

# **Acceleware Ltd.**

## **Condensed Interim Financial Statements (Unaudited) For the Six Months Ended June 30, 2024 and 2023**

**(in Canadian dollars)**

# Acceleware Ltd.

## Condensed Interim Financial Statements For the Six Months Ended June 30, 2024 and 2023 (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:	June 30, 2024	December 31, 2023
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 249,312	\$ 951,569
Trade and other receivables	276,079	280,618
Prepaid expenses	36,729	23,770
	<b>562,120</b>	<b>1,255,957</b>
Non-current		
Right of use assets	35,503	49,705
Other non-current assets (note 9(a))	33,008	204,265
<b>Total assets</b>	<b>\$ 630,631</b>	<b>\$ 1,509,927</b>
<b>Liabilities and Equity</b>		
Current		
Accounts payable and accrued liabilities (note 5)	\$ 2,011,739	\$ 2,185,515
Notes payable (note 6)	927,696	944,010
Other current liabilities	82,743	111,804
<b>Total current liabilities</b>	<b>3,022,178</b>	<b>3,241,329</b>
Non-current		
Deferred revenue (note 9)	3,040,870	4,350,000
Convertible debentures (note 7)	1,577,604	1,454,700
Derivative liabilities (note 7)	34,400	119,600
Other non-current liabilities	312,760	325,073
<b>Total liabilities</b>	<b>7,987,812</b>	<b>9,490,702</b>
<b>Shareholders' Equity</b>		
Share capital (note 8a)	25,256,988	25,256,988
Reserves (note 8b)	9,437,934	9,108,283
Deficit	(42,052,103)	(42,346,046)
<b>Total shareholders' equity</b>	<b>(7,357,181)</b>	<b>(7,980,775)</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 630,631</b>	<b>\$ 1,509,927</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 Income (Loss) (Unaudited)

(in Canadian dollars)

For the:	Three months ended June 30, 2024 (unaudited)	Three months ended June 30, 2023 (unaudited)	Six months ended June 30, 2024 (unaudited)	Six months ended June 30, 2023 (unaudited)
<b>Revenue</b> (note 9)	\$ 2,012,047	\$ 69,407	2,055,641	172,954
<b>Expenses</b>				
General and administrative	418,061	529,487	870,543	852,426
Research and development (note 10)	140,205	637,633	641,320	955,978
	558,266	1,167,120	1,511,863	1,808,404
<b>Income (loss) from operations</b>	<b>1,453,781</b>	<b>(1,097,713)</b>	<b>543,778</b>	<b>(1,635,450)</b>
Finance expense	(173,567)	(126,185)	(335,035)	(258,165)
Change in fair value of derivative financial instruments (note 7)	(16,300)	88,400	85,200	502,500
	(189,867)	(37,785)	(249,835)	244,335
<b>Total comprehensive income (loss) for the period attributable to shareholders</b>	<b>\$ 1,263,914</b>	<b>\$ (1,135,498)</b>	<b>293,943</b>	<b>(1,391,115)</b>
<b>Income (loss) per share</b>				
Basic and diluted	\$ 0.01	\$ (0.01)	0.00	(0.01)
Weighted average shares outstanding – basic	118,376,043	116,277,007	118,376,043	115,977,939
Weighted average shares outstanding – diluted	118,592,989	116,277,007	118,636,278	115,977,939

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 shareholders' equity	
		Common shares	Amount		Warrants	Contributed surplus	Total Reserves		Deficit	
<b>Balance at December 31, 2022</b>	<b>#</b>	115,072,007	\$ 24,521,588	\$	532,600	\$ 8,087,471	\$ 8,620,071	\$	(40,300,673)	\$ (7,159,014)
Total comprehensive loss		—	—		—	—	—		(1,391,115)	(1,391,115)
Exercise of stock options for cash <i>(note 8a)</i>		1,205,000	211,700		—	—	—		—	211,700
Share-based payments										
Current period expense		—	—		—	237,543	237,543		—	237,543
Stock options exercised <i>(note 8a)</i>		—	207,842		—	(207,842)	(207,842)		—	—
<b>Balance at June 30, 2023</b>	<b>#</b>	<b>116,277,007</b>	<b>\$ 24,941,130</b>	<b>\$</b>	<b>532,600</b>	<b>\$ 8,117,172</b>	<b>\$ 8,649,772</b>	<b>\$</b>	<b>(41,691,788)</b>	<b>\$ (8,100,886)</b>
<b>Balance at December 31, 2023</b>	<b>#</b>	118,376,043	\$ 25,256,988	\$	675,151	\$ 8,433,132	\$ 9,108,283	\$	(42,346,046)	\$ (7,980,775)
Total comprehensive loss		—	—		—	—	—		293,943	293,943
Share-based payments										
Current period expense		—	—		—	329,651	329,651		—	329,651
<b>Balance at June 30, 2024</b>	<b>#</b>	<b>118,376,043</b>	<b>\$ 25,256,988</b>	<b>\$</b>	<b>675,151</b>	<b>\$ 8,762,783</b>	<b>\$ 9,437,934</b>	<b>\$</b>	<b>(42,052,103)</b>	<b>\$ (7,357,181)</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 June 30, 2024 (unaudited)	Three months ended June 30, 2023 (unaudited)	Six months ended June 30, 2024 (unaudited)	Six months ended June 30, 2023 (unaudited)
<b>Cash flows from (used for) operating activities</b>				
Total income (loss) and comprehensive income (loss)	\$ 1,263,914	\$ (1,135,498)	293,943	(1,391,115)
Adjustments for:				
Depreciation expense	7,101	10,186	15,487	20,372
Decommissioning expense	2,517	2,437	5,033	4,873
Share-based payments expense	132,001	205,096	329,651	237,543
Change in fair value of derivative financial instruments (note 7)	16,300	(88,400)	(85,200)	(502,500)
Interest expense	171,053	122,734	331,630	252,457
Changes in non-cash working capital items				
Trade and other receivables	6,010	39,605	4,539	482,384
Prepaid expenses	(16,723)	14,468	(12,960)	5,474
Accounts payable and accrued liabilities	(123,590)	(120,171)	(86,881)	(400,857)
Other current liabilities	(17,868)	(14,251)	(30,391)	(16,487)
Deferred revenue	(1,309,130)	—	(1,309,130)	—
	131,585	(963,794)	(544,279)	(1,307,856)
<b>Cash flows from (used for) financing activities</b>				
Net proceeds from issuance of common shares (note 8a)	—	—	—	211,700
Payments on notes payable	—	109,100	(139,101)	109,100
Payments on lease obligations	(9,168)	(10,681)	(18,877)	(20,373)
	(9,168)	98,419	(157,978)	300,427
<b>Increase (decrease) in cash and cash equivalents</b>	<b>122,417</b>	<b>(865,375)</b>	<b>(702,257)</b>	<b>(1,007,429)</b>
Cash and cash equivalents, beginning of period	126,895	1,004,414	951,569	1,146,468
<b>Cash and cash equivalents, end of period</b>	<b>\$ 249,312</b>	<b>\$ 139,039</b>	<b>249,312</b>	<b>139,039</b>
<b>Comprised of:</b>				
Cash on hand	\$ 229,520	\$ 119,248	229,520	119,248
Cash equivalents	19,792	19,791	19,792	19,792
	\$ 249,312	\$ 139,039	249,312	139,039

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

June 30, 2024 and 2023

(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, 2023. 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, 2023, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on August 15, 2024.

#### (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

June 30, 2024 and 2023

(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. As of June 30, 2024 the Company has a deficit balance of \$42,052,103 (December 31, 2023 - \$42,346,046).

This indicates 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, 2023.

### 5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are deferred compensation amounts owing to management of \$1,307,513 (December 31, 2023 - \$1,159,808).

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

June 30, 2024 and 2023

(in Canadian dollars)

### 6. Notes payable

As at June 30, 2024 the Company has promissory notes outstanding totaling \$857,627 bearing interest at an annual effective rate of 16.4% (December 31, 2023 - \$875,000, annual effective rate of 20.0%). Repayment terms are 180 days from the date of the promissory note.

### 7. 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:

	June 30, 2024	December 31, 2023
Expected volatility	1.32	1.20 – 1.31
Risk-free interest rate	4.39%	4.18%
Share price on measurement date	\$0.115	\$0.34
Expected dividend yield	Nil	Nil
Expected life	1.75 years	0.25 – 2.25 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		(502,500)	—	(502,500)
Accretion		90,675	90,675	—
Balance, June 30, 2023		1,492,516	1,347,716	144,800
Balance, December 31, 2023	\$	1,574,300	1,454,700	119,600
Fair value adjustment		(85,200)	—	(85,200)
Accretion		122,904	122,904	—
<b>Balance, June 30, 2024</b>		<b>1,612,004</b>	<b>1,577,604</b>	<b>34,400</b>

As at June 30, 2024 there was \$nil interest payable included in other current liabilities on the statement of financial position (December 31, 2023 - \$nil).

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

June 30, 2024 and 2023

(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 three months ended June 30, 2024, no stock options were exercised (three months ended June 30, 2023 – 1,205,000) for cash proceeds of \$nil (three months ended June 30, 2023 - \$211,700). Non-cash compensation charges of \$nil (three months ended June 30, 2023 - \$207,842) were reclassified from contributed surplus to share capital on the exercise of these options.

During the six months ended June 30, 2024, no stock options were exercised (six months ended June 30, 2023 – 1,205,000) for cash proceeds of \$nil (six months ended June 30, 2023 - \$211,700). Non-cash compensation charges of \$nil (six months ended June 30, 2023 - \$207,842) were reclassified from contributed surplus to share capital on the exercise of these options.

#### (b) Share-based payments

At June 30, 2024, 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.

The following options were granted in the six-month period ended:

	June 30, 2024	June 30, 2023
Standard options granted	1,929,000	4,565,000
Performance options granted	500,000	900,000
Weighted average exercise price per common share	\$0.135	\$0.23
Term to expiry	5 years	5 years

Of the 2,429,000 options granted in the six-month period ended June 30, 2024, 964,500 shall vest on the first anniversary of the grant date, 964,500 shall vest on the second anniversary of the grant date, 250,000 shall vest when the share price of the common shares of the Company closes at or above \$0.17 for ten consecutive trading days, and 250,000 shall vest when the share price of the common shares of the Company closes at or above \$0.20 for ten consecutive trading days.

Of the 5,465,000 options granted in the six-month period ended June 30, 2023, 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

June 30, 2024 and 2023

(in Canadian dollars)

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

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

The weighted average grant date fair value of the stock options granted in the six-month period ended June 30 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2024	June 30, 2023
Grant date fair value	\$0.11	\$0.19
Expected volatility	122%	113%
Risk-free interest rate	3.86%	3.15%
Expected dividend yield	Nil	Nil
Expected forfeiture rate	Nil	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, 2023	10,770,998	\$ 0.21
Granted	2,429,000	0.135
Expired	(1,881,066)	0.13
Balance, June 30, 2024	11,318,932	\$ 0.21

	Number	Weighted Average Exercise Price
Balance, December 31, 2022	9,331,164	\$ 0.21
Granted	5,465,000	0.23
Exercised	(1,205,000)	0.18
Expired	(2,356,166)	0.30
Balance, June 30, 2023	11,234,998	\$ 0.21

Summary of options outstanding and exercisable as at June 30, 2024 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	Sept 2019 to Jun 2020; Feb 2024	3,821,466	3.12	\$0.12	1,392,466
\$0.20 - \$0.23	April 2023	5,345,000	3.79	0.23	2,810,000
\$0.29 - \$0.30	May 2021 to Sept 2021	2,152,466	2.16	0.29	2,152,466
		11,318,932	3.25	\$0.21	6,354,932

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

June 30, 2024 and 2023

(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 June 30, 2023 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	3,423,532	0.97	\$0.12	3,423,532
\$0.20 - \$0.21	Oct 2018, April 2023	5,615,000	4.68	0.23	150,000
\$0.29 - \$0.30	May 2021 to Sept 2021	2,196,466	3.16	0.29	1,914,432
		11,234,998	3.25	\$0.21	5,487,964

#### (c) Warrants

On March 24, 2022, the Company closed a non-brokered private placement of 10% unsecured convertible debentures due 2026 for gross proceeds of \$1,500,000. On April 5, 2022, the Company closed its second non-brokered private placement on terms, similar to the first, for gross proceeds of \$715,000. Each debenture unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to acquire one common share, at an exercise price equal to 200% of the conversion price of the debentures for a 24-month period following the issuance of the debentures. As of June 30, 2024, all warrants expired unexercised resulting in a reduction of the derivative liability.

#### (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 June 30, 2024 and 2023 as the effect is anti-dilutive.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

June 30, 2024 and 2023

(in Canadian dollars)

### 9. Revenue

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

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Software	\$ 26,513	\$ 10,045	\$ 39,554	\$ 29,225
Maintenance	35,534	35,552	66,087	72,419
Services	1,950,000	23,810	1,950,000	71,310
	<b>\$ 2,012,047</b>	<b>\$ 69,407</b>	<b>\$ 2,055,641</b>	<b>\$ 172,954</b>

#### (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 was to be recognized once all milestones have been met or the contract is terminated, whichever is earlier. Software and maintenance revenue of \$150,000 was recognized in prior years.

In the three months ended June 30, 2024 the Company completed all milestones under a Project Funding Agreement and as such recognized \$1,950,000 revenue related to that performance obligation and deferred contract costs of \$169,971 (three months ended June 30, 2023 - \$nil). Subsequent to June 30, 2024, a Test Data Purchase Agreement with a second customer was terminated and as such the Company will recognize \$950,000 revenue in the third quarter of 2024. The remaining revenue of \$1,950,000 from a third customer will be recognized when all milestones have been met, or contract is terminated, whichever is earlier. All payments expected under these agreements have been received.

#### (b) Major Customers

The Company derived significant revenues from one major customer which exceeded 10% of total revenues for the three months ended June 30, 2024. Revenue from these customers was \$1,950,000 at June 30, 2024 (June 30, 2023 – two major customers for a total revenue of \$65,403).

The Company derived significant revenues from one major customer which exceeded 10% of total revenues for the six months ended June 30, 2024. Revenue from these customers was \$1,950,000 at June 30, 2024 (June 30, 2023 – three major customers for a total revenue of \$160,097).

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

June 30, 2024 and 2023

(in Canadian dollars)

### 10. Research and development

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Salaries	\$ 437,591	\$ 287,625	\$ 690,292	\$ 550,247
Consultants	91,397	84,143	172,005	184,841
R&D services and materials	115,220	211,879	189,220	570,274
Share-based payments	56,725	35,408	132,853	47,483
Depreciation	3,550	5,093	7,743	10,186
Rent and overhead allocation	13,485	13,485	26,970	26,970
Government assistance <sup>(a)/(b)</sup>	(577,763)	—	(577,763)	(434,023)
	\$ 140,205	\$ 637,633	\$ 641,320	\$ 955,978

- a) A grant funding agreement was entered into with Clean Resource Innovation Network ("CRIN") 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 received \$577,763 in the three months ended June 30, 2024, \$nil in the three months ended March 31, 2024 and \$2,064,433 in the three months ended December 31, 2023. The remaining amount claimed but not yet received from CRIN is \$357,804.
- b) The Government of Alberta's Innovation Employment Grant ("IEG") to support research and development was effective January 1, 2021 and provides a grant of up to 20% of eligible R&D expenses incurred in Alberta. This new grant effectively replaced Alberta's 10% scientific research and experimental development refundable tax credit that was eliminated as at December 31, 2019. The Company met the eligibility criteria, claimed eligible R&D expenditures and received \$434,023 in the three months ended March 31, 2023 related to 2021 eligible expenditures and \$119,785 in the three months ended September 30, 2023 related to 2022 eligible expenditures. Subsequent to June 30, 2024, the Company received \$305,467 related to 2023 eligible expenditures.

### 11. 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 advanced electromagnetic heating using RF energy.

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. All liabilities of the Company are associated with the RF Heating segment, except for contract liabilities and those for corporate support functions.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

June 30, 2024 and 2023

(in Canadian dollars)

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

For the three months ended June 30, 2024	RF Heating		HPC		Total
<b>Revenue</b>	\$	1,950,000	\$	62,047	\$ 2,012,047
<b>Expenses</b>					
General and administrative		372,976		45,085	418,061
Research and development		140,205		—	140,205
		513,181		45,085	558,266
<b>Income from operations</b>	\$	<b>1,436,819</b>	\$	<b>16,962</b>	<b>\$ 1,453,781</b>

For the three months ended June 30, 2023	RF Heating		HPC		Total
<b>Revenue</b>	\$	25,310	\$	44,097	\$ 69,407
<b>Expenses</b>					
General and administrative		464,861		64,626	529,487
Research and development		637,633		—	637,633
		1,102,494		64,626	1,167,120
<b>(Loss) from operations</b>	\$	<b>(1,077,184)</b>	\$	<b>(23,529)</b>	<b>\$ (1,097,713)</b>

For the six months ended June 30, 2024	RF Heating		HPC		Total
<b>Revenue</b>	\$	1,950,000	\$	105,641	\$ 2,055,641
<b>Expenses</b>					
General and administrative		771,765		98,778	870,543
Research and development		641,320		—	641,320
		1,413,085		98,778	1,511,863
<b>Income from operations</b>	\$	<b>536,915</b>	\$	<b>6,863</b>	<b>\$ 543,778</b>

For the six months ended June 30, 2023	RF Heating		HPC		Total
<b>Revenue</b>	\$	77,310	\$	95,644	\$ 172,954
<b>Expenses</b>					
General and administrative		755,039		97,387	852,426
Research and development		955,978		—	955,978
		1,711,017		97,387	1,808,404
<b>(Loss) income from operations</b>	\$	<b>(1,633,707)</b>	\$	<b>(1,743)</b>	<b>\$ (1,635,450)</b>



# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

June 30, 2024 and 2023

(in Canadian dollars)

### 12. Related Party Transactions

- (a) For the three months ended June 30, 2024, the Company incurred expenses in the amount of \$45,938 (three months ended June 30, 2023 - \$46,703) and \$91,875 for the six months ended June 30, 2024 (six months ended June 30, 2023 - \$92,641) 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 June 30, 2024 \$305,464 was included in accounts payable and accrued liabilities (December 31, 2023 - \$273,308). These fees were incurred in the normal course of operations and represent fair value for services rendered.
- (b) For the three months ended June 30, 2024, the Company incurred expenses in the amount of \$36,000 (three months ended June 30, 2023 - \$36,000) and \$72,000 for the six months ended June 30, 2024 (six months ended June 30, 2023 - \$72,000) with a company controlled by the spouse of an officer of the Company for marketing, communication, management and strategy development, and these expenses are included in general and administrative expense. As at June 30, 2024, \$92,973 was included in accounts payable and accrued liabilities (December 31, 2023 - \$80,373). These fees were incurred in the normal course of operations and represent fair value for services rendered.
- (c) For the three months ended June 30, 2024, the Company incurred expenses in the amount of \$8,580 (three months ended June 30, 2023 - \$nil) and \$14,580 for the six months ended June 30, 2024 (six months ended June 30, 2023 - \$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 June 30, 2024, \$2,575 was included in accounts payable and accrued liabilities (December 31, 2023 - \$1,700). These fees were incurred in the normal course of operations and represent fair value for services rendered.
- (d) As at June 30, 2024, the Company had promissory notes outstanding of \$312,978 bearing interest at an annual effective rate of 15% repayable within six months of issuance to officers and directors of the Company in the normal course of operations (December 31, 2023 - \$340,000, annual effective interest rate of 20%). These notes payable were issued in the normal course of operations and represent fair value.
- (e) Key management includes the Company's directors and members of the executive management team. Compensation awarded to key management included:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Salaries and short-term employee benefits	\$ 213,477	\$ 211,737	\$ 430,937	\$ 429,877
Share-based expenses	80,934	130,000	192,260	156,901
	\$ 294,411	\$ 341,737	\$ 623,197	\$ 586,778