ACCELEWARE LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2023

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, 2023, 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 March 20,2024. 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 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 workover for the RF heating technology at Marwayne, Alberta (the "RF XL Pilot");
- 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;
- 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;
- 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 innovator of transformative technologies leading to a new era of responsible and cost-effective energy development focused within two business segments:

- **RF Heating**: intelligent electric heating using RF energy generated by the Company's proprietary Clean Tech Inverter ("CTI") for industrial applications including enhanced oil recovery ("RF XL"), and
- **HPC**: high-performance computing scientific software.

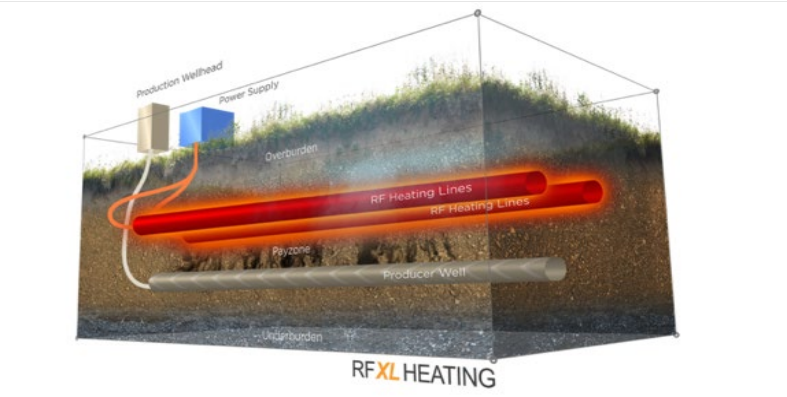
Acceleware's patented CTI heating 'engine' can provide intelligent, reliable, scalable, on-demand, decarbonized heat via RF energy. CTI is extremely efficient, it can be adapted to multiple industrial clean heating applications, and it may be able to displace fossil fuel reliant heating systems that are GHG intensive and costly.

The CTI has been successfully field tested over many months, including over six months of operation at the RF XL Pilot. The CTI uses leading edge silicon carbide ("SiC") transistor technology that results in over 98 percent efficiency converting AC or DC electricity to RF energy. By delivering this energy directly (and with minimal losses) to the material being heated, a CTI-powered RF heating system could reduce energy intensity by up to an estimated 50 percent versus fossil fuel reliant heating.* Acceleware has been granted two patents relating to CTI and multiple additional CTI patents are pending.

RF XL is Acceleware's patented RF heating technology designed to improve the extraction of heavy oil and bitumen. RF XL features a cost effective and environmentally friendly alternative to other thermal extraction 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 environmental benefits when compared to other extraction techniques, including:

- immediate GHG emission reductions;
- the elimination of external water use;
- a substantial decrease in land use;
- no requirement for solvents;
- substantial elimination of water treatment facilities; and
- no need for tailings ponds.

The Company believes that electrification through RF XL can provide a clear pathway to low-to-zero GHG 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.*



Acceleware's HPC segment helps customers meet their oil and gas exploration needs with seismic imaging software that provides the most accurate and advanced imaging available for oil exploration in complex geological zones and

*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.

formations, and also helps customers meet their electronic and medical product development needs with state-of-the-art electro-magnetic ("EM") simulation software.

RF Heating for Enhanced Oil Recovery

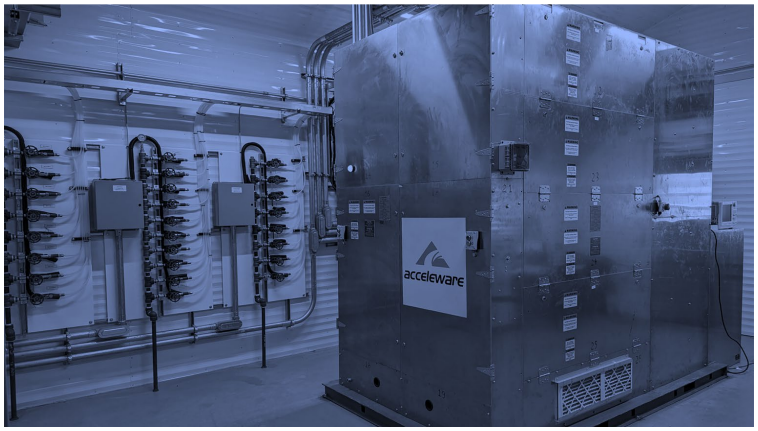
In 2010, Acceleware began investigating the use of RF energy for in-situ heating of heavy oil and bitumen. Since then, Acceleware has vigorously developed RF heating technology, securing the intellectual property with patents where appropriate.

Through the Company's RF Heating segment, Acceleware developed sophisticated simulation software tools based on its proprietary AxFDTD solution coupled with third party reservoir simulation software. In late 2013, Acceleware commercialized and introduced these simulation tools as AxHEAT™, a product aimed at oil and gas companies that are investigating the effectiveness of RF heating to increase the efficiency of heavy oil and oil sands production.

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. The Company's R&D efforts in RF heating for oil production 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, Latin America, Africa, Asia, the Middle East and elsewhere. Acceleware's proprietary RF heating technology for long horizontal wells is marketed as RF XL. Acceleware's unique expertise with RF heating technology has resulted in feasibility study revenue and software revenue both locally and abroad. A major step in achieving these goals was the development of a low-capital cost and highly efficient electronics platform – the CTI.

CTI Decarbonization of Other Industrial Heating Applications

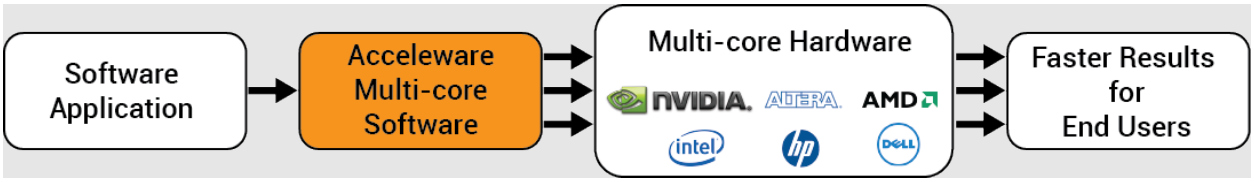
The Company has R&D projects underway with partners to quantify the benefits of using CTI-produced RF energy: in "turquoise" hydrogen production (whereby hydrogen is produced from the pyrolysis of natural gas and carbon is sequestered in solid form); in food and agricultural product drying; and in mining applications. Other applications in drying and industrial heating are being explored.



High-Performance Computing Software

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.



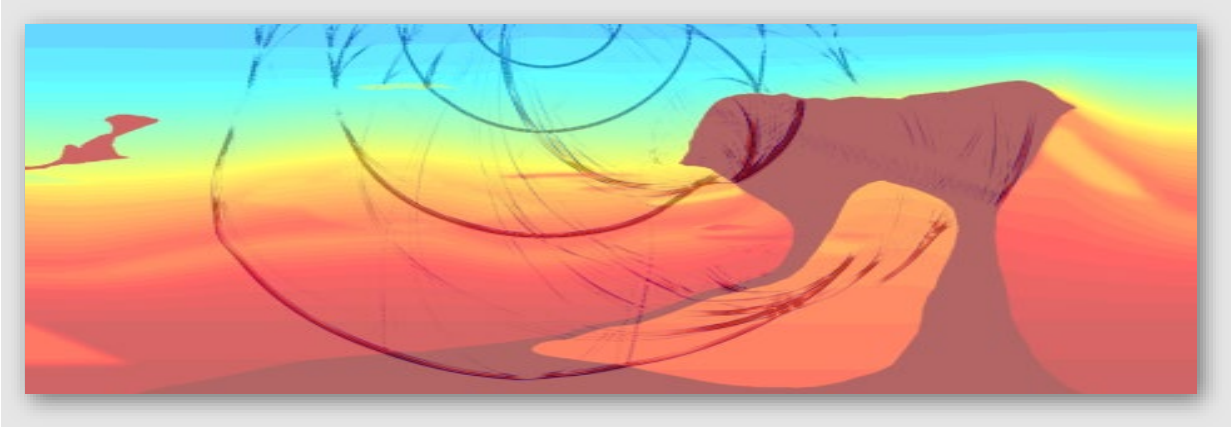
The EM solutions developed by Acceleware can be easily integrated by software developers, saving them the expense and time of migrating applications to high performance multi-core platforms. Acceleware improves the overall experience for end users of these applications by providing greater computing 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.

Acceleware recognized the similarity between EM FDTD and certain seismic imaging algorithms, which led the Company to enter the seismic imaging market in 2008. The Company's first product was a GPU accelerated Kirchhoff Time Migration solution, followed closely by AxRTM™ in 2009, a central processing unit ("CPU") and GPU enabled Reverse Time Migration ("RTM") library.

In 2013, Acceleware introduced AxWave™, a forward modelling variant of AxRTM which allows customers to accurately model seismic acquisition and perform data characterization.

In late 2014, Acceleware added AxFWI™ a revolutionary modular full waveform inversion ("FWI") application to its seismic imaging suite. AxFWI allows geophysicists to create high quality subsurface velocity models in dramatically less time than before. In 2019, Acceleware began accessing the oil and gas geoscience software market with innovative licensing structures through a direct sales model that targets oil and gas exploration companies and seismic service providers.



Seismic forward modelling in complex subsurface geology using AxWave

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, 2023, Acceleware had 15 employees and long-term contractors, including three 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 is intended to demonstrate RF XL in an operational environment. In the opinion of the Company's management, once the RF XL Pilot is complete, RF XL will have achieved Technology Readiness Level 8, which is the final level before early adoption and commercialization[1]. RF XL is the first application of the Company's patent-protected CTI. Acceleware believes the CTI can economically decarbonize many industrial verticals through electrification with immediate application in the clean energy transition. Functionality of the CTI has already been proven through scaled field tests conducted in 2019 and 2020, and over six months of operation at the RF XL Pilot. When combined with existing heating systems, CTI may be able to facilitate an economic decarbonization strategy for many organizations. Acceleware has established, or is engaged in discussions to establish, initiatives to develop CTI prototypes for applications in industries such as mining, hydrogen production, and food and agricultural drying.

Based on observations, Acceleware remains confident that RF XL will become viable as a critical technology in the effort to decarbonize heavy oil and oil sands production. The Company's operations team continued data analysis, "history-matching" simulations and other analyses of operational data from 2022 that provide strong evidence that the operation of the RF XL Pilot resulted in sustained RF heating of the formation around the heating well prior to a pause in operations for a maintenance workover. 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 three months ended December 31, 2023 ("Q4 2023"), encouraged by positive results to date, the Company worked closely with industry partners to determine the most appropriate next steps in the workover. It was determined that the most practical path forward involves a redeployment of all subsurface components incorporating the multiple improvements and upgrades that Acceleware has made to the RF XL downhole system. Acceleware is actively sourcing an additional $5 million of funding to complete the redeployment. The redeployment is expected to enable higher power to be distributed in the reservoir for a sustained period in a second phase of heating. More details on the workover are discussed below.

Strategic and financial highlights in the last twelve months include:

- On November 6, 2023, Acceleware announced non-dilutive, non-repayable funding from the Clean Resource Innovation Network ("CRIN") of up to $3 million for the RF XL Pilot. The funding will be paid upon completion of certain milestones and is reimbursement for costs incurred between January 1, 2022 and March 31, 2024. This funding is intended to accelerate clean technology development and commercialization for the oil and gas industry. There was $2,064,434 received in Q4 2023.
- On August 21, 2023 Acceleware closed a non-brokered private placement of units which consisted of one common share of the Company and one common share purchase warrant. The Company distributed a total of 1,949,036 units at a price of $0.23 per unit for total gross proceeds of $448,278. The proceeds will be used to fund a portion of the RF XL Pilot workover and for general corporate purposes.
- On August 2, 2023, Acceleware successfully concluded an Exploring Innovations project with the International Minerals Innovation Institute ("IMII"), which validated the potential to use RF energy from Acceleware's CTI to dry potash and other mineral commodities. IMII subsequently announced that it has invited Acceleware to submit a proposal for subsequent project phases which could lead to the development of a commercial scale drying platform. Acceleware has submitted a proposal and expects approval from IMII in the second quarter.
- Acceleware continued to invest in developing and protecting new intellectual property with the total number of patents issued, allowed, applied for, or in development growing from 44 at the end of 2022 to a total of 60 now.

[1] Technology Readiness Levels are defined by the Government of Canada, Science and Innovation TRL Assessment Tool

The Company now has 22 patents granted or allowed to protect various proprietary technologies related to Acceleware's intellectual property, and 38 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 also continues to focus on driving external awareness of the Company and on positioning its RF heating and CTI technology more prominently within both the oil and gas and clean-tech communities. The Company has been featured in several news stories by Business News Network, The Power Play by The Market Herald, Energi Media, and CBC (television, radio, and online) and most recently in the 2024 edition of Potash Works Magazine (page 40).

Several blog posts and videos have been released via social media which feature discussions on the RF heating technology by Acceleware's engineering team. The collection of videos is available for viewing here: Acceleware Video Posts, and an example of a Q1 2024 social media video post can be viewed here. Acceleware Chief Executive Officer, Geoff Clark, presented at the Clean Resource Innovation Network (CRIN) Project Cafe in February 2024. Mike Tourigny, Acceleware's Chief Operations Officer, attended the Prospectors & Developers Association of Canada (PDAC) mining conference in Toronto in March 2024.

RF XL Pilot Update

Operations at Acceleware's RF XL Pilot began in early March 2022, and operated until July 2022. At that time, the fibre optic distributed temperature sensing ("DTS") system in the heating well was damaged during a maintenance operation. After the DTS break, RF power was reduced for safety and a plan for a heating well workover was developed. The workover commenced in October 2022, and included numerous upgrades of critical RF XL components. During redeployment of the system in Q1 2023 and Q3 2023 Acceleware identified degradation of some additional downhole components due to water ingress. The Company has now determined with our industry partners that the most practical path forward involves a redeployment of all subsurface components.

During the successful operation of the RF XL Pilot, performance data shows that the operation of the Clean Tech Inverter ("CTI") met or exceeded specifications. The CTI is the radio frequency ("RF") electronic 'engine' critical to RF XL Pilot success. A primary objective of the RF XL Pilot was to demonstrate the operation of the CTI and its effectiveness in transmitting RF energy downhole to increase temperature and improve oil production. Significant milestones achieved include:

- Acceleware drilled and completed the first of its kind multilateral heating well and associated production well in a previously produced heavy oil reservoir.
- The RF XL system (including the CTI) demonstrated unprecedented performance with the longest continuous run (142 days) and highest power (up to 250 kW) of any RF heating system.
- Maximum design current was transmitted from the CTI, through the proprietary transmission line, and radiated to the reservoir.
- Increased reservoir temperature and oil production were observed in the RF XL Pilot.
- The temperature profile and oil production increase matched simulated predictions given the levels of power radiated.

Additionally, critical components of the proprietary RF XL subsurface technology functioned as designed and expected.

The workover was undertaken to address the DTS failure, during which time the engineering team took the opportunity to examine downhole components. As the workover progressed, an issue was discovered with the downhole RF XL system resulting from water ingress into the RF transmission line during deployment and operation of the RF XL Pilot. Some moisture had been anticipated and was initially addressed via the RF XL Pilot's nitrogen purge and pressurization system which is designed to remove and prevent the return of fluids. Further analysis following the workover suggests that this system was not able to manage the moisture levels encountered, resulting in degradation of some proprietary downhole components. For clarity, the moisture ingress issue pertained to tubing connections, not to core RF XL technology nor RF XL electronics. Acceleware has recreated the problem in lab tests

and has designed and tested a solution. The damage is believed to be the primary impediment to Acceleware's ability to achieve full power in the first phase of heating at the RF XL Pilot. As mentioned on November 22, 2023, Acceleware planned to develop several solutions to this challenge and proceed with the option with the highest probability of success and the lowest risk. The Acceleware team, in consultation with industry partners, has developed what is believed to be a permanent, resilient solution for the issue.

Acceleware now plans to continue a second phase of heating after a significant subsurface upgrade plan to address the moisture ingress issue. Subsurface components not removed during the workover will be removed, refurbished, or upgraded, and then redeployed along with the components already upgraded during the original workover program. 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. An additional $5 million of funding is required to complete the redeployment, and Acceleware is actively working to raise these funds. The final timing and cost of the redeployment and subsequent heating remains dependent on financing, partner investment, and the successful deployment of repairs and components. Additional risks include the availability of service rigs, weather conditions at site, supply chain reliability, and material delivery timing. 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 augment success of the CTI function, including providing more accurate monitoring of broadband voltage, current and power.[*]

As at December 31, 2023, total RF XL Pilot net costs incurred were approximately $28.5 million since the start of the RF XL Pilot in early 2018. Using the most likely scenario moving forward, Acceleware estimates a range of net cost for the RF XL Pilot of between $30 million and $35 million prior to the offset of proceeds from the sale of produced oil. There is uncertainty in the cost estimate stemming from the deployment outcome of repairs and components, fluctuating commodity prices, in particular electricity, supply chain and workforce disruption costs and any additional unforeseen mechanical or electrical engineering costs that could still potentially be encountered in a complex, commercial scale pilot program of this nature.[*]

As of March 20, 2024, total direct funding committed to the RF XL Pilot was $25.4 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 up to $6.0 million from three consortium members. The Company has received $22.8 million to the end of December 31, 2023 and as such has $2.6 million remaining as committed but not yet received. The three consortium members of the RF XL Pilot each committed up to $2.0 million in funding and technical expertise, payable upon completion of certain milestones. In exchange for this funding, Acceleware has provided 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 three consortium members are three major oil sands producers and represent well over one million barrels of oil sands and heavy oil production per day.

FINANCIAL SUMMARY

Overall spending in 2023 remained conservative as the Company continued to determine thoughtful and cost-conscious next steps in the workover for the RF XL Pilot. A workover program began in late 2022 and continues to date. Construction work on the RF XL Pilot was completed in early March 2022, followed by commencement of operations which continued throughout most of 2022 until operations were paused for the workover. The workover continued for all of 2023. RF XL Pilot expenses as at December 31, 2023 were approximately $28.5 million (December 31, 2022 - $25.9 million). The remaining cash committed but not yet received from ERA and CRIN including holdbacks receivable was $1.2 million as at December 31, 2023 (December 31, 2022 – $1.0 million from SDTC, ERA and Alberta Innovates) and amounts committed but not yet received or receivable from three major oil-sands producers were $1.4 million as at December 31, 2023 (December 31, 2022 – $1.4 million).

[*] 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.

YEAR TO DATE IN REVIEW

Revenue of $0.3 million was generated from the Company's software, maintenance and services revenue streams for the year ended December 31, 2023 compared to $0.3 million for the year ended December 31, 2022. Although revenue is more diversified in 2023 with a significant contribution from services revenue, revenue was lower due to lower demand for HPC software and maintenance revenue. Services revenue relates to RF simulation and experimental studies paid by customers interested in applying CTI for their industrial heating needs. Industries outside heavy oil have also become interested in utilizing CTI for industrial heating, including mining, agriculture, and hydrogen. Acceleware did not receive any non-refundable milestone cash payments during the year ended December 31, 2023 compared to $1.3 million received during the year ended December 31, 2022. When received, these payments are recorded in deferred revenue.

Total comprehensive loss for the year ended December 31, 2023 was $2.0 million compared to $5.1 million for the year ended December 31, 2022 due to lower R&D spending for the RF XL Pilot and higher government grant funding. There are fluctuations in both periods related to changes in fair value of the derivative financial instruments embedded in the convertible debentures and interest expense due to short- and long-term debt financing.

Gross R&D expenses for the year ended December 31, 2023 were $2.9 million compared to $5.7 million incurred during the year ended December 31, 2022 due to lower cost R&D activity on the RF XL Pilot workover during the year ended December 31, 2023. There was a significant amount of non-recurring installation costs for the RF XL Pilot incurred in the early part of 2022. Federal and provincial government assistance of $2.6 million was recognized in the year ended December 31, 2023 compared to $2.2 million for the year ended December 31, 2022. While the ERA, SDTC and Alberta Innovates grants for the RF XL Pilot were completed in 2023, CRIN awarded up to $3 million and the Company received approximately $2.0 million of that in the year ended December 31, 2023.

General and administrative ("G&A") expenses incurred during the year ended December 31, 2023 were $2.0 million compared to $2.1 million for the year ended December 31, 2022. While salaries were lower as the Company continues to prioritize cost management, there were higher legal and related professional fees for the equity offerings and higher non-cash payroll related costs for option grants.

As at December, 2023, Acceleware had negative working capital of $2.0 million (December 31, 2022 – negative working capital of $0.6 million) including cash and cash equivalents of $1.0 million (December 31, 2022 – $1.1 million). As at December 31, 2023 there is $1.2 million included in working capital for amounts due to management for services provided (December 31, 2022 - $0.8 million). The negative working capital for both periods is attributable to the timing of receipt and recognition of government and partner funding and related R&D spending. Not included in working capital is $2.6 million of funding that is committed but not yet received (December 31, 2022 - $2.4 million). Every funder, except ERA and SDTC, reimburses Acceleware for the RF XL Pilot costs in arrears, after the spending has occurred.

Increasing the deficit is deferred revenue of $4.4 million as at December 31, 2023 (December 31, 2022 – $4.4 million). Despite receiving non-refundable cash payments for these amounts, the milestone payments have not met all requirements for revenue recognition under IFRS 15 Revenue from Contracts with Customers. These amounts will be recognized as revenue and increase shareholders' equity when RF XL Pilot heating is complete or the data revenue contracts are terminated, whichever is earlier.

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 $0.04 million was generated in the three months ended December 31, 2023 compared to $0.1 million in the three months ended December 31, 2022 ("Q4 2022") and $0.1 million in the previous quarter ended September 30, 2023 ("Q3 2023"). Revenue in Q4 2023 included software and maintenance revenue. Revenue was lower in Q4 2023 and Q3 2023 due to less demand in the HPC segment for FDTD maintenance compared to Q4 2022. There continues to be variability in the RF Heating segment for revenue related to services in applying CTI to industrial heating. While interest has increased in the intelligent electric heating service offering, there was no revenue in Q4 2023 or Q3 2023. Acceleware did not receive any data revenue payments during Q4 2023 or Q3 2023 but received $0.2 million in Q4 2022 for the RF XL Pilot. These payments, when received, are recorded in deferred revenue. Data revenue equal to the amount recorded in deferred revenue will be recognized as revenue at the end of the RF XL Pilot or when the data contracts are terminated, whichever is earlier.

Total comprehensive income for Q4 2023 was $0.6 million compared to a comprehensive loss of $1.3 million for Q4 2022 and a comprehensive loss of $1.3 million for Q3 2023. Comprehensive income was higher in Q4 2023 due to receipt of government assistance from CRIN relating to costs incurred from January 1, 2022 to June 30, 2023 and lower R&D spending. Theses increases are offset by higher interest costs related to current liabilities funding the Company's working capital. Comprehensive income/(loss) 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 2023 were $0.7 million compared to $1.2 million in Q4 2022 and $0.8 million in Q3 2023. R&D spending was lower in Q4 2023 compared to Q4 2022 and Q3 2023 due to a change in the nature of the workover activities. Most of the workover activity in Q4 2023 was related to lab engineering, designing and testing, data analysis, and partner consultations. Government assistance received in Q4 2023 was $2.1 million and $0.9 million in Q4 2022 and $0.1 million in Q3 2023. 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 $0.4 million in Q1 2023 related to 2021 eligible expenditures and $0.1 million in Q3 2023 related to 2022 eligible expenditures and $nil in Q4 2022. As at December 31, 2023 and 2022 there was $nil million government assistance receivable. Government assistance offsets gross R&D costs.

G&A expenses incurred in Q4 2023 were $0.6 million compared to $0.6 million in Q4 2022 and $0.6 million in Q3 2023. There were higher non-cash payroll related costs incurred in Q4 2023 due to the timing of option grants, higher professional fees and lower salaries as the Company continues to prioritize cost control given uncertain economic conditions.

STRATEGIC UPDATE

In 2024, Acceleware will focus on completing the commercialization of RF XL while pursuing additional applications for the use of the CTI to decarbonize industrial heating across a wide range of heavy emitting industries. Development work has begun 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, agriculture, and other industries that would be well suited to the use of the CTI. Acceleware has a proven track record for successful development and commercialization of revolutionary technologies.

* 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.

The Company believes that its RF XL technology presents significant potential environmental and economic benefits for the oil industry and that the CTI offers a similar set of benefits to a range of sectors currently reliant on fossil fuel combustion to generate heat. Acceleware has been able to continue to fund the development of RF XL through non-refundable government funding and industry contributions, supplemented by financing activities such as the convertible debenture private placement in Q1 and Q2 2022 and the private placement of units in Q4 2022 and Q3 2023, all of which included common share purchase warrants. However, public market investor sentiment in general, and towards the oil and gas industry in particular may affect the Company's ability to raise additional funding for the final stages of the RF XL Pilot. A further delay in the testing program may result in additional costs and a delay in technology commercialization. To mitigate these risks, the Company plans to prioritize the RF Heating segment by concentrating capital allocation and resources deployment to it and maintain its cost containment efforts. Development of new CTI applications will be supported by a combination of grant funding, client revenues, and external investment targeted specifically on these projects.

RF XL

The focus for RF XL for 2024 is to complete the RF XL Pilot redeployment plan and demonstrate significant RF power injection into the reservoir, showing the positive effect of RF XL on heavy oil production. As more history and experience with the RF XL Pilot is generated, the Company will work to secure additional demonstration sites for RF XL.

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, including plans to use two megawatts of electricity with an 800m horizontal well.

Since 2017, Acceleware has been awarded grants totalling $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 has raised a further $6 million for its RF XL Pilot from three major oil sands producers, payable upon completion of milestones. The Company continues to pursue partnerships with oil sands and heavy oil producers to not only provide additional financial and technical support for this commercial-scale field test but to also to pave the way for continued commercialization after the completion of the RF XL Pilot.

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 their 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 six months and was paused for a maintenance workover in October 2022. The Company continues to make progress on the workover.

Clean Tech Inverter Applications

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, 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, 2023, December 31, 2022, and December 31, 2021.

	Year Ended Dec 31, 2023 (Audited)	**Year Ended Dec 31, 2022 (Audited)**	**Year Ended Dec 31, 2021 (Audited)**
Total revenue	$279,011	$328,293	$752,770
Total comprehensive loss	($2,045,373)	($5,142,168)	($4,079,593)
Loss per share (basic and diluted)	($0.02)	($0.05)	($0.04)
Total assets	1,509,927	$2,528,832	$5,352,188
Long-term debt[1]	1,630,358	$1,995,696	$121,654
Dividends	Nil	Nil	Nil

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

Revenue is lower for 2023 compared to 2022 and 2021 due to lower maintenance revenue for contracts that ended in 2019 and lower demand for seismic imaging software. Management expects revenues to experience significant fluctuations due to the software revenue model, with fewer overall sales transactions at higher overall revenue per transaction, which could potentially lead to increased volatility in revenue. Total comprehensive loss was lower in 2023 compared to 2022 and 2021 due to timing of receipt of government assistance, decreasing RF XL Pilot expenditures. Comprehensive loss was higher in 2022 compared to 2023 and 2021 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, 2023

Revenue	**Year ended December 31, 2023**	Year ended December 31, 2022	% change 2023 over 2022
Software	**$ 83,849**	$ 118,024	-29%
Maintenance	**123,852**	187,269	-34%
Services	**71,310**	23,000	210%
	$ 279,011	$ 328,293	-15%

The Company recognized revenue of $279,011 in the year ended December 31, 2023, a 15% decrease over the year ended December 31, 2022 primarily due to lower RF Heating software revenue and lower HPC maintenance revenue, despite increased RF Heating services revenue. Services revenue relates to RF simulation and experimental studies paid by customers interested in applying CTI for their industrial heating needs. Industries outside heavy oil have also become interested in utilizing CTI for industrial heating, including mining, agriculture, and hydrogen.

RF Heating Revenue	**Year ended December 31, 2023**	Year ended December 31, 2022	% change 2023 over 2022
Software	**$ -**	$ 85,000	-100%
Maintenance	**6,000**	9,000	-33%
Services	**71,310**	23,000	210
	$ 77,310	$ 117,000	-34%

RF Heating revenue was 34% lower for the year ended December 31, 2023 at $77,310 compared to $117,000 in the year ended December 31, 2022. Services revenue generated in 2023 relates to studies with customers interested in applying CTI for intelligent electric heating needs. Revenue in 2022 was driven by sales of the Company's AxHEAT RF heating simulation software to major oil sands producers in connection with data revenue agreements. Since 2018, the Company has been successful selling data revenue 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 at December 31, 2023, deferred revenue of $4,350,000 (December 31, 2022 - $4,350,000) has been recorded under these contracts for non-refundable payments that have been received in cash, and will be recognized as revenue once heating is complete or the contracts are terminated, whichever is earlier.

HPC Revenue	**Year ended December 31, 2023**	Year ended December 31, 2022	% change 2023 over 2022
Software	**$ 83,849**	$ 33,024	154%
Maintenance	**117,852**	178,269	-34%
	$ 201,701	$ 211,293	-5%

HPC revenue was $201,701 for the year ended December 31, 2023, a decrease of 5% compared to $211,293 in the year ended December 31, 2022 due to fluctuating demand for the Company's high performance computing software and fewer maintenance contracts renewals.

Expenses	**Year ended December 31, 2023**	Year ended December 31, 2022	% change 2023 over 2022
Cost of revenue	**$ -**	$ 18,748	-100%
General & administrative	**1,993,800**	2,078,196	-1%
Research & development	**254,740**	3,445,155	-93%
	$ 2,248,540	$ 5,542,099	-58%

Expenses of $2,248,540 in the year ended December 31, 2023, decreased 58% from $5,542,099 in the year ended December 31, 2022 due to lower activity levels for the RF XL Pilot, higher government assistance and lower salary costs as the Company continues to prioritize cost management. R&D expenses in 2023 were 93% lower than in 2022 due mainly to higher government assistance and lower Pilot costs. G&A expenses were 1% lower in 2023 due to lower salaries related to cost management, partially offset by increases in professional fees for services related to the equity offerings and higher non-cash payroll related expenses driven by the timing of option grants.

RF Heating Expenses	**Year ended December 31, 2023**	Year ended December 31, 2022	% change 2022 over 2021
Cost of revenue	**$ -**	$ 18,748	-100%
General & administrative	**1,769,793**	1,612,617	10%
Research & development	**254,740**	3,445,155	-93%
	$ 2,024,533	$ 5,076,520	-60%

RF Heating expenses of $2,024,533 in the year ended December 31, 2023, decreased by 60% compared to $5,076,520 in the year ended December 31, 2022 due to higher government assistance and decreased activity on the RF XL Pilot for the workover as noted above. G&A expenses in Q4 2023 increased 10% from Q4 2022 due to higher non-cash payroll related costs incurred in 2023 driven by the timing of option grants.

HPC Expenses	**Year ended December 31, 2023**	Year ended December 31, 2022	% change 2022 over 2021
General & administrative	**$ 224,007**	$ 465,579	-52%

HPC expenses of $224,007 in the year ended December 31, 2023 decreased 52% compared to $465,579 in the year ended December 31, 2022 as the Company continues to focus the majority of its resources on the RF Heating segment.

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, 2023.

	2023				**2022**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	$43,590	$62,467	$69,407	$103,547	$73,056	$53,282	$119,548	$82,407
Cash generated (used) in operating activities	$620,647	(734,824)	(963,794)	(344,062)	(613,464)	(216,211)	(2,351,313)	(1,401,272)
Total comprehensive income/(loss) for the period	$617,748	(1,272,006)	(1,135,498)	(255,617)	(1,345,913)	(1,000,346)	(891,033)	(1,904,876)
Income (loss) per share basic and diluted	$0.005	($0.01)	($0.01)	($0.002)	($0.01)	($0.01)	($0.01)	($0.02)

The Company's software revenue model results in relatively few overall sales transactions with higher overall revenue per transaction, which could potentially lead to increased volatility in quarterly revenue. 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, 2023

Revenue	**Three months ended December 31, 2023**	Three months ended December 31, 2022	Three months ended September 30, 2023	% change Q4 2023 over Q4 2022	% change Q4 2023 over Q3 2023
Software	**$ 21,381**	$ 6,365	$ 33,243	236%	-36%
Maintenance	**22,209**	43,691	29,224	-49%	-24%
Services	**-**	23,000	-	100%	N/A
	$ 43,590	$ 73,056	$ 62,467	-40%	-30%

Revenue was $43,590 in Q4 2023, 40% lower compared to $73,056 in Q4 2022 and 30% lower compared to $62,467 in Q3 2023. The fluctuations were driven mainly by lower revenue for maintenance in the HPC segment and services in the RF Heating segment.

RF Heating Revenue	**Three months ended December 31, 2023**	Three months ended December 31, 2022	Three months ended September 30, 2023	% change Q4 2023 over Q4 2022	% change Q4 2023 over Q3 2023
Maintenance	**-**	4,500	-	N/A	N/A
Services	**-**	23,000	-	-100%	N/A
	$ -	$ 27,500	$ -	-100%	N/A

RF Heating revenue was $nil in Q4 2023 compared to $27,500 in Q4 2022 and $nil in Q3 2023. Revenue was $nil due to lower services revenue for RF simulation and experimental studies paid by customers interested in applying CTI for their industrial heating needs. Although services revenue was lower in Q4 2023 and Q3 2023 compared to Q4 2022, industry interest has remained strong for applications of CTI in industries such as mining, hydrogen and agricultural drying.

HPC Revenue	**Three months ended December 31, 2023**	Three months ended December 31, 2022	Three months ended September 30, 2023	% change Q4 2023 over Q4 2022	% change Q4 2023 over Q3 2023
Software	**$ 21,381**	6,365	$ 33,243	236%	-36%
Maintenance	**22,209**	39,191	29,224	-43%	-24%
	$ 43,590	45,556	$ 62,467	-4%	-30%

HPC revenue was $43,590 in Q4 2023 compared to $45,556 in Q4 2022 and $62,467 in Q3 2023. Revenue was 4% lower in Q4 2023 compared to Q4 2022 and 30% lower than in Q3 2023 due to fluctuating demand for the Company's HPC software from existing customers.

Expenses	**Three months ended December 31, 2023**	Three months ended December 31, 2022	Three months ended September 30, 2023	% change Q4 2023 over Q4 2022	% change Q4 2023 over Q3 2023
General & administrative	**$ 579,049**	573,353	562,325	1%	3%
Research & development	**(1,379,997)**	319,552	678,759	-532%	-303%
	$ (800,948)	$ 892,905	$ 1,241,084	-190%	-165%

Expenses were ($800,948) in Q4 2023, 190% lower compared to $892,905 in Q4 2022 and 165% lower compared to $1,241,084 in Q3 2023. Gross R&D expenses were lower in Q4 2023 compared to both Q4 2022 and Q3 2023 due to lower on-site activity on the workover for the RF XL Pilot during Q4 2023. Also impacting R&D expenses are the amounts recognized for government assistance. There was $2,064,434 recognized in Q4 2023 compared with

$900,000 recognized in Q4 2022 and $119,785 in Q3 2023. Government assistance recognized in Q4 2023 was received from CRIN and related to eligible costs incurred in the period January 1, 2022 to June 30, 2023. As the funding was awarded and received in Q4 2023, after the costs were incurred, it was not recognized in any earlier period. G&A expenses were higher in Q4 2023 compared to Q4 2022 and Q3 2023 due to higher non-cash payroll related costs related to share based compensation for the timing of option grants and higher professional fees related to the equity offerings.

RF Heating Expenses	**Three months ended December 31, 2023**	Three months ended December 31, 2022	Three months ended September 30, 2023	% change Q4 2023 over Q4 2022	% change Q4 2023 over Q3 2023
General & administrative	**$ 518,730**	473,118	496,024	10%	5%
Research & development	**(1,379,997)**	319,552	678,759	-532%	-303%
	$ (861,267)	$ 792,670	$ 1,174,783	-209%	-173%

RF Heating expenses were ($861,267) in Q4 2023, 209% lower compared to $792,670 in Q4 2022 and 173% lower compared to $1,174,783 in Q3 2023. Government assistance was $2,064,434 in Q4 2023 compared to $900,000 in Q4 2022 and $119,785 in Q3 2023 and fluctuated due to the reasons noted above. Gross R&D expenses incurred in the RF XL Pilot workover were lower in Q4 2023 compared to Q4 2022 and Q3 2023 due to less on-site workover activities. G&A expenses were higher compared to Q4 2022 and Q3 2023 due to higher non-cash payroll related costs for share based compensation driven by the timing of options grants and higher professional fees related to the equity offerings.

HPC Expenses	**Three months ended December 31, 2023**	Three months ended December 31, 2022	Three months ended September 30, 2023	% change Q4 2023 over Q4 2022	% change Q4 2023 over Q3 2023
General & administrative	**$ 60,319**	100,235	66,301	-40%	-9%

HPC expenses were $60,319 in Q4 2023, 40% lower compared to $100,235 in Q4 2022 and 9% lower compared to $66,301 in Q3 2023. G&A expenses in the HPC segment were lower in Q4 2023 compared to Q4 2022 as the Company was focused on the RF XL Pilot and were higher compared to Q2 2023 due to fluctuations in non-cash payroll related costs for share based compensation for timing of option grants.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2023, Acceleware had negative working capital of $1,985,372 (December 31, 2022 – negative working capital of $638,622) including $951,569 in cash and cash equivalents (December 31, 2022 - $1,146,468) and $944,010 in short-term notes payable (December 31, 2022 - $678,774). For both periods, Acceleware also had $2,215,000 in long-term 10%, semi-annual interest, convertible debentures outstanding, the principal amount of which is owing four years from the date of issue or approximately Q1 2026. Fluctuations in non-cash working capital were attributable to the timing of receipt and recognition of government and partner funding and related R&D spending. During Q4 2023, Acceleware received the first claim for reimbursement under the new $3 million CRIN grant funding arrangement noted above. There was $2,064,434 received in Q4 2023. Cash and cash equivalents decreased due to timing of payments of trade payables. Increasing the deficit is deferred revenue of $4,350,000 as at December 31, 2023 (December 31, 2022 – $4,350,000). Despite receiving non-refundable cash payments for these amounts, the milestone payments have not met all requirements for revenue recognition under IFRS 15 Revenue from Contracts with Customers. These amounts will be recognized as revenue and increase shareholders' equity when RF XL Pilot heating is complete or the data revenue contracts are terminated, whichever is earlier.

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 CTI and the RF XL technology, new R&D investments will be financed through a combination of internal cash flow from the HPC business, project funding agreements, government assistance, industry partners and external financing, when available. 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, the Company's 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 the above items may have a material adverse impact on the Company's financial position, results of financial performance and cash flows.*

Cash flows provided by operations totaled $620,647 for the three months ended December 31, 2023 compared to cash flows used in operations of $613,464 for the three months ended December 31, 2022. Cash provided by operations before changes in non-cash working capital was $971,745 for Q4 2023 compared to cash used in operations before changes in non-cash working capital of $804,474 in Q4 2022. The increase for both comparisons is due to receipt of government assistance from CRIN in Q4 2023.

On March 24, 2022, the Company closed its first non-brokered private placement of 10% unsecured convertible debentures due 2026 for gross proceeds of $1,500,000. On April 5, 2022, the Company closed its second non-brokered private placement on terms, similar to the first, for gross proceeds of $715,000. For both offerings, each debenture matures four years after the issue date and is convertible into units of the Company at a conversion price of $0.80. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share, at an exercise price equal to 200% of the conversion price of the debentures for a 24-month period following the issuance of the debentures. Net proceeds from the offering were used to fund the further development and testing of the Company's RF heating technology and for general corporate purposes.

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

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 $448,278. The proceeds were used to fund a portion of the workover for the commercial-scale pilot test of the RF XL technology and for general corporate purposes.

* 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

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, 2023 decreased to $280,618, compared to $1,034,940 as at December 31, 2022 due to payments of government assistance receivable for work completed on the RF XL Pilot. The Company maintains close contact with its customers to mitigate risk in the collection of receivables and a large portion of the receivables is due from provincial and federal government bodies related to a contract for government assistance, and therefore is deemed lower risk.

Current Liabilities

As at December 31, 2023, the Company had current liabilities of $3,241,329 compared to current liabilities of $3,080,375 as at December 31, 2022. The change in current liabilities is due to an increase in notes payable and an increase in deferred compensation owing to management partially offset by payments to reduce accounts payable and accrued liabilities. Included in accounts payable and accrued liabilities as at December 31, 2023 is $1,159,808 of deferred compensation for amounts owing to management (December 31, 2022 – $779,665).

Non-current Liabilities

As at December 31, 2023, the Company had non-current liabilities of $6,249,373 compared to $6,607,471 as at December 31, 2022. The increase is mainly due to changes in the fair value of the derivatives of the convertible debt offered in 2022.

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, 2023, 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 is effective January 1, 2021 and provides a grant of up to 20% of eligible R&D expenses incurred in Alberta. This new grant effectively replaces 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 for 2021 and 2022 and received payment of $434,023 in Q1 2023 and $119,785 in Q3 2023. No amounts have been recorded as receivable as at December 31, 2023 due to uncertainty surrounding the estimate.

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. The following section describes specific and general risks that could affect the Company. As it is difficult to predict whether any risk will be realized or its related consequences will occur, the actual effect of any risk on the business could be materially different from that anticipated. The following descriptions of risk do not include all possible risks as there may be other risks of which Management is currently unaware.

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 of Acceleware 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 COVID-19 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

*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

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, 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.

Acceleware's 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, 2023, the Company incurred expenses in the amount of $249,239 (December 31, 2022 - $317,327) 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, 2023, $273,308 was included in accounts payable and accrued liabilities (December 31, 2022 - $206,902). These fees were incurred in the normal course of operations and initially measured at fair value.

For the year ended December 31, 2023, the Company incurred expenses in the amount of $7,060 (December 31, 2022 - $nil) 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, 2023, $1,700 was

included in accounts payable and accrued liabilities (December 31, 2022 - $nil). These fees were incurred in the normal course of operations and initially measured at fair value.

For the year ended December 31, 2023, the Company incurred expenses in the amount of $167,178 (December 31, 2022 - $176,150) 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, 2023, $80,373 was included in accounts payable and accrued liabilities (December 31, 2022 - $44,750). These fees were incurred in the normal course of operations and initially measured at fair value.

During the year ended December 31, 2023, the Company issued notes payable totaling $340,000 bearing interest at an annual effective rate of 20% repayable within 180 days of issuance to officers and directors of the Company in the normal course of operations. These notes payable were initially measured at fair value. The promissory notes, including accrued interest, are included in other current liabilities on the statement of financial position.

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

		2023		2022
Salaries and short-term employee benefits	**$**	**1,138,588**	$	1,444,038
Share-based expenses		**334,300**		226,008
	$	**1,472,888**	$	1,670,046

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements requires management of the Company 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 of the Company. 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 of the Company 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	118,376,043
Stock Options	11,288,932
Warrants	8,615,703

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, 2023 that are available on www.sedarplus.ca and as noted below.

Research and Development	**2023**	2022
Salaries	**1,136,463**	$ 1,181,558
Consulting	**341,050**	482,484
R&D supplies and materials	**1,079,838**	3,845,852
Share-based payments	**242,791**	74,947
Depreciation	**18,900**	35,399
Rent and overhead Allocation	**53,940**	53,940
Non-refundable government assistance	**(2,618,242)**	(2,229,025)
Total	**254,740**	$ 3,445,155

General and Administration	**2023**	2022
Salaries	**686,058**	$ 915,279
Professional Fees	**444,920**	367,594
Share Based Payments	**327,842**	201,739
Rent, Office and Public Company Fees	**334,795**	342,423
Marketing	**174,102**	203,040
Depreciation	**18,900**	35,399
Travel	**7,183**	12,722
Total	**1,993,800**	$ 2,078,196