

ACCELEWARE LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 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") unaudited interim condensed financial statements and the accompanying notes for the three months ended March 31, 2013, 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, 2012, 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 23, 2013. 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 core markets, 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;
- 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 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.

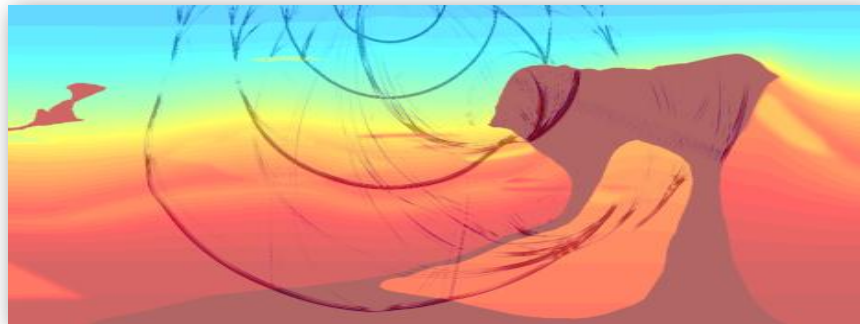
Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Forward-looking statements include statements with respect to the timing and amount of estimated future revenue and sales and the Company's ability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

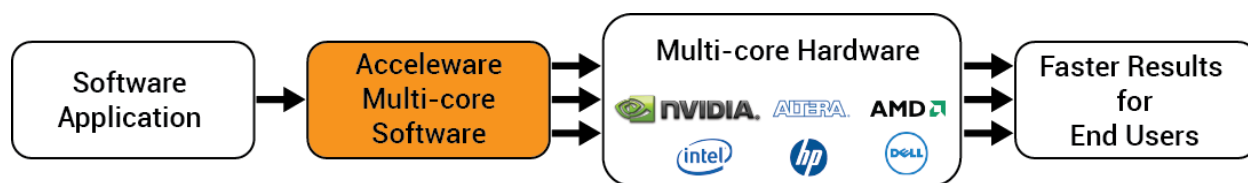
Recognizing an opportunity in the similarity between electromagnetic FDTD and certain seismic imaging algorithms, Acceleware entered the seismic imaging market in 2008. The Company’s first product was a GPU accelerated Kirchhoff Time Migration solution, followed closely by CPU and GPU enabled Reverse Time Migration (“RTM”) library, AxRTM™ in 2009. Acceleware accesses the oil and gas exploration and development market through a combination of channel and direct sales. The Company provides 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 ISV partners include Tsunami Development, Paradigm Geophysical, and DownUnder GeoSolutions.



Acceleware provides HPC consulting services and HPC training to oil and gas companies such as Exxon Mobil, Saudi Aramco, Rock Solid Imaging, EMGS, 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 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 in the Company to assist in the RF Heating equipment design and simulation services business. Acceleware could offer these tools as products should the technology prove successful in improving heavy oil production.

The FDTD solution will continue for the traditional markets and be an enabling technology for RF Heating 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 the end user having to learn new skills or change their work processes.

In the EM market, Acceleware partners with software developers to increase the speed at which partners' software runs. 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 March 31, 2013, Acceleware had 23 employees including: 2 in administration; 7 in sales, marketing, and product management; and 14 in research and development.

Overall Performance

During the three months ended March 31, 2013 ("Q1 2013"), Acceleware achieved its second consecutive quarter of year-over-year increase in revenue. Revenue increased 124% to \$953,027 in Q1 2013 compared to \$424,537 in Q1 2012 due to an increase in both product and consulting revenue. Revenue decreased 6% from \$1,010,814 recorded in Q4 2012 due to decreased consulting revenue.

During the three months ended March 31, 2013, Acceleware achieved its second consecutive quarter of positive total comprehensive income. Total comprehensive income for Q1 2013 was \$71,492, a significant increase compared to a total comprehensive loss of (\$389,464) for the three months ended March 31, 2012. The increase in total comprehensive income is a result of increased revenue and other income, which were partially offset by increased expenses particularly cost of revenue and research and development. Total comprehensive income for Q1 2013 decreased 38% from \$115,709 recorded in Q4 2012 due to lower consulting revenue.

At March 31, 2013, Acceleware had \$659,800 in working capital compared to December 31, 2012 when it was \$604,727. Cash and cash equivalents have decreased marginally since December 31, 2012 from \$341,897 to \$337,584 as at March 31, 2013. At March 31, 2013 the Company had \$65,295 (December 31, 2012 - \$56,158) in combined short-term and long-term debt in the form of finance leases. The increase in working capital is related to an increase in trade and other receivables and an increase in SR&ED tax credits offset by higher trade and other payables. 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 a 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.*

First Quarter Highlights and Events

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, instructing programmers from the energy industry on leading-edge software design and optimization for the NVIDIA® CUDA® parallel computing platform and programming model.

Strategic Update

Oil and Gas Focus

In 2013, 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. This 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 2013, 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

* 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

throughout 2013. 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, DownUnder GeoSolutions and Tsunami Development. 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 the oil and gas revenue markets 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 sales of the Company's products and services.*

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 2013, 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 expanding 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. Acceleware could offer these tools as products should the technology prove successful in improving heavy oil 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.

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In 2013 Acceleware will host several HPC training classes in both open enrolment format and custom-designed formats for individual organizations.

Going forward into 2013 Acceleware will continue to focus on Oil & Gas, with RTM and RF Heating as the two strategic revenue and investment technologies. Innovations and improvements to the FDTD solution will continue for the traditional markets and be an enabling technology for RF Heating 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, 2013.

| | 2013 | | 2012 | | 2011 | | | |
|--|-----------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Revenue | \$953,027 | \$1,010,814 | \$743,161 | \$732,068 | \$424,537 | \$747,153 | \$761,937 | \$738,634 |
| Cash generated (used) in operating activities | 31,782 | (52,718) | 96,941 | (162,723) | (310,588) | 243,366 | (153,812) | (342,206) |
| Income (loss) before income tax | 71,492 | 107,096 | (145,194) | (56,253) | (389,464) | (131,068) | 32,801 | (106,168) |
| Total comprehensive income (loss) for the period | 71,492 | 107,096 | (145,194) | (56,253) | (389,464) | (131,068) | 32,801 | 811,028 |
| Earnings (loss) per share basic and diluted | \$0.001 | \$0.002 | (\$0.003) | (\$0.001) | (\$0.007) | (\$0.003) | \$0.001 | \$0.015 |

During the three months ended March 31, 2013 (“Q1 2013”) the Company achieved its second consecutive quarter of year-over-year revenue growth, and its second consecutive quarter of positive total comprehensive income. Compared to the same quarter a year earlier, Acceleware showed a significant increase in revenue during Q1 2013. Cash generated in operating activities increased significantly in Q1 2013 compared to Q1 2012 due to increased revenue. The Company also reported positive total comprehensive income in Q1 2013 as compared to a loss in Q1 2012 as revenue increased significantly more than expenses.

Results of Operations

Revenue

During the three months ended March 31, 2013, the Company reported total revenues of \$953,027, a 124% increase compared to \$424,537 for the three months ended March 31, 2012. The increase in recognized revenue over the same period in the prior year was due to an increase in product sales and consulting revenue. Recognized revenue decreased 6% in Q1 2013 compared to \$1,010,814 in Q4 2012 due largely to lower consulting revenue.

| Revenue | Three months ended 03/31/2013 | Three months ended 03/31/2012 | Three months ended 12/31/2012 | % change Q1 2013 over Q1 2012 | % change Q1 2013 over Q4 2012 |
|----------------|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Product sales | \$ 166,855 | \$ 46,096 | \$ 128,748 | 262% | 30% |
| Maintenance | 73,368 | 75,254 | 80,911 | -3% | -9% |
| Consulting | 712,804 | 303,187 | 801,155 | 135% | -11% |
| | \$ 953,027 | \$ 424,537 | \$ 1,010,718 | 124% | -6% |

Product sales increased 262% from \$46,096 in Q1 2012 to \$166,855 in Q1 2013 and increased 30% from \$128,748 in Q4 2012. The increase in product revenue in Q1 2013 from the same period a year ago is due to increased AxRTM sales, and a one-time AxRecon license sale. With the AxRecon sale, the Company is exiting the medical imaging market, and consequently future AxRecon revenue is not expected from that market. Maintenance revenue decreased 3% from \$75,254 in Q1 2012 to \$73,368 in Q1 2013 reflective of the overall decrease in product sales over the preceding 12 months. Maintenance revenue decreased 9% in Q1 2013 compared to the \$80,911 recorded in Q4 2012 for the same reason. Consulting services increased 135% to \$712,804 in Q1 2013 from \$303,187 recorded in Q1 2012 due to an increase in oil and gas consulting services for both RF heating and HPC. Consulting revenue decreased 11% from the \$801,155 recorded in Q4 2012.

Expenses

| Expenses | Three months ended 03/31/2013 | Three months ended 03/31/2012 | Three months ended 12/31/2012 | % change Q1 2013 over Q1 2012 | % change Q1 2013 over Q4 2012 |
|------------------------------|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Cost of revenue | \$ 228,889 | \$ 97,764 | \$ 260,042 | 134% | -12% |
| General & administrative | 376,156 | 457,931 | 218,579 | -18% | 72% |
| Research & development | 331,473 | 258,306 | 424,797 | 28% | -22% |
| Loss on disposal of property | -- | -- | 300 | N/A% | -100% |
| | \$ 936,518 | \$ 814,001 | \$ 903,718 | 15% | 4% |

Expenses increased 15% during the three months ended March 31, 2013 to \$936,518 from \$814,001 for the three months ended March 31, 2012. The increase is primarily a result of increased cost of revenue and research and development expense, partially offset by decreased general and administrative expense. Expenses increased 4% from the \$903,718 recorded in Q4 2012, due to increased general and administrative expense.

Cost of revenue for Q1 2013 increased 134% to \$228,889 from \$97,764 in Q1 2012. The increase is a result of increased time and expenses related to the increased consulting services revenue. Cost of revenue decreased 12% from \$260,042 expensed in Q4 2012, which is consistent with the decrease in consulting revenue.

General and administrative expenses (“G&A”) include all salaries (excluding research and development personnel) and related expenses (including benefits and payroll taxes); sales and marketing activities; facility costs; stock-based compensation; a proportion of amortization of assets; and professional fees. For the three months ended March 31, 2013, G&A expenses decreased 18% to \$376,156 from \$457,931 recorded in Q1 2012. The decrease is a result of decreased salaries and other expenses. G&A expense increased 72% in Q1 2013 compared to the \$218,579 recorded in Q4 2012. The increase is a result of increased salaries, rent, supplies and public company fees.

For the three months ended March 31, 2013, research and development (“R&D”) expenditures increased 28% to \$331,473 from \$258,306 for the three months ended March 31, 2012. The increase is a result of increased staff in Q1 2013 and decreased Alberta SR&ED tax credits. R&D expense decreased 22% in Q1 2013 compared to the \$424,797 recorded in Q4 2012.

Other income

During the three months ended March 31, 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 previous quarters. 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 is interest income on cash deposits.

Total comprehensive income (loss)

The Company had a total comprehensive income for the three months ended March 31, 2013 of \$71,492 a significant increase from the loss of (\$389,464) recorded in Q1 2012 due to increased revenue and other income. Total comprehensive income decreased 33% from the \$107,096 recorded in Q4 2012, due to reduced revenue and increased expenses.

Liquidity and Capital Resources

At March 31, 2013, Acceleware had \$659,800 in working capital compared to December 31, 2012 when it was \$604,727. Cash and cash equivalents have decreased marginally since December 31, 2012 from \$341,897 to \$337,584 as at March 31, 2013. At March 31, 2013 the Company had \$65,295 (2011 - \$56,158) in combined short-term and long-term debt in the form of finance leases. The increase in working capital is related to an increase in trade and other receivables and an increase in SR&ED tax credits offset by higher trade and other payables. 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 a software products, consulting services and training; focus on selected core vertical markets; minimize operating expenses where possible; and limit capital expenditure.

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 flows generated in operations totaled \$31,782 for the three months ended March 31, 2013, compared to cash used in operations of (\$310,588) for the three months ended March 31, 2012. The increase is a result of increased income before taxes.

Trade and Other Receivables

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Accounts receivable as at March 31, 2013 increased to \$808,202, compared to \$697,906 as at December 31, 2012. The increase is a result of increased revenue and invoicing toward the end of Q1 2013. The Company maintains close contact with its customers to mitigate risk in the collection of accounts receivable.

Alberta SR&ED Tax Credits

For the three months ended March 31, 2013 the Company has recorded \$30,729 in additional Alberta SR&ED tax credit receivables compared to \$47,274 for the three months ended March 31, 2012. The total tax credit receivable was \$186,309 at March 31, 2013 (December 31, 2012 - \$155,580).

Current Liabilities

As at March 31, 2013, the Company had current liabilities of \$767,622 compared to current liabilities of \$704,526 as at December 31, 2012. The increase in current liabilities is due to increased deferred salaries and other payroll liabilities, increased trade payables and increased deferred revenue.

Investing Activities

For the three months ended March 31, 2013, \$58,101 was invested in property and equipment, primarily computer equipment and software. \$12,614 of the investment in property and equipment relates to equipment under finance lease.

Financing Activities

During the three months ended March 31, 2013, \$12,614 was received in the form of computer equipment finances leases. During Q1 2013 \$3,477 was repaid on finance leases compared to \$nil in Q1 2012.

Risks Factors and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since December 31, 2012. A discussion of risks affecting the Company and its business is set forth under the Risk Factors and Uncertainties in Management's Discussion and Analysis for the period ended December 31, 2012.

Transactions with Related Parties

For the three months ended March 31, 2013, the Company incurred expenses in the amount of \$39,000 (March 31, 2012 - \$37,114) to 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, \$14,125 was included in accounts payable and accrued liabilities as at March 31, 2013 (December 31, 2012 \$8,219). These fees occurred in the normal course of operations and have been recognized at the agreed to exchange amount which in the opinion of Management approximates fair value for services rendered.

Three officers of the Company have advanced \$180,197 (December 31, 2012 - \$163,797) to the Company. These amounts are non-interest bearing, unsecured and are to be repaid no later than December 31, 2013. 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, 2013 | Three months ended March 31, 2012 |
|---|--|--------------------------------------|
| Salaries and short-term employee benefits | \$ 197,480 | \$ 227,877 |
| Share-based payments | 7,365 | 14,320 |
| | \$ 204,845 | \$ 242,197 |

Critical Accounting Estimates

General

The Management's Discussion and Analysis for the year ended December 31, 2012 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, 2013 or later periods. The standards affected are as follows:

IFRS 9, 'Financial Instruments' 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 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 categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primary unchanged from IAS 39, other than the fair value measurement option which now addresses an entity's own credit risk. Additional amendments are expected with respect to de-recognition of financial instruments, impairment and hedge accounting. This new standard will also affect disclosures provided under IFRS 7 Financial instrument: disclosures. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

The Company is currently assessing the impact of these standards on its reporting and disclosures.

Financial Instruments and Other Instruments

The Company's only financial instruments are the monetary assets and liabilities appearing on its balance sheet.

Disclosure of Outstanding Share Data

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

| | |
|---------------|------------|
| Common Shares | 55,950,266 |
| Stock Options | 4,350,000 |

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 annual financial statements for December 31, 2012 that are available on www.sedar.com and as noted below.

| Research and Development | Three months ended March 31, 2013 | Three months ended March 31, 2012 |
|---------------------------------|--|--|
| Salaries | \$ 227,693 | \$ 173,850 |
| Consulting | 81,895 | 68,979 |
| R&D lab supplies | 17,498 | 20,263 |
| Stock-based compensation | 6,813 | 11,418 |
| Rent and overhead allocations | 19,033 | 16,817 |
| Amortization | 9,270 | 14,253 |
| Alberta SR&ED Tax Credits | (30,729) | (47,274) |
| Total | \$ 331,473 | \$ 258,306 |

| Sales, General and Administration | Three months ended March 31, 2013 | Three months ended March 31, 2012 |
|--|--|--|
| Salaries | \$ 244,588 | \$ 274,322 |
| Marketing | 29,182 | 30,918 |
| Travel | 18,182 | 10,402 |
| Share-based payments | 5,454 | 11,880 |
| Rent, supplies and public company fees | 56,632 | 101,175 |
| Amortization | 9,270 | 14,253 |
| Professional fees | 12,417 | 14,981 |
| Total | \$ 376,156 | \$ 457,931 |