

Acceleware Ltd.

Condensed Interim Financial Statements (Unaudited) For the Six Months Ended June 30, 2020 and 2019

(in Canadian dollars)

Acceleware Ltd.

Condensed Interim Financial Statements For the Six Months Ended June 30, 2020 and 2019 (in Canadian dollars)

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Acceleware Ltd.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim financial statements of Acceleware Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

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

Acceleware Ltd.

Condensed Statements of Financial Position (Unaudited) (in Canadian dollars)

As at:

	June 30, 2020	December 31, 2019
Assets		
Current		
Cash and cash equivalents	\$ 3,505,010	\$ 4,381,194
Trade and other receivables (note 6)	1,440,901	1,612,892
Contract assets (note 8)	154,432	120,431
Alberta SR&ED tax credits receivable	173,097	173,097
Deposits and prepaid expenses	101,418	63,185
	5,374,858	6,350,799
Non-current		
Property and equipment	15,200	29,945
Right of use assets (note 5)	61,769	134,170
Total assets	\$ 5,451,827	\$ 6,514,914
Liabilities and Equity		
Current		
Accounts payable and accrued liabilities (note 6)	\$ 3,726,237	\$ 4,659,735
Contract liabilities (note 8)	841,794	553,101
Lease obligations (note 5)	63,086	115,568
	4,631,117	5,328,404
Non-current		
Lease obligations (note 5)	22,237	39,767
Total liabilities	4,653,354	5,368,171
Going concern (note 3)		
Shareholders' Equity		
Share capital (note 7a)	22,339,615	22,270,968
Reserves (note 7b)	7,954,144	7,855,034
Deficit	(29,495,286)	(28,979,259)
Total shareholders' equity	798,473	1,146,743
Total liabilities and shareholders' equity	\$ 5,451,827	\$ 6,514,914

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.

Condensed Statements of Comprehensive Loss (Unaudited)

(in Canadian dollars)

For the:	Three months ended June 30, 2020 (unaudited)	Three months ended June 30, 2019 (unaudited)	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Revenue (note 8)	\$ 611,712	\$ 213,475	\$ 694,715	\$ 1,102,208
Expenses				
Cost of revenue	—	2,250	—	2,853
General and administrative	453,763	558,367	916,985	1,169,205
Research and development	127,605	98,111	457,222	248,487
	581,368	658,728	1,374,207	1,420,545
Income (loss) from operations	30,344	(445,253)	(679,492)	(318,337)
Finance income	2,012	18,188	17,254	27,440
Finance expense	(1,079)	(3,410)	(2,820)	(7,278)
Foreign exchange (loss) gain	(81,986)	(22,670)	149,031	(87,472)
	(81,053)	(7,892)	163,465	(67,310)
Total comprehensive loss for the period attributable to shareholders	\$ (50,709)	\$ (453,145)	\$ (516,027)	\$ (385,647)
Loss per share				
Basic and diluted	\$ (0.0005)	\$ (0.004)	\$ (0.005)	\$ (0.004)
Weighted average shares outstanding	105,506,670	104,331,960	105,403,401	104,575,681

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

Acceleware Ltd.

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

	Share capital			Reserves			Total	Deficit	Total shareholders' equity
	Common shares	Amount	Warrants	Contributed surplus					
Balance at January 1, 2019	#	103,127,670	\$ 22,134,230	\$ 10,848	\$ 7,429,219	\$ 7,440,067	\$ (27,420,449)	\$ 2,153,848	
Total comprehensive loss		—	—	—	—	—	(385,647)	(385,647)	
Exercise of stock options for cash (note 7a)		1,424,000	71,200	—	—	—	—	71,200	
Share-based payments									
Current period expense (note 7b)		—	—	—	270,639	270,639	—	270,639	
Stock options exercised (note 7a)		—	59,646	—	(59,646)	(59,646)	—	—	
Balance at June 30, 2019	#	104,551,670	\$ 22,265,076	\$ 10,848	\$ 7,640,212	\$ 7,651,060	\$ (27,806,096)	\$ 2,110,040	
Balance at December 31, 2019	#	104,611,670	\$ 22,270,968	\$ —	\$ 7,855,034	\$ 7,855,034	\$ (28,979,259)	\$ 1,146,743	
Total comprehensive loss		—	—	—	—	—	(516,027)	(516,027)	
Exercise of stock options for cash (note 7a)		895,000	44,750	—	—	—	—	44,750	
Expiry of stock options (note 7b)		—	—	—	(5,461)	(5,461)	—	(5,461)	
Share-based payments									
Current period expense (note 7b)		—	—	—	128,468	128,468	—	128,468	
Stock options exercised (note 7a)		—	23,897	—	(23,897)	(23,897)	—	—	
Balance at June 30, 2020	#	105,506,670	\$ 22,339,615	\$ —	\$ 7,954,144	\$ 7,954,144	\$ (29,495,286)	\$ 798,473	

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

Acceleware Ltd.

Condensed Statements of Cash Flows (Unaudited)

(in Canadian dollars)

For the:

	Three months ended June 30, 2020 (unaudited)	Three months ended June 30, 2019 (unaudited)	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Cash flows from (used for) operating activities				
Comprehensive loss before tax	\$ (50,709)	\$ (453,145)	\$ (516,027)	\$ (385,647)
Items not involving cash:				
Amortization	36,249	57,293	87,146	100,265
Share-based payments (note 7b)	56,125	117,481	123,007	270,639
Interest payments on lease obligations (note 5)	1,079	3,410	2,820	7,278
Changes in non-cash working capital items				
Trade and other receivables	(188,902)	(421,219)	171,991	126,950
Contract Assets	(29,596)	(24,386)	(34,001)	1,010,436
Alberta SR&ED tax credit receivable	—	(43,005)	—	(92,903)
Deposits and prepaid expenses	(62,507)	(11,877)	(38,233)	(105,321)
Accounts payable and accrued liabilities	(1,135,132)	1,160,521	(933,498)	569,955
Deferred revenue	157,237	(45,395)	288,693	49,603
	(1,216,156)	339,678	(848,102)	1,551,255
Cash flows from financing activities				
Issuance of common shares (note 7a)	—	10,000	44,750	71,200
Interest payments on lease obligations (note 5)	(1,079)	(3,410)	(2,820)	(7,278)
Principal payments on lease obligations (note 5)	(26,189)	(44,967)	(70,012)	(85,692)
	(27,268)	(38,377)	(28,082)	(21,770)
Cash flows from investing activities				
Purchase of property and equipment	—	—	—	(2,846)
Increase (decrease) in cash and cash equivalents	(1,243,424)	301,301	(876,184)	1,526,639
Cash and cash equivalents, beginning of period	4,748,434	4,450,464	4,381,194	3,225,126
Cash and cash equivalents, end of period	\$ 3,505,010	\$ 4,751,765	\$ 3,505,010	\$ 4,751,765
Comprised of:				
Cash on hand	\$ 1,780,194	\$ 141,786	\$ 1,780,194	\$ 141,786
Cash equivalents	1,724,816	4,609,979	1,724,816	4,609,979
	\$ 3,505,010	\$ 4,751,765	\$ 3,505,010	\$ 4,751,765

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

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

Six Months Ended June 30, 2020 and 2019

(in Canadian dollars)

1. General information

Acceleware Ltd. (the “Company” or “Acceleware”) is a clean-tech oil and gas technology company based in Calgary, Alberta. The Company is developing an enhanced heavy oil and oil sands production technology based on radio frequency (“RF”) heating that is designed to reduce the environmental impact of oil production while also reducing cost. Acceleware also specializes in the development and marketing of special purpose computational software products for the oil and gas and other markets. 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 condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed interim financial statements, including International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) and have been prepared following the same accounting policies and method of computation as the annual financial statements for the year ended December 31, 2019. The disclosures provided below are incremental to those included with the annual financial statements. Certain information and disclosures normally included in the notes to the annual financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on August 25, 2020

(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(i) and 4(k) to the annual financial statements for the year ended December 31, 2019.

(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.

For the six months ended June 30, 2020, the novel coronavirus (“COVID-19”) had an impact on the global economy, including the oil and gas industry. The Company has taken into account the impacts of COVID-19 and the unique circumstances it has created in making estimates, assumptions and judgements in the preparation of the unaudited

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

Six Months Ended June 30, 2020 and 2019

(in Canadian dollars)

2. Basis of Presentation (cont'd)

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

interim consolidated financial statements. Actual results may differ from estimated amounts, and those differences may be material.

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 \$29,495,286 (December 31, 2019 - \$28,979,259) largely due to investments in new product development and in the penetration of new markets. In particular, the Company invested \$457,222 net of government assistance of \$738,614 for the six months ended June 30, 2020 (six months ended June 30, 2019 - \$248,487 net of government assistance of \$742,359), in research and development, principally for the Company's proprietary RF heating technology ("RF XL" or "RF heating").

The Company actively manages its cash flow and investment in new products to match its cash generated from operations including government assistance. In order to maximize cash generated from operations, the Company plans to focus on high gross margin revenue streams such as software, and RF heating services; 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 high-performance computing software business, government assistance 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. Additionally, the full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown and the continued impact on capital and financial markets on a macro-scale presents uncertainty and risk with respect to the Company's performance. 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.

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 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.

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Notes to Condensed Interim Financial Statements

Six Months Ended June 30, 2020 and 2019

(in Canadian dollars)

4. Significant accounting policies

The significant accounting policies used in the preparation of these condensed interim financial statements are unchanged from those disclosed in the Company's financial statements for the year ended December 31, 2019.

5. Right of use assets and lease obligations

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, 2017, a period of five years. Effective August 1, 2015, the lease was renegotiated and extended to July 31, 2020. As of June 30, 2020, the Company had negotiated an extension of the lease to September 30, 2020 on similar terms.

In addition to the basic monthly rents, the Company must pay a proportionate share of property taxes, operating costs, utilities and additional services. These payments are fixed throughout the year with an annual true up and are excluded from lease payments below.

The Company has certain computer equipment under various leases expiring 2020 through 2023. The leases carry a weighted average annual interest rate of 5.5%.

Depreciation expense for right of use computer hardware and office space assets is allocated 50% to research and development expense and 50% to general and administrative expense. For the three and six months ended June 30, 2020, \$18,124 and \$43,573, respectively (June 30, 2019 – \$28,646 and \$50,132) of depreciation expense for computer hardware and office space right of use assets is included in each of general and administrative and research and development expense on the statements of comprehensive loss. As at June 30, 2020, the net book value of computer hardware pledged as security for lease obligations is \$47,120 (December 31, 2019 - \$90,223).

The following table summarizes the undiscounted contractual cash flows to their present value for lease obligations:

	June 30, 2020	December 31, 2019
2020	\$ 52,524	\$ 125,360
2021	30,332	30,332
2022	2,686	2,686
2023	2,686	2,686
Minimum lease payments	88,228	161,064
Less: interest portion at a rate of 4.9% (2019 – 5.0%)	2,909	5,729
Net minimum lease payments	\$ 85,319	\$ 155,335

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Notes to Condensed Interim Financial Statements

Six Months Ended June 30, 2020 and 2019

(in Canadian dollars)

6. Government assistance

In the year ended December 31, 2018, the Company entered into contribution agreements with Sustainable Development Technology Canada (“SDTC”) and Emissions Reduction Alberta (“ERA”) whereby each will provide up to \$5,000,000 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 at the beginning of a milestone. As a result of the unforeseen circumstances in the quarter due to COVID-19, SDTC increased its funding level by 5% and an additional \$250,000 was received in the quarter. In April 2020, ERA announced it was reducing the holdback percentage and an additional \$42,169 was received during the quarter.

Holdback amounts entitled to but not yet received are included in trade and other receivables on the statement of financial position. Funding received in excess of expenses incurred is deferred and recorded as accounts payable and accrued liabilities on the statement of financial position.

The following table outlines the amounts included in the statement of financial position:

	June 30, 2020	December 31, 2019
Government assistance included in:		
Trade and other receivables	\$ 967,244	\$ 1,009,413
Accounts payable and accrued liabilities	3,189,859	3,678,473

A summary of government assistance amounts for the project since it began is provided below:

Total government assistance received to June 30, 2020	\$	6,011,939
Holdback amounts receivable on invoiced milestones as at June 30, 2020		967,244
Remaining amount to be received upon successful completion of milestones, including associated holdbacks,		3,270,817
		10,250,000
Less total government assistance recognized to June 30, 2020		(3,789,324)
	\$	6,460,676

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

Six Months Ended June 30, 2020 and 2019

(in Canadian dollars)

7. 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, 2019	104,611,670	\$	22,270,968
Issued on exercise of stock options (i)	895,000		68,647
Balance, June 30, 2020	105,506,670	\$	22,339,615

- i. During the six months ended June 30, 2020, 895,000 stock options (six months ended June 30, 2019 – 1,424,000) were exercised for cash proceeds of \$44,750 (six months ended June 30, 2019 - \$71,200). Non-cash compensation charges of \$23,897 (six months ended June 30, 2019 - \$59,646) were reclassified from contributed surplus to share capital on the exercise of these options.

(b) Share-based payments

At June 30, 2020, 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.

On June 22, 2020, the Company granted stock options to acquire up to 200,000 common shares of the Company to certain employees and directors. The options have an exercise price of \$0.135 per common share and expire on June 22, 2025. Of the 200,000 options granted, 100,000 shall vest on the first anniversary of the grant date and 100,000 shall vest on the second anniversary of the grant date.

The Company's stock option plan allows for 10,550,667 common shares to be reserved for issuance under the plan. Upon issuance of the options granted, there will be 10,375,868 common shares reserved under options outstanding, leaving 174,799 common shares that may be reserved for issuance under the Company's stock option plan.

On January 23, 2020, the Company granted stock options to acquire up to 1,462,466 common shares of the Company to certain employees, officers and directors. The options have an exercise price of \$0.10 per common share and expire on January 23, 2025. Of the 1,462,466 options granted, 582,500 shall vest on the first anniversary of the grant date, 582,500 shall vest on the second anniversary of the grant date, 148,733 shall vest when the share price of the common shares of the Company closes at or above \$0.125 for ten consecutive trading days, and 148,733 shall vest when the share price of the common shares of the Company closes at or above \$0.15 for ten consecutive trading days.

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Notes to Condensed Interim Financial Statements

Six Months Ended June 30, 2020 and 2019

(in Canadian dollars)

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

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

The weighted average grant date fair value of the stock options granted during 2020 was estimated to be \$0.10 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 170%, a risk-free interest rate of 1.30%, expected dividend yield of nil%, expected forfeiture rate of 1.47% and expected life of five 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 171%, a risk-free interest rate of 1.43%, expected dividend yield of nil%, expected forfeiture rate of 1.6% and expected life of five years.

During the six months ended June 30, 2019, the Company granted to certain employees, contractors, officers, and directors options to purchase a total of 2,956,066 common shares at an exercise price of \$0.13 per share. Of the total, 2,475,000 options vest over two years, such that 1,237,500 of the options will vest one year from the date of grant, and 1,237,500 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 240,503 options will vest when the closing market price of the Company's common shares exceeds \$0.16 for ten consecutive trading days, and 204,503 options will vest when the closing market price of the Company's common shares exceeds \$0.195 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 2019 was estimated to be \$0.122 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 177%, a risk-free interest rate of 1.78%, expected dividend yield of nil%, expected forfeiture rate of 1.0% and expected life of five 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 177%, a risk-free interest rate of 1.78%, expected dividend yield of nil%, expected forfeiture rate of 1.0% and expected life of five years.

Total share-based payment expenses for the three months ended June 30, 2020 were \$42,233 relating to general and administrative (three months ended June 30, 2019 - \$77,398) and \$13,892 relating to research and development (three months ended June 30, 2019 - \$40,083) for a total of \$56,125 (three months ended June 30, 2019 - \$117,481).

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Notes to Condensed Interim Financial Statements Six Months Ended June 30, 2020 and 2019 (in Canadian dollars)

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

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

Total share-based payment expenses for the six months ended June 30, 2020 were \$88,586 relating to general and administrative (six months ended June 30, 2019 - \$186,728) and \$34,421 relating to research and development (six months ended June 30, 2019 - \$83,911) for a total of \$123,007 (six months ended June 30, 2019 - \$270,639).

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

	Number	Weighted Average Exercise Price
Balance, December 31, 2019	9,866,824	\$ 0.17
Granted	1,662,466	0.10
Expired	(208,422)	0.05
Forfeited	(50,000)	0.12
Exercised	(895,000)	0.05
Balance, June 30, 2020	10,375,868	\$ 0.17

Summary of options outstanding and exercisable as at June 30, 2020 is as follows:

Exercise price outstanding	Grant Date	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
\$0.10	January 23, 2020	1,437,466	4.56	\$0.10	—
\$0.12	September 11, 2019	550,000	4.20	0.12	—
\$0.13	January 31, 2019	2,831,066	3.58	0.13	1,428,033
\$0.135	June 22, 2020	200,000	4.98	0.135	—
\$0.15	August 30, 2016	1,006,170	1.17	0.15	1,006,170
\$0.20	October 25, 2018	320,000	3.32	0.20	247,500
\$0.21	February 22, 2017	2,569,632	1.65	0.21	2,270,000
\$0.30	January 24, 2018	1,461,534	2.57	0.30	1,461,534
		10,375,868	2.82	\$0.17	6,413,237

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Notes to Condensed Interim Financial Statements Six Months Ended June 30, 2020 and 2019 (in Canadian dollars)

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

(c) Contributed surplus

Balance, December 31, 2019	\$	7,855,034
Share-based payments		128,468
Options expired		(5,461)
Options exercised		(23,897)
Balance, June 30, 2020	\$	7,954,144

8. 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.

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Software	\$ 569,300	\$ 13,847	\$ 606,132	\$ 751,485
Maintenance	42,412	171,625	88,583	316,167
Services	—	28,003	—	34,556
	\$ 611,712	\$ 213,475	\$ 694,715	\$ 1,102,208

Services revenue

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.

As at June 30, 2020, the Company had contract liabilities of \$750,000 (December 31, 2019 - \$450,000) for amounts received in advance of providing the data. Costs of \$134,066 (December 31, 2019 - \$120,431) incurred to date associated with providing the data are included in contract assets.

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Notes to Condensed Interim Financial Statements

Six Months Ended June 30, 2020 and 2019

(in Canadian dollars)

8. Revenue (cont'd)

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

		Canada	USA	Total
Three months ended June 30, 2020	\$	—	611,712	\$ 611,712
Three months ended June 30, 2019	\$	2,225	211,250	\$ 213,475
Six months ended June 30, 2020	\$	—	694,715	\$ 694,715
Six months ended June 30, 2019	\$	4,475	1,097,733	\$ 1,102,208

The Company derived significant revenues from one major customer which exceeded 10% of total revenues for the three months ended June 30, 2020 and two major customers for the six months ended June 30, 2020 (three and six months ended June 30, 2019 - three). Revenue from these customers was \$410,280 for the three months ended June 30, 2020 (three months ended June 30, 2019 - \$142,102) and was \$640,370 for the six months ended June 30, 2020 (six months ended June 30, 2019 - \$1,090,848).

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Notes to Condensed Interim Financial Statements

Six Months Ended June 30, 2020 and 2019

(in Canadian dollars)

9. 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.

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.

For the three months ended June 30, 2020:

	RF Heating		HPC		Total
Revenue	\$	—	\$	611,712	\$ 611,712
Expenses					
Cost of revenue		—		—	—
General and administrative		328,434		125,329	453,763
Research and development		98,619		28,986	127,605
		427,053		154,315	581,368
(Loss) income from operations	\$	(427,053)	\$	457,397	\$ 30,344

For the three months ended June 30, 2019:

	RF Heating		HPC		Total
Revenue	\$	2,250	\$	211,225	\$ 213,475
Expenses					
Cost of revenue		—		2,250	2,250
General and administrative		391,707		166,660	558,367
Research and development		63,115		34,996	98,111
		454,822		203,906	658,728
(Loss) income from operations	\$	(452,752)	\$	7,319	\$ (445,253)

Acceleware Ltd.

Notes to Condensed Interim Financial Statements Six Months Ended June 30, 2020 and 2019 (in Canadian dollars)

9. Operating segments (cont'd)

For the six months ended June 30, 2020

	RF Heating		HPC		Total
Revenue	\$	—	\$	694,715	\$ 694,715
Expenses					
Cost of revenue		—		—	—
General and administrative		625,113		291,872	916,985
Research and development		380,595		76,627	457,222
		1,005,708		368,499	1,374,207
(Loss) income from operations	\$	(1,005,708)	\$	326,216	\$ (679,492)

For the six months ended June 30, 2019

	RF Heating		HPC		Total
Revenue	\$	4,475	\$	1,097,733	\$ 1,102,208
Expenses					
Cost of revenue		—		2,853	2,853
General and administrative		868,641		300,564	1,169,205
Research and development		184,375		64,112	248,487
		1,053,016		367,529	1,420,545
(Loss) income from operations	\$	(1,048,541)	\$	730,204	\$ (318,337)

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

Six Months Ended June 30, 2020 and 2019

(in Canadian dollars)

10. Related party transactions

- (a) For the three months ended June 30, 2020, the Company incurred expenses in the amount of \$43,750 (three months ended June 30, 2019 - \$43,750) and \$87,500 for the six months ended June 30, 2020 (six months ended June 30, 2019 - \$86,917) with a company controlled by an officer of the Company as fees for duties performed in managing operations, and this amount is included in research and development expense. As at June 30, 2020, \$50,313 was included in accounts payable and accrued liabilities (December 31, 2019 - \$50,082). 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 three months ended June 30, 2020, the Company incurred expenses in the amount of \$37,048 (three months ended June 30, 2019 - \$6,840) and \$ 48,418 for the six months ended June 30, 2020 (six months ended June 30, 2019- \$20,899) with a company controlled by a director of the Company for legal fees, and this amount is included in general and administrative expense. As at June 30, 2020, \$38,900 was included in accounts payable and accrued liabilities (December 31, 2019 - \$158). 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 three months ended June 30, 2020, the Company incurred expenses in the amount of \$16,500 (three months ended June 30, 2019 - \$26,100) and \$32,800 for the six months ended June 30, 2020 (six months ended June 30, 2019 - \$42,550) with a company controlled by the spouse of an officer of the Company for communications services, and this amount is included in general and administrative expense. As at June 30, 2020, \$5,775 was included in accounts payable and accrued liabilities (December 31, 2019 - \$5,880). 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:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Salaries and short-term employee benefits	\$ 221,538	\$ 300,389	\$ 434,159	\$ 632,544
Share-based payments	38,769	85,709	86,728	178,212
	\$ 260,307	\$ 386,098	\$ 520,887	\$ 810,756