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, 2015 (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 under Acceleware Ltd.

This MD&A is presented as of April 20, 2016. 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;
- the expectation of software and services revenue growth in the oil and gas sector;
- 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;
- the patentability of concepts developed through RF heating R&D efforts;
- 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 world price of oil will rebound within the next 12 to 24 months;
- 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 the RF heating concepts developed by the Company are unique, novel and non-infringing of intellectual property owned by others;
- 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 an oil and gas technology development company, with activities in two broad areas. Acceleware’s primary revenue source to date has been High Performance Computing (“HPC”) Geoscience 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 off-the-shelf software, Acceleware offers customized geoscientific software and custom HPC software development services for oil and gas customers. In addition to geoscience software, Acceleware is building an emerging business in developing technology to utilize radio frequency (“RF”) electro-magnetic energy to heat heavy oil and oil sands deposits to facilitate extraction.

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 electro-magnetic (“EM”) simulation industry. AxFDTD™ continues to be sold to many Fortune 500 companies such as Samsung, LG, Blackberry, 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 geoscience software market through a combination of direct and channel 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. The Company’s current seismic ISV partners include Tsunami Development, Paradigm Geophysical, Open Geophysical, Ltd. and GeoTomo LLC.

Acceleware provides custom HPC software development, consulting services and 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 investigating the technology to use RF energy for in-situ heating of heavy oil and bitumen. In the ensuing five years Acceleware has filed two patents for RF heating technology, and has developed leading edge simulation software. Additional patents for RF heating are currently underway as the Company expands the portfolio of intellectual property in line with product development. RF heating for oil production is not a new concept, however trials to date have shown limited success. Acceleware believes that the limitations experienced to date can be overcome with new technology. Acceleware’s RF heating research and development effort has focused on reducing the capital cost of the technology, making the technology more flexible for use in a variety of wells, and improving the scalability of the technology to very long horizontal wells commonly used in...
Alberta’s oil sands and elsewhere. The Company believes that RF heating has the potential to reduce capital and operating cost for heavy oil and oil sands extraction, as well as reduce the environmental footprint by dramatically reducing the use of water and limiting the greenhouse gas emissions associated with current extraction techniques. Acceleware’s unique expertise with RF heating technology has also resulted in service revenue both locally and abroad. In the course of the Company’s RF heating development and services business, the Company developed sophisticated simulation software tools based on AxFDTD coupled to 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 investigating the effectiveness of RF heating in increasing the efficiency of heavy oil and oil sands production.

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

AxFDTD 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, ZMT Zurich MedTech 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, 2015, Acceleware had 20 employees including: 2 in administration; 4 in sales, marketing, and product management; and 14 in research and development.

**Overall Performance**

During the year ended December 31, 2015, Acceleware succeeded in its objective of increasing revenue in a challenging oil and gas market. In addition, the Company enjoyed higher software revenue (product plus maintenance revenue) compared to the year ended December 31, 2014. Acceleware was also able to file a patent related to its RF heating technology, conduct a promising laboratory test program for critical components of the technology, and complete the majority of work on a second patent which was filed in early 2016. The increase in software revenue was primarily due to increased seismic imaging software, particularly AxRTM and work related to a major custom RTM solution for Repsol. Consulting services work involving both HPC and RF heating for various key oil and gas customers declined in 2015 compared to 2014. Despite the increase in total revenue, total comprehensive loss increased in 2015 compared to 2014 due to increased cost of revenue and greater investment in research and development. Cash flow used in operating activities improved in 2015 compared to 2014 due to reduced investment in working capital, particularly trade receivables.

During the year ended December 31, 2015, Acceleware recognized revenue of $2,816,686 - 6% higher than the $2,656,282 recognized during the year ended December 31, 2014. The increase is primarily a result of a 107% increase in seismic software product revenue, and the appreciation of the US dollar relative to the Canadian dollar.

The Company had total comprehensive loss for the year ended December 31, 2015 of $219,273, an increase of 38% compared to a total comprehensive loss of $158,898 for the year ended December 31, 2014. The higher total comprehensive loss for the year ended December 31, 2015 is due to an 8% increase in expenses, driven by higher cost of revenue and greater investment in research and development.

At December 31, 2015, Acceleware had $585,117 (2014 - $713,085) in working capital, including $361,957 (2014 - $630,322) in cash and cash equivalents, and $37,160 (2014 - $47,168) in combined short-term and long-term debt in the form of finance leases. The decrease in cash (and consequently working capital) is a result of the higher net loss, and the absence of any equity financing in 2015 compared to 2014. The increase in working capital other than cash is a result of an increase in work in progress associated with the Repsol custom software project, which was ongoing at the end of 2015. 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 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."

**Recent Highlights and Events**

**April 23, 2015** – the Company and Repsol signed an agreement covering the custom development and maintenance of leading-edge production-ready Reverse Time Migration (RTM) seismic imaging software. The agreement is expected to be worth US$2.1 million to Acceleware, of which US$1.3 million is expected to be payable in the first year, with the rest payable over a three year maintenance period.

**May 26, 2015** – a Latin American geosciences service company selected Open Geophysical’s leading-edge production-ready RTM seismic imaging software, which utilizes Acceleware AxRTM libraries for both model building and high-frequency final imaging.

**June 2, 2015** – Acceleware agreed to provide AxFWI to the CREWES research project at the University of Calgary for use in geophysical research.

**August 24, 2015** – Acceleware announced that it is continuing its long history of user-driven innovation by adding subgridding to its already feature-rich GPU accelerated AxFDTD library. Acceleware’s ISV partner ZMT Zurich MedTech AG has already integrated subgridding into its revolutionary simulation platform, Sim4Life.

**January 19, 2016** – Acceleware announced that Thrust Belt Imaging (TBI) purchased Acceleware’s leading-edge seismic forward modelling software AxWAVE™. TBI selected AxWAVE for its ability to provide consistent and highly-accurate results, its intuitive easy-to-use interface, and its exceptional alignment with TBI’s interpretive model-building strategy.

**Strategic Update**

**Oil and Gas focus**

Acceleware remains focussed on developing and commercializing products for the oil and gas sector. The Company has seen good traction with its geoscience software and the proprietary RF heating technology is showing potential as a viable method for heavy oil and oil sands production.

While Acceleware saw a 6% increase in revenue in 2015 compared to 2014, including a 12% increase in oil and gas related revenue over the same period, the outlook for Acceleware’s oil and gas technology business remains uncertain. As the Company’s customers grapple with the prolonged collapse in the world price of oil, we have seen caution among our customers resulting in delayed and cancelled purchase decisions at the beginning of 2016. More recently, we have seen increased demand for both seismic products and RF heating solutions. However, it remains unclear whether this trend will continue. The Company has taken steps to further reduce operating and capital expenditures during this time of uncertainty, and is taking steps to promote non-oil and gas related products and services."

**Software for Geoscience**

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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

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In 2015, the Company focused on actively selling seismic imaging software to the oil and gas exploration market, and this will continue into 2016. 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. Complimenting AxRTM is AxWave, a finite-difference forward modelling package. These GPU- accelerated and CPU optimized 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. 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. In 2016, the Company is continuing the development of its suite of seismic products, as well as adding features, functionality and performance to AxRTM, AxWave and AxFWI.

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. 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, particularly when customers seek a customized solution. The Company expects to continue to see significant direct sales going forward much like the earlier-noted agreement with Repsol for a customized RTM software solution.

Management believes that adding new resellers and increasing the proportion of the resellers’ 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. The Company will continue to finance operations and its growth strategy primarily through revenues derived from the sale of the Company’s products and services, existing cash resources and, if necessary and where possible, by way of further equity financing.

RF Heating

In 2011, Acceleware began investigating the technology to use RF energy for in-situ heating of heavy oil and bitumen. In the ensuing five years, Acceleware has filed two patents for RF heating technology, and has developed leading edge simulation software. Additional patents for RF heating are currently underway as the Company expands its portfolio of intellectual property in line with product development. RF heating for oil production is not a new concept, however trials to date have shown limited success. Acceleware believes that the limitations experienced to date can be overcome with new technology. Acceleware’s RF heating research and development effort has focused on reducing the capital cost of the technology, making the technology more flexible for use in a variety of wells, and improving the scalability of the technology to very long horizontal wells commonly used in Alberta’s oil sands and elsewhere. The Company believes that RF heating has the potential to reduce capital and operating cost for heavy oil and oil sands extraction, as well as reduce the environmental footprint by dramatically reducing the use of water and limiting the greenhouse gas emissions associated with current extraction techniques. Acceleware’s unique expertise with RF heating technology has also resulted in service revenue both locally and abroad. In the course of the Company’s RF heating development and services business, the Company developed sophisticated simulation software tools based on AxFDTD coupled to 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 investigating the effectiveness of RF heating in increasing the efficiency of heavy oil and oil sands production.

In 2014 and 2015, the Company received funding from the National Research Council – Industrial Research Assistance Program (“NRC-IRAP”) to partially finance its RF heating technology development. Acceleware’s RF heating R&D program is focussed on removing certain known technical limitations preventing the widespread adoption of this technology in enhanced oil recovery. In 2015, the Company conducted successful laboratory testing

* this paragraph contains forward looking information. Please refer to “Forward Looking Statements” and “Risk Factors and Uncertainties” for a discussion of the risks and uncertainties related to such information
of critical components of the technology. In 2016, the Company expects to continue testing in larger scale experiments, with additional components, to more closely replicate a commercial system. *

*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 2015, Acceleware’s CAE ISV partners include SPEAG, ZMT Zurich MedTech AG, 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.*

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*

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 hosted several HPC training classes in both open enrolment format and custom-designed formats for individual organizations, and expects to continue in 2016.*

Going forward, 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.

* 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
Selected Annual Information

The audited financial statements and the accompanying notes for the year ended December 31, 2015 (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, 2015, December 31, 2014, and December 31, 2013.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$2,816,686</td>
<td>$2,656,282</td>
<td>$3,066,174</td>
</tr>
<tr>
<td>Total comprehensive loss</td>
<td>($219,273)</td>
<td>($158,898)</td>
<td>($430,994)</td>
</tr>
<tr>
<td>Loss per share (basic and diluted)</td>
<td>($0.003)</td>
<td>($0.003)</td>
<td>($0.01)</td>
</tr>
<tr>
<td>Total assets</td>
<td>$1,522,637</td>
<td>$1,756,819</td>
<td>$1,124,559</td>
</tr>
<tr>
<td>Long-term debt (in the form of finance leases)</td>
<td>$37,160</td>
<td>$47,168</td>
<td>$46,411</td>
</tr>
<tr>
<td>Dividends</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

* Includes current portion of finance leases

Acceleware’s recognized revenues have increased in 2015, compared to 2014, but have not returned to the levels reached in 2013. These changes are a result of changes in product mix with higher oil and gas software and services revenue, compared to higher RF heating services revenue in 2013. Total comprehensive loss decreased significantly in 2015 compared to 2013, as the Company significantly reduced spending in all expense categories. Total comprehensive loss was higher in 2015 compared to 2014 on high cost of revenue and research and development expenses. 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 $1,124,559 as at December 31, 2013 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. Total assets then dropped to $1,522,637 as at December 31, 2015 on lower working capital (cash and trade receivables) and lower property and equipment due to capital expenditure reductions.

Results of Operations

Revenue

During the year ended December 31, 2015, the Company reported total revenues of $2,816,686 a 6% increase compared to $2,656,282 for the year ended December 31, 2014. The increase is a result of high revenue in the last six months of 2015, and particularly in seismic software. Product revenue increased 107% to $1,681,809 for the year ended December 31, 2015 from $811,702 recorded in the year ended December 31, 2014 as a result of the custom software development contract with Repsol, and higher seismic AxRTM and AxWave sales. Maintenance revenue decreased 2% to $422,246 in 2015 from $431,551 in 2014, on lower AxFDTD maintenance contracts. Consulting revenue decreased 50% to $712,631 in 2015 from $1,413,029 in 2014, on lower RF heating services and lower HPC training revenue. It should be noted that the 16% appreciation of the US dollar relative to the Canadian dollar (average 2015 rate compared to average 2014 rate) had a positive impact on recorded revenue in 2015, as 92% of revenue was invoiced in US dollars.

* 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
### Revenue

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31, 2015</th>
<th>Year ended December 31, 2014</th>
<th>Percentage change 2015/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales</td>
<td>$1,681,809</td>
<td>$811,702</td>
<td>107%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>422,246</td>
<td>431,551</td>
<td>-2%</td>
</tr>
<tr>
<td>Consulting</td>
<td>712,631</td>
<td>1,413,029</td>
<td>-50%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,816,686</strong></td>
<td><strong>$2,656,282</strong></td>
<td><strong>6%</strong></td>
</tr>
</tbody>
</table>

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 amortized (deferred revenue) into revenue over the lease period. As at December 31, 2015, revenue of $162,170 (December 31, 2014 - $181,371) is deferred, and will be recognized over a period of twelve months or less.

### Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Year ended December 31, 2015</th>
<th>Year ended December 31, 2014</th>
<th>Percentage change 2015/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs of revenue</td>
<td>$539,743</td>
<td>$334,655</td>
<td>61%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,220,176</td>
<td>1,294,749</td>
<td>-6%</td>
</tr>
<tr>
<td>Research and development</td>
<td>1,276,480</td>
<td>1,186,297</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,036,399</strong></td>
<td><strong>$2,815,701</strong></td>
<td><strong>8%</strong></td>
</tr>
</tbody>
</table>

Expenses increased 8% during the year ended December 31, 2015 to $3,036,399 from $2,815,701 for the year ended December 31, 2014. The increase is a result of increased technical staff associated with both revenue generating custom software development and other services as well as research and development.

Cost of revenue for the year ended December 31, 2015 increased 61% to $539,743 from $334,655 in the year ended December 31, 2014. The increase is due primarily to the increased number of personnel devoted to custom software development for Repsol and other customers, as well as other consulting services.

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, 2015, G&A expenses fell 6% to $1,220,176 from $1,294,749 recorded in the year ended December 31, 2014. The decrease is primarily a result of lower marketing and sales salaries and expenses, and a higher gain on foreign exchange. In 2015, the Company recognized a $87,794 gain on foreign exchange compared to a gain of $58,402 in 2014. Foreign exchange gains or losses typically occur when the exchange rate changes between the time revenue is recognized and when the resulting receivable is collected.

For the year ended December 31, 2015, research and development ("R&D") expenditures rose 8% to $1,276,480 from $1,186,297 for the year ended December 31, 2014. The increase in fiscal 2015 is a result of a greater investment in developing proprietary RF heating technology, including expenses related to prototype manufacturing and laboratory testing. The Company recorded $120,956 (2014 - $135,613) in refundable Alberta SR&ED tax credits as a reduction in R&D expense.

### Total comprehensive loss

The Company had a total comprehensive loss of $219,273 for the year ended December 31, 2015, a 38% increase compared to a total comprehensive loss of $158,898 for the year ended December 31, 2014. The increase in comprehensive loss can be attributed to lower expenses for cost of revenue and R&D, offset by higher 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, 2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>Q4</th>
<th>Q3</th>
<th>Q2</th>
<th>Q1</th>
<th>Year</th>
<th>Q4</th>
<th>Q3</th>
<th>Q2</th>
<th>Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$1,016,424</td>
<td>$832,511</td>
<td>$638,977</td>
<td>$328,774</td>
<td>$812,973</td>
<td>$515,241</td>
<td>$655,084</td>
<td>$672,984</td>
<td></td>
</tr>
<tr>
<td>Cash (used) generated in operating activities</td>
<td>107,345</td>
<td>(185,887)</td>
<td>(20,365)</td>
<td>(111,712)</td>
<td>58,580</td>
<td>(247,257)</td>
<td>80,069</td>
<td>(145,443)</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income (loss) for the period</td>
<td>158,746</td>
<td>85,902</td>
<td>(106,087)</td>
<td>(357,834)</td>
<td>32,043</td>
<td>(83,518)</td>
<td>(72,530)</td>
<td>(34,893)</td>
<td></td>
</tr>
<tr>
<td>Earnings (loss) per share basic and diluted</td>
<td>$0.002</td>
<td>$0.001</td>
<td>($0.002)</td>
<td>($0.005)</td>
<td>$0.000</td>
<td>($0.001)</td>
<td>($0.001)</td>
<td>($0.001)</td>
<td></td>
</tr>
</tbody>
</table>

Compared to the same quarter a year earlier, Acceleware showed a significant increase in revenue during Q4 2015. Due to the increased revenue, the Company recorded higher total comprehensive income in Q4 2015 as compared to Q4 2014. In addition, cash generated in operating activities nearly doubled in Q4 2015 compared to Q4 2014.

Results of Operations – Fourth Quarter

Overall Performance

During the three months ended December 31, 2015, Acceleware had a total comprehensive income of $158,746, compared to a total comprehensive income of $32,043 for the three months ended December 31, 2014. The difference is a result of a 25% increase in revenue, offset by a 10% increase in expenses.

Total comprehensive income of $158,746 in Q4 2015 also compared favourably to total comprehensive income of $85,902 in Q3 2015. The higher income is a result of a 22% increase in revenue, coupled with a 15% increase in expenses.

Revenue

During Q4 2015, the Company recognized revenue of $1,016,424 representing a 25% increase over the $812,973 recognized during Q4 2014, due to higher product revenue. Revenue rose 22% compared to the $832,511 recognized in Q3 2015 primarily on higher seismic software product revenue.

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Three months ended Dec 31, 2015</th>
<th>Three months ended Dec 31, 2014</th>
<th>Three months ended Sept 30, 2015</th>
<th>% change Q4 2015 over Q4 2014</th>
<th>% change Q4 2015 over Q3 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales</td>
<td>$801,250</td>
<td>$291,356</td>
<td>$516,570</td>
<td>175%</td>
<td>55%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>$100,375</td>
<td>104,482</td>
<td>128,272</td>
<td>-4%</td>
<td>-22%</td>
</tr>
<tr>
<td>Consulting</td>
<td>$114,799</td>
<td>417,135</td>
<td>187,669</td>
<td>-72%</td>
<td>-39%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,016,424</td>
<td>$812,973</td>
<td>$832,511</td>
<td>25%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Product sales revenue rose by 175% to $801,250 for Q4 2015 compared to $291,356 for Q4 2014 due to the Repsol agreement and other seismic imaging software sales. Product sales increased 55% to $801,250 for Q4 2015 compared to $516,570 for Q3 2015, due to the Repsol project. Maintenance revenue decreased by 4% to $100,375 for Q4 2015 compared to $104,482 for Q4 2014 and was 22% lower than the $128,272 recorded in Q3 2015 due to
lower maintenance from AxFDTD software. Consulting revenue fell 72% to $114,799 in Q4 2015 compared to $417,135 recognized in Q4 2014 due to lower RF heating and other oil and gas consulting including custom software development. Consulting revenue was 39% lower in Q4 2015 compared to $187,669 in Q3 2015, on lower HPC training revenue. It should be noted that the US dollar appreciated significantly relative to the Canadian dollar in Q4 2015. Compared to Q4 2014, the US dollar was 15% higher in Q4 2015. This appreciation had a positive impact on recorded revenue as over 97% of Q4 2015 revenue was invoiced in US dollars.

### Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Three months ended Dec 31, 2015</th>
<th>Three months ended Dec 31, 2014</th>
<th>Three months ended Sept 30, 2015</th>
<th>% change Q4 2015 over Q4 2014</th>
<th>% change Q4 2015 over Q3 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenue</td>
<td>$204,064</td>
<td>$90,896</td>
<td>$169,583</td>
<td>125%</td>
<td>20%</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td>$415,494</td>
<td>373,504</td>
<td>265,309</td>
<td>11%</td>
<td>57%</td>
</tr>
<tr>
<td>Research &amp; development</td>
<td>$238,120</td>
<td>316,571</td>
<td>311,717</td>
<td>-25%</td>
<td>-24%</td>
</tr>
<tr>
<td></td>
<td>$857,678</td>
<td>$780,971</td>
<td>$746,609</td>
<td>10%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Expenses rose 10% during the three months ended December 31, 2015 to $857,678 from $780,971 for the three months ended December 31, 2014 due to decreased cost of revenue, and G&A expenses. Expenses increased 15% from the $746,609 recorded in Q3 2015 also due to increased cost of revenue, and G&A.

Cost of revenue for Q4 2015 rose 125% to $204,064 from $90,896 in Q4 2014 and increased 20% from $169,583 in Q3 2015. The increase year over year and compared to the most recent completed quarter is a result of the higher direct costs associated with the Repsol custom software development project (salaries, contractors, and travel).

For the three months ended December 31, 2015, G&A expenses increased 11% to $415,494 from $373,504 recorded in Q4 2014. The increase is as a result of higher costs in marketing and sales. G&A expenses rose 57% in Q4 2015 compared to the $265,309 recorded in Q3 2015, due to increased marketing salaries and travel costs.

For the three months ended December 31, 2015, R&D expenditures decreased 25% to $238,120 from $316,571 for the three months ended December 31, 2014. R&D fell 24% in Q4 2015 compared to the $311,717 recorded in Q3 2015 due to a greater proportion of technical staff working on revenue generating projects as opposed to R&D projects.

**Total comprehensive income (loss)**

Total comprehensive income rose significantly in Q4 2015 to $158,746 compared to total comprehensive income of $32,043 in Q4 2014 and to total comprehensive income of $85,902 in Q3, 2015. The increase over Q4, 2014 is a result of a 25% increase in revenue, coupled with a more modest 10% decrease in expenses. The increase in total comprehensive income in Q4 2015 compared to Q3 2015 is due to a 22% increase in revenue, offset by a 15% increase in expenses.

### Liquidity and Capital Resources

At December 31, 2015, Acceleware had $585,117 (2014 - $713,085) in working capital, including $361,957 (2014 - $630,322) in cash and cash equivalents, and $37,160 (2014 - $47,168) in combined short-term and long-term debt in the form of finance leases. The decrease in cash (and consequently working capital) is a result of the higher net loss, and the absence of any equity financing in 2015 compared to 2014. The increase in working capital other than cash is a result of an increase in work in progress associated with the Repsol custom software project which was on-going at the end of 2015. 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 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 $210,619 for the year ended December 31, 2015, compared to cash used of $254,051 for the year ended December 31, 2014. The change is a result of increased loss before income tax. Cash used in operations before changes in non-cash working capital increased to $79,977 in 2015 from cash generated of $9,562 in 2014.

As at December 31, 2015, the Company had current liabilities of $937,520 compared to current liabilities of $912,202 as at December 31, 2014. The increase in current liabilities is due to higher accrued salary expense and other payroll liabilities.

Trade and Other Receivables

Trade and other receivables as at December 31, 2015 fell to $381,299, compared to $756,909 as at December 31, 2014. The decrease is a result of lower invoicing in Q3 2015 compared to Q4 2014 and higher collections. The Company maintains close contact with its customers to mitigate risk in the collection of receivables.

Work in Progress

Work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses, if any. Work in progress is presented in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. Work in progress was $604,678 at December 31, 2015 compared to $nil at December 31, 2014.

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 $120,618 (December 31, 2014 - $135,307) in receivables as at December 31, 2015. The decrease is a result of changes made to the SR&ED program -- which reduce the admissibility of certain R&D expenses -- as well as lower R&D expenditures and increased government assistance.

Investing Activities

For the year ended December 31, 2015, $19,536 was invested in property and equipment compared to $nil for the year ended December 31, 2014. The increase is principally a result of replacing critical hardware and software while maintaining Management’s objective of limiting capital expenditures. At December 31, 2015, $34,038 (2014 - $43,361) book value of investment in property and equipment relates to equipment under finance lease.

* 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

During the year ended December 31, 2015, $nil was received in new share issuances, while in 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, 2015, $25,512 (2014 - $29,194) 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, 2015, 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

* 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
anticipates, or if the Company is unable to establish markets for its products and services or the Company’s products 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 four major customers. In aggregate, these four customers generated approximately 60% of total revenues for the year ended December 31, 2015. 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 distributes 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 believes that neither the Company’s 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
require 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 the 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 which
have not necessarily been related to the operating performance, underlying asset values or prospects of such
companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market price for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's securities will be affected by such volatility.

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

Transactions with Related Parties
For the year ended December 31, 2015, the Company incurred expenses in the amount of $175,599 (2014 - $167,284) 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, $39,161 was included in accounts payable and accrued liabilities as at December 31, 2015 (December 31, 2014 - $24,607). 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, 2015, the Company incurred expenses in the amount of $11,407 (2014 - $11,265) with a company controlled by a director of the Company for legal fees, and is included in general and administrative. Of the total, $4,644 was included in accounts payable and accrued liabilities as at December 31, 2015 (December 31, 2014 - $10,829). These fees occurred in the normal course of operations and in the opinion of Management represent fair value for services rendered.

Four officers of the Company have advanced $315,105 (December 31, 2014 - $283,383) 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, 2016. 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:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and short-term employee benefits</td>
<td>$754,077</td>
<td>$704,471</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>$21,636</td>
<td>$40,426</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$775,713</strong></td>
<td><strong>$744,897</strong></td>
</tr>
</tbody>
</table>

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, 2015, $31,756 of the rent inducement remains (December 31, 2014 - $51,812). Effective August 1, 2015 the lease was renegotiated and extended to July 31, 2020.

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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>91,770</td>
</tr>
<tr>
<td>2017</td>
<td>91,770</td>
</tr>
<tr>
<td>2018</td>
<td>91,770</td>
</tr>
<tr>
<td>2019</td>
<td>91,770</td>
</tr>
<tr>
<td>2020</td>
<td>53,533</td>
</tr>
<tr>
<td>Total</td>
<td>420,613</td>
</tr>
</tbody>
</table>

The Company has certain computer equipment under financial lease expiring in 2016 through 2018. The leases carry a weighted average annual interest rate of 5.25%. Estimated lease payments are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>December 31, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ —</td>
<td>$ 30,350</td>
</tr>
<tr>
<td>2016</td>
<td>20,469</td>
<td>11,286</td>
</tr>
<tr>
<td>2017</td>
<td>17,029</td>
<td>7,883</td>
</tr>
<tr>
<td>2018</td>
<td>1,506</td>
<td>—</td>
</tr>
<tr>
<td>Minimum lease payments</td>
<td><strong>39,004</strong></td>
<td><strong>49,519</strong></td>
</tr>
<tr>
<td>Less: interest portion at a rate of 5.25% (2014 - 4.51%)</td>
<td>1,844</td>
<td>2,351</td>
</tr>
<tr>
<td>Net minimum lease payments</td>
<td><strong>37,160</strong></td>
<td><strong>47,168</strong></td>
</tr>
<tr>
<td>Less: current portion</td>
<td>19,078</td>
<td>28,833</td>
</tr>
<tr>
<td>Total</td>
<td>$ 18,082</td>
<td>$ 18,335</td>
</tr>
</tbody>
</table>

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 $2,471 (2014 – $1,469). 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 $34,038 (2014 – $43,361) 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 achieve successful operations. However, no assurance can be given at this time as to whether the Company will achieve any of these conditions. If the Company were to change its assumption regarding the ability to continue as a going concern for a reasonable period of time, adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities would likely be necessary and potentially material.

**Revenue Recognition**
The Company’s revenue recognition requirements pertaining to 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, 2015, no allowance (December 31, 2014 - $6,542) has been provided for.

**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, 2016 or later periods. The standards affected are as follows:

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.

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.

On January 13 2016, the IASB has developed a new Leases Standard, IFRS 16, which supersedes IAS 17 Leases. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019. A company
assesses whether to apply the requirements in IFRS 16 by identifying whether a contract is (or contains) a lease. IFRS 16 defines a lease and includes application guidance to help companies make this assessment. The definition applies to both parties to a contract, i.e., the customer (‘lessee’) and the supplier (‘lessor’). Most significantly, IFRS 16 changes significantly how a company accounts for leases that were off balance sheet applying IAS 17, other than short-term leases (leases of 12 months or less) and leases of low-value assets (such as personal computers and office furniture). Applying IFRS 16, in essence for all leases, a company is required to:

(i) recognize lease assets and lease liabilities in the balance sheet, initially measured at the present value of unavoidable future lease payments;
(ii) recognize depreciation of lease assets and interest on lease liabilities in the income statement over the lease term; and
(iii) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the cash flow statement.

The Company is analyzing the new standards 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:

<table>
<thead>
<tr>
<th>Common Shares</th>
<th>66,190,266</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Options</td>
<td>5,809,370</td>
</tr>
</tbody>
</table>
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, 2015 that are available on www.sedar.com and as noted below.

<table>
<thead>
<tr>
<th>Sales, General and Administration</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 740,150</td>
<td>$ 668,197</td>
</tr>
<tr>
<td>Marketing</td>
<td>115,775</td>
<td>169,334</td>
</tr>
<tr>
<td>Travel</td>
<td>50,195</td>
<td>52,748</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>30,443</td>
<td>60,639</td>
</tr>
<tr>
<td>Foreign exchange gain</td>
<td>(87,794)</td>
<td>(58,402)</td>
</tr>
<tr>
<td>Rent, supplies and public company fees</td>
<td>246,298</td>
<td>280,771</td>
</tr>
<tr>
<td>Amortization</td>
<td>41,483</td>
<td>44,106</td>
</tr>
<tr>
<td>Professional fees</td>
<td>83,626</td>
<td>87,011</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>—</td>
<td>(9,655)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,220,176</td>
<td>$ 1,294,749</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Research and Development</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 1,009,506</td>
<td>$ 1,052,536</td>
</tr>
<tr>
<td>Consulting</td>
<td>233,260</td>
<td>174,886</td>
</tr>
<tr>
<td>R&amp;D lab supplies and other</td>
<td>123,723</td>
<td>59,349</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>25,887</td>
<td>29,701</td>
</tr>
<tr>
<td>Rent and overhead allocations</td>
<td>79,925</td>
<td>88,678</td>
</tr>
<tr>
<td>Amortization</td>
<td>41,483</td>
<td>44,106</td>
</tr>
<tr>
<td>Alberta SR&amp;ED tax credits</td>
<td>(120,956)</td>
<td>(135,307)</td>
</tr>
<tr>
<td>IRAP-NRC and Alberta Ingenuity funding</td>
<td>(116,348)</td>
<td>(127,652)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,276,480</td>
<td>$ 1,186,297</td>
</tr>
</tbody>
</table>