

ACCELEWARE LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 30, 2022 ("Q3 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 November 22, 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.

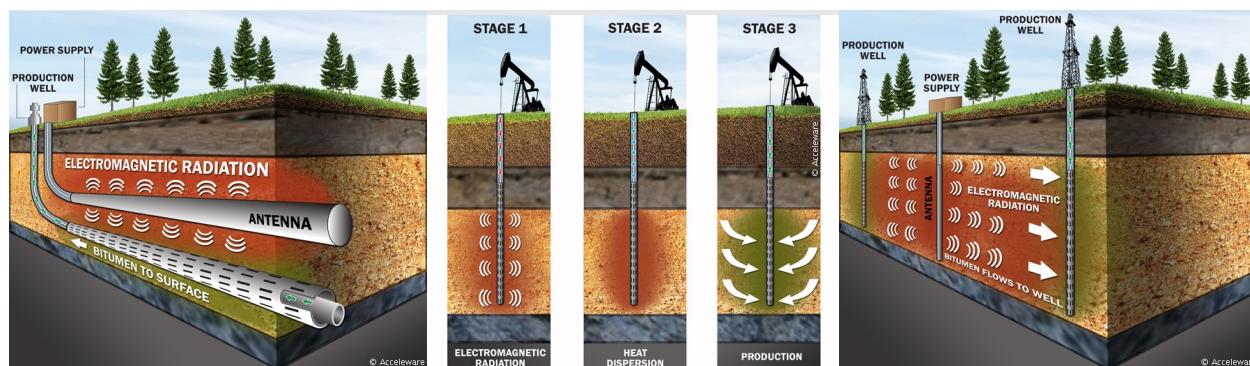
The Company believes that RF XL electrification can provide a clear pathway to low-to-zero GHG production of heavy oil and oil sands and provide optimal alignment between industry and government to recognize innovation as a meaningful component of the oil and gas industry’s overall emission reduction 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.

*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.

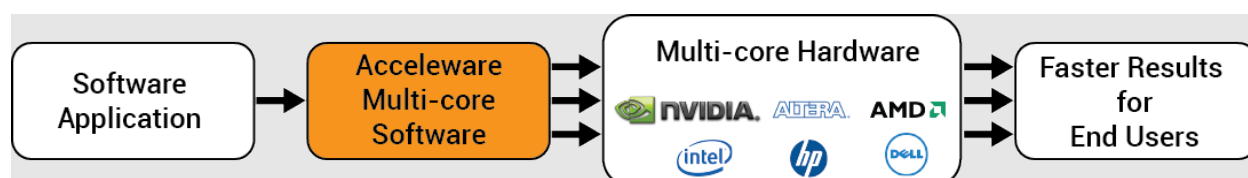
In 2010, Acceleware began investigating technology that would use RF energy for in-situ heating of heavy oil and bitumen. Since then, Acceleware has vigorously developed RF heating technology, securing the intellectual property with patents where appropriate.

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.

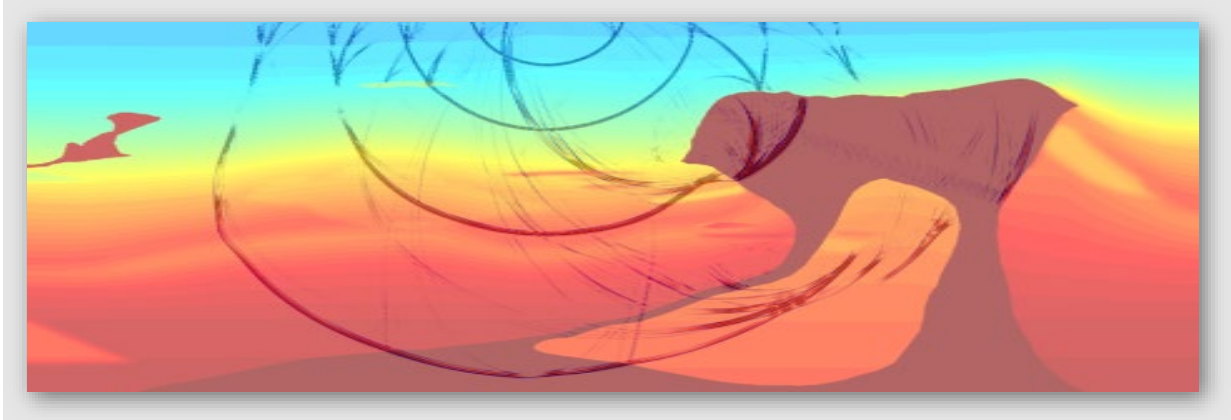
Acceleware recognized the similarity between EM FDTD and certain seismic imaging algorithms, which led the Company to enter the seismic imaging market in 2008. The Company's first product was a GPU accelerated Kirchhoff

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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 September 30, 2022, Acceleware had 18 employees and long-term contractors, including three in administration; three in sales, marketing and product management; and twelve 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 RF XL Pilot update on October 20, 2022, the heating well workover program commenced and is underway. In late July, the fibre optic distributed temperature sensing (DTS) system in the heating well was damaged during a maintenance operation at the RF XL Pilot. Though not a core component of the RF XL technology itself, the DTS is important to data gathering and power regulation to ensure the system operates within specified parameters. In conjunction with the repair of the DTS, the Company will take the opportunity to remove and inspect certain downhole components of the RF XL system, in order to gain valuable information regarding the initial performance of the RF power transmission system. The Company’s workover plan included input and review from industry partners, sourcing replacement parts and securing service vendors. Upon completion of the workover, heating operations and further testing are expected to resume.

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

- Before a pause for the workover described above, the CTI had been operational for seven consecutive months, something that has never been achieved before.
- The Company successfully injected power into the transmission lines for over 200 days prior to the workover, a significant milestone. There was sustained heating of the formation around the RF XL well prior to a pause in operations for a workover.
- Oil production from the RF XL Pilot well commenced in April 2022 and continued during Q3 2022 with shipments and proceeds recorded as an offset to R&D expenses.
- 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.

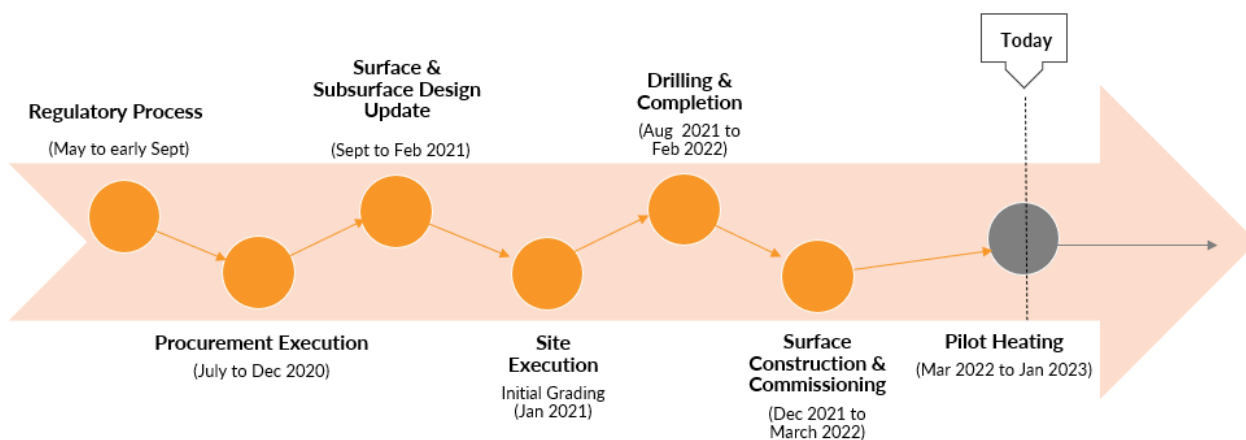
On November 10, 2022, the Company closed a private placement of units (“Units”). Each Unit consists of one common share and one common share purchase warrant (“Warrant”). Each Warrant entitles the holder to acquire one common share at an exercise price of \$0.36, for a period ending on November 10, 2024. 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 will be used to fund a portion of the workover for the commercial-scale pilot test of the RF XL technology and for general corporate purposes.

There are 13 patents granted or allowed to protect various proprietary technologies related to Acceleware’s intellectual property, 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 has been featured in several news stories by [Business News Network](#), and [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 Video Posts](#).

Project Update: To accomplish the workover, the Company paused heating but will continue to produce oil. The workover plan includes an estimated eight-week process which began in late October. The DTS fibre will be removed from each heating leg and replaced or reused depending on quality at inspection. A service rig will be used to pull out key heating components for inspection, repair or replacement. Once maintenance work is completed, the RF XL technology will be redeployed subsurface to resume operations. The final timing and cost of the workover is dependent on weather conditions at site, supply chain delivery timing and observations on the condition of underground components. 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.

Including preliminary estimates for the workover, Acceleware estimates the net cost of the RF XL Pilot to be in the range of \$22 million to \$24 million. Net cost includes estimated gross costs of \$25 million to \$26 million offset by an estimated \$2 million to \$3 million in proceeds from the sale of produced oil. Estimated proceeds from the sale of produced oil have been determined for the economic life of the RF XL Pilot well. However, there is uncertainty in estimating 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 Pilot heating phase was planned for at least six months, this period may be extended to allow Acceleware to capture additional information on the operation of the technology and its efficiency.*



As of September 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 Q3 2022 was significantly lower than in the same quarter for the prior year as operations for the RF XL Pilot began in early March 2022 and continued through the quarter. Operation of the RF XL Pilot has a much lower cost than installation and construction which occurred for most of Q3 2021 until end of Q1 2022. Operational spending in Q3 2022 compared to Q2 2022 was also lower as there were additional costs incurred in Q2 2022 to ramp up the power. Cumulative RF XL Pilot expenses as at September 30, 2022 were approximately \$24.8 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 \$1.5 million as at September 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 September 30, 2022 (December 31, 2021 – \$2.8 million).

Since the onset of the global pandemic, there has been economic volatility perpetuated by political events and regulatory reactions. The Company implemented several operational responses to address identified challenges including 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 such as:

- 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 Q3 2022 compared to \$0.3 million in the three months ended September 30, 2021 (“Q3 2021”) and \$0.1 million in the previous quarter ended June 30, 2022 (“Q2 2022”). Revenue in Q3 2022 was primarily generated from maintenance revenue with software revenue lower due to less demand for FDTD and seismic software. Acceleware received non-refundable milestone cash payments for the RF XL Pilot of \$nil in Q3 2022 compared to \$1,000,000 in Q3 2021 and \$0.8 million in Q2 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 September 30, 2022 is \$4.15 million (December 31, 2021 – \$3.05 million).

Total comprehensive loss for Q3 2022 was \$1.0 million compared to a comprehensive loss of \$1.1 million for Q3 2021 and a comprehensive loss of \$0.9 million for Q2 2022. Comprehensive loss in Q3 2022 and Q2 2022 was positively impacted by the unrealized gain on derivative instruments within the convertible debenture. These fluctuations are driven primarily by the fluctuation in the Company’s share price. Additionally, R&D expenses and government assistance were lower in Q3 2022 and Q2 2022 compared to Q3 2021 due to less expenditures required for heating operations of the RF XL Pilot.

Gross R&D expenses incurred in Q3 2022 were \$0.6 million compared to gross R&D expenses in Q3 2021 of \$4.0 million and \$1.2 million in Q2 2022. R&D spending was lower in Q3 2022 compared to Q3 2021 and Q2 2022 as a result of lower costs for operating the RF XL Pilot compared to the costs incurred for drilling, completion and construction. The RF XL Pilot began operations in March 2022 and incurred additional costs in Q2 2022 for initialization but then experienced lower and more consistent costs in Q3 2022. Government assistance typically reduces R&D expenses; however, all government assistance had been fully recognized at the end of Q2 2022. There was \$3.0 million government assistance recognized in Q3 2021 and \$0.2 million recognized in Q2 2022, offsetting gross R&D costs.

General and administrative (“G&A”) expenses incurred in Q3 2022 were \$0.5 million compared to \$0.4 million in Q3 2021 and \$0.5 million in Q2 2022. Additional legal and professional fees were incurred in connection with the convertible debenture and were recorded in Q2 2022. Additionally, non-cash payroll related costs were higher in Q3 2022 and Q2 2022 compared to Q3 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 \$0.3 million was generated from the Company’s software, maintenance and services revenue streams for the nine months ended September 30, 2022 compared to \$0.7 million for the nine months ended September 30, 2021. The lower revenue in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 is due to lower demand for software and maintenance in the HPC segment. In addition to recognized revenue, Acceleware has also received non-refundable milestone cash payments for the RF XL Pilot of \$1.2 million for the nine months ended September 30, 2022 compared to \$2.0 million for the nine months ended September 30, 2021 which are recorded in deferred revenue. As noted above, 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 loss for the nine months ended September 30, 2022 was \$3.8 million compared to \$2.3 million for the nine months ended September 30, 2021 primarily due to less government assistance recognized in 2022 for heating operations of the RF XL Pilot.

Gross R&D expenses for the nine months ended September 30, 2022 were \$4.5 million or \$2.9 million lower than the \$7.4 million incurred during the nine months ended September 30, 2021 because of lower costs for operating the RF XL Pilot compared to the costs incurred for drilling, completion, and construction. Well drilling and completion work began in August 2021 and was completed in Q1 2022. Federal and provincial government assistance of \$1.3 million recognized in the nine months ended September 30, 2022 was lower compared to \$5.8 million for the nine months ended September 30, 2021 due to the RF XL Pilot entering operations.

G&A expenses incurred during the nine months ended September 30, 2022 were \$1.5 million compared to \$1.2 million for the nine months ended September 30, 2021, an increase of \$0.3 million due primarily to legal and professional fees for the convertible debenture and higher non-cash payroll related costs including option grants. The Company continues to prioritize cost management.

As at September 30, 2022, Acceleware had negative working capital of \$1.8 million (December 31, 2021 – negative working capital of \$0.9 million) including cash and cash equivalents of \$0.2 million (December 31, 2021 – \$1.9 million). The decrease in working capital is attributable to the timing of receipt and recognition of government and partner funding. In addition to receivables for government assistance, there is \$1.6 million of industry partner funding still committed and not yet received. Increasing the deficit is deferred revenue of \$4,150,000 as at September 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.

On November 10, 2022, the Company closed a private placement of units (“Units”). Each Unit consists of one common share and one common share purchase warrant (“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 will be used to fund a portion of the workover for the commercial-scale pilot test of the RF XL technology and for general corporate purposes.

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.*

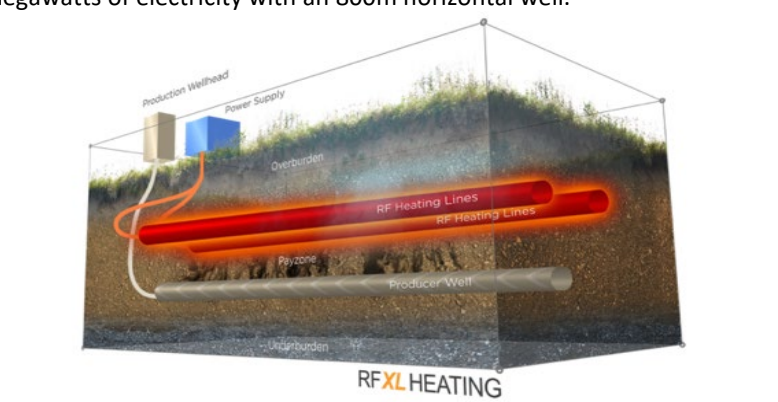
STRATEGIC UPDATE

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 convertible debenture private placement in Q1 and Q2 2022 and the units offering private placement in October 2022, both of which included common share purchase warrants. 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

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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 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. Although heating has been paused for a workover that began in late October 2022, oil production and shipments continued throughout Q3 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 September 30, 2022.

	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	53,282	119,548	82,407	\$87,031	\$297,226	\$97,408	\$271,106	\$74,347
Cash generated (used) in operating activities	(216,211)	(2,351,313)	(1,401,272)	(1,440,665)	(211,875)	(467,445)	1,814,730	(981,479)
Total comprehensive loss for the period	(1,000,346)	(891,033)	(1,904,876)	(1,755,118)	(1,103,068)	(721,632)	(499,775)	(1,041,937)
Loss per share basic and diluted	(0.01)	(0.01)	(\$0.02)	(\$0.02)	(\$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 SEPTEMBER 30, 2022

Revenue	Three months ended September 30, 2022	Three months ended September 30, 2021	Three months ended June 30, 2022	% change Q3 2022 over Q3 2021	% change Q3 2022 over Q2 2022
Software	\$ 8,652	\$ 189,315	\$ 85,368	-95%	-90%
Maintenance	44,630	52,911	34,180	-16%	31%
Services	-	55,000	-	-100%	-
	\$ 53,282	\$ 297,226	\$ 119,548	-82%	-55%

For the three months ended September 30, 2022, the Company recognized revenue of \$53,282 representing an 82% decrease over Q3 2021 and a 55% decrease over Q2 2022 driven mainly by lower software product revenue in both divisions and nil revenue for services in the RF Heating division.

RF Heating Revenue	Three months ended September 30, 2022	Three months ended September 30, 2021	Three months ended June 30, 2022	% change Q3 2022 over Q3 2021	% change Q3 2022 over Q2 2022
Software	\$ -	\$ -	\$ 85,000	-	-100%
Maintenance	4,500	-	-	N/A	N/A
Services	-	55,000	-	-100%	-
	\$ 4,500	\$ 55,000	\$ 85,000	-92%	-95%

RF Heating revenue was \$4,500 in Q3 2022 compared to \$55,000 in Q3 2021 and \$85,000 in Q2 2022 due to lower services and software revenue for RF simulation work to customers interested in applying RF XL to their specific reservoirs.

HPC Revenue	Three months ended September 30, 2022	Three months ended September 30, 2021	Three months ended June 30, 2022	% change Q3 2022 over Q3 2021	% change Q3 2022 over Q2 2022
Software	\$ 8,652	189,315	\$ 368	-95%	2258%
Maintenance	40,130	52,911	34,180	-24%	17%
	\$ 48,782	242,226	\$ 34,548	-80%	41%

HPC revenue was \$48,782 in Q3 2022 compared to \$242,226 in Q3 2021 and \$34,547 in Q2 2022. Revenue was lower in Q3 2022 compared to Q3 2021 due to fewer maintenance contract renewals for the Company's high performance computing software and a large one-time software sale recognized in Q3 2021. 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. Revenue was higher in Q3 2022 compared to Q2 2022 due to the timing for maintenance contract renewals.

Expenses

Expenses	Three months ended September 30, 2022	Three months ended September 30, 2021	Three months ended June 30, 2022	% change Q3 2022 over Q3 2021	% change Q3 2022 over Q2 2022
Cost of revenue	\$ -	\$ 22,250	\$ 18,748	-100%	-100%
General & administrative	531,716	441,729	499,471	20%	6%
Research & development	592,443	942,511	1,021,035	-37%	-42%
	\$ 1,124,159	\$ 1,406,490	\$ 1,539,254	-20%	-27%

Expenses were \$1,124,159 in Q3 2022, 20% lower compared to \$1,406,490 in Q3 2021 and 27% lower compared to \$1,539,254 in Q2 2022. R&D expenses were lower due to fewer costs required for operating the RF XL Pilot. Impacting R&D expenses was nil government assistance in Q3 2022, \$0.2 million in Q2 2022 and \$3.0 million in Q3 2021. Government assistance was lower during operations of the RF XL Pilot. G&A expenses were slightly higher in Q3 2022 compared to Q3 2021 and Q2 2022 due to non-cash payroll related costs.

RF Heating Expenses	Three months ended September 30, 2022	Three months ended September 30, 2021	Three months ended June 30, 2022	% change Q3 2022 over Q3 2021	% change Q3 2022 over Q2 2022
Cost of revenue	\$ -	\$ 22,250	\$ 18,748	-100%	-100%
General & administrative	405,533	348,347	376,404	16%	8%
Research & development	592,443	939,479	1,021,035	-37%	-42%
	\$ 997,976	\$ 1,310,076	\$ 1,416,187	-24%	-30%

RF Heating expenses were \$997,976 in Q3 2022, 24% lower compared to \$1,310,076 in Q3 2021 and 30% lower compared to \$1,416,187 in Q2 2022. During Q3 2022 and Q2 2022 the Company ran operations of the RF XL Pilot as compared to Q3 2021 during which the Company was performing drilling work. There were additional operational ramp-up expenses in Q2 2022 compared to Q3 2022. G&A expenses were higher compared to Q3 2021 and Q2 2022 due to additional legal and professional costs for the convertible debenture in Q2 2022 and fluctuations in payroll related costs.

HPC Expenses	Three months ended September 30, 2022	Three months ended September 30, 2021	Three months ended June 30, 2022	% change Q3 2022 over Q3 2021	% change Q3 2022 over Q2 2022
General & administrative	126,183	93,382	123,067	35%	3%
Research & development	-	3,032	-	-100%	N/A
	\$ 126,183	\$ 96,414	\$ 123,067	31%	3%

HPC expenses were \$126,183 in Q3 2022, 31% higher compared to \$96,414 in Q3 2021 and 3% higher compared to \$123,067 in Q2 2022. G&A expenses were higher due to fluctuations in payroll related costs including share-based compensation expenses which are driven by the timing of grants. R&D expenses were minimal in all periods as the Company was focused on the RF XL Pilot.

RESULTS OF OPERATIONS – NINE MONTHS ENDED SEPTEMBER 30, 2022

Revenue	Nine months ended September 30, 2022	Nine months ended September 30, 2021	% change 2022 over 2021
Software	\$ 111,659	\$ 315,215	-65%
Maintenance	143,578	276,866	-48%
Services	-	73,659	-100%
	\$ 255,237	\$ 665,740	-62%

The Company recognized revenue of \$255,237 in the nine months ended September 30, 2022, a 62% decrease over the nine months ended September 30, 2021 primarily due to lower HPC software and maintenance. In addition to recognized revenue, Acceleware also received non-refundable milestone cash payments of \$1.2 million for the nine months ended September 30, 2022 and \$2.0 million for the nine months ended September 30, 2021 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	Nine months ended September 30, 2022	Nine months ended September 30, 2021	% change 2022 over 2021
Software	\$ 85,000	\$ 85,000	0%
Maintenance	4,500	-	N/A
Services	-	55,000	-100%
	\$ 89,500	\$ 140,000	-36%

RF Heating revenue was \$89,500 in the nine months ended September 30, 2022, a decrease of 36% compared to \$140,000 in the nine months ended September 30, 2021, resulting from fluctuation in the timing of sales of simulation services to producers interested in applying the RF XL technology to their own reservoirs.

HPC Revenue	Nine months ended September 30, 2022	Nine months ended September 30, 2021	% change 2022 over 2021
Software	\$ 26,659	\$ 230,215	-88%
Maintenance	139,078	276,866	-50%
Services	-	18,659	-100%
	\$ 165,737	\$ 525,740	-68%

HPC revenue was \$165,737 in the nine months ended September 30, 2022, a decrease of 68% compared to \$525,740 in the nine months ended September 30, 2021 due lower demand for the Company's high performance computing software and the timing of maintenance contracts renewals.

Expenses	Nine months ended September 30, 2022	Nine months ended September 30, 2021	% change 2022 over 2021
Cost of revenue	\$ 18,748	\$ 41,532	-55%
General & administrative	1,504,843	1,251,765	20%
Research & development	3,125,602	1,670,130	87%
	\$ 4,649,193	\$ 2,963,427	57%

Expenses increased 57% in the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, due primarily to the timing of recognition of government assistance. Excluding government assistance, R&D expenses in the nine-months ended September 30, 2022 were significantly lower for surface construction activities and operation of the RF XL Pilot compared to the costs for drilling and completion activities for the RF XL Pilot in the nine-months ended September 30, 2021. G&A expenses were 20% higher in 2022 due to higher legal and professional costs for the convertible debenture, increased patent activity levels and higher payroll related costs.

RF Heating Expenses	Nine months ended September 30, 2022	Nine months ended September 30, 2021	% change 2022 over 2021
Cost of revenue	\$ 18,748	\$ 35,725	-48%
General & administrative	1,139,499	914,195	25%
Research & development	3,125,602	1,654,151	89%
	\$ 4,283,850	\$ 2,604,071	65%

RF Heating expenses increased 65% in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 due to the timing of recognition of government assistance. Gross R&D expenses were lower in 2022 compared to 2021 as the costs for heating operations were less than costs related to drilling activities. G&A expenses increased 25% compared to 2021 due to legal and professional costs for the convertible debenture, legal costs for increased patent activity and higher payroll related costs which fluctuate depending on the timing of option grants.

HPC Expenses	Nine months ended September 30, 2022	Nine months ended September 30, 2021	% change 2022 over 2021
Cost of revenue	\$ -	\$ 5,807	-100%
General & administrative	365,343	337,570	8%
Research & development	-	15,979	-100%
	\$ 365,343	\$ 359,356	2%

HPC expenses of \$365,343 in the nine months ended September 30, 2022 increased 2% compared to \$359,356 in the nine months ended September 30, 2021 as the Company continues to focus the majority of its resources on the RF XL Pilot.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2022, Acceleware had negative working capital of \$1,764,909 (December 31, 2021 – negative working capital of \$911,335), \$159,050 in cash and cash equivalents (December 31, 2021 - \$1,947,512), and \$99,390 in combined short-term and long-term lease obligations (December 31, 2021 - \$121,646). As of September 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 September 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 \$216,211 for the three months ended September 30, 2022 compared to cash flows used in operations of \$211,875 for the three months ended September 30, 2021. Cash used in operations before changes in non-cash working capital was \$999,247 for Q3 2022 compared to cash used in operations before changes in non-cash working capital of \$954,494 in Q3 2021.

Cash flows used in operations totaled \$3,968,796 for the nine months ended September 30, 2022 compared to cash flows provided by operations of \$1,135,639 for the nine months ended September 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 \$4,003,173 for the nine months ended September 30, 2022 compared to cash used in operations before changes in non-cash working capital of \$2,107,409 for the nine months ended September 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-

* 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

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 shall be 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 will be used to fund a portion of the workover for the commercial-scale pilot test of the RF XL technology and for general corporate purposes.

Trade and Other Receivables

Trade and other receivables as at September 30, 2022 decreased to \$1,535,201, compared to \$2,960,602 as at December 31, 2021 due to a payment 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 September 30, 2022, the Company had current liabilities of \$3,780,456 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 September 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 has claimed eligible R&D expenditures for 2021. No amounts have been recorded as at September 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 September 30, 2022, the Company incurred expenses in the amount of \$45,938 (three months ended September 30, 2021 - \$45,938) and \$137,813 for the nine months ended September 30, 2022 (nine months ended September 30, 2021 - \$137,083) 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 September 30, 2022, \$119,263 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 September 30, 2022, the Company incurred expenses in the amount of \$7,047 (three months ended September 30, 2021 - \$1,492) and \$46,404 for the nine months ended September 30, 2022 (nine months ended September 30, 2021- \$21,548) 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 September 30, 2022, \$44,154 (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 September 30, 2022, the Company incurred expenses in the amount of \$36,000 (three months ended September 30, 2021 - \$32,000) and \$108,000 for the nine months ended September 30, 2022 (nine months ended September 30, 2021 - \$114,000) 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 September 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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Salaries and short-term employee benefits	\$ 226,624	\$ 259,705	\$ 722,522	\$ 842,093
Share-based expenses	42,483	46,232	158,238	85,217
	\$ 269,107	\$ 305,937	\$ 880,760	\$ 927,310

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	115,072,007
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 September 30, 2022	Three Months Ended September 30, 2021
Salaries	\$ 314,540	\$ 183,394
Consulting	90,917	185,529
R&D supplies and materials	151,698	3,599,188
Share-based payments	13,945	13,310
Rent and overhead allocations	13,485	4,736
Amortization	7,858	6,482
Government assistance	-	(3,050,128)
Total	\$ 592,443	\$ 942,511

Sales, General and Administration	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Salaries	\$ 245,473	\$ 148,965
Marketing	46,902	51,081
Travel	1,648	5,735
Share-based payments	43,703	41,778
Rent, supplies and public company fees	86,018	97,792
Amortization	7,858	6,482
Professional fees	100,114	89,896
Total	\$ 531,716	\$ 441,729