

ACCELEWARE CORP.

Management's Discussion and Analysis
Three Months Ended March 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR ACCELEWARE CORP.

This management discussion and analysis focuses on key statistics from the financial statements and pertains to known risks and uncertainties relating to Acceleware Corp. (formerly Poseidon Capital Corp.). This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion also includes various forward-looking statements regarding Acceleware Corp. and its future activities and financial results. These statements are based on certain assumptions that are considered reasonable by management. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties and actual results could differ materially from those indicated by such forward-looking statements. This discussion and analysis of the financial condition and results of operations for the three-month period ended March 31, 2007 should be read in conjunction with the unaudited March 31, 2007 financial statements of Acceleware Corp. and related notes contained in other parts of this report, and the Acceleware Corp. audited financial statements for the seventeen-month period ended December 31, 2006. Management's discussion and analysis is presented as of May 30, 2007. All financial information contained herein is expressed in Canadian dollars unless otherwise indicated.

Background

Acceleware Corp. was incorporated as Poseidon Capital Corp. under the *Business Corporations Act* (Alberta) on August 6, 2004. Effective June 12, 2006, Poseidon Capital Corp. changed its name to "Acceleware Corp.". For the purposes of this discussion all references to Poseidon Capital Corp. prior to June 12, 2006 are in the name of Acceleware Corp.

Pursuant to a final prospectus dated January 14, 2005, Acceleware Corp. completed its initial public offering of 4,000,000 common shares ("Common Shares") at a price of \$0.20 per share for gross proceeds of \$800,000 on March 30, 2005. Subsequently, the Common Shares were listed on the TSX Venture Exchange Inc. (the "TSXV") and began trading on April 6, 2005.

Acceleware Corp. executed a letter of intent dated July 25, 2005 (as amended August 15, 2005) to acquire all of the issued and outstanding shares (the "Acquisition") of Acceleware Inc. an Alberta corporation. Acceleware Inc. is a technology company based in Calgary, Alberta that specializes in the development, manufacturing and marketing of special purpose software/hardware accelerators used to reduce engineering design simulation and data processing run times. On December 22, 2005, Acceleware Corp., Acceleware Inc. and the shareholders of Acceleware Inc. entered into a share purchase agreement (the "Acquisition Agreement") in connection with the Acquisition. In addition, Acceleware Corp. filed a filing statement on www.sedar.com dated December 22, 2005, which contained complete disclosure of the details of the Acquisition (the "Filing Statement").

On January 12, 2006, Acceleware Corp. acquired all of the issued and outstanding securities of Acceleware Inc. pursuant to the Acquisition Agreement. Pursuant to the Acquisition Agreement, Acceleware Corp. issued 11,623,952 Common Shares to the Acceleware Inc. shareholders on a pro rata basis. In addition, Acceleware Corp. issued 673,930 options to purchase Common Shares to certain principals and employees of Acceleware Inc. in exchange for the cancellation of 1,110,000 Acceleware Inc. options. Following completion of the Acquisition, Acceleware Inc. became a wholly-owned subsidiary of Acceleware Corp.

As the shareholders of Acceleware Inc. were issued sufficient voting shares to obtain voting control of Acceleware Corp., the transaction is accounted in accordance with Canadian Institute of Chartered Accountants' Emerging Issues Committee Abstract 10 – Reverse Takeover Accounting. The transaction is accounted as a continuation of Acceleware Inc. where the transaction is treated as an issuance of shares by Acceleware Inc. for the net monetary assets of Acceleware Corp. The assets and liabilities of Acceleware are included in the consolidated balance sheet at their historical carrying values, and the net monetary assets of Acceleware Corp. less the transaction costs are accounted as cash received on the issuance of shares.

Acceleware Inc. previously had a July 31 year-end. Following the reverse takeover transaction, Acceleware Inc. changed its fiscal year-end to December 31. Financial statements for those quarters prior to the Acquisition have not been prepared for Acceleware Inc. and therefore are not presented in this MD&A. On December 31, 2006, Acceleware Inc. amalgamated with Acceleware Corp., with Acceleware Corp. as the continuing entity.

Overall Performance

As at March 31, 2007, the Company had \$10,758,642 in working capital and no debt. The seventeen-month period ended December 31, 2006 marked Acceleware's transition from a development stage enterprise to a commercial undertaking with planned principal operations. Acceleware has taken its first product family to market and has begun generating revenues. 2007 has started off very well with NVIDIA Corporation (NASDAQ: NVDA) investing in Acceleware, followed by a bought deal private placement with Northern Securities Inc. The remainder of 2007 will see the development of long-term shareholder value with further development of Acceleware's solutions, increased sales, new product releases, new partnerships and new markets.

Currently, Acceleware is selling product into the electromagnetic simulation (EM) market consisting of the largest mobility, electronics, and government organizations in the world. Within this market there are roughly forty potential channel partners operating in the Computer Assisted Design (CAD) and Computer Assisted Engineering (CAE) space. As at March 31, 2007, the Company had established partnership agreements with seven such CAD/CAE companies. The Company does not yet sell directly to end-users. Through these partners and the efforts of the Company, demand is building for the Accelerator™ and ClusterInaBox™ acceleration products. In addition to the activities within the EM market, Acceleware has a working beta product for the seismic segment of the oil and gas market and is actively planning for a commercial launch by the fourth quarter of 2007. Also, market research and business planning has begun for entry into biomedical markets.

Acceleware had recognized revenue of \$366,841 during the three-month period ended March 31, 2007. To provide further clarity with regard to sales performance, Acceleware had overall gross margins averaging 52.6% during this three-month period. Reported customer satisfaction with respect to these sales has continued to be high.

For over two years, Acceleware has been collaborating with NVIDIA Corporation (NASDAQ: NVDA), the worldwide leader in programmable graphics processor technologies. As a result of the Company's research and development efforts, Acceleware has become a global leader in fostering the commercial deployment of graphical processing units (GPUs) for non-graphics applications, and the first to provide a standard commercial product offering in the electromagnetic simulation market.

On January 22, 2007, NVIDIA endorsed Acceleware's business strategy and research and development efforts by investing \$2,925,000 in Acceleware and, in the process, became an insider of the Company. Acceleware granted NVIDIA a non-voting observer seat on Acceleware's board of directors. Following NVIDIA's investment, Acceleware raised additional funds through a brokered private placement by Northern Securities Inc., for gross proceeds of \$8,000,000, which closed on February 14, 2007.

In anticipation of future growth, the Company continued to add employees and in aggregate the Company has expanded from fifteen personnel at March 31, 2006 to thirty-seven personnel at March 31, 2007.

Currently, in the EM market, most of the major mobile phone manufacturers in the world are using Acceleware's products. These companies run what is referred to as a "cell-phone head" simulation on dual-CPU workstations. These simulations take in the order of five to eight hours. Acceleware's technology, by comparison, offers manufacturers dramatically enhanced performance. For example, when running identical simulations on the Company's V1.0 ClusterInaBox™, completion times are in the range of 45 to 60 minutes, while Acceleware's V2.0 ClusterInaBox™ product can complete these same simulations in 15 to 30 minutes. In the near term, the Company is working towards releasing its third generation product line, which will also include a quad accelerated solution, furthering our technical leadership. The Company expects that its ability to continually improve product performance will result in sustained and growing revenue streams as end-users upgrade to increasingly faster and more powerful Accelerator™ products in pursuit of markedly enhanced performance and improved return on investment (ROI) in the simulation technology they deploy. As a benchmark, the Accelerator™ product line was recently upgraded from version 1.0 to 2.0, increasing performance by a factor of 2, with memory and features doubling as well, within 12 months of version 1.0's initial product launch.

Results of Operations

During the three-month period ended March 31, 2007, the Company reported revenues of \$366,841, compared to \$344,613 for the eight-months ended March 31, 2006, for sales of the Company's Accelerator™ and ClusterInaBox™ hardware acceleration products. Cost of products sold for the three-months ended March 31, 2007 was \$157,592, compared to \$156,509 for the eight-months ended March 31, 2006.

For the three-months ended March 31, 2007, research and development expenditures were \$246,629 compared to \$280,000 for the eight-months ended March 31, 2006. Research and development costs include salaries and related costs of personnel directly engaged in these activities and direct materials, offset by the benefit of \$76,455 of government assistance through the NRC - Industrial Research Assistance Program. Included in the research and development expenses for the three-months ended March 31, 2007 was \$8,993 in respect of stock-based compensation, compared to \$33,389 for the eight-month ended March 31, 2006. These research and development expenditures were incurred in the further development of the Company's existing and new hardware acceleration products and integration of the products with the Company's channel partners.

General and administrative expenses include: all salaries (excluding research and development personnel) and related expenses (including benefits and payroll taxes); sales and marketing activities; facility costs; professional and public company fees; insurance costs; investor relations; and foreign exchange expenses. For the three-months ended March 31, 2007, the Company incurred general and administrative expenses of \$1,087,461, compared to \$543,006 for the eight-months ended March 31, 2006. Included in the general and administrative expenses for the three-months ended March 31, 2007 was \$82,647 in respect of stock based compensation, compared to \$10,702 for the eight-months ended March 31, 2006.

The increase in both research and development expenditures and general and administrative expenses was primarily due to the increase in employees and sales and marketing activities over the eight-month period ended March 31, 2006.

Overall, the Company had a net loss of \$1,175,926 for the three-months ended March 31, 2007, compared to a net loss of \$644,401 for the eight-months ended March 31, 2006.

Summary of Quarterly Results

The following table highlights revenue, net income and loss per share for the most recent quarter ended March 31, 2007. Financial statements for those quarters prior to the Acquisition (effective January 12, 2006) have not been prepared for Acceleware and therefore are not presented in this MD&A. As a result, quarterly results for the three months ended March 31, 2006 are not presented (December 31, 2005 financial information for Acceleware was not prepared).

	Mar 31, 2007	Dec 31, 2006	Sept 30, 2006	June 30, 2006	March 31, 2006	Dec 31, 2005
Revenue	\$366,841	\$260,113	136,151	\$311,424	N/A	N/A
Net Income/(Loss)	(\$1,175,926)	(\$701,316)	(\$564,840)	(\$357,181)	N/A	N/A
Earnings/(Loss) Per Share	(\$0.06)	(\$0.03)	(\$0.03)	(\$0.02)	N/A	N/A

Liquidity and Capital Resources

Operating Activities

Cash flow used for operations totaled \$1,249,797 for the three-months ended March 31, 2007, compared to \$703,484 for the eight-months ended March 31, 2006. Accounts receivable as at March 31, 2007 were \$471,597, compared to \$494,131 as at March 31, 2006. Inventories increased to \$476,747 as the Company acquired hardware parts to assemble its hardware acceleration products in anticipation of near-term sales. Maintenance revenue is deferred and recognized to income over the term of the contracts. Revenue of \$125,026 was deferred, of which \$96,170 will be recognized over a period of one year or less and the remaining \$28,856 over approximately five years. The funds associated with the deferred revenue have been received by the Company.

As at March 31, 2007, the Company had current liabilities of \$436,873, compared to current liabilities of \$33,714 as at March 31, 2006. The increase in current liabilities was due recruitment costs, build out of leasehold improvements, general trade payables and accrued payroll liability for employee vacation entitlements.

Investing Activities

Capital asset additions, consisting generally of computer equipment and furniture, totaled \$170,779 for the three-months ended March 31, 2007, compared to \$93,648 for the eight-months ended March 31, 2006.

Financing Activities

The Company has financed operations, research and development and capital expenditures primarily through equity offerings of shares, government assistance and tax credits from NRC and SR&ED respectively. Net proceeds from the issuance of Common Shares and warrants totaled \$10,901,813 from the private placements by NVIDIA and Northern Securities and the exercise of warrants and agent options for the three-months ended March 31, 2007, compared to \$1,593,757 for the eight-months ended March 31, 2006.

Acceleware's cash and cash equivalents increased to \$10,108,323 as at March 31, 2007, compared to \$1,035,718 as at March 31, 2006. As at March 31, 2007, the Company had a working capital surplus of \$10,758,642 (March 31, 2006: \$1,218,816). The Company had no debt as at March 31, 2007 and March 31, 2006.

Off-Balance Sheet Arrangements

Guarantees

Generally it is not the Company's policy to issue guarantees to third parties, however, it has entered into certain agreements as more fully described in Note 10 to the December 31, 2006 Audited Financial Statements. As of March 31, 2007, the Company believes that it is remote that the indemnification provisions described therein would require any material cash payment. As is the case with any business, the Company may be subject to certain regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business.

Risks Factors and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since December 31, 2006. 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, 2006.

Transactions with Related Parties

There were no transactions with related parties during the three-month period ended March 31, 2007. During the eight-months ended March 31, 2006, raw materials in an amount of \$58,116 were purchased from a company controlled by an officer of Acceleware. Since June 30, 2006, no amount was payable to the related party. These transactions occurred in the normal course of operations and have been recognized at the agreed to exchange amount, which in the opinion of management approximates the fair value of the transaction. The company controlled by the officer had accounts with various hardware suppliers that Acceleware utilized, while Acceleware was awaiting approval from these suppliers to create accounts of its own. Effective May 30, 2006, Acceleware ceased purchasing from the officer's company.

Critical Accounting Policies Estimates

General

The Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2006 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 financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements with the exceptions noted below:

Changes in Accounting Policies including Initial Adoption

a) Initial Adoption

The Company adopted new accounting standards effective January 1, 2007, which had no material effect on the accounts of the financial statements. Readers should refer to Note 2 of the unaudited consolidated financial statements at March 31, 2007 for a full description of the accounting policy changes. These new accounting standards did not have a significant effect on the Company's financial results upon adoption in Fiscal 2007.

b) Primary sources of GAAP that have been issued but have not yet come into effect or have not been adopted:

As described in the Company's MD&A in respect of its December 31, 2006 audited financial statements, there were a number of new standards issued by the CICA which will come into effect for Acceleware in fiscal 2008 and beyond. Other than the new standards discussed therein, there have been no further issuances of primary sources of GAAP issued that are anticipated to affect the Company.

Subsequent Events

On April 24, 2007, Acceleware Corp. entered into a five year lease commitment for 9,262 square feet of commercial office space. The base rent is \$13,121 monthly and \$157,454 annually, for a minimum commitment over five years of \$787,454 plus additional rents. Additional rents are comprised of a proportionate share of realty taxes, operating costs, utilities and additional services.

On May 2, 2007, Acceleware Corp. granted to certain of its directors, an officer and employees an aggregate of 415,000 options to acquire common shares of Acceleware. The options have an exercise price of \$1.08 per share and expire on May 2, 2012. One-third (1/3) of the options will vest immediately, one-third (1/3) will vest on May 2, 2008, and one-third (1/3) will vest on May 2, 2009.

On May 14, 2007, Acceleware Corp. completed a non-brokered private placement of 90,000 units to Robert Miller, Vice President of Marketing and Product Development for Acceleware, at a price of \$1.08 per Unit for gross proceeds of \$97,200. Each Unit consists of one common share and one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$1.80 per common share for a period of 12 months.

Disclosure of Outstanding Share Data

As at May 30, 2007, Acceleware Corp. had the following common shares, options and warrants outstanding:

Common Shares	34,897,748
Stock Options	3,025,143
Warrants	1,189,965 @ \$0.70 250,000 @ \$0.96 2,250,000 @ \$1.29 90,000 @ \$1.80 3,076,923 @ \$2.00
Agent's Options	62,571 @ \$0.42
Broker Warrants*	429,308 @ \$1.30**

* Referenced as Agent Options in the unaudited financial statements for March 31, 2007.

** Each Broker Warrant consists of one common share and one half of one common share purchase warrant at \$2.00.

Disclosure Controls And Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Acceleware Corp. is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of March 31, 2007, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to Acceleware Corp. is made known to them by others within the entity. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures are effective and provide a reasonable level of assurance, they do not expect that the disclosure controls and procedures will necessarily and in every conceivable circumstance, prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls Over Financial Reporting

The Corporation's management is responsible for establishing and maintaining adequate internal controls over financial reporting. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial statement preparation and presentation. The Corporation did not make any change in its internal control over financial reporting during the quarter ended March 31, 2007 that has materially affected, or is reasonably likely to affect, the Corporation's internal control over financial reporting.

Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning the Company's research and development expenses and general and administrative expenses is provided in the unaudited financial statements for March 31, 2007 and the audited financial statements for the seventeen-month period ended December 31, 2006, which are available on www.sedar.com.