

**ACCELEWARE CORP.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED MARCH 31, 2008**

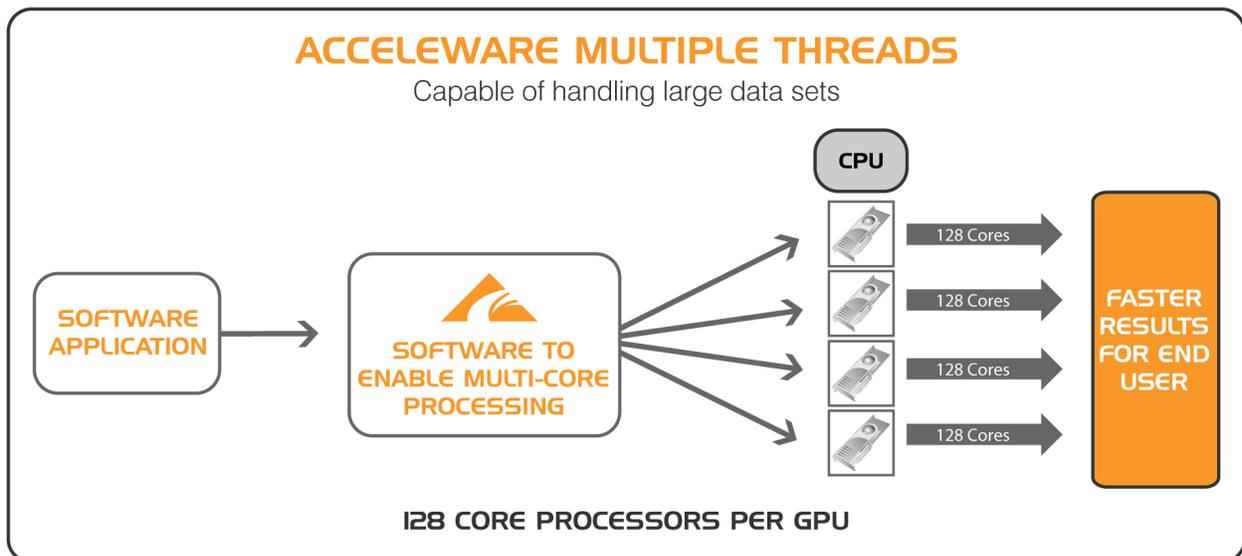
This management’s discussion and analysis focuses on key statistics from the financial statements and pertains to known risks and uncertainties relating to Acceleware Corp (“Acceleware” or the “Company”). This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion also includes various forward-looking statements regarding Acceleware 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, 2008 should be read in conjunction with the audited financial statements for the year ended December 31, 2007. Management’s discussion and analysis is presented as of May 26, 2008. All financial information contained herein is expressed in Canadian dollars unless otherwise indicated.

Company Overview

Acceleware is a high performance computing (“HPC”) company that sells a specialized combination of proprietary software and hardware that significantly reduces the computer processing time required for large scale mathematical calculations.

Acceleware solutions are deployed by major organizations worldwide to accelerate computer simulation and data processing applications in areas such as electronics, oil & gas, medical and security imaging, industrial and consumer product design, and academic research. Computing tasks in these fields can take several weeks to a year to complete, and represent a major bottleneck that prevents progress and innovation. Acceleware’s solutions allow organizations to accomplish the same tasks in a matter of hours or a few days, and also allow organizations to tackle larger, more complex problems. By enhancing a client’s ability to compute, Acceleware helps them to compete.

Acceleware’s proprietary middleware interface allows existing software programs to utilize the multi-core computing platforms that are available today. The Company’s proprietary solutions allow these existing software applications to leverage a combination of Graphic Processing Units (“GPUs”) and multi-core CPUs as mathematical co-processors. Through this technology, Acceleware has brought supercomputing to the desktop.



Today, most of the major mobile phone manufacturers in the world are using Acceleware's solutions to design their products more rapidly. Acceleware's third-generation multi-board GPU solutions can accelerate simulation and processing algorithms by over 35 times.

The turn key 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 change their work processes. Acceleware's partners assist the Company in marketing its products to the end user.

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. As at March 31, 2008, Acceleware had 74 employees based in the Company's headquarters in Calgary, Alberta.

Overall Performance

As at March 31, 2008, the Company had \$7,095,204 in working capital and no debt, compared to \$10,758,642 as at March 31, 2007 and no debt. Acceleware had recognized revenue of \$1,238,523 from product sales and maintenance and deferred revenue of \$249,653 during the three-months ended March 31, 2008. Margins for the first quarter were impacted by a large hardware only sale for the co-development of a new product, the valuation allowance applied to any outstanding field demonstration units at client sites that are available for sale but not yet sold, and overhead allocations related to the adoption of CICA Handbook Section 3031 "Inventories". Gross margins are anticipated to improve throughout 2008. The Company recognizes revenue on approximately 90% of all sales and amortizes the remaining 10% of those sales (deferred revenue) into revenues over 13 months from the date of the sale. The Company had a net loss for the three-month period ended March 31, 2008 of \$2,148,420 compared to a net loss of \$1,175,926 for March 31, 2007. The net loss increased over the same period in the prior year, as the Company incurred additional costs to ramp up for future growth and development of other vertical markets, including additional staff and relocating to new facilities. In anticipation of market growth, the Company continued to add employees and in aggregate the Company has expanded from 37 personnel at March 31, 2007 to 74 at March 31, 2008.

Selected Financial Information

The following table shows selected financial information for Acceleware's audited annual financial statements for the year ended December 31, 2007. Along with certain financial information for the three-month period ended March 31, 2008 and March 31, 2007. Readers are cautioned that there are inherent distortions in comparing a seventeen-month fiscal period with the other fiscal periods noted in the table.

	Twelve Months Ended Dec 31, 2007 (Audited)	Three Months Ended March 31, 2008 (Unaudited)	Three Months Ended March 31, 2007 (Unaudited)
Total Revenue	2,631,878	\$1,354,964	\$366,841
Net Loss	(6,737,746)	(\$2,148,420)	(\$1,175,926)
Loss Per Share both basic and diluted	(\$0.20)	(\$0.05)	(\$0.06)
Total Assets	\$12,569,293	\$10,990,492	\$11,673,341
Long-Term Debt	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

Results of Operations for March 31, 2008

During the three-month period ended March 31, 2008, the Company reported total revenues of \$1,354,964 compared to \$366,841 for the three-month period ended March 31, 2007 which includes product sales and maintenance of \$1,238,523 of the Company's hardware acceleration products. The increase in revenue over the comparable period was due to the addition of channel partner distributors and the resulting penetration with the target end-users of the Company's product. Cost of products sold for the three-month period ended March 31, 2008 was \$814,782 compared to \$157,592 for the three-month period ended March 31, 2007. The cost of products sold for the first quarter were impacted by a large hardware only sale for the co-development of a new product, the valuation allowance applied to any outstanding field demonstration units at client sites that are available for sale but not yet sold and overhead allocations related to the adoption of CICA Handbook Section 3031 "Inventories". Gross margin (excluding interest revenue of \$116,441) for the three-month period ended March 31, 2008 was \$423,741 compared to \$175,072 (excluding interest revenue of \$34,177) for the three-month period ended March 31, 2007.

For the three-month period ended March 31, 2008, research and development expenditures were \$861,425 compared to \$246,629 for three-month period ended March 31, 2007. Research and development costs include salaries, consulting fees and related costs of personnel directly engaged in these activities, direct materials. For the three-month period ended March 31, 2007 there was a combined benefit of \$76,455 of government assistance through the NRC - Industrial Research Assistance Program and scientific research and experimental development tax credits ("SR&ED"), for the three-month period ended March 31, 2008 those benefits no longer apply. Included in the research and development expenses for the three-month period ended March 31, 2008 was \$18,989 in respect of stock-based compensation compared to \$8,993 for the three-month period ended March 31, 2007. 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.

Sales, 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; stock-based compensation; and professional fees. For the three-months ended March 31, 2008, the Company incurred sales, general and administrative expenses of \$1,762,284 compared to \$1,087,461 for the three-months ended March 31, 2007. Included in the sales, general and administrative expenses for the three-months ended March 31, 2008, was \$73,839 in respect of stock based compensation compared to \$82,647 for the three-months ended March 31, 2007.

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.

Overall, the Company had a net loss of \$2,148,420 for the three-months ended March 31, 2008 compared to a net loss of \$1,175,926 for the three-months ended March 31, 2007.

Summary of Quarterly Results

The following table highlights revenue, net income and loss per share for the eight most recently completed quarters ended March 31, 2008.

	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06
Revenue	1,354,964	1,024,954	644,023	596,060	366,841	\$260,113	136,151	\$311,424
Net income/(loss)	(\$2,148,420)	(\$2,121,423)	(\$1,795,667)	(\$1,644,729)	(\$1,175,926)	(\$701,316)	(\$564,840)	(\$357,181)
Earnings/(loss) per share basic and diluted	(\$0.05)	(\$0.06)	(\$0.05)	(\$0.05)	(\$0.06)	(\$0.03)	(\$0.03)	(\$0.02)

Liquidity and Capital Resources

Operating Activities

Cash flow used for operations totaled \$2,343,100 for the three-months ended March 31, 2008, compared to \$1,249,797 for the three-months ended March 31, 2007. As a result of increased sales during the quarter, accounts receivable increased to \$1,250,517 as at March 31, 2008, compared to \$471,597 as at March 31, 2007. The increase in recognized revenue and deferred revenue over the quarter was due to the addition of channel partner volumes and the resulting penetration with the target end-users of the Company's product.

Due to the time value of money, the Company recognized a gain on investment of \$25,552 in the carrying value of its asset backed commercial paper ("ABCP") that the Company held at December 31, 2007 (see note 4 of the annual audited financial statements for further details).

Inventories increased to \$1,355,277 as the Company acquired parts to assemble its acceleration hardware for its expanding product portfolio, prepared to diversify into markets such as oil & gas and medical and security imaging, deployment of field demonstration units and commenced staging for the next quarter's sales.

Maintenance revenue for hardware and software sales are deferred and recognized to income over the term of the contracts or approximately over 13 months for most initial product sales and subsequent maintenance contract sales. Revenue of \$249,653 was deferred, of which \$214,432 will be recognized over a period of thirteen months or less and the remaining \$35,221 over approximately 5 years.

As at March 31, 2008, the Company had current liabilities of \$1,410,069 compared to current liabilities of \$436,873 as at March 31, 2007. The increase in current liabilities was due to regular trade payables which consist of inventory and marketing expenses incurred near the end of the quarter, as well as increasing accrued payroll liability for employee vacation entitlements and the set-up of deferred revenues.

Investing Activities

Capital asset additions, consisting generally of computer equipment totaled \$121,313 for the three-months ended March 31, 2008, compared to \$170,779 for the three-months ended March 31, 2007. Included in the computer asset additions for the three-month period ended March 31, 2008 was \$78,513 of transfers from inventory for lab testing and development equipment.

Financing Activities

The Company has financed operations, research and development and capital expenditures primarily through the sales of the Company's products and the exercise of warrants and options for the period ending March 31, 2008. Net proceeds from the issuance of Common Shares from the exercise of warrants and options totaled \$469,136 for the three-months ended March 31, 2008 compared to net proceeds of \$10,901,813, for the three-months ended March 31, 2007.

Acceleware's cash and cash equivalents decreased to \$4,280,130 as at March 31, 2008 compared to \$10,108,233 as at March 31, 2007. In addition to its cash and cash equivalent, for the period ended March 31, 2008, the Company held \$1,569,277 of short-term investments in the form of banker's acceptance and \$1,036,865 in ABCP. As at March 31, 2008, the Company had a working capital surplus of \$7,095,204, compared to \$10,758,642 at March 31, 2007. The Company had no debt as at March 31, 2008 and March 31, 2007.

Sources and Uses for Cash

The Company generates cash flow from the sale of products to distributors and a small number of end-user customers as well as from interest income. Even with, the aforementioned contributions to cash, the Company will still need to obtain additional working capital within the year to continue operations as planned. Absent additional working capital through a financing, and/or the ability to access the third-party sponsored ABCP the Company may be required to adjust the course of its business plan.

Off-Balance Sheet Arrangements

Guarantees

Generally, while it is not the Company's policy to issue guarantees to third parties, Acceleware has entered into certain such agreements as more fully described in Note 11 to the December 31, 2007 Financial Statements. As of March 31, 2008, 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, 2007. 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, 2007.

Transactions with Related Parties

There were no transactions with related parties during the three-month period ended March 31, 2008

Critical Accounting Policies Estimates

General

The Management's Discussion and Analysis for the year ended December 31, 2007 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 audited financial statements with the exceptions noted below:

Changes in Accounting Policies - Initial Adoption

Capital disclosures

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535 "Capital Disclosures". The new section requires an entity to disclose information about its capital and how it is managed. The Company's capital management strategy is outlined in note 5 to the financial statements.

Financial instruments

Effective January 1, 2008, the Company adopted the CICA Handbook Section 3862 “Financial Instruments” and Section 3863 “Financial Instruments – Presentation”, which replace Section 3861 “Financial Instruments – Disclosure and Presentation”. The new sections revise and enhance financial instruments disclosure requirements and place increased emphasis on disclosure about the nature and extent of the risks arising from financial instruments and how the Company manages those risks.

In accordance with these new standards, the Company’s financial instruments are classified as follows:

- Cash and cash equivalents, short-term investments and investments are classified as held-for-trading and accordingly carried at their fair values;
- Accounts receivable are classified as loans and receivables, and accordingly carried at their amortized costs;
- Accounts payable and accrued liabilities are classified as other financial liabilities and are currently carried at their amortized cost.

General standards on financial statement presentation

Effective January 1, 2008, the Company adopted CICA Handbook Section 1400 “General Standards on Financial Statement Presentation”, which requires the Company to assess an entity’s ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The adoption of this standard did not have a material impact on the Company’s financial statements.

Inventories

Effective January 1, 2008, the Company adopted CICA Handbook Section 3031 “Inventories”, which requires inventory to be valued on a first-in, first-out basis or weighted average basis. The new standard also requires fixed and variable production overheads that are incurred in converting material into finished goods to be allocated to the cost of inventory on a systematic basis. The Company assessed a retrospective adjustment to its inventories and considered it not material, therefore no adjustment has been made. The adoption of this standard did not have a material impact on the Company’s financial statements.

Recent accounting pronouncements

Goodwill and intangible assets

CICA Handbook Section 3064 “Goodwill and Intangible Assets”, which replaces CICA Handbook Section 3062 “Goodwill and Intangible Assets”, and Section 3450 “Research and Development Costs”, establishes the standards for recognition, measurement and disclosure of goodwill and intangible assets. Under these new standards, internally generated intangible assets may be recognized in the financial statements under certain circumstances. This standard is effective for the Company for interim and annual financial statements beginning on January 1, 2009. The Company has not yet determined the impact of the adoption of this change on these financial statements.

International financial reporting standards

The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards (IFRS) effective January 1, 2011. The impact of the transition to IFRS on the Company’s financial statement has not yet been determined.

Subsequent Events

On May 6, 2008, Acceleware Corp. granted to certain of its employees an aggregate of 117,500 options to acquire common shares of the Company. The options have an exercise price of \$0.70 per share and expire on May 6, 2013. Ten percent of the options will vest immediately, thirty percent will vest on May 6, 2009, thirty percent will vest on May 6, 2010 and thirty percent will vest on May 6, 2011.

In note 4 to the December 31, 2007 audited financial statements, the ABCP restructuring plan was disclosed. The ABCP noteholders voted in favour of the restructuring plan on April 25, 2008. The restructuring plan is currently awaiting final approval from the Ontario Superior Court of Justice.

Disclosure of Outstanding Share Data

As at May 26, 2008, Acceleware had the following common shares, options and warrants outstanding:

Common Shares	42,081,330
Stock Options	3,490,643
Warrants	2,250,000 @ \$1.29 3,076,923 @ \$2.00
Broker Warrants	280,723 @ \$1.30 492,308 @ \$1.30* *Each Broker Warrant consists of one common share and one-half of one common share-purchase warrant at \$2.00

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, 2007 that are available on www.sedar.com and as noted below.

Research and Development	Mar 31, 2008	Mar 31, 2007
Salaries	\$573,806	\$278,443
Consulting	\$126,137	\$26,118
R&D lab supplies	\$40,846	\$9,530
Stock-based compensation	\$18,989	\$8,993
Rent and overhead allocations	\$101,647	-
IRAP-NRC and SRED Credits	-	(\$76,455)
Total	\$861,425	\$246,629

Sales, General and Administration		
Salaries	\$1,024,795	\$500,817
Marketing	\$179,329	\$84,623
Travel	\$170,005	\$145,339
Rent, supplies and public company fees	\$184,681	\$160,657
Stock-based compensation	\$73,839	\$82,647
Professional fees	\$129,635	\$113,378
Total	\$1,762,284	\$1,087,461