

# **Acceleware Ltd.**

**Condensed Interim Financial Statements (Unaudited)  
For the Nine Months Ended September 30, 2023 and 2022**

**(in Canadian dollars)**

# Acceleware Ltd.

## Condensed Interim Financial Statements For the Nine Months Ended September 30, 2023 and 2022 (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, 2023	December 31, 2022
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 313,616	\$ 1,146,468
Trade and other receivables (note 7)	550,196	1,034,940
Deposits and prepaid expenses	250,224	263,325
	<b>1,114,036</b>	<b>2,444,733</b>
Non-current		
Right of use assets	55,101	84,099
<b>Total assets</b>	<b>\$ 1,169,137</b>	<b>\$ 2,528,832</b>
<b>Liabilities and Equity</b>		
Current		
Accounts payable and accrued liabilities (notes 5 and 11)	\$ 2,268,592	\$ 2,308,103
Other current liabilities (notes 5 and 11)	1,462,329	772,272
	<b>3,730,921</b>	<b>3,080,375</b>
Non-current		
Deferred revenue (note 9)	4,350,000	4,350,000
Convertible debentures (note 6)	1,397,105	1,257,041
Derivative liabilities (note 6)	86,400	647,300
Other non-current liabilities	334,210	353,130
Total liabilities	<b>9,898,636</b>	<b>9,687,846</b>
<b>Shareholders' Equity</b>		
Share capital (note 8a)	25,239,424	24,521,588
Reserves (notes 8b and 8c)	8,994,871	8,620,071
Deficit	(42,963,794)	(40,300,673)
Total shareholders' equity	<b>(8,729,499)</b>	<b>(7,159,014)</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,169,137</b>	<b>\$ 2,528,832</b>

Going concern and subsequent events (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, 2023 (unaudited)	Three months ended September 30, 2022 (unaudited)	Nine months ended September 30, 2023 (unaudited)	Nine months ended September 30, 2022 (unaudited)
<b>Revenue</b> (note 9)	\$ 62,467	\$ 53,282	\$ 235,421	\$ 255,237
<b>Expenses</b>				
Cost of revenue	—	—	—	18,748
General and administrative	562,325	531,716	1,414,751	1,504,843
Research and development	678,759	592,443	1,634,737	3,125,602
	<b>1,241,084</b>	<b>1,124,159</b>	<b>3,049,488</b>	<b>4,649,193</b>
<b>(Loss) income from operations</b>	<b>(1,178,617)</b>	<b>(1,070,877)</b>	<b>(2,814,067)</b>	<b>(4,393,956)</b>
Finance expense (notes 5, 6 and 11)	<b>(150,855)</b>	(99,394)	<b>(407,656)</b>	(200,486)
Change in fair value of derivative financial instruments (note 6)	<b>58,400</b>	169,800	<b>560,900</b>	796,800
Foreign exchange gain (loss)	<b>(934)</b>	125	<b>(2,298)</b>	1,387
	<b>(93,389)</b>	70,531	<b>150,946</b>	597,701
<b>Total comprehensive loss for the period attributable to shareholders</b>	<b>\$ (1,272,006)</b>	<b>\$ (1,000,346)</b>	<b>\$ (2,663,121)</b>	<b>\$ (3,796,255)</b>
<b>Loss per share</b>				
Basic and diluted	<b>\$ (0.01)</b>	\$ (0.01)	<b>\$ (0.02)</b>	\$ (0.04)
Weighted average shares outstanding	<b>117,134,550</b>	108,382,813	<b>116,365,993</b>	108,327,476

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 Reserves	Deficit	Total shareholders' equity
		Common shares	Amount	Warrants	Contributed surplus				
<b>Balance at December 31, 2021</b>	#	108,095,340	\$ 23,178,884	\$ —	\$ 7,856,632	\$ 7,856,632	\$ (35,158,505)	\$ (4,122,989)	
Total comprehensive loss		—	—	—	—	—	(3,796,255)	(3,796,255)	
Exercise of stock options for cash (note 8a)		310,000	48,600	—	—	—	—	48,600	
Share-based payments									
Current period expense		—	—	—	236,118	236,118	—	236,118	
Stock options exercised (note 8a)		—	45,847	—	(45,847)	(45,847)	—	—	
<b>Balance at September 30, 2022</b>	#	<b>108,405,340</b>	<b>\$ 23,273,331</b>	<b>\$ —</b>	<b>\$ 8,046,903</b>	<b>\$ 8,046,903</b>	<b>\$ (38,954,760)</b>	<b>\$ (7,634,526)</b>	
<b>Balance at December 31, 2022</b>	#	115,072,007	\$ 24,521,588	\$ 532,600	\$ 8,087,471	\$ 8,620,071	\$ (40,300,673)	\$ (7,159,014)	
Total comprehensive loss		—	—	—	—	—	(2,663,121)	(2,663,121)	
Exercise of stock options for cash (note 8a)		1,280,000	220,700	—	—	—	—	220,700	
Issuance of shares and warrants (notes 8a and 8b)		1,949,036	280,729	142,550	—	142,550	—	423,279	
Share-based payments									
Current period expense		—	—	—	448,657	448,657	—	448,657	
Stock options exercised (note 8a)		—	216,407	—	(216,407)	(216,407)	—	—	
<b>Balance at September 30, 2023</b>	#	<b>118,301,043</b>	<b>\$ 25,239,424</b>	<b>\$ 675,150</b>	<b>\$ 8,319,721</b>	<b>\$ 8,994,871</b>	<b>\$ (42,963,794)</b>	<b>\$ (8,729,499)</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, 2023 (unaudited)	Three months ended September 30, 2022 (unaudited)	Nine months ended September 30, 2023 (unaudited)	Nine months ended September 30, 2022 (unaudited)
<b>Cash flows from (used for) operating activities</b>				
Comprehensive loss before tax	\$ (1,272,006)	\$ (1,000,346)	\$ (2,663,122)	\$ (3,796,255)
Items not involving cash:				
Amortization expense	10,326	15,715	30,698	55,082
Decommissioning expense	2,437	—	7,310	100,000
Share-based payments expense	211,114	57,648	448,657	236,118
Change in fair value of derivative financial instruments (note 6)	(58,400)	(169,800)	(560,900)	(796,800)
Interest expense (notes 5, 6 and 11)	148,418	97,536	400,875	198,681
Changes in non-cash working capital items				
Trade and other receivables	2,360	651,414	484,744	1,425,401
Deposits and prepaid expenses	7,627	(59,939)	13,101	(32,120)
Accounts payable and accrued liabilities	222,026	221,581	(178,831)	(1,682,504)
Deferred government assistance	—	—	—	(725,231)
Contract liabilities	(8,726)	(30,020)	(25,213)	(51,168)
Deferred revenue	—	—	—	1,100,000
	<b>(734,824)</b>	<b>(216,211)</b>	<b>(2,042,681)</b>	<b>(3,968,796)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from issuance of common shares (notes 8a and 8b)	339,178	6,750	659,978	48,600
Repayment of lease obligations	(9,777)	(10,560)	(30,149)	(29,923)
Net proceeds from promissory notes (notes 5 and 11)	580,000	—	580,000	—
Net proceeds from convertible debentures (note 6)	—	—	—	2,161,657
	<b>909,401</b>	<b>(3,810)</b>	<b>1,209,829</b>	<b>2,180,334</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>174,577</b>	<b>(220,021)</b>	<b>(832,852)</b>	<b>(1,788,462)</b>
Cash and cash equivalents, beginning of period	139,039	379,071	1,146,468	1,947,512
<b>Cash and cash equivalents, end of period</b>	<b>\$ 313,616</b>	<b>\$ 159,050</b>	<b>\$ 313,616</b>	<b>\$ 159,050</b>
<b>Comprised of:</b>				
Cash on hand	\$ 293,824	\$ 139,258	\$ 293,824	\$ 139,258
Cash equivalents	19,792	19,792	19,792	19,792
	<b>\$ 313,616</b>	<b>\$ 159,050</b>	<b>\$ 313,616</b>	<b>\$ 159,050</b>

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2023 and 2022

(in Canadian dollars)

### 1. General information

Acceleware Ltd. (the “Company” or “Acceleware”) is a clean-tech 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. That same RF heating technology is also being applied to the decarbonization of certain other industrial heating applications currently in development. 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 1900, 520 - 3rd 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, 2022. 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, 2022, 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 21, 2023.

#### (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 certain financial instruments which are measured at fair value.

#### (d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts may differ from these estimates.

Estimates, judgments and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized in the period in which such estimates are revised if the revision affects only that period or in the period of the revision and future periods if the review affects both the current and future periods.



# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2023 and 2022

(in Canadian dollars)

### 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 \$42,963,794 (December 31, 2022 - \$40,300,673) and net loss of \$2,663,121 for the nine months ended September 30, 2023 (nine months ended September 30, 2022 - \$3,796,255) largely due to investments in new product development and in the penetration of new markets. In particular, the Company invested \$1,634,737 net of government assistance of \$553,808 for the nine months ended September 30, 2023 (nine months ended September 30, 2022 - \$3,125,602 net of government assistance of \$1,329,025), 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.

### 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, 2022.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2023 and 2022

(in Canadian dollars)

### 5. Other current liabilities

On December 3, 2022, the Company signed a promissory note payable for \$678,774, bearing interest at 9.45% per annum and secured with a general security agreement over the Company's assets. The principal and accrued interest amount of the promissory note is included in other current liabilities on the statement of financial position. As at September 30, 2023, \$746,849 of principal and accrued interest remains outstanding and the counterparty has agreed to amended terms. Repayment is expected on or about December 31, 2023 and the interest rate was increased to 11.85% per annum beginning July 1, 2023.

During the three months ended September 30, 2023, the Company signed promissory notes totaling \$580,000 bearing interest at an annual effective rate of 18.5%. Repayment terms are 180 days from the date of the promissory note and range from December 28, 2023 to March 7, 2024. Amounts outstanding as at September 30, 2023 are included in other current liabilities on the statement of financial position.

Included in accounts payable and accrued liabilities are deferred compensation amounts owing to management of \$1,003,072 (December 31, 2022 - \$779,665).

### 6. Convertible debentures

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, 2023	At Inception
Expected volatility	1.05 - 1.25	0.76 - 1.25
Risk-free interest rate	4.68%	1.49% – 2.41%
Share price on measurement date	\$0.17	\$0.74
Expected dividend yield	Nil	Nil
Expected life	0.5 – 2.5 years	2 - 4 years

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

	Principal	Debt	Derivative Liabilities
Balance, December 31, 2022	\$ 1,904,341	1,257,041	647,300
Fair value adjustment	(560,900)	—	(560,900)
Accretion	140,064	140,064	—
<b>Balance, September 30, 2023</b>	<b>1,483,505</b>	<b>1,397,105</b>	<b>86,400</b>

As at September 30, 2023 there was \$55,830 interest payable included in other current liabilities on the statement of financial position (December 31, 2022 - \$nil).

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2023 and 2022

(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 \$10,000,000 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 \$250,000 in 2020 and an additional \$262,500 in 2021 bringing the total committed contribution to \$10,512,500 as at March 31, 2023. 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, 2023, the Company received \$nil (three and nine months ended September 30, 2022 – \$250,000 and \$972,352 less a holdback receivable of \$77,143, respectively).

Effective January 1, 2021 and amended November 2022, Acceleware entered into an investment agreement with Alberta Innovates to provide up to \$5,900,000 of non-dilutive and non-repayable funding for the commercial-scale pilot test of the RF XL technology. During the three and nine months ended September 30, 2023, the Company received \$nil and \$500,000, respectively (three and nine months ended September 30, 2022 – \$nil and \$500,000, respectively).

The remaining amount committed but not yet received from SDTC and ERA, including holdbacks receivable, is \$500,000 (December 31, 2022 - \$1,000,000). Total project costs incurred since inception for the commercial-scale pilot test as at September 30, 2023 are approximately \$27,990,000 (Inception to December 31, 2022 - \$25,960,000).

Proceeds generated from the sale of produced oil from the pilot test are recorded as an offset to project costs within research and development expenses. Proceeds from the sale of produced oil in the three months ended September 30, 2023 were \$37,400 and \$89,804 for the nine months ended September 30, 2023 (three months ended September 30, 2022 - \$85,719 and nine months ended September 30, 2022 - \$132,225).

A new grant funding agreement was entered into with Clean Resource Innovation Network as of July 13, 2023 which provides non-dilutive and non-repayable funding of up to \$3,000,000 for costs incurred between January 1, 2022 and March 31, 2024 on the commercial-scale pilot test of the RF XL technology. The funding is provided in arrears based on completion of certain milestones. The Company has not received any payments as of November 21, 2023.

### 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, 2023, 1,280,000 stock options (nine months ended September 30, 2022 – 310,000) were exercised for cash proceeds of \$220,700 (nine months ended September 30, 2022 - \$48,600). Non-cash compensation charges of \$216,407 (nine months ended September 30, 2022 - \$45,847) were reclassified from contributed surplus to share capital on the exercise of these options.

On August 21, 2023 the Company closed a non-brokered private placement consisting of 1,949,036 units at a price of \$0.23 per unit for gross proceeds of \$448,278 and proceeds net of issue costs of \$423,279. Each unit is comprised of one common share of Acceleware and one common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at a price of \$0.30 per unit for a period of 24-months from the date of issuance. The gross proceeds from the private placement were allocated to share capital and warrants based on each components pro-rata fair value.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2023 and 2022

(in Canadian dollars)

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

#### (b) Warrants

As a result of the August 21, 2023 private placement of units, the Company issued 1,949,036 common share purchase warrants with an aggregate fair value of \$142,551. The fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: expected volatility 1.13, a risk free interest rate of 4.70%, expected dividend yield of nil and expected life of two years.

On November 10, 2022, the Company closed a private placement consisting of 6,666,667 units at a price of \$0.27 per unit for gross proceeds of \$1,800,000 and proceeds nets of issue costs of \$1,780,857. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.36 per unit for a period of two years from the date of issuance. The fair value of the warrants was estimated at the date of issuance using the Black-Scholes option pricing model based on the following assumptions: expected volatility 0.95, a risk free interest rate of 3.87%, expected dividend yield of nil and expected life of two years.

As of September 30, 2023, a total of 8,615,702 warrants are outstanding and none have been exercised (September 30, 2022 – nil).

#### (c) Share-based payments

At September 30, 2023, 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 5,465,000 options granted in the nine months ended September 30, 2023 (nine months ended September 30, 2022 – no options were granted).

	September 30, 2023
Standard options granted	4,565,000
Performance options granted	900,000
Term to expiry	5 years

The options have a weighted average exercise price of \$0.23 per common share and expire five years from the date of grant. Of the 5,465,000 options granted, 2,420,000 shall vest on the first anniversary of the grant date, 2,145,000 shall vest on the second anniversary of the grant date, 450,000 shall vest when the share price of the common shares of the Company closes at or above \$0.29 for ten consecutive trading days, and 450,000 shall vest when the share price of the common shares of the Company closes at or above \$0.345 for ten consecutive trading days.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2023 and 2022

(in Canadian dollars)

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

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

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, 2023
Grant date fair value	\$0.23
Expected volatility	113%
Risk-free interest rate	3.15%
Expected dividend yield	Nil
Expected forfeiture rate	Nil

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, 2022	9,331,164	\$ 0.20
Granted	5,465,000	0.23
Exercised	(1,280,000)	0.17
Forfeited	(120,000)	0.23
Expired	(2,356,166)	0.30
Balance, September 30, 2023	11,039,998	\$ 0.21

	Number	Weighted Average Exercise Price
Balance, December 31, 2021	9,749,164	\$ 0.20
Exercised	(310,000)	0.16
Forfeited	(108,000)	0.29
Balance, September 30, 2022	9,331,164	\$ 0.20

Summary of options outstanding and exercisable as at September 30, 2023 is as follows:

Exercise price outstanding	Grant Date	Number outstanding	Weighted average contractual life (years)	Weighted average exercise price	Number exercisable
\$0.10 - \$0.135	Jan 2019 to Jun 2020	3,348,532	0.7	\$0.12	3,348,532
\$0.20 - \$0.23	Oct 2018, Apr 2023	5,495,000	4.4	0.23	150,000
\$0.29 - \$0.30	May 2021 to Sept 2021	2,196,466	2.9	0.29	2,196,466
		11,039,998	3.0	\$0.21	5,694,998

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2023 and 2022

(in Canadian dollars)

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

#### (c) 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	1.7	\$0.12	3,963,532
\$0.20 - \$0.21	Feb 2017 to Oct 2018	1,869,632	0.5	0.21	1,869,632
\$0.29 - \$0.30	Jan 2018 to Sept 2021	3,995,466	2.7	0.29	2,897,233
		9,331,164	2.0	\$0.20	8,730,397

#### (d) 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, 2023 and 2022 as the effect is anti-dilutive.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2023 and 2022

(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, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Software	\$ 33,243	\$ 8,652	\$ 62,468	\$ 111,659
Maintenance	29,224	44,630	101,643	143,578
Services	—	—	71,310	—
	\$ 62,467	\$ 53,282	\$ 235,421	\$ 255,237

#### (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 related to these data contracts of \$nil was recognized in the three months ended September 30, 2023 and \$6,000 in the nine months ended September 30, 2023 (three months ended September 30, 2022 - \$4,500 and nine months ended September 30, 2022 - \$100,000).

#### (b) Major Customers

The Company derived significant revenues from one major customer which exceeded 10% of total revenues for the three months ended September 30, 2023. Revenue from this customer was \$58,470 at September 30, 2023 (September 30, 2022 – two major customers for a total revenue of \$48,782).

The Company derived significant revenues from three major customers each of which exceeded 10% of total revenues for the nine months ended September 30, 2023. Revenue from these customers was \$218,567 at September 30, 2023 (September 30, 2022 – three major customers for a total revenue of \$218,589).

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2023 and 2022

(in Canadian dollars)

### 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, 2023

		RF Heating		HPC		Total
<b>Revenue</b>	\$	—		62,467		62,467
<b>Expenses</b>						
General and administrative		496,024		66,301		562,325
Research and development		678,759		—		679,759
		1,174,783		66,301		1,241,084
<b>(Loss) income from operations</b>		<b>(1,174,783)</b>		<b>(3,834)</b>		<b>(1,178,617)</b>

For the three months ended September 30, 2022

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



# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements September 30, 2023 and 2022 (in Canadian dollars)

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

For the nine months ended September 30, 2023

	RF Heating		HPC		Total
<b>Revenue</b>	\$	77,310	\$	158,111	\$ 235,421
<b>Expenses</b>					
General and administrative		1,251,063		163,688	1,414,751
Research and development		1,634,737		—	1,634,737
		2,885,800		163,688	3,049,488
<b>(Loss) income from operations</b>	\$	<b>(2,808,490)</b>	\$	<b>(5,577)</b>	\$ <b>(2,814,067)</b>

For the nine months ended September 30, 2022

	RF Heating		HPC		Total
<b>Revenue</b>	\$	89,500	\$	165,737	\$ 255,237
<b>Expenses</b>					
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
<b>(Loss) income from operations</b>	\$	<b>(4,194,350)</b>	\$	<b>(199,606)</b>	\$ <b>(4,393,956)</b>

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

September 30, 2023 and 2022

(in Canadian dollars)

### 11. Related Party Transactions

- (a) For the three months ended September 30, 2023, the Company incurred expenses in the amount of \$45,938 (three months ended September 30, 2022 - \$45,938) and \$138,578 for the nine months ended September 30, 2023 (nine months ended September 30, 2022 - \$137,813) with a company controlled by an officer and director 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, 2023 \$252,137 was included in accounts payable and accrued liabilities (December 31, 2022 - \$206,902). 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, 2023, the Company incurred expenses in the amount of \$36,000 (three months ended September 30, 2022 - \$36,000) and \$108,000 for the nine months ended September 30, 2023 (nine months ended September 30, 2022 - \$108,000) with a company controlled by a close family member 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, 2023, \$80,550 was included in accounts payable and accrued liabilities (December 31, 2022 - \$44,750). 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, 2023, the Company incurred expenses in the amount of \$2,380 (three months ended September 30, 2022 - \$nil) and \$2,380 for the nine months ended September 30, 2023 (nine months ended September 30, 2022 - \$nil) with a close family member of an officer and director of the Company for communication and other services, and this amount is included in general and administrative expense. As at September 30, 2023, \$800 was included in accounts payable and accrued liabilities (December 31, 2022 - \$nil). These fees were incurred in the normal course of operations and in the opinion of management represent fair value for services rendered.
- (d) During the three months ended September 30, 2023, the Company issued promissory notes totaling \$230,000 bearing interest at an annual effective rate of 22% repayable within six months of issuance to officers and directors of the Company in the normal course of operations. In the opinion of management, these transactions represent fair value. The promissory notes, including accrued interest, are included in other current liabilities on the statement of financial position.
- (e) 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, 2023</b>		Three months ended September 30, 2022		<b>Nine months ended September 30, 2023</b>		Nine months ended September 30, 2022
Salaries and short-term employee benefits	\$ 211,023	\$	226,624	\$	640,900	\$	722,522
Share-based expenses	142,375		42,483		299,276		158,238
	<b>\$ 353,398</b>	<b>\$</b>	<b>269,107</b>	<b>\$</b>	<b>940,176</b>	<b>\$</b>	<b>880,760</b>