

ACCELEWARE LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

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") unaudited condensed interim financial statements and the accompanying notes for the three and six months ended June 30, 2022 ("Q2 2022"), which were prepared in accordance with International Financial Reporting Standards ("IFRS"), and the audited annual financial statements, accompanying notes and MD&A for the year ended December 31, 2021, which have been prepared in accordance with IFRS. Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under Acceleware Ltd.

This MD&A is presented as of August 18, 2022. 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 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 technology;
- potential benefits of the Company's software to customers, including cost savings and increases to cash flow and productivity;
- the lasting impact on local and global markets of the COVID-19 pandemic;
- oil and natural gas production levels of both Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC countries;
- 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 interest in reducing greenhouse gas ("GHG") emissions, reducing industrial water use, and minimizing land disturbance remains constant or increases;
- that the long-term impact of the COVID-19 pandemic on the Company's products and services and R&D efforts will be manageable;
- 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 commercial-scale testing and in commercial products;
- that the Company will maintain all regulatory approvals required to carry out the commercial-scale testing of its RF heating technology at Marwayne, Alberta (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, 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: radio frequency heating (“RF Heating”) for enhanced oil recovery and high-performance computing (“HPC”) scientific software.

RF XL is Acceleware’s patented RF heating technology, designed to improve the extraction of heavy oil and bitumen, featuring a cost effective and environmentally friendly alternative to steam assisted gravity drainage (“SAGD”). When applied, RF XL has the potential to reduce both capital and operating costs, while offering significant environmental benefits, including:

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

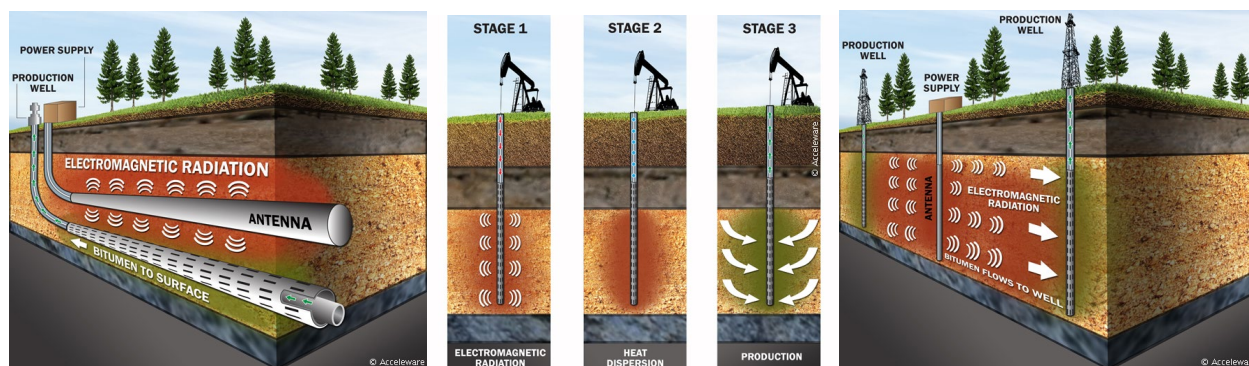
The Company believes that RF XL electrification can provide a clear pathway to low-to-zero GHG production of heavy oil and oil sands and provide optimal alignment between industry and government to recognize innovation as a meaningful component of the oil and gas industry’s overall emission reduction 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 formations, and clients’ electronic and medical product development needs with state-of-the-art electro-magnetic (“EM”) simulation software.

RF Heating for Enhanced Oil Recovery

Acceleware’s RF heating technology broadly falls into two distinct use-cases:

1. RF XL targets long horizontal wells most often associated with in-situ oil sands production.
2. Modular RF is technology primarily aimed at deeper, vertical wells where efficiencies can be gained due to the innovative approach offered by downhole RF power generation.



Multiple Vertical – RF flood

Single Vertical – Cyclic RF flood

Horizontal – RF injector

RF Heating can be used in a variety of vertical and horizontal well arrangements.

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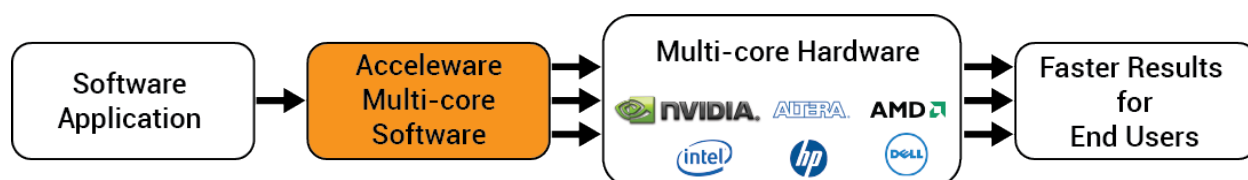
In 2010, Acceleware began investigating technology that would use RF energy for in-situ heating of heavy oil and bitumen. Since then, Acceleware has vigorously developed RF heating technology, securing the intellectual property with patents where appropriate.

Through the Company's RF heating development and services business, 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 RF heating R&D efforts have focused on reducing the capital cost of the technology, increasing its efficiency and therefore reducing its operating cost, and improving its scalability to be conducive for very long horizontal wells commonly used in Alberta's oil sands, as well as in Latin America, Africa, Asia, the Middle East and elsewhere. Acceleware's unique expertise with RF heating technology has resulted in the generation of revenue both locally and abroad.

High-Performance Computing Software

Acceleware's traditional high performance computing market has been 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 telephone 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.

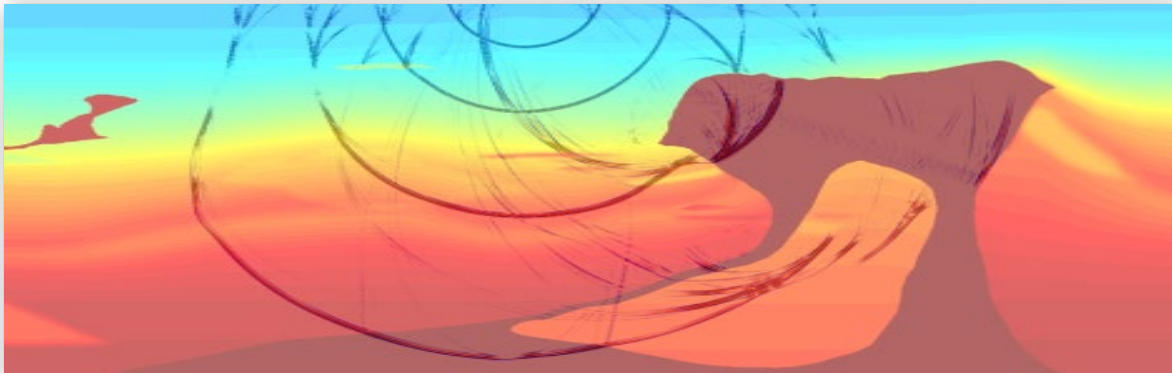
Acceleware recognized the similarity between EM FDTD and certain seismic imaging algorithms, which led the Company to enter the seismic imaging market in 2008. The Company's first product was a GPU accelerated Kirchhoff

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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. Beginning in 2019, Acceleware accesses 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 June 30, 2022, Acceleware had 18 employees and long-term contractors, including four in administration; three in sales, marketing and product management; and eleven in R&D and engineering.

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

OPERATING SUMMARY

The commercial-scale RF XL pilot project at Marwayne, Alberta (the “RF XL Pilot”) is the final step before early adoption and commercialization of the RF XL enhanced oil recovery technology. RF XL is the first application of the Company’s patent-protected Clean Tech Inverter (“CTI”), a novel electrification “engine” for industrial heating. Acceleware believes the CTI can economically decarbonize many industry verticals through electrification with immediate application in the clean energy transition. Functionality of the CTI has already been proved through scaled field tests conducted in 2019 and 2020, and when combined with existing heating systems and an immediate appetite within industry to adopt a clean technology, can facilitate an economic decarbonization strategy for many organizations.

The Company continues to make progress and based on initial observations, remains confident that RF XL will become viable as a critical technology in the effort to decarbonize heavy oil and oil sands production. As noted in the most recent commercial pilot update on July 27, 2022, heating was paused to allow for repair of a non-core component of the system and inspect certain downhole components of the RF XL system, to gain valuable data regarding the initial performance of the RF power transmission system. Upon completion of these steps, heating operations and further testing will resume. To date, the RF XL technology has been performing in-line with expectations, including the following key accomplishments:

- The CTI has been operational for four consecutive months, something that has never been done before.
- The Company has successfully injected power into the transmission lines for over 60 days, a significant milestone.
- There has been sustained heating of the formation around the RF XL well.
- In early April 2022, there was first oil production from the RF XL Pilot with oil shipments delivered through May and June 2022. During the RF XL Pilot, oil proceeds are recorded as an offset to R&D expenses.

In addition, recent strategic and operational highlights during the previous twelve months:

- As of April 5, 2022, the Company closed two non-brokered private placements of 10% unsecured convertible debentures due 2026 for total gross proceeds of \$2,215,000.
- Two additional patents are now under development.
- The Company’s Chief Technology Officer resigned to pursue another career opportunity.
- CEO, Geoff Clark, received Canada’s Clean-50 Award; and
- A third major oil sands producer signed-on as a consortium member of the RF XL Pilot and committed up to \$2 million in funding and technical expertise.

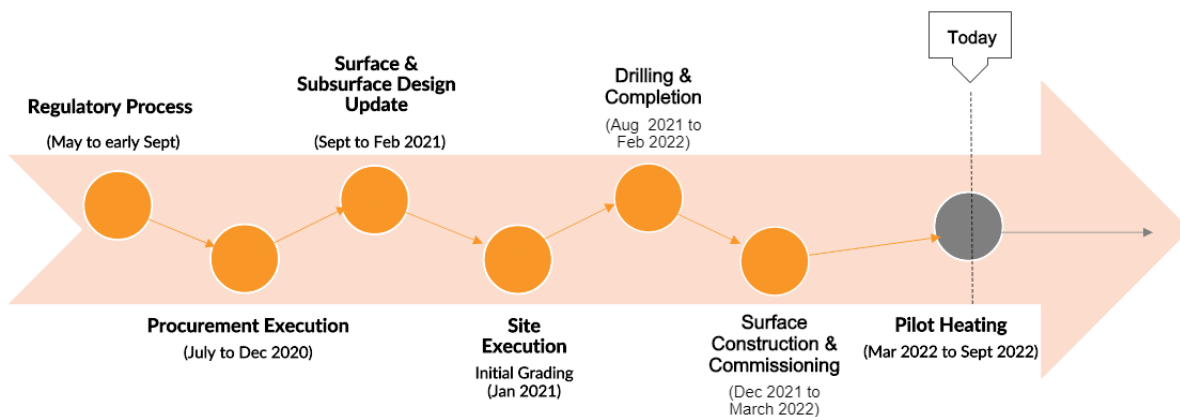
As of April 5, 2022, the Company had closed two non-brokered private placements of 10% unsecured convertible debentures due 2026 for total gross proceeds of \$2,215,000. Each debenture matures four years after the issue date and is convertible into units of the Company at a conversion price of \$0.80. 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 will be used to fund the further development and testing of the Company’s RF heating technology and for general corporate purposes.

There are 13 patents granted or allowed to protect various proprietary technologies related to Acceleware’s RF XL , and 31 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 was recently featured in several news stories by the [CBC on television](#), [radio](#), and [online](#). Several new blog posts and videos have been released via social media recently which feature discussions on the RF Heating technology by Acceleware’s engineering team. The collection of videos is available for viewing here: [Acceleware Vlog Posts](#) .

Project Update: In July, the fibre optic distributed temperature sensing (“DTS”) system in the heating well was damaged during a maintenance operation at the site. Though not a core component of the RF XL technology itself, the DTS is important to data gathering and to regulate injected power such that the system operates within specified parameters. The DTS will need to be removed from the well, inspected and repaired. In conjunction with repair of the DTS, the Company will take the opportunity to remove and inspect certain downhole components of the RF XL system to gain valuable data regarding the initial performance of the RF power transmission system. To accomplish these steps, the Company will pause heating while continuing to produce oil. This work will be completed as soon as service and component parts are available. Learnings from the operation are expected to result in additional intellectual property that will further refine the RF XL system including the CTI design, performance, and future economics.

With the pause in heating and maintenance discussed above, Acceleware now estimates the net cost of the RF XL Pilot to be in the range of \$22 million to \$24 million. Net cost include estimated gross costs of \$25 million to \$26 million offset by an estimated \$2 million to \$3 million proceeds from the sale of produced oil. Estimated gross costs have slightly increased to account for the repair and maintenance work on the RF XL system described above. There is uncertainty in estimated proceeds from the sale of produced oil due to fluctuating oil prices and simulated production volumes. Operating and maintenance cost estimates remain subject to fluctuating commodity prices, in particular electricity, supply chain 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. While the RF XL heating phase was planned for at least six months, this period may be extended to allow Acceleware to capture additional information on the efficiency and operation of the technology.



As of June 30, 2022, total direct funding committed to the RF XL Pilot included \$5 million from Alberta Innovates, \$5.5 million from Sustainable Development Technology Canada (“SDTC”), \$5 million from Emissions Reduction Alberta (“ERA”), and up to \$6 million from three consortium members. * All three consortium members of the RF XL Pilot have each committed up to \$2 million in funding and technical expertise. In exchange for this funding, Acceleware will provide 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.

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FINANCIAL SUMMARY

Gross R&D spending in Q2 2022 declined significantly compared to the last two quarters as operations began in early April 2022 and continued throughout the quarter. Surface facility installation was completed in Q1 2022, and the drilling program was completed in Q4 2021, both of which incurred a significant portion of the RF XL Pilot costs. Cumulative RF XL Pilot expenses as at June 30, 2022 were approximately \$24.1 million (December 31, 2021 - \$20.4 million). The remaining cash committed but not yet received from SDTC, ERA and Alberta Innovates, including holdbacks receivable was \$1.75 million as at June 30, 2022 (December 31, 2021 – \$2.9 million) and amounts committed but not yet received or receivable from three major oil-sands producers were \$1.6 million as at June 30, 2022 (December 31, 2021 – \$2.8 million).

Since the onset of the pandemic, the Company's priority has remained the health and safety of its staff, clients, partners, and other stakeholders. Acceleware continues to support modified work practices, staggered work hours as needed, and work-from-home protocols to meet all appropriate health and safety standards. The Company also implemented several operational responses to address the following challenges:

- increased costs for materials and services,
- tempered access to capital and funding from the oil and gas industry and public markets, and
- declines in demand for certain software used in the oil and gas industry.

The operational responses include a variety of proactive measures including:

- successfully closing additional funding,
- reducing reliance on international suppliers by sourcing from Canadian companies,
- engaging with a broader group of funders,
- cost effectively increasing communications with stakeholders regarding progress and technology,
- reducing travel and entertainment and other discretionary spending, and
- implementing flexible terms of engagement with contractors and employees.

QUARTER IN REVIEW

Revenue of \$0.1 million was generated in Q2 2022 compared to \$0.1 million in the three months ended June 30, 2021 ("Q2 2021") and \$0.1 million in the previous quarter ended March 31, 2022 ("Q1 2022"). Revenue in Q2 2022 was primarily generated from software sales with lower maintenance revenue due to less demand for FDTD and seismic software in Q2 2022. Acceleware also received non-refundable milestone cash payments of \$0.8 million in Q2 2022 compared to \$nil in Q2 2021 and \$0.4 million in Q1 2022, all of which were 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 deferred revenue recorded on the statement of financial position as at June 30, 2022 is \$4.15 million (December 31, 2021 – \$3.05 million).

Total comprehensive loss for Q2 2022 was \$0.9 million compared to a comprehensive loss of \$0.7 million for Q2 2021 and a comprehensive loss of \$1.9 million for Q1 2022. The higher comprehensive loss in Q2 2022 and Q1 2022 compared to Q2 2021 is due to a lower ratio of government assistance recognized as the RF XL Pilot nears completion.

Gross R&D expenses incurred in Q2 2022 were \$1.2 million compared to gross R&D expenses in Q2 2021 of \$1.8 million and \$2.6 million in Q1 2022. The lower level of spending in Q2 2022 over Q2 2021 and Q1 2022 is a result of the RF XL Pilot moving into operations and out of drilling, completion and construction. Additionally, a lower level of federal and provincial government assistance of \$0.2 million was recognized in Q2 2022 compared to \$1.4 million recognized in Q2 2021 and \$1.1 million recognized in Q1 2022, offsetting gross research and development costs.

General and administrative (“G&A”) expenses incurred in Q2 2022 were \$0.5 million compared to \$0.4 million in Q2 2021 and \$0.5 million in Q1 2022. Legal and professional fees were incurred in connection with the convertible debenture and were recorded in both Q2 2022 and Q1 2022. Additionally, non-cash payroll related costs were higher in Q2 2022 and Q1 2022 compared to Q1 2021 due to the timing of option grants. The Company continues to prioritize cost control given uncertain economic conditions.

YEAR TO DATE IN REVIEW

Revenue of \$0.2 million was generated from the Company’s software, maintenance and services revenue streams for the six months ended June 30, 2022 compared to \$0.4 million for the six months ended June 30, 2021. The lower revenue in the six months ended June 30, 2022 compared to the six months ended June 30, 2021 is due to lower demand for software and maintenance software in the HPC segment. In addition to recognized revenue, Acceleware has also received non-refundable milestone cash payments of \$1.2 million for the six months ended June 30, 2022 compared to \$1.0 million for the six months ended June 30, 2021 which are recorded in deferred revenue.

Total comprehensive loss for the six months ended June 30, 2022 was \$2.8 million compared to \$1.2 million for the six months ended June 30, 2021 due to higher R&D spending for the RF XL Pilot and lower government assistance recognized as the RF XL Pilot nears completion.

Gross R&D expenses for the six months ended June 30, 2022 were \$3.9 million compared to \$3.4 million incurred during the six months ended June 30, 2021 due to increased R&D activity. Well drilling and completion work began in August 2021 with construction completed in Q1 2022. Federal and provincial government assistance of \$1.3 million was recognized in the six months ended June 30, 2022 compared to \$2.7 million for the six months ended June 30, 2021 as the RF XL Pilot nears completion.

G&A expenses incurred during the six months ended June 30, 2022 were \$1.0 million compared to \$0.8 million for the six months ended June 30, 2021 an increase of \$0.2 million due primarily to legal and professional fees for the convertible debenture and higher non-cash payroll related costs for option grants. The Company continues to prioritize cost management.

As at June 30, 2022, Acceleware had negative working capital of \$0.6 million (December 31, 2021 – negative working capital of \$0.9 million) including cash and cash equivalents of \$0.4 million (December 31, 2021 – \$1.9 million). The increase in working capital is attributable to the timing of receipt and recognition of government and partner funding and receipt of proceeds from the convertible debentures. Increasing the deficit is deferred revenue of \$4,150,000 as at June 30, 2022 (December 31, 2021 – \$3,050,000). 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 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.*

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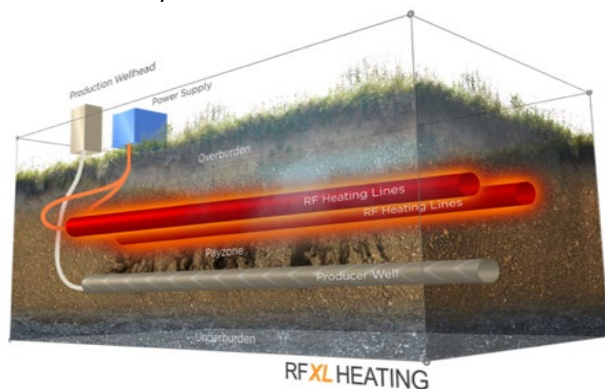
STRATEGIC UPDATE

Acceleware will continue to focus on the energy markets, with RF Heating, AxRTM, AxWave, AxFWI, and AxHEAT as the primary strategic revenue-generating and investment technologies. Innovations and improvements to AxFDTD will continue for the EM markets and be an enabling technology for AxHEAT in the energy market. Acceleware has a proven track record for successful development and commercialization of revolutionary technologies.

The Company believes that its RF Heating technology presents significant potential environmental and economic benefits for the oil industry. 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 non-brokered private placement announced in Q1 2022 and mentioned above. However, the unprecedented impact of COVID-19 and measures taken by governments and companies to contain its spread, and investor sentiment may affect the Company's ability to raise additional funding for the final stages of the RF XL Pilot, should further funding be required. 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.

RF Heating

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 preparation for the RF XL Pilot, which will use two megawatts of electricity with an 800m horizontal well.



Schematic of the RF XL Pilot

Since 2017, Acceleware has been awarded a \$5.5 million non-repayable contribution from SDTC, a \$5 million non-repayable contribution from ERA and a \$5 million non-repayable contribution from Alberta Innovates in accordance with their mandates to bring to market clean technologies that are economically viable and reduce GHG emissions. As at December 31, 2021, Acceleware had raised a further \$6 million in funding for its RF XL Pilot from three major oil sands producers. 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 at Marwayne.

Acceleware, with partner GE, completed the design, manufacturing, and factory testing of the prototype Acceleware 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 of its Experiment Recovery Scheme Application under the Oil Sands Conservation Act from the AER 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, completing the drilling and completions program. Facilities were installed beginning in late 2021 and completed in Q1 2022. Heating commenced in early March 2022, with oil production commencing in early April 2022.

HPC

In 2019, the Company focused on selling seismic imaging software to the oil and gas exploration market and continued the development of its suite of seismic products, as well as adding features, functionality, and performance to AxRTM, AxWave and AxFWI. Since 2018, the Company has accessed the oil and gas geoscience software market with innovative licensing structures through a direct sales model.

The Company continues to develop AxRTM, AxWave and AxFWI, which are GPU-accelerated and CPU-optimized seismic solutions, providing a multi-fold performance increase over alternative solutions, resulting in reduced processing times and enabling expedited drilling decisions for the oil and gas industry.

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 currently works 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.

SUMMARY OF QUARTERLY RESULTS

The following table highlights revenue, cash generated (used) in operating activities, total comprehensive loss and loss per share for the eight most recently completed quarters ended June 30, 2022.

| | 2022 | | 2021 | | | | 2020 | |
|---|-------------|-------------|-------------|-------------|-----------|-----------|-------------|-----------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Revenue | 119,548 | 82,407 | \$87,031 | \$297,226 | \$97,408 | \$271,106 | \$74,347 | \$130,219 |
| Cash generated (used) in operating activities | (2,351,313) | (1,401,272) | (1,440,665) | (211,875) | (467,445) | 1,814,730 | (981,479) | (544,129) |
| Total comprehensive loss for the period | (891,033) | (1,904,876) | (1,755,118) | (1,103,068) | (721,632) | (499,775) | (1,041,937) | (541,689) |
| Loss per share basic and diluted | (0.01) | (\$0.02) | (\$0.02) | (\$0.01) | (\$0.01) | (\$0.01) | (\$0.01) | (\$0.01) |

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. This was evident in Q3 2021 and Q1 2021 during which the Company recorded noticeably higher revenue than in other recent quarters. 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.

RESULTS OF OPERATIONS – THREE MONTHS ENDED JUNE 30, 2022

| Revenue | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Three months ended March 31, 2022 | % change Q2 2022 over Q2 2021 | % change Q2 2022 over Q1 2022 |
|-------------|----------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Software | \$ 85,368 | \$ 14,565 | \$ 17,639 | 486% | 384% |
| Maintenance | 34,180 | 64,184 | 64,768 | -47% | -47% |
| Services | - | 18,659 | - | -100% | N/A |
| | \$ 119,548 | \$ 97,408 | \$ 82,407 | 23% | 45% |

For the three months ended June 30, 2022, the Company recognized revenue of \$119,548 representing a 23% increase over Q2 2021 and a 45% increase over Q1 2022 driven by higher software product revenue in the RF Heating division partially offset by lower software and maintenance revenue in the HPC division.

| RF Heating Revenue | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Three months ended March 31, 2022 | % change Q2 2022 over Q2 2021 | % change Q2 2022 over Q1 2022 |
|--------------------|----------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Software | \$ 85,000 | \$ - | \$ - | N/A | N/A |
| Maintenance | - | - | - | N/A | N/A |
| | \$ 85,000 | \$ - | \$ - | N/A | N/A |

RF Heating revenue was \$85,000 in Q2 2022 compared to \$nil in Q1 2021 and \$nil in Q1 2022 due to sales of RF simulation software to a customer interested in applying RF XL to their specific reservoirs and operations.

| HPC Revenue | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Three months ended March 31, 2022 | % change Q2 2022 over Q2 2021 | % change Q2 2022 over Q1 2022 |
|-------------|----------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Software | \$ 3,368 | 14,565 | \$ 17,639 | -77% | -81% |
| Maintenance | 31,180 | 64,184 | 64,768 | -51% | -52% |
| Services | - | 18,659 | - | -100% | N/A |
| | \$ 34,548 | 97,408 | \$ 82,407 | -65% | 58% |

HPC revenue decreased to \$34,547 in Q2 2022 compared to \$97,408 in Q2 2021 and \$82,407 in Q1 2022. Lower revenue in Q2 2022 was due to lower demand for the Company's high performance computing software and fewer maintenance contracts renewals in the quarter. 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.

Expenses

| Expenses | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Three months ended March 31, 2022 | % change Q2 2022 over Q2 2021 | % change Q2 2022 over Q1 2022 |
|--------------------------|----------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Cost of revenue | \$ 18,748 | \$ 5,807 | \$ - | 223% | N/A |
| General & administrative | 499,471 | 386,807 | 473,656 | 29% | 5% |
| Research & development | 1,021,035 | 401,978 | 1,512,124 | 154% | -32% |
| | \$ 1,539,254 | \$ 794,592 | \$ 1,985,780 | 94% | -22% |

Expenses for the three months ended June 30, 2022, increased 94% to \$1,539,254 as compared to \$794,592 in Q2 2021 due to a lower ratio of government assistance recognized in Q2 2022 as the RF XL Pilot activities near completion in 2022. Expenses decreased 22% compared to \$1,985,780 in Q1 2022 due to lower costs for the RF XL Pilot in the heating phase. During Q2 2022, the Company ran operations of the well as compared to Q1 2022 where the Company finished installing the surface facilities for the RF XL Pilot. In Q2 2021, the Company was preparing for drilling and completion work on the RF XL Pilot but had not yet incurred significant costs.

| RF Heating Expenses | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Three months ended March 31, 2022 | % change Q2 2022 over Q2 2021 | % change Q2 2022 over Q1 2022 |
|--------------------------|----------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Cost of revenue | \$ 18,748 | \$ - | \$ - | N/A | N/A |
| General & administrative | 376,404 | 286,453 | 357,563 | 31% | 5% |
| Research & development | 1,021,035 | 389,031 | 1,512,124 | 162% | -32% |
| | \$ 1,416,187 | \$ 675,484 | \$ 1,869,687 | 110% | -24% |

RF Heating expenses for the three months ended June 30, 2022, increased 110% to \$1,416,187 as compared to \$675,484 in Q2 2021 and decreased 24% from \$1,869,687 in Q1 2022. R&D expenses were higher compared to Q2 2021 due to lower government assistance recognized in Q2 2022. Additionally, gross RF XL Pilot expenses were significantly higher for contractor and materials costs in Q2 2022 and Q1 2022 compared to Q2 2021 due to higher activity for the RF XL Pilot. G&A expenses were higher compared to Q2 2021 and lower compared to Q1 2022 due to higher legal and professional costs for the convertible debenture and fluctuations in payroll and payroll related costs.

| HPC Expenses | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Three months ended March 31, 2022 | % change Q2 2022 over Q2 2021 | % change Q2 2022 over Q1 2022 |
|--------------------------|----------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Cost of Revenue | - | 5,807 | - | -100% | N/A |
| General & administrative | 123,067 | 100,354 | 116,093 | 23% | 6% |
| Research & development | - | 12,947 | - | -100% | N/a |
| | \$ 123,067 | \$ 119,108 | \$ 116,093 | 3% | 6% |

HPC expenses for the three months ended June 30, 2022, increased 3% to \$123,067 as compared to \$119,108 in Q2 2021 and increased 6% as compared to \$116,093 in Q1 2022. G&A expenses were higher compared to Q2 2021 and Q1 2022 due to fluctuations in share-based compensation expenses driven by the timing of grants. R&D expenses were \$nil in all periods as the Company focuses on the RF XL Pilot.

RESULTS OF OPERATIONS – SIX MONTHS ENDED JUNE 30, 2022

| Revenue | Six months ended June 30, 2022 | Six months ended June 30, 2021 | % change 2022 over 2021 |
|-------------|-----------------------------------|-----------------------------------|-------------------------------|
| Software | \$ 103,006 | \$ 125,900 | -18% |
| Maintenance | 98,949 | 223,955 | -56% |
| Services | - | 18,659 | -100% |
| | \$ 201,955 | \$ 368,514 | -45% |

The Company recognized revenue of \$201,955 in the six months ended June 30, 2022, a 45% decrease over the six months ended June 30, 2021 primarily due to lower HPC software and maintenance. Although services revenue was higher in Q2 2021, the majority of these service products were discontinued in 2019. In addition to recognized revenue, Acceleware also received non-refundable milestone cash payments of \$1.2 million for the six months ended June 30, 2022 (six months ended June 30, 2021 - \$0.9 million) which were recorded in deferred revenue. Data revenue, in the RF Heating segment, 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.

| RF Heating Revenue | Six months ended June 30, 2022 | Six months ended June 30, 2021 | % change 2022 over 2021 |
|--------------------|-----------------------------------|-----------------------------------|-------------------------------|
| Software | \$ 85,000 | \$ 85,000 | 0% |
| | \$ 85,000 | \$ 85,000 | 0% |

RF Heating revenue remained consistent for the six months ended June 30, 2022 at \$85,000 compared to \$85,000 in the six months ended June 30, 2021, 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 June 30, 2022, deferred revenue of \$4,150,000 (December 31, 2021 - \$3,050,000) has been recorded under these contracts for amounts 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 | Six months ended June 30, 2022 | Six months ended June 30, 2021 | % change 2022 over 2021 |
|-------------|-----------------------------------|-----------------------------------|-------------------------------|
| Software | \$ 18,006 | \$ 40,900 | -56% |
| Maintenance | 98,949 | 223,955 | -56% |
| Services | - | 18,659 | -100% |
| | \$ 116,955 | \$ 283,514 | -59% |

HPC revenue was \$116,955 in the six months ended June 30, 2022, a decrease of 59% compared to \$283,514 in the six months ended June 30, 2021 due lower demand for the Company's high performance computing software and fewer maintenance contracts renewals.

| Expenses | Six months ended June 30, 2022 | Six months ended June 30, 2021 | % change 2022 over 2021 |
|--------------------------|---|-----------------------------------|-------------------------------|
| Cost of revenue | \$ 18,748 | \$ 19,282 | -3% |
| General & administrative | 973,127 | 810,036 | 20% |
| Research & development | 2,533,159 | 727,619 | 248% |
| | \$ 3,525,034 | \$ 1,556,937 | 126% |

Expenses increased 126% in the six months ended June 30, 2022, compared to the six months ended June 30, 2021, due primarily to higher activity levels for the RF XL Pilot in 2022, issue costs for the convertible debenture, legal costs for patent work and non-payroll related costs for option grants. R&D expenses in 2022 were 248% higher than 2021 as construction work was undertaken and completed on the RF XL Pilot in 2022 and operations began. G&A expenses were 20% higher in 2022 due to higher legal and professional costs for the derivative liabilities of the convertible debenture and increased patent activity levels and for higher payroll related costs which fluctuate based on the timing of option grants.

| RF Heating Expenses | Six months ended June 30, 2022 | Six months ended June 30, 2021 | % change 2022 over 2021 |
|----------------------------|---|-----------------------------------|-------------------------------|
| Cost of revenue | \$ 18,748 | \$ 13,475 | 39% |
| General & administrative | 733,967 | 565,857 | 30% |
| Research & development | 2,533,159 | 714,672 | 254% |
| | \$ 3,285,874 | \$ 1,294,004 | 154% |

RF Heating expenses increased 154% in the six months ended June 30, 2022 compared to the six months ended June 30, 2021 due to increased activity on the RF XL Pilot as noted above. G&A expenses in Q2 2022 increased 30% compared to Q2 2021 due to costs related to the convertible debenture, legal costs related to increased activity for patents and payroll related costs which fluctuate depending on the timing of option grants.

| HPC Expenses | Six months ended June 30, 2022 | Six months ended June 30, 2021 | % change 2022 over 2021 |
|--------------------------|---|-----------------------------------|-------------------------------|
| Cost of revenue | \$ - | \$ 5,807 | -100% |
| General & administrative | 239,160 | 244,179 | -2% |
| Research & development | - | 12,947 | -100% |
| | \$ 239,160 | \$ 262,933 | -9% |

HPC expenses of \$239,160 in the six months ended June 30, 2022 decreased 9% compared to \$262,933 in the six months ended June 30, 2021 as the Company continues to focus the majority of its resources on the RF XL Pilot.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2022, Acceleware had negative working capital of \$647,181 (December 31, 2021 – negative working capital of \$911,335), \$379,071 in cash and cash equivalents (December 31, 2021 - \$1,947,512), and \$106,808 in combined short-term and long-term debt in the form of leases (December 31, 2021 - \$121,646). As of June 30, 2022, Acceleware also had \$2,215,000 in long-term 10%, semi-annual interest, convertible debentures, 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 of government assistance and related R&D spending. Cash and cash equivalents decreased due to timing of payments of trade payables. Increasing the deficit is deferred revenue of \$4,150,000 as at June 30, 2022 (December 31, 2021 – \$3,050,000). 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, 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 used in operations totaled \$2,351,313 for the three months ended June 30, 2022 compared to cash flows used in operations of \$467,445 for the three months ended June 30, 2021, a significant increase in the use of cash in operations due to the timing of receipt of funding for the RF XL Pilot and timing of payment of RF XL Pilot expenses. Cash used in operations before changes in non-cash working capital was \$1,326,716 for Q2 2022 compared to cash used in operations before changes in non-cash working capital of \$691,674 in Q2 2021.

Cash flows used in operations totaled \$3,752,585 for the six months ended June 30, 2022 compared to cash flows provided by operations of \$1,347,514 for the six months ended June 30, 2021, a significant increase in the use of cash in operations due to the timing of receipt of funding for the RF XL Pilot and timing of payment of RF XL Pilot expenses. Cash used in operations before changes in non-cash working capital was \$3,003,927 for the six months ended June 30, 2022 compared to cash used in operations before changes in non-cash working capital of \$1,152,915 for the six months ended June 30, 2021.

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

* 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

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 shall be used to fund the further development and testing of the Company's RF heating technology and for general corporate purposes.

Trade and Other Receivables

Trade and other receivables as at June 30, 2022 decreased to \$2,186,615, compared to \$2,960,602 as at December 31, 2021 due to a decrease in 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 June 30, 2022, the Company had current liabilities of \$3,474,224 compared to current liabilities of \$6,108,625 as at December 31, 2021. The change in current liabilities is due to timing of payment of trade payables for the RF XL Pilot and receipt and recognition of deferred government assistance for R&D.

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 Management, it is probable that the assets will be realized.

As at June 30, 2022, 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.

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 of December 31, 2019. The Company met the eligibility criteria and have claimed eligible R&D expenditures for 2021. No amounts have been recorded as at June 30, 2022 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. There have been no material changes in any risks or uncertainties facing the Company since December 31, 2021. A discussion of risks affecting the Company and its business is set forth under the heading Risk Factors and Uncertainties in Management's Discussion and Analysis for the period ended December 31, 2021.

TRANSACTIONS WITH RELATED PARTIES

For the three months ended June 30, 2022, the Company incurred expenses in the amount of \$45,938 (three months ended June 30, 2021 - \$45,938) with a company controlled by an officer of the Company as fees for duties performed in managing operations, and this amount is included in research and development expense. As at June 30, 2022, \$73,325 was included in accounts payable and accrued liabilities (December 31, 2021 - \$73,325). These fees were incurred in the normal course of operations and in the opinion of Management represent fair value for services rendered.

For the three months ended June 30, 2022, the Company incurred expenses in the amount of \$12,456 (three months ended June 30, 2021 - \$20,057) with a company controlled by an officer of the Company for legal fees, and this amount is included in general and administrative expense. As at June 30, 2022, \$36,770 (December 31, 2021 - \$411) was included in accounts payable and accrued liabilities. These fees were incurred in the normal course of operations and in the opinion of Management represent fair value for services rendered.

For the three months ended June 30, 2022, the Company incurred expenses in the amount of \$36,000 (three months ended June 30, 2021 - \$82,000) with a company controlled by the spouse of an officer of the Company for communications and other services, and this amount is included in general and administrative expense. As at June 30, 2022, \$12,600 was included in accounts payable and accrued liabilities (December 31, 2021 - \$12,804). These fees were incurred in the normal course of operations and in the opinion of Management represent fair value for services rendered.

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

| | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Six months ended June 30, 2022 | Six months ended June 30, 2021 |
|---|---|--|---|--------------------------------------|
| Salaries and short-term employee benefits | \$ 228,220 | \$ 280,346 | \$ 495,898 | \$ 582,389 |
| Share-based expenses | 45,722 | 12,542 | 115,755 | 35,418 |
| | \$ 273,942 | \$ 292,888 | \$ 611,653 | \$ 617,807 |

CRITICAL ACCOUNTING ESTIMATES

General

The Management's Discussion and Analysis for the year ended December 31, 2021 outlined critical accounting policies including key estimates and assumptions that Management has made under these policies and how they affect the amounts reported in the financial statements. During the quarter, there have been no material changes in Management's key estimates and assumptions and, except as noted below, the significant accounting policies used in the preparation of the condensed interim financial statements are unchanged from those disclosed in the Company's financial statements for the year ended December 31, 2021.

SIGNIFICANT ACCOUNTING POLICIES

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 | 108,398,340 |
| Stock Options | 9,331,164 |

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, 2021 that are available on www.sedar.com and as noted below.

| Research and Development | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 |
|-------------------------------|-------------------------------------|-------------------------------------|
| Salaries | \$ 283,715 | \$ 187,390 |
| Consulting | 114,718 | 182,289 |
| R&D supplies and materials | 802,770 | 1,421,816 |
| Share-based payments | 16,671 | 838 |
| Rent and overhead allocations | 13,485 | 11,207 |
| Amortization | 7,858 | 6,484 |
| Government assistance | (218,182) | (1,408,046) |
| Total | \$ 1,021,035 | \$ 401,978 |

| Sales, General and Administration | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 |
|--|-------------------------------------|-------------------------------------|
| Salaries | \$ 164,438 | \$ 151,329 |
| Marketing | 46,356 | 47,691 |
| Travel | 1,170 | - |
| Share-based payments | 60,128 | 11,976 |
| Rent, supplies and public company fees | 90,499 | 84,291 |
| Amortization | 7,858 | 6,484 |
| Professional fees | 129,022 | 85,036 |
| Total | \$ 499,471 | \$ 386,807 |