

ACCELEWARE CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2008

Forward Looking Statements

Certain statements contained in this management's discussion and analysis (MD&A) constitute forward-looking statements. These statements relate to future events or the Corporation'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 Corporation believes that the expectations reflected in those 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 contain forward-looking statements, pertaining to the following:

- projections of market prices and costs;
- potential benefits to Acceleware 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;
- supply and demand for Acceleware's primary products and services; and
- expectations regarding Acceleware's ability to raise capital and to protect, continually exploit and continually develop its products and services.

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

- that it will be able to maintain its competitive advantage in the marketplace;
- that it will be able to withstand the impact of increasing competition; and
- that it will be able to obtain additional financing on satisfactory terms.

The Corporation'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.

Additional factors are described in more detail in the Annual Information Form filed with the securities commissions or similar authorities in certain of the provinces of Canada. **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 Corporation'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 Corporation 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.**

This MD&A of the financial condition and results of operations for the three-month period and six-month period ended June 30, 2008 should be read in conjunction with the unaudited interim financial statements for the six-month period ended June 30, 2008 and the audited financial statements for the year ended December 31, 2007. This MD&A is presented as of August 29, 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 specialized software and hardware that 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.

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

Many of today's major mobile phone manufacturers 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 Company's products are important to software developers who are able to easily plug into Acceleware's platform to speed up their programs, saving them the expense and time involved in migrating their applications to a multi-core environment.

Acceleware's products benefit end users by providing greater computing speeds without the need for the user to move to a different software package or change existing work processes.

Acceleware partners with software developers to provide their programs with greater speed. In return, these partners assist the Company in marketing its products to the end user. Some of the Company's current software partners include CST, SPEAG, Remcom, Synopsys and Agilent Technologies.

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 June 30, 2008, Acceleware had a total of 91 employees in the USA and Canada. See, however, the discussion below under the heading "Subsequent Events".

Overall Performance

As at June 30, 2008, the Company had \$4,209,272 in working capital and no debt, compared to \$8,698,740 as at December 31, 2007 and no debt. Acceleware had total revenue of \$2,428,290 and \$962,901 during the six-month period ended June 30, 2008 and June 30, 2007 respectively. During the three-month period ended June 30, 2008, the Company had total revenues of \$1,073,325 compared to \$596,060 in the same quarter in the prior year. For the six-months ended June 30, 2008, the Company had a net loss of \$5,073,058, compared to a net loss of \$2,820,656 during the same period in the prior year. Net losses increased during the first six months of 2008 due primarily to higher expenditures on research and development.

Quarter Highlights:

On May 13, 2008, Acceleware announced the availability of Acceleware AxKTM™, an application library that enables users of 3D Pre-Stack Time Migration (PSTM) solutions to easily access the multi-fold performance benefits of today's leading GPUs (Graphic Processor Units) for the oil and gas sector delivering required processing power for the world's most computing intensive seismic applications.

On June 3, 2008, Acceleware announced the adoption of the AxRecon image reconstruction solution for micro-computed tomography (CT) by a major pharmaceutical company. Eli Lilly, a leading developer of pharmaceutical products, has selected the AxRecon™ solution to speed up image reconstruction times used in the pharmaceutical development process. Pharmaceutical researchers regularly use CT Scanners in the drug development process to observe the effects of novel drug candidates on anatomy.

On June 11, 2008, Acceleware announced that it has entered into an engagement letter with Versant Partners Inc., as lead agent on behalf of a syndicate of agents including, Caris & Company, Blackmont Capital Inc. and Northern Securities Inc. to sell by way of a best efforts short form prospectus offering of a minimum of 18,072,290 units of the Corporation (each a "Unit") and a maximum of 30,120,482 Units at a price of \$0.83 per Unit for minimum gross proceeds of \$15,000,000 and maximum gross proceeds of \$25,000,000. On July 18, 2008, Acceleware announced it would not continue with the short form prospectus offering due to market conditions.

On June 17, 2008, Acceleware and Vector Fields, a world leader in electromagnetic modeling software, announced a partnership to accelerate microwave design by combining Vector Fields' Concerto automation software package with Acceleware's FDTD Accelerator solution. Vector Fields produces software for modeling and analyzing electromagnetic equipment and effects.

On June 17, 2008, Acceleware also announced the release of the world's first commercially available GPU-based cluster solution, the C30-16. This solution combines Acceleware's new clustering technology with its portfolio of specially designed parallel processing computational algorithms to harness the power of 64 GPUs, delivering significant performance and scalability for enterprise customers.

On June 18, 2008, Acceleware announced acceleration of matrix equation solvers found in simulation and data processing software commonly used for scientific and industrial applications. These new methods significantly extend the problem solving capability of the Acceleware Platform, allowing a broad new range of application providers the opportunity to deliver the compelling performance of multi-core and hardware accelerators to their technical computing customers.

Financial Performance Review and Analysis for Three and Six Months Ended June 30, 2008

Revenue

During the three-month period ended June 30, 2008, the Company reported total revenues of \$1,073,325 as compared to \$596,060 for the three-month period ended June 30, 2007 and for the six-months period ended June 30, 2008 reported total product sales of \$2,428,290 as compared to \$962,901 for the six-months ended June 30, 2007.

The increase in recognized revenue over the comparable period was due to the addition of new channel partner and higher sales per channel partner targeted end-users of the Company's product. Recognized revenue in the three month period ending June 30, 2008 was somewhat lower than recognized revenues in the first three months of 2008 due to fewer orders being received from the Company's main channel partners.

	Three Months Ended June 30, 2008 (unaudited)	Three Months Ended June 30, 2007 (unaudited)	Six Months Ended June 30, 2008 (unaudited)	Six Months Ended June 30, 2007 (unaudited)
Revenue				
Product sales	\$ 949,243	\$ 495,565	\$ 2,057,381	\$ 789,865
Maintenance	86,249	43,000	216,635	81,364
Interest	37,833	57,495	154,274	91,672
	1,073,325	596,060	2,428,290	962,901

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. Revenue of \$301,572 was deferred, of which \$273,016 will be recognized over a period of thirteen months or less and the remaining \$28,556 over approximately 5 years.

Operating Expenses

	Three Months Ended June 30, 2008 (unaudited)	Three Months Ended June 30, 2007 (unaudited)	Six Months Ended June 30, 2008 (unaudited)	Six Months Ended June 30, 2007 (unaudited)
Expenses				
Costs of product sales	\$ 653,898	\$ 265,950	\$ 1,468,679	\$ 423,542
General and administrative	2,071,171	1,493,545	3,833,457	2,581,008
Research and development	1,203,883	444,511	2,065,308	691,139
Amortization	69,011	36,783	133,904	87,868
	3,997,963	2,240,789	7,501,348	3,783,557

Operating expenses increased significantly during the three months ended June 30, 2008 compared to the three months ended June 30, 2007 as well as in the first six months of 2008 compared to the first six months ended 2007, primarily due to the addition of staff, enhanced employee benefit programs, increased research and development and marketing activities.

Cost of products sold for the three-month period ended June 30, 2008 were \$653,898 compared to \$265,950 for the three-month period ended June 30, 2007 and for the six-month period ended June 30, 2008 were \$1,468,679 as compared to \$423,542 for the six-months ended June 30, 2007. The cost of products sold for the first and second quarters of 2008 was higher because of the impact of the valuation allowance applicable to field demonstration units at client sites that are available for sale but not yet sold and the application of overhead allocations related to the adoption of CICA Handbook Section 3031 "Inventories".

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; and professional fees. The increase in G&A over the comparable period was due to the addition of employees, increased sales and marketing related activities, and the implementation of an employee share purchase plan. For the three-months ended June 30, 2008, G&A was \$2,071,171 compared to \$1,493,545 for the three-months ended June 30, 2007 and for the six-months ended June 30, 2007 was \$3,833,457 compared to \$2,581,008 for the six-months ended June 30, 2007. Included in the G&A for the three-months ended June 30, 2008, was \$74,652 in respect of stock based compensation compared to \$190,063 for the three-months ended June 30, 2007.

For the three-month period ended June 30, 2008, research and development (R&D) expenditures were \$1,203,883 compared to \$444,511 for three-month period ended June 30, 2007 and for the six-months ended June 30, 2008 were \$ 2,065,308 compared to \$691,139 for the six-months ended June 30, 2007. R&D costs include salaries, consulting fees and related costs of personnel directly engaged in these activities, direct materials and overheads. The increase in R&D over the comparable period was due to the addition of 16 researchers. In addition, the current quarter saw an implementation of a company share purchase plan. For the three-month period ended June 30, 2007 there was a combined benefit of \$25,637 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 June 30, 2008 those benefits no longer apply. Included in the R&D expenses for the three-month period ended June 30, 2008 was \$13,882 in respect of stock-based compensation compared to \$31,845 for the three-month period ended June 30, 2007. These R&D 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.

Net Loss

The Company had a net loss for the three-month period ended June 30, 2008 of \$2,924,638 compared to a net loss of \$1,644,729 for June 30, 2007 and for the six-months ended June 30, 2008 losses were \$5,073,058 compared to \$2,820,656 for the six-months ended June 30, 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, additional facilities and the current quarter implementation of a matching share purchase plan program.

Liquidity and Capital Resources

As at June 30, 2008, the Company had \$4,209,272 in working capital and no debt, compared to \$8,698,740 as at December 31, 2007 and no debt. Cash flow used for operations totaled \$3,305,895 for the three-months ended June 30, 2008, compared to \$1,898,826 for the three-months ended June 30, 2007 and for the six-months ended June 30, 2008 cash flow was \$5,648,995, compared to \$3,148,623 for the six-months ended June 30, 2007. The June 30, 2008 financial statements incorporate a going concern clause.

As at June 30, 2008, the Company had current liabilities of \$1,482,302 compared to current liabilities of \$641,214 as at June 30, 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.

Accounts Receivable

As a result of increased sales over the comparable period, accounts receivable increased to \$1,374,483 as at June 30, 2008, compared to \$1,198,480 as at December 31, 2007. The Company maintains close contact with its channel partners to mitigate risk in the collection of accounts receivable.

Asset Backed Commercial Paper

The Company recorded no gain during the three-month period ended June 30, 2008 in the carrying value of its asset backed commercial paper (ABCP). A gain of \$25,552 was recorded for the six-month period ended June 30, 2008 (see note 4 of the annual audited financial statements for further details).

Inventories

Inventories increased to a total of \$1,716,735, including \$1,351,842 of parts to assemble acceleration hardware for the Company's expanding product portfolio, and \$364,893 of field demonstration units deployed to assist in the integration of the Company's products with its channel partners and new sales to prospective end-user customers.

Investing Activities

Capital asset additions, consisting generally of computer equipment and leasehold improvements totaled \$187,850 for the three-months ended June 30, 2008, compared to \$690,278 for the three-months ended June 30, 2007, and additions of \$309,164 for the six-months ended June 30, 2008, compared to \$861,057 for the six-months ended June 30, 2007. The Company also had a short-term investment of \$1,569,277 mature for the period ending June 30, 2008 compared to nil for the comparable period in 2007.

Financing Activities

The Company has financed operations, R&D and capital expenditures primarily through the sales of the Company's products and cash on hand from the net proceeds from the issuance of common shares from prior periods. Net proceeds from the issuance of Common Shares from the exercise of warrants and options totaled \$469,136 for the six-months period ended June 30, 2008 compared to \$11,131,508 for the six-months ended June 30, 2007.

Acceleware's cash and cash equivalents decreased to \$2,449,325 as at June 30, 2008 compared to \$7,748,824 as at June 30, 2007. In addition to its cash and cash equivalent, for the period ended June 30, 2008, the Company held \$1,036,865 in ABCP. As at June 30, 2008, the Company had a working capital of \$4,209,272, compared to \$8,801,040 at June 30, 2007. The Company had no debt as at June 30, 2008 and June 30, 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 anticipates that it will require additional working capital before December 31, 2008 to fully execute its restructuring and re-building as discussed in the Subsequent Events section below. Absent additional working capital through a financing, and/or the ability to access the third-party sponsored ABCP, the Company may be required to make further adjustments to its business-plan to continue as a going concern.

Summary of Quarterly Results

The following table highlights revenue, net income and loss per share for the eight most recently completed quarters ended June 30, 2008.

	Q2/08	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06
Revenue	1,073,325	1,354,964	1,024,954	644,023	596,060	366,841	\$260,113	136,151
Net income/(loss)	(\$2,924,638)	(\$2,148,420)	(\$2,121,423)	(\$1,795,667)	(\$1,644,729)	(\$1,175,926)	(\$701,316)	(\$564,840)
Earnings/(loss) per share basic and diluted	(\$0.07)	(\$0.05)	(\$0.06)	(\$0.05)	(\$0.05)	(\$0.06)	(\$0.03)	(\$0.03)

Subsequent Events

- a) 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 was approved by the Ontario Superior Court of Justice on June 5 2008 and upheld by the Ontario Court of Appeal in a decision issued on August 18, 2008. As at August 28, 2008, the restructuring plan is in hearings at the Supreme Court of Canada to determine if an appeal shall be granted at the Supreme Court of Canada

- b) On July 22, 2008 the Company announced that as a result of the withdrawal of its short form prospectus offering announced on June 11, 2008, the Company is restructuring the organization, reducing expenditures including reducing the number of personnel to approximately 40 employees. Although the full impact of the restructuring costs are still being determined, the Company estimates the severance and vacation liability to be approximately \$500,000 and professional fee and disbursements related to the preparation and marketing of the Company's short-form prospectus offering is estimated to be \$250,000. In conjunction with reducing the number of personnel, the Company also expects to reduce property and equipment held at the end of the second quarter. The Company estimates a reduction of \$100,000 in net book value of property and equipment for any dispositions that may occur and possible impairment charges in recognition of current market values.

As well, the Company is refocusing its efforts on its most mature vertical markets, including electronics and oil and gas. The Company remains committed to maximizing shareholder value and safeguarding the Company's ability to continue as a going concern by significantly reducing operating costs and, in collaboration with its channel partners, intensifying its sales efforts with a view to first attaining, then sustaining and growing the profitability of Acceleware's business operations.

As part of the Corporation's restructuring initiative, Sean Krakiwsky has resigned as the President and Chief Executive Officer of the Corporation. Mr. Krakiwsky will remain as a Senior Strategic Advisor to management and a director of the Corporation.

Dr. Michal Okoniewski, Acceleware's Chief Scientist and one of the Corporation's original founders, has at the request of the Board of Directors agreed to serve as Interim President and Chief Executive Officer until a suitable replacement has been identified and appointed by the Board.

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 June 30, 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 the nature of the risks or uncertainties facing the Company since December 31, 2007. However the probability of certain risks being realized has increased due to the withdrawal of the Company's short form prospectus offering announced on June 11, 2008. 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 and six month ended June 30, 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 its 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.

Disclosure of Outstanding Share Data

As at Aug 29, 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 unaudited interim financial statements for the six-month period ended June 30, 2008 and the audited financial statements for the year ended December 31, 2007 that are available on www.sedar.com and as noted below.

Research and Development	June 30, 2008	June 30, 2007
Salaries	\$875,322	\$285,239
Consulting	\$145,688	\$52,405
R&D lab supplies	\$29,110	\$20,020
Stock-based compensation	\$13,882	\$31,845
Rent and overhead allocations	\$139,881	\$80,639
IRAP-NRC and SRED Credits	-	(\$25,637)
Total	\$1,203,883	\$444,511

Sales, General and Administration

Salaries	\$1,300,003	\$800,426
Marketing	\$170,302	\$86,849
Travel	\$212,996	\$90,617
Rent, supplies and public company fees	\$264,802	\$210,673
Stock-based compensation	\$74,652	\$190,063
Professional fees	\$48,416	\$114,917
Total	\$2,071,171	\$1,493,545