

Acceleware Ltd.

**Condensed Interim Financial Statements (Unaudited)
For the Three Months Ended March 31, 2013 and 2012**

(in Canadian dollars)

Acceleware Ltd.

Condensed Interim Financial Statements For the Three Months Ended March 31, 2013 and 2012 (in Canadian dollars)

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Acceleware Ltd.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Acceleware Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Acceleware Ltd.

Condensed Statements of Financial Position (Unaudited) (in Canadian dollars)

As at:

	March 31, 2013	December 31, 2012
Assets		
Current		
Cash and cash equivalents	\$ 337,584	\$ 341,897
Trade and other receivables	808,202	697,906
Alberta SR&ED tax credits receivable	186,309	155,580
Deposits and prepaid expenses	95,327	113,870
	1,427,422	1,309,253
Non-current		
Property and equipment	236,444	196,880
Total assets	\$ 1,663,866	\$ 1,506,133
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 647,403	\$ 604,028
Deferred revenue	101,335	79,873
Finance lease (note 5)	18,884	20,625
	767,622	704,526
Non-current		
Finance lease (note 5)	46,411	35,533
	814,033	740,059
Going concern (note 3)		
Commitments (note 8)		
Shareholders' Equity		
Share capital (note 6a)	16,544,812	16,544,812
Contributed surplus (note 6c)	5,998,371	5,986,104
Deficit	(21,693,350)	(21,764,842)
	849,833	766,074
Total liabilities and shareholders' equity	\$ 1,663,866	\$ 1,506,133

Approved on behalf of the Board:

(signed) "Bohdan Romaniuk"

Director

(signed) "Dennis Nerland"

Director

The accompanying notes are an integral part of these financial statements.

Acceleware Ltd.

Condensed Statements of Comprehensive Income (Loss) (Unaudited) (in Canadian dollars)

For the:

	Three months ended March 31, 2013	Three months ended March 31, 2012
Revenue (note 7)	\$ 953,027	\$ 424,537
Expenses		
Cost of revenue	228,889	97,764
General and administrative	376,156	457,931
Research and development	331,473	258,306
	936,518	814,001
Other income (note 10)	54,983	—
Total comprehensive income (loss) for the period attributable to shareholders	\$ 71,492	\$ (389,464)
Earnings (loss) per share		
Basic and diluted	\$ 0.001	\$ (0.007)
Weighted average shares outstanding – basic and diluted	55,950,266	55,950,266

The accompanying notes are an integral part of these financial statements.

Acceleware Ltd.

Condensed Statements of Changes in Shareholders' Equity (Unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at December 31, 2011	\$ 16,544,812	\$ 5,911,452	\$ (21,281,027)	\$ 1,175,237
Net comprehensive loss	—	—	(389,464)	(389,464)
Share-based payments	—	23,298	—	23,298
Balance at March 31, 2012	\$ 16,544,812	\$ 5,934,750	\$ (21,670,491)	\$ 809,071
Balance at December 31, 2012	\$ 16,544,812	\$ 5,986,104	\$ (21,764,842)	\$ 766,074
Net comprehensive income	—	—	71,492	71,492
Share-based payments	—	12,267	—	12,267
Balance at March 31, 2013	\$ 16,544,812	\$ 5,998,371	\$ (21,693,350)	\$ 849,833

The accompanying notes are an integral part of these financial statements.

Acceleware Ltd.

Condensed Statements of Cash Flows (Unaudited)

(in Canadian dollars)

For the:

	Three months ended March 31, 2013		Three months ended March 31, 2012	
Cash flows from (used for) operating activities				
Comprehensive loss before tax	\$	71,492	\$	(389,464)
Items not involving cash:				
Amortization		18,539		28,507
Share-based payments (<i>note 6c</i>)		12,267		23,298
Non-monetary transaction		(12,869)		—
		89,429		(337,659)
Changes in non-cash working capital items				
Trade and other receivables		(110,296)		141,710
Alberta SR&ED tax credit receivable		(30,729)		(47,274)
Deposits and prepaid expenses		18,543		7,233
Accounts payable and accrued liabilities		43,373		(50,221)
Deferred revenue		21,462		(24,377)
		31,782		(310,588)
Cash flows from financing activities				
Repayment of finance lease (<i>note 5</i>)		(3,477)		—
		(3,477)		—
Cash flows from investing activities				
Purchase of property and equipment		(32,618)		(31,951)
Change in non-cash working capital		—		30,000
		(32,618)		(1,951)
Increase (decrease) in cash and cash equivalents		(4,313)		(312,539)
Cash and cash equivalents, beginning of period		341,897		876,386
Cash and cash equivalents, end of period	\$	337,584	\$	563,847
Comprised of:				
Cash on deposit	\$	297,483	\$	523,746
Cash equivalents		40,101		40,101
	\$	337,584	\$	563,847
Interest received	\$	503	\$	—
Interest paid	\$	460	\$	346
Income taxes paid	\$	—	\$	—

The accompanying notes are an integral part of these financial statements.

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

March 31, 2013 and 2012

(in Canadian dollars)

1. General information

Acceleware Ltd. (the “Company” or “Acceleware”) is a technology company based in Calgary, Alberta, that specializes in the development and marketing of special purpose software accelerators used to reduce engineering design simulation and data processing run times. The Company also provides specialized software development consulting services and training programs in the field of high performance computing. The Company is incorporated under the Alberta Business Corporations Act, has its registered offices at 2800 715 fifth avenue SW, Calgary, Alberta, Canada, and trades on the TSX Venture Exchange under the symbol AXE.

On April 26, 2011 (the “Effective Date”), the Company completed a court supervised plan of arrangement (the “Arrangement”) involving, among others, the Company and an arm’s length private company, pursuant to which the Company completed a reorganization transaction to create a new company named Acceleware Ltd. (formerly Acceleware Corp).

Pursuant to the Arrangement and on the Effective Date of the Arrangement: (i) Acceleware Corp. transferred all of its assets (with the exception of the benefit of its tax pools which by their nature cannot be transferred) and liabilities to the Company, a new company incorporated under and governed by the Business Corporations Act (Alberta); (ii) holders of the Acceleware Corp.’s common shares received common shares of the Company on a pro rata basis consistent with their relative percentage holdings of common shares of Acceleware Corp. immediately prior to giving effect to the Arrangement. As such, pursuant to the Arrangement: (i) the Company conducts exactly the same business as formerly conducted by Acceleware Corp. with the same assets and liabilities of Acceleware Corp. (with the exception of the benefit of certain of Acceleware Corp.’s tax pools which, by their nature, cannot be transferred and have remained with Acceleware Corp.); (ii) the shareholders of the Company are the same as the former shareholders of Acceleware Corp., holding the same number of common shares of the Company as that number of common shares each held in Acceleware Corp. immediately prior to the closing of the Arrangement; (iii) the Company is a reporting issuer and the common shares of the Company are listed on the TSX Venture Exchange (the “TSXV”) under the trading symbol “AXE”; and (iv) the Company received net proceeds of \$917,196.

2. Basis of presentation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed interim financial statements, including International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) and have been prepared following the same accounting policies and method of computation as the annual financial statements for the year ended December 31, 2012. The disclosures provided below are incremental to those included with the annual financial statements. Certain information and disclosures normally included in the notes to the annual financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on May 23, 2013.

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

March 31, 2013 and 2012

(in Canadian dollars)

2. Basis of Presentation (cont'd)

(b) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss which are measured at fair value with changes in fair value recorded in earnings.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements. Judgement is used in situations where there is a choice or assessment required by management. Estimates and underlying assumptions are required on an ongoing basis and revisions are recognized in the year in which such estimates are revised.

The determination of the amount of the Scientific Research and Development claim, and hence the relevant receivable amount, requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Company are subject to review by the relevant government agencies. Although the Company has used its best judgment and understanding of the related program agreements in determining the receivable amount, it is possible that the amounts could increase or decrease by a material amount in the near term dependent on the review and audit by the government agency.

Estimates are used when accounting for revenue recognition both in terms of contracts with multiple deliverables, and in consulting contracts recognized using percentage of completion. The Company evaluates each element of a contract with multiple elements in order to estimate the fair value of each separable component of the transaction. The Company's Management ("Management") applies judgement when assessing whether certain deliverables in a customer arrangement should be included or excluded from a unit of account to which contract accounting is applied. The judgement is typically related to the sale and inclusion of software, maintenance, and consulting services in a customer arrangement and involves an assessment that principally addresses whether the deliverable has stand-alone value to the customer that is not dependent upon other components of the arrangement.

The Company makes use of estimates when making allowances for uncollectible trade and other receivables. The Company evaluates each receivable at period end using factors such as age of receivable, payment history, and credit risk to determine whether an allowance is required and, if so, to estimate the amount thereof.

The Company must make estimates in regard to assets. The useful life of assets must be estimated when calculating amortization. Where possible, the Company uses its own history with assets of similar classes to determine useful lives. The Company must make use of estimates when determining if an asset is impaired.

The Company must make use of estimates in calculating the fair value of share-based payments. Amounts recorded for share-based payments are subject to the inputs used in the Black-Scholes option pricing model, including assumptions such as volatility, dividend yield, risk-free interest rates, forfeiture rate estimates, and expected option life.

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

March 31, 2013 and 2012

(in Canadian dollars)

2. Basis of Presentation (cont'd)

(d) Use of estimates and judgements

Other estimates employed are related to taxes and related provisions and other provisions and contingencies. Actual results could differ from these and other estimates. The recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognize deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non-occurrence of such events in the future may lead to significant changes in the measurement of deferred tax assets.

In recognizing provisions, the Company evaluates the extent to which it is probable that it has incurred a legal or constructive obligation in respect of past events and the probability that there will be an outflow of benefits as a result. The estimates used to recognize provisions are based on currently known factors which may vary over time, resulting in changes in the measurement of recorded amounts.

Management uses judgement when accounting for debt settled by the issuance of common shares. Management assesses the value of the common shares issued in such arrangements using the most recent closing price of the Company's common shares on the TSX-V immediately preceding the settlement. Assessment of the value of the debt settled is based on Management's assessment of the fair value of services rendered.

3. Going concern

These 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 has accumulated losses amounting to \$21,693,350 (December 31, 2012 - \$21,764,842), including the loss of \$483,815 in the year ended December 31, 2012, largely due to investments in new product development and in the penetration of new markets.

The Company actively manages its cash flow and investment in new products to match its cash requirements to cash generated from operations. In order to maximize cash generated from operations, the Company plans to continue to focus on high gross margin revenue streams such as a software products, consulting services and training; focus on selected core vertical markets; minimize operating expenses where possible; and limit capital expenditure. 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, 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 financial performance and cash flows.

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

March 31, 2013 and 2012

(in Canadian dollars)

3. Going concern (cont'd)

The ability of the Company to continue as a going concern is dependent upon successful execution of its plans noted above. The outcome of these initiatives cannot be predicted at this time. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern for a reasonable period of time.

4. Recent Accounting Pronouncements Issued and not yet Effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2013 or later periods. The standards impacted are as follows:

IFRS 9, 'Financial Instruments' was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primary unchanged from IAS 39, other than the fair value measurement option which now addresses an entity's own credit risk. Additional amendments are expected with respect to de-recognition of financial instruments, impairment and hedge accounting. This new standard will also impact disclosures provided under IFRS 7 Financial instrument: disclosures. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

The Company is currently assessing the impact of these standards on its reporting and disclosures.

5. Finance Lease

The Company has certain computer equipment under financial lease expiring 2015 and 2016. The leases carry a weighted average annual interest rate of 2.31%. Estimated lease payments are as follows:

	March 31, 2013	December 31, 2012
2013	\$ 19,841	\$ 21,696
2014	26,747	21,696
2015	19,840	14,542
2016	816	—
Minimum lease payments	67,244	57,934
Less: interest portion (at a rate of 2.31%)	1,949	1,776
Net minimum lease payments	65,295	56,158
Less: current portion	18,884	20,625
	\$ 46,411	\$ 35,533

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

March 31, 2013 and 2012

(in Canadian dollars)

5. Finance Lease (cont'd)

The equipment under finance lease has been recognized in property and equipment at the present value of minimum lease payments. Interest charges on leased equipment during the three months ended March 31, 2013 were approximately \$355 (March 31, 2012 – \$nil). Other than interest, no costs were incurred relating to this lease. The lease is secured by the assets under lease. At March 31, 2013, the net book value of equipment pledged as security for finance leases is \$61,948 (2012 - \$nil).

6. Share capital and other components of shareholders' equity

(a) Share capital

The authorized share capital of the Company consists of an unlimited number of common shares, and unlimited number of first preferred shares, of which conditions are to be determined; and an unlimited number of second preferred shares, of which conditions are to be determined.

Common shares	Number	Amount
Balance, December 31, 2012	55,950,266	\$ 16,544,812
Issued	—	—
Balance, March 31, 2013	55,950,266	\$ 16,544,812

(b) Share-based payments

At March 31, 2013 the Company had one equity-settled share-based compensation plan. The Company accounts for options granted under this plan in accordance with the fair value method of accounting for share-based compensation. The estimated fair value of the options that are ultimately expected to vest is recorded over the options' vesting period and charged to share-based compensation expenses.

During the three months ended March 31, 2013 no options were granted under the plan. Total share-based payment expenses for the three months ended March 31, 2013 were \$5,455 relating to general and administrative and \$6,812 relating to research and development for a total of \$12,267. Total share-based payment expenses for the three months ended March 31, 2012 were \$6,545 relating to general and administrative and \$16,752 relating to research and development for a total of \$23,298.

During 2012, the Company granted to certain employees, officers, and directors options to purchase a total of 1,460,000 Common Shares at an exercise price of \$0.10 per share. 486,666 of the options will vest one year from the date of grant, 486,667 will vest two years from the date of grant and 486,667 will vest three years from the date of grant. The options expire 5 years from the date of grant. The weighted average grant date fair value of the stock options granted during 2012 was estimated to be \$0.068 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 183%, a risk-free interest rate of 1.32%, expected dividend yield of nil%, expected forfeiture rate of 10% and expected life of 5 years. The expected volatility was determined by calculating the historical volatility of the Company's common share price from the date of grant back to the date one year prior to the date of grant. The estimated fair value of each tranche of options not immediately vesting is amortized to share-based payments over the option vesting period on a straight line basis. Total share-based payment expenses for the year ended December 31, 2012 were \$40,377 relating to general and administrative and \$34,275 relating to research and development for a total of \$74,652.

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

March 31, 2013 and 2012

(in Canadian dollars)

6. Share capital and other components of shareholders' equity (cont'd)

The changes to the number of options granted by Acceleware Ltd. and their weighted average exercise price are as follows:

	Number	Weighted Average Exercise Price
Balance, December 31, 2012	4,427,500	0.105
Granted	—	—
Forfeited	—	—
Expired	(15,000)	0.800
Balance, March 31, 2013	4,412,500	0.103

Summary of options outstanding and exercisable as at March 31, 2013 are as follows:

Exercise price outstanding	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
\$0.10	4,390,000	2.49	\$0.100	2,743,263
0.70	22,500	0.10	0.700	22,500
	4,412,500	2.47	\$0.103	2,765,763

(c) Contributed surplus

Balance, December 31, 2012	\$	5,986,104
Share-based payments		12,267
Balance, December 31, 2012	\$	5,998,371

7. Segmented information

The Company operates in an international market within one reportable industry segment.

(a) Geographic segmentation is as follows:

Revenue:	Canada	Foreign Countries	Total
Three months ended March 31, 2012	\$ 10,859	413,678	\$ 424,537
Three months ended March 31, 2013	\$ 133,815	819,212	\$ 953,027

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

March 31, 2013 and 2012

(in Canadian dollars)

7. Segmented information (cont'd)

(b) Product segmentation of revenue is as follows:

	Three months ended March 31, 2013		Three months ended March 31, 2012
Product sales	\$ 158,867	\$	46,096
Consulting	720,792		303,187
Maintenance	73,368		75,254
	\$ 953,027	\$	424,537

The Company derives significant revenues from major customers each of whom exceed 10% of total revenues for either the three months ended March 31, 2013 or 2012.

	Three months ended March 31, 2013		Three months ended March 31, 2012
Customer A	\$ 272,682	\$	219,299
Customer B	119,447		—
Customer C	112,279		—
Customer D	81,321		99,923
	\$ 585,729	\$	319,222

All of the Company's assets are located in Canada.

8. Commitments

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. A rent inducement of \$103,420 was received and included in accounts payable and accrued liabilities. It will be amortized over the term of the lease and recorded as a reduction to rent expense. At March 31, 2013, \$86,910 of the rent inducement remains (March 31, 2012 - \$nil).

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:

2013	\$	111,422
2014		150,748
2015		153,807
2016		155,992
2017		79,525
	\$	651,494

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

March 31, 2013 and 2012

(in Canadian dollars)

9. Related Party Transactions

9. Related Party Transactions

- (a) For the three months ended March 31, 2013, the Company incurred expenses in the amount of \$39,000 (March 31, 2012 - \$37,114) 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, \$14,125 was included in accounts payable and accrued liabilities as at March 31, 2013 (December 31, 2012 \$8,219). 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.
- (b) Three officers of the Company have advanced \$180,197 (December 31, 2012 - \$163,797) to the Company. These amounts are non-interest bearing, unsecured and are to be repaid no later than December 31, 2013. These amounts are recorded in accounts payable.
- (c) Key management includes the Company's directors and members of the executive management team. Compensation awarded to key management included:

	Three months ended		Three months ended	
	March 31, 2013		March 31, 2012	
Salaries and short-term employee benefits	\$	197,480	\$	227,877
Share-based payments		7,365		14,320
	\$	204,845	\$	242,197

10. Other income

During the three months ended March 31, 2013 (March 31, 2012 - \$nil) the Company recorded other income of \$54,480 relating to third-party Asset-Backed Commercial Paper ("ABCP") settlement funds. This payment is pursuant to the ABCP settlement distribution plan announced by the Ontario Securities Commission and Investment Industry Regulatory Organization of Canada in 2012.

The Company held an investment in third party ABCP with a face amount of approximately \$1.4 million, which it acquired in 2007. The investment was made on a short term basis. However, due to the collapse of the Canadian ABCP market in 2007, the Company continued to hold the investment into 2009. Liquidity gradually returned to the ABCP market over the course of 2009, and the Company was able to liquidate the investment for gross proceeds of \$752,466 on December 9, 2009. The ABCP settlement funds were collected in enforcement settlements agreed to by certain investment dealers who sold ABCP products prior to the collapse of the market in 2007.

The balance of other income is interest income on cash deposits.