ACCELEWARE LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2024

This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read together with Acceleware Ltd.'s ("Acceleware" or the "Company") audited financial statements and the accompanying notes for the year ended December 31, 2024, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca under Acceleware Ltd.

This MD&A is presented as of April 1, 2025. All financial information contained herein is expressed in Canadian dollars unless otherwise indicated.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believes" and similar expressions. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A may contain forward-looking statements, pertaining to the following:

- the expectation of Acceleware's ability to continue operating as a going concern, fund its operations through the sale of its products and services, and access external financing when required;
- the future growth prospects for radio frequency ("RF") heating technology for heavy oil and oil sands based on technical and economic feasibility analyses and field testing performed to date;
- the expectation that RF heating technology can be economically applied to industrial heating and drying applications;
- the patentability of concepts developed through RF heating research and development ("R&D") efforts;
- the expectation that the positive economic and technical analyses and testing to date will be reinforced by future results of subsequent testing of the RF heating technology;
- the successful completion of the pilot of RF heating technology at Marwayne, Alberta (the "RF XL Pilot"), and at any subsequent demonstration sites;
- potential benefits of the Company's software to customers, including cost savings and increases to cash flow and productivity;
- oil and natural gas commodity prices;
- the impact of escalating trade tariffs affecting the Company's products, and input materials, particularly with respect to the United States;
- advantages to using Acceleware's products and technology;
- the demand for new products currently under development at the Company;
- ease and efficiency of implementing Acceleware's products; and
- supply and demand for Acceleware's primary software products.

With respect to forward-looking statements contained in this MD&A, the Company has assumed, among other things:

- that the future revenue and resulting cash flow expected by the Company's management ("Management") and ability to attract new financing will be sufficient to fund future operations - this assumption being subject to the risk and uncertainty that the Company may not generate enough cash flow from operating activities to meet its capital requirements and that the Company may not be able to secure additional capital resources from external sources to fund any shortfall. Operating cash flow may be negatively affected by general economic conditions, increased competition, increased equipment or labour costs, and adverse movements in foreign currencies. Should the Company experience a cash flow shortfall from operating activities, Management's contingency plan may not be sufficient to reverse the shortfall;
- that industry and government environmental interest in reducing greenhouse gas ("GHG") emissions, reducing industrial water use, and minimizing land disturbance remains a priority;
- that the long-term oil and natural gas commodity price trend and its effect on the Company's products, services, and R&D efforts will be manageable;
- that the long-term effect of any sentiment, law or policy regarding future investment in new heavy oil or oil sands projects will be manageable;
- that the analyses coupled with lab and field testing that the Company has performed to date regarding the technical and economic feasibility of RF heating technology for heavy oil and oil sands will be confirmed in future pilot testing and in commercial products;
- that the analyses coupled with lab testing that the Company has performed to date regarding the technical and economic feasibility of RF heating technology for industrial heating and drying applications will be confirmed in future field testing and in commercial products;
- that the Company will maintain all regulatory approvals required to carry out the pilot testing of its RF heating technology at the RF XL Pilot, and at any subsequent demonstration sites;
- that the Company will be able to source additional financing required to further demonstrate RF XL;
- that the impact of escalating trade tariffs will be manageable;
- that the RF heating concepts developed by the Company are unique, novel and non-infringing of intellectual property owned by others;
- that the Company will be able to maintain sales of its software products and services which is subject to the risks that sales in core vertical markets may be negatively affected by general economic conditions, and that the Company's R&D efforts may be unable to develop continuous improvements; and
- that the Company will be able to withstand the impact of increasing competition.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Forward-looking statements include statements with respect to the timing and amount of estimated future revenue and sales and the Company's ability to protect and commercially exploit its intellectual property. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

BUSINESS OVERVIEW

Acceleware is an advanced electromagnetic ("EM") heating company with highly scalable solutions for large industrial applications. The Company's products are branded EM Powered Heat and provide a pathway to economically electrify and decarbonize industrial heating processes previously considered difficult to abate. Acceleware's mission is for EM Powered Heat to have a material impact on energy efficiency and global GHG emissions. In addition to EM Powered Heat, the Company also provides specialized scientific software. Acceleware is focussed within two business segments:

- **RF Heating (EM Powered Heat)**: heating technology powered by the Company's proprietary Clean Tech Inverter ("CTI") for applications including enhanced oil recovery ("RF XL"), mining and mineral processing, carbon capture, cement and concrete, and agri-food.
- **HPC**: scientific high-performance computing software.

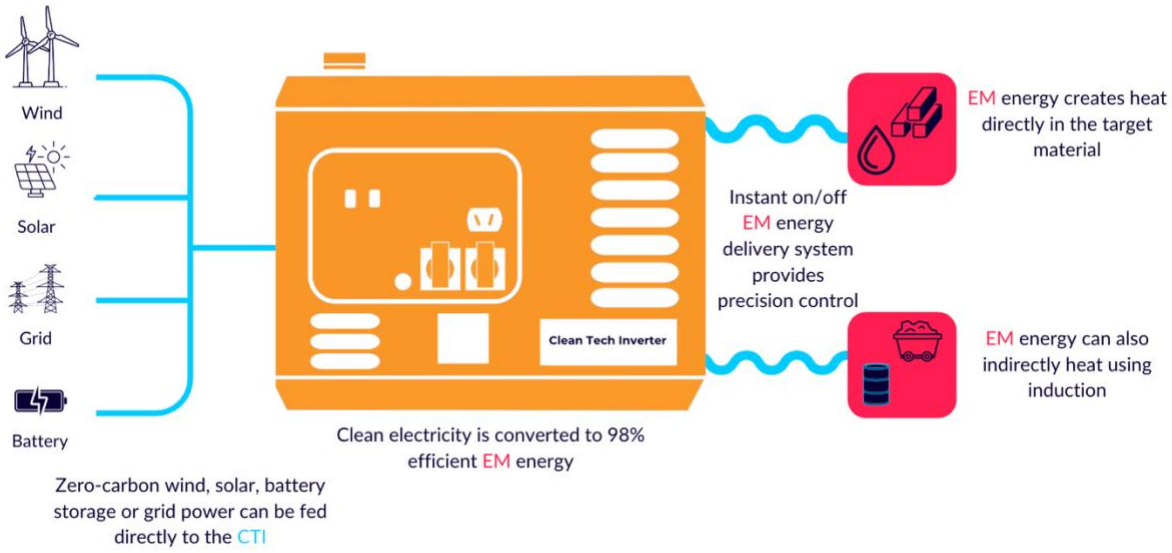
EM Powered Heat:

EM Powered Heat is a unique, step-change improvement from outdated methods of fossil-fuel powered, inherently inefficient, heat transfer. EM Powered Heat is a novel EM industrial process heater that functions like a highly efficient Power-to-Heat converter. In the applications where Acceleware is focussed, EM Powered Heat materially reduces energy consumption joule-for-joule compared to either fossil fuel-based heaters or other types of electric heaters. This could mean low-carbon industrial process heat with lower operating cost than the status quo of combustion-based heat.

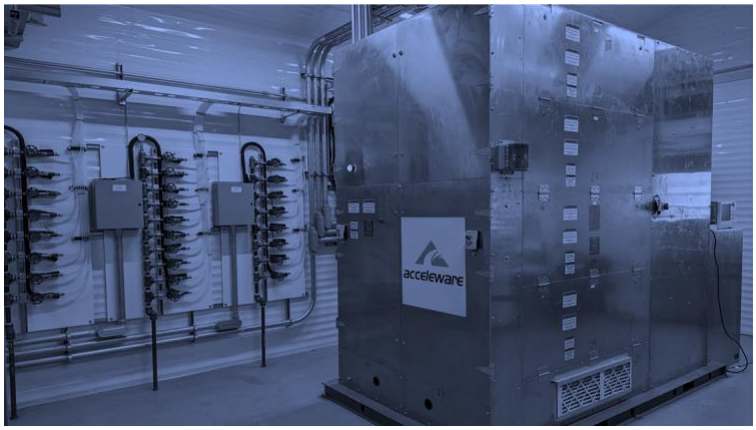
The features of EM Powered Heat include:

- Delivery of EM energy directly to molecules that need heating - eliminating most heat transfer energy losses.
- Conversion of electricity to EM energy with 98% energy efficiency.
- Ability to heat large volumes of material to temperatures ranging from 40ºC to 2000°C.
- A wide 250 kW to 100 MW power range.

EM Powered Heat is driven by the CTI, which pioneers the use of silicon carbide (SiC) power transistor technology, enabling economic and scalable electrified heating. EM Powered Heat is extremely energy efficient, as it couples EM energy delivery directly to a material, heating it at the molecular level rather than relying on heat transfer from a container or other medium. Efficiency is improved, since energy is no longer wasted when transferring heat from one place to another, and then further wasted distributing heat throughout the material. The CTI, being an extremely flexible variable high frequency electromagnetic energy source, can also be used to efficiently heat materials indirectly, for example, using induction heating.



Acceleware's patented CTI heating 'engine' can provide intelligent, reliable, scalable, on-demand, decarbonized heat via EM energy. EM Powered Heat with CTI can be adapted to multiple industrial clean heating applications, displacing fossil heating systems that are GHG intensive and costly to operate.



The CTI has been successfully field tested over many months, including over six months of operation at the RF XL Pilot. The CTI's SiC technology results in over 98 percent efficiency converting AC or DC power to RF energy. By delivering this energy directly (and with minimal losses) to the material being heated, a CTI-powered EM Powered Heat system could reduce energy intensity by an estimated 50-75 percent versus fossil heating in the Company's target applications.[*] The CTI has been patented, and Acceleware has multiple additional CTI patents pending.

EM Powered Heat - RF XL

RF XL is Acceleware's patented EM Powered Heat technology developed to improve the extraction of heavy oil and bitumen. RF XL features a cost effective and a more environmentally friendly alternative to other thermal enhanced or secondary recovery methods such as steam assisted gravity drainage ("SAGD"). When applied, RF XL has the potential to reduce both capital and operating costs, while offering significant potential environmental benefits when compared to other recovery techniques, including:

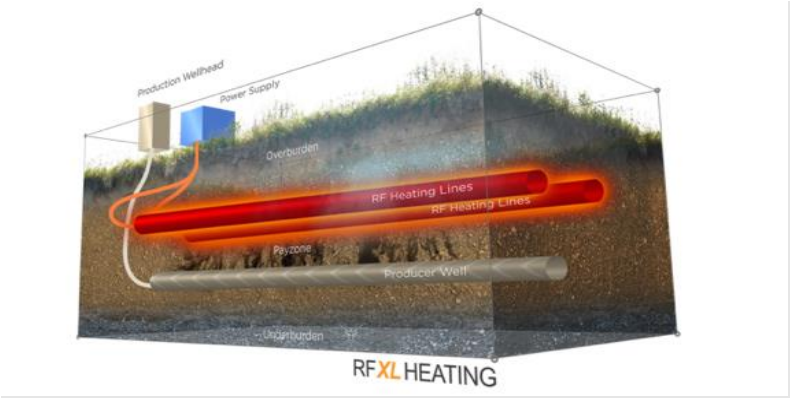
- immediately reducing potential GHG emissions;
- eliminating not only external water use, but also the cost of constructing and operating steam generation and water treatment facilities;
- substantially decreasing land use;
- eliminating any requirement for solvents; and
- eliminating requirement for tailings ponds.

RF XL also offers significant potential to increase heavy oil recovery factors from the current 3-6 percent norm associated with primary production though cold heavy oil production with sand (CHOPS) or through multilateral horizontal wells employing primary production and waterflood. A cost-effective method such as RF XL may enable commercial development of otherwise uneconomic heavy oil reservoirs such as smaller, thinner reservoirs or reservoirs that are highly heterogeneous including fractured reservoirs or reservoirs post-CHOPS. Reservoirs that have been previously produced with CHOPS, where up to 97 percent of the oil is still in the ground, are particularly attractive since "worm holes" created through the CHOPS process prevent production via traditional EOR techniques.

Of note, RF XL can function on either grid power or intermittent renewable power, and significantly reduces GHG emissions either way.

[*]This paragraph contains forward looking information. Please refer to "Forward Looking Statements" and "Risk Factors and Uncertainties" for a discussion of the risks and uncertainties related to such information.

Based on modelling, simulations, and field testing conducted to date, the Company believes that electrification through RF XL can provide a clear pathway to low-to-zero GHG emissions associated with the production of heavy oil and oil sands and provide optimal alignment between industry and government to recognize innovation as a meaningful component of the oil and gas industry's overall emission reduction plans.*



RF heating for oil production is not a new concept, as failed trials were conducted in Russia and North America as far back as 1948. Acceleware believes that these early failures were a result of technology limitations imposed by adapting radio communications technology for RF heating. Acceleware believes these limitations can be overcome with an entirely new approach to RF heating technology. Acceleware began investigating the use of RF energy for in-situ heating of heavy oil and bitumen in 2010. Since then, Acceleware has vigorously pursued the development of RF heating technology, securing the intellectual property with patents where appropriate. The Company's RF XL R&D efforts have focused on reducing the capital cost of the technology, increasing its efficiency (and therefore reducing its operating cost), and improving its scalability to very long horizontal wells commonly used in Alberta, Saskatchewan, Latin America, Africa, Asia, the Middle East and elsewhere. Acceleware's unique expertise with RF heating technology has resulted in feasibility study revenue and software revenue both locally and abroad.

EM Powered Heat - Drying of Mineral Ores

In 2023, Acceleware began working with the International Minerals Innovation Institute ("IMII") to validate the use of EM energy from the CTI to dry potash ore and other minerals. IMII is a non-profit organization jointly funded by industry and government that is committed to developing and implementing innovative education, training, research and development partnerships for supporting a world-class minerals industry. IMII's minerals industry members include BHP, Cameco Corporation, Fission Uranium Corp., The Mosaic Company and Nutrien Ltd.

The Company has completed Phase 2 of the project – construction and testing of a bench-scale 100 kilogram per hour potash ore drying system. The findings were presented to IMII in 2024. Additional IMII funded testing of the system is continuing in 2025. A proposal for Phase 3 has been presented to IMII and is currently under review. Phase 3 of the project would include the design, construction and testing of a larger shop-scale demonstration dryer.

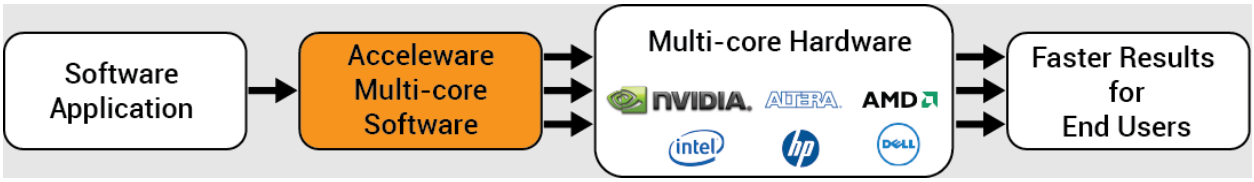
EM Powered Heat - Other Industrial Heating Applications

The Company has R&D projects underway to quantify the potential benefits of using EM Powered Heat in cement production; amine-based carbon capture; hydrogen production; agri-food product drying; oil refining; and synthetic low-carbon fuel production. Other applications in drying and industrial heating are also being explored.

High Performance Computing

Acceleware's traditional HPC market has centered around EM simulation software, and the Company continues to provide products to this industry. Its first software commercialized was an accelerated finite difference time domain ("FDTD") solution for the EM simulation industry. AxFDTD™ has been used by many Fortune 500 companies such as GE, Apple, Samsung, LG, Blackberry, Foxconn, Nikon, Renault, Mitsubishi, Merck, Boeing and Lockheed Martin, many of which continue to use the software today. With AxFDTD, Acceleware was a pioneer in the graphics processing unit ("GPU") computing revolution as most of the major mobile phone manufacturers in the world are using Acceleware's EM design solutions which facilitate more rapid design of their products. Acceleware's fourth-

generation software acceleration solutions, which support multi-board GPU systems, can accelerate entire industrial simulation and processing applications by more than 35 times.



The EM solutions developed by Acceleware can be easily integrated by software developers, saving them the expense and time of migrating applications to high performance multi-core platforms. Acceleware improves the overall experience for end users of these applications by providing greater computing speed without the need for end users to learn new skills or change their work processes.

In the EM market, software developers choose to partner with Acceleware to increase the speed of their software. Such partners currently include SPEAG, ZMT Zurich MedTech and Keysight Technologies. Acceleware reaches the EM market through a combination of partner channels and direct sales. Investment in AxFDTD continues for traditional markets because it is an enabling technology for AxHEAT.

In February 2004, Acceleware was founded by a group of graduate students and professors from the University of Calgary's Electrical Engineering department for the purpose of building software solutions that targeted the GPU as a compute platform. Since 2006, Acceleware's common shares have been listed on the TSX Venture Exchange (symbol: AXE). Acceleware is headquartered in Calgary, Alberta.

On December 31, 2024, Acceleware had 14 employees and long-term contractors, including two in administration; two in sales, marketing and product management; and ten in R&D and engineering.

For further information about the Company, please visit www.acceleware.com.

OPERATING SUMMARY

The RF XL Pilot successfully demonstrated the potential of the technology in an operational environment. RF XL is the first application of the Company's patent-protected CTI. Functionality of the CTI has been proven through scaled field tests conducted in 2019 and 2020, and over six months of operation at the RF XL Pilot.

Based on results to date, Acceleware remains confident that RF XL will become viable as a differentiated technology in the effort to reduce production costs and decarbonize heavy oil and oil sands production. In 2024, the Company's operations team continued data analysis, "history-matching" simulations and other analyses of operational data from tests in 2022. The analysis provides evidence that the operation of the RF XL Pilot resulted in sustained heating of the formation around the heating well prior to the pause in operations for maintenance and inspection. In particular, the Company successfully injected RF power into the heating well for over 200 days — a significant milestone and something that has never been achieved before. Also of note is that the CTI successfully operated for seven consecutive months at a variety of power levels and operating conditions during this time.

In the year ended December 31, 2024, the Company worked closely with industry partners to refine the next iteration of the RF XL subsurface system to address technical issues that were illuminated during the first phase of heating at the RF XL Pilot. This redesign work is now complete and ready for manufacturing and deployment. During 2024 the Company confirmed that the expected cost to redeploy the upgraded design at Marwayne would be approximately $5 million including contingency. In December 2024, the Company announced that it had secured a total of up to $1.3 million in non-dilutive funding from the Clean Resource Innovation Network ("CRIN") for the next phase of the RF XL Pilot, contingent on the Company sourcing the remaining $3.7 million. To this end, the Company also secured an RF XL consulting contract from an oil and gas operator (whose identity remains confidential), the net proceeds of which will be applied to RF XL development. The Company has identified several additional industry and government potential funders and is in discussions with them. The purpose of the next phase of the RF XL Pilot is to

enable higher power to be distributed in the reservoir for a sustained period, resulting in higher reservoir temperatures and oil production, to advance the potential commercial viability of RF XL technology.

In addition to development work, and with results gained from RF XL deployment in Marwayne to date, Management has also initiated a strategic review of the commercialization plan for RF XL. The process involved analyzing various heavy oil and bitumen reservoirs in western Canada, considering RF XL test results and analyses conducted to date, with the goal of determining the optimal resources for the demonstration of commercial viability of RF XL. These reservoirs included not only the vast McMurray oil sands, but also heavy oil plays including the Clearwater in north-central Alberta, the Bluesky in west-central Alberta, and the Mannville Stack in eastern Alberta and western Saskatchewan. The review process has led Management to conclude that heavy oil plays offer the greatest near-term potential for commercializing RF XL, due to lower initial capital cost per well, ability to scale from one-to-many heating wells, lower operating cost to effectively decrease viscosity, and the potential for significant incremental production and ultimate recovery to make uneconomic resources economic. Once proven in heavy oil, Management believes the oil sands will offer significant market expansion potential.*

In Q1 2025 Acceleware's board of directors approved a Management proposal to investigate (in parallel with continued effort to progress a second phase of heating at Marwayne) the opportunity for Acceleware, as an operator, to acquire a suitable heavy oil property, and thereafter apply RF XL as a secondary recovery method to improve the property's production, cashflow, ultimate recovery and asset valuation. Should this investigation ultimately lead to a decision to "green light" an undertaking of this nature based on its economic merits, Acceleware would benefit from the valuation enhancement brought about by RF XL. Management has commenced its investigation as of the date of this MD&A.*

Beyond enhanced recovery of heavy oil, Acceleware believes EM Powered Heat and the CTI can economically decarbonize many industrial heating verticals through electrification. Immediate application of electrification in industrial heating is critical in the clean energy transition. Acceleware has established initiatives, and is in discussions to pursue other initiatives, to develop CTI powered prototypes for applications in industries such as mining and mineral processing, concrete, carbon capture, agri-food drying, hydrogen and other clean fuels production.*

Recent highlights include:

- Acceleware is one of 40 companies selected to pitch at the National Renewable Energy Laboratory (NREL) Industry Growth Forum in Denver, Colorado, March 26 – 28, 2025.
- On March 2-3, 2025, Acceleware attended the Prospectors & Developers Association of Canada (PDAC) Convention 2025.
- On February 24, 2025, Acceleware announced that it was invited as a Team Canada delegate to Hannover Messe March 30 – April 4, 2025 by NGen Canada, and selected for the National Research Council Canada / Conseil National de Recherches Canada Industrial Research Assistance Program (NRC IRAP) Co-Innovation Mission on advanced manufacturing, circular economy, and value creation - including the Eureka Global Innovation Summit.
- On January 30, 2025, Acceleware announced that it has joined the Mining Innovation Commercialization Accelerator (MICA).
- On December 4, 2024 Acceleware announced that it was awarded $1.31 million in non-dilutive funding from the Clean Resource Innovation Network (CRIN).
- On October 22, 2024, Acceleware announced that it was one of ten companies selected by The Mining Innovation Commercialization Accelerator (MICA) and by Chilean mining operators to attend the Chile-Canada Mining Innovation Summit (CCMIS) on October 24, 2024 in Santiago, Chile. In addition, Acceleware participated in the Global Mining Group's (GMG) Santiago Forum, "Igniting Action: Building the Mines of The Future Today" on October 22- 23, 2024.

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- In September 2024, Acceleware joined the Renewable Thermal Collaborative (RTC), and attended the RTC Summit in Washington, D.C., on September 30-October 1, 2024. The RTC is the global coalition for companies, institutions, and governments committed to scaling up renewable heating and cooling at their facilities, dramatically cutting carbon emissions.
- On August 20, 2024, Acceleware announced that it is one of 50 companies selected to pitch at the 21st Annual Rice Alliance Energy Tech Venture Forum, an anchor event for the Inaugural Energy and Climate Startup Week in Houston, Texas, September 9-13, 2024.
- Acceleware continues to work toward securing a contract to complete Phase 3 of a potash ore drying project from the International Minerals Innovation Institute ("IMII"). The findings of Phase 2 were presented to IMII in July 2024, and the Company continues to conduct paid testing with the system. Phase 3 of the project would include the design, construction and testing of a larger shop-scale demonstration dryer. IMII, a non-profit organization jointly funded by industry and government, is committed to developing and implementing innovative education, training, research and development partnerships to support a world-class minerals industry. IMII's minerals industry members include BHP, Cameco Corporation, Fission Uranium Corp., The Mosaic Company and Nutrien Ltd.
- Acceleware continued to invest in developing and protecting new intellectual property with the number of patents issued, allowed, applied for, or in development totalling 60 as at December 31, 2024.

The Company has 28 patents granted or allowed to protect various proprietary technologies and 32 patent applications pending or under development. The Company uses an integrated strategy for IP protection involving a combination of patenting and trade secrets, working closely with the patent offices and intellectual property advisors.

Acceleware continues to focus on driving external awareness of the Company and on the EM Powered Heat brand while promoting it more prominently within both the oil and gas and clean-tech communities as an industrial process heat solution. Acceleware continues to update its new website to reflect the augmentation of its EM Powered Heat industrial process heat portfolio, in addition to focusing on furthering RF XL deployment in oil and gas. The Company was featured in an article in IGNITE: A top Canadian energy magazine by Scovan, published in November 2024.

The Company was featured in an August 2024 article by Calgary.tech, and in September 2024 was mentioned in Electric Heating - the Future of Industrial Heat by Paul Martin. An interview with COO Mike Tourigny was posted by The Market Online on October 22, 2024, and another with CEO Geoff Clark was published on October 30, 2024. The Company was also featured in the 2024 edition of Potash Works Magazine (page 40), and in earlier news stories published in or carried by the Business News Network, Power Play by The Market Herald, Energi Media, and CBC (television, radio, and online).

Social media updates on our business are made several times weekly and Acceleware has now amassed close to 5,000 followers on LinkedIn. New videos are posted regularly, a collection of which is available for viewing here: Acceleware Video Posts. An example of a LinkedIn post can be viewed here and a socials video post here.

Acceleware is also making use of artificial intelligence through a digital advertising campaign that can broaden awareness of EM Powered Heat capabilities. Progress will be monitored over a three-month period, initial reports are showing positive results.

RF XL Pilot Update

Consistent with the last update, Acceleware plans to continue a second phase of heating after completing a proposed significant subsurface design upgrade to address the moisture ingress issue. Prior to the next phase of heating, all RF XL subsurface components will be removed, refurbished, or upgraded, and then redeployed. This plan was developed in consultation with industry partners and service providers and among the alternatives examined, it is expected to have the highest probability of achieving higher power injected into the reservoir for a sustained period. During 2024 the engineering team worked to solidify plans and estimate costs. An estimated additional $5 million of funding is required to complete the redeployment including contingency, and Acceleware is actively working to raise these funds. Acceleware has secured $1.3 million partial funding for the redeployment conditional on securing the balance of the funds from industry partners or other sources. The final timing and cost of the redeployment and

subsequent heating is uncertain and remains primarily dependent on financing, partner investment, the time required to source the remaining financing, and the successful deployment of repairs and components. Planned upgrades have been specifically designed to eliminate the moisture ingress issue. In addition, measures will be taken to add resilience to the system to ensure long-term operation if moisture does return. Upgrades will also be made to enhance the performance of the CTI function, including providing more accurate monitoring of broadband voltage, current and power.*

Total direct funding received for the first phase of the RF XL Pilot was $24.4 million and included $5.9 million from Alberta Innovates, $5.5 million from Sustainable Development Technology Canada ("SDTC"), $5.0 million from Emissions Reduction Alberta ("ERA"), $3.0 million from CRIN and $5.0 million in aggregate from three oil sands operators. See discussion below in Financial Summary. In exchange for funding, the oil sands operators received exclusive access to detailed technical data and test results, prioritized rights to host a subsequent test, preferred pricing on pre-commercial products and preferred access to RF XL products. These major oil sands producers represent well over one million barrels of oil sands and heavy oil production per day.

FINANCIAL SUMMARY

Overall spending in 2024 remained conservative as the Company sourced financing alternatives for the next phase of the RF XL Pilot, received final holdback payments from the government for the first phase of RF XL Pilot grants, completed the second phase of the potash drying project and awaited approval from IMII for the next phase.

Total RF XL Pilot expenses as at December 31, 2024 were approximately $30.4 million (December 31, 2023 - $28.5 million). All cash committed from industry and government funders had been received as of December 31, 2024. In 2024, the Company recognized $4.75 million revenue related to Project Funding and Test Data Purchase Agreements with three oil sands producers at the conclusion of the first phase of testing at the RF XL Pilot, and upon delivery of final documentation. No additional deferred revenue remains to be recognized related to the RF XL Pilot.

YEAR IN REVIEW

Revenue of $5.2 million was recorded for the year ended December 31, 2024 compared to $279 thousand for the year ended December 31, 2023. Revenue for the year ended December 31, 2024 included $4.75 million services revenue related to the RF XL Pilot and $322 thousand in services revenue related to the potash drying project. Revenue was recognized for the RF XL Pilot as all milestones were completed under Project Funding Agreements for two oil sands producers while a third oil sands producer terminated its Project Funding Agreement triggering revenue recognition of previously received milestone payments.

Total comprehensive income for the year ended December 31, 2024 was $2.0 million compared to comprehensive loss of $2.0 million for the year ended December 31, 2023. The increase was due to higher revenue as noted above, despite lower government assistance for R&D. There were fluctuations in both periods related to changes in fair value of the derivative financial instruments embedded in convertible debentures.

Gross R&D expenses for the year ended December 31, 2024 were $2.3 million compared to $2.9 million incurred during the year ended December 31, 2023 due to higher R&D activity in the first half of 2023 related to the final on site activities associated with the RF XL Pilot. Federal and provincial government assistance of $1.2 million was recognized in the year ended December 31, 2024. This was lower than the $2.6 million for the year ended December 31, 2023 when the RF XL Pilot on-site activities wrapped up. R&D net of government assistance was $1.0 million in the year ended December 31, 2024 compared to $255 thousand in the year ended December 31, 2023.

General and administrative ("G&A") expenses incurred during the year ended December 31, 2024 were $1.6 million compared to $2.0 million for the year ended December 31, 2023, due to lower salaries and professional fees. The Company continues to prioritize cost management, while it works on sourcing financing alternatives.

* this paragraph contains forward looking information. Please refer to "Forward Looking Statements" and "Risk Factors and Uncertainties" for a discussion of the risks and uncertainties related to such information.

As at December 31, 2024, Acceleware had negative working capital of $3.4 million (December 31, 2023 – negative working capital of $2.0 million) including cash and cash equivalents of $272 thousand (December 31, 2023 – $1.0 million). The increase in negative working capital is attributable to the decrease in cash as well as an increase in short term notes payable, and an increase in deferred management compensation.

In the interests of matching cash requirements with a combination of cash generated from operations, external funding, and capital raising activities, the Company actively manages its cash flow and investments in new products. Acceleware intends to maximize cash generated from operations through several initiatives which include continuing to focus on higher gross margin software products that are marketed through a combination of direct and reseller models; minimizing operating expenses where possible; and limiting capital expenditures. As the Company continues to develop its RF Heating technology, new R&D investments will be financed through a combination of internal cash flow from the HPC business, project funding agreements, government assistance and external financing, when available.*

QUARTER IN REVIEW

Revenue of $1.9 million was recorded in the three months ended December 31, 2024 ("Q4 2024") compared to $44 thousand in the three months ended December 31, 2023 ("Q4 2023") and $3.3 million in the previous quarter ended September 30, 2024 ("Q3 2024"). Revenue in Q4 2024 included $1.9 million related to the RF XL Pilot. Deferred revenue related to a contract with one oil sands producer was recognized when all deliverables were provided.

Total comprehensive income for Q4 2024 was $0.9 million compared to a comprehensive income of $0.8 million for Q4 2023 and comprehensive income of $1.2 million for Q3 2024. Comprehensive income in Q4 2024 and Q3 2024 was higher due to revenue related to the RF XL Pilot, while positive comprehensive income in Q4 2023 was due to higher government assistance for R&D. Finance expenses in Q4 2024 and Q4 2023 include interest expense on notes payable which are funding the Company's working capital. Comprehensive income in all periods was impacted by changes in value of the derivative financial instruments embedded within the convertible debenture. The changes in derivative value are driven primarily by the fluctuation in the Company's share price.

Gross R&D expenses incurred in Q4 2024 were $0.6 million compared to $0.7 million in Q4 2023 and $0.5 million in Q3 2024. R&D spending in Q4 2024 was principally related to the IMII dryer for potash ore and included lab engineering, designing and testing, data analysis, and partner consultations. R&D spending in Q4 2023 was related to the RF XL Pilot. There was $nil government assistance received in Q4 2024 and $2.1 million in Q4 2023 and $0.7 million in Q3 2024. The Company received the final CRIN payment of $0.3 million in Q3 2024 and the final ERA holdback payment of $0.2 million. 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 $0.3 million in Q3 2024 related to 2023 eligible expenditures, received $0.1 million in the three months ended September 30, 2023 related to 2022 eligible expenditures, and $0.4 million in the three months ended March 31, 2023 related to 2021 eligible expenditures. Government assistance is recorded as a reduction of R&D expenses.

G&A expenses incurred in Q4 2024 were $315 thousand compared to $579 thousand in Q4 2023 and $446 thousand in Q3 2024. There were lower non-cash payroll related costs incurred in Q4 2024 due to the timing of option grants and lower salaries as the Company continues to prioritize cost control given uncertain economic conditions.

STRATEGIC UPDATE

In 2025, Acceleware will continue to focus on commercializing RF XL, while pursuing EM Powered Heat applications to decarbonize industrial heating across a wide range of heavy emitting industries, outside of heavy oil recovery. Acceleware is investigating the viability of commercializing RF XL through an alternative strategy of acquiring a heavy

* this paragraph contains forward looking information. Please refer to "Forward Looking Statements" and "Risk Factors and Uncertainties" for a discussion of the risks and uncertainties related to such information.

oil property, and deploying RF XL to enhance production, cashflow, ultimate recovery and asset value. In parallel, Acceleware may also complete a second phase of heating at its Marwayne heavy oil property if significant industry and non-dilutive grant funding can be sourced.

Outside of RF XL, work has continued in the mining sector for the drying of potash ore and other minerals. The Company has identified a range of other drying and heating processes in mining, carbon capture, concrete, agriculture, and other industries that would be well suited to EM Powered Heat. Acceleware has a proven track record for successful development and commercialization of revolutionary technologies.

The Company believes that its RF XL technology presents significant potential increased production opportunity for heavy oil recovery, coupled with economic, efficiency and environmental benefits. EM Powered Heat offers increased energy efficiency, and reduced emissions to a range of sectors currently reliant on fossil fuel combustion to generate heat. Historically, Acceleware has been able to finance the development of RF XL through non-dilutive government funding and industry contributions, supplemented when required by capital raises in the public equity markets. However, recent changes in investor sentiment, decreased appetite among Canadian oil companies to fund clean-tech innovation, and uncertainty regarding the upcoming Canadian federal election and resulting regulations pertaining to the oil and gas industry, have negatively impacted the Company's ability to raise additional funding for the second phase of heating at the RF XL Pilot. The Company's strategy is to deal with this negative impact in two ways. First, the Company continues to maintain strict cost containment efforts. Second, Management has conducted a strategic review of its commercialization plans for both RF XL and EM Powered Heat.

The Company believes that the best path forward for the commercialization of RF XL is to explore the potential of acquiring heavy oil assets in Canada, and producing them using RF XL for enhanced recovery, while pursuing a second phase of heating at the RF XL Pilot in parallel. Acceleware will also prioritize EM Powered Heat in global industrial markets. Development of new EM Powered Heat applications will be supported by a combination of grant funding, client revenues, and external investment targeted specifically on these projects.

RF XL

The first phase of heating at the RF XL Pilot, along with the design improvements made to address performance issues shows the promise of RF XL as an enhanced recovery method for Canadian heavy oil. However, current investor sentiment does not motivate heavy oil producers to adopt new enhanced recovery methods. Therefore, Acceleware intends to further investigate the opportunity to commercialize RF XL by demonstrating a significant increase in production and ultimate recovery from an existing heavy oil asset. If this opportunity is viable, and is implemented successfully, the increased recovery could benefit Acceleware directly through increased revenue, cash flow and asset valuation. *

Key issues that have become more important recently are driving this change in strategy:

1. Strong and consistent technology pull must exceed perceived technology risk for oil companies to adopt new technology; therefore, emphasis must be on reducing risk through demonstration;
2. Decision timelines for technology development at large oil companies are extending;
3. Current oil demand in North America and globally is favourable;
4. Heavy oil investment in Canada has increased significantly in the last five years with a focus on multi-laterals;
5. Changing governments policies result in not only a reluctance for oil companies to invest in clean tech R&D but also uncertainty in the availability of grant funding; and
6. Given recent transactions, ideal assets for RF XL demonstration may be available at favourable prices.

Acceleware's objective is to move forward quickly to expedite decision making, ensure timely project completion, and to mitigate delays resulting from impacts of changing governmental policies, and investment decisions of large operators.

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The Acceleware team is currently in the process of identifying a short list of ideal properties to acquire. Selection criteria include, current production, significant remaining oil in place, reservoir properties that indicate a significant increase in recovery factor can be achieved with RF XL, and price.

The Company will also identify additional properties for future expansion. As noted above, we will investigate this alternative strategy while actively pursuing a second phase of heating at the RF XL Pilot in parallel.

RF XL Background:

In 2010, Acceleware began investigating technology that would use RF energy for in-situ heating of heavy oil and bitumen. In each of the four years immediately prior to 2017, the Company received funding from NRC-IRAP to partially finance its RF heating technology development. In 2018, the Company began preparing for the RF XL Pilot.

Since 2017, Acceleware has been awarded grants totaling $19.4 million, including a $5.5 million non-repayable contribution from SDTC, a $5 million non-repayable contribution from ERA, a $5.9 million non-repayable contribution from Alberta Innovates and a $3 million non-repayable contribution from CRIN. Acceleware raised a further $5 million for its RF XL Pilot from three major oil sands producers.

Acceleware, with partner GE, completed the design, manufacturing, and factory testing of the prototype CTI which is the electronic platform for RF XL. In late 2019, the prototype CTI was field tested at the Company's simulated "ditch" reservoir in Alberta with record-level results and has now been deployed in the RF XL Pilot. Acceleware retains all intellectual property rights to the CTI design.

In early 2020, Acceleware received approval from its core funders for the partnership with Broadview to host the RF XL Pilot on its site near Marwayne, Alberta. In October 2020, the Company received approval from the AER of its Experimental Recovery Scheme Application under the Oil Sands Conservation Act for the RF XL Pilot, and in December 2020 received approval for its application under the Environmental Protection and Enhancement Act. Upon receipt of these regulatory approvals, Acceleware commenced RF XL Pilot activity in earnest in 2021 and completed the drilling and completions program before the end of 2021. Facilities were installed beginning in late 2021 and completed in Q1 2022. Heating operations commenced in early March 2022, with oil production commencing in early April 2022.The RF XL Pilot continued heating for eight months and was paused to review progress. Subsequent improvements to the subsurface design were made to address performance issues, principally related to the ingress of water into the EM system.

The Acceleware team has made additional improvements to the subsurface design over the past year to reduce risk and increase reliability. In 2025 the company will look to deploy the enhanced design at a new test site with a higher quality reservoir and more barrels in place to provide significantly more value to shareholders while allowing the company to take control of the commercialization timeline for RF XL.

Conducting the proposed RF XL deployment is the final step in getting this new EOR technology to market, improving heavy oil recovery, increasing value-added processing capacity, and addressing associated adverse environmental impacts. RF XL is in final stages of development and, with necessary funding in place, is anticipated to expansion pilot demonstration.

EM Powered Heat Applications via the CTI

In addition to the RF XL application of the CTI, Acceleware sees significant potential to apply this technology to decarbonize a wide range of heavy emitting industrial heating applications including product drying applications such as the potash drying project with IMII mentioned above. Initial focus markets for Acceleware will include mining, carbon capture, concrete, hydrogen, agriculture, and food. While Acceleware intends to pursue a direct sales model augmented with distribution partners where appropriate for the RF XL solution in the heavy oil and oil sands sector, the Company may pursue partnerships and licensing agreements to drive sales of CTI units across these new vertical markets.

HPC

Acceleware will continue to focus on the energy and electronics design markets, with AxFDTD as the primary strategic revenue-generator and investment. Innovations and improvements to AxFDTD will continue for the electronics design market and will extend its utility as an enabling technology for AxHEAT in the RF heating markets.

While the Company is focusing on energy markets, it continues to develop and sell its EM FDTD solution to end users primarily through independent software vendors ("ISV") that have integrated Acceleware's solution into their software architecture. Acceleware has worked with some of the world's largest companies in the electronics market, which consists of mobile phone manufacturers, industrial electronics firms, and government organizations. Acceleware's key ISV partners include SPEAG, ZMT Zurich MedTech AG, Keysight Technologies, Synopsis, Inc., and Crosslight Software Inc.

SELECTED ANNUAL INFORMATION

The following table shows selected financial information from Acceleware's audited annual financial statements for the years ended December 31, 2024, December 31, 2023, and December 31, 2022.

	Year Ended Dec 31, 2024 (Audited)	**Year Ended Dec 31, 2023 (Audited)**	**Year Ended Dec 31, 2022 (Audited)**
Total revenue	$5,233,033	$279,011	$328,293
Total comprehensive income (loss)	$2,001,685	($2,045,373)	($5,142,168)
Income (loss) per share (basic and diluted)	$0.02	($0.02)	($0.05)
Total assets	$340,451	$1,509,927	$2,528,832
Long-term debt[1]	$1,862,287	$1,630,358	$1,995,696
Dividends	Nil	Nil	Nil

[1] Includes current and long-term portion of finance leases, convertible debenture and related derivative liability

Revenue is higher for 2024 compared to 2023 and 2022 due to the recognition of revenue associated with Project Funding Agreements with oil sands operators for Acceleware's RF XL Pilot. All deliverables were provided under the terms of the agreements to allow for revenue recognition. Management expects revenues to experience significant fluctuations due to revenue recognition associated with large projects. Total comprehensive income was higher in 2024 compared to 2023 and 2022 due to the above revenue recognition and decreasing RF XL Pilot expenditures. Comprehensive loss was higher in 2022 compared to 2023 due to lower government assistance recognized in 2022. Total assets have declined over the three years. This is attributable to R&D spending for the RF XL Pilot and the timing of receipt of funding milestone payments.

RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2024

Revenue	**Year ended December 31, 2024**	Year ended December 31, 2023	% change 2024 over 2023
Software	**$ 59,648**	$ 83,849	-29%
Maintenance	**101,234**	123,852	-18%
Services	**5,072,151**	71,310	7013%
	$ 5,233,033	$ 279,011	1776%

The Company recognized revenue of $5.2 million in the year ended December 31, 2024, a significant increase over $279 thousand recognized for the year ended December 31, 2023. Revenue for the year ended December 31, 2024 included $4.75 million services revenue related to the RF XL Pilot and $322 thousand in services revenue related to the potash drying project. Revenue was recognized for the RF XL Pilot as all milestones were completed under Project Funding Agreements for two oil sands producers while a third oil sands producer terminated its Project Funding Agreement triggering revenue recognition of previously received milestone.

RF Heating Revenue	**Year ended December 31, 2024**	Year ended December 31, 2023	% change 2024 over 2023
Maintenance	**$ -**	$ 6,000	-100%
Services	**5,072,151**	71,310	7013%
	$ 5,072,151	$ 77,310	6461%

RF Heating revenue of $5.0 million in the year ended December 31, 2024 was significantly higher compared to $77 thousand for the year ended December 31, 2023, due to the RF XL Pilot and potash drying project revenue noted above, which was classified as service revenue. Services revenue in the year ended December 31, 2024 includes previously received non-refundable payments related to the RF XL Pilot. Since 2018, the Company has been successful selling data agreements to major oil sands producers which provide the customer with the right to access and use data obtained from the RF XL Pilot. Additionally, services revenue was recognized for the potash ore drying project as all work was completed.

HPC Revenue	**Year ended December 31, 2024**	Year ended December 31, 2023	% change 2024 over 2023
Software	**$ 59,648**	$ 83,849	-29%
Maintenance	**101,234**	117,852	-14%
	$ 160,882	$ 201,701	-20%

HPC revenue was $161 thousand in the year ended December 31, 2024, a decrease of 10% compared to $202 thousand in the year ended December 31, 2023, due to fluctuating demand for the Company's high performance computing software and fewer maintenance contracts renewals.

Expenses	**Year ended December 31, 2024**	Year ended December 31, 2023	% change 2024 over 2023
General & administrative	**1,632,105**	1,993,800	-18%
Research & development	**1,025,582**	254,740	303%
	$ 2,657,687	$ 2,248,540	18%

Expenses were $2.7 million in the year ended December 31, 2024, an increase of 18% compared to $2.2 million in the year ended December 31, 2023, due to lower government assistance and despite lower gross R&D expenses. R&D expenses in 2024 were 303% higher than in 2023 even as gross spending in 2024 on development of a potash dryer was lower than on-site costs related to the RF XL Pilot in 2023, due to significantly higher government assistance in 2023. G&A expenses were 18% lower in 2024 due to lower salary and professional services expenses as the Company continues to prioritize cost management.

RF Heating Expenses	**Year ended December 31, 2024**	Year ended December 31, 2023	% change 2024 over 2023
General & administrative	**1,481,943**	1,769,793	-16%
Research & development	**1,025,582**	254,740	303%
	$ 2,507,525	$ 2,024,533	24%

RF Heating expenses were $2. 5 million in the year ended December 31, 2024, an increase of 24% compared to $2.0 million in the year ended December 31, 2023 due to lower government assistance as noted above. G&A expenses for RF Heating decreased as the Company continues to prioritize cost management.

HPC Expenses	Year ended December 31, 2024	Year ended December 31, 2023	% change 2024 over 2023
General & administrative	**$ 150,162**	$ 224,007	-33%

HPC expenses were $150 thousand in the year ended December 31, 2024, a decrease of 33% compared to $224 thousand in the year ended December 31, 2023, due to cost management measures noted above.

SUMMARY OF QUARTERLY RESULTS

The following table highlights revenue, cash generated (used) in operating activities, total comprehensive income(loss) and income/(loss) per share for the eight most recently completed quarters ended December 31, 2024.

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$1,918,077	$1,259,315	$2,012,047	$43,594	$43,590	$62,467	$69,407	$103,547
Cash generated (used) in operating activities	(476,076)	273,453	131,585	(675,863)	$620,647	(734,824)	(963,794)	(344,062)
Total comprehensive income/(loss) for the period	851,242	856,500	1,263,914	(969,971)	$617,748	(1,272,006)	(1,135,498)	(255,617)
Income (loss) per share basic and diluted	$0.01	$0.01	$0.01	($0.01)	$0.01	($0.01)	($0.01)	($0.00)

Revenue was recognized in Q4 2024, Q3 2024 and Q2 2024 for previously received payments related to contracts supporting the RF XL Pilot. The timing of receipt of government funding and spending levels for the RF XL Pilot throughout all eight quarters contributed to the fluctuations in cash flows from operating activities and total comprehensive income/(loss) and income/(loss) per share.

RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31,2024

Revenue	Three months ended December 31, 2024	Three months ended December 31, 2023	Three months ended September 30, 2024	% change Q4 2024 over Q4 2023	% change Q4 2024 over Q3 2024
Software	**$ 3,617**	$ 21,381	$ 14,915	-83%	-76%
Maintenance	**14,460**	22,209	22,249	-35%	-35%
Services	**1,900,000**	-	1,222,151	N/A	55%
	$ 1,918,077	$ 43,590	$ 1,259,315	4300%	52%

Revenue was $1.9 million in Q4 2024, significantly higher compared to $44 thousand in Q4 2023 and $1.3 million in Q3 2024 due to $1.9 million revenue that was recognized for previously received non-refundable payments related to contracts supporting the RF XL Pilot Similarly $900,000 was recognized in Q3 2024 for RF XL Pilot revenue. Additionally, services revenue of $322 thousand was recognized in Q3 2024 for the work completed on the potash ore drying project.

RF Heating Revenue	Three months ended December 31, 2024	Three months ended December 31, 2023	Three months ended September 30, 2024	% change Q4 2024 over Q4 2023	% change Q4 2024 over Q3 2024
Services	**$ 1,900,000**	-	1,222,151	N/A	55%

RF Heating revenue was $1.9 million in Q4 2024 compared to $nil in Q4 2023 and $1.2 million in Q3 2024. Included in services revenue in Q4 2024 and Q3 2024 is revenue related to the RF XL Pilot for previously received milestone payments. Since 2018, the Company has been successful selling data agreements to major oil sands producers which provide the customer with the right to access and use data obtained from the RF XL Pilot. Under *IFRS 15 Revenue from Contracts with Customers*, these contracts do not meet all requirements for revenue recognition over-time, therefore revenue recognition defaults to the end of the contract. As noted above, the Company completed work in Q3 2024 on developing the potash ore drying prototype and as such recognized revenue of $322 thousand.

HPC Revenue	**Three months ended December 31, 2024**	Three months ended December 31, 2023	Three months ended September 30, 2024	% change Q4 2024 over Q4 2023	% change Q4 2024 over Q3 2024
Software	**$ 3,617**	$ 21,381	$ 14,915	-83%	-76%
Maintenance	**14,460**	22,209	22,249	-35%	-35%
	$ 18,077	$ 43,590	$ 37,164	-59%	-51%

HPC revenue was $18 thousand in Q4 2024 compared to $44 thousand in Q4 2023 and $37 thousand in Q3 2024. Revenue was 59% lower in Q4 2024 compared to Q4 2023 and 51% lower relative to Q3 2024 due to fluctuating demand for the Company's HPC software from existing customers.

Expenses	**Three months ended December 31, 2024**	Three months ended December 31, 2023	Three months ended September 30, 2024	% change Q4 2024 over Q4 2023	% change Q4 2024 over Q3 2024
General & administrative	**$ 315,427**	$ 579,049	$ 446,136	-46%	-29%
Research & development	**581,072**	(1,379,997)	(196,809)	-142%	-395%
	$ 896,499	$ (800,948)	$ 249,327	-212%	260%

Expenses were $0.9 million in Q4 2024, 212% lower compared to ($800,948) in Q4 2023 and $249 thousand in Q3 2024. There was $nil government assistance recognized in Q4 2024 compared to $2.1 million recognized in Q3 2023 and $0.7 million in Q3 2024. Government assistance recognized in Q3 2024 was received from CRIN and related to eligible costs incurred in the period from January 1, 2024 to March 31, 2024. As the funding was awarded and received in Q3 2024, after the costs were incurred, it was not recognized in any earlier period. Gross R&D expenses in Q4 2024 and Q3 2024 were related to development of an RF dryer for potash while gross R&D spending in Q4 2023 was related to the RF XL Pilot. G&A expenses in Q4 2024 and Q3 2024 were lower than in Q4 2023 due to cost management measures implemented in Q3 2023, and changes in non-cash payroll costs for share based compensation. Share based compensation will fluctuate based on the timing of option grants and forfeitures of unvested options.

RF Heating Expenses	**Three months ended December 31, 2024**	Three months ended December 31, 2023	Three months ended September 30, 2024	% change Q4 2024 over Q4 2023	% change Q4 2024 over Q3 2024
General & administrative	**$ 275,108**	$ 518,730	$ 410,070	-47%	-33%
Research & development	**581,071**	(1,379,997)	(196,809)	-142%	-395%
	$ 856,179	**$** (861,267)	**$** 213,261	-199%	301%

RF Heating expenses were $0.9 million in Q4 2024 compared to ($861,267) in Q3 2023 and $213 thousand in Q3 2024. Government assistance was $nil in Q4 2024 compared to $2.1 million in Q4 2023 and $0.7 million in Q3 2024 and fluctuated due to the reasons noted above. Gross R&D expenses in Q4 2024 and Q3 2024 were related to development of an RF dryer for potash while gross R&D spending in Q4 2023 was related to the RF XL Pilot. G&A expenses in Q4 2024 and Q3 2024 were lower compared to Q4 2023 due to cost management measures

implemented in Q3 2023 and changes in non-cash payroll costs for share based compensation. Share based compensation will fluctuate based on the timing of option grants and forfeitures of unvested options.

HPC Expenses	**Three months ended December 31, 2024**	Three months ended December 31, 2023	Three months ended September 30, 2024	% change Q4 2024 over Q4 2023	% change Q4 2024 over Q3 2024
General & administrative	**$ 40,318**	$ 60,319	$ 36,066	-33%	12%

HPC expenses were $40 thousand in Q4 2024 compared to $60 thousand in Q4 2023 and $36 thousand in Q3 2024. G&A expenses in the HPC segment were lower in Q4 2024 and Q4 2024 compared to Q4 2023 due to cost management measures implemented in Q3 2023.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2024, Acceleware had negative working capital of $3.4 million (December 31, 2023 – negative working capital of $2.0 million) including cash and cash equivalents of $272 thousand (December 31, 2023 – $1.0 million). The increase in negative working capital is attributable to the decrease in cash as well as an increase in short term notes payable, and an increase in deferred management compensation.

In the interests of matching cash requirements with a combination of cash generated from operations, external funding, and capital raising activities, the Company actively manages its cash flow and investments in new products. Acceleware intends to maximize cash generated from operations through several initiatives which include continuing to focus on higher gross margin software products that are marketed through a combination of direct and reseller models; minimizing operating expenses where possible; and limiting capital expenditures. As the Company continues to develop its RF Heating technology, new R&D investments will be financed through a combination of internal cash flow from the HPC business, project funding agreements, government assistance and external financing, when available.*

Cash flows used by operations totaled $0.7 million for the year ended December 31, 2024 compared to cash flows used in operations of $0.7 million for the year ended December 31, 2023. The slight decrease is due to the timing of revenue recognition on contracts related to the RF XL Pilot, receipt of government assistance and payment of trade and other payables.

On August 21, 2023, the Company closed a private placement of Units. Each Unit consists of one common share and one common share purchase warrant. Each Warrant entitles the holder to acquire one common share at an exercise price of $0.30, for a period ending on August 21, 2025. In the event the common shares trade at a closing price at or greater than $0.69 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 1,949,036 Units at a price of $0.23 per Unit, for total gross proceeds of $448 thousand. The proceeds were used to fund a portion of the RF XL Pilot and for general corporate purposes.

The Company continues to prioritize payments to vendors and works collaboratively with each one to ensure payments are timely or payment plans are established to result in the best outcome for both parties.

Trade and Other Receivables

Trade and other receivables as at December 31, 2024 decreased to $18 thousand compared to $281 thousand as at December 31, 2023. The Company maintains close contact with its customers to mitigate risk in the collection of receivables.

* this paragraph contains forward looking information. Please refer to "Forward Looking Statements" and "Risk Factors and Uncertainties" for a discussion of the risks and uncertainties related to such information.

Current Liabilities

As at December 31, 2024, the Company had current liabilities of $3.7 million compared to current liabilities of $3.2 million as at December 31, 2023. The change in current liabilities is due to an increase in accounts payable and accrued liabilities and in notes payable. Included in accounts payable and accrued liabilities as at December 31, 2024 is $1.6 million of deferred compensation and other amounts owing to management (December 31, 2023 – $1.2 million).

Non-current Liabilities

As at December 31, 2024, the Company had non-current liabilities of $2.0 million compared to $6.2 million as at December 31, 2023. The change is due to recognition of $4,350,000 of deferred revenue.

Income Tax

The Company follows the liability method with respect to accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the carrying amount and the tax basis of assets and liabilities (temporary differences). Deferred tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when these differences are expected to reverse. Deferred tax assets, if any, are recognized only to the extent that, in the opinion of the Company's Management, it is probable that the assets will be realized.

As at December 31, 2024, the potential tax benefits of Acceleware's available tax pools have not been recognized in the Company's account due to uncertainty surrounding the realization of such benefits.

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 $0.3 million in Q3 2024 related to 2023 eligible expenditures, received $0.1 million in the three months ended September 30, 2023 related to 2022 eligible expenditures, and $0.4 million in the three months ended March 31, 2023 related to 2021 eligible expenditures. Government assistance is recorded as a reduction of R&D expenses.

RISKS FACTORS AND UNCERTAINTIES

Management defines risk as the probability of a future event that could negatively affect the financial condition and/or results of operations of the Company. There have been no material changes in any risks or uncertainties facing the Company since December 31, 2024. A discussion of risks affecting the Company and its business is set forth under the heading Risk Factors and Uncertainties in Management's Discussion and Analysis for the year ended December 31, 2024.

Liquidity Risk

The Company actively manages cash flow and investment in new products in order to match its cash requirements to its cash generated from operations, external funding, and capital raising activities. In order to maximize cash generated from operations, the Company plans to continue to focus on higher gross margin software products; to minimize operating expenses where possible; and to limit capital expenditures. As the Company continues to develop its CTI and RF heating technology, new R&D investments will be financed through a combination of internal cash flow from the HPC 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, reducing sales, marketing and G&A expenses, and 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.*

Requirement for Additional Financing

Management may seek additional funding to support ongoing losses, particularly losses associated with the development and commercialization of its CTI and RF heating technology, until Acceleware reaches a level of revenue which will sustain its operations on an internal basis. The rate of growth in the market for Acceleware's products and services and the Company's success in gaining market share have been lower than Acceleware originally anticipated. Acceleware cannot be assured that additional funding will be available, or if available, that it will be available on acceptable terms. If adequate funds are not available, Acceleware may have to reduce substantially or eliminate expenditures for research and development, testing, production, and marketing of its products and services. There can be no assurance that the Company will be able to raise additional capital if its capital resources are exhausted. The ability to arrange additional financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business and performance of Acceleware. There can be no assurance that Acceleware will be successful in arranging additional financing or that such additional financing will be available on satisfactory terms.

Economic Developments

Fluctuations in oil and natural gas prices, combined with increased tariffs and other barriers to trade and the measures taken by governments and companies to mitigate the economic consequences, may have an adverse impact on many aspects of the Company's business. Increased capital market and interest rate volatility may negatively affect the Company's ability to access external financing. The overall market for the Company's products and services may undergo stagnant or negative growth due to reduced capital expenditures by the Company's current and potential customers. Supply chain shortages or disruptions, the full or partial closure of transportation infrastructure, temporary suspension of some or all business operations, and labour disruptions (including those affecting key employees and directors of the Company) arising from illness, reductions in working hours, layoffs, or restrictions on movement may also adversely affect the Company's growth and operating results. Whether and to what extent the market volatility will impact the Company's business and operations will depend on future developments which, at this time, remain uncertain and difficult to predict.

Dependence on Key Personnel

The success of Acceleware is largely dependent on the performance of its key employees and directors. Failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact upon the Company's growth and profitability. Competition for highly skilled management, technical, and other employees is intense. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure or death of any of the members of the Company's executive team and key directors could have a material adverse effect on the Company's business, results of operations, and financial condition.

Intellectual Property Risks

Because much of the Company's potential success and value lies in its ownership and use of intellectual property, its failure to protect its intellectual property may negatively affect its business and value. Acceleware's ability to compete effectively is largely dependent upon the maintenance and protection of its intellectual property. The Company relies primarily on trade secrets, trademark and copyright law, and, when appropriate, patent protection, as well as confidentiality procedures and licensing arrangements, to establish and protect the rights to its technology. The Company typically enters into confidentiality or license agreements with its employees, consultants, customers, strategic partners, and vendors in an effort to control access to and distribution of its products,

*This paragraph contains forward looking information. Please refer to "Forward Looking Statements" and "Risk Factors and Uncertainties" for a discussion of the risks and uncertainties related to such information

documentation, and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary technology without authorization.

Policing unauthorized use of the Company's intellectual property is difficult. The steps that the Company takes may not prevent misappropriation of its intellectual property, and the agreements the Company enters into may be difficult to enforce. In addition, effective intellectual property protection may be unavailable or limited in some jurisdictions outside Canada and the United States. Litigation may be necessary in the future in order to enforce or protect the Company's intellectual property rights or to determine the validity and scope of the proprietary rights of others. That litigation could cause the Company to incur substantial costs and divert resources away from the Company's daily business, which in turn could materially hinder its business. The Company may be subject to damaging and disruptive intellectual property litigation.

The Company may be subject to intellectual property litigation that could:

- Be time-consuming and expensive;
- Divert attention and resources away from the Company's daily business;
- Impede or prevent delivery of the Company's products and services; and
- Require the Company to pay significant royalties, licensing fees and damages.

Although the Company is not aware that its products or services infringe or violate the intellectual property rights of third parties, and although the Company has not been served notice of any potential infringement or violation, the Company may be subject to infringement claims in the future. Since patent applications are kept confidential for a period of time after filing, applications may have been filed that, if issued as patents, could relate to the Company's products or services.

Parties making claims of infringement may be able to obtain injunctive or other equitable relief that could effectively block the Company's ability to provide its products and services in Canada, the US, and other jurisdictions and could cause the Company to pay substantial damages. In the event of a successful claim of infringement, the Company and its customers may need to obtain one or more licenses from third parties, which may not be available at a reasonable cost, if at all. The defense of any lawsuit could result in time consuming and expensive litigation, regardless of the merits of such claims, as well as resulting damages, license fees, royalty payments, and restrictions on the Company's ability to provide its products or services, any of which could harm its business.

The Company is not aware that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim such infringement by the Company or its licensees with respect to current or future products. The Company expects that software product developers will increasingly be subject to such claims as the number of products and competitors in the Company's industry segment grows and the functionality of products in different industry segments overlaps. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays, or require the Company to enter into royalty or licensing agreements which may not be available on terms acceptable to the Company. Any of the foregoing could have a material adverse effect on the Company's business, results of operations, and financial condition.

Investor Activism

Investor activism or activities by non-governmental organizations could limit sources of capital for the energy sector or the development of clean technologies applicable in the energy industry. Some institutional investors in the energy industry are placing an increased emphasis on ESG factors when allocating their capital. These potential investors may be seeking enhanced ESG disclosures or may implement policies that discourage investment in the hydrocarbon industry. To the extent that certain institutions implement policies that discourage investments in this industry, it could have an adverse effect on the Company's financing costs and access to liquidity and capital. Additionally, if the Company's reputation is diminished as a result of the energy related industries in which it operates, it could result in increased operation or regulatory costs, lower shareholder confidence or loss of public support for the Company's business.

Failure to Manage Growth Successfully

In the event that Acceleware's business grows rapidly, the growth may place a strain on managerial and financial resources. Such expansion may result in substantial growth in the number of its employees, the scope of its operating and financial systems, and the geographic area of its operations, resulting in increased responsibility for both existing and new management personnel. The Company's future growth will depend upon a number of factors, including the ability to:

- Acquire and train sales and marketing staff to expand Acceleware's presence in the evolving marketplace for the Company's products and services, and keep staff informed regarding the technical features, issues and key selling points of the Company's products and services;
- Attract and retain qualified technical personnel to continue to develop reliable and scalable solutions and services that respond to evolving customer needs and technological developments;
- Maintain high quality customer service and support as sales increase; and
- Expand the Company's internal management while maintaining appropriate financial controls over operations and providing support to other functional areas within the Company.

The Company's inability to achieve any of these objectives could harm the Company's business, financial condition, operating results, and prospects.

Risks of Security Breaches to the Company's Network (Cyber Security)

An experienced programmer may attempt on occasion to penetrate the Company's network security and could misappropriate the Company's or its customers' proprietary information or cause interruptions in the Company's operations. Acceleware's operations as proprietary software developers, and developers of leading-edge RF heating technology could increase the risk of a cyber-attack from industrial competitors, cyber criminals, and government actors. Acceleware has implemented various means to limit such an occurrence but may be required to expend significant capital and resources to protect against or to alleviate problems caused by such hackers in the future. Additionally, the Company may not have a timely remedy for any attack on the Company's network security. Such purposeful security breaches could have a material adverse effect on the Company's business, results of operations and financial condition. Risks include the untimely disclosure of proprietary data prior to its adequate protection through patent, trade secret or copyright. Should the Company's customer data be compromised, it could expose the Company to a material risk of loss or litigation, reputational damage, and possible liability. In addition to deliberate security breaches, the inadvertent transmission of computer viruses could expose the Company to a material risk of loss or litigation, reputational damage, and possible liability.

In offering certain payment services for some products and services, the Company could become increasingly reliant on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure transmission of confidential information, such as customer credit card numbers. Advances in computer capabilities, discoveries in the field of cryptography and other discoveries, events, or developments could lead to a compromise or breach of the algorithms or licensed encryption authentication technology that the Company uses to protect such confidential information. If such a compromise or breach of the Company's licensed encryption authentication technology occurs, it could have a material adverse effect on the Company's business, its reputation, results of operations, and financial condition. The Company may be required to expend significant capital and resources to protect against the threat of such security, encryption, and authentication technology breaches or to alleviate problems caused by such breaches.

Management is responsible for assessing and overseeing risks associated with cyber security and determining, with its IT staff, what measures are appropriate to protect against these risks. The Company holds insurance against cyber security incidents. However, the coverage may be inadequate to fully cover every cyber security risk.

Reliance on Third Party Licenses

The Company anticipates relying on certain software that Acceleware licenses from third parties, including a software program that is integrated with internally developed software and used in Acceleware's products to perform key functions. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses, could result in delays or reductions in product and service deployment until equivalent software can be developed, identified, licensed, and integrated, which could materially adversely affect the Company's business, results of operations, and financial condition.

Technological Change, New Products and Standards

To remain competitive, Acceleware must continue to enhance and improve the current line of products. The technology industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies, and the emergence of new industry standards and practices that could render Acceleware's existing products and systems obsolete. Acceleware's products embody complex technology and may not always be compatible with current and evolving technical standards and products developed by others. Failure or delays by Acceleware to meet or comply with the requisite and evolving industry or user standards could have a material adverse effect on Acceleware's business, results of operations, and financial condition. Acceleware's ability to anticipate changes in technology, technical standards, and products will be a significant factor in its ability to compete. There can be no assurance that Acceleware will be successful in identifying, developing, manufacturing, and marketing products that will respond to technological change or evolving standards. Acceleware's business may be adversely affected if it incurs delays in developing new products or enhancements or if such products or enhancements do not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render Acceleware's products or technologies non-competitive or obsolete.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the US and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market price for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows, or earnings. The value of the Company's securities will be affected by such volatility.

Earnings and Dividend Record

The Company has no earnings or dividend record. To date, the Company has paid no dividends on its Common Shares and does not anticipate doing so in the foreseeable future.

TRANSACTIONS WITH RELATED PARTIES

For the year ended December 31, 2024, the Company incurred expenses in the amount of $248,750 (December 31, 2023 - $249,239) 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 December 31, 2024, $410,660 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.

For the year ended December 31, 2024, the Company incurred expenses in the amount of $21,430 (December 31, 2023 - $7,060) with a close family member of an officer and director of the Company for communications and other services, and this amount is included in general and administrative expense. As at December 31, 2024, $nil 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.

For the year ended December 31, 2024, the Company incurred expenses in the amount of $189,000 (December 31, 2023 - $167,178) with a company controlled by the spouse of an officer of the company for marketing, communications, management and strategy development and this amount is included in general and administrative expense. As at December 31, 2024, $169,473 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.

During the year ended December 31, 2024, the Company had notes payable outstanding of $209,130 bearing interest at an annual effective rate of 18% 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.

Key management includes the Company's directors and members of the executive management team. Compensation awarded to key management included:

		2024		2023
Salaries and short-term employee benefits	**$**	**1,091,673**	$	1,138,588
Share-based expenses		**316,069**		334,300
	$	**1,407,742**	$	1,472,888

CRITICAL ACCOUNTING ESTIMATES

The Management's Discussion and Analysis for the year ended December 31, 2024 outlined critical accounting estimates and significant accounting policies including key estimates and assumptions that Management has made under these estimates and policies and how they affect the amounts reported in the financial statements. During the quarter, there have been no material changes in methodologies or assumptions for key estimates or changes in significant accounting policies used in the preparation of the condensed interim financial statements from those disclosed in the Company's financial statements for the year ended December 31, 2024.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. The estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The ongoing evaluation of these estimates forms the basis for making judgements about the carrying values of assets and liabilities and the reported amount of revenues and expenses in cases where they are not readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

The Company's material accounting policies are fully described in Note 4 to the Financial Statements. Certain accounting policies are particularly important to the reporting of financial position and results of operations and require the application of judgement by Management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made. Different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the Financial Statements. Management believes the following accounting policies reflect the material estimates and assumptions used in the preparation of Financial Statements.

MATERIAL ACCOUNTING POLICIES

Going Concern Assumption

The 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's ability to

continue as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations as they come due, to obtain additional financing as may be required, and ultimately to achieve successful operations. However, no assurance can be given at this time as to whether the Company will achieve any of these conditions. If the Company were to change its assumption regarding the ability to continue as a going concern for a reasonable period of time, adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities would likely be necessary and potentially material.

Revenue Recognition

The Company's revenue recognition requirements pertaining to determining performance obligations and transaction prices for all types of contracts with customers are very complex and are affected by interpretations of those contracts and the applicable standards and certain judgements. One of the critical judgements made is the assessment of the probability of collecting the related accounts receivable balance on a customer-by-customer basis. As a result, the timing or amount of revenue recognition may have been different if different assessments of the probability of collection had been made at the time that the transactions were recorded in revenue.

Decommissioning Liability

The Company recognizes a decommissioning liability in the period it arose with a corresponding increase to the carrying amount of the related asset. Measurement occurs when a legal or constructive obligation arises. Provisions are measured at the present value of Management's best estimate of the expenditures expected to be required to settle the obligation discounted using the risk-free rate, updated at each reporting date. The increase in the provision due to the passage of time (accretion) is recognized as a finance expense whereas increases or decreases due to changes in the estimated cost to decommission the asset are recorded with the associated expense. Actual costs incurred upon settlement of the decommissioning liability reduce the liability to the extent the provision was established and differences between actual costs incurred and estimated costs will be recorded as a gain or loss.

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.

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, Acceleware had the following common shares, options and warrants outstanding:

Common Shares	118,573,543
Stock Options	11,190,216
Warrants	1,949,036

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company's research and development expenses and general and administrative expenses is provided in the audited financial statements for the year ended December 31, 2024 that are available on www.sedarplus.ca and as noted below.

Research and Development	**2024**	2023
Salaries	**$ 1,332,330**	$ 1136,463
Consulting	**287,250**	341,050
R&D supplies and materials	**340,808**	1,079,838
Share-based payments	**224,339**	242,791
Depreciation	**14,844**	18,900
Rent and overhead Allocation	**53,940**	53,940
Non-refundable government assistance	**(1,227,929)**	(2,618,242)
Total	**$ 1,025,582**	$ 254,740

General and Administration	**2024**	2023
Salaries	**$315,227**	$ 686,058
Professional Fees	**365,432**	444,920
Share Based Payments	**315,089**	327,842
Rent, Office and Public Company Fees	**418,655**	334,795
Marketing	**192,857**	174,102
Depreciation	**14,844**	18,900
Travel	**10,001**	7,183
Total	**$ 1,632,105**	$ 1,993,800