

ACCELEWARE LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2016

This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read together with Acceleware Ltd.'s ("Acceleware" or the "Company") unaudited interim condensed financial statements and the accompanying notes for the three months ended March 31, 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), and the audited annual financial statements, accompanying notes and MD&A for the year ended December 31, 2015, which have been prepared in accordance with IFRS. Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under Acceleware Ltd.

This MD&A is presented as of May 26, 2016. All financial information contained herein is expressed in Canadian dollars unless otherwise indicated.

Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A may contain forward-looking statements, pertaining to the following:

- the expectation of Acceleware's ability to continue operating as a going concern, fund its operations through the sale of its products and services, and access external financing if required;
- projections of sales increases through focus on the oil and gas exploration and development market, increasing the number of independent software vendor ("ISV") partners, and continuous performance improvements;
- the expectation of software and services revenue growth in the oil and gas sector;
- potential benefits to Acceleware's customers, including cost savings and increases to cash flow and productivity;
- the future growth prospects for radio frequency heating technology for heavy oil and oil sands based on technical and economic feasibility analyses performed to date;
- the patentability of concepts developed through RF heating R&D efforts;
- advantages to using Acceleware's products and services;
- the demand for new products currently under development at the Company;
- ease and efficiency of implementing Acceleware's products and services; and
- supply and demand for Acceleware's primary products and services.

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

- that the cost savings initiatives taken to date, coupled with the future revenue and cash flow expected by the Company's management ("Management") will be sufficient to fund future operations - this assumption being subject to the risk and uncertainty that the Company may not generate enough cash flow from operating activities to meet its capital requirements and that the Company may not be able to secure additional capital resources from external sources to fund any shortfall. Operating cash flow may be negatively affected by general economic conditions, increased competition,

increased equipment or labour costs, and adverse movements in foreign currencies. Should the Company experience a cash flow shortfall from operating activities, Management's contingency plan may not be sufficient to reverse the shortfall;

- that the world price of oil will rebound within the next 12 to 24 months;
- that the preliminary analyses the Company has performed to date regarding the technical and economic feasibility of radio frequency technology for heating of heavy oil and oil sands will be confirmed in practise;
- that the RF heating concepts developed by the Company are unique, novel and non-infringing of intellectual property owned by others;
- that it will be able to increase sales of its products and services by focusing on key vertical markets, increasing the number of ISV partners, and continuously improving its products – which is subject to the risks that sales in core vertical markets may be negatively affected by general economic conditions, that the Company may not be able to successfully attract and integrate its offerings into ISVs' products and that its research and development efforts may be unable to develop continuous improvements; and
- that it will be able to withstand the impact of increasing competition – which is subject to the risk that the adoption of graphics processing unit ("GPU") computing (and any future hardware platform utilized by the Company) may be negatively affected by future advances in competing technology.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A.

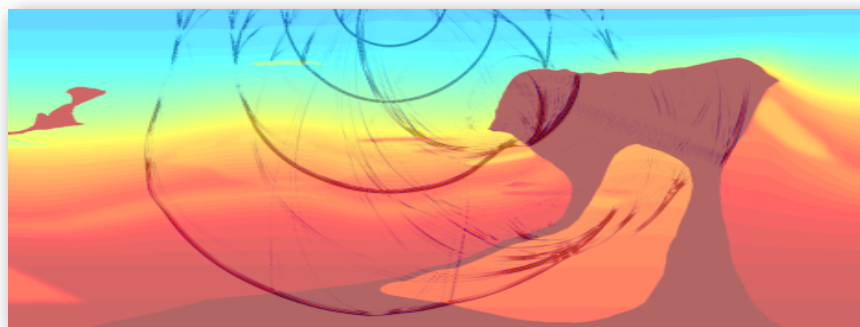
Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Forward-looking statements include statements with respect to the timing and amount of estimated future revenue and sales and the Company's ability to protect and commercially exploit its intellectual property. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Company Overview

Acceleware is an oil and gas technology development company, with activities in two broad areas. Acceleware's primary revenue source to date has been High Performance Computing ("HPC") Geoscience software and solutions for the oil and gas industry. Acceleware provides seismic imaging software that enables oil and gas companies to find hydrocarbons in the most complex geological formations. In addition to off-the-shelf software, Acceleware offers customized geoscientific software and custom HPC software development services for oil and gas customers. In addition to geoscience software, Acceleware is building an emerging business in developing technology to utilize radio frequency ("RF") electro-magnetic energy to heat heavy oil and oil sands deposits to facilitate extraction.

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

Recognizing an opportunity in the similarity between electromagnetic FDTD and certain seismic imaging algorithms, Acceleware entered the seismic imaging market in 2008. The Company's first product was a GPU accelerated Kirchhoff Time Migration solution, followed closely by CPU and GPU enabled Reverse Time Migration ("RTM") library, AxRTM™ in 2009. In 2013, Acceleware introduced AxWave™, a forward modelling variant of reverse time migration which allows customers to accurately model seismic acquisition and perform data characterization. In late 2014, Acceleware added AxFWI™ a revolutionary modular full waveform inversion application to its seismic imaging suite. AxFWI allows geophysicists to create high quality subsurface velocity models in dramatically less time than before. Acceleware accesses the oil and gas geoscience software market through a combination of 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, Open Geophysical, Ltd. and GeoTomo LLC.

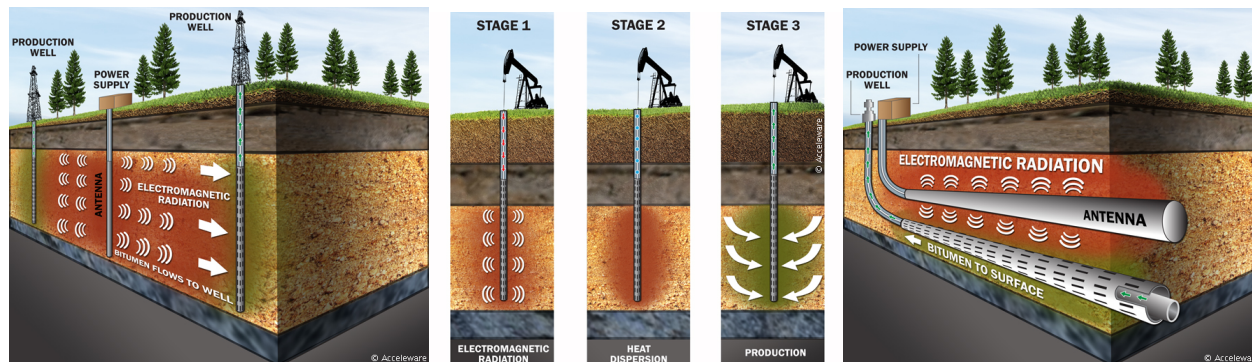


Acceleware provides custom HPC software development, consulting services and training to oil and gas companies such as ExxonMobil, GeoTomo, Saudi Aramco, Rock Solid Imaging, EMGS, Repsol, and Chevron. These companies utilize Acceleware's expertise to improve the performance of their scientific computing software, and increase their in-house development capability. Acceleware's HPC training business has objectives beyond revenue and income growth. The Company uses HPC training services as a marketing tool to promote its software and HPC development services.

In 2011, Acceleware began investigating the technology to use RF energy for in-situ heating of heavy oil and bitumen. In the ensuing five years Acceleware has filed two patents for RF heating technology, and has developed leading edge simulation software. Additional patents for RF heating are currently underway as the Company expands the portfolio of intellectual property in line with product development. RF heating for oil production is not a new concept, however trials to date have shown limited success. Acceleware believes that the limitations experienced to date can be overcome with new technology. Acceleware's RF heating research and development effort has focused on reducing the capital cost of the technology, making the technology more flexible for use in a variety of wells, and improving the scalability of the technology to very long horizontal wells commonly used in Alberta's oil sands and elsewhere. The Company

believes that RF heating has the potential to reduce capital and operating cost for heavy oil and oil sands extraction, as well as reduce the environmental footprint by dramatically reducing the use of water and limiting the green house gas emissions associated with current extraction techniques. Acceleware's unique expertise with RF heating technology has also resulted in service revenue both locally and abroad. In the course of the Company's RF heating development and services business, the Company developed sophisticated simulation software tools based on AxFDTD coupled to third party reservoir simulation software. In late 2013, Acceleware commercialized and introduced these simulation tools as AxHEAT™ a product aimed at oil and gas companies investigating the effectiveness of RF heating in increasing the efficiency of heavy oil and oil sands production.*

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



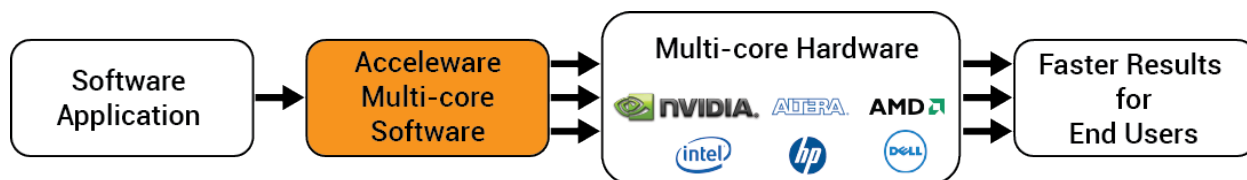
Multiple Vertical – RF flood

Single Vertical – Cyclic RF flood

Horizontal – RF injector

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

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



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

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

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

Acceleware was founded in February 2004 by a group of graduate students and professors from the University of Calgary's Electrical Engineering department and became a public company on the TSX Venture Exchange in January 2006 through a reverse takeover of a capital pool company, Poseidon Capital Corp. The Company is headquartered in Calgary, Alberta. As at March 31, 2016, Acceleware had 20 employees including: 2 in administration; 4 in sales, marketing, and product management; and 14 in research and development.

Overall Performance

Acceleware continued to face very challenging market conditions in the three months ended March 31, 2016 ("Q1 2016"), caused by the persistent decline in the worldwide price of oil. Similar to the three months ended March 31, 2015 ("Q1 2015"), the Company's customers have started the new year in a cautious manner, delaying and in some cases, cancelling, plans to invest in seismic imaging software, HPC consulting services, and RF heating research and development. The caution however, is not as pronounced as it was in 2015, and as a result, Acceleware's revenue in Q1 2016 increased by 35% to \$442,537 compared to \$328,774 in Q1 2015, but suffered a 56% reduction compared to the \$1,016,424 recorded in the most recently completed quarter ended December 31, 2015 ("Q4 2015"). The decrease compared to Q4 2015 was due to significant decrease in seismic imaging product revenue.

Despite the increase in revenue, Acceleware's total comprehensive loss increased to \$365,018 in Q1 2016 compared to \$357,834 in Q1 2015 primarily due to higher foreign exchange loss caused by an appreciation of the Canadian dollar relative to the US dollar. Total comprehensive income for Q4 2015 was \$158,746, due to the higher revenue noted above.

Acceleware continued to develop its patent pending RF heating technology in Q1 2016. A patent application was recently filed protecting a concept that directly applies to Alberta's oil sands deposits. It is believed that the new concept can assist in improving the economics and environmental impact of oil sands production. The Company is now looking for industry and government partners to further develop this and previously developed technology.

At March 31, 2016, Acceleware had \$234,574 in working capital compared to December 31, 2015 when it was \$585,117. Cash and cash equivalents have decreased since December 31, 2015 from \$361,957 to \$237,858 as at March 31, 2016. At March 31, 2016 the Company had \$31,900 (December 31, 2015 - \$37,160) in combined short-term and long-term debt in the form of finance leases. The reduction in working capital is related to a decrease in trade and other receivables and lower cash both caused by lower revenue. During this challenging time, 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 those from software products, consulting services and training; focus on selected core vertical markets; minimize operating expenses where possible; and limit capital expenditure.

The Company's management ("Management") believes that successful execution of its business plan will result in sufficient cash flow to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available. Further, if the Company's operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months. Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, and further 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

Recent Highlights and Events

Jan 19, 2016 – Acceleware announced that Thrust Belt Imaging of Calgary has purchased the Company's AxWAVE seismic forward modelling software.

March 16, 2016 - Acceleware announced that it intends to commercialize its patent-pending thermal enhanced oil recovery technology using radio frequency energy. Today's low oil price environment requires oil sands and heavy oil producers to dramatically rethink production techniques to profitably develop their assets. At the same time, the industry is well aware of the need to reduce its environmental impact by reducing greenhouse gas (GHG) emissions and eliminating external water use. To meet these challenges, Acceleware has developed a new low-cost, low-carbon RF heating technology that uses no external water or steam. The Company has filed two patents related to the technology. Acceleware believes the technology is a compelling alternative to SAGD because it has the potential to significantly reduce capital and operating expenditures, make meaningful reductions in GHG emissions, and eliminate external water use when utilized for oil sands production.

Strategic Update

Oil and Gas focus

In 2016 Acceleware remains focussed on developing and commercializing products for the oil and gas sector. The Company has seen good traction with its geoscience software and the proprietary RF heating technology is showing potential as a viable method for heavy oil and oil sands production.

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

Software for Geoscience

In 2015, the Company focused on actively selling seismic imaging software to the oil and gas exploration market, and this will continue into 2016. The Company continues to develop its latest release of AxRTM with TTI, which the Company believes is a state-of-the-art RTM seismic imaging product. Complimenting AxRTM is AxWave, a finite-difference forward modelling package. These GPU- accelerated and CPU optimized seismic solutions, with dense packaging and improved economics in power and cooling, provide a multi-fold performance increase that reduces lengthy processing times and enables expedited drilling decisions for the oil and gas industry. During late 2014, the Company derived its first revenue from AxFWI, Acceleware's new modular full waveform inversion software application. Full waveform inversion allows geophysicists to dramatically improve subsurface models with less manual processing. In 2016, the Company is continuing the development of its suite of seismic products, as well as adding features, functionality and performance to AxRTM, AxWave and AxFWI.

The Company currently sells product and services solutions into the oil and gas market and will continue to develop improvements to its products and intensify its marketing and business development activities in this market. The Company sells its seismic imaging solutions through four resellers, and is actively pursuing other resellers. The Company's key Seismic ISVs are Paradigm Geophysical, Tsunami Development, Open Geophysical, Ltd, and

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GeoTomo LLC. Acceleware has also seen significant opportunities for sales directly to end-users in this market, particularly when customers seek a customized solution. The Company expects to continue to see significant direct sales going forward much like the earlier-noted agreement with Repsol for a customized RTM software solution.*

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

RF Heating

In 2011, Acceleware began investigating the technology to use RF energy for in-situ heating of heavy oil and bitumen. In the ensuing five years, Acceleware has filed two patents for RF heating technology, and has developed leading edge simulation software. Additional patents for RF heating are currently underway as the Company expands its portfolio of intellectual property in line with product development. RF heating for oil production is not a new concept, however trials to date have shown limited success. Acceleware believes that the limitations experienced to date can be overcome with new technology. Acceleware's RF heating research and development effort has focused on reducing the capital cost of the technology, making the technology more flexible for use in a variety of wells, and improving the scalability of the technology to very long horizontal wells commonly used in Alberta's oil sands and elsewhere. The Company believes that RF heating has the potential to reduce capital and operating cost for heavy oil and oil sands extraction, as well as reduce the environmental footprint by dramatically reducing the use of water and limiting the greenhouse gas emissions associated with current extraction techniques. Acceleware's unique expertise with RF heating technology has also resulted in service revenue both locally and abroad. In the course of the Company's RF heating development and services business, the Company developed sophisticated simulation software tools based on AxFDTD coupled to third party reservoir simulation software. In late 2013, Acceleware commercialized and introduced these simulation tools as AxHEAT™ a product aimed at oil and gas companies investigating the effectiveness of RF heating in increasing the efficiency of heavy oil and oil sands production.*

In 2014 and 2015, the Company received funding from the National Research Council – Industrial Research Assistance Program (“NRC-IRAP”) to partially finance its RF heating technology development. Acceleware's RF heating R&D program is focussed on removing certain known technical limitations preventing the widespread adoption of this technology in enhanced oil recovery. In 2015, the Company conducted successful laboratory testing of critical components of the technology. In 2016, the Company expects to continue testing in larger scale experiments, with additional components, to more closely replicate a commercial system.*

Electromagnetic software products

While the Company is focusing on oil and gas, it continues to sell and develop its EM FDTD solution. In the EM market, software is sold to end users primarily through ISVs that have integrated Acceleware's solution into their software packages. Acceleware currently works with some of the world's largest companies in the electronics market, which consists of mobile phone manufacturers, industrial electronics firms, and government organizations. ISVs are an important sales channel for Acceleware, and work with the Company's sales force by selling on Acceleware's behalf, co-selling with Acceleware's sales people, or referring potential customers to Acceleware. In 2015, Acceleware's CAE ISV partners include SPEAG, ZMT Zurich MedTech AG, Agilent Technologies, Synopsis, Inc., and Crosslight Software Inc.

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

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

Consulting services

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

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

In 2015, Acceleware hosted several HPC training classes in both open enrolment format and custom-designed formats for individual organizations, and expects to continue in 2016.*

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

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 March 31, 2016.

	Year 2016		Year 2015		Year 2014			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$442,537	\$1,016,424	\$832,511	\$638,977	\$328,774	\$812,973	\$515,241	\$655,084
Cash (used) generated in operating activities	(114,935)	107,345	(185,887)	(20,365)	(111,712)	58,580	(247,257)	80,069
Total comprehensive income (loss) for the period	(365,018)	158,746	85,902	(106,087)	(357,834)	32,043	(83,518)	(72,530)
Earnings (loss) per share basic and diluted	(\$0.006)	\$0.002	\$0.001	(\$0.002)	(\$0.005)	\$0.000	(\$0.001)	(\$0.001)

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Compared to the same quarter a year earlier, Acceleware showed a significant increase in revenue during Q1 2016. Despite the higher revenue, the Company recorded a large total comprehensive loss in Q1 2016 comparable to the loss recorded in Q1 2015, while the Company recorded positive total comprehensive income in Q4 2015. Additionally, cash used in operating activities was similar in Q1 2016 compared to Q1 2015.

Results of Operations

Overall Performance

During the three months ended March 31, 2016, Acceleware had a total comprehensive loss of \$365,018, compared to a total comprehensive loss of \$357,834 for the three months ended March 31, 2015. The small increase is a result of higher foreign exchange loss caused by an appreciation of the Canadian dollar relative to the US dollar in Q1 2016.

The increase in loss was significantly higher when compared to total comprehensive income of \$158,746 in Q4 2015, due to significantly lower revenue.

During Q1 2016, the Company recognized revenue of \$442,537 representing a 35% increase over the \$328,774 recognized during Q1 2015, due to increased revenue from geoscience software products. Revenue decreased 56% compared to the \$1,016,424 recognized in Q4 2015 due to lower product revenue recognized on the Company's custom software development project for Repsol.

Revenue

	Three months ended 03/31/2016	Three months ended 03/31/2015	Three months ended 12/31/2015	% change Q1 2016 over Q1 2015	% change Q1 2016 over Q4 2015
Product sales	\$ 255,935	\$ 33,811	\$ 801,250	657%	-68%
Maintenance	78,318	91,383	100,375	-14%	-22%
Consulting	108,284	203,580	114,799	-47%	-6%
	\$ 442,537	\$ 328,774	\$ 1,016,424	35%	-56%

Product sales revenue rose by 657% to \$255,935 for Q1 2016 compared to \$33,811 for Q1 2015 due to the Repsol agreement and other seismic imaging software sales. Product sales decreased 68% to \$255,935 for Q1 2016 compared to \$801,250 for Q4 2015, due to a relative slowdown in progress of the Repsol project, as the customer evaluates interim deliverables. Maintenance revenue decreased by 14% to \$78,318 for Q1 2016 compared to \$91,383 for Q1 2015 and was 22% lower than the \$100,375 recorded in Q4 2015 due to lower maintenance from AxFTD software. Consulting revenue fell 47% to \$108,284 in Q1 2016 compared to \$203,580 recognized in Q1 2015 due to lower RF heating and other oil and gas consulting including custom software development. Consulting revenue was 6% lower in Q1 2016 compared to \$114,799 in Q4 2015, on lower oil and gas consulting revenue. It should be noted that the Canadian dollar depreciated significantly relative to the US dollar in Q1 2016. Compared to Q1 2015, the US dollar was 11% higher on average in Q1 2016. This appreciation had a positive impact on recorded revenue as over 99% of Q1 2016 revenue was invoiced in US dollars.

Expenses

	Three months ended 03/31/2016	Three months ended 03/31/2015	Three months ended 12/31/2015	% change Q1 2016 over Q1 2015	% change Q1 2016 over Q4 2015
Cost of revenue	\$ 177,373	\$ 104,455	\$ 204,064	70%	-13%
General & administrative	369,784	214,914	415,494	72%	-11%
Research & development	260,722	367,679	238,120	-29%	9%
	\$ 807,879	\$ 687,048	\$ 857,678	18%	-6%

Expenses rose 18% during the three months ended March 31, 2016 to \$807,879 from \$687,048 for the three months ended March 31, 2015 due to increased cost of revenue, and general and administrative (G&A) expenses. Expenses decreased 6% from the \$857,678 recorded in Q4 2015 due to reduced cost of revenue and G&A expenses.

Cost of revenue for Q1 2016 rose 70% to \$177,373 from \$104,455 in Q1 2015 and decreased 13% from \$204,064 in Q4 2015. The increase year over year is a result of the higher direct costs associated with the Repsol custom software development project (salaries, contractors, and travel). While the decrease compared to the most recently completed quarter is due to a temporary slowdown in that project.

For the three months ended March 31, 2016, G&A expenses increased 72% to \$369,784 from \$214,914 recorded in Q1 2015. The increase is as a result of higher costs in marketing and sales, and higher foreign exchange loss. Foreign exchange loss was \$36,967 in Q1 2016 compared to a foreign exchange gain of \$72,581 in Q1 2015. The higher foreign exchange loss occurred as the Canadian dollar appreciated near the end of Q1 2016, decreasing the value of the Company's US dollar denominated working capital. G&A expenses declined 11% in Q1 2016 compared to the \$415,494 recorded in Q4 2015, due to reduced marketing salaries and travel costs, offset by higher foreign exchange loss. Foreign exchange gain was \$38,635 in Q4 2015.

For the three months ended March 31, 2016, R&D expenditures decreased 29% to \$260,722 from \$367,679 for the three months ended March 31, 2015 due to a greater proportion of technical staff working on revenue generating projects as opposed to R&D projects. R&D rose 9% in Q1 2016 compared to the \$238,120 recorded in Q4 2015 temporarily for the opposite reason.

Total comprehensive income (loss)

During the three months ended March 31, 2016, Acceleware had a total comprehensive loss of \$365,018, compared to a total comprehensive loss of \$357,834 for the three months ended March 31, 2015. The increase in loss is primarily a result of higher G&A expenses including foreign exchange loss.

The increase in loss is more significant when compared to positive total comprehensive income of \$158,746 generated in Q4 2015 due to significantly higher revenue.

Liquidity and Capital Resources

At March 31, 2016, Acceleware had \$234,574 in working capital compared to December 31, 2015 when it was \$585,117. Cash and cash equivalents have decreased since December 31, 2015 from \$361,957 to \$237,858 as at March 31, 2016. At March 31, 2016 the Company had \$31,900 (December 31, 2015 - \$37,160) in combined short-term and long-term debt in the form of finance leases. The reduction in working capital is related to a decrease in trade and other receivables and lower cash both caused by lower revenue. During this challenging time, 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 those from software products, consulting services and training; focus on selected core vertical markets; minimize operating expenses where possible; and limit capital expenditure.

The Company's management ("Management") believes that successful execution of its business plan will result in sufficient cash flow to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available. Further, if the Company's operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months. Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, and further reducing sales, marketing and general and administrative expenses, and seeking outside financing. The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company's financial position, results of financial performance and cash flows.*

Cash flow used in operations totaled \$114,935 for the three months ended March 31, 2016 compared to cash used of \$111,712 for the three months ended March 31, 2015.

Trade and Other Receivables

Trade and other receivables as at March 31, 2016 decreased to \$119,997, compared to \$381,299 as at December 31, 2015. The decrease is a result of the slower conversion of work in progress associated with the Repsol project to trade receivables in Q1 2016 and increased collections. The Company maintains close contact with its customers to mitigate risk in the collection of receivables.

Work in Progress

Work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses, if any. Work in progress is presented in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. Work in progress was \$507,865 at March 31, 2016 compared to \$604,678 at December 31, 2015.

Alberta SR&ED Tax Credits

Beginning in tax years ending after January 1, 2010, the Alberta Provincial Government is allowing refundable SR&ED tax credits. For Q1 2016 the Company has recorded \$25,105 (Q1 2015 - \$35,337) in SR&ED receivables.

Current Liabilities

As at March 31, 2016, the Company had current liabilities of \$843,250 compared to current liabilities of \$937,520 as at December 31, 2015. The decrease in current liabilities is due to decreased deferred revenue and lower accounts payable.

Risks Factors and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since December 31, 2015. A discussion of risks affecting the Company and its business is set forth under the heading Risk Factors and Uncertainties in Management's Discussion and Analysis for the period ended December 31, 2015.

Transactions with Related Parties

* 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

For the three months ended March 31, 2016, the Company incurred expenses in the amount of \$39,000 (three months ended March 31, 2015 - \$39,000) with a company controlled by an officer of the Company as fees for duties performed in managing operations, and this amount is included in research and development. \$38,850 was included in accounts payable and accrued liabilities as at March 31, 2016 (December 31, 2015 \$39,161). These fees occurred in the normal course of operations and in the opinion of management represent fair value for services rendered.

Four officers of the Company have advanced \$333,653 (December 31, 2015 - \$315,105) to the Company. These amounts are non-interest bearing, unsecured and are to be repaid no later than December 31, 2016. These amounts are recorded in accounts payable.

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
Salaries and short-term employee benefits	\$ 169,136	\$ 163,354
Share-based payments	4,649	6,694
	\$ 173,785	\$ 170,048

Critical Accounting Estimates

General

The Management's Discussion and Analysis for the year ended December 31, 2015 outlined critical accounting policies including key estimates and assumptions that Management has made under these policies and how they affect the amounts reported in the financial statements. During the quarter, there have been no material changes in Management's key estimates and assumptions and the unaudited interim condensed financial statements follow the same accounting policies and methods of application as the most recent audited annual financial statements.

Recent Accounting Pronouncements Issued and not yet Effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2016 or later periods. The standards affected are as follows:

IFRS 9 Financial instruments

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

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15 Revenue from Contracts with Customers, which will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services. The new standard will be mandatorily effective for fiscal years

beginning on or after January 1, 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.

IFRS 16 Leases

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

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

The Company is analyzing the new standard to determine its impact on the Company's financial statements.

Financial Instruments and Other Instruments

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

Disclosure of Outstanding Share Data

As of the date of this MD&A, Acceleware had the following common shares, options and warrants outstanding:

Common Shares	66,190,266
Stock Options	5,809,370

Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning the Company's research and development expenses and general and administrative expenses is provided in the audited financial statements for December 31, 2016 that are available on www.sedar.com and as noted below.

Research and Development	Three months ended March 31, 2016	Three months ended March 31, 2015
Salaries	\$ 175,402	\$ 330,040
Consulting	71,800	45,000
R&D lab supplies	8,483	32,733
Share-based payments	2,906	6,194
Rent and overhead allocations	19,434	21,728
Amortization	7,802	12,002
Government assistance	—	(44,681)
Alberta SR&ED Tax Credits	(25,105)	(35,337)
Total	\$ 260,722	\$ 367,679

Sales, General and Administration	Three months ended March 31, 2016	Three months ended March 31, 2015
Salaries	\$ 206,657	\$ 143,067
Marketing	19,139	33,298
Travel	11,236	9,594
Share-based payments	4,592	6,166
Foreign exchange loss (gain)	36,967	(72,581)
Rent, supplies and public company fees	60,415	63,540
Amortization	7,802	12,002
Professional fees	22,975	19,242
Bad debt expense	—	586
Total	\$ 369,783	\$ 214,914