ACCELEWARE LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2017

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

This MD&A is presented as of April 24, 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;
- 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 ion 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 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.

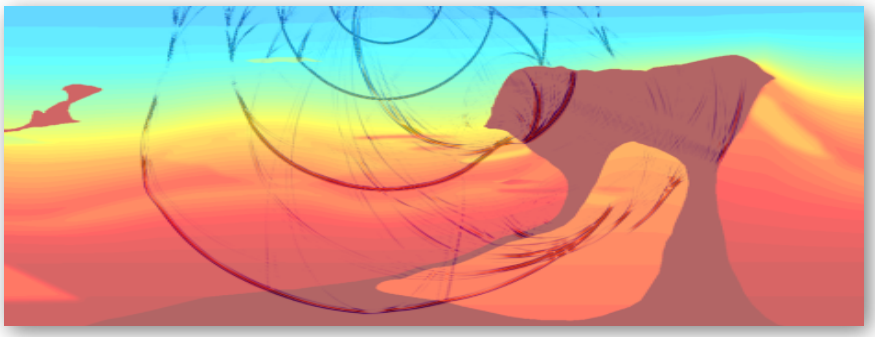
Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Forward-looking statements include statements with respect to the timing and amount of estimated future revenue and sales and the Company's ability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

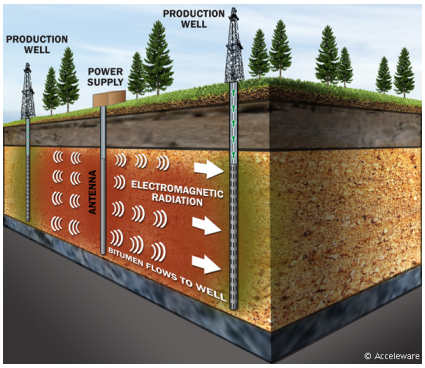


Acceleware provides custom HPC software development, consulting services and training to oil and gas companies such as ExxonMobil, GeoTomo, Saudi Aramco, Rock Solid Imaging, EMGS, Repsol, and Woodside. These companies utilize Acceleware's expertise to improve the performance of their scientific computing 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.

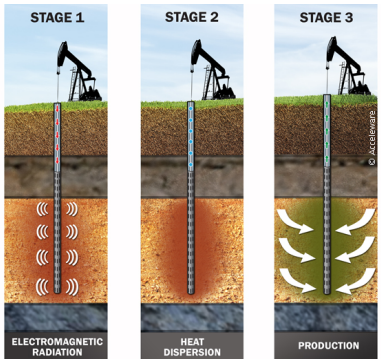
In 2010, Acceleware began investigating the technology to use RF energy for in-situ heating of heavy oil and bitumen. In the ensuing seven years Acceleware has filed four patent applications for RF heating technology, and has developed leading edge simulation software. Additional patent applications 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. *

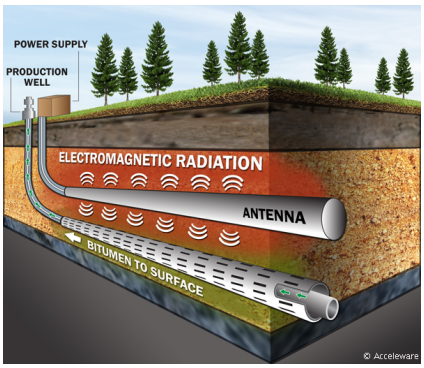
RF heating can be used in a variety of vertical and horizontal well arrangements.



Multiple Vertical – RF flood

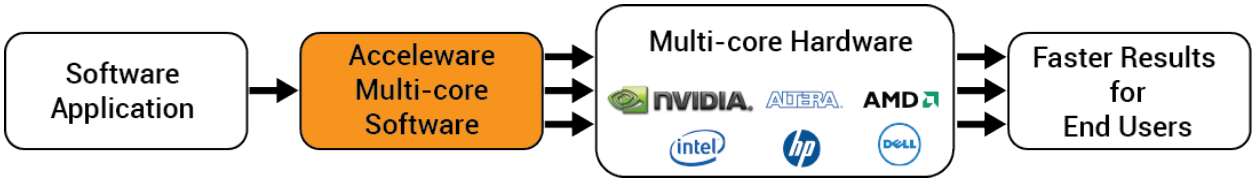


Single Vertical – Cyclic RF flood



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.

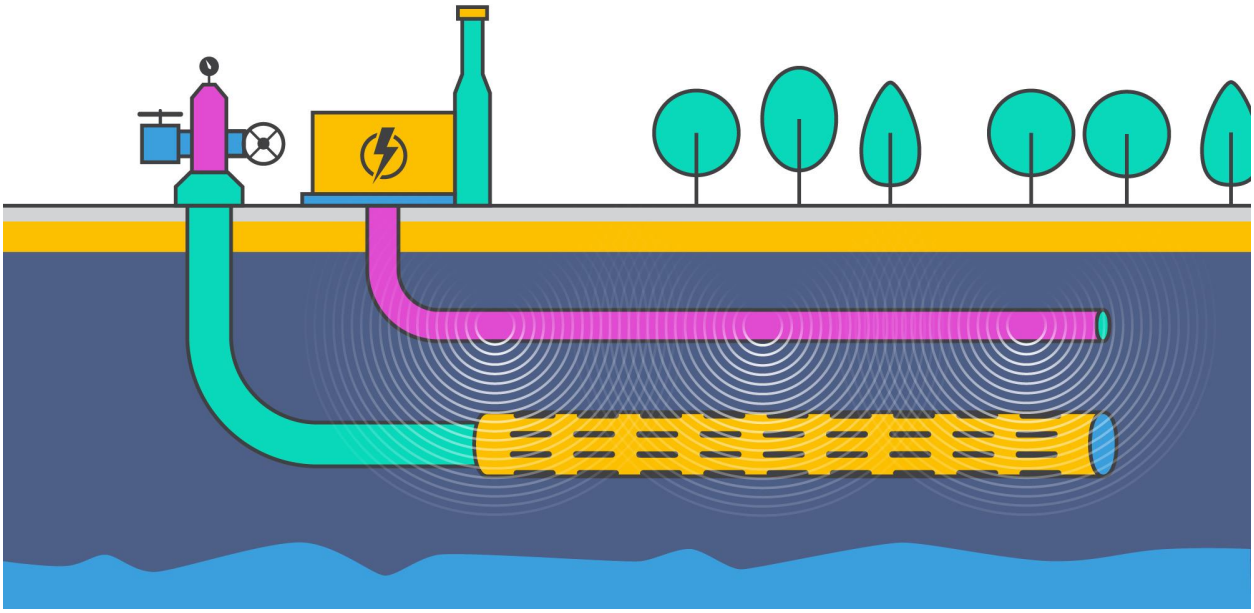
AxFDTD will continue for the traditional markets and is an enabling technology for AxHEAT and the controlled source electromagnetic ("CSEM") method in the energy market. Increased sales and marketing efforts for these new and competitive technologies will also be a Company priority.

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. On December 31, 2017, Acceleware had 20 employees including: 2 in administration; 3 in sales, marketing, and product management; and 15 in research and development.

Overall Performance

During the year ended December 31, 2017, Acceleware was successful in its objectives relating to the research, development and commercialization of its RF heating technology. Acceleware filed three RF heating patent applications and commenced preparation of additional applications; completed a successful field test of critical components of the RF XL technology; and was awarded $10 million in conditional funding for a commercial-scale field test of RF XL.



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

During the year ended December 31, 2017 the Company raised gross proceeds of $837,192 in equity to finance further development of its RF heating technology and converted $1,014,302 in convertible debentures plus accrued interest into common shares and warrants.

The Company's software and services business continued to face a challenging oil and gas market, with decreased product sales leading to lower revenue compared to the year ended December 31, 2016. The decline in revenue was primarily due to lower seismic imaging software sales, particularly AxRTM and work related to a major custom RTM solution for Repsol, which was completed in 2017. Consulting services work for RF heating increased in 2017 compared to 2016. In line with the decrease in total revenue, and increased investment in R&D and general and administrative ("G&A") expense total comprehensive loss increased in 2017 compared to 2016. Cash flow used in operating activities increased in 2017 compared to 2016 due to increased investment in the RF heating business segment including R&D, and a significantly higher investment in working capital.

During the year ended December 31, 2017, Acceleware recognized revenue of $1,320,067 - 5% lower than the $1,395,169 recognized during the year ended December 31, 2016. The decrease is primarily a result of a 70% decline in product revenue, and despite a 74% increase in maintenance revenue. On a segmented basis, the Company's RF heating segment recorded a 159% increase in revenue in 2017, climbing to $224,653 from $86,648 recorded in 2016, the increase coming from the sale of the field test results to an oil sands producer. The software and services segment revenue declined 16% in 2017 to $1,095,414 from $1,308,521 recorded in 2016, primarily due to lower seismic imaging software revenue.

The Company had total comprehensive loss for the year ended December 31, 2017 of $2,749,731, an increase of 37% compared to a total comprehensive loss of $2,010,009 for the year ended December 31, 2016. The higher total comprehensive loss for the year ended December 31, 2017 is due to the above noted decrease in revenue coupled with a 18% increase in expenses, driven by higher R&D expense associated with RF heating and higher G&A expenses.

On a segmented basis, loss from operations attributed to the RF heating segment increased 20% to $2,370,393 in 2017 from $1,969,010 in 2016 due to higher R&D and G&A expenses. The software and services segment recorded a loss from operations of $254,027 in 2017, compared to income from operations of $20,703 in 2016 due to lower revenue.

At December 31, 2017, Acceleware had $403,501 (December 31, 2016 - $1,616,415) in working capital, including $781,315 (December 31, 2016 - $1,922,318) in cash and cash equivalents, and $183,373 (December 31, 2016 - $58,095) in combined short-term and long-term debt in the form of finance leases. On September 26, 2017, the Company closed a non-brokered private placement consisting of 4,651,066 units at a price of $0.18 per unit for gross proceeds of $837,192, and proceeds net of issue costs of $825,807. Each unit consisted of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of $0.27 per common share for a period of two years. The decrease in cash (and consequently working capital) is a result of the comprehensive loss incurred in 2017, and an increased investment in working capital, offset by the proceeds from the private placement. At November 17, 2017, the Company had $1,014,302 (December 31, 2016 - $928,800) (principal plus accrued interest) in convertible debentures that accrued interest at 10% per year. On November 17, 2017, the Company forced conversion of the convertible debentures, exercising the option to convert all outstanding principal and accrued interest into 6,762,014 units of one common share of the Company plus ½ common share purchase warrant.

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

November 22, 2017 - Acceleware announced that it exercised its option to convert all outstanding principal and accrued interest related to the 10% unsecured convertible debentures (the "Debentures") that the Corporation issued on December 16, 2016. A total of $1,014,302 ($925,000 of principal and $89,302 of accrued interest) was converted into units of the Corporation (the "Units") at a conversion price of $0.15 per Unit. Each Unit consists of one common share of the Corporation (a "Common Share") and one-half of one Common Share purchase warrant of the Corporation (a "Warrant"). Each whole Warrant entitles the holder of the Warrant to acquire one Common Share, at an exercise price of $0.30, for a period ending on December 16, 2018. Pursuant to the conversion, the Corporation distributed a total of 6,762,014 Units.

November 3, 2017 - Acceleware announced it has been awarded a $10 million non-repayable contribution to complete a commercial-scale field test of its ground-breaking clean energy technology for bitumen and heavy oil extraction. 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.

September 26, 2017 – Acceleware closed a non-brokered private placement of units (the "Units"). Each Unit consists of one common share of the Company (a "Common Share") and one-half of one common share purchase warrant of the Company (a "Warrant"). Each whole Warrant entitles the holder of the Warrant to acquire one common share of the Company, at an exercise price of $0.27, for a period ending on September 26, 2019. Pursuant to the Private Placement, the Company distributed a total of 4,651,066 Units, at a price of $0.18 per Unit, for total proceeds of $837,191.88.

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. The Global Petroleum Show (GPS) hosts an annual awards process to recognize and celebrate leaders that 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:

* 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

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 were 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. There are signs that the oil and gas sector is improving, bolstered by an increased world price of oil is increase, and evidenced by an increase in exploration and development spending heading into 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, as well as development next-level features such as modelling for attenuation.

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

[*] 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.

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™ 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. *

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.*

Selected Annual Information

The audited financial statements and the accompanying notes for the year ended December 31, 2017 (the "Financial Statements") are incorporated by reference herein and form an integral part of this MD&A. The Financial Statements can be found on www.sedar.com. All financial information is reported in Canadian dollars unless otherwise noted.

The following table shows selected financial information from Acceleware's audited annual financial statements for the years ended December 31, 2017, December 31, 2016, and December 31, 2015.

* 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.

* 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.

	Year Ended Dec 31, 2017 (Audited)	Year Ended Dec 31, 2016 (Audited)	Year Ended Dec 31, 2015 (Audited)
Total revenue	$1,320,067	$1,395,169	$2,816,686
Total comprehensive loss	($2,749,731)	($2,010,009)	($219,273)
Loss per share (basic and diluted)	($0.030)	($0.028)	($0.003)
Total assets	$1,455,449	$2,704,277	$1,618,941
Long-term debt (in the form of finance leases)[1]	$183,373	$58,095	$37,160
Dividends	Nil	Nil	Nil

[1] Includes current portion of finance leases, excludes convertible debentures

Acceleware's recognized revenues have decreased in 2017, compared to the previous two years, as a result of continued and deepening weakness in oil and gas software and services revenue. Total comprehensive loss increased significantly in 2017 compared to both 2016 and 2014 due to lower revenue and higher expenses such as R&D and G&A expenses. The Company is now planning for modest growth in revenue and expects its total comprehensive income to increase in future years, while still continuing to invest in RF heating R&D. Total assets decreased from $2,704,277 as at December 31, 2016 to $1,455,449 as at December 31, 2017 due to decreased cash and cash equivalents resulting from the loss incurred in 2017. Total assets increased from $1,618,941 as at December 31, 2015 to $2,704,277 as at December 31, 2016 due to higher cash and cash equivalents resulting from the private placement of common shares and warrants during 2016.*

Results of Operations

Revenue

During the year ended December 31, 2017, the Company reported total revenues of $1,320,067 a 5% decrease compared to $1,395,169 for the year ended December 31, 2016. The decrease is a result of lower revenue in the software and services segment, principally a result of general weakness in the oil and gas sector of the global economy.

Revenue	**Year ended December 31, 2017**	Year ended December 31, 2016	**Percentage change 2017/2016**
Product sales	**$ 194,598**	$ 644,822	-70%
Maintenance	**616,869**	353,512	74%
Consulting	**508,600**	396,835	28%
	$ 1,320,067	$ 1,395,169	-5%

RF heating revenue increased 159% in 2017 to $224,653 compared to $86,648 in 2016, as the Company generated revenue from AxHeat software licenses and a data sale of results from its near-surface field test of RF XL. RF heating consulting revenue was $203,953 in 2017, a 135% decrease compared to $86,648 earned in 2016. The company earned $20,700 in RF product revenue relating to AxHeat licenses. No RF product revenue was earned in 2016.

RF heating revenue	**Year ended December 31, 2017**	Year ended December 31, 2016	**Percentage change 2017/2016**
Product sales	**$ 20,700**	$ -	N/A
Maintenance	**-**	-	N/A
Consulting	**203,953**	86,648	135%
	$ 224,653	$ 86,648	159%

* 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

Software and services segment revenue fell 16% in 2017 to $1,095,414 from $1,308,521 in 2016 due to lower software product revenue. Software product revenue declined 73% to $173,898 in 2017 from $644,822 in 2016 as a result of the custom software development contract with Repsol completion in 2017, and overall reduced demand for seismic imaging software, consistent with the general slowdown in the industry. Software maintenance revenue inecreased significantly to $616,869 in 2017, 74% higher than $353,512 in 2016, caused by higher seismic imaging software maintenance and leases. Software consulting revenue fell 2% to $304,647 in 2017 from $310,187 in 2016, on lower HPC consulting revenue. It should be noted that the 2% appreciation of the Canadian dollar relative to the US dollar (average 2017 rate compared to average 2016 rate) had a negative impact on recorded revenue in 2017, as over 80% of revenue was invoiced in US dollars.

Software and services revenue	**Year ended December 31, 2017**	Year ended December 31, 2016	**Percentage change 2017/2016**
Product sales	**$ 173,898**	$ 644,822	-73%
Maintenance	**616,869**	353,512	74%
Consulting	**304,647**	310,187	-2%
	$ 1,095,414	$ 1,308,521	-16%

The Company recognizes approximately 82% of software product sales immediately and amortizes the remaining 18% of those sales (deferred revenue) into maintenance revenue over 12 months from the date of the sale. Software leases are amortized (deferred revenue) into maintenance revenue over the lease period. As at December 31, 2017, revenue of $150,085 (December 31, 2016 - $174,682) is deferred and will be recognized over a period of twelve months or less.

Expenses

Expenses rose 18% during the year ended December 31, 2017 to $3,944,488 from $3,343,476 for the year ended December 31, 2016. The increase is a result of greater investment in the RF heating segment, and higher share-based payment expense associated with employee stock options.

Total expenses	**Year ended December 31, 2017**	Year ended December 31, 2016	**Percentage change 2017/2016**
Costs of revenue	**$ 220,151**	$ 624,172	-65%
General and administrative	**1,948,445**	1,471,631	32%
Research and development	**1,775,892**	1,247,673	42%
	$ 3,944,488	$ 3,343,476	18%

Expenses for the RF heating segment increased 26% to $2,595,046 in 2017 from $2,055,658 in 2016 as a result of higher investment in R&D and G&A expenses to develop the business.

RF heating expenses	**Year ended December 31, 2017**	Year ended December 31, 2016	**Percentage change 2017/2016**
Costs of revenue	**$ 2,080**	$ 17,643	-88%
General and administrative	**1,312,824**	879,337	49%
Research and development	**1,280,142**	1,158,678	10%
	$ 2,595,046	$ 2,055,658	26%

Expenses for the software and services segment increased 5% to $1,349,442 in 2017 from $1,287,818 in 2016 as a result of higher investment in R&D and G&A expenses associated with stock options. As technical staff rotated from custom software development to development of the Company's proprietary software products, R&D increased, while cost of revenue decreased in 2017 compared to 2016.

Software and services expenses	Year ended December 31, 2017	Year ended December 31, 2016	Percentage change 2017/2016
Costs of revenue	**$ 218,071**	$ 606,529	-64%
General and administrative	**635,621**	592,294	7%
Research and development	**495,750**	88,995	457%
	$ 1,349,442	$ 1,287,818	5%

Cost of revenue for the company fell 65% in 2017 to $220,151 from $624,172 in 2016, due to decreased labour associated with consulting and custom software projects. Cost of revenue for RF heating fell 88% for the year ended December 31, 2017 to $2,080 from $17,643 in the year ended December 31, 2016. The decrease is due to lower consulting labour in 2017 compared to 2016. Cost of revenue for software and services decreased 64% in 2017 to $218,071 from $606,529 in 2016 as a result of fewer staff dedicated to custom software projects, particularly the Repsol custom RTM development project.

G&A expense include all salaries (excluding salaries for consulting and research and development personnel) and related expenses (including benefits and payroll taxes); sales and marketing activities; facility costs; share-based compensation; and professional fees. For the Company as a whole, G&A expense increased 32% in 2017 to $1,948,445 from $1,471,631 mainly due to higher share-based payments for stock options. Share based payments allocated to G&A increased to $364,600 in 2017 from $69,473 in 2016. Share-based payment expense has increased in 2017 due to a larger number of options granted, a shorter vesting period, and a higher stock price at the time of grant compared to 2016. For the year ended December 31, 2017, RF heating G&A expenses rose 49% to $1,312,824 from $879,337 recorded in the year ended December 31, 2016. Other than the increased stock option expense, the increase is primarily a result of higher marketing and sales expenses and greater investment in strategic business consulting services, higher legal fees associated with patent filings, and a higher allocation of corporate support costs. G&A expenses for software and services rose 7% in 2017 to $635,621 from $592,294 in 2016 due to higher stock option expense.

For the year ended December 31, 2017, R&D expenditures rose 42% to $1,775,892 from $1,247,673 for the year ended December 31, 2016, primarily due to greater investment in software and services R&D. Software and services R&D increased by 457% in 2017 to $495,750 compared to $88,995 in 2016 due to technical staff being devoted to internal product development in 2017 rather than custom software development for clients in 2016. RF heating R&D increased 10% to $1,280,142 in 2017 compared to $1,158,678 in 2016 due to more R&D staff, higher expenditure on materials and services associated with field tests, and additional contractors. R&D expenditures for RF heating yielded three patent applications filed, and a significant field test completed in 2017. R&D activities in software and services in 2017 yielded a significant new feature for AxFDTD, incremental improvements in the seismic imaging suite, and potential new products related to AI and machine learning. The Company recorded $224,771 (2016 - $132,237) in refundable Alberta SR&ED tax credits as a reduction in R&D expense.

Foreign exchange

In 2017, the Company recognized a $30,074 loss on foreign exchange compared to a loss of $50,913 in 2016. Foreign exchange gains or losses typically occur when the exchange rate changes between the time revenue is recognized and when the resulting receivable is collected.

Finance expense and Gain on derivative instruments

In 2017, the Company recorded finance expense of $153,074 compared to $13,256 in 2016. The principal components of finance expense relate to the Company's convertible debentures which were issued in December, 2016 and converted in November of 2017. The Company recorded $85,502 of accrued interest on the debentures (2016 - $3,800) and $65,645 in accretion in 2017 (2016 - $nil). Also related to the convertible debentures the Company recorded a $51,766 gain on derivative instruments in 2017 (2016 - $nil) associated with the derivative liabilities embedded in the debentures.

Total comprehensive loss

The Company had a total comprehensive loss of $2,749,731 for the year ended December 31, 2017, a 37% increase compared to a total comprehensive loss of $2,010,009 for the year ended December 31, 2016. The increase in comprehensive loss can be attributed to greater investment in RF heating, high share-based payments, and greater finance expense.

Summary of Quarterly Results

The following table highlights revenue, cash used in operating activities, total comprehensive income (loss) before tax and earnings (loss) per share for the eight most recently completed quarters ended December 31, 2017.

	Year 2017				Year 2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$271,690	$237,576	$312,612	$498,189	$175,639	$366,675	$410,318	$442,537
Cash (used) generated in operating activities	(336,811)	(721,543)	(99,769)	(862,994)	(837,494)	(256,971)	(119,919)	(114,935)
Total comprehensive income (loss) for the period	(745,937)	(913,738)	(641,197)	(448,859)	(953,737)	(324,722)	(366,532)	(365,018)
Earnings (loss) per share basic and diluted	($0.008)	($0.011)	($0.007)	($0.005)	($0.011)	($0.005)	($0.006)	($0.006)

Compared to the same quarter a year earlier, Acceleware showed a significant increase in revenue during the three months ended December 31, 2017 ("Q4 2017"), mainly due to an increase in seismic software maintenance revenue. Due to the higher revenue and lower cost of revenue, the Company recorded lower total comprehensive loss in Q4 2017 as compared to total comprehensive loss in the three months ended December 31, 2016 ("Q4 2016"). In addition, cash used in operating activities decreased significantly in Q4 2017 compared to cash used in Q4 2016. Revenue, comprehensive loss and cash used in operations all improved in Q4 2017 compared to the three months ended September 30, 2017 ("Q3 2017")

Results of Operations – Fourth Quarter

Overall Performance

During Q4 2017, Acceleware had a total comprehensive loss of $745,937, compared to a total comprehensive loss of $953,737 for Q4 2016. The difference is a result of an 55% increase in revenue, combined with a 6% increase in expenses.

Total comprehensive loss of $745,937 in Q4 2017 was also lower than the loss of $913,38 recorded in Q3 2017 due to higher revenue, and a gain on derivative instruments related to the Company's convertible debentures which were converted in Q4 2017.

Revenue

Revenue	**Three months ended Dec 31, 2017**	Three months ended Dec 31, 2016	Three months ended Sept 30, 2017	% change Q4 2017 over Q4 2016	% change Q4 2017 over Q3 2017
Product sales	**$ 77,916**	$ 76,092	$ 50,311	2%	55%
Maintenance	**142,926**	74,614	165,496	92%	-14%
Consulting	**50,848**	24,933	21,769	104%	134%
	$ 271,690	$ 175,639	237,576	55%	14%

During Q4 2017, the Company recognized revenue of $271,690 representing a 55% increase over the $175,639 recognized during Q4 2016, due to higher maintenance revenue. Revenue rose 14% compared to the $237,576 recognized in Q3 2017 primarily on higher product and consulting revenue.

RF Heating Revenue	**Three months ended Dec 31, 2017**	Three months ended Dec 31, 2016	Three months ended Sept 30, 2017	% change Q4 2017 over Q4 2016	% change Q4 2017 over Q3 2017
Product sales	**$ -**	$ -	$ 20,700	N/A	-100%
Maintenance	**-**	-	-	N/A	N/A
Consulting	**3,953**	-	-	N/A	N/A
	$ 3,953	$ -	$ 20,700	N/A	-81%

As the Company remains focused on the development and testing of its proprietary RF heating technology minimal revenue was recorded in Q4 2017, Q4 2016 and in Q3 2017.

Software and services Revenue	**Three months ended Dec 31, 2017**	Three months ended Dec 31, 2016	Three months ended Sept 30, 2017	% change Q4 2017 over Q4 2016	% change Q4 2017 over Q3 2017
Product sales	**$ 77,916**	$ 76,092	$ 29,611	2%	163%
Maintenance	**142,926**	74,614	165,496	92%	-14%
Consulting	**46,895**	24,933	21,769	88%	115%
	$ 267,737	$ 175,639	$ 216,876	52%	23%

Software product sales revenue rose 2% to $77,916 for Q4 2017 compared to $76,092 for Q4 2016 and increased 163% compared to Q3 2016 on higher AxFDTD sales. Software maintenance revenue increased by 92% to $142,926 for Q4 2017 compared to $74,614 for Q4 2016 due to increased seismic software maintenance. Maintenance revenue dropped 14% in Q4 2017 to $142,296 compared to $165,496 in Q3 2017 due to lower maintenance revenue from AxFDTD software. Software consulting revenue rose 88% to $46,895 in Q4 2017 compared to $24,933 recognized in Q4 2016 and increased 115% from the $21,769 recorded in Q3 2017 both due to higher oil and gas HPC consulting including custom software development.

Expenses

Expenses	**Three months ended Dec 31, 2017**	Three months ended Dec 31, 2016	Three months ended Sept 30, 2017	% change Q4 2017 over Q4 2016	% change Q4 2017 over Q3 2017
Cost of revenue	**$ 59,894**	$ 207,069	$ 72,571	-71%	-17%
General & administrative	**534,314**	464,858	459,951	15%	16%
Research & development	**471,957**	467,547	379,328	1%	24%
	$ 1,066,165	$ 1,139,474	$ 911,850	-6%	17%

Expenses declined 6% during Q4 2017 to $1,066,165 from $1,139,474 for Q4 2016 primarily due lower RF heating R&D expenses. Expenses rose 17% from the $911,850 recorded in Q3 2017 due to increased RF heating and software R&D, as well as higher G&A.

RF heating expenses	**Three months ended Dec 31, 2017**	Three months ended Dec 31, 2016	Three months ended Sept 30, 2017	% change Q4 2017 over Q4 2016	% change Q4 2017 over Q3 2017
Cost of revenue	**$ -**	$ -	$ 2,080	N/A	-100%
General & administrative	**357,441**	339,955	298,864	5%	20%
Research & development	**332,889**	452,301	257,594	-26%	29%
	$ 690,330	$ 792,256	$ 558,538	-13%	24%

During Q4 2017, G&A expenses allocated to RF heating rose 5% to $357,441 from $339,955 recorded in Q4 2016. The increase is as a result of higher costs in marketing, sales and business consulting in RF heating. G&A expenses rose 20% in Q4 2017 compared to the $298,864 recorded in Q3 2017, due to increased marketing personnel and travel costs, higher administrative compensation expense, and increased strategic consulting in RF heating.

In Q4 2017, R&D expenditures allocated to RF heating fell 26% to $332,889 from $452,301 for the three months ended December 31, 2016 due to lower investment in RF heating R&D, particularly the commencement of an RF XL field test in Q4 2016 which was completed in Q2 2017. RF heating R&D increased 29% in Q4 2017 compared to the $257,594 recorded in Q3 2017 as the Company prepared for a commercial-scale test of RF XL in 2018.

Software and services expenses	**Three months ended Dec 31, 2017**	Three months ended Dec 31, 2016	Three months ended Sept 30, 2017	% change Q4 2017 over Q4 2016	% change Q4 2017 over Q3 2017
Cost of revenue	**$ 59,894**	$ 207,069	$ 70,491	-71%	-15%
General & administrative	**176,873**	124,903	161,087	42%	10%
Research & development	**139,067**	15,246	121,734	812%	14%
	$ 375,834	$ 347,218	$ 353,312	8%	6%

Software and services cost of revenue for Q4 2017 fell 71% to $59,894 from $207,069 in Q4 2016 and decreased 15% from $70,491 in Q3 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 Repsol custom software development project (salaries, contractors, and travel) as the team completed the project in Q4 2017.

Software and services G&A expenses rose 42% in Q4 2017 compared to the $124,903 recorded in Q4 2016, due to increased share-based payments for employee stock options, and higher amortization of property and equipment. G&A expenses were 8% higher in Q4 2017 at $176,873 compared to $161,087 in Q3 2017 due to higher salary and other payroll expenses.

In Q4 2017, R&D expenditures allocated to software and services increased 812% to $139,067 from $15,246 for the Q4 2016 due to technical staff devoting more time to the Company's seismic software development in Q4 2017, rather than custom software development for clients in 2016. Software and services R&D rose 14% in Q4 2017 compared to the $121,734 recorded in Q3 2017 for the same reason.

Foreign exchange

In Q4 2017, the Company recognized a $10,149 loss on foreign exchange compared to a gain of $12,553 in Q4 2016 and a foreign exchange loss of $32,246 in Q3 2017. Foreign exchange gains or losses typically occur when the exchange rate changes between the time revenue is recognized and when the resulting receivable is collected.

Finance expense and Gain on derivative instruments

In Q4 2017, the Company recorded finance expense of $28,831 compared to $4,556 in Q4 2016, and $37,972 in Q3 2017. The principal components of finance expense relate to the Company's convertible debentures which were issued in December, 2016 and converted in November, 2017. The Company recorded $16,127 of accrued interest on the debentures in Q4 2017 (Q4 2016 - $3,800) and $9,321 in accretion in Q4 2017 (Q4 2016 - $nil). Also related to the convertible debentures the Company recorded a $81,564 gain on derivative instruments in Q4 2017 (Q4 2016 - $nil) associated with the derivative liabilities embedded in the debentures. In Q3 2017, the Company recorded a $169,246 loss on derivative instruments.

Total comprehensive income (loss)

Total comprehensive loss decreased in Q4 2017 to ($745,937) compared to total comprehensive loss of ($953,737) in Q4 2016 and to total comprehensive loss of ($913,738) in Q3 2017. The smaller loss over Q4 2016 is a result of a 55% increase in revenue, particularly software revenue, coupled with a 7% decrease in expenses, particularly cost of revenue. The increase in total comprehensive loss in Q4 2017 compared to Q3 2017 is due to the gain on derivative instruments, compared to a loss on derivative instruments in Q3 2017.

Liquidity and Capital Resources

At December 31, 2017, Acceleware had $403,501 (December 31, 2016 - $1,616,415) in working capital, including $781,315 (December 31, 2016 - $1,922,318) in cash and cash equivalents, and $183,373 (December 31, 2016 - $58,095) in combined short-term and long-term debt in the form of finance leases. On September 26, 2017, the Company closed a non-brokered private placement consisting of 4,651,066 units at a price of $0.18 per unit for gross proceeds of $837,192, and proceeds net of issue costs of $825,807. Each unit consisted of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of $0.27 per common share for a period of two years. The decrease in cash (and consequently working capital) is a result of the comprehensive loss incurred in 2017, and an increased investment in working capital, offset by the proceeds from the private placement. At November 17, 2017, the Company had $1,014,302 (December 31, 2016 - $928,800) (principal plus accrued interest) in convertible debentures that accrued interest at 10% per year. On November 17, 2017, the Company forced conversion of the convertible debentures, exercising the option to convert all outstanding principal and accrued interest into 6,762,014 units of one common share of the Company plus ½ common share purchase warrant.

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 flows used in operations totaled $2,021,117 for the year ended December 31, 2017, compared to cash used of $1,329,319 for the year ended December 31, 2016. The change is a result of increased loss before income tax, and increased investment in non-cash working capital, particularly trade receivables and accounts payable and accrued liabilities. Cash used in operations before changes in non-cash working capital increased to $2,045,386 in 2017 from cash used of $1,826,825 in 2016.

As at December 31, 2017, the Company had current liabilities of $844,359 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, and lower deferred revenue.

Trade and Other Receivables

Trade and other receivables as at December 31, 2017 rose to $203,621, compared to $196,525 as at December 31, 2016. The increase is a result of higher revenue in Q3 2017 and Q4 2017 compared to the same period a year ago. 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 $nil at December 31, 2017 compared to $323,438 at December 31, 2016. The decrease is a result of the Repsol custom RTM software project completion.

Alberta SR&ED Tax Credits

The Company has recorded $224,771 (December 31, 2016 - $132,237) in receivables as at December 31, 2017. The increase is a result of higher R&D expenditures relating to software.

Investing Activities

For the year ended December 31, 2017, $18,888 in cash was invested in property and equipment compared to $8,690 for the year ended December 31, 2016. The increase is principally a result of replacing critical hardware and software while maintaining Management's objective of limiting capital expenditures. At December 31, 2017, $182,691 (2016 - $54,780) book value of investment in property and equipment relates to equipment under finance lease.

Financing Activities

During the year ended December 31, 2017, 973,500 stock options (2016 - 485,827) were exercised for proceeds of $86,134 (2016 - $43,666), 147,500 warrants (2016 - nil) were exercised for proceeds of $32,450 (2016 - $nil), and the Company closed a non-brokered private placement consisting of 4,651,066 units at a price of $0.18 per unit for gross

* 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

proceeds of $837,192, and proceeds net of issue costs of $825,807 (2016 - 18,181,818 units at a price of $0.11 per unit for gross proceeds of $2,000,000, and proceeds net of issue costs of $1,968,802). During the year ended December 31, 2016, the Company completed a non-brokered private placement of unsecured convertible debentures in the principal amount of $925,000 (the "Debentures"), with proceeds net of issue costs of $911,120. The convertible debentures and all accrued interest were converted into 6,762,014 units at a price of $0.15 per unit. Total net proceeds from financing activities in 2017 was $893,513 (2016 - $2,898,370).

During the year ended December 31, 2017, $175,608 (2016 - $46,153) was received in the form of computer equipment finances leases.

Income Tax

The Company follows the liability method with respect to accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the carrying amount and the tax basis of assets and liabilities (temporary differences). Deferred tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when these differences are expected to reverse. Deferred tax assets, if any, are recognized only to the extent that, in the opinion of Management, it is probable that the assets will be realized.

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

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

Liquidity Risk

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; focus on selected core vertical markets; minimize operating expenses where possible; and 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.*

* 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

Dependence on Market Growth
The overall market for oil and gas HPC software and services has experienced three years of stagnant or negative growth, preceded by several years of growth. There can be no assurance that the market for the Company's existing software products and services will resume growth in the near future nor that the Company will be successful in establishing new markets for its software products and services. The Company's RF heating commercialization strategy is wholly dependent on the ability of the Company to take market share from existing in-situ heavy oil production techniques, or to grow the existing market by increasing the amount of reserves that become economic to produce. If the various markets in which the Company's software products and services compete fail to grow, or grow more slowly than the Company currently anticipates, or if the Company is unable to establish new markets for its products and services or the Company's products and services do not gain market acceptance, the Company's business, operating results and financial condition could be materially adversely affected.

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

Reliance on Limited Number of Customers
The Company derives a significant component of its revenues from three major customers. In aggregate, these three customers generated approximately 56% of total revenues for the year ended December 31, 2017. The Company is actively seeking other customers to mitigate the Company's revenue reliance on these existing major customers. Should these customers not continue to purchase and resell the Company's products and the Company is unable to attract new channel partners, revenue and the sustainability of the Company would be materially affected in future periods.

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

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

- Acquire and train sales and marketing staff to expand Acceleware's presence in the evolving marketplace for the Company's products and services, and keep staff informed regarding the technical features, issues and key selling points of the Company's products and services;
- Attract and retain qualified technical personnel to continue to develop reliable and scalable solutions and services that respond to evolving customer needs and technological developments;

- Maintain high quality customer service and support as sales increase; and
- Expand the Company's internal management while maintaining appropriate financial controls over operations and providing support to other functional areas within the Company.

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

Lengthy Sales Cycle – Channel Partner Distributors

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

Failure to Adapt to Technological Change and New Product Development

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

Risk Associated with International Operations

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

Risk Associated with Currency Fluctuations

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

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

Dependence on Key Personnel
The success of the Company is largely dependent on the performance of its key employees and directors. Failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact upon the Company's growth and profitability. Competition for highly skilled management, technical and other employees is intense. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure or death of any of the members of the Company's executive team and key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

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

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

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

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

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

- Be time-consuming and expensive;

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

Although the Company is not aware that its products or services infringe or violate the intellectual property rights of third parties and although the Company has not been served notice of any potential infringement or violation, the Company may be subject to infringement claims in the future. Since patent applications are kept confidential for a period of time after filing, applications may have been filed that, if issued as patents, could relate to the Company's products or services.

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

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

Risk of Defects in the Company's Products

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

Risks of Security Breaches to the Company's Network (Cyber Security)

An experienced programmer may attempt on occasion to penetrate the Company's network security and could misappropriate the Company's or its customers' proprietary information or cause interruptions in the Company's operations. Acceleware's operations as proprietary software developers, and developers of leading edge RF heating technology could increase the risk of a cyber attack from industrial competitors, cyber criminals and government actors. Acceleware has implemented various means to limit such an occurrence but may be required to expend significant capital and resources to protect against or to alleviate problems caused by such hackers in the future. Additionally, the Company may not have a timely remedy for any attack on the Company's network security. Such purposeful security breaches could have a material adverse effect on the Company's business, results of operations and financial condition. Risks include the untimely disclosure of proprietary data prior to its adequate protection through patent, trade secret or copyright. Should the Company's customer data be compromised, it could expose the Company to a material risk of loss or litigation, reputational damage and possible liability. In addition to deliberate

security breaches, the inadvertent transmission of computer viruses could expose the Company to a material risk of loss or litigation, reputational damage and possible liability.

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

Acceleware's Management is responsible for assessing and overseeing risks associated with cyber security and determining, with its IT staff, what measures are appropriate to protect against these risks. The Company holds insurance against cyber security incidents, however the coverage may be inadequate to fully cover every cyber security risk.

Reliance on Third Party Licenses

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

Technological Change, New Products and Standards

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

Reliance on One Primary Hardware Technology

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

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

Price Volatility of Publicly Traded Securities
In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market price for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's securities will be affected by such volatility.

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

Transactions with Related Parties

For the year ended December 31, 2017, the Company incurred expenses in the amount of $238,750 (2016 - $206,000) with a company controlled by an officer of the Company as fees for duties performed in managing operations and is included in research and development. Of the total, $162,669 was included in accounts payable and accrued liabilities as at December 31, 2017 (December 31, 2016 $88,419). These fees were incurred in the normal course of operations and in the opinion of Management represent fair value for services rendered.

For the year ended December 31, 2017, the Company incurred expenses in the amount of $40,714 (2016 - $66,716) with a company controlled by a director of the Company for legal fees and is included in general and administrative. Of the total, $14,280 was included in accounts payable and accrued liabilities as at December 31, 2017 (December 31, 2016 - $36,207). These fees were incurred in the normal course of operations and in the opinion of Management represent fair value for services rendered.

For the year ended December 31, 2017, the Company incurred expenses in the amount of $12,975 (2016 - $3,000) with a company controlled by the spouse of an officer of the Company for writing services and is included in general and administrative. Of the total, $3,623 was included in accounts payable and accrued liabilities as at December 31, 2017 (December 31, 2016 - $nil). These fees were incurred in the normal course of operations and in the opinion of Management represent fair value for services rendered.

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

		2017		2016
Salaries and short-term employee benefits	**$**	**904,197**	$	839,043
Share-based payments		**383,683**		66,388
	$	**1,287,880**	$	905,431

Commitments

On February 29, 2012, Acceleware entered into a premise lease agreement to lease 5,244 square feet of office space commencing August 1, 2012 and ending July 31, 2017, a period of five years. A rent inducement of $103,420 was received and included in accounts payable and accrued liabilities. It will be amortized over the term of the lease and recorded as a reduction to rent expense. At December 31, 2017, $nil of the rent inducement remains (December 31, 2016 - $11,700). Effective August 1, 2016 the lease was renegotiated and extended to July 31, 2020.

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

The minimum annual basic rent commitments are as follows:

2018	91,770
2019	91,770
2020	53,533
	$ 237,073

The Company has certain computer equipment under financial lease expiring in 2018 through 2021. The leases carry a weighted average annual interest rate of 5.5%. Estimated lease payments are as follows:

		December 31, 2017	December 31, 2016
2017	**$**	**—**	$ 32,426
2018		**74,316**	16,902
2019		**69,496**	11,555
2020		**41,074**	—
2021		**12,786**	—
Minimum lease payments		**197,672**	60,883
Less: interest portion at a rate of 5.50% (2016 – 6.11%)		**14,299**	2,788
Net minimum lease payments		**183,373**	58,095
Less: current portion		**66,521**	30,578
	$	**116,852**	$ 27,517

The equipment under finance lease has been recognized in property and equipment at the present value of minimum lease payments. Interest charges on leased equipment during the year were approximately $5,169 (2016 – $2,088). Other than interest, no costs were incurred relating to this lease. The lease is secured by the assets under lease. At year end, the net book value of equipment pledged as security for finance leases is $182,691 (2016 – $54,780) which is included in computer hardware.

Critical Accounting Estimates

General

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

readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

The Company's significant accounting policies are fully described in Note 4 to the Financial Statements. Certain accounting policies are particularly important to the reporting of financial position and results of operations, and require the application of judgement by Management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made. Different Management estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the Financial Statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of Financial Statements.

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

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

Allowance for Doubtful Accounts
The Company evaluates the collectability of trade receivables based on a combination of factors. The Company regularly analyzes significant customer accounts. When and if the Company becomes aware of a specific customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position, a specific bad debt reserve is recorded to reduce the related receivable to the amount that is reasonably believed to be collectible. Reserves for bad debts on all other customer balances are based on a variety of factors, including the length of time that the receivables are past due, the financial health of the customer, macroeconomic considerations and historical experience. As of December 31, 2017, and December 31, 2016 no allowance has been provided for.

Recent Accounting Pronouncements Issued and not yet Effective
Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or 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, 2016, 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, 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 (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:

Common Shares	97,798,119
Stock Options	9,647,915
Warrants	14,599,949

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, 2017 that are available on www.sedar.com and as noted below.

Sales, General and Administration	**2017**	2016
Salaries	**$ 796,469**	$ 797,748
Marketing	**162,254**	134,270
Travel	**24,111**	36,099
Share-based payments	**364,600**	69,473
Rent, supplies and public company fees	**288,943**	249,013
Amortization	**38,016**	31,286
Professional fees	**271,353**	153,742
Bad debt expense	**2,699**	—
Total	**$ 1,948,445**	$ 1,471,631

Research and Development	**2017**	2016
Salaries	**$ 1,473,549**	$ 819,869
Consulting	**253,363**	259,622
R&D lab supplies and other	**145,406**	280,054
Share-based payments	**158,123**	27,282
Rent and overhead allocations	**78,146**	77,407
Amortization	**38,016**	31,286
Alberta SR&ED tax credits	**(222,321)**	(132,237)
NRC-IRAP and NSERC funding	**(148,390)**	(115,610)
Total	**$ 1,775,892**	$ 1,247,673