This management’s discussion and analysis of financial condition and results of operations (“MD&A”) should be read together with Acceleware Ltd.’s (“Acceleware” or the “Company”) audited annual financial statements and the accompanying notes for the year ended December 31, 2011 (the “Financial Statements”) which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and the audited annual financial statements, accompanying notes and MD&A for the year ended December 31, 2010 which have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP” or “GAAP”). Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com under Acceleware Ltd.

This MD&A is presented as of April 17, 2012. All financial information contained herein is expressed in Canadian dollars unless otherwise indicated.

Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or the 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 these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

- the expectation of Acceleware’s ability to continue operating as a going concern, fund its operations through the sale of its products and services, and access external financing if required;
- projections of sales increases through focus on core markets, increasing the number of independent software vendor (“ISV”) partners, and continuous performance improvements;
- potential benefits to Acceleware’s customers, including cost savings and increases to cash flow and productivity;
- advantages to using Acceleware’s products and services;
- ease and efficiency of implementing Acceleware’s products and services; and
- supply and demand for Acceleware’s primary products and services.

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

- that the cost savings initiatives taken to date, coupled with the future revenue and cash flow expected by the Company’s management (“Management”) will be sufficient to fund future operations - this assumption being subject to the risk and uncertainty that the Company may not generate enough cash flow from operating activities to meet its capital requirements and that the Company may not be able to secure additional capital resources from external sources to fund any shortfall. Operating cash flow may be negatively impacted by general economic conditions, increased competition, increased equipment or labour costs, and adverse movements in foreign currencies. Should the Company experience a cash flow shortfall from operating activities, Management’s contingency plan may not be sufficient to reverse the shortfall;
- that it will be able to increase sales of its products and services by focussing on key vertical markets, increasing the number of ISV partners, and continuously improving its products – which is subject to the risks that sales in core vertical markets may be negatively affected by general economic conditions, that the Company may not be able to successfully attract and integrate its
offerings into ISVs’ products and that its research and development efforts may be unable to
develop continuous improvements; and

- that it will be able to withstand the impact of increasing competition – which is subject to the risk
that the adoption of graphics processing unit ("GPU") computing (and any future hardware
platform utilized by the Company) may be negatively affected by future advances in competing
technology.

The 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.

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.
Company Overview

Acceleware is a high performance computing (“HPC”) company that specializes in developing technologies that significantly reduce the computer processing time required for large scale mathematical calculations. Acceleware develops and sells specialized proprietary software; a combination of specialized proprietary software and third party hardware; and consulting services.

Acceleware solutions and services are deployed by major organizations worldwide to accelerate computer simulation and data processing applications in areas such as computer aided engineering (“CAE”), oil and gas exploration and development, medical imaging, industrial and consumer product design, and academic research. Acceleware’s core markets are CAE and oil and gas exploration and development applications. Computing tasks in these fields can take several days, weeks, months or a year to complete, and represent a major bottleneck that prevents progress and innovation. Acceleware’s solutions allow organizations to accomplish the same tasks many times faster (for example hours rather than days, or days rather than weeks), 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 software interface allows existing software programs to utilize the multi-core computing platforms that are available today. The Company’s proprietary software allows these existing third-party software applications to leverage a combination of Graphic Processing Units (“GPUs”), Central Processing Units (“CPUs”) and/or other many-core accelerator technologies as mathematical co-processors. Through this technology, Acceleware has brought supercomputing to the desktop.

In CAE, most of the major mobile telephone manufacturers in the world are using Acceleware’s electromagnetic design solutions to design their products more rapidly. Acceleware's fourth-generation software acceleration solutions that support multi-board GPU solutions can accelerate entire industrial simulation and processing applications by over 35 times.

The solutions developed by Acceleware can be easily integrated by software developers, saving them the expense and time of migrating their applications to high performance multi-core platforms. Acceleware improves the overall experience for end users of these applications by providing greater computing speed without the end user having to learn new skills or change their work processes.

In the CAE market, Acceleware partners with software developers to increase the speed at which partners’ software runs. Some of the Company’s current software partners include SPEAG, Synopsys and Agilent Technologies. Acceleware reaches the CAE market through a combination of partner channels and direct sales.

Acceleware has developed seismic data processing applications for customers and partners in the oil and gas exploration and development market. Acceleware accesses the oil and gas exploration and development market
through a combination of channel and direct sales. The Company provides partners with software solutions as an add-on or replacement to an existing seismic data processing platform to increase the functionality of and/or the speed of partners’ software. Some of the Company’s current software partners include Tsunami Development and Paradigm Geophysical.

In a variety of markets, Acceleware provides HPC consulting services to developers and users, under fixed price or hourly contracts. In addition to these consulting services, Acceleware provides public and private training courses to developers of HPC solutions.

Acceleware was founded in February 2004 by a group of graduate students and professors from the University of Calgary’s Electrical Engineering department and became a public company on the TSX Venture Exchange in January 2006 through a reverse takeover of a capital pool company, Poseidon Capital Corp. The Company is headquartered in Calgary, Alberta. As at December 31, 2011, Acceleware had 21 employees including: 3 in administration; 4 in sales, marketing, and product management; and 14 in research and development.

Overall Performance

During the year ended December 31, 2011, Acceleware showed improved total comprehensive income, loss before income taxes, and cash flow, compared to the year ended December 31, 2010. Revenue also increased in 2011 compared to the previous year. Loss before income taxes and cash flow improved as the Company shifted its product mix to higher margin products and continued to focus on controlling expenses. In particular, the Company focused on software and services in 2011, and recorded its first significant revenue from its Reverse Time Migration (AxRTM) seismic imaging software.

During the year, the Company announced that a court supervised plan of arrangement involving, among others, Acceleware Corp. and an arm’s length private company, pursuant to which Acceleware Corp. completed a reorganization transaction to create a new company named Acceleware Ltd., which closed effective April 26, 2011. As a result of the closing of the arrangement, Acceleware Ltd. received cash of $917,196 and recognized a deferred income tax recovery of the same amount.

The increase in total comprehensive income for the year ended December 31, 2011 is largely due to the recognition of the deferred income tax recovery. This deferred income tax recovery is considered to be a one-time event and is not expected to occur on a regular basis.

The Company had total comprehensive income for the year ended December 31, 2011 of $452,256, compared to a total comprehensive loss of $707,983 for the year ended December 31, 2010. Loss before income taxes decreased 34% to $464,940 for the year ended December 31, 2011 compared to $707,983 for the year ended December 31, 2010. The improvement in loss before income taxes is a result of increased revenue, decreased general and administrative expenses, and the recognition of the deferred income tax recovery. Throughout 2011, management continued to focus on cost reduction resulting in lower general and administrative expense.

During the year ended December 31, 2011, Acceleware recognized revenue of $2,762,348 representing an 11% increase over the $2,484,441 recognized during the year ended December 31, 2010. The increase is a result of a 51% increase in product sales from 2010, which was a due to the Company’s oil and gas software partners seeing a significant increase in AxRTM sales.

At December 31, 2011 Acceleware had $1,082,364 (2010 - $342,618) in working capital, including $876,386 (2010 - $353,584) in cash and cash equivalents, and no (2010 - $nil) short term debt. The increase in working capital is due principally to the increase in cash and cash equivalents. The increase in cash and cash equivalents is due to the cash received in the plan of arrangement. Management’s objective is to manage cash flow and investment in new products to ensure that cash requirements do not exceed cash generated from operations. Plans include programs to improve gross margin through the introduction of new revenue streams such as a software-only products, consulting services and training; focus on core vertical markets, reduce operating expenses, and limit capital expenditures.
Management believes that successful execution of its business plan will result in sufficient cash flow to fund projected operational and investment requirements in future quarters. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources, if required, will be available. Further, if the Company’s operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months. Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional research and development initiatives, and further reducing sales, marketing and general and administrative expenses, and seeking outside financing. The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company’s financial position, results of operations and cash flows.

2011 Highlights and Events

**July 7th, 2011** - announced the successful completion of a professional services engagement with MicroSeismic, Inc., a leading geophysical services company providing 3-D passive seismic imaging for energy exploration and production, to optimize their fracturing / fault prediction code for GPUs. Through this engagement, MicroSeismic can leverage the full computing capacity of GPUs to deliver higher resolution images sooner to their customers.

**August 24, 2011** - Paradigm announced that Fugro has selected the Paradigm Reverse Time Migration to meet its challenging depth imaging objectives. Reverse Time Migration is a preferred solution for imaging of seismic data in areas affected by complex wave phenomena, such as those encountered in the deep waters of the Gulf of Mexico in the presence of salt structures.

Developed in collaboration with Acceleware, the Paradigm Reverse Time Migration (RTM) is structured to handle large seismic datasets with an efficient high performance computing implementation for clusters equipped with many core (CPU and GPU) processors. In addition to imaging of surface recorded seismic data, the Paradigm RTM is able to image seismic data recorded at borehole locations.

**September 19th, 2011** - Bull SAS and Acceleware announced they have formed a partnership to deliver a combined solution of Bull Extreme Computing platforms and Acceleware’s multi-core accelerated seismic solutions to customers in the EMEA Oil & Gas markets. The partnership will provide Bull customers streamlined access to Acceleware GPU software, multi-core consulting services and training offerings.

Strategic Update

*Consulting services business*

Acceleware continues to see demand for its specialized expertise both within its core verticals and in new markets. The company provides proof of concept, contract development, software code porting, and training services to its consulting clients. Where possible, the Company uses services as leverage to increase adoption of its products with its core verticals.

Relative to 2010, the Company saw continued consulting services business in 2011 particularly relating to oil and gas markets and its proprietary training services. Consulting services relate to both GPU and CPU HPC projects and electromagnetic simulation, and in some cases align well with the Company’s core products. In several cases, the Company has developed long-term recurring business from key customers.

In 2011, Acceleware hosted several CUDA training classes in both open enrolment format and custom-designed for single organizations. During the year, the Company hosted its first OpenCL (an open-source computing language) training classes in conjunction with CPU and GPU manufacturer AMD.

* this paragraph contains forward looking information. Please refer to “Forward Looking Statements” and “Risk Factors and Uncertainties” for a discussion of the risks and uncertainties related to such information
Core verticals

In the CAE market, software is sold to end users primarily through channel partners or Independent Software Vendors (“ISV”) that have integrated Acceleware’s solution into their software packages. Acceleware currently works with some of the world’s largest companies in the electronics market, which consists of mobile phone manufacturers, industrial electronics firms, and government organizations. ISVs are an important sales channel for Acceleware, and work with the Company’s sales force by selling on Acceleware’s behalf, co-selling with Acceleware’s sales people, or referring potential customers to Acceleware. In 2011, Acceleware’s CAE ISV partners include Schmid & Partner Engineering AG (“SPEAG”), Agilent Technologies, Synopsis, Inc., and Crosslight.

To drive future sales growth, Acceleware will work to add new ISV partnerships. In addition to expanding the Company’s potential customer base, new ISV partnerships also provide Acceleware with additional reselling agents who are strongly incented to cross-sell Acceleware’s products alongside their software solutions.

In addition to adding ISV partners, Acceleware is working to deliver new products and solutions to address the needs of a larger proportion of the installed base of its ISV partners. The Company is continuously improving its software acceleration products and expects to continue to release improved products with significant increases in performance every year.

In 2011, the Company actively sold products and consulting services to the oil and gas exploration market. The Company continues to develop its latest release of AxRTM with TTI which the Company believes is a state-of-the-art RTM seismic data processing product. This and other seismic data acceleration solutions, with dense packaging and improved economics in power and cooling, provide a multi-fold performance increase that reduces lengthy processing times and enables expedited drilling decisions for the oil and gas industry. In 2011, the Company saw its first significant sales of AxRTM through its partnerships with Paradigm Geophysical and Tsunami Development.

The Company currently sells product and service solutions into the oil and gas market and will continue to develop improvements to its products and intensify its marketing and business development activities in this market throughout 2012. The Company currently sells its seismic processing solutions through one reseller, and is actively pursuing other resellers. Acceleware has also seen significant sales directly to end-users in this market, and expects to continue to see significant direct sales going forward.

In 2011, the Company’s seismic products were being developed and marketed directly, and through ISVs. The Company’s key Seismic ISVs are Paradigm Geophysical and Tsunami Development.

Management believes that adding new partners and increasing the proportion of the partners’ end-users that can be addressed by Acceleware’s solutions will drive revenue growth, strengthen Acceleware’s competitive position in the market verticals where Acceleware operates, and help to establish market leadership. Management believes that market leadership in these verticals will result in higher sales penetration over the long-term, as well as improved profitability. Growth in the Company’s existing vertical markets will be funded by operations, existing cash resources and investments in the Company and further financing as required from time to time. The Company will continue to finance operations and its growth strategy primarily through the sales of the Company’s products and services.

Acceleware’s intellectual property includes its proprietary algorithms, software algorithms and multi-core hardware interface that have been protected as trade secrets to date.

* this paragraph contains forward looking information. Please refer to “Forward Looking Statements” and “Risk Factors and Uncertainties” for a discussion of the risks and uncertainties related to such information
Selected Annual Information

The audited financial statements and the accompanying notes for the twelve month period ended December 31, 2011 (the “Financial Statements”) are incorporated by reference herein and form an integral part of Management’s Discussion and Analysis. The Financial Statements can be found on www.sedar.com. All financial information is reported in Canadian dollars unless otherwise noted.

The following table shows selected financial information from Acceleware’s audited annual financial statements for the years ended December 31, 2011 and December 31, 2010.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$2,762,348</td>
<td>$2,484,441</td>
<td>$3,598,997</td>
</tr>
<tr>
<td>Total comprehensive income (loss)</td>
<td>$452,256</td>
<td>($707,983)</td>
<td>($1,107,392)</td>
</tr>
<tr>
<td>Earnings (loss) per share (basic and diluted)</td>
<td>$0.01</td>
<td>($0.01)</td>
<td>($0.02)</td>
</tr>
<tr>
<td>Total assets</td>
<td>$1,660,445</td>
<td>$1,275,458</td>
<td>$1,875,502</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Dividends</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Acceleware’s recognized revenues have decreased from 2009, but have increased in 2011 over 2010. These changes are a result of changes in product mix with the addition of oil and gas software, to the traditional offerings of and services and CAE software solutions. Total comprehensive income (loss) increased over the three years presented as the Company completed the plan of arrangement, decreased general and administrative expense and increased revenue. Total comprehensive income increased significantly from a loss of $1,107,392 in 2009 to income in $452,256 in 2011 as the Company restructured operations with reduced spending on research and development, marketing and sales, and general administration. The Company is now planning for more modest growth in revenue and expects its total comprehensive income to continue to increase in future years. Total assets decreased from $1,875,502 as at December 31, 2009 to $1,275,458 as at December 31, 2010 due and increased to $1,660,445 as at December 31, 2011.

Total assets increased to $1,660,444 as at December 31, 2011 from $1,275,458 at December 31, 2010 due to increased cash as a result of the plan of arrangement.

Results of Operations

Revenue

During the year ended December 31, 2011, the Company reported total revenues of $2,762,348, an 11% increase compared to $2,484,441 for the year ended December 31, 2010. The increase is a result of an increase in product sales, particularly AxRTM, from the prior year. Product sales increased 51% to $888,729 for the year ended December 31, 2011 from $587,065 recorded in the year ended December 31, 2010 which resulted from an increase in AxRTM product revenue. The increase in product sales also resulted in a slight increase in maintenance revenue. Maintenance revenue increased 6% to $386,094 in 2011 from $365,350 in 2010. The increase in product sales and maintenance was partially offset by a decrease in consulting revenue to $1,487,444 in 2011 from $1,531,822 in 2010.

* this paragraph contains forward looking information. Please refer to “Forward Looking Statements” and “Risk Factors and Uncertainties” for a discussion of the risks and uncertainties related to such information
Revenue

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31, 2011</th>
<th>Year ended December 31, 2010</th>
<th>Percentage change 2011/2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales</td>
<td>$ 888,729</td>
<td>$ 587,065</td>
<td>51%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>386,094</td>
<td>365,350</td>
<td>6%</td>
</tr>
<tr>
<td>Consulting</td>
<td>1,487,444</td>
<td>1,531,822</td>
<td>-3%</td>
</tr>
<tr>
<td>Interest</td>
<td>81</td>
<td>204</td>
<td>-60%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,762,348</strong></td>
<td><strong>$ 2,484,441</strong></td>
<td><strong>11%</strong></td>
</tr>
</tbody>
</table>

The Company recognizes approximately 82% of software product sales immediately and amortizes the remaining 18% of those sales (deferred revenue) into revenues over 12 months from the date of the sale. As at December 31, 2011, revenue of $98,925 (December 31, 2010 - $123,945) is deferred, and will be recognized over a period of twelve months or less.

Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Year ended December 31, 2011</th>
<th>Year ended December 31, 2010</th>
<th>Percentage change 2011/2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs of revenue</td>
<td>$ 544,114</td>
<td>$ 458,626</td>
<td>19%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,304,680</td>
<td>1,738,653</td>
<td>-25%</td>
</tr>
<tr>
<td>Research and development</td>
<td>1,373,085</td>
<td>996,654</td>
<td>38%</td>
</tr>
<tr>
<td>Loss on disposal of assets</td>
<td>5,409</td>
<td>(1,509)</td>
<td>458%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 3,227,288</strong></td>
<td><strong>$ 3,192,424</strong></td>
<td><strong>1%</strong></td>
</tr>
</tbody>
</table>

Expenses increased 1% during the year ended December 31, 2011 to $3,227,288 from $3,192,424 for the year ended December 31, 2010. Management has been continually focused on cost reduction across all expense categories in 2011.

Cost of revenue for year ended December 31, 2011 increased 19% to $544,114 from $458,626 in the year ended December 31, 2010. The increase is due to the increased expenses associated with consulting services (salaries, contractors, and travel).

General and administrative expenses (“G&A”) include all salaries (excluding consulting and 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 year ended December 31, 2011, G&A expenses decreased 25% to $1,304,680 from $1,738,653 recorded in the year ended December 31, 2010. The decrease is as a result of the Company’s continued focus on cost reduction resulting in significantly lower staff levels, reduced marketing expenditures, and reduced facility costs.

For the year ended December 31, 2011, research and development (“R&D”) expenditures increased 38% to $1,373,085 from $996,654 for the year ended December 31, 2010. The increase in fiscal 2011 is a result of a significant reduction in government funding for R&D in the year, and an increase in R&D investment (staffing and contractors) in the year as compared to 2010. In 2011, the company received $12,015 (2010 – $305,336) in government funding for R&D. Lastly, the Company recorded $160,465 (2010 - $109,301) in refundable Alberta SR&ED tax credits as a reduction in R&D expense.

Total comprehensive income (loss)

The Company had a total comprehensive income for the year ended December 31, 2011 of $452,256 an increase of 164% compared to a total comprehensive loss of $707,983 for the year ended December 31, 2010. The increase can be attributed to the increase in product sales for the period as well as to the deferred tax asset recognized in the year.
Summary of Quarterly Results

The following table highlights revenue, cash used in operating activities, total comprehensive income (loss) before tax and earnings (loss) per share for the eight most recently completed quarters ended December 31, 2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>Q4</th>
<th>Q3</th>
<th>Q2</th>
<th>Q1</th>
<th>Q4</th>
<th>Q3</th>
<th>Q2</th>
<th>Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$747,153</td>
<td>$761,937</td>
<td>$738,634</td>
<td>$514,624</td>
<td>$672,556</td>
<td>$671,425</td>
<td>$646,725</td>
<td>$493,735</td>
</tr>
<tr>
<td>Cash generated (used) in operating activities</td>
<td>243,366</td>
<td>(153,812)</td>
<td>(342,206)</td>
<td>(90,929)</td>
<td>49,625</td>
<td>34,004</td>
<td>(101,041)</td>
<td>(178,694)</td>
</tr>
<tr>
<td>Loss before income tax</td>
<td>(131,068)</td>
<td>32,801</td>
<td>(106,168)</td>
<td>(260,505)</td>
<td>(82,532)</td>
<td>(96,828)</td>
<td>(109,644)</td>
<td>(418,979)</td>
</tr>
<tr>
<td>Total comprehensive income (loss) for the period</td>
<td>(131,068)</td>
<td>32,801</td>
<td>811,028</td>
<td>(260,505)</td>
<td>(82,532)</td>
<td>(96,828)</td>
<td>(109,644)</td>
<td>(418,979)</td>
</tr>
<tr>
<td>Earnings (loss) per share basic and diluted</td>
<td>($0.002)</td>
<td>$0.001</td>
<td>$0.015</td>
<td>($0.005)</td>
<td>($0.002)</td>
<td>($0.002)</td>
<td>($0.002)</td>
<td>($0.008)</td>
</tr>
</tbody>
</table>

Compared to the same quarter a year earlier, Acceleware showed an increase in revenue during the three months ended December 31, 2011. Cash generated (used) in operating activities increased significantly in Q4, 2011 compared to Q4, 2010 due to the collection of accounts receivable in the quarter. The Company has an increased total comprehensive loss in Q4 2011 as compared to Q4 2010 due to the Alberta SR&ED tax credit received in Q4 2010, and the Company has recorded an allowance for bad debts of $81,360 in Q4, 2011 for a receivable that has been deemed a collectability risk.

Results of Operations – Fourth Quarter

**Overall Performance**

During the three months ended December 31, 2011, Acceleware had a total comprehensive loss of $131,068, a 59% increase compared to a total comprehensive loss of $82,532 for the three months ended December 31, 2010. The increase is a result of increased cost of revenue, increased G&A and R&D expenses, but was offset by increased revenue.

Total comprehensive loss in Q4 2011 increased to a loss of $131,068 from $32,801 total comprehensive income recorded in Q3 2011 due to increased cost of revenue and G&A expenses. During Q4 2011, the Company recognized revenue of $747,153 representing an 11% increase over the $672,556 recognized during Q4 2010, due to increased product sales and maintenance revenue. Revenue in Q4 2011 of $747,153 was comparable to the $761,937 recognized in Q3 2011.
Revenue

During the quarter ended December 31, 2011, the Company recorded revenues of $747,153 an increase of 11% compared to $672,556 for the quarter ended December 31, 2010 and comparable to the $761,937 recorded for Q3 2011. The increase compared to Q4 2010 can be attributed to increased product sales and maintenance revenue, and is partially offset by lower consulting revenue.

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Three months ended Dec 31, 2011</th>
<th>Three months ended Dec 31, 2010</th>
<th>Three months ended Sept 30, 2011</th>
<th>% change Q4 2011 over Q4 2010</th>
<th>% change Q4 2011 over Q3 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales</td>
<td>$300,653</td>
<td>$153,126</td>
<td>$236,111</td>
<td>96%</td>
<td>27%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>$130,826</td>
<td>61,764</td>
<td>85,109</td>
<td>112%</td>
<td>54%</td>
</tr>
<tr>
<td>Consulting</td>
<td>$315,653</td>
<td>457,613</td>
<td>440,697</td>
<td>-31%</td>
<td>-28%</td>
</tr>
<tr>
<td>Interest</td>
<td>$21</td>
<td>53</td>
<td>20</td>
<td>-60%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$747,153</strong></td>
<td><strong>$672,556</strong></td>
<td><strong>$761,937</strong></td>
<td><strong>11%</strong></td>
<td><strong>-2%</strong></td>
</tr>
</tbody>
</table>

Product sales revenue increased 96% to $300,653 for Q4 2011 compared to $153,126 for Q4 2010 due to increased AxRTM product revenue. Product sales revenue increased 27% to $300,653 for Q4 2011 compared to $236,111 for Q3 2011, due to the same improvement in demand, particularly for AxRTM. Maintenance revenue increased 112% to $130,826 for Q4 2011 compared to $61,764 for Q4 2010 and 54% compared to $85,109 for Q3 2011. Consulting revenue decreased 31% to $315,653 in Q4 2011 compared to $457,613 in consulting revenue recognized in Q4 2010 and decreased 28% compared to $440,697 in Q3 2011. Consulting revenue has decreased due to decreased oil and gas consulting. Interest revenue remained constant throughout each quarter.

Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Three months ended Dec 31, 2011</th>
<th>Three months ended Dec 31, 2010</th>
<th>Three months ended Sept 30, 2011</th>
<th>% change Q4 2011 over Q4 2010</th>
<th>% change Q4 2011 over Q3 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenue</td>
<td>$180,869</td>
<td>$134,233</td>
<td>$126,931</td>
<td>35%</td>
<td>42%</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td>$400,318</td>
<td>347,973</td>
<td>283,582</td>
<td>15%</td>
<td>41%</td>
</tr>
<tr>
<td>Research &amp; development</td>
<td>$297,034</td>
<td>273,618</td>
<td>318,623</td>
<td>9%</td>
<td>-7%</td>
</tr>
<tr>
<td>(Gain) loss on disposal of property and equipment</td>
<td>--</td>
<td>(736)</td>
<td>--</td>
<td>-100%</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$878,221</strong></td>
<td><strong>$755,088</strong></td>
<td><strong>$729,136</strong></td>
<td><strong>16%</strong></td>
<td><strong>20%</strong></td>
</tr>
</tbody>
</table>

Expenses increased 16% during the three months ended December 31, 2011 to $878,221 from $755,088 for the three months ended December 31, 2010 due to increased cost of revenue and G&A and R&D expenses. Expenses increased 20% from the $729,136 recorded in Q3 2011 due to increased cost of revenue and G&A expenses, which were offset by decreased R&D expenses.

Cost of revenue for Q4 2011 increased 35% to $180,869 from $134,233 in Q4 2010 and increased 42% from $126,931 in Q3 2011. The increase is a result of the increased direct costs associated with consulting services (salaries, contractors, and travel).

For the three months ended December 31, 2011, G&A expenses increased 15% to $400,318 from $347,973 recorded in Q4 2010. The increase is as a result of increased bad debt expense, salaries, travel expenses, and professional fees.
compared to Q4 2010. G&A expenses also increased 41% in Q4 2011 compared to the $283,582 recorded in Q3 2011, due to the increase in bad debt expense.

For the three months ended December 31, 2011, R&D expenditures increased 9% to $297,034 from $273,618 for the three months ended December 31, 2010. The increase is a result of two factors. Firstly, government funding from National Research Council’s – Industrial Research Assistance Program (“NRC-IRAP”) decreased in Q4 2011 to $nil, as compared to Q4 2010 which has $11,383. Secondly, the Company recorded $36,321 in refundable Alberta SR&ED tax credits as a reduction in R&D expense in Q4 2011, compared to $11,433 for Q4 2010. R&D decreased 7% in Q4 2011 compared to the $318,623 recorded in Q3 2011 due to reduced Alberta SR&ED tax credits.

**Total comprehensive income (loss)**

The Company had a total comprehensive loss for the three months ended December 31, 2011 of $131,068, an increase of 59% from the loss of $82,532 recorded in Q4 2010. The increase in total comprehensive loss is a result of the increased cost of revenue and G&A and R&D expenses as compared to the increase in revenue. Total comprehensive loss increased 500% in Q4 2011, compared to the $32,801 total comprehensive income recorded in Q3 2011. The increase is a result of reduced revenue and increased bad debt expense.

**Liquidity and Capital Resources**

At December 31, 2011, Acceleware had $1,082,364 (2010 - $342,618) in working capital, including $876,386 (2010 - $353,584) in cash and cash equivalents, and no (2010 - $nil) short term debt. The increase in working capital and cash and cash equivalents is related to the closing of the Company’s plan of arrangement that resulted in $917,196 in cash proceeds to the Company (see note 1 to the Financial Statements for the year ended December 31, 2011). The Company continues to have no long-term debt.

Despite the financing, Management’s objective remains to manage cash flow and investment in new products to ensure that cash requirements do not exceed cash generated from operations. Plans include programs to improve gross margin through the introduction of new revenue streams such as a software-only products, consulting services and training; focus on core vertical markets, reduce operating expenses, and limit capital expenditures. Management believes that successful execution of its business plan will result in sufficient cash flow to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available. Further, if the Company’s operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months. Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, and further reducing sales, marketing and general and administrative expenses. The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company’s financial position, results of operations and cash flows.*

Cash flows used in operations totaled $343,581 for the year ended December 31, 2011, compared to $196,108 for the year ended December 31, 2010. The change is a result of decreased Alberta SR&ED tax credits receivable and the decrease in accounts payable and accrued liabilities.

As at December 31, 2011, the Company had current liabilities of $485,207 compared to current liabilities of $660,599 as at December 31, 2010. The decrease in current liabilities is due to a general decline in trade payables and accrued liabilities resulting from the decrease in cash operating expenses, and a decrease in deferred revenue associated with unrecognized maintenance revenue.

**Trade and Other Receivables**

* this paragraph contains forward looking information. Please refer to “Forward Looking Statements” and “Risk Assessment” for a discussion of the risks and uncertainties related to such information

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* This paragraph contains forward looking information. Please refer to “Forward Looking Statements” and “Risk Assessment” for a discussion of the risks and uncertainties related to such information.
Accounts receivable as at December 31, 2011 decreased to $496,926, compared to $517,584 as at December 31, 2010. The decrease is a result of improved collections activities. The Company has recorded an allowance for bad debts of $81,360 for a receivable that has been deemed a collectability risk. The Company maintains close contact with its customers to mitigate risk in the collection of accounts receivable.

**Alberta SR&ED Tax Credits**

Beginning in tax years ending after January 1, 2010, the Alberta Provincial Government is allowing refundable SR&ED tax credits. The Company has recorded $160,465 (December 31, 2010 - $109,301) in receivables as at December 31, 2011. The increase year over year stems from increased R&D expenses that qualify for tax credits.

**Investing Activities**

For the year ended December 31, 2011, $59,046 was invested in property and equipment compared to $16,909 for the year ended December 31, 2010.

**Financing Activities**

During the year ended December 31, 2011, the Company completed a reorganization transaction and as a result of the closing of the plan of arrangement, received cash of $917,196. In 2010, no cash was received from financing activities.

**Income Tax**

The Company follows the liability method with respect to accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the carrying amount and the tax basis of assets and liabilities (temporary differences). Deferred income tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when these differences are expected to reverse. Deferred income tax assets, if any, are recognized only to the extent that, in the opinion of Management, it is probable that the assets will be realized.

A deferred income tax recovery was recognized for the year ended December 31, 2011 for $917,196 (December 31, 2010 - $nil) due to the closing of the plan of arrangement.

With the exception of the refundable Alberta SR&ED tax credits, as at December 31, 2011, the potential tax benefits of Acceleware’s available tax pools have not been recognized in the Company’s account due to uncertainty surrounding the realization of such benefits.

**Subsequent Events**

On January 26, 2012, the Company announced that it has granted stock options to acquire up to 1,380,000 common shares of the Company to certain employees, officers and directors. The options have an exercise price of $0.10 per common share and expire on January 26, 2017. One third of the options will vest on the first anniversary of the grant date, one third of the options will vest on the second anniversary of the grant date, and the remaining options will vest on the third anniversary of the grant date. The stock options grant is subject to regulatory approval.
On February 29, 2012, the Company entered into an agreement to lease 5,244 square feet of office space commencing August 1, 2012 and ending July 31, 2017, a period of five years. In addition to the basic monthly rent, the Company must pay property taxes, operating costs, utilities and additional services.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$70,641</td>
</tr>
<tr>
<td>2013</td>
<td>148,563</td>
</tr>
<tr>
<td>2014</td>
<td>150,747</td>
</tr>
<tr>
<td>2015</td>
<td>153,807</td>
</tr>
<tr>
<td>2016</td>
<td>155,991</td>
</tr>
<tr>
<td>Thereafter</td>
<td>92,779</td>
</tr>
<tr>
<td>Total</td>
<td>$772,528</td>
</tr>
</tbody>
</table>

**Risks Factors and Uncertainties**

Management defines risk as the probability of a future event that could negatively affect the financial condition and/or results of operations of the Company. The following section describes specific and general risks that could affect the Company. As it is difficult to predict whether any risk will be realized or its related consequences will occur, the actual effect of any risk on the business could be materially different from that anticipated. The following descriptions of risk do not include all possible risks as there may be other risks of which Management is currently unaware.

**Liquidity Risk**

Management’s objective is to manage cash flow and investment in new products to ensure that cash requirements do not exceed cash generated from operations. Plans include programs to improve gross margin through the introduction of new revenue streams such as a software-only products, consulting services and training; focus on core vertical markets, reduce operating expenses, and limit capital expenditures. Management believes that successful execution of its business plan will result in sufficient cash flow to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources, if required, will be available. Further, if the Company’s operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months. Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, and further reducing sales, marketing and general and administrative expenses. The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company’s financial position, results of operations and cash flows.

**Dependence on Market Growth**

The overall market for HPC has experienced growth in recent years. There can be no assurance that the market for the Company's existing products and services will continue to grow or that the Company will be successful in establishing markets for its products and services. If the various markets in which the Company's products and services compete fail to grow, or grow more slowly than the Company currently anticipates, or if the Company is unable to establish markets for its products and services or the Company’s products and services do not gain market acceptance, the Company's business, operating results and financial condition could be materially adversely affected.

**Requirement for Additional Financing**

Management of Acceleware may seek additional funding to support ongoing losses until Acceleware reaches a level of revenue which will sustain its operations on an internal basis. The rate of growth in the market for Acceleware’s

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* this paragraph contains forward looking information. Please refer to “Forward Looking Statements” and “Risk Assessment” for a discussion of the risks and uncertainties related to such information
products and services and Acceleware's success in gaining market share, have been less than Acceleware anticipated. Acceleware cannot be assured that additional funding will be available, or if available, that it will be available on acceptable terms. If adequate funds are not available, Acceleware may have to reduce substantially or eliminate expenditures for research and development, testing, production and marketing of its products and services. There can be no assurance that the Company will be able to raise additional capital if its capital resources are exhausted. The ability to arrange additional financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business and performance of Acceleware. There can be no assurance that Acceleware will be successful in arranging additional financing or that such additional financing will be available on satisfactory terms.

Reliance on Limited Number of Customers
The Company derives a significant component of its revenues from three major customers. In aggregate, these three customers generated approximately 50% of total revenues for the year ended December 31, 2011. The Company is actively seeking other customers to mitigate the Company’s revenue reliance on these existing major customers. Should these customers not continue to purchase and resell the Company’s products and the Company is unable to attract new channel partners, revenue and the sustainability of the Company would be materially affected in future periods.

Competition
The market for HPC is competitive. Acceleware has experienced and will continue to experience intense competition from other organizations with more established sales and marketing presence, superior technical support services and greater financial resources. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. As the market for the Company's products and services continues to develop, additional competitors may enter the market and competition may intensify. Increased competition may cause price reductions, reduced profitability and loss of market share, any of which could have an adverse effect on the Company's business, results of operations and financial condition.

Failure to Manage Growth Successfully
In the event that the Company's business grows rapidly, the growth may place a strain on managerial and financial resources. Such expansion may result in substantial growth in the number of its employees, the scope of its operating and financial systems and the geographic area of its operations, resulting in increased responsibility for both existing and new management personnel. The Company's future growth will depend upon a number of factors, including the ability to:

- Acquire and train sales and marketing staff to expand Acceleware's presence in the evolving marketplace for the Company's products and services, and keep staff informed regarding the technical features, issues and key selling points of the Company's products and services;
- Attract and retain qualified technical personnel to continue to develop reliable and scalable solutions and services that respond to evolving customer needs and technological developments;
- Maintain high quality customer service and support as sales increase; and
- Expand the Company's internal management while maintaining appropriate financial controls over operations and providing support to other functional areas within the Company.

The Company's inability to achieve any of these objectives could harm the Company's business, financial condition and operating results and prospects.

Lengthy Sales Cycle – Channel Partner Distributors
The Company's channel partner (distributors) integration/sales cycle, beginning with an interested channel partner that technically integrates with the Company and culminating in a commercial agreement with the channel partner, is expected to range from six to twelve months and may be significantly longer. Once the integration period with the channel partner is completed, the actual “sales” cycle to the channel partner’s customers is relatively short - a matter of weeks or a few months. The lengthy integration cycle with the channel partner and the limited access to the channel partners customers (arising from how the channel partner distribute products and services) limits the Company's ability to forecast the timing and amount of specific sales in a particular quarter and will likely continue
to cause significant fluctuations in its quarterly operating results. Because of these fluctuations, management of the Company believes that neither its past performance nor period-to-period comparisons of its operating results are, or may be, a good indication of its future performance. If the Company's operating results for a particular period fail to meet investor expectations that are based on the Company's past performance or on period-to-period comparisons of the Company's operating results, the Company's share price could decline. This cycle is also subject to a number of significant delays over which Company will have little or no control.

**Failure to Adapt to Technological Change and New Product Development**
The hardware development industry is characterized by rapid technological change and the frequent introduction of new products. Accordingly, management of the Company believes that the future success of the Company depends upon its ability to enhance current products and services or develop and introduce new products and services. The Company's inability, for technological or other reasons, to develop and introduce products or services in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's business, results of operations and financial condition. The ability of the Company to compete successfully will depend in large measure on its ability to maintain a technically competent research and development staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of its products and services with evolving computer hardware and software platforms and operating environments. There can be no assurance that the Company will be successful in these efforts.

**Risk Associated with International Operations**
Management of the Company believes that its continued growth and profitability will require additional expansion of its sales in foreign markets. This expansion has required, and will continue to require, significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish additional foreign operations, hire additional personnel and recruit international resellers. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even with the possible recruitment of additional personnel and international resellers, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services.

**Risk Associated with Currency Fluctuations**
In the future, it is expected that a portion of revenues may be realized in other foreign currencies as a result of international sales. Fluctuations in the exchange rate between the Canadian dollar and other currencies, particularly the U.S. dollar, may have a material adverse effect on the Company's results of operations, financial condition and any business prospects. The Company currently has no hedge in place on its foreign currency exposure.

**Risk Associated with a Change in the Company's Pricing Model**
The competitive market in which the Company conducts business may require the Company to change its pricing model. If the Company's competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would likely result in a reduction in profitability and could adversely affect the Company's operating results.

**Dependence on Key Personnel**
The success of the Company is largely dependent on the performance of its key employees and directors. Failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact upon the Company's growth and profitability. Competition for highly skilled management, technical and other employees is intense. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure or death of any of the members of the Company's executive team and key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

**Risks of Acquisitions Negatively Impacting the Company**
In the future, the Company may engage in selective acquisitions of products or businesses that management of the Company believes would be complementary to its existing products. There is a risk that the Company will not be
able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into the Company’s operations. Acquisitions may involve a number of other risks, including: diversion of management's attention; disruption to the Company's ongoing business; failure to retain key acquired personnel; difficulties in integrating acquired operations, technologies, products or personnel; unanticipated expenses, events or circumstances; assumption of disclosed and undisclosed liabilities; and inappropriate valuation of the acquired in-process research and development, or the entire acquired business.

If the Company does not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, if the Company proceeds with an acquisition paid by cash, it may diminish the Company's liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

**Intellectual Property Risks**

Because much of the Company's potential success and value lies in its ownership and use of intellectual property, its failure to protect its intellectual property may negatively affect its business and value. The Company's ability to compete effectively is largely dependent upon the maintenance and protection of its intellectual property. The Company relies primarily on trade secret, trademark and copyright law, as well as confidentiality procedures and licensing arrangements, to establish and protect its rights to its technology. The Company typically enters into confidentiality or license agreements with its employees, consultants, customers, strategic partners and vendors in an effort to control access to and distribution of its products, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary technology without authorization.

Policing unauthorized use of the Company's intellectual property is difficult. The steps that the Company takes may not prevent misappropriation of its intellectual property, and the agreements the Company enters into may be difficult to enforce. In addition, effective intellectual property protection may be unavailable or limited in some jurisdictions outside Canada and the United States. Litigation may be necessary in the future in order to enforce or protect the Company's intellectual property rights or to determine the validity and scope of the proprietary rights of others. That litigation could cause the Company to incur substantial costs and divert resources away from the Company's daily business, which in turn could materially hinder its business. The Company may be subject to damaging and disruptive intellectual property litigation.

The Company may be subject to intellectual property litigation that could:

- Be time-consuming and expensive;
- Divert attention and resources away from the Company's daily business;
- Impede or prevent delivery of the Company's products and services; and
- Require the Company to pay significant royalties, licensing fees and damages.

Although the Company is not aware that its products or services infringe or violate the intellectual property rights of third parties and although the Company has not been served notice of any potential infringement or violation, the Company may be subject to infringement claims in the future. Since patent applications are kept confidential for a period of time after filing, applications may have been filed that, if issued as patents, could relate to the Company's products or services.

Parties making claims of infringement may be able to obtain injunctive or other equitable relief that could effectively block the Company's ability to provide its products and services in Canada, the United States and other jurisdictions and could cause the Company to pay substantial damages. In the event of a successful claim of infringement, the Company and its customers may need to obtain one or more licenses from third parties, which may not be available at a reasonable cost, if at all. The defense of any lawsuit could result in time-consuming and expensive litigation, regardless of the merits of such claims, as well as resulting damages, license fees, royalty
payments and restrictions on the Company's ability to provide its products or services, any of which could harm its business.

The Company is not aware that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim such infringement by the Company or its licensees with respect to current or future products. The Company expects that software product developers will increasingly be subject to such claims as the number of products and competitors in the Company's industry segment grows and the functionality of products in different industry segments overlaps. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements which, if required, may not be available on terms acceptable to the Company. Any of the foregoing could have a materially adverse effect on the Company's business, results of operations and financial condition.

Risk of Defects in the Company's Products
Products as complex as those offered by the Company frequently contain errors or defects, especially when first introduced or when new versions or updates are released. Despite product testing, Acceleware has in the past released products with defects, discovered software errors in certain of its new versions after introduction, and experienced delays or lost revenue during the period required to correct these errors. Acceleware regularly introduces new releases and periodically introduces new versions of its software. Known errors which the Company considers minor may be considered serious by its customers. There can be no assurance that, despite testing by the Company and by its customers, defects and errors will not be found in existing products or in new products, releases, versions or enhancements after the commencement of commercial shipments. Undetected errors and performance problems may be discovered in the future. Any such defects and errors could result in litigation, adverse customer reactions, negative publicity regarding the Company and its products, harm to the Company's reputation, loss of or delay in market acceptance or required product changes, any of which could have a material adverse effect upon the Company's business, results of operations and financial condition.

Risks of Security Breaches to the Company's Network
An experienced programmer may attempt on occasion to penetrate the Company's network security and could misappropriate proprietary information or cause interruptions in the Company's operations. Acceleware has implemented various means to limit such an occurrence but may be required to expend significant capital and resources to protect against or to alleviate problems caused by such hackers in the future. Additionally, the Company may not have a timely remedy for any security attack on the Company's network security. Such purposeful security breaches could have a material adverse effect on the Company's business, results of operations and financial condition. In addition to deliberate security breaches, the inadvertent transmission of computer viruses could expose the Company to a material risk of loss or litigation and possible liability.

In offering certain payment services for some products and services, the Company could become increasingly reliant on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure transmission of confidential information, such as customer credit card numbers. Advances in computer capabilities, discoveries in the field of cryptography and other discoveries, events, or developments could lead to a compromise or breach of the algorithms or licensed encryption authentication technology that the Company uses to protect such confidential information. If such a compromise or breach of the Company's licensed encryption authentication technology occurs, it could have a material adverse effect on the Company's business, results of operations and financial condition. The Company may be required to expend significant capital and resources to protect against the threat of such security, encryption and authentication technology breaches or to alleviate problems caused by such breaches. Concerns over the security of Internet transactions and the privacy of users may also inhibit the growth of the Internet generally, particularly as a means of conducting commercial transactions.

Reliance on Third Party Licenses
The Company anticipates relying on certain software that Acceleware licenses from third parties, including a software program that is integrated with internally developed software and used in Acceleware's products to perform key functions. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses, could result
in delays or reductions in product and service deployment until equivalent software can be developed, identified, licensed and integrated, which could materially adversely affect the Company's business, results of operations and financial condition.

**Technological Change, New Products and Standards**

To remain competitive, Acceleware must continue to enhance and improve the current line of products. The technology industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render Acceleware's existing products and systems obsolete. Acceleware's products embody complex technology and may not always be compatible with current and evolving technical standards and products developed by others. Failure or delays by Acceleware to meet or comply with the requisite and evolving industry or user standards could have a material adverse affect on Acceleware’s business, results of operations and financial condition. Acceleware's ability to anticipate changes in technology, technical standards and products will be a significant factor in its ability to compete. There can be no assurance that Acceleware will be successful in identifying, developing, manufacturing and marketing products that will respond to technological change or evolving standards. Acceleware's business may be adversely affected if it incurs delays in developing new products or enhancements or if such products or enhancements do not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render Acceleware's products or technologies non-competitive or obsolete.

**Reliance on One Primary Hardware Technology**

The current collaboration with NVIDIA Corp. (“NVIDIA”) is viewed as an important contributor to the timely execution of the current business plan. NVIDIA hardware is the primary platform for Company’s software solutions. If management is unable to maintain a positive relationship with NVIDIA, the Company will make appropriate adjustments in the execution of its business plan. The Company continues to evaluate other hardware alternatives. However, should NVIDIA fail to supply these components to the Company’s customers in a manner that meets those customers’ quality, quantity, cost or time requirements, and if the Company were unable to modify its solutions to run on hardware from alternate suppliers of these components in a timely manner or on acceptable terms, this could adversely affect the Company's ability to sell products.

**Conflicts of Interest**

Certain of the directors and officers of the Company are or may become directors or officers of, or have significant shareholdings in, other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of the directors of the Company and will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

**Price Volatility of Publicly Traded Securities**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's securities will be affected by such volatility.

**Earnings and Dividend Record**

The Company has no earnings or dividend record. To date, the Company has paid no dividends on its Common Shares and does not anticipate doing so in the foreseeable future.
Transactions with Related Parties

For the year ended December 31, 2011, the Company incurred expenses in the amount of $134,268 (2010 - $134,690) to a company controlled by an officer of the Company as fees for duties performed in managing operations, and is included in research and development. Of the total, $13,770 was included in accounts payable and accrued liabilities as at December 31, 2011 (December 31, 2010 - $10,626). These fees occurred in the normal course of operations and have been recognized at the agreed to exchange amount which in the opinion of management approximates fair value for services rendered.

For the year ended December 31, 2011, the Company incurred expenses in the amount of $256,510 (2010 - $nil) to a company controlled by a director of the Company for legal fees, and is included in general and administrative. Of the total, $1,916 was included in accounts payable and accrued liabilities as at December 31, 2011 (December 31, 2010 - $nil). These fees occurred in the normal course of operations and have been recognized at the agreed to exchange amount which in the opinion of management approximates fair value for services rendered.

Four officers of the Company have advanced $24,194 (December 31, 2010 - $94,062) to the Company. These amounts are non-interest bearing, unsecured and are to be repaid no later than December 31, 2012. These amounts are recorded in accounts payable.

Key management includes the Company’s directors and members of the executive management team. Compensation awarded to key management included:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and short-term employee benefits</td>
<td>$775,551</td>
<td>$552,174</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>$22,247</td>
<td>$61,077</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$797,798</td>
<td>$613,251</td>
</tr>
</tbody>
</table>

Commitments

Acceleware entered into a premise lease on 9,262 square feet of office space commencing June 1, 2007, and ending on May 31, 2012, a period of five years. The Company secured an additional 2,015 square feet of office space commencing January 1, 2008 for balance of the term, period ending May 31, 2012. A rent inducement of $46,310 was received and included in accounts payable and accrued liabilities. It is to be amortized over the term of the lease and recorded as a reduction to rent expense. At December 31, 2011, $3,859 of the rent inducement remains (December 31, 2010 - $13,121).

On February 29, 2012, Acceleware entered into a premise lease agreement to lease 5,244 square feet of office space commencing August 1, 2012 and ending July 31, 2017, a period of five years.

In addition to the basic monthly rents, the Company must pay a proportionate share of property taxes, operating costs, utilities and additional services.

The minimum annual basic rent commitments are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$79,039</td>
<td>---</td>
<td>$79,039</td>
</tr>
</tbody>
</table>
Critical Accounting Estimates

General
The preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. The estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses in cases where they are not readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

The Company’s significant accounting policies are fully described in Note 2 to the Financial Statements. Certain accounting policies are particularly important to the reporting of financial position and results of operations, and require the application of judgment by management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made. Different management estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the Financial Statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of Financial Statements.

Going Concern Assumption
The Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations as they come due, to obtain additional financing as may be required, and ultimately to obtain successful operations. However, no assurance can be given at this time as to whether the Company will achieve any of these conditions. If the Company were to change its assumption regarding the ability to continue as a going concern for a reasonable period of time, adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities would likely be necessary and potentially material.

Revenue Recognition
The Company’s revenue recognition requirements pertaining to multiple deliverables and software are very complex and are affected by interpretations of the rules and certain judgments. One of the critical judgments made is the assessment of the probability of collecting the related accounts receivable balance on a customer-by-customer basis. As a result, the timing or amount of revenue recognition may have been different if different assessments of the probability of collection had been made at the time that the transactions were recorded in revenue.

Allowance for Doubtful Accounts
The Company evaluates the collectability of trade receivables based on a combination of factors. The Company regularly analyzes significant customer accounts, and, when and if it becomes aware of a specific customer’s inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer’s operating results or financial position, a specific bad debt reserve is recorded to reduce the related receivable to the amount that is reasonably believed to be collectible. Reserves for bad debts on all other customer balances are based on a variety of factors, including the length of time that the receivables are past due, the financial health of the customer, macroeconomic considerations and historical experience. As of December 31, 2011, an allowance for $81,360 has been provided for.

Financial Instruments and Other Instruments
The Company’s only financial instruments are the monetary assets and liabilities appearing on its statement of financial position.
Disclosure of Outstanding Share Data

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

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Shares</td>
<td>55,950,266</td>
</tr>
<tr>
<td>Stock Options</td>
<td>4,960,000</td>
</tr>
</tbody>
</table>

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, 2011 that are available on www.sedar.com and as noted below.

<table>
<thead>
<tr>
<th>Sales, General and Administration</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 612,987</td>
<td>$ 931,958</td>
</tr>
<tr>
<td>Marketing</td>
<td>79,660</td>
<td>44,342</td>
</tr>
<tr>
<td>Travel</td>
<td>48,211</td>
<td>41,686</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>18,919</td>
<td>80,836</td>
</tr>
<tr>
<td>Rent, supplies and public company fees</td>
<td>281,669</td>
<td>401,988</td>
</tr>
<tr>
<td>Amortization</td>
<td>112,386</td>
<td>154,547</td>
</tr>
<tr>
<td>Professional fees</td>
<td>69,488</td>
<td>83,296</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>81,360</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,304,680</strong></td>
<td><strong>$ 1,738,653</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Research and Development</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 994,069</td>
<td>$ 884,098</td>
</tr>
<tr>
<td>Consulting</td>
<td>235,065</td>
<td>217,249</td>
</tr>
<tr>
<td>R&amp;D lab supplies</td>
<td>116,513</td>
<td>51,383</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>18,427</td>
<td>32,975</td>
</tr>
<tr>
<td>Rent and overhead allocations</td>
<td>69,105</td>
<td>71,039</td>
</tr>
<tr>
<td>Amortization</td>
<td>112,386</td>
<td>154,547</td>
</tr>
<tr>
<td>Alberta SR&amp;ED tax credits</td>
<td>(160,465)</td>
<td>(109,301)</td>
</tr>
<tr>
<td>IRAP-NRC and Alberta Ingenuity funding</td>
<td>(12,015)</td>
<td>(305,336)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,373,085</strong></td>
<td><strong>$ 996,654</strong></td>
</tr>
</tbody>
</table>