ACCELEWARE CORP.

Management's Discussion and Analysis
For the Quarter Ended June 30, 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 six month period ended June 30, 2007 should be read in conjunction with the unaudited June 30, 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 August 29, 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 June 30, 2007, the Company had $8,801,040 in working capital and no debt. Acceleware had recognized revenue of $962,901 and gross margins averaging 51% during the six-month period ended June 30, 2007 compared with recognized revenue of $656,037 and gross margins averaging 48% for the eleven-month period ended June 30, 2006. During the three-month period ended June 30, 2007, the Company reported revenues of $596,060, its highest revenue quarter to date and the Company's third consecutive quarter of growth representing continued market adoption of the Company's products.

The Company had a net loss of $2,820,656, for the six-months ended June 30, 2007, compared to a net loss of $1,001,582 for the eleven-months ended June 30, 2006. The net loss increased, as the Company incurred additional costs to ramp up for future growth 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 nineteen personnel at June 30, 2006 to forty-six personnel at June 30, 2007.

On January 22, 2007, NVIDIA Corporation (NASDAQ: NVDA) invested $2,925,000 in Acceleware. Following NVIDIA's investment, Acceleware raised additional funds through a brokered private placement for gross proceeds of $8,000,000, which closed on February 14, 2007. On May 14, 2007, Acceleware Corp. completed a non-brokered private placement of 90,000 units at $1.08 per unit to Robert Miller, Vice President of Marketing and Product Development for Acceleware, for gross proceeds of $97,200.

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 June 30, 2007, the Company had established partnership agreements with seven such CAD/CAE companies with others in various stage of discussions.

In June 2007, Acceleware exhibited at both the IEEE MTT-S International Microwave Symposium/Exhibition and the IEEE Antennas & Propagation Symposium in Honolulu, Hawaii. These exhibitions increased Acceleware's exposure within the electromagnetic industry and, along with our channel partners, promoted our acceleration products to potential adopters.

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 dual-board ClusterInaBox™, completion times are in the range of 15 to 30 minutes. Acceleware is continuing to expand it's leading position for hardware acceleration products with the top five cell phone manufacturers in the world.

Acceleware is continuing its development of products for the oil & gas and biomedical imaging markets, as well as investigating new markets such as financial computations. Acceleware expects to formally announce intentions for these markets before the end of 2007.

Technology Leadership

On June 5, 2007, Acceleware announced the commercial release of ClusterInABox™ **Quad,** the latest addition to Acceleware's line of "Supercomputing for the Desktop" products, furthering our technical leadership. This new solution has four NVIDIA GPUs with 6 GB of on-board memory, in a single system, and supports simulations for finely meshed models of up to 200 Million cells including boundaries (Soft Memory Limit is engaged for larger simulations) with computations performed at speeds up to 1.7 GCells/s (1700 MCells/s).

ClusterInABox™ **Quad** delivers computing power equal to clusters of servers, giving engineers, geophysicists and research users the competitive advantage of having greater computing power available to them beside their desk, on demand. Simulation results using existing software tools can be obtained in a fraction of the time compared to a high-end workstation. This now provides customers with the flexibility to run multiple simulations per day instead of being limited to a single, overnight process. Acceleware customers have redesigned their workflows to utilize sophisticated computer-aided optimization techniques while still delivering timely results.

The Company expects that its ability to continually improve product performance will result in sustained and growing revenue streams as end-users adopt and 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.

New Acceleware products are expected to be announced during the remainder of 2007 and in 2008.

NVIDIA

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.

As part of NVIDIA's investment of January 22, 2007, Acceleware granted NVIDIA a non-voting observer seat on Acceleware's board of directors. NVIDIA currently holds 13% of the issue and outstanding common shares and is an "insider" of the Company.

On June 20, 2007, Acceleware was invited by NVIDIA to participate in their Financial Analyst Day, where NVIDIA announced a new class of processors called the NVIDIA® Tesla™ brand. Acceleware was also invited to exhibit in NVIDIA's booth at the International Supercomputing trade show in Dresden, Germany on June 26, 2007. Acceleware continues to collaborate with NVIDIA and have been quoted in the following NVIDIA press releases: November 8th, 2006 titled "NVIDIA Unveils CUDA™ -The GPU Computing Revolution Begins"; March 5, 2007 titled "New NVIDIA Quadro® Architecture Delivers Greatest Generational Leap in Company History" and, June 20, 2007 titled "NVIDIA® Tesla™ GPU Computing Processor Ushers In the Era of Personal Supercomputing".

The continued collaborative relationship between NVIDIA and Acceleware remains mutually beneficial to our ability to develop, market and deliver product to the high performance computing markets.

Results of Operations

During the three-month period ended June 30, 2007, the Company reported revenues of $596,060, compared to $311,424 for the three-months ended June 30, 2006, and for the six-month period ended June 30, 2007, the Company reported revenues of $962,901, compared to $656,037 for the eleven-months ended June 30, 2006 for sales of the Company's Accelerator™ and ClusterInaBox™ hardware acceleration products. Cost of products sold for the three-months ended June 30, 2007 was $265,950, compared to $183,050 for the three-months ended June 30, 2006 and cost of products for the six-months ended June 30, 2007 were $423,542, compared to $339,559 for the eleven-months ended June 30.

For the three-month ended June 30, 2007 research and development expenditures were $444,511 compared to $207,826 for the three-months ended June 30, 2006 and for the six-months ended June 30, 2007, research and development expenditures were $691,139 compared to $487,826 for the eleven-months ended June 30, 2006. Research and development costs include salaries and related costs of personnel directly engaged in these activities, direct materials and any associated depreciation, offset by the benefit of $25,637 of government assistance through the NRC - Industrial Research Assistance Program. Included in the research and development expenses for the three-month period ended June 30, 2007, was $31,845 in respect of stock-based compensation, compared to $4,730 for the three-month ended June 30, 2006 and for the six-months ended June 30, 2007 was $40,838 in respect of stock-based compensation, compared to $38,119 and for the eleven-months ended June 30, 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.

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 June 30, 2007, the Company incurred general and administrative expenses of $1,493,545, compared to $270,851 for the three-months ended June 30, 2006 and for the six-months ended June 30, 2007, the Company incurred general and administrative expenses of $2,581,008, compared to $813,857 for the eleven-months ended June 30, 2006. Included in the general and administrative expenses for the three-month ended period ended June 30, 2007 was $190,063 of stock-based compensation compared to $16,185 for the three-month ended June 30, 2006 and for the six-months ended June 30, 2007 was $272,710 in respect of stock based compensation, compared to $26,887 for the eleven-months ended June 30, 2006.

The increase in both research and development expenditures and general and administrative expenses for the six-month period ended June 30, 2007 was primarily due to the increase in employees, sales and marketing activities, stock based compensation and moving and setup costs related to the new facilities.

Overall, the Company had a net loss of $1,644,729 for the three-month period ended June 30, 2007 compared to a net loss of $357,181 for the three-month period ended June 30, 2006 and a net loss of $2,820,656 for the six-months ended June 30, 2007, compared to a net loss of $1,001,582 for the eleven-months ended June 30, 2006.

Summary of Quarterly Results

The following table highlights revenue, net income and loss per share for the most recent quarter ended June 30, 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).

	Jun 30, 2007	**Mar 31, 2007**	**Dec 31, 2006**	**Sept 30, 2006**	**June 30, 2006**
Revenue	$596,060	$366,841	$260,113	136,151	$311,424
Net Income/(Loss)	($1,644,729)	($1,175,926)	($701,316)	($564,840)	($357,181)
Earnings/(Loss) Per Share	($0.05)	($0.06)	($0.03)	($0.03)	($0.02)

Liquidity and Capital Resources

Operating Activities
Cash flow used for operations totaled $1,898,826 for the three-months ended June 30, 2007, compared to $497,910 for the three-months ended June 30, 2006 and cash flow used for operations for the six-month ended June 30, 2007 totaled $3,148,623 compared to $1,201,394 for the eleven-months ended June 30, 2006. Accounts receivable as at June 30, 2007 were $846,106. Inventories increased to $750,396 as the Company acquired hardware parts to assemble its hardware acceleration products in anticipation of near-term sales and short-term field evaluation products. Maintenance revenue is deferred and recognized to income over the term of the contracts. Revenue of $156,551 was deferred, of which $131,603 will be recognized over a period of one year or less and the remaining $24,948 over approximately five years. The funds associated with the deferred revenue have been received by the Company.

As at June 30, 2007, the Company had current liabilities of $641,214. The increase in current liabilities was due to recruitment costs, inventory purchases, build out of leasehold improvements, general trade payables and accrued payroll liability for employee vacation entitlements.

Investing Activities
Capital asset additions, consisting of leasehold improvements, furniture and computer equipment, totaled $690,278 for the three-months ended June 30, 2007, compared to $36,176 for the three-months ended June 30, 2006 and capital asset additions of $861,057 for the six-month ended June 30, 2007, compared to $129,824 for the eleven-month ended June 30, 2006. As at June 30, 2007, the company secured a five year premise lease and has incurred costs for leasehold improvements of $426,117 and furniture of $270,626.

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 $11,131,508 from the private placements by NVIDIA (gross proceeds of $2,925,000), Northern Securities (gross proceeds of $8,000,000), Rob Miller (gross proceeds of $97,200) and the exercise of warrants (gross proceeds of $859,366) and employee and agent options (gross proceeds of $56,721) for the six-months ended June 30, 2007, compared to $1,632,484 for the eleven-months ended June 30, 2006.

Acceleware's cash and cash equivalents increased to $7,748,824 as at June 30, 2007. As at June 30, 2007, the Company had a working capital surplus of $8,801,040. The Company has no debt as at June 30, 2007 and nor at June 30, 2006. See Subsequent Events below for further information regarding the Company's investment in Canadian asset-backed securities.

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 June 30, 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.

Risk Factors and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since December 31, 2006, except as noted in the Subsequent Events below. 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 six-month period ended June 30, 2007. During the eleven-months ended June 30, 2006, raw materials in an amount of $76,725 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 June 30, 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 July 20, 2007, Acceleware Corp. granted to certain employees an aggregate of 37,500 options to acquire common shares of Acceleware. The options have an exercise price of $1.14 per share and expire on July 20, 2012. One-third of the options will vest immediately, one-third will vest on May 2, 2008, and one-third will vest on May 2, 2009.
As at August 27, 2007, the Company had $1,451,030 of its cash equivalents invested in Structured Investment Trust III, Series A ("SIT"). The SIT is administered by Coventree Capital Group Inc. At the time of purchase, this asset-backed commercial paper had a credit rating of R-1 High (highest rating available for short-term commercial paper) by Dominion Bond Rating Service.

The Company has consistently invested its cash in accordance with its board-approved investment policy, the objectives of which are (in decreasing order of importance) to preserve capital by investing in highly rated instruments, to insure liquidity and to insure adequate returns. All of the Corporation's invested assets are rated R-1 High by DBRS and were selected on the basis of professional advice.

The Company is unable to predict how long the current disruption in global will continue or if the SIT commercial paper that it holds will ultimately be repaid in whole or in part and, if so, when that might occur. However, Acceleware believes it has sufficient cash available to finance its operations during this period of market uncertainty. Further, Acceleware confirms that this event is not disrupting its operations in any way and that management does not anticipate requiring access to the cash invested in SIT for operations until 2008. The Corporation will continue to monitor these events and will update shareholders as appropriate.

Disclosure of Outstanding Share Data

As at August 29, 2007, Acceleware Corp. had the following common shares, options and warrants outstanding:

Common Shares	34,964,331
Stock Options	2,997,643
Warrants	1,144,715 @ $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*	492,308 @ $1.30**

* Referenced as Agent Options in the unaudited financial statements for June 30, 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 June 30, 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 June 30, 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 June 30, 2007 and the audited financial statements for the seventeen-month period ended December 31, 2006, which are available on www.sedar.com.