

Acceleware Ltd.

**Condensed Interim Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2022 and
2021**

(in Canadian dollars)

Acceleware Ltd.

Condensed Interim Financial Statements For the Nine Months Ended September 30, 2022 and 2021 (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, 2022	December 31, 2021
Assets		
Current		
Cash and cash equivalents	\$ 159,050	\$ 1,947,512
Trade and other receivables (note 7)	1,535,201	2,960,602
Deposits and prepaid expenses	321,296	289,176
	2,015,547	5,197,290
Non-current		
Property and equipment	13,983	43,868
Right of use assets	85,832	111,030
Total assets	\$ 2,115,362	\$ 5,352,188
Liabilities and Equity		
Current		
Accounts payable and accrued liabilities	\$ 3,583,893	\$ 5,251,469
Deferred government assistance for R&D (note 7)	—	725,231
Contract liabilities	52,888	104,056
Current portion of non-current liabilities (notes 5 and 6)	143,675	27,869
	3,780,456	6,108,625
Non-current		
Deferred revenue (note 9)	4,150,000	3,050,000
Convertible debentures (note 6)	558,791	—
Other non-current liabilities (notes 5 and 6)	1,260,641	316,552
Total liabilities	9,749,888	9,475,177
Shareholders' Equity		
Share capital (note 8a)	23,273,331	23,178,884
Reserves (note 8b)	8,046,903	7,856,632
Deficit	(38,954,760)	(35,158,505)
Total shareholders' equity	(7,634,526)	(4,122,989)
Total liabilities and shareholders' equity	\$ 2,115,362	\$ 5,352,188

Going concern (note 3) and subsequent event (note 8a)

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, 2022 (unaudited)	Three months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2022 (unaudited)	Nine months ended September 30, 2021 (unaudited)
Revenue (note 9)	\$ 53,282	\$ 297,226	\$ 255,237	\$ 665,740
Expenses				
Cost of revenue	—	22,250	18,748	41,532
General and administrative	531,716	441,729	1,504,843	1,251,765
Research and development	592,443	942,511	3,125,602	1,670,130
	1,124,159	1,406,490	4,649,193	2,963,427
(Loss) income from operations	(1,070,877)	(1,109,264)	(4,393,956)	(2,297,687)
Finance expense	(99,394)	(2,755)	(200,486)	(6,662)
Gain on derivative instruments (note 6)	169,800	—	796,800	—
Foreign exchange gain (loss)	125	8,951	1,387	(20,126)
	70,531	6,196	597,701	(26,788)
Total comprehensive loss for the period attributable to shareholders	\$ (1,000,346)	\$ (1,103,068)	\$ (3,796,255)	\$ (2,324,475)
Loss per share				
Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Weighted average shares outstanding	108,382,813	106,942,415	108,327,476	106,149,959

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					
Balance at December 31, 2020	# 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 (<i>note 8a</i>)	2,271,170	383,825		—	—	383,825	
Share-based payments							
Current period expense (<i>note 8b</i>)	—	—		92,233	—	92,233	
Stock options exercised (<i>note 8a</i>)	—	373,351		(373,351)	—	—	
Balance at September 30, 2021	# 107,940,340	\$ 23,138,066	\$	7,749,552	\$ (33,403,387)	\$ (2,515,769)	
Balance at December 31, 2021	# 108,095,340	\$ 23,178,884	\$	7,856,632	\$ (35,158,505)	\$ (4,122,989)	
Total comprehensive loss	—	—		—	(3,796,255)	(3,796,255)	
Exercise of stock options for cash (<i>note 8a</i>)	310,000	48,600		—	—	48,600	
Share-based payments							
Current period expense (<i>note 8b</i>)	—	—		236,118	—	236,118	
Stock options exercised (<i>note 8a</i>)	—	45,847		(45,847)	—	—	
Balance at September 30, 2022	# 108,405,340	\$ 23,273,331	\$	8,046,903	\$ (38,954,760)	\$ (7,634,526)	

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 Sept 30, 2022 (unaudited)	Three months ended Sept 30, 2021 (unaudited)	Nine months ended Sept 30, 2022 (unaudited)	Nine months ended Sept 30, 2021 (unaudited)
Cash flows from (used for) operating activities				
Comprehensive loss before tax	\$ (1,000,346)	\$ (1,103,068)	\$ (3,796,255)	\$ (2,324,475)
Items not involving cash:				
Amortization expense	15,715	12,966	55,082	40,089
Decommissioning expense	—	77,765	100,000	77,765
Share-based payments expense	57,648	55,088	236,118	92,233
Gain on derivative financial instruments (note 6)	(169,800)	—	(796,800)	—
Interest expense on convertible debenture (note 6)	95,493	—	192,286	—
Interest expense on lease obligations	2,043	2,755	6,395	6,979
Changes in non-cash working capital items				
Trade and other receivables	651,414	(807,200)	1,425,401	(1,016,610)
Contract Assets	—	(13,746)	—	(36,549)
Deposits and prepaid expenses	(59,939)	167,522	(32,120)	301,045
Accounts payable and accrued liabilities	221,581	2,704,390	(1,682,504)	2,987,490
Deferred government assistance	—	(2,297,936)	(725,231)	(834,502)
Contract liabilities	(30,020)	(10,411)	(51,168)	(57,826)
Deferred revenue (note 9)	—	1,000,000	1,100,000	1,900,000
	(216,211)	(211,875)	(3,968,796)	1,135,639
Cash flows from financing activities				
Issuance of common shares (note 8a)	6,750	358,425	48,600	383,825
Payments on lease obligations	(2,043)	(2,755)	(6,579)	(6,979)
(Decrease)/increase in other non- current liabilities	(8,517)	(13,305)	(23,344)	(40,415)
Net proceeds from convertible debentures (note 6)	—	—	2,161,657	—
	(3,810)	(342,365)	2,180,334	336,431
Cash flows from investing activities				
Purchase of property and equipment	—	(3,127)	—	(31,518)
	—	(3,127)	—	(31,518)
Increase (decrease) in cash and cash equivalents	(220,021)	127,363	(1,788,462)	1,440,552
Cash and cash equivalents, beginning of period	379,071	3,255,203	1,947,512	1,942,014
Cash and cash equivalents, end of period	\$ 159,050	\$ 3,382,566	\$ 159,050	\$ 3,382,566
Comprised of:				
Cash on hand	\$ 139,258	\$ 3,362,774	\$ 139,258	\$ 3,362,774
Cash equivalents	19,792	19,792	19,792	19,792
	\$ 159,050	\$ 3,382,566	\$ 159,050	\$ 3,382,566

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

September 30, 2022 and 2021

(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, 2021. 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, 2021, 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 22, 2022.

(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, 2021.

(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, 2022 and 2021

(in Canadian dollars)

2. Basis of Presentation (cont'd)

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

The Company makes estimates relating to the selection of appropriate market rates of interest to discount contractual interest and principal payments of compound financial instruments. There are also estimates related to the fair value of the embedded features which requires determining the most appropriate valuation model and the most appropriate inputs to the valuation model.

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 \$38,954,760 (December 31, 2021 - \$35,158,505) and net loss of \$3,796,255 for the nine months ended September 30, 2022 (Nine months ended September 30, 2021 - \$2,324,475) largely due to investments in new product development and in the penetration of new markets. In particular, the Company invested \$3,125,602 net of government assistance of \$1,329,025 for the nine months ended September 30, 2022 (nine months ended September 30, 2021 - \$1,670,130 net of government assistance of \$5,751,541), 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.

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

September 30, 2022 and 2021

(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, 2021, except as noted below.

(a) *Convertible debentures*

In accordance with IFRS 9 Financial Instruments, convertible debentures are financial instruments which are accounted for separately, dependent on the nature of their components. The identification of such components embedded within a convertible note requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the embedded derivative has a variable conversion rate, the option is recognized as a derivative liability or asset measured at fair value through profit and loss. The residual amount is recognized as a financial liability and subsequently measured at amortized cost.

The convertible debenture consists of a debt host with multiple embedded derivatives including a conversion privilege, a forced conversion option, a pre-payment option, and an anti-dilution option. The embedded derivatives did not meet the definition of equity and are required to be recognized separately from the debt host.

At initial recognition, the embedded derivatives were measured at fair value and recorded as a derivative liability within other non-current liabilities on the statement of financial position. The initial carrying amount of the debt host was the residual amount after deducting the fair value of the embedded derivatives from the proceeds, net of associated transaction costs.

Subsequent to initial recognition, the debt host is measured at amortized cost with interest recognized using the effective interest rate method which will accrete the debt host to the face value of the debentures over the term of the debenture. The embedded derivative liabilities are marked to market at each financial reporting date with changes in fair value recognized in profit or loss.

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September 30, 2022 and 2021

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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. 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 2022 through 2023. The leases carry a weighted average annual interest rate of 4.24%.

The following table summarizes the undiscounted contractual cash flows:

	September 30, 2022	December 31, 2021
2022	9,671	38,686
2023	38,686	38,686
2024	36,000	36,000
2025	27,000	27,000
Minimum lease payments	111,357	140,372
Less: interest portion at a rate of 7.9% (2021 – 7.9%)	11,858	28,330
Net minimum lease payments	\$ 99,499	\$ 112,042

Variable lease payments for operating costs not included in the above table are approximately \$60,000 per year (December 31, 2021 - \$60,000 per year).

6. Convertible debentures

As of April 4, 2022, the Company had closed two non-brokered private placements of 10% unsecured convertible debentures for total gross proceeds of \$2,215,000. The first debenture with gross proceeds of \$1,500,000 was issued on March 24, 2022, and the second debenture with gross proceeds of \$715,000 was issued on April 4, 2022. Each debenture matures four years after the issue date and is convertible into units of the Company (each a "Unit") at a conversion price of \$0.80 (the "Conversion Price"), at the holders' option (the "Conversion Option"). Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share, at an exercise price equal to 200% of the Conversion Price for a 24-month period following the issue date of the debentures. If at any time during the Term, the Company announces an offering of common shares below the Conversion Price, the debenture holders have the option (the "Anti-Dilution Option") to convert at the offering price or the contracted floor price, whichever is higher, provided the debentures are converted within 15 days of the announcement. The contracted floor price for the first debenture is \$0.68 and \$0.72 for the second debenture. At any time during the Term, the Company has the option to pre-pay all or a portion of the debentures provided the Company pays all interest that would have accrued on the redeemed debentures up to maturity ("the Pre-payment Option"). The Company has the option to force conversion (the "Forced Conversion Option") of the debentures until the maturity date into Units provided that on the day of conversion, the 30-day volume weighted average price of the Company's common shares is equal to or above 130% of the Conversion Price or \$1.04.

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

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(in Canadian dollars)

6. Convertible debentures (cont'd)

Total net proceeds of \$2,161,657 received from the offering were used to fund the further development and testing of the Company's RF heating technology and for general corporate purposes.

At inception and for subsequent reporting periods, the fair value of the Conversion Option with the Anti-Dilution Option was measured using a Black-Scholes option pricing model. The Forced Conversion Option was measured using a binomial option pricing model and the net present value of financing costs saved upon exercise of the option. The Pre-Payment Option was determined to have no material value.

The following assumptions were used as inputs into the pricing models:

	September 30, 2022	At Inception
Expected volatility	0.90-1.15	0.76 - 1.22
Risk-free interest rate	3.40% –3.65%	1.49% – 1.73%
Share price on measurement date	0.41	0.74
Expected dividend yield	Nil	Nil
Expected life	1.5 – 3.5 years	2 - 4 years

The value of each component, allocated amongst the debt host and embedded derivatives at inception was as follows:

		At Inception
Proceeds on offering	\$	2,215,000
Less:		
Fair value of Conversion and Anti-Dilution Options		2,104,800
Fair value of Forced Conversion Option		(612,700)
Derivative liability	\$	1,492,100
Convertible debentures	\$	722,900

The deferred financing costs associated with the debt component were \$11,208 and are recorded as an offset to the convertible debentures on the statement of financial position such that the net amount recorded at inception was \$711,692.

As at September 30, 2022, the fair value of the derivative liability related to the Conversion Option with the Anti-Dilution Option decreased by \$1,283,000 to \$821,800 and the fair value of the derivative asset related to the Forced Conversion Option decreased by \$486,200 to \$126,500 resulting in a net gain on derivative instruments of \$796,800 recorded on the statement of comprehensive loss. For the three and six months ended September 30, 2022, accrued interest payable using the amortized cost method of valuation for the convertible debentures of \$95,493 and \$190,986, respectively, was recorded as finance expense on the statement of comprehensive loss.

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Notes to Condensed Interim Financial Statements

September 30, 2022 and 2021

(in Canadian dollars)

7. Government assistance

In 2018 the Company entered into contribution agreements with Sustainable Development Technology Canada (“SDTC”) and Emissions Reduction Alberta (“ERA”) to provide \$10 million 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 June 30, 2022. Under the terms of the agreements, SDTC and ERA provide milestone-based funding less a holdback at the beginning of a milestone. The final holdback amounts will be distributed at the completion of the final milestone of the project. During the three and nine months ended September 30, 2022, the Company received \$250,00 and \$972,352 less a holdback receivable of \$77,143, respectively (three and nine months ended September 30, 2021 - \$2,164,847 less \$285,352 holdback).

Effective January 1, 2021, Acceleware entered into an investment agreement with Alberta Innovates to provide up to \$5 million of non-dilutive and non-repayable funding for the commercial-scale pilot test of the RF XL technology. The first payment of \$2,000,000 was received during the three months ended March 31, 2021, a second payment of \$2,000,000 was received during the three months ended December 31, 2021, and a third payment of \$500,000 was received during the three months ended March 31, 2022. The remainder of the funds will be distributed at completion of milestones in the project.

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, 2022	December 31, 2021
Balance, as at beginning of the year	\$ 725,231	2,428,199
Milestone and holdback payments received year to date	1,395,209	6,605,352
Change in milestone payment receivable (<i>note 5</i>)	(410,494)	910,494
Change in holdback receivable	(380,921)	413,445
Recognized as an offset to R&D expense year to date	(1,329,025)	(9,632,259)
	\$ —	725,231

The remaining amount committed but not yet received from SDTC, ERA and Alberta Innovates, including holdback receivable, is \$1,499,536 (December 31, 2021 - \$2,894,745). Total project costs incurred since inception for the commercial-scale pilot test as at September 30, 2022 are approximately \$24,790,000 (Inception to December 31, 2021 - approximately \$20,380,000).

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Notes to Condensed Interim Financial Statements

September 30, 2022 and 2021

(in Canadian dollars)

8. 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, 2022, 310,000 stock options (nine months ended September 30, 2021 – 2,271,170) were exercised for cash proceeds of \$48,600 (nine months ended September 30, 2021 - \$383,825). Non-cash compensation charges of \$45,847 (nine months ended September 30, 2021 - \$373,351) were reclassified from contributed surplus to share capital on the exercise of these options.

On November 10, 2022, the Company closed a private placement of units ("Units"). Each Unit consists of one common share and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one common share at an exercise price of \$0.36, for a period ending on November 10, 2024. In the event the common shares trade at a closing price at or greater than \$0.81 per common share for a period of thirty consecutive trading days, Acceleware may accelerate the expiry date by giving notice and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. Pursuant to the private placement, the Company distributed a total of 6,666,667 Units at a price of \$0.27 per Unit, for total gross proceeds of \$1,800,000. The proceeds will be used to fund a portion of the workover for the commercial-scale pilot test of the RF XL technology and for general corporate purposes.

(b) Share-based payments

At September 30, 2022, 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. There were no options granted in the nine months ended September 30, 2022 (nine months ended September 30, 2021 – 2,379,466 options were granted).

During the year, the Company granted to certain employees, contractors, officers, and directors options to purchase common shares as follows:

	September 30, 2022	September 30, 2021
Standard options granted	—	1,882,000
Performance options granted	—	497,466
Term to expiry	—	5 years

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Notes to Condensed Interim Financial Statements

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(in Canadian dollars)

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

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

All options granted, excluding the performance options, shall vest 50% on the first anniversary of the grant date and 50% on the second anniversary of the grant date. The weighted average grant date fair value of the stock options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2022	September 30, 2021
Weighted average grant date fair value	—	\$0.29
Expected volatility	—	1.15%
Risk-free interest rate	—	0.71%
Expected dividend yield	—	Nil
Expected forfeiture rate	—	1.72%
Expected life	—	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. The exercise price on the date of grant is equal to the share price on the date the options are granted.

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, 2021	9,749,164	\$ 0.21
Granted	—	—
Exercised	(310,000)	0.16
Forfeited	(108,000)	0.29
Balance, September 30, 2022	9,331,164	\$ 0.21

	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
Forfeited	—	—
Balance, September 30, 2021	10,119,164	\$ 0.20

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Notes to Condensed Interim Financial Statements

September 30, 2022 and 2021

(in Canadian dollars)

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

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

Summary of options outstanding and exercisable as at September 30, 2022 is as follows:

Exercise price outstanding	Grant Date	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
\$0.10 - \$0.135	Jan 2019 to Jun 2020	3,466,066	1.72	\$0.12	3,963,532
\$0.20 - \$0.21	Feb 2017 to Oct 2018	1,869,632	0.46	0.21	1,869,632
\$0.29 - \$0.30	Jan 2018 to Sept 2021	3,995,466	2.74	0.29	2,897,233
		9,331,164	2.01	\$0.20	8,730,397

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 - \$0.15	Aug 2016 to Jun 2020	4,328,532	2.76	\$0.13	3,716,032
\$0.20 - \$0.21	Feb 2017 to Oct 2018	2,009,632	2.72	0.21	2,009,632
\$0.29 - \$0.30	Jan 2018 to Sept 2021	3,781,000	3.79	0.29	965,000
		10,119,164	2.89	\$0.18	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, 2022 and 2021 as the effect is anti-dilutive.

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

September 30, 2022 and 2021

(in Canadian dollars)

9. 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, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Software	\$ 8,652	\$ 189,315	\$ 111,659	\$ 315,215
Maintenance	44,630	52,911	143,578	276,866
Services	—	55,000	—	73,659
	\$ 53,282	\$ 297,226	\$ 255,237	\$ 665,740

(a) Data revenue

Since 2018, the Company entered into Project Funding Agreements and Test Data Purchase Agreements (the "Agreements") with three major oil-sands producers, 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 Agreements, Acceleware will receive total funding of up to \$6,000,000, paid in installments upon completion of each milestone. Each milestone payment is non-refundable.

Under *IFRS 15 Revenue from Contracts with Customers*, these contracts did not meet all requirements for revenue recognition over-time, therefore revenue recognition defaults to the end of the contract. For each completed milestone, the Company has no outstanding obligation to deliver goods or services. Revenue of up to \$5,850,000 for this contract will be recognized once heating is complete or the contract is terminated, whichever is earlier. Software and maintenance revenue of \$100,000 was recognized in the nine months ended September 30, 2022 (nine months ended September 30, 2021 - \$100,000).

The following is a reconciliation of deferred revenue:

	September 30, 2022	December 31, 2021
Balance, beginning of year	\$ 3,050,000	\$ 750,000
Invoiced	1,200,000	2,400,000
Recognized as software and maintenance revenue	(100,000)	(100,000)
Recognized as data revenue	—	—
	\$ 4,150,000	\$ 3,050,000

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

September 30, 2022 and 2021

(in Canadian dollars)

9. Revenue (cont'd)

(b) Major Customers

The Company derived significant revenues from two major customers each of which exceeded 10% of total revenues for the three months ended September 30, 2022. Revenue from these customers was \$48,782 at September 30, 2022 (September 30, 2021 – three major customers for a total revenue of \$273,702).

The Company derived significant revenues from three major customers each of which exceeded 10% of total revenues for the nine months ended September 30, 2022. Revenue from these customers was \$218,589 at September 30, 2022 (September 30, 2021 – five major customers for a total revenue of \$547,918).

10. 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, 2022

		RF Heating	HPC	Total
Revenue	\$	4,500	48,782	53,282
Expenses				
General and administrative		405,533	126,183	531,716
Research and development		592,443	—	592,443
		997,976	126,183	1,124,159
(Loss) income from operations		(993,476)	(77,401)	(1,070,877)

Acceleware Ltd.

Notes to Condensed Interim Financial Statements September 30, 2022 and 2021 (in Canadian dollars)

10. Operating segments (cont'd)

For the three months ended September 30, 2021

	RF Heating		HPC		Total
Revenue	\$	55,000	\$	242,226	\$ 297,226
Expenses					
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
(Loss) income from operations		(1,255,076)		145,812	(1,109,264)

For the nine months ended September 30, 2022

	RF Heating		HPC		Total
Revenue	\$	89,500	\$	165,737	\$ 255,237
Expenses					
Cost of revenue		18,748		—	18,748
General and administrative		1,139,500		365,343	1,504,843
Research and development		3,125,602		—	3,125,602
		4,283,850		365,343	4,649,193
(Loss) income from operations	\$	(4,194,350)	\$	(199,606)	\$ (4,393,956)

For the nine months ended September 30, 2021

	RF Heating		HPC		Total
Revenue	\$	140,000	\$	525,740	\$ 665,740
Expenses					
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
(Loss) income from operations	\$	(2,464,071)	\$	166,384	\$ (2,297,687)

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

September 30, 2022 and 2021

(in Canadian dollars)

11. Related Party Transactions

- (a) For the three months ended September 30, 2022, the Company incurred expenses in the amount of \$45,938 (three months ended September 30, 2021 - \$45,938) and \$137,813 for the nine months ended September 30, 2022 (nine months ended September 30, 2021 - \$137,083) 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, 2022 \$119,263 was included in accounts payable and accrued liabilities (December 31, 2021 - \$73,325). 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 September 30, 2022, the Company incurred expenses in the amount of \$7,047 (three months ended September 30, 2021 - \$1,492) and \$46,404 for the nine months ended September 30, 2022 (nine months ended September 30, 2021- \$21,548) with a company controlled by an officer of the Company for legal fees, and this amount is included in general and administrative expense. As at September 30, 2022, \$44,154 was included in accounts payable and accrued liabilities (December 31, 2021 - \$411). 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, 2022, the Company incurred expenses in the amount of \$36,000 (three months ended September 30, 2021 - \$32,000) and \$108,000 for the nine months ended September 30, 2022 (nine months ended September 30, 2021 - \$114,000) 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, 2022, \$12,600 was included in accounts payable and accrued liabilities (December 31, 2021 - \$12,804). 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 September 30, 2022		Three months ended September 30, 2021		Nine months ended September 30, 2022		Nine months ended September 30, 2021
Salaries and short-term employee benefits	\$ 226,624	\$	259,705	\$	722,522	\$	842,093
Share-based expenses	42,483		46,232		158,238		85,217
	\$ 269,107	\$	305,937	\$	880,760	\$	927,310