ACCELEWARE LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read together with Acceleware Ltd.'s ("Acceleware" or the "Company") unaudited condensed interim financial statements and the accompanying notes for the six months ended June 30, 2018, 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, 2017, 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 28, 2018. 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 when 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 ("RF") heating technology for heavy oil and oil sands based on technical and economic feasibility analyses and testing performed to date;
- the patentability of concepts developed through RF heating research and development ("R&D") efforts;
- plans to complete a commercial-scale test of RF heating technology;
- 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 continue to improve over the next 12 to 24 months, and that improvement will result in increased demand for the Company's products and services;
- that the preliminary analyses coupled with lab and field testing that the Company has performed to date regarding the technical and economic feasibility of RF heating technology for heavy oil and oil sands will be confirmed in practise;
- that the RF heating concepts developed by the Company are unique, novel and non-infringing of intellectual property owned by others;
- that the Company will be able to conclude agreements necessary to secure funding for field tests of RF heating technology;
- that the Company and its partners will be able to secure necessary regulatory approvals required to conduct a commercial-scale test of RF heating technology;
- 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 electro-magnetic ("EM") energy in the radio frequency ("RF") spectrum 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.
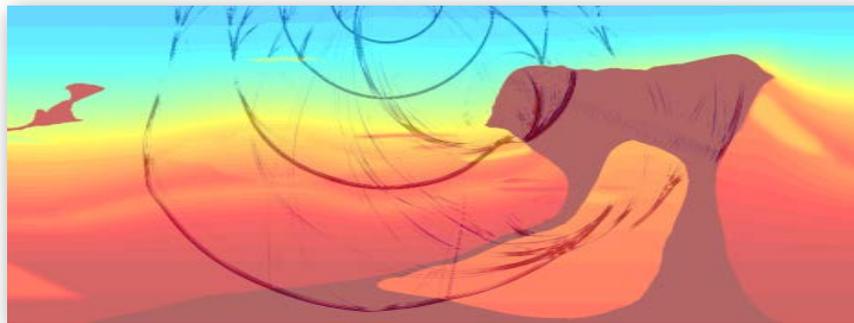

Acceleware provides custom HPC software development, consulting services and training to oil and gas companies such as ExxonMobil, GeoTomo, Saudi Aramco, Rock Solid Imaging, EMGS, Repsol, and Woodside. These companies utilize Acceleware's expertise to improve the performance of their scientific computing software and increase their in-house development capability. 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 been granted one patent for RF heating technology, has filed five additional patent applications, 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 costs 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 six patent applications relating to RF heating and has been granted one patent. Acceleware's RF heating technology broadly falls into two versions – Modular RF and RF XL. Modular RF is a technology mainly aimed at deeper, vertical wells where efficiencies are gained through the innovative approach to downhole RF power generation. 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[TM] – 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.
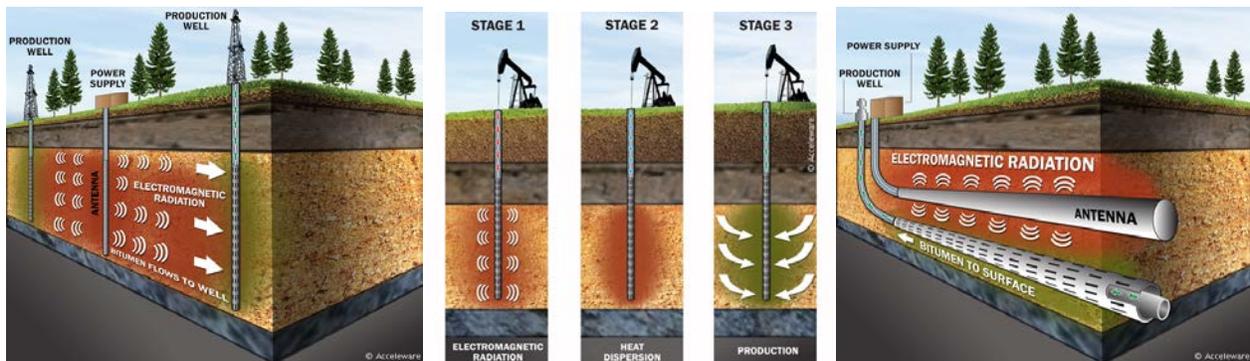

Multiple Vertical – RF flood   Single Vertical – Cyclic RF flood   Horizontal – RF injector

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.
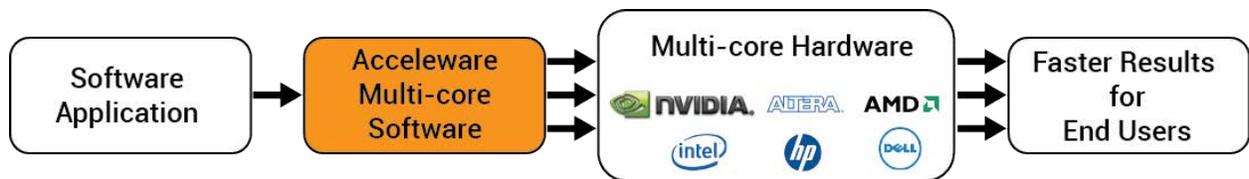
The EM solutions developed by Acceleware can be easily integrated by software developers, saving them the expense and time of migrating their applications to high performance multi-core platforms. Acceleware improves the overall experience for end users of these applications by providing greater computing 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 to be marketed to the traditional markets and is also 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. On June 30, 2018, Acceleware had 19 employees including: 2 in administration; 3 in sales, marketing, and product management; and 14 in research and development.

Overall Performance

During the three months ended June 30, 2018 (Q2 2018), Acceleware continued to invest in RF heating research and development (R&D). Activities included preparing additional patent applications and engineering and design work related to the Company's planned commercial-scale test of RF XL. Specifically, the Company completed the initial design of the prototype RF generator with partner GE, worked on design concepts for the drilling and completion of the RF XL and production wells, and continued design of surface facilities. Shortly after the end of Q2 2018, Acceleware announced that it had entered into a commercial-scale test agreement with Prosper Petroleum Ltd. The agreement paves the way for the Company to access the $10 million non-repayable grant awarded to the Company by Sustainable Development Technology Canada (SDTC) and Emissions Reduction Alberta (ERA). The grant is subject to the Company completing contribution agreements with both SDTC and ERA, which are expected to be signed in Q3 2018. The Company's software and services business experienced a rebound in Q2 2018, with revenue increasing by over 100% compared to the three months ended March 31, 2018 (Q1 2018), and up 12% compared to the three months ended June 30, 2017 (Q2 2017). Due to the higher revenue the Company recorded lower operating loss in Q2 2018 compared to both Q2 2017 and Q1 2018. However, total comprehensive loss was slightly higher in Q2 2018 compared to Q2 2017 due to a gain on derivative instruments recorded in Q2 2017. Total comprehensive loss was significantly lower in Q2 2018 compared to Q1 2018. Due to the decreased operating loss, cash used in operating activities was also significantly reduced in Q2 2018, compared to Q1 2018. However, cash used in operations increased in Q2 2018 compared to Q2 2017 on greater investment in working capital. For the six months ended June 30, 2018, revenue was lower than for the six months ended June 30, 2017 due to lower RF heating revenue. As a result of lower revenue, loss from operations and total comprehensive loss increased in the six months ended June 30, 2018 compared to the six months ended June 30, 2017. Cash used in operating activities decreased in the six months ended June 30, 2018 compared to the six months ended June 30, 2017 due to a lower investment in working capital.*

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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
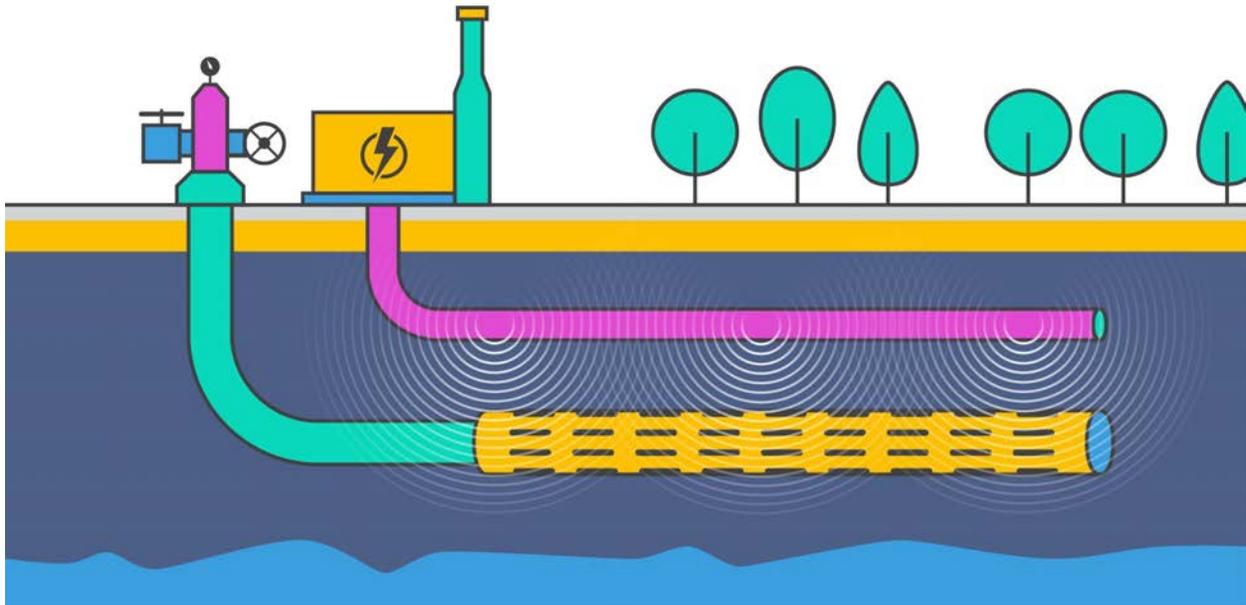
Schematic of Commercial-Scale Test of RF XL in Oil Sands

During Q2 2018, Acceleware recognized revenue of $350,098 - 106% higher than the $170,259 recognized during Q1 2018. The increase is primarily a result of a 325% increase in software consulting (HPC training) revenue and a 42% increase in software (seismic) maintenance revenue. Revenue also increased 12% in Q2 2018 compared to the $312,612 recorded in Q2 2017 primarily as a result of higher seismic software maintenance revenue. On a segmented basis, all revenue recorded in Q2 2018, Q2 2017 and Q1 2018 was software and services revenue. Revenue was 36% lower in the six months ended June 30, 2018 falling to $520,357 from $810,801 recorded in the six months ended June 30, 2017 due to lower RF heating revenue (the Company sold data from a field test of RF XL in the six months ended June 30, 2017), lower seismic software product revenue, and lower software consulting revenue.

Operating loss was 14% lower in Q2 2018 at $645,643 compared to $753,686 in Q2 2017 on higher revenue, and lower cost of revenue and general and administrative (G&A) expense. Operating loss was also 23% lower than the loss of $833,879 recorded in Q1 2018 on higher revenue. The Company had a total comprehensive loss for Q2 2018 of $645,911, 1% higher than the total comprehensive loss of $641,197 recorded in Q2 2017. The higher total comprehensive loss is despite higher revenue and lower expenses in Q2 2018 compared to Q2 2017, and is a result of a gain on derivative instruments recorded in Q2 2017. The total comprehensive loss decreased 23% compared to Q1 2018 when it was $839,377 due to higher revenue.

For the six months ended June 30, 2018 operating loss rose 28% to $1,479,522 from the $1,155,672 recorded in the six months ended June 30, 2017 due to lower revenue and higher G&A expense related to share-based compensation (stock options). For the six months ended June 30, 2018 total comprehensive loss was $1,485,288, an increase of 36% compared to a loss of $1,090,056 recorded in the six months ended June 30, 2016. The increase is a result of lower revenue, and a gain on derivative instruments recorded in the six months ended June 30, 2017.

On a segmented basis, loss from operations attributed to the RF heating segment was 14% lower in Q2 2018 at $628,420 compared to $730,579 in Q2 2017, due to lower G&A expense and lower research and development (R&D) expense. Operating loss for RF heating was 6% higher in Q2 2018 compared to the loss of $595,004 recorded in Q1 2018 due to higher R&D expenses. Operating loss attributed to software and services was 25% lower at $17,223 in Q2 2018, compared to a loss of $23,107 in Q2 2017 due to higher revenue and lower cost of revenue. Software and services operating loss decreased significantly in Q2 2018 compared to the operating loss of $238,875 recorded in Q1 2018 on higher revenue and lower R&D and G&A expenses.

For the six months ended June 30, 2018, RF heating operating loss increased 7% to $1,223,424 from $1,146,178 for the six months ended June 30, 2017 due to lower revenue higher G&A expense related to share-based compensation (stock options) and despite lower R&D investment. For the six months ended June 30, 2018, software and services operating loss was $256,098 compared to operating loss of $9,495 for the six months ended June 30, 2017 due to lower seismic product revenue, higher G&A expense related to stock-based compensation, and higher R&D investment.

At June 30, 2018, Acceleware had working capital of $56,312 (December 31, 2017 – $403,501), $666,130 (December 31, 2017 - $781,315) in cash and cash equivalents, and $188,634 (December 31, 2017 - $183,373) 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 comprehensive loss incurred in the six months ended June 30, 2018, offset by cash received of $222,443 related to the Company's 2017 Alberta SR&ED tax credit claim, and $778,897 received from the exercise of stock options and warrants.

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.[*]

Recent Highlights and Events

April 11, 2018 – Acceleware announced that the US Patent and Trademark Office has granted Patent No. 9,938,809 relating to RF heating of heavy oil and oil sands reservoirs. The patent is a key part of Acceleware's growing base of intellectual property and covers the core elements of its Modular RF technology, as well as claims relating to its RF XL technology. Modular RF is targeted for commercial availability in 2022, while RF XL is expected to be available in 2020.

June 11, 2018 – Acceleware announced that the Company had formed a six-person RF heating Acceleware Advisory Board (AAB). The AAB brings together a group of six heavy oil and oil sands leaders with extensive operational, technical, and commercialization experience. This group will provide guidance to Acceleware throughout the RF technology testing and commercialization process. Acceleware formed the AAB to ensure that RF XL and Modular RF meet key functional and economic demands of heavy oil and oil sands operators.

June 11, 2018 – Acceleware announced that GE Global Research had completed the design phase of Acceleware's prototype silicon carbide (SiC) RF Generator. GE will now commence assembly of the generator to be used in the

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commercial-scale test. Acceleware expects to receive an initial generator module in 2018 and will begin lab testing at that time. The full prototype RF XL generator system is planned for completion by GE in Q1 2019.

July 17, 2018 - Acceleware announced that it had entered into a commercial test agreement (the with Prosper Petroleum Ltd. ("**Prosper**") to perform a commercial-scale test (the "**Test**") of Acceleware's RF XL radio frequency heating technology. The Test will commence immediately at Prosper's Rigel property in northeast Alberta, where Prosper is developing a project in the Athabasca Oil Sands. SDTC and ERA have committed up to $10 million in non-repayable funding for the Test, as previously announced by Acceleware on November 3, 2017. The funding will become available upon execution of contribution agreements with SDTC and ERA. With the support of Prosper, Acceleware begun raising remaining capital to further support the test. Discussions with other potential consortium members for the project are on-going, with the goal of generating additional financial, technical and operating support.

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. There are signs that the oil and gas sector is improving, bolstered by a higher world price of oil, and evidenced by an increase in exploration and development spending in 2018.

Given the 50% decrease in revenue in 2016 compared to 2015, and the further 5% reduction in revenue in 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 2017. For 2018, it remains unclear whether the oil and gas market will continue to 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 including artificial intelligence ("AI") and machine learning. Acceleware will continue to target short-term revenue outside of oil and gas in 2018.[*]

Software for Geoscience

In 2017, the Company focused on selling seismic imaging software to the oil and gas exploration market, and this will continue for 2018. 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 2018, 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 2018 is to increase the ease of adoption of the software by utilizing cloud-based software as a service model and to develop next-level features such as modelling for attenuation.

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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 nine 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[TM] 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 each of the last four years including 2017, 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 2017. The Company expects to continue field tests in 2018 with the commencement of a commercial-scale test in an oil sands reservoir. Acceleware has been awarded a $10 million non-repayable contribution to complete a commercial-scale field test of its RF XL technology. The funding will be provided by Sustainable Development Technology Canada (SDTC) and Emissions Reduction Alberta (ERA) in accordance with their mandates to bring clean technologies to market that are economically viable and reduce GHG emissions. The funding is contingent upon the execution of contribution agreements with both SDTC and ERA and a partnership with an oil sands producer to complete the commercial scale field test. Acceleware is in the process of finalizing a partnership with one or more oil sands producers as required to complete this commercial-scale field test in an oil sands reservoir. In 2018, the Company has begun development of key components that will be utilized in the commercial-scale test. Acceleware, with partner GE, has completed the preliminary design of the

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prototype RF generator that will be used in the test, has developed design concepts for drilling and completing RF XL wells, and has begun preliminary engineering of the surface facilities that will be used during the test. Acceleware continues to invest in intellectual property protection and has several new patent applications in development. [*]

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.

Acceleware's consulting services relate to GPU and CPU HPC projects, and electro-magnetic simulation. Most often, 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 and into 2018, the Company is building a core competence in AI and machine learning to further broaden its skillset. [*]

In 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 2018. [*]

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. [*]

Summary of Quarterly Results

The following table highlights revenue, cash used in operating activities, total comprehensive (loss) income before tax and earnings (loss) per share for the eight most recently completed quarters ended June 30, 2018.

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	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	$350,098	$170,259	$271,690	$237,576	$312,612	$498,189	$175,639	$366,675
Cash used generated in operating activities	(310,203)	(543,179)	(336,811)	(721,543)	(99,769)	(862,994)	(837,494)	(256,971)
Total comprehensive loss for the period	(645,911)	(839,377)	(745,937)	(913,738)	(641,197)	(448,859)	(953,737)	(324,722)
Loss per share basic and diluted	($0.007)	($0.009)	($0.008)	($0.011)	($0.007)	($0.005)	($0.011)	($0.005)

In Q2 2018, Acceleware recorded its highest quarterly revenue since the first quarter of 2017. The increase compared to Q2 2018 is due to increased demand in the oil and gas software and services market, and increased software training revenue. With higher revenue, total comprehensive loss was similar in Q2 2018 compared to Q2 2017. However, cash used in operating activities increased in Q2 2018 compared to cash used in Q2 2017, due to investment in working capital.

Results of Operations

Overall Performance

Operating loss was 14% lower in Q2 2018 at $645,643 compared to $753,686 in Q2 2017 on higher revenue, and lower cost of revenue and general and administrative (G&A) expense. Operating loss was also 23% lower than the loss of $833,879 recorded in Q1 2018 on higher revenue. The Company had a total comprehensive loss for Q2 2018 of $645,911, 1% higher than the total comprehensive loss of $641,197 recorded in Q2 2017. The higher total comprehensive loss is despite higher revenue and lower expenses in Q2 2018 compared to Q2 2017, and is a result of a gain on derivative instruments recorded in Q2 2017. The total comprehensive loss decreased 23% compared to Q1 2018 when it was $839,377 due to higher revenue.

For the six months ended June 30, 2018 operating loss rose 28% to $1,479,522 from the $1,155,672 recorded in the six months ended June 30, 2017 due to lower revenue and higher G&A expense related to share-based compensation (stock options). For the six months ended June 30, 2018 total comprehensive loss was $1,485,288, an increase of 36% compared to a loss of $1,090,056 recorded in the six months ended June 30, 2016. The increase is a result of lower revenue, and a gain on derivative instruments recorded in the six months ended June 30, 2017.

On a segmented basis, loss from operations attributed to the RF heating segment was 14% lower in Q2 2018 at $628,420 compared to $730,579 in Q2 2017, due to lower G&A expense and lower research and development (R&D) expense. Operating loss for RF heating was 6% higher in Q2 2018 compared to the loss of $595,004 recorded in Q1 2018 due to higher R&D expenses. Operating loss attributed to software and services was 25% lower at $17,223 in Q2 2018, compared to a loss of $23,107 in Q2 2017 due to higher revenue and lower cost of revenue. Software and services operating loss decreased significantly in Q2 2018 compared to the operating loss of $238,875 recorded in Q1 2018 on higher revenue and lower R&D and G&A expenses.

For the six months ended June 30, 2018, RF heating operating loss increased 7% to $1,223,424 from $1,146,178 for the six months ended June 30, 2017 due to lower revenue higher G&A expense related to share-based compensation (stock options) and despite lower R&D investment. For the six months ended June 30, 2018, software and services operating loss was $256,098 compared to operating loss of $9,495 for the six months ended June 30, 2017 due to lower seismic product revenue, higher G&A expense related to stock-based compensation, and higher R&D investment.

Revenue

Revenue	Three months ended June 30, 2018	Three months ended June 30, 2017	Three months ended Mar 31, 2018	% change Q2 2018 over Q2 2017	% change Q2 2018 over Q1 2018
Product sales	$ 7,801	$ 4,220	$ 4,220	85%	85%
Maintenance	182,559	140,377	128,477	30%	42%
Consulting	159,738	168,015	37,562	-5%	325%
	$ 350,098	$ 312,612	$ 170,259	12%	106%

During Q2 2018, the Company recognized revenue of $350,098 representing a 12% increase over the $312,612 recognized during Q2 2017, due to higher seismic software maintenance revenue. Revenue rose 106% compared to the $170,259 recognized in Q1 2018 primarily on higher seismic software maintenance revenue and consulting revenue related to HPC training.

RF Heating Revenue	Three months ended June 30, 2018	Three months ended June 30, 2017	Three months ended Mar 31, 2018	% change Q2 2018 over Q2 2017	% change Q2 2018 over Q1 2018
Product sales	$ -	$ -	$ -	N/A	N/A
Maintenance	-	-	-	N/A	N/A
Consulting	-	-	-	N/A	N/A
	$ -	$ -	$ -	N/A	N/A

As noted above, the Company did not recognize any RF heating revenue in Q2 2018, Q2 2017 or Q1 2018 as it focused on negotiating and completing a commercial-scale test agreement with Prosper Petroleum Ltd.

Software and services Revenue	Three months ended June 30, 2018	Three months ended June 30, 2017	Three months ended Mar 31, 2018	% change Q2 2018 over Q2 2017	% change Q2 2018 over Q1 2018
Product sales	$ 7,801	$ 4,220	$ 4,220	85%	85%
Maintenance	182,559	140,377	128,477	30%	42%
Consulting	159,738	168,015	37,562	-5%	325%
	$ 350,098	$ 312,612	$ 170,259	12%	106%

Software product sales revenue fell 85% to $7,801 in Q2 2018 compared to $4,220 in Q2 2017 due to higher AxFDTD sales. Product sales also increased 85% to $7,801 in Q2 2018 compared to $4,220 in Q1 2018, due to higher AxFDTD revenue. Software maintenance revenue improved 30% from $140,377 in Q2 2017 to $182,559 in Q2 2017 and was 42% higher than the $128,477 recorded in Q1 2018, both due to increased seismic imaging software and AxFDTD maintenance customers. Software consulting revenue fell 5% to $159,738 in Q2 2018 compared to $168,015 recognized in Q2 2017 due to lower HPC oil and gas custom software revenue. Software consulting revenue was 325% higher in Q2 2018 compared to $37,562 in Q1 2018, on higher HPC training revenue.

Revenue			% change Six months ended 06/30/2018 vs. Six months ended 06/30/2017
	Six months ended 6/30/2018	Six months ended 6/30/2017	
Product sales	$ 12,021	$ 66,371	-82%
Maintenance	311,036	308,447	1%
Consulting	197,300	435,983	-55%
	$ 520,357	$ 810,801	-36%

During the six months ended June 30, 2018, the Company reported total revenues of $520,357, a 36% decrease compared to $810,801for the six months ended June 30, 2017, due to lower RF heating revenue, and lower software and services product and consulting revenue.

RF Heating Revenue			% change Six months ended 06/30/2018 vs. Six months ended 06/30/2017
	Six months ended 6/30/2018	Six months ended 6/30/2017	
Product sales	$ -	$ -	N/A
Maintenance	-	-	N/A
Consulting	-	200,000	-100%
	$ -	$ 200,000	-100%

RF heating revenue decreased to $nil in the six months ended June 30, 2018 compared to $200,000 to the six months ended June 20, 2017 when the company sold data from its RF XL field test.

Software and Services Revenue			% change Six months ended 06/30/2018 vs. Six months ended 06/30/2017
	Six months ended 6/30/2018	Six months ended 6/30/2017	
Product sales	$ 12,021	$ 66,371	-82%
Maintenance	311,036	308,447	1%
Consulting	197,300	235,983	-16%
	$ 520,357	$ 610,801	-15%

Software and services revenue fell 15% in the six months ended June 30, 2018 to $520,357 compared to the $610,801 recorded in the six months ended June 30, 2016. Software product revenue fell sharply to $12,021 in the six months ended June 30, 2017, an 86% decline compared to $66,371 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 which transitioned to maintenance. Maintenance revenue increased 1% to $311,036 for the six months ended June 30, 2018 from $308,447 in the six months ended June 30, 2017. As the Company's oil and gas customers remain cautious in their spending, oil and gas consulting services have declined. Consulting revenue fell 16% to $197,300 in the six months ended June 30, 2018 from the $235,983 recognized in the six months ended June 30, 2017.

Expenses

Expenses	Three months ended June 30, 2018	Three months ended June 30, 2017	Three months ended Mar 31, 2018	% change Q2 2018 over Q2 2017	% change Q2 2018 over Q1 2018
Cost of revenue	$ 17,517	$ 43,282	$ 12,420	-60%	41%
General & administrative	518,500	543,873	547,890	-5%	-5%
Research & development	459,724	479,143	443,828	-4%	4%
	$ 995,741	$ 1,066,298	$ 1,004,138	-7%	-1%

Expenses fell 7% during Q2 2018 to $995,741 from $1,066,298 in Q2 2017 due to lower expenses in all categories. Expenses declined 1% from the $1,004,138 recorded in Q1 2018 due to lower G&A.

RF heating expenses	Three months ended June 30, 2018	Three months ended June 30, 2017	Three months ended Mar 31, 2018	% change Q2 2018 over Q2 2017	% change Q2 2018 over Q1 2018
Cost of revenue	$ -	$ -	$ -	N/A	N/A
General & administrative	336,028	380,209	345,624	-12%	-3%
Research & development	292,392	350,370	249,380	-17%	17%
	$ 628,420	$ 730,579	$ 595,004	-14%	6%

While overall G&A expenses fell in Q2 2018, the amount attributed to RF heating also decreased to $336,028 in Q2 2018, a reduction of 12% compared to $380,209 in Q2 2017, and 3% lower than $345,624 in Q1 2018. The decrease is due to lower marketing and sales expenses. R&D attributed to RF heating fell 17% in Q2 2018 to $292,392, a 17% decrease compared to Q2 2017 when the Company invested $350,370 completing the field test of RF XL. However, R&D increased 17% from the $249,380 invested in Q1 2018 as the Company focussed on design activities related to a prototype RF XL system.

Software and services expenses	Three months ended June 30, 2018	Three months ended June 30, 2017	Three months ended Mar 31, 2018	% change Q2 2018 over Q2 2017	% change Q2 2018 over Q1 2018
Cost of revenue	$ 17,517	$ 43,282	$ 12,420	-60%	41%
General & administrative	182,472	163,664	202,266	11%	-10%
Research & development	167,332	128,773	194,448	30%	-14%
	$ 367,321	$ 335,719	$ 409,134	9%	-10%

G&A expenses attributable to software and services rose 11% to $182,472 from $163,664 recorded in Q2 2017, due to increased investment in marketing and sales. G&A decreased 10% from $202,266 in Q1 2018 due to lower expenses for share-based payments for stock options. Software and services R&D expenditures were increased 30% to $167,332 in Q2 2018 from $128,773 in Q2 2017 as more technical staff were engaged in R&D rather than consulting services. However, R&D decreased 14% compared to $194,448 in Q1 2018 when the opposite was the case.

Expenses			% change Six months ended 6/30/2018
	Six months ended 6/30/2018	Six months ended 6/30/2017	over six months ended 6/30/2017
Cost of revenue	$ 29,937	$ 87,686	-66%
General & administrative	1,066,390	954,180	12%
Research & development	903,552	924,607	-2%
	$ 1,999,879	$ 1,966,473	2%

Expenses increased 2% during the six months ended June 30, 2018 to $1,999,879 from $,966,473 for the six months ended June 30, 2017, due to higher G&A expense caused by higher share-based expense associated with stock options. Cost of revenue for the six months ended June 30, 2018 fell 66% to $29,937 from $87,686 in the six months ended June 30, 2017 with fewer staff engaged in software consulting services. G&A expenses increased 12% in the six months ended June 30, 2018 to $1,066,390 compared to $954,180 in the six months ended June 30, 2017 primarily due to increased share-based compensation. Share-based payments allocated to G&A were $258,513 compared to $174,630 for the six months ended June 30, 2017. R&D expenses fell 2% in the six months ended June 30, 2018 to $903,552 from $924,607 in the six months ended June 30, 2017. The Company incurred increased R&D expense in 2017 due to the field test of RF XL. .

RF Heating Expenses			% change Six months ended 6/30/2018
	Six months ended 6/30/2018	Six months ended 6/30/2017	over six months ended 6/30/2017
Cost of revenue	$ -	$ -	N/A
General & administrative	681,652	656,519	4%
Research & development	541,772	689,658	-21%
	$ 1,223,424	$ 1,346,177	-9%

RF heating G&A rose 4% to $681,652 in the six months ended June 30, 2018 from $656,519 in the six months ended June 30, 2017 due to increase stock option expense. RF heating R&D investment decreased 21% in the six months ended June 30, 2018 to $541,772 compared to $689,659 in the six months ended June 30, 2017 due to reduced RF heating R&D activities associated with the RF XL field test completed in 2017.

Software and Services Expenses			% change Six months ended 6/30/2018
	Six months ended 6/30/2018	Six months ended 6/30/2017	over six months ended 6/30/2017
Cost of revenue	$ 29,937	$ 87,686	-66%
General & administrative	384,738	297,661	29%
Research & development	361,780	234,949	54%
	$ 776,455	$ 620,296	25%

Software cost of revenue for the six months ended June 30, 2018 decreased 66% to $9,937 compared to $87,686 in the six months ended June 30, 2017, due to reduced personnel costs associated with custom software development projects. Software G&A increased 29% to $384,738 in the six months ended June 30, 2018 from $297,661 in the six months ended June 30, 2017 due to increased marketing and sales costs. Software R&D investment increased 54% in the six months ended June 30, 2018 to $361,780 compared to $234,949 in the six months ended June 30, 2017 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, 2018, Acceleware had working capital of $56,312 (December 31, 2017 – $403,501) and $666,130 (December 31, 2017 - $781,315) in cash and cash equivalents, and $188,634 (December 31, 2017 - $183,373) 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 comprehensive loss incurred in the six months ended June 30, 2018, offset by cash received of $222,443 related to the Company's 2017 Alberta SR&ED tax credit claim, and $778,897 received from the exercise of stock options and warrants.

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 operations totaled $310,203 for the three months ended June 30, 2018, compared to cash used of $99,769 for the three months ended June 30, 2017. The change is a result higher investment in working capital, particularly trade and other receivables offset by reduced loss. Cash used in operations before changes in non-cash working capital decreased to $462,958 in Q2 2018 compared to $577,820 in Q2 2017. During the six months ended June 30, 2018 cash used in operations was reduced to $853,382 from $962,763 in the six months ended June 30, 2017.

Trade and Other Receivables

Trade and other receivables as at June 30, 2018 rose to $234,609, compared to $203,621 as at December 31, 2017. The increase is a result of higher revenue in Q2 2018 compared to Q4 2017. The Company maintains close contact with its customers to mitigate risk in the collection of receivables.

Alberta SR&ED Tax Credits

The Company has recorded $113,146 (December 31, 2017 - $224,771) in receivables as at June 30, 2018. The decrease is a result of the Company receiving in Q2 2018 $222,443 in cash related to its 2017 Alberta SR&ED tax credit claim.

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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

Current Liabilities

As at June 30, 2018, the Company had current liabilities of $994,588 compared to current liabilities of $844,359 as at December 31, 2017. The increase in current liabilities is due to higher trade payables, higher accrued salary expense and other payroll liabilities, and higher deferred revenue.

Investing Activities

For the six months ended June 30, 2018, $nil was invested in property and equipment compared $15,670 for the six months ended June 30, 2017.

Financing Activities

During the six months ended June 30, 2018, 468,128 stock options and 3,238,146 warrants (three months ended June 30, 2018 - 703,335 stock options and 10,000 warrants) were exercised for cash proceeds of $778,897 (six months ended June 30, 2017 - $70,867).

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, 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, 2017. 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, 2017.

Transactions with Related Parties

For the three months ended June 30, 2018, the Company incurred expenses in the amount of $41,250 (three months ended June 30, 2017 - $41,250) and $82,500 for the six months ended June 30, 2018 (six months ended June 30, 2017 - $81,000) 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, 2018, $138,457 was included in accounts payable and accrued liabilities (December 31, 2017 - $162,669). 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, 2018, the Company incurred expenses in the amount of $9,352 (three months ended June 30, 2017 - $5,138) and $12,554 for the six months ended June 30, 2018 (six months ended June 30, 2017 - $22,194) 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 June 30, 2018, $15,554 was included in accounts payable and accrued liabilities (December 31, 2017 - $14,280). 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, 2018, the Company incurred expenses in the amount of $8,050 (three months ended June 30, 2017 - $5,400) and $11,350 for the six months ended June 30, 2018 (six months ended June 30, 2017

- $7,650) 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, 2018, $nil was included in accounts payable and accrued liabilities (December 31, 2017 - $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:

	Three months ended June 30, 2018		Three months ended June 30, 2017		Six months ended June 30, 2018		Six months ended June 30, 2017
Salaries and short-term employee benefits	$ 174,053	$	180,598	$	348,256	$	330,205
Share-based payments	154,856		63,100		309,894		9,889
	$ 328,909	$	247,698	$	658,150	$	340,094

Critical Accounting Estimates

General

The Management's Discussion and Analysis for the year ended December 31, 2017 outlined critical accounting policies including key estimates and assumptions that Management has made under these policies and how they affect the amounts reported in the financial statements. During the quarter, there have been no material changes in Management's key estimates and assumptions and except for the adoption of IFRS 15 and IFRS 9, the significant accounting policies used in the preparation of the condensed interim financial statements are unchanged from those disclosed in the Company's financial statements for the year ended December 31, 2017.

New standards and interpretations adopted

IFRS 9, Financial Instruments ("IFRS 9") replaces 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. The classification of financial assets and liabilities is generally based on the business model in which the financial asset or liability is managed and its contractual cash flow characteristics. The Company adopted IFRS 9 effective January 1, 2018. The Company's financial assets of cash, cash equivalents, and trade and other receivables, as well as the Company's financial liabilities of accounts payable and accrued liabilities are all classified and measured as amortized cost. The adoption of the new standard had no effect on the carrying amount recognized in the financial statements for any of these items and had a nominal effect on the Company's disclosure.

The Company has adopted IFRS 15 Revenue from Contracts with Customers with an initial adoption date of January 1, 2018. The Company used the cumulative effect method to adopt the new standard and, therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11 (see note 11 to the unaudited Condensed Interim Financial Statements for the period ended June 30, 2018 for further details).

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:

On January 13, 2017, 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). When 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:

Common Shares	102,047,053
Stock Options	9,379,247
Warrants	10,619,053

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 unaudited financial statements for June 30, 2018 that are available on www.sedar.com and as noted below.

Research and Development	Three months ended June 30, 2018	Three months ended June 30, 2017
Salaries	$ 366,435	$ 378,755
Consulting	46,500	71,809
R&D lab supplies	18,726	32,901
Share-based payments	47,473	44,791
Rent and overhead allocations	21,942	19,434
Amortization	12,529	8,132
Government assistance	(4,500)	(22,500)
Alberta SR&ED Tax Credits	(49,381)	(54,179)
Total	**$ 459,724**	$ 479,143

Sales, General and Administration	Three months ended June 30, 2018	Three months ended June 30, 2017
Salaries	$ 188,757	$ 182,601
Marketing	41,510	74,999
Travel	6,401	7,129
Share-based payments	110,422	113,565
Rent, supplies and public company fees	81,973	80,692
Amortization	12,529	8,132
Professional fees	76,908	76,755
Bad debt expense	—	—
Total	**$ 518,500**	$ 543,873