

**ACCELEWARE LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2014**

This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read together with Acceleware Ltd.'s ("Acceleware" or the "Company") audited annual financial statements and the accompanying notes for the year ended December 31, 2014 (the "Financial Statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) under Acceleware Ltd.

This MD&A is presented as of April 27, 2015. 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", "believe" 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 if required;
- projections of sales increases through focus on the oil and gas exploration and development market, increasing the number of independent software vendor ("ISV") partners, and continuous performance improvements;
- potential benefits to Acceleware's customers, including cost savings and increases to cash flow and productivity;
- the future growth prospects for radio frequency heating technology for heavy oil and oil sands based on technical and economic feasibility analyses performed to date;
- advantages to using Acceleware's products and services;
- the demand for new products currently under development at the Company;
- ease and efficiency of implementing Acceleware's products and services; and
- supply and demand for Acceleware's primary products and services.

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

- that the cost savings initiatives taken to date, coupled with the future revenue and cash flow expected by the Company's management ("Management") 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 the preliminary analyses the company has performed to date regarding the technical and economic feasibility of radio frequency technology for heating of heavy oil and oil sands will be confirmed in practise;
- that it will be able to increase sales of its products and services by focusing on key vertical markets, increasing the number of ISV partners, and continuously improving its products – which is subject to the risks that sales in core vertical markets may be negatively affected by general economic conditions, that the Company may not be able to successfully attract and integrate its offerings into ISVs' products and that its research and development efforts may be unable to develop continuous improvements; and
- that it will be able to withstand the impact of increasing competition – which is subject to the risk that the adoption of graphics processing unit (“GPU”) computing (and any future hardware platform utilized by the Company) may be negatively affected by future advances in competing technology.

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.

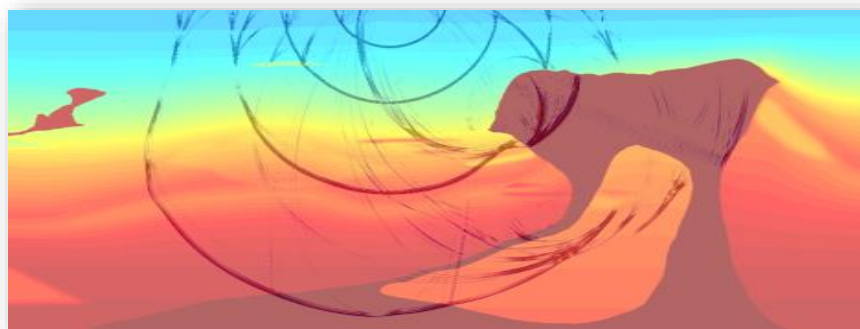
**Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Forward-looking statements include statements with respect to the timing and amount of estimated future revenue and sales and the Company's ability 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.**

## Company Overview

Acceleware is a High Performance Computing (“HPC”) company focused on the development of software and solutions for the oil and gas industry. Acceleware provides seismic imaging software that enables oil and gas companies to find hydrocarbons in the most complex geological formations. In addition to software, Acceleware offers HPC software development and electromagnetic simulation consulting services for oil and gas customers. A significant component of Acceleware’s consulting practice is made up of HPC and simulation training services.

Acceleware was founded in 2004 to build software solutions that targeted the graphics processing unit (“GPU”) as a compute platform. The first product was an accelerated finite difference time domain (“FDTD”) solution for the electromagnetic (“EM”) simulation industry. AxFDTD™ continues to be sold to many Fortune 500 companies such as Blackberry, Samsung, LG, Foxconn, Nikon, Renault, Mitsubishi, Merck, Boeing and Lockheed Martin. With AxFDTD, Acceleware was a pioneer in the GPU computing revolution.

Recognizing an opportunity in the similarity between electromagnetic FDTD and certain seismic imaging algorithms, Acceleware entered the seismic imaging market in 2008. The Company’s first product was a GPU accelerated Kirchhoff Time Migration solution, followed closely by CPU and GPU enabled Reverse Time Migration (“RTM”) library, AxRTM™ in 2009. In 2013, Acceleware introduced AxWave™, a forward modelling variant of reverse time migration which allows customers to accurately model seismic acquisition and perform data characterization. In late 2014, Acceleware added AxFWI™ a revolutionary modular full waveform inversion application to its seismic imaging suite. AxFWI allows geophysicists to create high quality subsurface velocity models in dramatically less time than before. Acceleware accesses the oil and gas exploration and development market through a combination of channel and direct sales. The Company provides channel partners with software solutions as an add-on or replacement to an existing seismic data processing platform to increase the functionality of and/or the speed of partners’ software. Some of the Company’s current seismic ISV partners include Tsunami Development, Paradigm Geophysical, Open Geophysical, Ltd. and GeoTomo LLC.



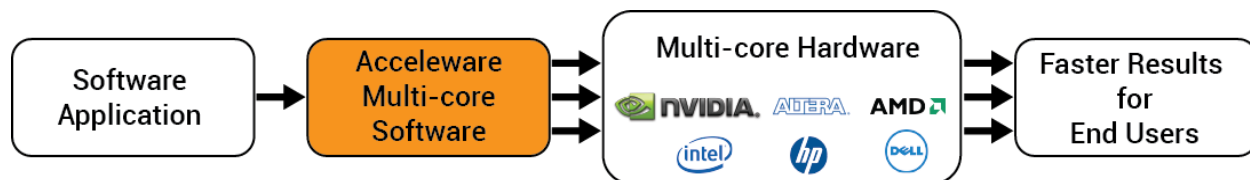
Acceleware provides HPC consulting services and HPC training to oil and gas companies such as ExxonMobil, GeoTomo, Saudi Aramco, Rock Solid Imaging, EMGS, Repsol, and Chevron. These companies utilize Acceleware’s expertise to improve the performance of their scientific computing software, and increase their in-house development capability. Acceleware’s HPC training business has objectives beyond revenue and income growth. The Company uses HPC training services as a marketing tool to promote its software and HPC development services. In 2011, Acceleware began providing simulation and design services to oil and gas companies investigating the technology to use radio frequency (“RF”) energy for in-situ heating of heavy oil and bitumen. Acceleware’s unique expertise with RF heating technology has resulted in service revenue both locally and abroad. The Company has developed software tools based on AxFDTD coupled to third party reservoir simulation software that are used internally by the Company to assist in the RF heating equipment design and simulation services business. In late 2013, Acceleware commercialized and introduced these simulation tools as AxHEAT™ a product aimed at oil and gas companies investigating the effectiveness of RF heating in increasing the efficiency of heavy oil and oil sands production.\*

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

The FDTD solution will continue for the traditional markets and is an enabling technology for AxHEAT and the controlled source electromagnetic (“CSEM”) method in the energy market. Increased sales and marketing efforts for these new and competitive technologies will also be a Company priority.

Beyond oil and gas, Acceleware’s traditional market has been electromagnetic simulation, and the Company continues to provide software and services to this industry. With AxFDTD, most of the major mobile telephone manufacturers in the world are using Acceleware’s electromagnetic design solutions to design their products more rapidly. Acceleware’s fourth-generation software acceleration solutions that support multi-board GPU solutions can accelerate entire industrial simulation and processing applications by over 35 times.



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

In the EM market, software developers partner with Acceleware to increase the speed of their software. Some of the Company’s current software partners include SPEAG, Synopsys and Agilent Technologies. Acceleware reaches the EM market through a combination of partner channels and direct sales.

In the EM market and elsewhere, Acceleware provides HPC consulting services including training to strategic customers, under fixed price or hourly contracts. These services and training are offered when there is a strategic opportunity to develop new software solutions or to engage in significant consulting projects.

Acceleware was founded in February 2004 by a group of graduate students and professors from the University of Calgary’s Electrical Engineering department and became a public company on the TSX Venture Exchange in January 2006 through a reverse takeover of a capital pool company, Poseidon Capital Corp. The Company is headquartered in Calgary, Alberta. As at December 31, 2014, Acceleware had 17 employees including: 2 in administration; 2 in sales, marketing, and product management; and 13 in research and development.

## Overall Performance

During the year ended December 31, 2014, Acceleware succeeded in its objective of increasing software revenue (product plus maintenance revenue) compared to the year ended December 31, 2013. The increase in software revenue was primarily due to increased seismic imaging software particularly AxRTM and AxFWI. Consulting services work for both HPC and RF heating decreased from various key oil and gas customers in 2014 compared to 2013. Total revenue decreased in 2014 compared to 2013 due to decreased consulting revenue. Despite the decreased revenue, total comprehensive loss improved in 2014 compared to 2013 due to decreased spending in all expense categories. Cash flow from operating activities decreased in 2014 compared to 2013 due to investment in working capital, particularly trade receivables.

The Company had total comprehensive loss for the year ended December 31, 2014 of \$158,898, a decrease of 63% compared to a total comprehensive loss of \$430,994 for the year ended December 31, 2013. The decrease in total comprehensive loss for the year ended December 31, 2014 is due to a 21% decrease in expenses for cost of revenue, general and administrative, and research and development despite a decrease of 13% in revenue and a 99% decrease in other income compared to the year ended December 31, 2013.

During the year ended December 31, 2014, Acceleware recognized revenue of \$2,656,282 representing a 13% decrease over the \$3,066,174 recognized during the year ended December 31, 2013. The decrease is primarily a result of a 41% decrease in consulting revenue from 2013, which was a due to a decrease in HPC and RF heating services revenue from the Company's oil and gas customers.

On August 14, 2014 Acceleware issued 10,240,000 common shares at a price per share of \$0.05, for gross proceeds of \$512,000, significantly improving the Company's working capital and cash positions. At December 31, 2014, Acceleware had \$713,085 (2013 - \$212,724) in working capital, including \$630,322 (2013 - \$400,810) in cash and cash equivalents, and \$47,168 (2013 - \$46,411) in combined short-term and long-term debt in the form of finance leases. The increase in working capital other than cash is due principally to an increase in trade and other receivables. The increase in trade and other receivables is due to higher revenue in Q4 2014 compared to Q4 2013. The Company continues to actively manage its cash flow and investment in new products to match its cash requirements to cash generated from operations. In order to maximize cash generated from operations, the Company plans to continue to focus on high gross margin revenue streams such as a software products, consulting services and training; concentrate on the oil and gas vertical market; minimize operating expenses where possible; and limit capital expenditure.

Management believes that successful execution of its business plan will result in sufficient cash flow 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 general and administrative expenses, and seeking outside financing. The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company's financial position, results of financial performance and cash flows.\*

## Highlights and Events

**October 27, 2014** – Acceleware released AxFWI a revolutionary modular full waveform inversion application for the creation of high-resolution and high fidelity broadband subsurface velocity models. Acceleware realized its first AxFWI revenue in late 2014.

**August 14, 2014** – Acceleware closed a private placement previously announced on July 24, 2014. The Company issued 10,240,000 common shares at a price per share of \$0.05, for gross proceeds of \$512,000. All securities issued are subject to a hold period, which will expire on December 15, 2014.

**June 16, 2014** – Acceleware and GeoTomo LLC announced that they have signed a reseller agreement which allows GeoTomo to integrate AxRTM into the GeoThrust seismic data processing system.

**June 5, 2014** – Acceleware announced the launch of AxHeat™, a modeling software application that enables heavy oil producers to accurately model the impact of using radio frequency (RF) heating to mobilize in situ heavy oil reserves

**February 12, 2014** – Acceleware announced that Open Geophysical, Inc., a Houston based seismic processing software company, and Acceleware signed a reseller agreement (the "Agreement") which allows Open Geophysical to integrate AxRTM into its OpenCPS land and marine seismic processing software. Acceleware and Open Geophysical also announced that Open Geophysical's parent company, Dolphin Geophysical ASA, will be the initial customer under the Agreement.

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**January 16, 2014** - Acceleware announced a significant sale of AxRTM software to Colombia's Ecopetrol S. A., Columbia's largest integrated oil and gas company. Ecopetrol has selected Tsunami Development's seismic imaging suite for the exploration of hydrocarbon reserves.

## **Strategic Update**

### *Oil and Gas Focus*

In 2014, the Company is focused on actively selling products and consulting services to the oil and gas exploration market. The Company continues to develop its latest release of AxRTM with TTI, which the Company believes is a state-of-the-art RTM seismic imaging product. In 2013, the Company released AxWave, a finite-difference forward modelling package. These and other accelerated seismic solutions, with dense packaging and improved economics in power and cooling, provide a multi-fold performance increase that reduces lengthy processing times and enables expedited drilling decisions for the oil and gas industry. In 2014, the Company is continuing the development of follow-on seismic products to AxRTM, such as full waveform inversion and elastic modelling. In addition to these new products, Acceleware is continuously upgrading the performance of AxRTM and adding new customer-driven features. During late 2014 the Company derived its first revenue from AxFWI, Acceleware's new modular full waveform inversion software application. Full waveform inversion allows geophysicists to dramatically improve subsurface models with less manual processing.

The Company currently sells product and services solutions into the oil and gas market and will continue to develop improvements to its products and intensify its marketing and business development activities in this market throughout 2014. The Company sells its seismic imaging solutions through four resellers, and is actively pursuing other resellers. The Company's key Seismic ISVs are Paradigm Geophysical, Tsunami Development, Open Geophysical, Ltd, and GeoTomo LLC. Acceleware has also seen significant opportunities for sales directly to end-users in this market, and expects to continue to see significant direct sales going forward.\*

Management believes that adding new partners and increasing the proportion of the partners' end-users that can be addressed by Acceleware's solutions will drive revenue growth, strengthen Acceleware's competitive position in the oil and gas market, and help to establish market leadership. Management believes that market leadership in oil and gas will result in higher sales penetration over the long-term, as well as improved profitability. Growth in revenue from the oil and gas market will be funded by operations, existing cash resources and investments in the Company and further financing as required from time to time. The Company will continue to finance operations and its growth strategy primarily through the sale of the Company's products and services.\*

### *Electromagnetic software products*

While the Company is focusing on oil and gas, it continues to sell and develop its EM FDTD solution. In the EM market, software is sold to end users primarily through ISVs that have integrated Acceleware's solution into their software packages. 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. ISVs are an important sales channel for Acceleware, and work with the Company's sales force by selling on Acceleware's behalf, co-selling with Acceleware's sales people, or referring potential customers to Acceleware. In 2014, Acceleware's CAE ISV partners include SPEAG, Agilent Technologies, Synopsis, Inc., and Crosslight Software Inc.

To drive future sales growth, Acceleware will work to add new ISV partnerships. Beyond expanding the Company's potential customer base, new ISV partnerships also provide Acceleware with additional reselling agents who are strongly incented to cross-sell Acceleware's products alongside their software solutions.\*

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In addition to adding ISV partners, Acceleware is working to deliver new products and solutions to address the needs of a larger proportion of the installed base of its ISV partners. The Company is continuously improving its software acceleration products and expects to continue to release improved products with significant increases in performance every year. \*

#### Consulting services business

Acceleware continues to see demand for its specialized expertise primarily within its core oil and gas vertical. The Company provides HPC services such as proof of concept, contract development, software code porting, and training to its consulting clients. Where possible, the Company uses services as leverage to increase adoption of its products within the oil and gas market.

Consulting services relate to GPU and CPU HPC projects, and electro-magnetic simulation. In some cases, services align well with the Company's core products. In several cases, the Company is developing long-term recurring business from key customers.

In 2015, Acceleware will host several HPC training classes in both open enrolment format and custom-designed formats for individual organizations.

#### RF Heating business

In 2011, Acceleware began providing simulation and equipment design services to oil and gas companies investigating the technology to use radio frequency energy for in-situ heating of heavy oil and bitumen. Acceleware's unique expertise with this RF heating technology has resulted in services revenue both locally and abroad. The Company has developed software tools based on FDTD that are used internally in the Company to assist in the RF heating simulation and equipment design services business. In late 2013, Acceleware commercialized and introduced these simulation tools as AxHEAT, a product aimed at oil and gas companies investigating the effectiveness of RF heating in increasing the efficiency of heavy oil and oil sands production. In 2014, the company has begun to develop proprietary RF heating technology. Beginning in August, 2014 the Company has received funding from the National Research Council – Industrial Research Assistance Program (“NRC-IRAP”) to partially finance the development.

Going forward into 2015, Acceleware will continue to focus on oil & gas, with AxRTM, AxWave, AxFWI, AxHEAT and RF heating as the main strategic revenue and investment technologies. Innovations and improvements to the FDTD solution will continue for the traditional markets and be an enabling technology for AxHEAT and the CSEM method in the energy market. Increased sales and marketing efforts for these new and competitive technologies will also be a Company priority.

The outlook for Acceleware's oil and gas technology business in 2015 is uncertain. As the Company's customers grapple with the sudden decrease in the world price of oil, we have seen caution among our customers resulting in delayed purchase decisions at the beginning of the year. More recently we have seen increased demand for both seismic products and RF heating solutions. The Company has taken steps to reduce operating and capital expenditures during this time of uncertainty. \*

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## Selected Annual Information

The audited financial statements and the accompanying notes for the year ended December 31, 2014 (the “Financial Statements”) are incorporated by reference herein and form an integral part of this MD&A. The Financial Statements can be found on www.sedar.com. All financial information is reported in Canadian dollars unless otherwise noted.

The following table shows selected financial information from Acceleware’s audited annual financial statements for the years ended December 31, 2014, December 31, 2013, and December 31, 2012.

	Year Ended Dec 31, 2014 (Audited)	Year Ended Dec 31, 2013 (Audited)	Year Ended Dec 31, 2012 (Audited)
Total revenue	\$2,656,282	\$3,066,174	\$2,910,580
Total comprehensive loss	(\$158,898)	(\$430,994)	(\$483,815)
Loss per share (basic and diluted)	(\$0.003)	(\$0.01)	(\$0.01)
Total assets	\$1,756,819	\$1,124,559	\$1,506,133
Long-term debt (in the form of finance leases) <sup>1</sup>	\$47,168	\$46,411	\$56,158
Dividends	Nil	Nil	Nil

<sup>1</sup> Includes current portion of finance leases

Acceleware’s recognized revenues have decreased in 2014 after an increase in 2013. These changes are a result of changes in product mix with the addition of oil and gas software and services to the traditional offerings of EM software solutions. Total comprehensive loss decreased significantly in 2014 compared to prior years as the company significantly reduced spending in all expense categories. The Company is now planning for modest growth in revenue and expects its total comprehensive income to continue to increase in future years.\* Total assets increased from \$1,506,133 as at December 31, 2012 to \$1,756,819 as at December 31, 2014 due to increased working capital, including cash. The cash increase in 2014 is a direct result of \$512,000 of new equity financing.

## Results of Operations

### Revenue

During the year ended December 31, 2014, the Company reported total revenues of \$2,656,282 a 13% decrease compared to \$3,066,174 for the year ended December 31, 2013. The decrease is a result of a decrease in consulting revenue, particularly from oil and gas customers, offset by an increase in software product and maintenance revenue. Product revenue increased 150% to \$811,702 for the year ended December 31, 2014 from \$324,398 recorded in the year ended December 31, 2013 as a result of significantly higher seismic AxRTM and AxFWI sales. Maintenance revenue increased 28% to \$431,551 in 2014 from \$336,288 in 2013, on higher seismic software leases and maintenance contracts. Consulting revenue decreased 41% to \$1,413,029 in 2014 from \$2,405,488 in 2013. It should be noted that the 7% appreciation of the US dollar relative to the Canadian dollar had a positive impact on recorded revenue in 2014, as 98% of revenue was invoiced in US dollars.

Revenue	Year ended December 31, 2014	Year ended December 31, 2013	Percentage change 2014/2013
Product sales	\$ 811,702	\$ 324,398	150%
Maintenance	431,551	336,288	28%
Consulting	1,413,029	2,405,488	-41%
	\$ 2,656,282	\$ 3,066,174	-13%

The Company recognizes approximately 82% of software product sales immediately and amortizes the remaining 18% of those sales (deferred revenue) into revenues over 12 months from the date of the sale. Software leases are

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amortized (deferred revenue) into revenue over the lease period. As at December 31 2014, revenue of \$181,371 (December 31, 2013 - \$128,255) is deferred, and will be recognized over a period of twelve months or less.

Expenses

<b>Expenses</b>	<b>Year ended December 31, 2014</b>	<b>Year ended December 31, 2013</b>	<b>Percentage change 2014/2013</b>
Costs of revenue	\$ 334,655	\$ 647,109	-48%
General and administrative	1,294,749	1,502,386	-14%
Research and development	1,186,297	1,403,022	-15%
	\$ 2,815,701	\$ 3,552,517	-21%

Expenses decreased 21% during the year ended December 31, 2014 to \$2,815,701 from \$3,552,517 for the year ended December 31, 2013. Management focused on cost management across all expense categories in 2014, with the exception of certain strategic investments in marketing and research and development.

Cost of revenue for the year ended December 31, 2014 decreased 48% to \$334,655 from \$647,109 in the year ended December 31, 2013. The decrease is due primarily to reduced salaries of personnel devoted to consulting services in line with reduced consulting revenue as well as reduced payments to NRC-IRAP for repayable research and development funding (the program was fully repaid in Q3 of 2013).

General and administrative expenses (“G&A”) include all salaries (excluding salaries for consulting and research and development personnel) and related expenses (including benefits and payroll taxes); sales and marketing activities; facility costs; stock-based compensation; and professional fees. For the year ended December 31, 2014, G&A expenses decreased 14% to \$1,294,749 from \$1,502,386 recorded in the year ended December 31, 2013. The decrease is primarily a result of decreased marketing and sales salaries, and reduced bad debt expense.

For the year ended December 31, 2014, research and development (“R&D”) expenditures decreased 15% to \$1,186,297 from \$1,403,022 for the year ended December 31, 2013. The decrease in fiscal 2014 is a result of a decrease in R&D consultants, and an increase in non-repayable government funding for R&D from NRC-IRAP and Alberta Innovates. The Company recorded \$135,613 (2013 - \$160,967) in refundable Alberta SR&ED tax credits as a reduction in R&D expense.

Other income

During 2013, the Company recorded other income of \$54,480 relating to third-party Asset-Backed Commercial Paper (“ABCP”) settlement funds, with no similar amount in 2014. This payment is pursuant to the ABCP settlement distribution plan announced by the Ontario Securities Commission and Investment Industry Regulatory Organization of Canada in 2013.

The balance of other income in 2014 of \$521 (2013 - \$869) is interest income on cash deposits.

Total comprehensive loss

The Company had a total comprehensive loss of \$158,898 for the year ended December 31, 2014, a 63% decrease compared to a total comprehensive loss of \$430,994 for the year ended December 31, 2013. The decrease in comprehensive loss can be attributed to decreased expenses in all categories, offset by lower revenue and other income.

## Summary of Quarterly Results

The following table highlights revenue, cash used in operating activities, total comprehensive income (loss) before tax and earnings (loss) per share for the eight most recently completed quarters ended December 31, 2014.

	Year 2014				Year 2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$812,973	\$515,241	\$655,084	\$672,984	\$616,329	\$672,035	\$824,783	\$953,027
Cash (used) generated in operating activities	58,580	(247,257)	80,069	(145,443)	58,215	(165,976)	198,314	31,782
Total comprehensive income (loss) for the period	32,043	(83,518)	(72,530)	(34,893)	(221,053)	(194,143)	(87,290)	71,492
Earnings (loss) per share basic and diluted	\$0.000	(\$0.001)	(\$0.001)	(\$0.001)	(\$0.004)	(\$0.003)	(\$0.002)	\$0.001

Compared to the same quarter a year earlier, Acceleware showed a significant increase in revenue during Q4 2014. Due to the increased revenue, the Company recorded a total comprehensive income in Q4 2014 as compared to total comprehensive loss in Q4 2013. On the other hand, cash generated in operating activities was similar in Q4 2014 compared to Q4 2013.

## Results of Operations – Fourth Quarter

### Overall Performance

During the three months ended December 31, 2014, Acceleware had a total comprehensive income of \$32,043, compared to a total comprehensive loss of \$221,053 for the three months ended December 31, 2013. The difference is a result of a 32% increase in revenue, coupled with a 7% decrease in expenses.

Total comprehensive income of \$32,043 in Q4 2014 also compared favourably to a total comprehensive loss of \$83,518 in Q3 2014. The increase in income is a result of a 32% increase in revenue, coupled with a 30% increase in expenses. During Q4 2014, the Company recognized revenue of \$812,973 representing a 32% increase over the \$616,329 recognized during Q4 2013, due to increased product revenue. Revenue increased 58% compared to the \$515,241 recognized in Q3 2014 primarily on increased product and consulting revenue.

### Revenue

During the quarter ended December 31, 2014, the Company recorded revenues of \$812,973, an increase of 32% compared to \$616,329 for the quarter ended December 31, 2013, and an increase of 58% compared to the \$515,241 recorded for Q3 2014. The increase compared to both Q4 2013 and Q3 2014 can be attributed to increased product revenue, and in the case of Q3 2014 increased consulting revenue.

Revenue	Three months ended Dec 31, 2014	Three months ended Dec 31, 2013	Three months ended Sept 30, 2014	% change Q4 2014 over Q4 2013	% change Q4 2014 over Q3 2014
Product sales	\$ 291,356	\$ 56,553	\$ 123,421	415%	136%
Maintenance	104,482	107,650	110,983	-3%	-6%
Consulting	417,135	452,126	280,837	-8%	49%
	\$ 812,973	\$ 616,329	\$ 515,241	32%	58%

Product sales revenue increased 415% to \$291,356 for Q4 2014 compared to \$56,553 for Q4 2013 due to increased AxRTM and AxFWI product revenue. Product sales revenue increased 136% to \$291,356 for Q4 2014 compared to \$123,421 for Q3 2014, due to increased AxRTM sales. Maintenance revenue decreased 3% to \$104,482 for Q4 2014 compared to \$107,650 for Q4 2013 and 6% compared to \$110,983 for Q3 2014. Consulting revenue decreased 8% to \$417,135 in Q4 2014 compared to \$452,126 recognized in Q4 2013 due to lower RF heating consulting fees from a key oil and gas customer entering a field testing phase. Consulting revenue increased 49% compared to \$280,837 in Q3 2014 due to higher demand for HPC consulting services from the oil and gas sector. It should be noted that the US dollar has appreciated significantly relative to the Canadian dollar in Q4 2014. Compared to Q4 2013 the US dollar has appreciated 9% in Q4 2014 and has appreciated 5% relative to Q3 2014. The appreciation has a positive impact on recorded revenue in as over 90% of revenue is invoiced in US dollars.

### Expenses

<b>Expenses</b>	<b>Three months ended Dec 31, 2014</b>	Three months ended Dec 31, 2013	Three months ended Sept 30, 2014	% change Q4 2014 over Q4 2013	% change Q4 2014 over Q3 2014
Cost of revenue	\$ <b>90,896</b>	\$ 131,326	\$ 78,226	-31%	16%
General & administrative	<b>373,504</b>	393,808	253,268	-5%	47%
Research & development	<b>316,571</b>	312,585	267,265	1%	18%
	\$ <b>780,971</b>	\$ 837,719	\$ 598,759	-7%	30%

Expenses decreased 7% during the three months ended December 31, 2014 to \$780,971 from \$837,719 for the three months ended December 31, 2013 due to decreased cost of revenue, and G&A expenses. Expenses increased 30% from the \$598,759 recorded in Q3 2014 due to increased cost of revenue, G&A and R&D expenses.

Cost of revenue for Q4 2014 decreased 31% to \$90,896 from \$131,326 in Q4 2013 and increased 16% from \$78,226 in Q3 2014. The decrease year over year is a result of the lower direct costs associated with consulting services (salaries, contractors, and travel), consistent with lower consulting revenue, while the increase relative to Q3 2014 is a result of higher consulting revenue.

For the three months ended December 31, 2014, G&A expenses decreased 5% to \$373,504 from \$393,808 recorded in Q4 2013. The decrease is as a result of lower employee salaries in marketing and sales. G&A expenses increased 47% in Q4 2014 compared to the \$253,268 recorded in Q3 2014, due to increased marketing costs for trade shows.

For the three months ended December 31, 2014, R&D expenditures increased marginally to \$316,571 from \$312,585 for the three months ended December 31, 2013. R&D increased 18% in Q4 2014 compared to the \$267,265 recorded in Q3 2014 due to increased R&D staff and salaries.

### Total comprehensive income (loss)

Total comprehensive income increased significantly in Q4 2014 to \$32,043 compared to total comprehensive loss of \$221,053 in Q4 2013 and to total comprehensive loss of \$83,518 in Q3, 2014. The increase over Q4, 2013 is a result of a 32% increase in revenue, coupled with a more modest 7% decrease in expenses. During Q4 2014, the Company recognized revenue of \$812,973 representing a 32% increase over the \$616,329 recognized during Q4 2013, due to increased software (product plus maintenance) revenue. The increase in total comprehensive income in Q4 2014 compared to Q3 2014 is due to a 58% increase in revenue, offset by a 30% increase in expenses. Revenue increased 58% compared to the \$598,759 recognized in Q3 2014 due to increased product and consulting revenue, which was the principal cause of the increased income.

### **Liquidity and Capital Resources**

At December 31, 2014, Acceleware had \$713,085 (2013 - \$212,724) in working capital, including \$630,322 (2013 - \$400,810) in cash and cash equivalents, and \$47,168 (2013 - \$46,411) in combined short-term and long-term debt in

the form of finance leases. The increase in working capital other than cash is due principally to an increase in trade and other receivables. The increase in trade and other receivables is due to higher revenue in Q4 2014 compared to Q4 2013. The Company continues to actively manage its cash flow and investment in new products to match its cash requirements to cash generated from operations. In order to maximize cash generated from operations, the Company plans to continue to focus on high gross margin revenue streams such as a software products, consulting services and training; concentrate on the oil and gas vertical market; minimize operating expenses where possible; and limit capital expenditure.

Management believes that successful execution of its business plan will result in sufficient cash flow 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 general and administrative expenses, and seeking outside financing. The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company's financial position, results of financial performance and cash flows.\*

Cash flows used in operations totaled \$254,051 for the year ended December 31, 2014, compared to cash generated of \$122,337 for the year ended December 31, 2013. The change is a result of increased investment in working capital, particularly trade and other receivables. Cash flow from operations before changes in non-cash working capital increased to \$9,562 in 2014 from negative \$306,593 in 2013.

As at December 31, 2014, the Company had current liabilities of \$912,202 compared to current liabilities of \$721,285 as at December 31, 2013. The increase in current liabilities is due to increased deferred revenue, accrued salary expense, and customer deposits.

#### ***Trade and Other Receivables***

Trade and other receivables as at December 31, 2014 increased to \$756,909, compared to \$312,357 as at December 31, 2013. The increase is a result of increased revenue and invoicing toward the end of Q4 2014. The Company maintains close contact with its customers to mitigate risk in the collection of receivables.

#### ***Alberta SR&ED Tax Credits***

Beginning in tax years ending after January 1, 2010, the Alberta Provincial Government is allowing refundable SR&ED tax credits. The Company has recorded \$135,307 (December 31, 2013 - \$160,967) in receivables as at December 31, 2014. The decrease is a result of changes made to the SR&ED program which reduce the admissibility of certain R&D expenses, reduced R&D expenditure, and increase government assistance.

#### ***Investing Activities***

For the year ended December 31, 2014, \$nil was invested in property and equipment compared to \$41,063 for the year ended December 31, 2013. The decrease is principally a result of significant purchases made in the previous two years, and Management's objective of limiting capital expenditures. At December 31, 2014, \$43,361 (2013 - \$42,513) book value of investment in property and equipment relates to equipment under finance lease.

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\* 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

### ***Financing Activities***

On August 14, 2014 Acceleware issued 10,240,000 common shares at a price per share of \$0.05, for gross proceeds of \$512,000. During the year ended December 31, 2014, \$29,194 (2013 - \$26,366) was received in the form of computer equipment finances leases.

### ***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.

With the exception of the refundable Alberta SR&ED tax credits, as at December 31, 2014, 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.

### ***Risks Factors and Uncertainties***

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

#### ***Liquidity Risk***

Management's objective is to manage cash flow and investment in new products to ensure that cash requirements do not exceed cash generated from operations. Plans include programs to improve gross margin through the introduction of new revenue streams such as a software-only products, consulting services and training; focus on core oil and gas markets, reduce operating expenses, and limit capital expenditures. Management believes that successful execution of its business plan will result in sufficient cash flow 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, if required, will be available. Further, if the Company's operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months. Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, and further reducing sales, marketing and general and administrative expenses. The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company's financial position, results of operations and cash flows.\*

#### ***Dependence on Market Growth***

The overall market for oil and gas HPC software and services has experienced growth in recent years. There can be no assurance that the market for the Company's existing products and services will continue to grow or that the Company will be successful in establishing markets for its products and services. If the various markets in which the Company's products and services compete fail to grow, or grow more slowly than the Company currently anticipates, or if the Company is unable to establish markets for its products and services or the Company's products

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

and services do not gain market acceptance, the Company's business, operating results and financial condition could be materially adversely affected.

#### ***Requirement for Additional Financing***

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

#### ***Reliance on Limited Number of Customers***

The Company derives a significant component of its revenues from three major customers. In aggregate, these three customers generated approximately 52% of total revenues for the year ended December 31, 2014. The Company is actively seeking other customers to mitigate the Company's revenue reliance on these existing major customers. Should these customers not continue to purchase and resell the Company's products and the Company is unable to attract new channel partners, revenue and the sustainability of the Company would be materially affected in future periods.

#### ***Competition***

The market for oil and gas seismic and other HPC software and services is competitive. Acceleware also has competition in the emerging RF heating market. Acceleware has experienced and will continue to experience intense competition from other organizations with more established sales and marketing presence, superior technical support services and greater financial resources. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. As the market for the Company's products and services continues to develop, additional competitors may enter the market and competition may intensify. Increased competition may cause price reductions, reduced profitability and loss of market share, any of which could have an adverse effect on the Company's business, results of operations and financial condition.

#### ***Failure to Manage Growth Successfully***

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

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

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

### ***Lengthy Sales Cycle – Channel Partner Distributors***

The Company's channel partner (distributors) integration/sales cycle, beginning with an interested channel partner that technically integrates with the Company and culminating in a commercial agreement with the channel partner, is expected to range from six to twelve months and may be significantly longer. Once the integration period with the channel partner is completed, the actual "sales" cycle to the channel partner's customers is relatively short - a matter of weeks or a few months. The lengthy integration cycle with the channel partner and the limited access to the channel partner's customers (arising from how the channel partner distribute products and services) limits the Company's ability to forecast the timing and amount of specific sales in a particular quarter and will likely continue to cause significant fluctuations in its quarterly operating results. Because of these fluctuations, management of the Company believes that neither its past performance nor period-to-period comparisons of its operating results are, or may be, a good indication of its future performance. If the Company's operating results for a particular period fail to meet investor expectations that are based on the Company's past performance or on period-to-period comparisons of the Company's operating results, the Company's share price could decline. This cycle is also subject to a number of significant delays over which Company will have little or no control.

### ***Failure to Adapt to Technological Change and New Product Development***

The hardware development industry is characterized by rapid technological change and the frequent introduction of new products. Accordingly, Management believes that the future success of the Company depends upon its ability to enhance current products and services or develop and introduce new products and services. The Company's inability, for technological or other reasons, to develop and introduce products or services in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's business, results of operations and financial condition. The ability of the Company to compete successfully will depend in large measure on its ability to maintain a technically competent research and development staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of its products and services with evolving computer hardware and software platforms and operating environments. There can be no assurance that the Company will be successful in these efforts.

### ***Risk Associated with International Operations***

Management of the Company believes that its continued growth and profitability will require additional expansion of its sales in foreign markets. This expansion has required, and will continue to require, significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish additional foreign operations, hire additional personnel and recruit international resellers. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even with the possible recruitment of additional personnel and international resellers, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services.

### ***Risk Associated with Currency Fluctuations***

In the future, it is expected that a portion of revenues may be realized in other foreign currencies as a result of international sales. Fluctuations in the exchange rate between the Canadian dollar and other currencies, particularly the U.S. dollar, may have a material adverse effect on the Company's results of operations, financial condition and any business prospects. The Company currently has no hedge in place on its foreign currency exposure.

### ***Risk Associated with a Change in the Company's Pricing Model***

The competitive market in which the Company conducts business may require the Company to change its pricing model. If the Company's competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would likely result in a reduction in profitability and could adversely affect the Company's operating results.

### ***Dependence on Key Personnel***

The success of the Company is largely dependent on the performance of its key employees and directors. Failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact upon the Company's growth and profitability. Competition for highly skilled

management, technical and other employees is intense. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure or death of any of the members of the Company's executive team and key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

#### ***Risks of Acquisitions Negatively Affecting the Company***

In the future, the Company may engage in selective acquisitions of products or businesses that management of the Company believes would be complementary to its existing products. There is a risk that the Company will not be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into the Company's operations. Acquisitions may involve a number of other risks, including: diversion of management's attention; disruption to the Company's ongoing business; failure to retain key acquired personnel; difficulties in integrating acquired operations, technologies, products or personnel; unanticipated expenses, events or circumstances; assumption of disclosed and undisclosed liabilities; and inappropriate valuation of the acquired in-process research and development, or the entire acquired business.

If the Company does not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, if the Company proceeds with an acquisition paid by cash, it may diminish the Company's liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

#### ***Intellectual Property Risks***

Because much of the Company's potential success and value lies in its ownership and use of intellectual property, its failure to protect its intellectual property may negatively affect its business and value. The Company's ability to compete effectively is largely dependent upon the maintenance and protection of its intellectual property. The Company relies primarily on trade secret, trademark and copyright law, as well as confidentiality procedures and licensing arrangements, to establish and protect its rights to its technology. The Company typically enters into confidentiality or license agreements with its employees, consultants, customers, strategic partners and vendors in an effort to control access to and distribution of its products, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary technology without authorization.

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

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

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

Although the Company is not aware that its products or services infringe or violate the intellectual property rights of third parties and although the Company has not been served notice of any potential infringement or violation, the Company may be subject to infringement claims in the future. Since patent applications are kept confidential for a



period of time after filing, applications may have been filed that, if issued as patents, could relate to the Company's products or services.

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

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

#### ***Risk of Defects in the Company's Products***

Products as complex as those offered by the Company frequently contain errors or defects, especially when first introduced or when new versions or updates are released. Despite product testing, Acceleware has in the past released products with defects, discovered software errors in certain of its new versions after introduction, and experienced delays or lost revenue during the period required to correct these errors. Acceleware regularly introduces new releases and periodically introduces new versions of its software. Known errors which the Company considers minor may be considered serious by its customers. There can be no assurance that, despite testing by the Company and by its customers, defects and errors will not be found in existing products or in new products, releases, versions or enhancements after the commencement of commercial shipments. Undetected errors and performance problems may be discovered in the future. Any such defects and errors could result in litigation, adverse customer reactions, negative publicity regarding the Company and its products, harm to the Company's reputation, loss of or delay in market acceptance or required product changes, any of which could have a material adverse effect upon the Company's business, results of operations and financial condition.

#### ***Risks of Security Breaches to the Company's Network***

An experienced programmer may attempt on occasion to penetrate the Company's network security and could misappropriate proprietary information or cause interruptions in the Company's operations. Acceleware has implemented various means to limit such an occurrence but may be required to expend significant capital and resources to protect against or to alleviate problems caused by such hackers in the future. Additionally, the Company may not have a timely remedy for any attack on the Company's network security. Such purposeful security breaches could have a material adverse effect on the Company's business, results of operations and financial condition. In addition to deliberate security breaches, the inadvertent transmission of computer viruses could expose the Company to a material risk of loss or litigation and possible liability.

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

alleviate problems caused by such breaches. Concerns over the security of Internet transactions and the privacy of users may also inhibit the growth of the Internet generally, particularly as a means of conducting commercial transactions.

#### ***Reliance on Third Party Licenses***

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

#### ***Technological Change, New Products and Standards***

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

#### ***Reliance on One Primary Hardware Technology***

The current collaboration with NVIDIA Corp. ("NVIDIA") is viewed as an important contributor to the timely execution of the current business plan. NVIDIA hardware is the primary platform for Company's software solutions. If management is unable to maintain a positive relationship with NVIDIA, the Company will make appropriate adjustments in the execution of its business plan. The Company continues to evaluate other hardware alternatives. However, should NVIDIA fail to supply these components to the Company's customers in a manner that meets those customers' quality, quantity, cost or time requirements, and if the Company were unable to modify its solutions to run on hardware from alternate suppliers of these components in a timely manner or on acceptable terms, this could adversely affect the Company's ability to sell products.

#### ***Conflicts of Interest***

Certain of the directors and officers of the Company are or may become directors or officers of, or have significant shareholdings in, other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of the directors of the Company and will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

#### ***Price Volatility of Publicly Traded Securities***

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such

companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's securities will be affected by such volatility.

### ***Earnings and Dividend Record***

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

### **Transactions with Related Parties**

For the year ended December 31, 2014, the Company incurred expenses in the amount of \$167,284 (2013 - \$162,704) with a company controlled by an officer of the Company as fees for duties performed in managing operations, and is included in research and development. Of the total, \$24,607 was included in accounts payable and accrued liabilities as at December 31, 2014 (December 31, 2013 - \$8,219). These fees occurred in the normal course of operations and in the opinion of management represent fair value for services rendered.

For the year ended December 31, 2014, the Company incurred expenses in the amount of \$11,265 (2013 - \$4,848) with a company controlled by a director of the Company for legal fees, and is included in general and administrative. Of the total, \$10,829 was included in accounts payable and accrued liabilities as at December 31, 2014 (December 31, 2013 - \$4,555). These fees occurred in the normal course of operations and in the opinion of management approximates fair value for services rendered.

Four officers of the Company have advanced \$283,383 (December 31, 2013 - \$221,280) to the Company in the form of deferred salaries and consulting fees. These amounts are non-interest bearing, unsecured and are to be repaid no later than December 31, 2015. These amounts are recorded in accounts payable and accrued liabilities.

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

	<b>2014</b>		<b>2013</b>	
Salaries and short-term employee benefits	\$	<b>704,471</b>	\$	650,311
Share-based payments		<b>40,426</b>		21,775
	\$	<b>744,897</b>	\$	672,086

### **Commitments**

On February 29, 2012, Acceleware entered into a premise lease agreement to lease 5,244 square feet of office space commencing August 1, 2012 and ending July 31, 2017, a period of five years. A rent inducement of \$103,420 was received and included in accounts payable and accrued liabilities. It will be amortized over the term of the lease and recorded as a reduction to rent expense. At December 31, 2014, \$51,812 of the rent inducement remains (December 31, 2013 - \$71,868).

In addition to the basic monthly rents, the Company must pay a proportionate share of property taxes, operating costs, utilities and additional services.

The minimum annual basic rent commitments are as follows:

2015	\$	153,807
2016		155,992
2017		79,525
	\$	<b>389,324</b>

The Company has certain computer equipment under financial lease expiring in 2015 through 2017. The leases carry a weighted average annual interest rate of 4.51%. Estimated lease payments are as follows:

	<b>December 31, 2014</b>	December 31, 2013
2014	\$ —	\$ 26,747
2015	<b>30,350</b>	19,840
2016	<b>11,286</b>	816
2017	<b>7,883</b>	—
Minimum lease payments	<b>49,519</b>	47,403
Less: interest portion (at a rate of 4.51%)	<b>2,351</b>	992
Net minimum lease payments	<b>47,168</b>	46,411
Less: current portion	<b>28,833</b>	25,977
	<b>\$ 18,335</b>	\$ 20,434

The equipment under finance lease has been recognized in property and equipment at the present value of minimum lease payments. Interest charges on leased equipment during the year were approximately \$1,469 (2013 – \$1,299). Other than interest, no costs were incurred relating to this lease. The lease is secured by the assets under lease. At year end, the net book value of equipment pledged as security for finance leases is \$43,361 (2013 - \$42,513) which is included in computer hardware.

### **Critical Accounting Estimates**

#### ***General***

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

The Company's significant accounting policies are fully described in Note 2 to the Financial Statements. Certain accounting policies are particularly important to the reporting of financial position and results of operations, and require the application of judgment by management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made. Different management estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the Financial Statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of Financial Statements.

#### ***Going Concern Assumption***

The Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations as they come due, to obtain additional financing as may be required, and ultimately to obtain successful operations. However, no assurance can be given at this time as to whether the Company will achieve any of these conditions. If the Company were to change its assumption regarding the ability to continue as a going concern for a reasonable period of time, adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities would likely be necessary and potentially material.

### ***Revenue Recognition***

The Company's revenue recognition requirements pertaining to multiple deliverables and software are very complex and are affected by interpretations of the rules and certain judgments. One of the critical judgments made is the assessment of the probability of collecting the related accounts receivable balance on a customer-by-customer basis. As a result, the timing or amount of revenue recognition may have been different if different assessments of the probability of collection had been made at the time that the transactions were recorded in revenue.

### ***Allowance for Doubtful Accounts***

The Company evaluates the collectability of trade receivables based on a combination of factors. The Company regularly analyzes significant customer accounts. When and if the Company becomes aware of a specific customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position, a specific bad debt reserve is recorded to reduce the related receivable to the amount that is reasonably believed to be collectible. Reserves for bad debts on all other customer balances are based on a variety of factors, including the length of time that the receivables are past due, the financial health of the customer, macroeconomic considerations and historical experience. As of December 31, 2014, an allowance of \$6,542 (December 31, 2013 - \$16,634) has been provided for.

### **New Accounting Policies**

As of January 1, 2014, the Company adopted several new IFRS standards and amendments in accordance with the transitional provisions of each standard. A brief description of each new standard and its impact on the Company's financial statements follows:

IFRIC 21, Levies provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. IFRIC 21 did not have a significant impact on the Company's financial statements.

IAS 32, Financial Instruments - Presentation, has been amended effective January 1, 2014 to clarify certain aspects of the existing guidance on offsetting financial assets and financial liabilities. IFRS 7, Financial Instruments - Disclosure, to require information about all recognized financial instruments that are set off in accordance with IAS 32. The amendments also require disclosure of information about recognized financial instruments subject to enforceable netting arrangements and similar agreements even if they are not set off under IAS 32. The amendments did not have a significant impact on the Company's financial statements.

IFRS 2 was amended to (i) change the definitions of "vesting condition" and "market condition" and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments apply prospectively to share-based payment transactions with a grant date on or after July 1, 2014, with earlier application permitted. These amendments had no material impact on the Company's financial statements.

Amendments to IFRS 3, "Business Combinations" ("IFRS 3"). The amendments clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9, "Financial Instruments" ("IFRS 9"), or IAS 39, or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized within the statement of income. Consequential amendments were also made to IFRS 9, IAS 39 and IAS 37. The amendments apply prospectively to business combinations for which the acquisition date is on or after July 1, 2014, with earlier application permitted. These amendments had no material impact on the Company's financial statements.

## **Recent Accounting Pronouncements Issued and not yet Effective**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning after January 1, 2015 or later periods. The standards affected are as follows:

### **IFRS 9 Financial instruments**

The Company will be required to adopt IFRS 9, Financial Instruments (“IFRS 9”) effective for fiscal years ending on or after January 1, 2018 with earlier application permitted. This is a result of the first phase of the IASB’s project to replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 has also been amended not to require the restatement of comparative period financial statements for the initial application of the classification and measuring requirements of IFRS 9, but instead requires modified disclosures on transition to IFRS 9. The Company is analyzing the new standard to determine its impact on the Company’s financial statements.

### **IFRS 15 Revenue from Contracts with Customers**

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15 Revenue from Contracts with Customers, which will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2017, and interim periods within that year. Earlier application is permitted. The Company is analyzing the new standard to determine its impact on the Company’s financial statements..

## **Financial Instruments and Other Instruments**

The Company’s only financial instruments are the monetary assets and liabilities appearing on its statement of financial position.

### 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	66,190,266
Stock Options	5,809,370

### 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 December 31, 2014 that are available on [www.sedar.com](http://www.sedar.com) and as noted below.

<b>Sales, General and Administration</b>	<b>2014</b>	<b>2013</b>
Salaries	\$ 668,197	\$ 892,770
Marketing	169,334	143,017
Travel	52,748	55,344
Share-based payments	60,639	25,266
Rent, supplies and public company fees	222,369	281,556
Amortization	44,106	36,438
Professional fees	87,011	51,361
Bad debt expense	(9,655)	16,634
Total	\$ 1,294,749	\$ 1,502,386

<b>Research and Development</b>	<b>2014</b>	<b>2013</b>
Salaries	\$ 1,052,536	\$ 1,054,099
Consulting	174,886	311,783
R&D lab supplies and other	59,349	70,273
Share-based payments	29,701	22,494
Rent and overhead allocations	88,678	80,485
Amortization	44,106	36,438
Alberta SR&ED tax credits	(135,307)	(160,967)
IRAP-NRC and Alberta Ingenuity funding	(127,652)	(11,583)
Total	\$ 1,186,297	\$ 1,403,022