

MANAGEMENT DISCUSSION & ANALYSIS

Ontario Securities Commission FORM 51-102F1

ISSUER DETAILS

FOR QUARTER ENDED	September 30, 2013
DATE OF REPORT	November 29, 2013
NAME OF ISSUER	Sphere 3D Corporation
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FORM 51-102F1

SPHERE 3D CORPORATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013**

Sphere 3D Corporation (the "Company") was incorporated under the *Business Corporations Act (Ontario)* on May 2, 2007, as a capital pool company under the CPC Policy, under the name T.B. Mining Ventures Inc.

On December 21, 2012, the Company completed its Qualifying transaction (the "Transaction") with Sphere 3D Inc. ("Sphere 3D") and changed its name to Sphere 3D Corporation. Immediately prior to and in connection with the closing of the Transaction, Sphere 3D Inc. completed pre-closing private placement financings for gross proceeds of \$3,116,393. These financings are described in the Company's Filing Statement dated December 14, 2012 which is filed on SEDAR and available for review at www.sedar.com under the Company's profile.

The Transaction resulted in the Company acquiring 100% of the issued and outstanding securities of Sphere 3D through a securities exchange. Accordingly, the former security-holders of Sphere 3D acquired control of the Company through a reverse takeover. The accounting parent in the reverse takeover was Sphere 3D. Therefore, the consolidated financial statements are presented from the perspective of Sphere 3D and the comparative figures presented prior to December 21, 2012 are those of Sphere 3D. The results of operations of the legal parent, Sphere 3D Corporation, are included from the date of the reverse takeover.

Sphere 3D Corporation is a technology development company focused on establishing its patent pending emulation and virtualization technology. This Management's Discussion and Analysis includes the financial results of the Company, its wholly-owned subsidiary, Sphere 3D Inc., which was incorporated under the *Canada Business Corporation Act* on October 20, 2009, and its wholly owned subsidiary, Frostcat Technologies Inc., which was incorporated under the *Business Corporations Act (Ontario)* on February 13, 2012.

The Company is listed on the TSXV, under the trading symbol "ANY" and the OTCQX, under the trading symbol "SPIHF" and has its main and registered office of the Company located at 240 Matheson Blvd. East, Mississauga, Ontario, L4Z 1X1.

ADVISORY

This Management's Discussion and Analysis ("MD&A") comments on the financial condition and operations of Sphere 3D Corporation ("Sphere 3D" or the "Company"), for the three and nine months ended September 30, 2013 and updates our MD&A for fiscal 2012. The information contained herein should be read in conjunction with the Consolidated Financial Statements and Auditor's Report for fiscal 2012 and the unaudited Interim Consolidated Financial Statements for the three and nine months ended September 30, 2013.

The Company prepares its interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as set out in the Handbook of The Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has reported on this basis in these consolidated

interim financial statements. All financial information contained in this MD&A and in the unaudited consolidated interim financial statements has been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The quarterly unaudited consolidated financial statements and this MD&A have been reviewed by the Company’s Audit Committee and approved by its Board of Directors on November 20, 2013.

FORWARD LOOKING INFORMATION

Certain statements in this MD&A constitute forward-looking statements that involve risks and uncertainties. Forward-looking statements, without limitation, may contain the words believes, expects, anticipates, estimates, intends, plans, or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions and Sphere 3D’s actual results could differ materially from those anticipated. Forward looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. In the context of any forward-looking information please refer to risk factors detailed herein, as well as other information contained in the company’s filings with Canadian securities regulators (www.sedar.com).

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company’s web-site at www.sphere3d.com.

BUSINESS UPDATE

Recognizing the need to allow for the consolidation of digital devices and application ecosystems, Sphere 3D is creating ultra-thin client technology that allows for the ubiquitous access to third party software on any Cloud connected device, independent of the user’s operating system or the local device’s hardware limitations.

Sphere 3D’s Glassware 2.0 has the following primary value propositions within its business model:

- Consumers can gain complete access to fully functional software versions, allowing PC productivity software to be made available on a variety of Cloud connected devices. Users can do more than just surf or “view” documents on tablets, smartphones or other connected devices – they can create, modify and save, either locally or in the Cloud.
- Software Developers can expand software revenue streams to new platforms, without having to develop multiple versions of their software applications without the need for the customization that is required due to the proliferation of device capabilities and operating systems.
- Enterprise Clients can provide safe, secure mobile access to their legacy applications, without the expensive customization and inherent time and capability trade-offs required by re-writes to the Cloud. Enterprise’s employees or business partners access the enterprise’s systems, through their own devices (bring your own device “BYOD”) or company-provided equipment, and the enterprise’s own network security protocols will apply without having to make further modifications on the actual devices.

To facilitate the growth of its infrastructure and commercialize its technology within the Enterprise market, on July 16, 2013, the Company entered into a Supply Agreement and a Technology Licensing Agreement with Overland Storage, Inc. (“Overland”), which grants Overland licensing rights in the enterprise market.

Pursuant to the Supply Agreement, the Company has agreed to procure cloud infrastructure solutions from Overland, for the next ten years. Furthermore, during the first three years of the Supply Agreement, the Company is permitted to pay for purchases through a combination of cash and stock. During this period, half of any purchases will be paid in cash and half in stock, up to a maximum of \$3 million in total purchases.

The first \$500,000 in stock, was satisfied through the issuance of 769,231 common shares of the Company, at an ascribed price of \$0.65 on July 16th, 2013. Sphere shall pay an additional \$500,000 in common shares of Sphere 3D on each of the first and second anniversaries of the Agreement. The number of common shares to be issued shall be calculated based on the 10 day average of the closing price per common share of Sphere 3D ending 3 trading days prior to each of the anniversary dates; up to a maximum of 769,231 common shares will be issued on each date. Such Sphere 3D shares shall be subject to a four months and one day hold period from the date of issuance in accordance with applicable Canadian securities laws.

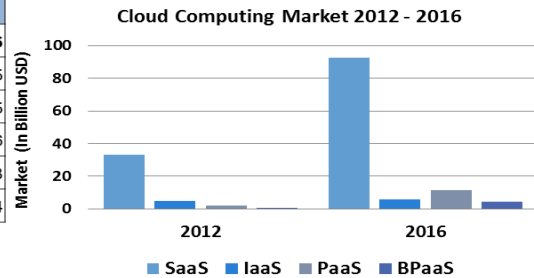
Pursuant to the Technology License Agreement, the Company has granted a license for its Glassware 2.0™ technology to Overland for the enterprise and business market. In return, Overland paid a fee to the Company of \$500,000. The fee was satisfied through the payment of \$250,000 in cash and \$250,000 in shares of Overland. Additionally, the Company shall receive a royalty on future sales of the licensed technology.

On November 12, 2013, the Company announced it had closed its “bought deal” private placement financing for gross proceeds of \$4,187,500 (the “Offering”). The Offering consisted of an aggregate of 1,250,000 units of the Company (each a “Unit”) at a purchase price of \$3.35 per Unit. The Offering was led by Cormark Securities Inc. and the underwriting syndicate included Paradigm Capital Inc. and Jacob Securities Inc. (collectively, the “Underwriters”).

Market Overview

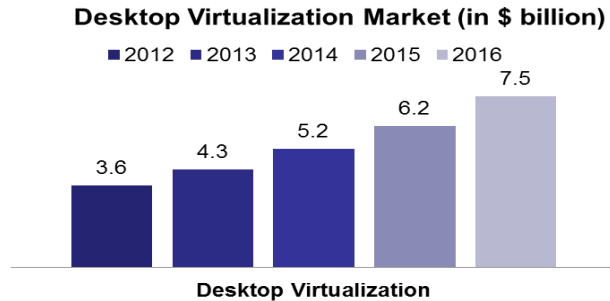
The Company has received a “Market and Competitive Analysis” report completed by Frost & Sullivan. Included in the report are overviews of the Cloud Computing, Virtualization, and Mobile Device Markets; a Competitive Technology Analysis of Sphere 3D’s Glassware 2.0™ platform; and a Gap Analysis to identify existing opportunities within the current landscape. Founded in 1961, Frost & Sullivan is a market research leader that has more than 40 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists. The following two tables are excerpts from the report:

Cloud Computing Market- 2012-2016 (In \$ billions)					
	2012	2013	2014	2015	2016
SaaS	33.09	47.22	63.19	74.43	92.75
IaaS	4.99	5.75	5.89	5.82	5.65
PaaS	2.08	4.38	7.39	9.8	11.26
BPaaS	0.8	1.26	1.95	2.93	4.28
Total	40.96	58.61	78.42	92.98	113.94



- Cloud Computing Market consists of four segments
 1. Infrastructure as a Service(IaaS)
 2. Software as a Service(SaaS)
 3. Platform as a Service(PaaS)
 4. Business Process as a Service(BPaaS)
- Software as a Service holds 90% of the total cloud computing market share.
- In 2012 cloud computing is expected to reach a total market value of around \$40billion.
- In 2016 cloud computing is expected to reach a total market value of \$100billion.
- **PaaS is expected to have a rapid growth compared to other segments of Cloud Computing.**
- **Under PaaS application development platforms offered as a cloud service will be dominant**
- The rise in mobile workforce is expected to drive the mobile cloud services market to \$45billion in 2016.

Year	Desktop Virtualization Market Value (in \$ billions)
2012	3.6
2013	4.3
2014	5.2
2015	6.2
2016	7.5



- VMware occupies more than 53% of the total virtualization market followed by Microsoft.
- The key segments are application virtualization, server virtualization and desktop virtualization.
- Citrix is the market leader in the desktop virtualization with 19% market share.
- VMware is the market leader in the server virtualization with more than 50% of the market share.
- Enterprise server virtualization market is set to reach more than \$19b in 2014
- Microsoft is the market leader in the application virtualization with 11% of the market share.
- Among the desktop virtualization market server hosted desktop virtualization holds more than 50% of the total market share.

Intellectual Property

In keeping with the Company's objective to build an expansive intellectual property footprint, the Company has filed six full patent applications (3 in Canada and 3 in the U.S.) claiming the priority date (January 2012) of our previous 3 provisional patents filed in Canada. The Company filed three additional provisional patents in this quarter. These first 9 patent filings cover, among other things, various server and client side proprietary software capabilities of Sphere 3D's foundational technology platform, "Glassware 2.0™". The Company has retained Bereskin & Parr LLP for its intellectual property work.

Consumer App Development

During the first quarter, the Company alpha tested the first of its many planned Apps for iPad to a limited number of users through Apple's App Store at www.itunes.com/appstore. The first App tested utilized Glassware 2.0™ thin client technology to give users access to a branded mainstream fully-featured desktop browser that would otherwise be incompatible with iPad. The App allowed users to browse the web faster and with all the necessary plug-ins such as Adobe® Flash®, Java™, PDF and QuickTime. The

first phase of testing was completed in February. Screenshots of the App are available at www.sphere3d.com/media.html

During the second quarter, the Company signed a definitive agreement with Corel Corporation (“Corel”) to act as Value Added Reseller and Distributor for Corel® Office and Corel® PDF Fusion™. Under the terms of the agreement, Sphere 3D will electronically distribute these award winning office productivity software titles to end users in one of 3 formats: a standard desktop version; a Virtual Desktop Instance (VDI); or mobile software versions powered by Sphere 3D’s Software Virtualization solution, Glassware 2.0™.

On September 16, 2013, the Company announced that it was launching the public beta version of their new Glassware 2.0™ app for Corel® Office in October. The software is a game-changing approach to productivity on the fly. Users are no longer a slave to their desks; they can have complete software functionality, combined with the power of mobility and speech recognition to make creating and editing a snap; from literally anywhere.

SEGEMENTED INFORMATION

The Company’s product development, sales, and marketing operations are conducted from its offices in Mississauga, ON, Canada. All sales and assets of the Company have been in Canada. The Company’s operations are limited to a single industry segment, being the development, and sale of Sphere 3D’s “Glassware™ 2.0” ultra-thin client technology that allows for the ubiquitous access to third party software on any Cloud connected device, independent of the user’s operating system or the local device’s hardware limitations.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Periods Ended September 30, 2013 and 2012

The table below sets out certain selected financial information regarding the consolidated operations of Sphere 3D for the periods indicated. The selected financial information has been prepared in accordance with IFRS. This information is taken from and should be read in conjunction with Sphere 3D's financial statements and related notes:

	Three Months ended		Nine Months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	\$ -	\$ -	\$ -	\$ 409,347
Net comprehensive loss for the period	(468,663)	(530,008)	(1,678,437)	(1,406,593)
Loss per share	\$ (0.03)	\$ (0.04)	\$ (0.10)	\$ (0.12)

AS AT	September 30 2013 (unaudited)	December 31, 2012 (audited)
Current assets	\$ 2,528,542	\$ 2,032,021
Non-current assets	1,367,232	1,178,698
Total assets	\$ 3,895,774	\$ 3,210,719
Current liabilities	\$ 686,607	\$ 303,218
Total equity	\$ 3,209,167	\$ 2,907,501

Sphere 3D has not declared any dividends since its incorporation. Sphere 3D does not anticipate paying cash dividends in the foreseeable future on its Sphere 3D Shares, but intends to retain future earnings to finance internal growth, acquisitions and development of its business. Any future determination to pay cash dividends will be at the discretion of the board of directors of Sphere 3D and will depend upon Sphere 3D's financial condition, results of operations, capital requirements and such other factors as the board of directors of Sphere 3D deems relevant.

Results of Operations

With the completion of the agreements with Overland Storage, Inc. and Corel Corporation and the financial resources acquired through those agreements and the exercise of warrants and options during the quarter, the Company has determined that it has met all the IFRS requirements for deferring development costs. As a result, effective July 1, 2013, the Company has commenced the deferral of these costs and will amortize them over the 4 year expected life of the intellectual property, commencing upon the commercial release of products.

Sphere 3D is a development stage company and did not generate any revenue in the three or nine months ended September 30, 2013, as it continued its development efforts. The majority of the \$409,347 in revenue achieved in the nine months ended September 30, 2012 related to custom designed interactive kiosks. The design, development and manufacture of these kiosks provided the Company with the ability to test out several components of its technology. The custom design interactive kiosks were a special project and are not expected to generate future revenues.

During the three months ended September 30, 2013, Sphere 3D incurred cost of goods sold and general operating costs of \$441,658 compared to \$511,845 during the quarter ended September 30, 2012. For the nine months ended September 30, 2013, Sphere 3D incurred cost of goods sold and general operating costs of \$1,651,779 compared to \$1,387,876 during the nine months ended September 30, 2012.

Cost of goods sold for the three and nine months ended September 30, 2013 were \$0 and \$26,160, respectively, compared to \$10,364 and \$360,148, respectively for the three and nine months ended September 30, 2012. The costs in 2013 relate to the fixed monthly internet costs required to provide the connectivity for our planned products. The costs in 2012 relate to initial manufacture and sale of the custom built interactive kiosks, in addition to the fixed monthly internet costs.

Salaries and consulting for the three and nine months ended September 30, 2013 were \$200,133 and \$987,745, respectively, compared to \$276,933 and \$929,203, respectively, for the three and nine months ended September 30, 2012. Included in Salaries and consulting during the first nine months of 2013 were

stock compensation expenses, related to the awarding of stock options, in the amount of \$118,169, compared to \$270,000 in the first nine months of 2012. The decrease in expenses in the quarter ended September 30, 2013 was the result of the Company deferring the costs related to the development of the Glassware 2.0 product line. The Company expects to add additional staff in sales, marketing and research & development during the remainder of fiscal 2013.

Professional fees were \$71,362 and \$168,142, respectively in the three and nine months ended September 30, 2013, compared to \$65,105 and \$109,980, respectively, in the three and nine months ended September 30, 2012. The increase in 2013 was mainly due to recruiting fees incurred to add additional research and development staff.

General and administrative expenses were \$68,496 and \$208,641, respectively, for the three and nine months ended September 30, 2013 compared to \$98,083 and \$234,258, respectively, for the three and nine months ended September 30, 2012. General and administrative expenses mainly relate to the semi-fixed costs of facility rentals, utilities and office expenses and should not vary greatly over the balance of 2013. The portion of the expenses that relate to the development work have been deferred resulting in the reported reduction during the quarter ended September 30, 2013.

Research and development expenditures for the three months ended September 30, 2013 have been deferred. Prior to the deferral of the development costs the expenses were \$Nil and \$11,522, respectively, for the three and nine months ended September 30, 2013 compared to \$14,019 and \$35,767 for the three and nine months ended September 30, 2012. These costs are for non-capitalized equipment and for supplies used for the development of Sphere 3D's technology. Sphere 3D expects to increase its spending on development during fiscal 2013 and 2014.

Public company expenses for the three and nine months ended September 30, 2013 were \$50,848 and \$109,407 respectively (2012 – nil). These fees relate to the cost of listing the Company's equity on the Toronto Stock Exchange – Venture, the filing fees for continuous disclosures and various investor relations activities.

The net comprehensive loss for the three and nine months ended September 30, 2013 was \$468,663 or \$0.03 per share and \$1,678,437 or \$0.10 per share, respectively, compared with a net comprehensive loss in the three and nine months ended September 30, 2012 of \$530,008 or \$0.04 per share and \$1,406,593 or \$0.12 per share, respectively. Included in the net comprehensive loss for the three and nine months ended September 30, 2013, was an unrecognized holding loss, of \$26,350, on the shares of Overland Security, which the Company holds as an investment. Sphere 3D expects to continue to incur losses for the remainder of fiscal 2013 as it completes its development of its technology and commercializes its products.

Financial Position

Sphere 3D's cash position increased during the quarter ended September 30, 2013 by \$900,879 compared to an increase of \$205,384 for the quarter end September 30, 2012. Operating activities required cash of \$138,179, after deferral of development costs, adjustments for non-cash items and changes in other working capital balances, compared to \$580,369 during the quarter ended September 30, 2012. Investing activities required cash of \$322,876 (2012 - \$28,348), related to the cost of ongoing development and the filing of patents and trademarks and the acquisition of property and equipment to support Sphere 3D's ongoing development work. Sphere 3D received cash of \$1,361,934 from the exercise of options and warrants in during the three months ended September 30, 2013 compared to \$814,101 which was generated during the three months ended September 30, 2012, from the sale of common stock.

Liquidity and Capital Resources

At September 30, 2013, Sphere 3D had cash of \$1,394,704 and working capital of \$1,841,935 compared to cash of \$1,633,334 and working capital of \$1,728,803 as at December 31, 2012.

SUMMARY OF OUTSTANDING SHARES AND DILUTIVE INSTRUMENTS

The authorized capital of the Company consists of an unlimited number of common shares, of which [] common shares were issued and outstanding as of the date of this MD&A.

Certain common shares of the Company are subject to escrow in accordance with TSXV policies. There are two separate escrow agreements in place which are subject to different rates of release. The following table summarizes the common shares that were issued by the Company and are subject to and held under each escrow and the dates of release therefrom:

	QT Escrow		Value Share Escrow		Total Escrow	
	Number	%	Number	%	Number	%
Balance at December 21, 2012 ⁽¹⁾	4,655,000	100	4,306,250	100	8,961,250	100
Released - December 27, 2012 ⁽²⁾	232,750	5	430,625	10	663,375	7
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Balance at December 31, 2012	4,422,250	95	3,875,625	90	8,297,875	93
Released – June 27, 2013	232,750	5	645,937	15	878,687	10
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Total subject to escrow at September 30, 2013	4,189,500	90	3,229,688	75	7,419,188	83
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Future release dates						
December 27, 2013	465,500	10	645,937	15	1,111,437	12
June 27, 2014	465,500	10	645,937	15	1,111,437	13
December 27, 2014	698,250	15	645,938	15	1,344,188	15
June 27, 2015	698,250	15	645,938	15	1,344,188	15
December 27, 2015	1,862,000	40	645,938	15	2,507,938	28
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Total future releases	4,189,500	90	3,229,688	90	7,419,188	83

(1) Date of completion of the Qualifying Transaction

(2) Date of issuance of TSXV exchange bulletin announcing the commencement of trading of the Company's stock.

Escrowed shares are subject to release every six months from the date of the exchange bulletin, at the rate shown. Release rates can change if the Company were to move to the TSX Tier 1 Exchange. As well, if the operations or development of the Intellectual Property or the business are discontinued then the unreleased securities held in the QT Escrow will be cancelled.

The Company has warrants outstanding to purchase up to an aggregate of 3,019,669 common shares, including an unit warrant, consisting of one share and one warrant, that if exercised would allow for the purchase of an additional 182,492 common shares. Subsequent to September 30, 2013, all of the unit warrants and 984,460 of the warrants have been exercised for proceeds of \$1,139,578.

The stock option plan (the "Option Plan") of the Company is administered by the Board of Directors, which is responsible for establishing the exercise price (at not less than the Discounted Market Price as defined in the policies of the TSX Venture Exchange) and the vesting and expiry provisions. At the Annual and Special meeting of Shareholders, held on September 16, 2013, the shareholders approved the amendment of the Company's Option Plan to a fixed 20% plan, allowing for the award of up to 3,375,000 options. As of the date of this MD&A, Options granted under the Option Plan to purchase up to an aggregate of 2,940,000 common shares have been awarded. A total of 60,000 options were exercised during the quarter, while 2,880,000 remain outstanding. Subsequent to September 30, 2013, 120,000 options, with an average exercise price of \$0.70, have been exercised.

On November 12, 2013, the Company completed the private sale of an aggregate of 1,250,000 units of the Company (each a "Unit") at a purchase price of \$3.35 per Unit. Each Unit consisted of one common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant (each full warrant, a "Warrant"), each Warrant being exercisable to acquire one Common Share at a purchase price of \$4.50 for a period of 24 months following the closing of the Offering. The Warrants are subject to an acceleration clause whereby should the Common Shares trade at \$6.00 or more for more than 10 consecutive trading days on the TSX Venture Exchange (the "TSXV") or other principal exchange, the Company has the right to issue notice to the warrant holders to accelerate the expiry date of the Warrants to a period ending not less than 20 trading days from the date of notice.

The Underwriters received a cash commission equal to 6% of the gross proceeds of the Offering, were reimbursed for fees and expenses incurred in connection with the Offering, and received compensation warrants (the "Broker Warrants") equal to 8% of the number of Units sold under the Offering. Each Broker Warrant consists of one Common Share and one-half of one Warrant and is exercisable at a price of \$3.35 per Unit for a period of 24 months from the closing date, subject to acceleration of the expiry date of the Warrant in certain instances.

Assuming that all of the outstanding options and warrants are exercised, 26,436,939 common shares would be issued and outstanding on a fully diluted basis.

Related Party Transactions

Related parties of the Company include the Company's key management personnel and independent directors.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise).

During the three and nine months ended September 30, 2013, legal services of \$43,682 and \$74,076, respectively (2012 - \$82,678 and \$121,910) were provided by a legal firm affiliated with a director of the Company.

Amounts owing to related parties at quarter end included in accounts payable total \$13,265 (2012 - \$26,361)

Quarterly Information

As a private company, until the reverse takeover transaction which took place on December 21, 2012, Sphere 3D was not required to prepare quarterly financial statements, and as such, no quarterly financial statements are included in this MD&A.

ADDITIONAL INFORMATION

Additional information relating to Sphere 3D Corporation can be found on SEDAR at www.sedar.com.