This management’s discussion and analysis of financial condition and results of operations (“MD&A”) should be read together with Acceleware Ltd.’s (“Acceleware” or the “Company”) unaudited interim condensed financial statements and the accompanying notes for the six months ended June 30, 2017, which were prepared in accordance with International Financial Reporting Standards (“IFRS”), and the audited annual financial statements, accompanying notes and MD&A for the year ended December 31, 2016, which have been prepared in accordance with IFRS. Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com under Acceleware Ltd.

This MD&A is presented as of August 16, 2017. 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 (“RF”) technology for heavy oil and oil sands based on technical and economic feasibility analyses and testing performed to date;
- the patentability of concepts developed through RF heating research and development 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”) and ability to attract new financing, will be sufficient to fund future operations - this assumption being subject to the risk and uncertainty that the Company may not generate enough cash flow from operating activities to meet its capital requirements and that the Company may not be able to secure additional capital resources from external sources to fund any shortfall. Operating cash flow may be negatively affected by general
economic conditions, increased competition, increased equipment or labour costs, and adverse movements in foreign currencies. Should the Company experience a cash flow shortfall from operating activities, Management’s contingency plan may not be sufficient to reverse the shortfall;
• that the world price of oil will rebound within the next 12 to 24 months;
• that the preliminary analyses, lab testing and field testing the Company has performed to date regarding the technical and economic feasibility of RF 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 segments. Acceleware’s primary revenue source involves High Performance Computing (“HPC”) software and services primarily 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 scientific software and custom HPC software development services for oil and gas customers. Acceleware also sells solutions selectively outside of the oil and gas sector. In addition to software and services, Acceleware’s primary research and development initiative involves developing and commercializing technology to utilize radio frequency electromagnetic (“EM”) 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 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 AxRTM which allows customers to accurately model seismic acquisition and perform data characterization. In late 2014, Acceleware added AxFWI™ a revolutionary modular full waveform inversion (“FWI”) application to its seismic imaging suite. AxFWI allows geophysicists to create high quality subsurface velocity models in dramatically less time than before. Acceleware accesses the oil and gas geoscience software 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. The Company’s current seismic ISV partners include Tsunami Development, Paradigm Geophysical, Shearwater GeoServices 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 Woodside. 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 2010, Acceleware began investigating the technology to use RF energy for in-situ heating of heavy oil and bitumen. In the ensuing seven years Acceleware has filed four patent applications for RF heating technology, and has developed leading edge simulation software. Additional patent applications 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. RF heating also has the potential to significantly reduce land use in the oil sands, and does not involve the injection of chemicals into the reservoir. Acceleware’s unique expertise with RF heating technology has also resulted in service revenue both locally and abroad. The Company has applied for a total of four patents relating to RF heating. Acceleware’s RF heating technology broadly falls into two versions. Modular RF is a technology mainly aimed at deeper, vertical wells where efficiencies are gained through the innovative approach to downhole RF power generation. The second version, RF XL targets long horizontal wells common to in-situ oil sands production. 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.

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.
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.

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 June 30, 2017, Acceleware had 23 employees including: 2 in administration; 3 in sales, marketing, and product management; and 18 in research and development.

**Overall Performance**

During the three months ended June 30, 2017 (Q2 2017), Acceleware continued to invest in RF heating research and development. Activities included analysis of data from a 1/20 scale field test of critical components of the RF XL technology completed in March, 2017; simulations of various oil sands and heavy oil reservoirs using the Company’s AxHeat software; filing one new patent application; and preparation of several additional potential patent applications. The objectives of the 1/20 scale field test were to successfully heat a sand formation with parameters similar to an oil sands reservoir, to confirm the results predicted from Acceleware’s AxHeat RF heating simulation software, and to prove innovative concepts around the transmission of RF energy from the RF generator down to the oil bearing formation. Management determined that the objectives were met, with other tests and analysis currently on-going. Acceleware sold the data and results of the field test to an oil sands producer in the three months ended March 31, 2017 (Q1 2017). While the Company’s software and services business experienced a rebound in Q1 2017, it continued to face a challenging oil and gas market in Q2 2017, with decreased software product revenue compared to both Q1 2017 and the three months ended June 30, 2016 (Q2 2016). Software maintenance, particularly seismic imaging software increased in Q2 2017 compared to Q2 2016 but fell compared to Q1 2017. Software consulting services revenue increased significantly in Q2 2017 compared to both Q2 2016, and Q1 2017 due to increased training revenue. For the six months ended June 30, 2017, revenue was slightly lower than for the six months ended June 30, 2016 despite higher RF heating revenue, due principally to lower software product revenue.

During the three months ended June 30, 2017, Acceleware recognized revenue of $312,612 - 24% lower than the $410,318 recognized during the three months ended June 30, 2016. The decrease is a result of lower software and services revenue. Revenue in Q2 2017 also decreased 37% compared to the $498,189 recorded in Q1 2017. The decrease in revenue compared to the most recent quarter is due to lower RF heating revenue, and is despite a 5% increase in software and services revenue including notably higher consulting services for training. On a segmented basis, there was no RF heating revenue in either Q2 2017 or Q2 2016 compared to $200,000 recorded in Q1 2017 - a result of the field test data sale. Software and services revenue was 24% lower at $312,612 in Q2 2017 compared to $410,318 in Q2 2016, due in large part to decreased seismic imaging product sales. However, software and services revenue was 5% higher in Q2 2017 compared to $298,189 in Q1 2017 due to higher training services revenue. For the six months ended June 30, 2017 revenue decreased 5% to $810,801 from $852,855 in the six months ended June 30, 2016 due to lower seismic imaging product revenue.

The Company had total comprehensive loss for Q2 2017 of $641,197, an increase of 75% compared to a total comprehensive loss of $366,532 for Q2 2016. The higher total comprehensive loss is a result of higher research and development (R&D) investment, higher general and administrative (G&A) expenses in the RF heating business, and lower revenue in the software and services business. Total comprehensive loss increased 43% in Q2 2017 to $641,197 compared to $448,859 in Q1 2017, due to lower revenue and higher G&A expenses related to marketing activities such as trade shows and stock based compensation.
For the six months ended June 30, 2017 total comprehensive loss was $1,090,056, an increase of 49% compared to a loss of $731,550 recorded in the six months ended June 30, 2016. The increase is a result of greater investment in R&D and higher G&A expenses.

On a segmented basis, loss from operations attributed to the RF heating segment was 63% higher in Q2 2017 at $730,579 compared to $442,724 in Q2 2016, due to higher investment in R&D and higher G&A expense. Operating loss for RF heating was 19% higher in Q2 2017 compared to the loss of $615,598 recorded in Q1 2017 due to lower revenue, and higher G&A expenses. Operating income attributed to software and services decreased to a loss of $23,107 in Q2 2017, compared to income of $92,556 in Q2 2016 due to lower revenue, and higher investment in R&D. Software and services operating loss was also lower in Q2 2017 compared to the operating income of $13,612 recorded in Q1 2017 due to lower revenue and lower G&A expenses.

For the six months ended June 30, 2017 RF heating operating loss increased 45% to $1,146,178 from $790,952 for the six months ended June 30, 2016 due to higher R&D investment, higher G&A expense related to stock based compensation, and despite higher revenue. For the six months ended June 30, 2017 software and services operating loss was $9,495 compared to operating income of $112,848 for the six months ended June 30, 2016 due to lower seismic product revenue.

Cash flow used in operating activities improved 17% to $99,769 in Q2 2017 compared to $119,919 in Q2 2016 due to a lower investment in working capital and despite the larger loss. Cash flow used in operations was significantly better in Q2 2017 compared to Q1 2017, dropping 88% from $862,994. During the six months ended June 30, 2017 cash used in operations was significantly higher at $962,763 compared to $234,854 used in the six months ended June 30, 2016. The increase is a result of increased loss, and higher investment in working capital.

At June 30, 2017, Acceleware had $783,629 (December 31, 2016 - $1,616,415) in working capital, including $993,573 (December 31, 2016 - $1,922,318) in cash and cash equivalents, and $71,890 (December 31, 2016 - $58,095) in combined short-term and long-term debt in the form of finance leases. The Company has $975,050 (December 31, 2016 - $928,800) (principal plus accrued interest) in convertible debentures that accrue interest at 10% per year. The decrease in cash (and consequently working capital) is a result of the comprehensive loss incurred in the six months ended June 30, 2017, and an increased investment in working capital. The increase in working capital other than cash is a result of decrease in accounts payable and accrued liabilities such as deferred salaries and other payroll liabilities.

Within its software and services business, the Company actively manages 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; to focus on selected core vertical markets; to minimize operating expenses where possible; and to limit capital expenditure. As the Company continues to develop its RF heating technology, research and development investments will be financed through a combination of internal cash flow from the software and services business, and external financing. Management believes that successful execution of its business plan will result in sufficient cash flow and new financing to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available. Further, if the Company’s operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months. Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, reducing sales, marketing and 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.*

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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
Recent Highlights and Events

June 13, 2017 – Acceleware Ltd. won the 2017 Global Petroleum Show Award for Emerging Clean Technology relating to the Company’s patent-pending RF heating technology. Global Petroleum Show (GPS) hosts an annual awards process to recognize and celebrate leaders who drive change and evolution in the energy industry. Judging was completed by an independent panel of 20 industry experts.

March 23, 2017 – Acceleware Ltd. announced that it successfully completed the first phase of a multi-phase field test program for its RF XL enhanced oil recovery technology. Acceleware also announced that it has sold the data and a report from the test to an oil sands producer. Phase One of the multi-stage program involved a near-surface test of RF XL. The test was run at 1/20 of commercial scale power and length to validate core design elements of the solution. RF XL is designed to optimize RF heating for oil production in five main ways:

1. the system utilizes a unique RF transmission line system that is able to carry high levels of RF power;
2. the transmission line system is highly efficient;
3. the system delivers heat to the formation quickly after start-up;
4. the system employs a highly efficient silicon carbide (SiC) based RF power generator; and
5. the technology is scalable to very long horizontal wells.

Specific objectives targeted for the near-surface test included:

1. demonstrating that RF XL is capable of delivering high levels of power from the surface into the target formation;
2. confirming that transmission line system losses are very low;
3. proving that the technology can heat the test formation of sand and water as efficiently and quickly as predicted in simulations; and
4. validating the accuracy of Acceleware's RF heating simulator, AxHeat.

Acceleware reported that all of these objectives have been successfully achieved during the three-day test run.

Strategic Update

Oil and Gas focus

Acceleware remains focused on developing and commercializing products for the oil and gas sector. Prior to the dramatic market downturn in 2014, the Company had been experiencing good traction with its geoscience software and services. The proprietary RF heating technology is showing potential as a viable method for heavy oil and oil sands production, coming at a time when the industry is facing significant economic and environmental hurdles. The Company is actively pursuing funding for RF heating development including new equity issuances, applying for various government funding initiatives, and pursuing industry partner funding opportunities.

Given the 50% decrease in revenue in 2016 compared to 2015, and the further 5% reduction in revenue in the first six months of 2017 compared to the same period in 2016, 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 in 2016, and the first half of 2017. For the remainder of 2017, it remains unclear whether the oil and gas market will rebound. However, recent increases in oil prices and drilling activity are welcome news. As a result of the weakness in oil and gas, the Company has taken steps to promote non-oil and gas related products and services. In 2016, non-oil and gas revenue increased 16% compared to 2015. Should the oil and gas market weakness continue, Acceleware will continue to target short-term revenue outside of oil and gas.

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Software for Geoscience

In 2016 and the first half of 2017, the Company focused on selling seismic imaging software to the oil and gas exploration market, and this will continue for the remainder of 2017. 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 2017, 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. A key objective for 2017 is to increase the ease of adoption of the software by utilizing cloud based software as a service model, implementing “quick-start” functionality, and promoting time limited evaluation licenses.

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, Shearwater GeoServices, and GeoTomo LLC. Acceleware has also seen significant opportunities for sales directly to end-users in this market, particularly when customers seek customized solutions. 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 2010, Acceleware began investigating the technology to use RF energy for in-situ heating of heavy oil and bitumen. In the ensuing six years, Acceleware has filed four patent applications for RF heating technology, and has developed leading edge simulation software. Additional patent applications 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 its proprietary 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.

* this paragraph contains forward looking information. Please refer to “Forward Looking Statements” and “Risk Factors and Uncertainties” for a discussion of the risks and uncertainties related to such information
In each of the last three years including 2016, the Company received funding from NRC-IRAP to partially finance its RF heating technology development. Acceleware’s RF heating R&D program is focused 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 of critical components of the technology. In 2016, the Company commenced testing in larger scale field experiments, with additional components, to more closely replicate a commercial system, and completed the first phase of those tests in Q2 2017. The Company expects to continue field tests in the remainder of 2017, and is planning for a commercial scale test.*

**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. Currently, 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 software 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 2017, the Company is building a core competence in artificial intelligence and machine learning to further broaden its skillset.*

In 2016 and the first half of 2017, Acceleware hosted several HPC training classes in both open enrolment format and custom-designed formats for individual organizations, and will continue to do so in the remainder of 2017.*

Going forward, Acceleware will continue to focus on oil and 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
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 June 30, 2016.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2</td>
<td>Q1</td>
<td>Q4</td>
</tr>
<tr>
<td>Revenue</td>
<td>$312,612</td>
<td>$498,189</td>
<td>$175,639</td>
</tr>
<tr>
<td>Cash (used) generated in operating activities</td>
<td>(99,769)</td>
<td>(862,994)</td>
<td>(837,494)</td>
</tr>
<tr>
<td>Total comprehensive (loss) income</td>
<td>(641,197)</td>
<td>(448,859)</td>
<td>(953,737)</td>
</tr>
<tr>
<td>(Loss) earnings per share basic and diluted</td>
<td>($0.007)</td>
<td>($0.005)</td>
<td>($0.011)</td>
</tr>
</tbody>
</table>

Since the beginning of 2016, the Company has seen significantly reduced quarterly revenue compared to 2015. This is a result of the continued weakness in the oil and gas technology market. As a consequence of the reduction in revenue, and the continued investment in RF heating research and development, cash used in operating activities has increased significantly, as has the quarterly comprehensive loss.

Results of Operations

Overall Performance

The Company had total comprehensive loss for Q2 2017 of $641,197, an increase of 75% compared to a total comprehensive loss of $366,532 for Q2 2016. The higher total comprehensive loss is a result of higher research and development (R&D) investment, higher general and administrative (G&A) expenses in the RF heating business, and lower revenue in the software and services business. Total comprehensive loss increased 43% in Q2 2017 to $641,197 compared to $448,859 in Q1 2017, due to lower revenue and higher G&A expenses related to marketing activities such as trade shows and stock based compensation.

For the six months ended June 30, 2017 total comprehensive loss was $1,090,056, an increase of 49% compared to a loss of $731,550 recorded in the six months ended June 30, 2016. The increase is a result of greater investment in R&D and higher G&A expenses.

On a segmented basis, loss from operations attributed to the RF heating segment was 63% higher in Q2 2017 at $730,579 compared to $442,724 in Q2 2016, due to higher investment in R&D and higher G&A expense. Operating loss for RF heating was 19% higher in Q2 2017 compared to the loss of $615,598 recorded in Q1 2017 due to lower revenue, and higher G&A expenses. Operating income attributed to software and services decreased to a loss of $23,107 in Q2 2017, compared to income of $92,556 in Q2 2016 due to lower revenue, and higher investment in R&D. Software and services operating loss was also lower in Q2 2017 compared to the operating income of $13,612 recorded in Q1 2017 due to lower revenue and lower G&A expenses.

For the six months ended June 30, 2017 RF heating operating loss increased 45% to $1,146,178 from $790,952 for the six months ended June 30, 2016 due to higher R&D investment, higher G&A expense related to stock based compensation, and despite higher revenue. For the six months ended June 30, 2017 software and services operating loss was $9,495 compared to operating income of $112,848 for the six months ended June 30, 2016 due to lower seismic product revenue.
## Revenue

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Three months ended June 30, 2017</th>
<th>Three months ended June 30, 2016</th>
<th>Three months ended Mar 31, 2017</th>
<th>% change Q2 2017 vs. Q2 2016</th>
<th>% change Q2 2017 vs. Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales</td>
<td>$4,220</td>
<td>$226,909</td>
<td>$62,151</td>
<td>-98%</td>
<td>-93%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>140,377</td>
<td>124,586</td>
<td>168,070</td>
<td>13%</td>
<td>-16%</td>
</tr>
<tr>
<td>Consulting</td>
<td>168,015</td>
<td>58,823</td>
<td>267,968</td>
<td>186%</td>
<td>-37%</td>
</tr>
<tr>
<td></td>
<td><strong>$312,612</strong></td>
<td><strong>$410,318</strong></td>
<td><strong>$498,189</strong></td>
<td>-24%</td>
<td>-37%</td>
</tr>
</tbody>
</table>

During Q2 2017, the Company recognized revenue of $312,612 representing a 24% decrease over the $410,318 recognized during Q2 2016, due to lower software product revenue, and despite higher software maintenance and consulting revenue. Revenue fell 37% compared to the $498,189 recognized in Q1 2017 primarily on lower RF heating (consulting) revenue.

<table>
<thead>
<tr>
<th>RF Heating Revenue</th>
<th>Three months ended June 30, 2017</th>
<th>Three months ended June 30, 2016</th>
<th>Three months ended Mar 31, 2017</th>
<th>% change Q2 2017 vs. Q2 2016</th>
<th>% change Q2 2017 vs. Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Maintenance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Consulting</td>
<td>-</td>
<td>-</td>
<td>200,000</td>
<td>N/A</td>
<td>-100%</td>
</tr>
<tr>
<td></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The Company did not record RF heating revenue in either Q2 2017 (or Q2 2016) after the Company recognised $200,000 in RF heating revenue in Q1 2017 from the sale of data and results from its recent field test of RF XL technology.

<table>
<thead>
<tr>
<th>Software and services Revenue</th>
<th>Three months ended June 30, 2017</th>
<th>Three months ended June 30, 2016</th>
<th>Three months ended Mar 31, 2017</th>
<th>% change Q2 2017 vs. Q2 2016</th>
<th>% change Q2 2017 vs. Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales</td>
<td>$4,220</td>
<td>$226,909</td>
<td>$62,151</td>
<td>-98%</td>
<td>-93%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>140,377</td>
<td>124,586</td>
<td>168,070</td>
<td>13%</td>
<td>-16%</td>
</tr>
<tr>
<td>Consulting</td>
<td>168,015</td>
<td>58,823</td>
<td>267,968</td>
<td>186%</td>
<td>147%</td>
</tr>
<tr>
<td></td>
<td><strong>$312,612</strong></td>
<td><strong>$410,318</strong></td>
<td><strong>$298,189</strong></td>
<td>-24%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Software and services revenue decreased 24% to $312,612 in Q2 2017 compared to $410,318 in Q2 2016, and rose 5% compared to the $298,189 recorded in Q1 2017. Software product sales revenue fell 98% to $4,220 for Q2 2017 compared to $226,909 for Q2 2016 due to a sharp decline in seismic imaging software sales. Product sales also decreased 93% to $4,220 for Q2 2017 compared to $62,151 for Q1 2017, due to lower AxFDTD revenue. However, as certain seismic imaging sales entered maintenance phase, software maintenance revenue rose by 13% to $168,070 for Q2 2017 compared to $124,586 for Q2 2016, but was 16% lower than the $168,070 recorded in Q1 2017, due to lower AxFDTD maintenance revenue. Software consulting revenue rose 186% to $168,015 in Q2 2017 compared to $58,823 recognized in Q2 2016 due to higher training revenue. Software consulting revenue was 147% higher in Q2 2017 compared to $67,968 in Q1 2017, also on higher training revenue.
During the six months ended June 30, 2017, the Company reported total revenues of $810,801, a 5% decrease compared to $852,855 for the six months ended June 30, 2016, due to lower software and services product revenue.

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Six months ended 6/30/2017</th>
<th>Six months ended 6/30/2016</th>
<th>% change Six months ended 06/30/2017 vs. Six months ended 06/30/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales</td>
<td>$66,371</td>
<td>$482,844</td>
<td>-86%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>$308,447</td>
<td>$202,904</td>
<td>52%</td>
</tr>
<tr>
<td>Consulting</td>
<td>$435,983</td>
<td>$167,107</td>
<td>161%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$810,801</strong></td>
<td><strong>$852,855</strong></td>
<td><strong>-5%</strong></td>
</tr>
</tbody>
</table>

RF heating revenue increased 131% to $200,000 in the six months ended June 30, 2017 compared to $86,648 to the six months ended June 20, 2016 when the company sold data from its RF XL field test.

<table>
<thead>
<tr>
<th>RF Heating Revenue</th>
<th>Six months ended 6/30/2017</th>
<th>Six months ended 6/30/2016</th>
<th>% change Six months ended 06/30/2017 vs. Six months ended 06/30/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>Maintenance</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>Consulting</td>
<td>$200,000</td>
<td>$86,648</td>
<td>131%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$200,000</strong></td>
<td><strong>$86,648</strong></td>
<td><strong>131%</strong></td>
</tr>
</tbody>
</table>

Software and services revenue fell 20% in the six months ended June 30, 2017 to $610,801 compared to the $766,207 recorded in the six months ended June 30, 2016. Software product revenue fell sharply to $66,371 in the six months ended June 30, 2017, an 86% decline compared to $482,844 recorded in the six months ended June 30, 2016. The decrease is due in large part to a significant decrease in seismic imaging software sales, including the custom Repsol RTM project. Maintenance revenue increased 52% to $308,447 for the six months ended June 30, 2017 from $202,904 in the six months ended June 30, 2016. The increase in maintenance revenue is a result of increased seismic imaging maintenance and increased renewals for AxFDTD EM software. As the Company’s oil and gas customers remain cautious in their spending, oil and gas consulting services have declined. However, other HPC training services have increased. Consulting revenue rose 193% to $235,983 in the six months ended June 30, 2017 from the $80,459 recognized in the six months ended June 30, 2016.

<table>
<thead>
<tr>
<th>Software and Services Revenue</th>
<th>Six months ended 6/30/2017</th>
<th>Six months ended 6/30/2016</th>
<th>% change Six months ended 06/30/2017 vs. Six months ended 06/30/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales</td>
<td>$66,371</td>
<td>$482,844</td>
<td>-86%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>$308,447</td>
<td>$202,904</td>
<td>52%</td>
</tr>
<tr>
<td>Consulting</td>
<td>$235,983</td>
<td>$80,459</td>
<td>193%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$610,801</strong></td>
<td><strong>$766,207</strong></td>
<td><strong>-20%</strong></td>
</tr>
</tbody>
</table>
Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Three months ended June 30, 2017</th>
<th>Three months ended June 30, 2016</th>
<th>Three months ended March 31, 2017</th>
<th>% change Q2 2017 vs. Q2 2016</th>
<th>% change Q2 2017 vs. Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenue</td>
<td>$43,282</td>
<td>$119,061</td>
<td>$44,404</td>
<td>-64%</td>
<td>-3%</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td>543,873</td>
<td>368,871</td>
<td>410,307</td>
<td>47%</td>
<td>33%</td>
</tr>
<tr>
<td>Research &amp; development</td>
<td>479,143</td>
<td>272,554</td>
<td>445,464</td>
<td>76%</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>$1,066,298</td>
<td>$760,486</td>
<td>$900,175</td>
<td>40%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Expenses rose 40% during the three months ended June 30, 2017 to $1,066,298 from $760,486 for the three months ended June 30, 2016 primarily due to increased RF heating R&D investment, and increased G&A expenses, particularly stock based compensation. Expenses rose 18% from the $900,175 recorded in Q1 2017 due to higher G&A related to marketing trade shows, and higher stock based compensation. Stock based compensation (share based payments) expenses for Q2 2017 were $113,565 relating to G&A (Q2 2016 - $5,127 and Q1 2017 - $61,065) and $44,791 relating to R&D (Q2 2016 - $2,029 and Q1 2017 - $26,440) for a total of $158,356 (Q2 2016 - $7,156 and Q1 2017 - $40,234). Stock based compensation increased dramatically in 2017 due to a higher number of options granted (in February, 2017), increased volatility, increased share price, and accelerated vesting compared to previous grants.

<table>
<thead>
<tr>
<th>RF heating expenses</th>
<th>Three months ended June 30, 2017</th>
<th>Three months ended June 30, 2016</th>
<th>Three months ended March 31, 2017</th>
<th>% change Q2 2017 vs. Q2 2016</th>
<th>% change Q2 2017 vs. Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenue</td>
<td>$44,004</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td>195,941</td>
<td>276,310</td>
<td>339,288</td>
<td>94%</td>
<td>38%</td>
</tr>
<tr>
<td>Research &amp; development</td>
<td>246,783</td>
<td>339,288</td>
<td>615,598</td>
<td>42%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>$730,579</td>
<td>$442,724</td>
<td>$615,598</td>
<td>65%</td>
<td>19%</td>
</tr>
</tbody>
</table>

RF heating R&D expense increased 42% in Q2 2017 to $350,370 compared to $246,783 in Q2 2016 on higher stock based compensation, increased staff and contractors engaged in the Company’s RF XL development project, and increased R&D materials for the recent field test. RF heating R&D increased 3% in Q2 2017 compared to $339,288 invested in Q1 2017; the increase a result of higher stock based compensation expense.

<table>
<thead>
<tr>
<th>Software and services expenses</th>
<th>Three months ended June 30, 2017</th>
<th>Three months ended June 30, 2016</th>
<th>Three months ended March 31, 2017</th>
<th>% change Q2 2017 vs. Q2 2016</th>
<th>% change Q2 2017 vs. Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenue</td>
<td>$43,282</td>
<td>$119,061</td>
<td>$44,404</td>
<td>-64%</td>
<td>-3%</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td>163,664</td>
<td>172,930</td>
<td>133,997</td>
<td>-5%</td>
<td>22%</td>
</tr>
<tr>
<td>Research &amp; development</td>
<td>128,773</td>
<td>25,771</td>
<td>106,176</td>
<td>400%</td>
<td>21%</td>
</tr>
<tr>
<td></td>
<td>$335,719</td>
<td>$317,762</td>
<td>$284,577</td>
<td>6%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Cost of revenue for Q2 2017 fell 64% to $43,282 from $119,061 in Q2 2016 and decreased 3% from $44,404 in Q1 2017. The decrease year over year and compared to the most recent completed quarter is a result of the lower direct costs associated with the custom software development projects (salaries, contractors, and travel). All cost of revenue was attributable to the software and services segment in Q2 2017, Q1 2017, and Q2 2016.

In Q2 2017, R&D expenditures for software increased 400% to $128,773 from $25,771 for Q2 2016 due to greater investment in new seismic imaging products and features such as cloud based deployment, AxFWI and new AxWave features. Software R&D investment rose 21% in Q2 2017 compared to the $106,176 recorded in Q1 2017.
Expenses increased 28% during the six months ended June 30, 2017 to $1,966,473 from $1,530,959 for the six months ended June 30, 2016, primarily due to higher R&D investment, higher G&A expense, and despite lower cost of revenue. G&A expenses increased 36% in the six months ended June 30, 2017 to $954,180 compared to $701,249 in the six months ended June 30, 2016 primarily due to increased stock based compensation, higher legal fees associated with patent filings, and higher management consulting fees.

RF heating cost of revenue for the six months ended June 30, 2017 decreased 100% to $nil compared to $17,643 in the six months ended June 30, 2016, due to reduced personnel costs associated with feasibility study consulting services. RF heating R&D investment increased 74% in the six months ended June 30, 2017 to $689,659 compared to $482,867 in the six months ended June 30, 2016 due to greater RF heating R&D activities including the RF XL field test completed in 2017.

Software cost of revenue for the six months ended June 30, 2017 decreased 69% to $87,686 compared to $278,791 in the six months ended June 30, 2016, due to reduced personnel costs associated with custom software development projects. Software R&D investment increased 366% in the six months ended June 30, 2017 to $234,949 compared to $50,409 in the six months ended June 30, 2016 due to greater investment in seismic imaging products and features such as cloud based deployment, AxFWI and new AxWave features.
Liquidity and Capital Resources

At June 30, 2017, Acceleware had $783,629 (December 31, 2016 - $1,616,415) in working capital, including $993,573 (December 31, 2016 - $1,922,318) in cash and cash equivalents, and $71,890 (December 31, 2016 - $92,880) (principal plus accrued interest) in convertible debentures that accrue interest at 10% per year. The decrease in cash (and consequently working capital) is a result of the comprehensive loss incurred in the six months ended June 30, 2017, and an increased investment in working capital. The increase in working capital other than cash is a result of decrease in accounts payable and accrued liabilities such as deferred salaries and other payroll liabilities.

Within its software and services business, the Company actively manages 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; to focus on selected core vertical markets; to minimize operating expenses where possible; and to limit capital expenditure. As the Company continues to develop its RF heating technology, new research and development investments will be financed through a combination of internal cash flow from the software and services business, and external financing. Management believes that successful execution of its business plan will result in sufficient cash flow and new financing to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available. Further, if the Company’s operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months. Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, reducing sales, marketing and 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 flow used in operating activities improved 17% to $99,769 in Q2 2017 compared to $119,919 in Q2 2016 due to a lower investment in working capital and despite the larger loss. Cash flow used in operations was significantly better in Q2 2017 compared to Q1 2017, dropping 88% from $862,994. During the six months ended June 30, 2017 cash used in operations was significantly higher at $962,763 compared to $234,854 used in the six months ended June 30, 2016. The increase is a result of increased loss, and higher investment in working capital.

As at June 30, 2017, the Company had current liabilities of $704,454 compared to current liabilities of $999,287 as at December 31, 2016. The decrease in current liabilities is due to lower accrued salary expense and other payroll liabilities, despite higher deferred revenue.

Trade and Other Receivables

Trade and other receivables as at June 30, 2017 decreased to $170,120, compared to $196,525 as at December 31, 2016. The decrease is a result of efficient collections. The Company maintains close contact with its customers to mitigate risk in the collection of receivables.

Work in Process

Work in process 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 process is presented in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. Work in process was $176,394 at June 30, 2017 compared to $323,438 at December 31, 2016. The decrease is a result of custom software projects nearing completion.

* 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
Alberta SR&ED Tax Credits

The Company has recorded $101,180 (December 31, 2016 - $132,237) in receivables as at June 30, 2017. The decrease is a result of receipt of the 2016 SR&ED credit in Q2 2017, offset by R&D undertaken in the six months ended June 30, 2017.

Investing Activities

For the six months ended June 30, 2017, $15,670 was invested in property and equipment compared to $6,924 for the six months ended June 30, 2016.

Financing Activities

During the six months ended June 30, 2017, 703,335 stock options and 10,000 warrants (six months ended June 302016 - $nil) were exercised for cash proceeds of $70,867 (six months ended June 30, 2016 - $nil).

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 June 30, 2017, 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

There have been no material changes in any risks or uncertainties facing the Company since December 31, 2016. A discussion of risks affecting the Company and its business is set forth under the heading Risk Factors and Uncertainties in Management’s Discussion and Analysis for the period ended December 31, 2016.

Transactions with Related Parties

For the three months ended June 30, 2017, the Company incurred expenses in the amount of $41,250 (three months ended June 30, 2016 - $39,000) and $81,000 for the six months ended June 30, 2017 (six months ended June 30, 2016 - $78,000) with a company controlled by an officer of the Company as fees for duties performed in managing operations, and this amount is included in research and development expense. As at June 30, 2017, $64,207 was included in accounts payable and accrued liabilities (December 31, 2016 - $88,419). These fees occurred in the normal course of operations and in the opinion of management represent fair value for services rendered.

For the three months ended June 30, 2017, the Company incurred expenses in the amount of $5,138 (three months ended June 30, 2016 - $12,711) and $22,194 for the six months ended June 30, 2017 (six months ended June 30, 2016 - $19,666) with a company controlled by a director of the Company for legal fees, and this amount is included in general and administrative expense. As at March 31, 2017, $3,288 was included in accounts payable and accrued liabilities (December 31, 2016 - $36,207). These fees occurred in the normal course of operations and in the opinion of management represent fair value for services rendered.

For the three months ended June 30, 2017, the Company incurred expenses in the amount of $5,400 (three months ended June 30, 2016 - $nil) and $7,650 for the six months ended June 30, 2017 (six months ended June 30, 2016 - $nil) with a company controlled by the spouse of an officer of the Company for writing services, and this amount is
included in general and administrative expense. As at June 30, 2017, $3,150 was included in accounts payable and accrued liabilities (December 31, 2016 - $nil). These fees occurred in the normal course of operations and in the opinion of management represent fair value for services rendered.

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

<table>
<thead>
<tr>
<th></th>
<th>Three months ended June 30, 2017</th>
<th>Three months ended June 30, 2016</th>
<th>Six months ended June 30, 2017</th>
<th>Six months ended June 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and short-term employee benefits</td>
<td>$180,598</td>
<td>$161,069</td>
<td>$364,664</td>
<td>$330,205</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>63,100</td>
<td>5,240</td>
<td>125,584</td>
<td>9,889</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$247,698</strong></td>
<td><strong>$166,309</strong></td>
<td><strong>$490,248</strong></td>
<td><strong>$340,094</strong></td>
</tr>
</tbody>
</table>

**Critical Accounting Estimates**

**General**

The Management’s Discussion and Analysis for the year ended December 31, 2016 outlined critical accounting policies including key estimates and assumptions that Management has made under these policies and how they affect the amounts reported in the financial statements. During the quarter, there have been no material changes in Management’s key estimates and assumptions and the unaudited interim condensed financial statements follow the same accounting policies and methods of application as the most recent audited annual 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 the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning after January 1, 2018 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, 2015, 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 standard provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2018, 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 issued 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 under IAS 17, other than short-term 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 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:

<table>
<thead>
<tr>
<th>Common Shares</th>
<th>Stock Options</th>
<th>Warrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>85,571,246</td>
<td>8,452,674</td>
<td>9,080,909</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, 2016 that are available on [www.sedar.com](http://www.sedar.com) and as noted below.

<table>
<thead>
<tr>
<th>Research and Development</th>
<th>Three months ended June 30, 2017</th>
<th>Three months ended June 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 378,755</td>
<td>$ 210,371</td>
</tr>
<tr>
<td>Consulting</td>
<td>71,809</td>
<td>46,500</td>
</tr>
<tr>
<td>R&amp;D lab supplies</td>
<td>32,901</td>
<td>19,078</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>44,791</td>
<td>2,029</td>
</tr>
<tr>
<td>Rent and overhead allocations</td>
<td>19,434</td>
<td>19,435</td>
</tr>
<tr>
<td>Amortization</td>
<td>8,132</td>
<td>7,565</td>
</tr>
<tr>
<td>Government assistance</td>
<td>(22,500)</td>
<td>(8,991)</td>
</tr>
<tr>
<td>Alberta SR&amp;ED Tax Credits</td>
<td>(54,179)</td>
<td>(23,433)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 479,143</td>
<td>$ 272,554</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales, General and Administration</th>
<th>Three months ended June 30, 2017</th>
<th>Three months ended June 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 182,601</td>
<td>$ 175,706</td>
</tr>
<tr>
<td>Marketing</td>
<td>74,999</td>
<td>59,913</td>
</tr>
<tr>
<td>Travel</td>
<td>7,129</td>
<td>10,575</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>113,565</td>
<td>5,127</td>
</tr>
<tr>
<td>Rent, supplies and public company fees</td>
<td>80,692</td>
<td>63,957</td>
</tr>
<tr>
<td>Amortization</td>
<td>8,132</td>
<td>7,565</td>
</tr>
<tr>
<td>Professional fees</td>
<td>76,755</td>
<td>46,028</td>
</tr>
<tr>
<td>Total</td>
<td>$ 543,873</td>
<td>$ 368,871</td>
</tr>
</tbody>
</table>