cash flows from its cash equivalents. The short-term nature of these instruments, a maturity within three months of their purchase date and the highly liquid nature of these investments significantly mitigate the Company's interest rate risk.

17. Financial Instruments (cont'd)

(c) Currency Risk

A significant portion of the Company's revenue is made from sales to customers in foreign countries, and is denominated in United States dollars ("USD"). Accordingly, the Company is exposed to related foreign currency risk arising from fluctuations in USD exchange rates. The Company does not engage in any foreign currency hedging at this time.

The USD working capital exposure as at year end is as follows:

		December 31, 2018		December 31, 2017
Cash and cash equivalents	**$**	**2,241,663**	$	215,179
Trade and other receivables		**302,931**		193,018
Accounts payable and accrued liabilities		**(756,139)**		(36,660)
Net exposure	**$**	**1,788,455**	$	371,537

The USD denominated revenue and expenses for the year are as follows:

		December 31, 2018		December 31, 2017
Revenue	**$**	**4,275,008**	$	1,080,241
Expenses		**(1,175,124)**		(40,189)
Net exposure	**$**	**3,099,884**	$	1,040,052

The table below depicts the average and ending USD to Canadian dollar exchange rates for the year.

	Average exchange rate for the year ended December 31, 2018	Average exchange rate for the year ended December 31, 2017	Exchange rate as at December 31, 2018	Exchange rate as at December 31, 2017
Canadian dollar per one USD	**1.2957**	1.2986	**1.3642**	1.2545

The table below depicts the annual impact to total comprehensive loss of varying the above USD to Canadian dollar exchange rate by one cent.

		Decrease/(increase) in comprehensive loss for the year ended December 31, 2018		Decrease/(increase) in comprehensive loss for the year ended December 31, 2017
1 cent strengthening in the Canadian dollar	**$**	**(37,041)**	$	(10,972)
1 cent weakening in the Canadian dollar	**$**	**37,041**	$	10,972

(in Canadian dollars)

17. Financial Instruments (cont'd)

(d) Credit Risk

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents and trade and other receivables. The Company's cash is held with large established financial institutions. Credit risk on trade and other receivables reflects the risk that the Company may be unable to recover them. The Company is exposed to credit risk as a substantial portion of its revenue is predominately generated from a small number of customers. The Company manages its credit risk by closely monitoring the granting of credit. Trade and other receivables that are greater than 30 days are considered past due but not impaired. Based on the status of trade and other receivables, an allowance for doubtful accounts of $4,150 has been recorded as at December 31, 2018 (December 31, 2017 - $nil).

The aging of trade and other receivables as at year end is as follows:

		December 31, 2018		December 31, 2017
1 – 30 days	**$**	**1,384,973**	$	184,542
31 - 60 days		**12,813**		4,150
61 – 90 days				14,930
91 – 120 days		**—**		—
Over 120 days		**4,150**		2,698
Allowance for doubtful accounts		**(4,150)**		(2,699)
	$	**1,397,786**	$	203,621

(d) Credit Risk (cont'd)

The following table shows the customers whose trade receivables exceed 15% of the total trade and other receivables at December 31, 2018:

		December 31, 2018		December 31, 2017
Customer Y	**$**	**923,356**	$	—

17. Financial Instruments (cont'd)

(e) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or that it can only do so at an abnormally high cost.

Within its software and services business, the Company actively manages its cash flow and investment in new products to match its cash requirements to cash generated from operations. In order to maximize cash generated from operations, the Company plans to continue to focus on high gross margin revenue streams such as software products, consulting services and training; focus on selected core vertical markets; minimize operating expenses where possible; and limit capital expenditure. As the Company continues to develop its RF heating technology, new research and development investments will be financed through a combination of internal cash flow from the software and services business, and external financing. Management believes that successful execution of its business plan will result in sufficient cash flow and new financing to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available.

Management strives to maintain an optimum level of liquidity by actively managing assets, liabilities and cash flows. Management prepares regular budgets and cash flow forecasts to help predict future changes in liquidity. Based on the Company's aggregate liquid assets as compared to its liabilities and commitments, Management assesses liquidity risk to be low, subject to the ability to generate positive cash flows from operations.

At December 31, 2018, Acceleware's financial liabilities are all due within one year, with the exception of finance leases (see *note 10*).

18. Capital Risk Management

Capital disclosures provide information about (i) the Company's objectives, policies, and processes for managing capital, (ii) quantitative data about what the Company regards as capital, (iii) whether the Company has complied with any capital requirements, and (iv) if it has not complied, the consequences of such non-compliance.

The Company's objectives for managing capital are:

i. To safeguard the Company's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders.
ii. To ensure sufficient liquidity to enable the internal financing of capital thereby facilitating its ability to continue operations and eventually achieve profitable operations.
iii. To maintain a strong capital base so as to maintain investor, creditor and market confidence.

The Company considers the items included in capital to include shareholders' equity, and non-current debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic and business conditions, financing environment and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, new debt, draw on lines of credit, or scale back the size and nature of its operations. The Company's management of its capital is dependent upon cost containment and on its ongoing efforts to focus on core vertical markets and achieve profitable operations. The Company is not subject to externally imposed capital requirements. As at December 31, 2018, shareholders' equity was $2,153,848 (December 31, 2017 - $494,238) and the Company had $95,660 in non-current debt in the form of finance leases (December 31, 2017 - $116,852).

(in Canadian dollars)

19. Commitments

On February 29, 2012, Acceleware entered into a premise lease agreement to lease 5,244 square feet of office space commencing August 1, 2012 and ending July 31, 2018, a period of five years. A rent inducement of $103,420 was received and included in accounts payable and accrued liabilities. The inducement was amortized over the term of the lease and recorded as a reduction to rent expense. At December 31, 2018, $nil of the rent inducement remains (December 31, 2017 - $nil). Effective August 1, 2017 the lease was renegotiated and extended to July 31, 2020.

In addition to the basic monthly rents, the Company must pay a proportionate share of property taxes, operating costs, utilities and additional services.

The minimum annual basic rent commitments are as follows:

2019		91,770
2020		53,533
	$	145,303

20. Operating segments

The Company has two operating segments, referred to as “High-Performance Computing” (“HPC”) and “RF Heating”. The operating segments are reportable segments in accordance with IFRS 8 Operating Segments. The Company‘s HPC segment sells proprietary high-performance computing software and related consulting services and training programs primarily to the oil and gas industry. The RF Heating segment is engaged in research, development, and commercialization activities related to the Company’s proprietary enhanced heavy oil and oil sands production technology.

The Company does not discretely allocate assets to its operating segments, nor does Management evaluate operating segments using discrete asset information.

Expenses associated with corporate support functions are allocated to the Company’s segments based on the segment’s percentage of total labour expenses for the allocation period. All intersegment transactions between the HPC and RF Heating segments have been eliminated.

(in Canadian dollars)

20. Operating segments (cont'd)

For the year ended December 31, 2018

	RF Heating	HPC	Total
Revenue	$ 42,484	$ 4,274,877	$ 4,317,361
Expenses			
Cost of revenue	14,001	53,668	67,669
General and administrative	1,653,590	740,409	2,393,999
Research and development	1,498,071	521,808	2,019,879
	3,165,662	1,315,885	4,481,547
Loss (income) from operations	(3,123,178)	2,958,992	(164,186)

For the year ended December 31, 2017

	RF Heating	HPC	Total
Revenue	$ 224,653	$ 1,095,414	$ 1,320,067
Expenses			
Cost of revenue	2,080	218,071	220,151
General and administrative	1,312,824	635,621	1,948,445
Research and development	1,280,142	495,750	1,775,892
	2,595,046	1,349,442	3,944,488
Loss from operations	(2,370,393)	(254,028)	(2,624,421)

(in Canadian dollars)

21. Related party transactions

(a) For the year ended December 31, 2018, the Company incurred expenses in the amount of $249,500 (2017 - $238,750) with a company controlled by an officer of the Company as fees for duties performed in managing operations and is included in research and development. Of the total, $172,719 was included in accounts payable and accrued liabilities as at December 31, 2018 (December 31, 2017 - $162,669). These fees were incurred in the normal course of operations and in the opinion of Management represent fair value for services rendered.

(b) For the year ended December 31, 2018, the Company incurred expenses in the amount of $119,279 (2017 - $40,714) with a company controlled by a director of the Company for legal fees and is included in general and administrative. Of the total, $2,179 was included in accounts payable and accrued liabilities as at December 31, 2018 (December 31, 2017 - $14,280). These fees were incurred in the normal course of operations and in the opinion of Management represent fair value for services rendered.

(c) For the year ended December 31, 2018, the Company incurred expenses in the amount of $16,550 (2017 - $12,975) with a company controlled by the spouse of an officer of the Company for writing services and is included in general and administrative. Of the total, $2,415 was included in accounts payable and accrued liabilities as at December 31, 2018 (December 31, 2017 - $3,623). These fees were incurred in the normal course of operations and in the opinion of Management represent fair value for services rendered.

(d) Key management includes the Company's directors and members of the executive Management team. Compensation awarded to key management included:

		2018		2017
Salaries and short-term employee benefits	**$**	**961,527**	$	904,197
Share-based payments		**309,894**		383,683
	$	**1,271,421**	$	1,287,880

22. Subsequent event

On January 31, 2019, The Company granted stock options to acquire up to 2,956,066 common shares of the Corporation to certain of its employees, officers and directors. The options have an exercise price of $0.13 per common share and expire on January 31, 2024. Of the 2,956,066 options granted, 1,237,500 shall vest on the first anniversary of the grant date, 1,237,500 shall vest on the second anniversary of the grant date, 240,533 shall vest when the share price of the common shares of the Corporation closes at or above $0.165 for ten consecutive trading days, and 240,533 shall vest when the share price of the common shares of the Corporation closes at or above $0.195 for ten consecutive trading days. The Corporation's stock option plan allows for 10,391,767 common shares to be reserved for issuance under the plan. Upon issuance of the options granted, there will be 9,676,824 common shares reserved under options outstanding, leaving 714,943 common shares that may be reserved for issuance under the Corporation's stock option plan. The stock option grant is subject to regulatory approval.