

# **Acceleware Ltd.**

**Condensed Interim Financial Statements (Unaudited)  
For the Nine Months Ended September 30, 2021 and  
2020**

**(in Canadian dollars)**

# Acceleware Ltd.

## Condensed Interim Financial Statements For the Nine Months Ended September 30, 2021 and 2020 (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 Canadian Institute of Chartered Accountants 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:

	September 30, 2021	December 31, 2020
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 3,382,566	\$ 1,942,014
Trade and other receivables (note 6)	2,223,572	1,206,962
Deposits and prepaid expenses	267,932	532,428
	<b>5,874,070</b>	<b>3,681,404</b>
Non-current		
Property and equipment	43,278	17,672
Right of use assets	122,026	155,974
<b>Total assets</b>	<b>\$ 6,039,374</b>	<b>\$ 3,855,050</b>
<b>Liabilities and Equity</b>		
Current		
Accounts payable and accrued liabilities	\$ 3,993,584	\$ 1,006,093
Deferred government assistance for R&D (note 6)	1,593,697	2,428,199
Contract liabilities	106,351	164,178
Lease obligations (note 5)	27,319	54,004
	<b>5,720,951</b>	<b>3,652,474</b>
Non-current		
Deferred Revenue (note 8a)	2,650,000	750,000
Other liabilities (note 5)	184,192	119,928
<b>Total liabilities</b>	<b>8,555,143</b>	<b>4,522,402</b>
<b>Shareholders' Equity</b>		
Share capital (note 7a)	23,138,066	22,380,890
Reserves (note 7b)	7,749,552	8,030,670
Deficit	(33,403,387)	(31,078,912)
<b>Total shareholders' equity</b>	<b>(2,515,769)</b>	<b>(667,352)</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 6,039,374</b>	<b>\$ 3,855,050</b>

Going concern (note 3)

Approved on behalf of the Board:

"signed"

Bohdan Romaniuk, Director

"signed"

Geoff Clark, 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 September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
<b>Revenue</b> (note 8)	\$ 297,226	\$ 130,219	\$ 665,740	\$ 824,934
<b>Expenses</b>				
Cost of revenue	22,250	—	41,532	—
General and administrative	441,729	439,089	1,251,765	1,356,074
Research and development	942,511	183,408	1,670,130	640,630
	<b>1,406,490</b>	<b>622,497</b>	<b>2,963,427</b>	<b>1,996,704</b>
<b>(Loss) income from operations</b>	<b>(1,109,264)</b>	<b>(492,278)</b>	<b>(2,297,687)</b>	<b>(1,171,770)</b>
Finance (expense) income	(2,755)	650	(6,662)	15,084
Foreign exchange (loss) gain	8,951	(50,061)	(20,126)	98,970
	<b>6,196</b>	<b>(49,411)</b>	<b>(26,788)</b>	<b>114,054</b>
<b>Total comprehensive loss for the period attributable to shareholders</b>	<b>\$ (1,103,068)</b>	<b>\$ (541,689)</b>	<b>\$ (2,324,475)</b>	<b>\$ (1,057,716)</b>
<b>Loss per share</b>				
Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Weighted average shares outstanding	<b>106,942,415</b>	<b>105,537,241</b>	<b>106,149,959</b>	<b>105,448,340</b>

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				Contributed surplus	Deficit	Total shareholders' equity	
	Common shares	Amount		Amount				
<b>Balance at December 31, 2019</b>	#	104,611,670	\$	22,270,968	\$	7,855,034	\$ (28,979,259)	\$ 1,146,743
Total comprehensive loss		—		—		—	(1,057,716)	(1,057,716)
Exercise of stock options for cash (note 7a)		932,500		49,625		—	—	49,625
Share-based payments								
Current period expense (note 7b)		—		—		182,107	—	182,107
Stock options exercised (note 7a)		—		28,547		(28,547)	—	—
<b>Balance at September 30, 2020</b>	#	<b>105,544,170</b>	\$	<b>22,349,140</b>	\$	<b>8,008,594</b>	\$ <b>(30,036,975)</b>	\$ <b>320,759</b>
<b>Balance at December 31, 2020</b>	#	105,669,170	\$	22,380,890	\$	8,030,670	\$ (31,078,912)	\$ (667,352)
Total comprehensive loss		—		—		—	(2,324,475)	(2,324,475)
Exercise of stock options for cash (note 7a)		2,271,170		383,825		—	—	383,825
Share-based payments								
Current period expense (note 7b)		—		—		92,233	—	92,233
Stock options exercised (note 7a)		—		373,351		(373,351)	—	—
<b>Balance at September 30, 2021</b>	#	<b>107,940,340</b>	\$	<b>23,138,066</b>	\$	<b>7,749,552</b>	\$ <b>(33,403,387)</b>	\$ <b>(2,515,769)</b>

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 September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
<b>Cash flows from (used for) operating activities</b>				
Comprehensive loss before tax	\$ (1,103,068)	\$ (541,689)	\$ (2,324,475)	\$ (1,057,716)
Items not involving cash:				
Amortization	12,966	39,951	40,089	127,097
Asset retirement obligation	77,765	—	77,765	—
Share-based payments ( <i>note 7b</i> )	55,088	59,100	92,233	182,107
Interest payments on lease obligations	2,755	852	6,979	3,672
Changes in non-cash working capital items				
Trade and other receivables	(807,200)	280,864	(1,016,610)	452,855
Contract Assets	(13,746)	(4,711)	(36,549)	(38,712)
Alberta SR&ED tax credit receivable	—	(4,758)	—	(4,758)
Deposits and prepaid expenses	167,522	18,668	301,045	(19,565)
Accounts payable & accrued liabilities	2,704,390	(70,910)	2,987,490	(515,794)
Deferred government assistance	(2,297,936)	(310,281)	(834,502)	(798,895)
Contract liabilities	(10,411)	(11,215)	(57,826)	(22,522)
Deferred revenue	1,000,000	—	1,900,000	300,000
	(211,875)	(544,129)	1,135,639	(1,392,231)
<b>Cash flows from financing activities</b>				
Issuance of common shares ( <i>note 7a</i> )	358,425	4,875	383,825	49,625
Interest payments on lease obligations	(2,755)	(852)	(6,979)	(3,672)
Principal payments on lease obligations	(13,305)	(32,643)	(40,415)	(102,654)
	342,365	(28,620)	336,431	(56,701)
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(3,127)	—	(31,518)	—
	(3,127)	—	(31,518)	—
<b>Increase (decrease) in cash and cash equivalents</b>	<b>127,363</b>	<b>(572,749)</b>	<b>1,440,552</b>	<b>(1,448,932)</b>
Cash and cash equivalents, beginning of period	3,255,203	3,505,011	1,942,014	4,381,194
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,382,566</b>	<b>\$ 2,932,262</b>	<b>\$ 3,382,566</b>	<b>\$ 2,932,262</b>
<b>Comprised of:</b>				
Cash on hand	\$ 3,362,774	\$ 1,243,603	\$ 3,362,774	\$ 1,243,603
Cash equivalents	19,792	1,688,659	19,792	1,688,659
	\$ 3,382,566	\$ 2,932,262	\$ 3,382,566	\$ 2,932,262

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2021 and 2020

(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, 2020. 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, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on November 23, 2021.

#### (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, 2020.

#### (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.



# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2021 and 2020

(in Canadian dollars)

### 2. Basis of Presentation (cont'd)

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

Since March 10, 2020, when the novel coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization, COVID-19 has 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 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 a deficit balance of \$33,403,387 (December 31, 2020 - \$31,078,912) and net loss of \$2,324,475 for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - \$1,057,716) largely due to investments in new product development and in the penetration of new markets. In particular, the Company invested \$1,670,130 net of government assistance of \$5,751,541 for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - \$640,630 net of government assistance of \$1,043,619), in research and development, principally for the Company's proprietary RF heating technology ("RF XL" or "RF heating"). 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 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, industry partners 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.

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.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2021 and 2020

(in Canadian dollars)

### 3. Going concern (cont'd)

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 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, 2020.

### 5. Contractual long-term commitments

On October 1, 2020, Acceleware entered into a new lease agreement to lease 5,244 square feet of office space for a period of five years, ending on September 30, 2025. The previous lease had expired July 31, 2020 and the premises were leased on a month-to-month basis until September 30, 2020. 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 2021 through 2023. The leases carry a weighted average annual interest rate of 4.2%.

The following table summarizes the undiscounted contractual cash flows:

	September 30, 2021	December 31, 2020
2021	\$ 13,157	\$ 66,332
2022	38,686	38,686
2023	38,686	38,686
2024	36,000	36,000
2025	27,000	27,000
Minimum lease payments	153,529	206,704
Less: interest portion at a rate of 7.9% (2020 – 7.8%)	20,945	28,155
Net minimum lease payments	\$ 132,584	\$ 178,549

Variable lease payments for operating costs not included in the above table are approximately \$60,000 per year (December 31, 2020 - \$60,000 per year).

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2021 and 2020

(in Canadian dollars)

### 6. Government assistance

In 2018 the Company entered into contribution agreements with Sustainable Development Technology Canada (“SDTC”) and Emissions Reduction Alberta (“ERA”) to provide \$10,000,000 of non-dilutive and non-repayable funding for the commercial-scale pilot test of the RF XL technology. In response to the global pandemic, SDTC contributed an additional \$262,500 during the three months ended March 31, 2021 and an additional \$250,000 during the three months ended March 31, 2020 bringing the total committed contribution to \$10,512,500 as at September 30, 2021. Under the terms of the agreements, SDTC and ERA provide milestone-based funding at the beginning of a milestone. During the three and nine months ended September 30, 2021, the Company received \$nil and \$2,164,847 less a holdback receivable of \$285,352, respectively (three and nine months ended September 30, 2020 – \$nil and \$250,000, respectively).

Effective January 1, 2021, Acceleware entered into an investment agreement with Alberta Innovates to provide up to \$5,000,000 of non-dilutive and non-repayable funding for the commercial-scale pilot test of the RF XL technology. The Company received the first milestone payment of \$2,000,000 during the three months ended March 31, 2021 with the remainder of the funds to be distributed at designated milestones over the course of the project. There were no payments received during the three months ended September 30, 2021.

The following table provides a continuity of amounts recorded on the statement of financial position within current liabilities as deferred government assistance for R&D:

	September 30, 2021	December 31, 2020
Balance, as at beginning of the year	\$ 2,428,199	\$ 3,678,473
Milestone payments received year to date	3,879,495	250,000
Holdback and amounts receivable from Alberta Innovates	1,037,544	—
Recognized as an offset to R&D expense year to date	(5,751,541)	(1,500,274)
	<b>\$ 1,593,697</b>	<b>\$ 2,428,199</b>

The remaining amount committed but not yet received from SDTC, ERA and Alberta Innovates, including holdback receivable, is \$5,620,602 (December 31, 2020 - \$4,237,597). Holdback and amounts receivable, included in trade and other receivables, as at September 30, 2021 are \$2,004,789 (December 31, 2020 - \$967,244). Total project costs incurred since inception for the commercial-scale pilot test as at September 30, 2021 are approximately \$15,247,000 (Inception to December 31, 2020 - approximately \$7,640,000).

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy (“CEWS”) program in April 2020, retroactive to March 15, 2020 and the Canada Emergency Rent Subsidy (“CERS”) program in October 2020, retroactive to September 27, 2020. CEWS and CERS provides a subsidy to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. For periods the Company has determined that it has qualified for the CEWS and CERS subsidy, the Company has applied for, and for certain periods received, the CEWS and CERS. The Company also intends to apply for the CEWS and CERS in subsequent application periods for which it is available, subject to continuing to meet the applicable qualification criteria.

For the three months ended September 30, 2021, the Company has recognized \$103,580 CEWS and \$17,499 CERS (three months ended September 30, 2020 - \$33,377 CEWS and \$nil CERS) and has recorded CEWS as a reduction to salaries and wages and CERS as a reduction to rent in general and administrative and research and development expenses.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2021 and 2020

(in Canadian dollars)

### 6. Government assistance (cont'd)

For the nine months ended September 30, 2021, the Company has recognized \$158,483 CEWS and \$22,082 CERS (nine months ended September 30, 2020 - \$140,284 CEWS and \$nil CERS) and has recorded CEWS as a reduction to salaries and wages and CERS as a reduction to rent in general and administrative and research and development expenses.

Since inception and as of September 30, 2021, the Company has received \$460,508 from the CEWS program and \$30,701 from the CERS program.

### 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.

During the nine months ended September 30, 2021, 2,271,170 stock options (nine months ended September 30, 2020 - 932,500) were exercised for cash proceeds of \$383,825 (nine months ended September 30, 2020 - \$49,625). Non-cash compensation charges of \$373,351 (nine months ended September 30, 2020 - \$28,547) were reclassified from contributed surplus to share capital on the exercise of these options.

#### (b) Share-based payments

At September 30, 2021, 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 options' vesting period and charged to share-based compensation expenses.

During the nine months ended September 30, 2021, the Company granted stock options to acquire up to 2,379,466 common shares of the Company to certain employees and directors. The options have a weighted average exercise price of \$0.29 per common share. Of the 2,379,466 options granted, 941,000 shall vest on the first anniversary of the grant date, 941,000 shall vest on the second anniversary of the grant date, 248,733 shall vest when the share price of the common shares of the Company closes at or above \$0.36 for ten consecutive trading days and 248,733 shall vest when the share price of the common shares of the Company closes at or above \$0.435 for ten consecutive trading days.

The weighted average grant date fair value of the stock options granted during 2021 was estimated to be \$0.23 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 1.13%, a risk-free interest rate of 0.71%, expected dividend yield of nil%, expected forfeiture rate of 1.72% 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.

During the nine months ended September 30, 2020, the Company granted stock options to acquire up to 1,662,466 common shares of the Company to certain employees, officers and directors. The options have a weighted average exercise price of \$0.10 per common share and expire five years from the date of grant. Of the 1,662,466 options granted, 682,500 shall vest on the first anniversary of the grant date, 682,500 shall vest on the second anniversary

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2021 and 2020

(in Canadian dollars)

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

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

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.

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.

Total share-based payment expense for the three months ended September 30, 2021 was \$41,778 relating to general and administrative (three months ended September 30, 2020 - \$43,762) and \$13,310 relating to research and development (three months ended September 30, 2020 - \$15,338) for a total of \$55,088 (three months ended September 30, 2020 - \$59,100).

Total share-based payment expenses for the nine months ended September 30, 2021 were \$74,306 relating to general and administrative (nine months ended September 30, 2020 - \$132,348) and \$17,927 relating to research and development (nine months ended September 30, 2020 - \$49,759) for a total of \$92,233 (nine months ended September 30, 2020 - \$182,107).

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, 2020	10,010,868	\$ 0.17
Granted	2,379,466	0.29
Exercised	(2,271,170)	0.17
Balance, September 30, 2021	10,119,164	\$ 0.20

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2021 and 2020

(in Canadian dollars)

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

Summary of options outstanding and exercisable as at September 30, 2021 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	1,297,466	3.22	\$0.10	784,966
\$0.12	September 11, 2019	550,000	2.95	0.12	550,000
\$0.13	January 31, 2019	2,331,066	2.34	0.13	2,331,066
\$0.135	June 22, 2020	150,000	3.73	0.135	50,000
\$0.20	October 25, 2018	295,000	2.07	0.20	295,000
\$0.21	February 22, 2017	1,714,632	0.40	0.21	1,714,632
\$0.30	January 24, 2018	1,401,534	1.32	0.30	965,000
\$0.30	May 31, 2021	140,000	4.67	0.30	—
\$0.29	August 31, 2021	2,179,466	4.92	0.29	—
\$0.29	September 20, 2021	60,000	4.97	0.29	—
		10,119,164	2.63	\$0.20	6,690,664

### (c) Earnings per share

The calculation of weighted average shares outstanding for the diluted loss per share calculation excludes the impact of the options outstanding as at September 30, 2021 and 2020 as the effect is anti-dilutive.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2021 and 2020

(in Canadian dollars)

### 8. Revenue

The Company sub-classifies revenue within the following components: software revenue, maintenance revenue, services revenue and data revenue. The following table shows the breakdown of revenue:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Software	\$ 189,315	\$ 5,339	\$ 315,215	\$ 611,471
Maintenance	52,911	124,880	276,866	213,463
Services	55,000	—	73,659	—
	<b>\$ 297,226</b>	<b>\$ 130,219</b>	<b>\$ 665,740</b>	<b>\$ 824,934</b>

#### (a) Data revenue

In 2018, the Company entered into a Project Funding Agreement with a major oil-sands producer, the terms of which provide the customer with the right to access and use data obtained from the commercial-scale pilot of RF XL technology Acceleware is conducting at Marwayne, Alberta. Under the terms of the agreement, Acceleware will receive total funding of up to \$2,000,000, paid in non-refundable installments upon completion of milestones.

In December 2020, the Company entered into a Test Data Purchase Agreement with a second major oil sands producer for the right to access and use data obtained from the Marwayne pilot of RF XL technology. Under the terms of the agreement, Acceleware will receive total funding of up to \$2,000,000, paid in non-refundable installments upon completion of milestones.

In July 2021, the Company entered into a Test Data Purchase Agreement with a third major oil sands producer for the right to access and use data obtained from the Marwayne pilot of RF XL technology. Under the terms of the agreement, Acceleware will receive total funding of up to \$2,000,000, paid in non-refundable installments upon completion of milestones.

Under *IFRS 15 Revenue from Contracts with Customers*, these contracts do not meet all requirements for revenue recognition over-time, therefore revenue recognition defaults to the end of the contract. As at September 30, 2021, deferred revenue of \$2,650,000 (December 31, 2020 - \$750,000) has been recorded under these contracts for amounts that have been received in cash, and will be recognized as revenue once heating is complete or the contract is terminated, whichever is earlier.

#### (b) Major Customers

The Company derived significant revenues from three major customers each of which exceeded 10% of total revenues for the three months ended September 30, 2021. Revenue from these customers was \$273,702 at September 30, 2021 (September 30, 2020 – two major customers for a total revenue of \$97,176).

The Company derived significant revenues from five major customers each of which exceeded 10% of total revenues for the nine months ended September 30, 2021. Revenue from these customers was \$547,918 at September 30, 2021 (September 30, 2020 – two major customers for a total revenue of \$683,454).

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2021 and 2020

(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 September 30, 2021

		RF Heating	HPC	Total
<b>Revenue</b>	\$	55,000	242,226	297,226
<b>Expenses</b>				
Cost of Revenue		22,250	—	22,250
General and administrative		348,347	93,382	441,729
Research and development		939,479	3,032	942,511
		1,310,076	96,414	1,406,490
<b>(Loss) income from operations</b>		<b>(1,255,076)</b>	<b>145,812</b>	<b>(1,109,264)</b>

For the three months ended September 30, 2020

		RF Heating	HPC	Total
<b>Revenue</b>	\$	—	130,219	\$ 130,219
<b>Expenses</b>				
General and administrative		323,026	116,063	439,089
Research and development		149,161	34,247	183,408
		472,187	150,310	622,497
<b>Loss from operations</b>		<b>(472,187)</b>	<b>(20,091)</b>	<b>(492,278)</b>



# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2021 and 2020

(in Canadian dollars)

### 9. Operating segments (cont'd)

For the nine months ended September 30, 2021

	RF Heating		HPC		Total
<b>Revenue</b>	\$	140,000	\$	525,740	\$ 665,740
<b>Expenses</b>					
Cost of revenue		35,725		5,807	41,532
General and administrative		914,195		337,570	1,251,765
Research and development		1,654,151		15,979	1,670,130
		2,604,071		359,356	2,963,427
<b>(Loss) income from operations</b>	\$	<b>(2,464,071)</b>	\$	<b>166,384</b>	\$ <b>(2,297,687)</b>

For the nine months ended September 30, 2020

	RF Heating		HPC		Total
<b>Revenue</b>	\$	—	\$	824,934	\$ 824,934
<b>Expenses</b>					
General and administrative		948,139		407,935	1,356,074
Research and development		529,756		110,874	640,630
		1,477,895		518,809	1,996,704
<b>(Loss) income from operations</b>	\$	<b>(1,477,895)</b>	\$	<b>306,125</b>	\$ <b>(1,171,770)</b>

### 10. Related Party Transactions

- (a) For the three months ended September 30, 2021, the Company incurred expenses in the amount of \$45,938 (three months ended September 30, 2020 - \$43,750) and \$137,083 for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - \$131,250) 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 September 30, 2021 \$59,828 was included in accounts payable and accrued liabilities (December 31, 2020 - \$116,375). These fees were incurred in the normal course of operations and in the opinion of management represent fair value for services rendered.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2021 and 2020

(in Canadian dollars)

### 10. Related Party Transactions (cont'd)

- (b) For the three months ended September 30, 2021, the Company incurred expenses in the amount of \$1,492 (three months ended September 30, 2020 - \$17,932) and \$21,548 for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - \$66,350) 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 September 30, 2021, \$1,073 was included in accounts payable and accrued liabilities (December 31, 2020 - \$17,630). 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 September 30, 2021, the Company incurred expenses in the amount of \$32,000 (three months ended September 30, 2020 - \$16,500) and \$114,000 for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - \$49,300) with a company controlled by the spouse of an officer of the Company for management and other services, and this amount is included in general and administrative expense. As at September 30, 2021, \$12,600 was included in accounts payable and accrued liabilities (December 31, 2020 - \$8,400). 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:

	<b>Three months ended September 30, 2021</b>		Three months ended September 30, 2020		<b>Nine months ended September 30, 2021</b>		Nine months ended September 30, 2020
Salaries and short-term employee benefits	\$ 259,705	\$	225,395	\$	842,093	\$	659,554
Share-based payments	46,232		43,955		85,217		130,683
	<b>\$ 305,937</b>	<b>\$</b>	<b>269,350</b>	<b>\$</b>	<b>927,310</b>	<b>\$</b>	<b>790,237</b>