

ACCELEWARE LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2013

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, 2013 (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 22, 2014. 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;
- potential benefits to Acceleware's customers, including cost savings and increases to cash flow and productivity;
- 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 it will be able to increase sales of its products and services by focusing on the oil and gas vertical market, increasing the number of ISV partners, and continuously improving its products – which is subject to the risks that sales in the oil and gas vertical market 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 not lead to continuous improvements; and
- that it will be able to withstand the impact of increasing competition – which is subject to the risk among others, 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.

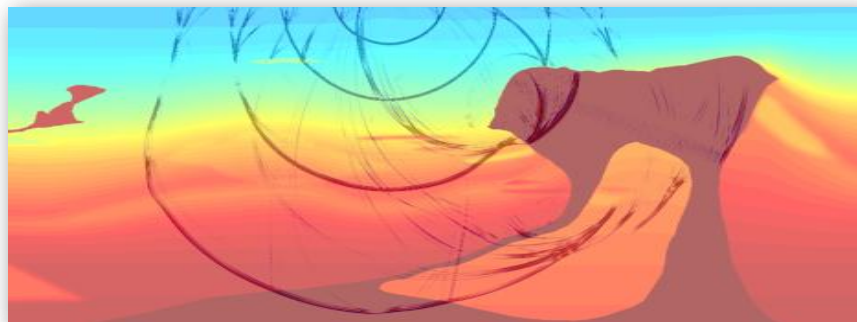
Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Forward-looking statements include statements with respect to the timing and amount of estimated future revenue and sales and the Company’s ability 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 a High Performance Computing (“HPC”) company focused on the development of 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 software, Acceleware offers HPC software development and electromagnetic simulation consulting services for oil and gas customers. A significant component of Acceleware’s consulting practice is made up of HPC and simulation training services.

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 electromagnetic (“EM”) simulation industry. AxFDTD™ continues to be sold to many Fortune 500 companies such as Blackberry, Samsung, LG, 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 data characterization. Acceleware accesses the oil and gas exploration and development 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. Some of the Company’s current seismic ISV partners include Tsunami Development, Paradigm Geophysical and Open Geophysical, Ltd.

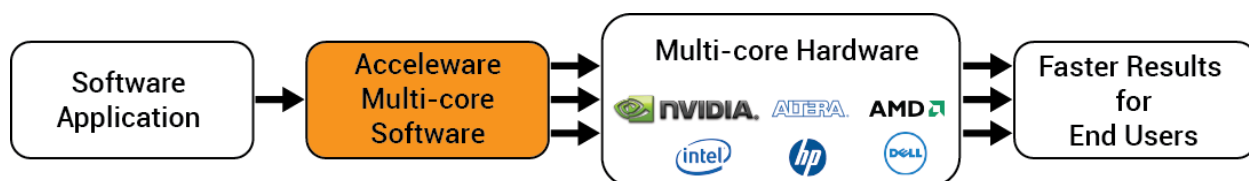


Acceleware provides HPC consulting services and HPC training to oil and gas companies such as ExxonMobil, Geotomo, Saudi Aramco, Rock Solid Imaging, EMGS, Repsol, and Chevron. These companies utilize Acceleware’s expertise to improve the performance of their scientific computing software, and increase 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 2012, Acceleware began providing simulation and design services to oil and gas companies investigating the technology to use radio frequency (“RF”) energy for in-situ heating of heavy oil and bitumen. Acceleware’s unique expertise with RF Heating technology has resulted in service revenue both locally and abroad. The Company has developed software tools based on AxFDTD coupled to third party reservoir simulation software that are used internally by the Company to assist in the RF Heating equipment design and simulation services business. In late 2013, Acceleware commercialized and introduced these simulation tools as AxHEAT™ a product aimed at oil and gas companies investigating the effectiveness of RF heating in increasing the efficiency of heavy oil and oil sands production.*

* this paragraph contains forward looking information. Please refer to “Forward Looking Statements” and “Risk Factors and Uncertainties” for a discussion of the risks and uncertainties related to such information

The FDTD solution 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 and Agilent Technologies. Acceleware reaches the EM market through a combination of partner channels and direct sales.

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

Acceleware was founded in February 2004 by a group of graduate students and professors from the University of Calgary’s Electrical Engineering department and became a public company on the TSX Venture Exchange in January 2006 through a reverse takeover of a capital pool company, Poseidon Capital Corp. The Company is headquartered in Calgary, Alberta. As at December 31, 2013, Acceleware had 20 employees including: 2 in administration; 5 in sales, marketing, and product management; and 13 in research and development.

Overall Performance

During the year ended December 31, 2013, Acceleware showed increased revenue compared to the year ended December 31, 2012. The increase in revenue was primarily due to increased consulting services work from several key oil and gas customers, and higher maintenance revenue from software sales. Due to the increased revenue, total comprehensive loss, and cash flow from operations all improved this year compared to the previous year despite planned investments in seismic software research and development. The return on these investments began to emerge in the fourth quarter of 2013, which saw the introduction and first sale of Acceleware’s AxWave forward modelling application.

The Company had total comprehensive loss for the year ended December 31, 2013 of \$430,994, a decrease of 11% compared to a total comprehensive loss of \$483,815 for the year ended December 31, 2012. The decrease in total comprehensive loss for the year ended December 31, 2013 is due to increased consulting and maintenance revenue, and other income associated with the receipt of third-party Asset-Backed Commercial Paper (“ABCP”) settlement funds, with no similar amount in previous years. This payment is pursuant to the ABCP settlement distribution plan announced by the Ontario Securities Commission and Investment Industry Regulatory Organization of Canada in 2012.

During the year ended December 31, 2013, Acceleware recognized revenue of \$3,066,174 representing a 5% increase over the \$2,910,580 recognized during the year ended December 31, 2012. The increase is primarily a result of a 9% increase in consulting revenue from 2012, which was a due to an increase in services revenue from the Company's oil and gas customers.

Acceleware's business was disrupted in 2013 due to severe flooding in and around the Company's headquarters in Calgary, Canada. Due to a lack of electricity, Acceleware's offices were closed beginning on June 20, 2013, and were reopened on July 16, 2013. While the physical offices were closed, most of Acceleware's staff were able to work remotely. Some of the Company's consulting services business was delayed in Q2 2013 as a result, and that delay continued into Q3 2013. However, most affected were the Company's seismic imaging research and development staff who did not have access to the Company's high performance computing infrastructure. As Acceleware's offices were not directly affected by the flood, there was no material increase in expenses in 2013, nor is any increase expected in future years. However, management estimates that up to \$100,000 in consulting revenue may have been delayed due to the disruption 2013.

At December 31, 2013, Acceleware had \$212,724 (2012 - \$604,727) in working capital, including \$400,810 (2012 - \$341,897) in cash and cash equivalents, and \$46,411 (2012 - \$56,158) in combined short-term and long-term debt in the form of finance leases. The decrease in working capital is due principally to a decrease in trade and other receivables. The decrease in trade and other receivables is due to lower revenue in Q4 2013 compared to Q4 2012 and improved collections. The Company continues to actively manage its cash flow and investment in new products to match its cash requirements to cash generated from operations. In order to maximize cash generated from operations, the Company plans to continue to focus on high gross margin revenue streams such as a software products, consulting services and training; concentrate on the oil and gas vertical market; 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, 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.*

Highlights and Events

November 28, 2013 – Acceleware announced that Woodside Petroleum Ltd., Australia's largest independent oil and gas company, has selected AxWave, Acceleware's high performance seismic modeling software, to simulate data acquisition in complex geological areas, representing the first sale of AxWave.

September 23, 2013 – Acceleware Ltd. attended and exhibited at the 83rd annual meeting and international exposition of the Society of Exploration Geophysicists (SEG), and announced the availability of a special bundled offering with technologies from Paradigm, NVIDIA and TSA for Reverse Time Migration (RTM). Collectively, these vendors are committed to improving access to RTM with a special pricing promotion including software, hardware and integration services, plus an arrangement for customers to test drive their data using this technology.

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August 28, 2013 – Acceleware announced that it had applied to the TSX Venture Exchange to amend stock options to acquire up to 847,964 common shares of the Company granted to certain of its employees and officers. The options were initially granted on May 27, 2013 and had an exercise price of \$0.10 per common share. The amended stock options have an exercise price of \$0.05. At the time of the initial grant, the Market Price, defined as the last closing price of the shares of the Company preceding May 27, 2013, was \$0.04. All other terms of the stock options, including an expiry date of May 27, 2018, remain the same. Stock options granted to independent directors of the Corporation were not amended.

June 17, 2013 – Acceleware attended and exhibited at the 2013 International Supercomputing Conference (ISC'13) in Leipzig, Germany showcasing the Company's market-leading consulting and training services for high performance computing.

June 12, 2013 – Acceleware released AxRTM 6.0 at the 75th European Association of Geoscientists and Engineers (EAGE) conference. AxRTM is an accelerated Reverse Time Migration (RTM) library used for the accurate imaging of complex subsurface geologies. The new release includes optimized support for Intel Xeon Phi coprocessors, a MathWorks® Matlab® research interface and enhanced geophysical features for exceptional subsurface imaging.

March 30, 2013 – SCANCO Medical AG, Zürich, Switzerland agreed to acquire a perpetual, non-exclusive license for Acceleware's AxRecon source code. AxRecon is an advanced GPU solution for accelerated image reconstruction on Computed Tomography (CT) scanners. Under the license acquisition terms, SCANCO will become the exclusive provider of AxRecon to the medical imaging market. Acceleware will retain all intellectual property rights to AxRecon and will continue to use the technology in its high performance computing consulting business for customers outside of the Medical Imaging market area.

March 27, 2013 – Acceleware received a disbursement of \$54,480 from third-party Asset-Backed Commercial Paper ("ABCP") settlement funds (all figures are in Canadian dollars). This payment is pursuant to the ABCP settlement distribution plan announced by the Ontario Securities Commission and Investment Industry Regulatory Organization of Canada in 2012. The Company held an investment in third party ABCP with a face amount of approximately \$1.4 million, which it acquired in 2007. The investment was made on a short term basis. However, due to the collapse of the Canadian ABCP market in 2007, the Company continued to hold the investment into 2009. Liquidity gradually returned to the ABCP market over the course of 2009, and the Company was able to liquidate the investment for gross proceeds of \$752,466 on December 9, 2009. The ABCP settlement funds were collected in enforcement settlements agreed to by certain investment dealers who sold ABCP products prior to the collapse of the market in 2007.

March 18, 2013 – Acceleware announced the 100th course in its series of HPC classes tailored to professional developers requiring advanced training to write faster and more efficient code for intense compute applications. Houston was the venue for the milestone course, in which programmers from the energy industry were instructed on leading-edge software design and optimization for the NVIDIA® CUDA® parallel computing platform and programming model.

Strategic Update

Oil and Gas Focus

Throughout 2013 and going into 2014, the Company is focused on actively selling products and consulting services to the oil and gas exploration market. 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. In 2013, the Company released AxWave, a finite-difference forward modelling package. These and other accelerated 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. In 2014, the Company is continuing the development of follow-on seismic products to AxRTM, such as elastic modelling, and full

waveform inversion. In addition to these new products, Acceleware is continuously upgrading the performance of AxRTM and adding new customer-driven features.

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 throughout 2014. The Company currently sells its seismic imaging solutions through three resellers, and is actively pursuing other resellers. The Company's key Seismic ISVs are Paradigm Geophysical, Tsunami Development and Open Geophysical, Ltd. As with the AxWave sale to Woodside noted above, Acceleware has also seen significant opportunities for sales directly to end-users in this market, and expects to continue to see significant direct sales going forward.*

Management believes that adding new partners and increasing the proportion of the partners' 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. Growth in revenue from the oil and gas market will be funded by operations, existing cash resources and investments in the Company and further financing as required from time to time. The Company will continue to finance operations and its growth strategy primarily through the sale of the Company's products and services.*

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 2014, Acceleware's CAE ISV partners include SPEAG, 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 business

Acceleware continues to see an increased 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.

In 2011, Acceleware began providing simulation and equipment design services to oil and gas companies investigating the technology to use radio frequency energy for in-situ heating of heavy oil and bitumen. Acceleware's unique expertise with this RF Heating technology has resulted in services revenue both locally and abroad. The Company has developed software tools based on FDTD that are used internally in the Company to assist in the RF Heating simulation and equipment design services business. In late 2013, Acceleware

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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.

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 2014, Acceleware will host several HPC training classes in both open enrolment format and custom-designed formats for individual organizations.

Going forward into 2014, Acceleware will continue to focus on oil & gas, with AxRTM, AxWave, 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, 2013 (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, 2013, December 31, 2012, and December 31, 2011.

	Year Ended Dec 31, 2013 (Audited)	Year Ended Dec 31, 2012 (Audited)	Year Ended Dec 31, 2011 (Audited)
Total revenue	\$3,066,174	\$2,910,580	\$2,762,348
Total comprehensive loss	(\$430,994)	(\$483,815)	\$452,256
Loss per share (basic and diluted)	(\$0.01)	(\$0.01)	\$0.01
Total assets	\$1,124,559	\$1,506,133	\$1,660,444
Long-term debt (in the form of finance leases) ¹	\$46,411	\$56,158	Nil
Dividends	Nil	Nil	Nil

¹ Includes current portion of finance leases

Acceleware's recognized revenues have steadily increased from 2011. These changes are a result of changes in product mix with the addition of oil and gas software and services to the traditional offerings of EM software solutions. Total comprehensive income increased significantly in 2011 as the Company completed a plan of arrangement, resulting in a deferred tax recovery of \$917,196. Total comprehensive loss decreased to \$430,994 in 2013 compared to \$483,815 in 2012 as a result of higher revenue. The Company is now planning for modest growth in revenue and expects its total comprehensive income to continue to increase in future years.* Total assets decreased from \$1,660,444 as at December 31, 2011 to \$1,124,559 as at December 31, 2013 due to decreased working capital.

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Results of Operations

Revenue

During the year ended December 31, 2013, the Company reported total revenues of \$3,066,174, a 5% increase compared to \$2,910,580 for the year ended December 31, 2012. The increase is a result of an increase in consulting revenue, particularly from oil and gas customers, and an increase in software maintenance revenue. The increase was offset by a decrease in product sales revenue. Consulting revenue increased 9% to \$2,405,488 in 2013 from \$2,208,335 in 2012. Product sales decreased 16% to \$324,398 for the year ended December 31, 2013 from \$384,300 recorded in the year ended December 31, 2012 as a result of lower hardware sales to customers who also bought software. Maintenance revenue increased 6% to \$336,288 in 2013 from \$317,945 in 2012, on higher seismic software leases.

Revenue	Year ended December 31, 2013	Year ended December 31, 2012	Percentage change 2013/2012
Product sales	\$ 324,398	\$ 384,300	-16%
Maintenance	336,288	317,945	6%
Consulting	2,405,488	2,208,335	9%
	\$ 3,066,174	\$ 2,910,580	5%

The Company recognizes approximately 82% of software product sales immediately and amortizes the remaining 18% of those sales (deferred revenue) into revenues over 12 months from the date of the sale. Software leases are amortized (deferred revenue) into revenue over the lease period. As at December 31 2013, revenue of \$128,255 (December 31, 2012 - \$79,873) is deferred, and will be recognized over a period of twelve months or less.

Expenses

Expenses	Year ended December 31, 2013	Year ended December 31, 2012	Percentage change 2013/2012
Costs of revenue	\$ 647,109	\$ 716,606	-10%
General and administrative	1,502,386	1,488,497	1%
Research and development	1,403,022	1,230,959	14%
Gain on disposal of assets	—	(41,667)	-100%
	\$ 3,552,517	\$ 3,394,395	5%

Expenses increased 5% during the year ended December 31, 2013 to \$3,552,517 from \$3,394,395 for the year ended December 31, 2012. Management focused on cost management across all expense categories in 2013, with the exception of certain strategic investments in marketing and research and development.

Cost of revenue for the year ended December 31, 2013 decreased 10% to \$647,109 from \$716,606 in the year ended December 31, 2012. The decrease is due to reduced cost of hardware sold to customers, reduced payments to NRC-IRAP for repayable research and development funding (the program was fully repaid in Q3 of 2013), and decreased salaries associated with consulting services.

General and administrative expenses (“G&A”) include all salaries (excluding consulting and research and development personnel) and related expenses (including benefits and payroll taxes); sales and marketing activities; facility costs; stock-based compensation; and professional fees. For the year ended December 31, 2013, G&A expenses increased 1% to \$1,502,386 from \$1,488,497 recorded in the year ended December 31, 2012. The increase is primarily a result of increased investment in marketing and sales, including additional trade show expenditures and an increase in bad debt expense.

For the year ended December 31, 2013, research and development (“R&D”) expenditures increased 14% to \$1,403,022 from \$1,230,959 for the year ended December 31, 2012. The increase in fiscal 2013 is a result of an increase in R&D staff devoted to developing the company’s seismic and RF Heating software products. The Company recorded \$160,967 (2012 - \$155,580) in refundable Alberta SR&ED tax credits as a reduction in R&D expense.

Other income

During 2013, the Company recorded other income of \$54,480 relating to third-party Asset-Backed Commercial Paper (“ABCP”) settlement funds, with no similar amount in 2012. This payment is pursuant to the ABCP settlement distribution plan announced by the Ontario Securities Commission and Investment Industry Regulatory Organization of Canada in 2012.

The Company held an investment in third party ABCP with a face amount of approximately \$1.4 million, which it acquired in 2007. The investment was made on a short term basis. However, due to the collapse of the Canadian ABCP market in 2007, the Company continued to hold the investment into 2009. Liquidity gradually returned to the ABCP market over the course of 2009, and the Company was able to liquidate the investment for gross proceeds of \$752,466 on December 9, 2009. The ABCP settlement funds were collected in enforcement settlements agreed to by certain investment dealers who sold ABCP products prior to the collapse of the market in 2007

The balance of other income in 2013 of \$869 is interest income on cash deposits.

Total comprehensive loss

The Company had a total comprehensive loss of \$430,994 for the year ended December 31, 2013, an 11% decrease compared to a total comprehensive loss of \$483,815 for the year ended December 31, 2012. The decrease in comprehensive loss can be attributed to the increase in revenue as well as the other income generated by the ABCP settlement funds.

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, 2013.

	Year 2013				Year 2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$616,329	\$672,035	\$824,783	\$953,027	\$1,010,814	\$743,161	\$732,068	\$424,537
Cash (used) generated in operating activities	58,215	(165,976)	198,314	31,782	(52,718)	96,941	(162,723)	(310,588)
Total comprehensive income (loss) for the period	(221,053)	(194,143)	(87,290)	71,492	107,096	(145,194)	(56,253)	(389,464)
Earnings (loss) per share basic and diluted	(\$0.004)	(\$0.003)	(\$0.002)	\$0.001	\$0.002	(\$0.003)	(\$0.001)	(\$0.007)

Compared to the same quarter a year earlier, Acceleware showed a significant decrease in revenue during Q4 2013. On the other hand, cash generated in operating activities increased in Q4 2013 compared to Q4 2012 due to

improved collections of accounts receivable. The Company recorded a total comprehensive loss of \$221,053 in Q4 2013 as compared to total comprehensive income of \$107,096 in Q4 2012 due to the decrease in revenue.

Results of Operations – Fourth Quarter

Overall Performance

During the three months ended December 31, 2013, Acceleware had a total comprehensive loss of \$221,053, compared to a total comprehensive income of \$107,096 for the three months ended December 31, 2012. The difference is a result of a 39% decrease in revenue, coupled with a more modest 7% decrease in expenses.

Total comprehensive loss increased slightly in Q4 2013 to \$221,053 compared to total comprehensive loss of \$194,143 in Q3, 2013. The increase is a result of an 8% decrease in revenue, coupled with a modest 3% decrease in expenses. During Q4 2013, the Company recognized revenue of \$616,329 representing a 39% decrease over the \$1,010,814 recognized during Q4 2012, due to decreased consulting and product revenue. Revenue decreased 8% compared to the \$672,035 recognized in Q3 2013 primarily as a result of lower consulting revenue.

Revenue

During the quarter ended December 31, 2013, the Company recorded revenues of \$616,329, a decrease of 39% compared to \$1,010,814 for the quarter ended December 31, 2012, and a decrease of 8% compared to the \$743,161 recorded for Q3 2013. The decrease compared to both Q4 2012 and Q3 2013 can be attributed to decreased consulting and product revenue, partially offset by higher maintenance revenue.

Revenue	Three months ended Dec 31, 2013	Three months ended Dec 31, 2012	Three months ended Sept 30, 2013	% change Q4 2013 over Q4 2012	% change Q4 2013 over Q3 2013
Product sales	\$ 56,553	\$ 128,748	\$ 64,619	-56%	-12%
Maintenance	107,650	80,911	67,052	33%	61%
Consulting	452,126	801,155	540,364	-44%	-16%
	\$ 616,329	\$ 1,010,814	\$ 672,035	-39%	-8%

Product sales revenue decreased 56% to \$56,553 for Q4 2013 compared to \$128,748 for Q4 2012 due to decreased AxRTM product revenue. Product sales revenue decreased 12% to \$56,553 for Q4 2013 compared to \$64,619 for Q3 2013, due to decreased direct sales of AxFDTD. Maintenance revenue increased 33% to \$107,650 for Q4 2013 compared to \$80,911 for Q4 2012 and 61% compared to \$67,052 for Q3 2013 due to increased seismic software revenue recognized under lease arrangement. Consulting revenue decreased 44% to \$452,126 in Q4 2013 compared to \$801,155 in consulting revenue recognized in Q4 2012 and decreased 16% compared to \$540,364 in Q3 2013. Consulting revenue has decreased due to lower demand for services, particularly oil and gas HPC consulting.

Expenses

Expenses	Three months ended Dec 31, 2013	Three months ended Dec 31, 2012	Three months ended Sept 30, 2013	% change Q4 2013 over Q4 2012	% change Q4 2013 over Q3 2013
Cost of revenue	\$ 131,326	\$ 260,042	\$ 108,265	-49%	21%
General & administrative	393,808	218,579	361,086	80%	9%
Research & development	312,585	424,797	396,827	-26%	-21%
Gain on disposal of property and equipment	—	300	—	-100%	N/A
	\$ 837,719	\$ 903,718	\$ 866,178	-7%	-3%

Expenses decreased 7% during the three months ended December 31, 2013 to \$837,719 from \$903,718 for the three months ended December 31, 2012 due to decreased cost of revenue and R&D expenses, offset by higher G&A. Expenses decreased 3% from the \$866,178 recorded in Q3 2013 due to decreased R&D expenses, which were offset by increased G&A expenses.

Cost of revenue for Q4 2013 decreased 49% to \$131,326 from \$260,042 in Q4 2012 and increased 21% from \$108,265 in Q3 2013. The decrease in both cases is a result of the lower direct costs associated with consulting services (salaries, contractors, and travel), consistent with lower consulting revenue.

For the three months ended December 31, 2013, G&A expenses increased 80% to \$393,808 from \$218,579 recorded in Q4 2012. The increase is as a result of costs associated with employee severance, and increased marketing costs for trade shows and consulting. G&A expenses also increased 9% in Q4 2013 compared to the \$361,086 recorded in Q3 2013, due to severance costs.

For the three months ended December 31, 2013, R&D expenditures decreased 26% to \$312,585 from \$424,797 for the three months ended December 31, 2012. The decrease is a result of a reduction in the number of R&D staff. R&D decreased 21% in Q4 2013 compared to the \$396,827 recorded in Q3 2013 also due to reduced R&D staff.

Total comprehensive income (loss)

Total comprehensive loss increased significantly in Q4 2013 to \$221,053 compared to total comprehensive income of \$107,096 in Q4 2012 and to total comprehensive loss of \$194,143 in Q3, 2013. The increase over Q4, 2012 is a result of a 39% decrease in revenue, coupled with a more modest 7% decrease in expenses. During Q4 2013, the Company recognized revenue of \$616,329 representing a 39% decrease over the \$1,010,814 recognized during Q4 2012, due to decreased consulting revenue. Revenue decreased 8% compared to the \$672,035 recognized in Q3 2013 also due to consulting revenue, which was the principal cause of the increased loss.

Liquidity and Capital Resources

At December 31, 2013, Acceleware had \$212,724 (2012 - \$604,727) in working capital, including \$400,810 (2012 - \$341,897) in cash and cash equivalents, and \$46,411 (2012 - \$56,158) in combined short-term and long-term debt in the form of finance leases. The decrease in working capital is due principally to a decrease in trade and other receivables. The decrease in trade and other receivables is due to lower revenue in Q4 2013 compared to Q4 2012 and improved collections. The Company continues to actively manage its cash flow and investment in new products to match its cash requirements to cash generated from operations. In order to maximize cash generated from operations, the Company plans to continue to focus on high gross margin revenue streams such as a software products, consulting services and training; concentrate on the oil and gas vertical market; 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, 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 generated in operations totaled \$122,335 for the year ended December 31, 2013, compared to cash used of \$429,088 for the year ended December 31, 2012. The change is a result of decreased investment in working capital.

As at December 31, 2013, the Company had current liabilities of \$721,285 compared to current liabilities of \$704,526 as at December 31, 2012. The increase in current liabilities is due to increased deferred revenue.

Trade and Other Receivables

Accounts receivable as at December 31, 2013 decreased to \$312,357, compared to \$697,906 as at December 31, 2012. The decrease is a result of decreased revenue and invoicing toward the end of Q4 2013. In addition, the Company recorded an allowance for bad debts of \$16,634 at December 31, 2013, and had no allowance as at December 31, 2012. The Company maintains close contact with its customers to mitigate risk in the collection of accounts receivable.

Alberta SR&ED Tax Credits

Beginning in tax years ending after January 1, 2010, the Alberta Provincial Government is allowing refundable SR&ED tax credits. The Company has recorded \$166,418 (December 31, 2012 - \$155,580) in receivables as at December 31, 2013.

Investing Activities

For the year ended December 31, 2013, \$41,061 was invested in property and equipment compared to \$147,551 for the year ended December 31, 2012. The decrease is principally a result of leasehold improvements, furniture and computer equipment related to the Company's move to a new office location in 2012. At December 31, 2013, \$42,513 (2012 - \$53,758) book value of investment in property and equipment relates to equipment under finance lease.

Financing Activities

During the year ended December 31, 2013, \$26,366 (2012 - \$51,373) 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.

* 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

With the exception of the refundable Alberta SR&ED tax credits, as at December 31, 2013, the potential tax benefits of Aceleware's available tax pools have not been recognized in the Company's account due to uncertainty surrounding the realization of such benefits.

Risks Factors and Uncertainties

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

Liquidity Risk

Management's objective is to manage cash flow and investment in new products to ensure that cash requirements do not exceed cash generated from operations. Plans include programs to improve gross margin through the introduction of new revenue streams such as a software-only products, consulting services and training; focus on core vertical markets, reduce operating expenses, and limit capital expenditures. Management believes that successful execution of its business plan will result in sufficient cash flow to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources, if required, will be available. Further, if the Company's operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months. Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, and further reducing sales, marketing and general and administrative expenses. The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company's financial position, results of operations and cash flows.*

Dependence on Market Growth

The overall market for oil and gas HPC software and services has experienced growth in recent years. There can be no assurance that the market for the Company's existing products and services will continue to grow or that the Company will be successful in establishing markets for its products and services. If the various markets in which the Company's products and services compete fail to grow, or grow more slowly than the Company currently anticipates, or if the Company is unable to establish markets for its products and services or the Company's products and services do not gain market acceptance, the Company's business, operating results and financial condition could be materially adversely affected.

Requirement for Additional Financing

Management of Aceleware may seek additional funding to support ongoing losses until Aceleware reaches a level of revenue which will sustain its operations on an internal basis. The rate of growth in the market for Aceleware's products and services and Aceleware's success in gaining market share, have been less than Aceleware anticipated. Aceleware 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, Aceleware 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 Aceleware. There can be no assurance that

* this paragraph contains forward looking information. Please refer to "Forward Looking Statements" and "Risk Assessment" for a discussion of the risks and uncertainties related to such information

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 59% of total revenues for the year ended December 31, 2013. 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 HPC software and services is competitive. 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 distribute 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 of the Company believes that neither its past performance nor period-to-period comparisons of its operating results are, or may be, a good indication of its future performance. If the Company's operating results for a particular period fail to meet investor expectations that are based on the Company's past performance or on period-to-period comparisons of the Company's operating results, the Company's share price could decline. This cycle is also subject to a number of significant delays over which Company will have little or no control.

Failure to Adapt to Technological Change and New Product Development

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

Risk Associated with International Operations

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

Risk Associated with Currency Fluctuations

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

Risk Associated with a Change in the Company's Pricing Model

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

Dependence on Key Personnel

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

Risks of Acquisitions Negatively Affecting the Company

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

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

Intellectual Property Risks

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

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

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

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

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

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

The Company is not aware that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim such infringement by the Company or its licensees with respect to current or future products. The Company expects that software product developers will increasingly be subject to such claims as the number of products and competitors in the Company's industry segment grows and the

functionality of products in different industry segments overlaps. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements which, if required, may not be available on terms acceptable to the Company. Any of the foregoing could have a materially adverse effect on the Company's business, results of operations and financial condition.

Risk of Defects in the Company's Products

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

Risks of Security Breaches to the Company's Network

An experienced programmer may attempt on occasion to penetrate the Company's network security and could misappropriate proprietary information or cause interruptions in the Company's operations. Acceleware has implemented various means to limit such an occurrence but may be required to expend significant capital and resources to protect against or to alleviate problems caused by such hackers in the future. Additionally, the Company may not have a timely remedy for any attack on the Company's network security. Such purposeful security breaches could have a material adverse effect on the Company's business, results of operations and financial condition. In addition to deliberate security breaches, the inadvertent transmission of computer viruses could expose the Company to a material risk of loss or litigation and possible liability.

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

Reliance on Third Party Licenses

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

Technological Change, New Products and Standards

To remain competitive, Acceleware must continue to enhance and improve the current line of products. The technology industry is characterized by rapid technological change, changes in user and customer requirements and

preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render Acceleware's existing products and systems obsolete. Acceleware's products embody complex technology and may not always be compatible with current and evolving technical standards and products developed by others. Failure or delays by Acceleware to meet or comply with the 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 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 in price 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 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, 2013, the Company incurred expenses in the amount of \$162,704 (2012 - \$154,114) 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, \$8,219 was included in accounts payable and accrued liabilities as at December 31, 2013 (December 31, 2012 - \$8,219). These fees occurred in the normal course of operations and in the opinion of management represent fair value for services rendered.

For the year ended December 31, 2013, the Company incurred expenses in the amount of \$4,848 (2012 - \$7,453) with a company controlled by a director of the Company for legal fees, and is included in general and administrative. Of the total, \$4,555 was included in accounts payable and accrued liabilities as at December 31, 2013 (December 31, 2012 - \$1,675). These fees occurred in the normal course of operations and in the opinion of management approximate fair value for services rendered.

Four officers of the Company have advanced \$221,280 (December 31, 2012 - \$163,797) to the Company in the form of deferred salaries and consulting fees. These amounts are non-interest bearing, unsecured and are to be repaid no later than December 31, 2014. These amounts are recorded in accounts payable and accrued liabilities.

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

	2013	2012
Salaries and short-term employee benefits	\$ 650,311	\$ 742,284
Share-based payments	21,775	44,098
	\$ 672,086	\$ 786,382

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, 2013, \$71,868 of the rent inducement remains (December 31, 2012 - \$91,924).

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:

2014	150,748
2015	153,807
2016	155,992
2017	79,525
	\$ 540,072

The Company has certain computer equipment under financial lease expiring 2016. The leases carry an annual interest rate of 2.25%. Estimated lease payments are as follows:

	December 31, 2013	December 31, 2012
2013	\$ —	\$ 21,696
2014	26,747	21,696
2015	19,840	14,542
2015	816	—
Minimum lease payments	47,403	57,934
Less: interest portion (at a rate of 2.25%)	992	1,776
Net minimum lease payments	46,411	56,158
Less: current portion	25,977	20,625
	\$ 20,434	\$ 35,533

The equipment under capital lease has been recognized in property and equipment at the present value of minimum lease payments. Interest charges on leased equipment during the year was approximately \$1,299 (2012 – \$428)

Critical Accounting Estimates

General

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

The Company's significant accounting policies are fully described in Note 2 to the Financial Statements. Certain accounting policies are particularly important to the reporting of financial position and results of operations, and require the application of judgment by management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made. Different management estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the Financial Statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of Financial Statements.

Going Concern Assumption

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

Revenue Recognition

The Company's revenue recognition requirements pertaining to multiple deliverables and software are very complex and are affected by interpretations of the rules and certain judgments. One of the critical judgments made is the assessment of the probability of collecting the related accounts receivable balance on a customer-by-customer basis.

As a result, the timing or amount of revenue recognition may have been different if different assessments of the probability of collection had been made at the time that the transactions were recorded in revenue.

Allowance for Doubtful Accounts

The Company evaluates the collectability of trade receivables based on a combination of factors. The Company regularly analyzes significant customer accounts. When and if the Company becomes aware of a specific customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position, a specific bad debt reserve is recorded to reduce the related receivable to the amount that is reasonably believed to be collectible. Reserves for bad debts on all other customer balances are based on a variety of factors, including the length of time that the receivables are past due, the financial health of the customer, macroeconomic considerations and historical experience. As of December 31, 2013, an allowance of \$16,634 (December 31, 2012 - \$nil) has been provided for.

New Accounting Policies

As of January 1, 2013 the Company adopted several new IFRS standards and amendments in accordance with the transitional provisions of each standard. A brief description of each new standard and its impact on the Company's consolidated financial statements follows:

IFRS 10, "Consolidated Financial Statements" supersedes IAS 27 "Consolidation and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". This standard provides a single model to be applied in control analysis for all investees including special purpose entities. The retrospective adoption of this standard does not have any impact on the Company's consolidated financial statements.

IFRS 11, "Joint Arrangements" divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. All joint arrangements are required to be reassessed on transition to IFRS 11 to determine their type to apply the appropriate accounting. The retrospective adoption of this standard does not have any impact on the Company's consolidated financial statements.

IFRS 12, "Disclosure of Interests in Other Entities" combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements as well as unconsolidated structured entities. The retrospective adoption of this standard does not have any impact on the Company's consolidated financial statements.

IFRS 13, "Fair Value Measurement" defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adoption of this standard does not have an impact on the Company's consolidated 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, 2014 or later periods. The standards affected are as follows:

IFRS 2 Share-based payment

The amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation

Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

IFRS 8 Operating segments

The amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

IFRS 9 Financial instruments

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" are now recognized in other comprehensive income instead of in profit or loss. This new standard will also affect disclosures provided under IFRS 7 Financial instruments: disclosures.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The mandatory effective date of January 1, 2015 has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

IFRS 10 Consolidated financial statements and IFRS 12 Disclosure of interests in other entities and IAS 27 Separate financial statements

The amendments to IFRS 10, issued in October 2012, introduce a consolidation exception for investment entities. They do this by defining an investment entity and requiring an investment entity to measure subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial instruments or IAS 39 Financial Instruments: Recognition and measurement. The related amendments to IFRS 12, issued at the same time, require additional disclosure for investment entities. The amendments are effective for annual periods beginning on or after January 1, 2014.

IFRS 13 Fair value measurement

The Company applies the "portfolio exception". Accordingly, it measures the fair value of financial assets and liabilities, with offsetting positions in market or counterparty credit risk, consistently with how market participants would price the net risk exposure. The amendments to IFRS 13, issued in December 2013, clarify that the portfolio exception applies to all contracts within the scope of IFRS 9 Financial instruments or IAS 39 Financial instruments: Recognition and measurement, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial instruments: Presentation. The amendments are effective for annual periods beginning on or after July 1, 2014.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets

The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. The amendments are effective for annual periods beginning on or after July 1, 2014.

IAS 24 Related party disclosures

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of

the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

IAS 36 Impairment of assets

The amendments to IAS 36, issued in May 2013, require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

The Company is currently assessing the impact of these standards on its reporting and disclosures. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

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	55,950,266
Stock Options	5,291,448

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, 2013 that are available on www.sedar.com and as noted below.

Sales, General and Administration	2013	2012
Salaries	\$ 892,770	\$ 827,499
Marketing	143,017	91,170
Travel	55,344	63,031
Share-based payments	25,266	40,377
Rent, supplies and public company fees	281,556	341,158
Amortization	36,438	53,090
Professional fees	51,361	72,172
Bad debt expense	16,634	--
Total	\$ 1,502,386	\$ 1,488,497

Research and Development	2013	2012
Salaries	\$ 1,054,099	\$ 891,367
Consulting	311,783	269,118
R&D lab supplies and other	70,273	64,183
Share-based payments	22,494	34,275
Rent and overhead allocations	80,485	74,506
Amortization	36,438	53,090
Alberta SR&ED tax credits	(160,967)	(155,580)
IRAP-NRC and Alberta Ingenuity funding	(11,583)	--
Total	\$ 1,403,022	\$ 1,230,959