Acceleware Ltd.

Condensed Interim Financial Statements (Unaudited)
For the Three Months Ended March 31, 2012 and 2011

(in Canadian dollars)

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Contents

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, 2012		December 31, 2011
Assets				
Current				
Cash and cash equivalents	**$**	**563,847**	$	876,386
Trade and other receivables		**355,216**		496,926
Alberta SR&ED tax credits receivable		**207,739**		160,465
Deposits and prepaid expenses		**26,561**		33,794
		1,153,363		1,567,571
Non-current				
Property and equipment		**96,319**		92,873
Total assets	**$**	**1,249,682**	$	1,660,444
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**366,063**	$	386,282
Deferred revenue		**74,548**		98,925
		440,611		485,207
Going concern *(note 3)*				
Commitments *(note 7)*				
Shareholders' Equity				
Share capital *(note 5a)*		**16,544,812**		16,544,812
Contributed surplus *(note 5c)*		**5,934,750**		5,911,452
Deficit		**(21,670,491)**		(21,281,027)
		809,071		1,175,237
Total liabilities and shareholders' equity	**$**	**1,249,682**	$	1,660,444

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

Approved on behalf of the Board:

(signed) "Bohdan Romaniuk"
Director

(signed) "Dennis Nerland"
Director

Acceleware Ltd.

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

		Three Months Ended March 31, 2012		Three Months Ended March 31, 2011
Revenue	**$**	**424,537**	$	514,624
Expenses				
Cost of revenue		**97,764**		86,387
General and administrative		**457,931**		315,762
Research and development		**258,306**		372,556
Loss on disposal of property and equipment		**—**		424
		814,001		775,129
Total comprehensive loss for the period attributable to shareholders	**$**	**(389,464)**	$	(260,505)
Loss per share				
Basic and diluted	**$**	**(0.007)**	**$**	(0.005)
Weighted average shares outstanding – basic and diluted		**55,950,266**		54,534,748

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, 2010	$	16,474,036	$	5,874,106	$	(21,733,283)	$	614,859
Total comprehensive loss		—		—		(260,505)		(260,505)
Share-based payments		—		4,829		—		4,829
Share issuances		—		—		—		—
Balance at March 31, 2011	$	16,474,036	$	5,878,935	$	(21,993,788)	$	359,183
Balance at December 31, 2011	$	16,544,812	$	5,911,452	$	(21,281,027)	$	1,175,237
Total comprehensive loss		—		—		(389,464)		(389,464)
Share-based payments		—		23,298		—		23,298
Share issuances		—		—		—		—
Balance at March 31, 2012	**$**	**16,544,812**	**$**	**5,934,750**	**$**	**(21,670,491)**	**$**	**809,071**

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

Acceleware Ltd.

Condensed Statements of Cash Flows (Unaudited)
(in Canadian dollars)

		Three Months Ended March 31, 2012		Three Months Ended March 31, 2011
Cash flows used for operating activities				
Total comprehensive loss	$	(389,464)	$	(260,505)
Items not involving cash:				
Amortization		28,507		54,420
Loss on disposal of property and equipment		—		424
Share-based payments *(note 5c)*		23,298		4,829
		(337,659)		(200,832)
Changes in non-cash working capital items				
Trade and other receivables		141,710		4,838
Alberta SR&ED tax credit receivable		(47,274)		(43,515)
Deposits and prepaid expenses		7,233		(30,478)
Accounts payable and accrued liabilities		(50,221)		137,551
Deferred revenue		(24,377)		41,507
		(310,588)		(90,929)
Cash flows from investing activities				
Proceeds from sale of property and equipment		—		548
Purchase of property and equipment		(31,951)		(12,891)
Change in non-cash working capital		30,000		—
		(1,951)		(12,343)
Decrease in cash and cash equivalents		(312,539)		(103,272)
Cash and cash equivalents, beginning of year		876,386		353,584
Cash and cash equivalents, end of year	$	563,847	$	250,312
Comprised of:				
Cash on hand	$	523,746	$	210,272
Cash equivalents		40,101		40,040
	$	563,847	$	250,312
Interest received	$	—	$	20
Interest paid	$	346	$	310
Income taxes paid	$	—	$	—

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

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 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.) As a result of the reorganization, Acceleware Ltd. received gross proceeds of $1,200,545. The costs associated with the transaction were $283,349.

Pursuant to the Arrangement and on the Effective Date of the Arrangement: (i) the Company 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 Acceleware Ltd., a new company incorporated under and governed by the Business Corporations Act (Alberta); (ii) holders of the Company's common shares received common shares of Acceleware Ltd. on a pro rata basis consistent with their relative percentage holdings of common shares of the Company immediately prior to giving effect to the Arrangement.

As such, pursuant to the Arrangement: (i) Acceleware Ltd. will conduct exactly the same business formerly conducted by the Company with the same assets and liabilities of the Company (with the exception of the benefit of certain of the Company's tax pools which, by their nature, cannot be transferred and have remained with the Company); (ii) the shareholders of Acceleware Ltd. are the same as the former shareholders of the Company, holding the same number of common shares of Acceleware Ltd. as that number of common shares each held in the Company immediately prior to the closing of the Arrangement; (iii) Acceleware Ltd. is a reporting issuer and the common shares of Acceleware Ltd. is listed on the TSX Venture Exchange (the "TSXV") under the trading symbol "AXE"; and (iv) Acceleware Ltd. 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, 2011. 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, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim financial statements were approved by the Board of Directors on May 22, 2012.

2. **Basis of Presentation (cont'd)**

(b) Functional and presentation currency

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

(c) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. 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 makes use of estimates when making allowances for uncollectible trade and other receivables. The Company evaluates each receivable at year end using factors such as age of receivable, payment history, and credit risk to estimate when determining if an allowance is required, and the amount of the allowance.

The Company must make estimates in regards 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 (see note 4 (e)).

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.

Other estimates employed are related to taxes and related provisions and contingencies. Actual results could differ from these and other estimates.

3. **Going concern**

These condensed interim 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 $21,670,491 (December 31, 2011 - $21,281,027), largely due to investments in new product development and in the penetration of new markets.

The Company plans to manage its cash flow and investment in new products to match the cash requirements to cash generated from operations. Plans include focussing on higher gross margin revenue streams such as software products, consulting services and training; focussing on selected core vertical markets; reducing

3. Going concern (cont'd)

operating expenses; and limiting capital expenditures. The Company's management ("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.

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 condensed interim 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, 2011 or later periods. The standards impacted that are applicable to the Company are as follows:

The amendment to IFRS 7, 'Financial Instruments: Disclosures' was issued in October 2010 and provides greater transparency around risk exposures relating to transfers of financial assets that are not derecognized in their entirety, and derecognized in their entirety, but with which the entity continues to have some continuing involvement. The amendment will only affect disclosure and is effective for annual periods beginning on or after July 1, 2011.

IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting.

IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where it is difficult to assess.

4. Recent Accounting Pronouncements Issued and not yet Effective (cont'd)

IFRS 11, 'Joint Arrangements' was issued in May 2011 and will supersede existing IAS 31, 'Joint Ventures' effective for annual period beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method.

IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IAS 1, 'Presentation of Financial Statements' was amended by the IASB in June 2011 in order to align the presentation of items in order comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual period beginning on or after July 1, 2012.

IAS 12, 'Income Taxes' was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012.

The amendment to IAS 19, 'Employee Benefits' was issued in June 2011 which revises the accounting for defined benefit plans to eliminate the option to defer recognition of actuarial gains and losses (the "corridor approach") by recognizing these in other comprehensive income as they occur; immediately recognize all past service costs; replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset); and revise the disclosure requirements. Accounting for termination benefits was also revised. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 27, 'Consolidated and Separate Financial Statements' contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

IAS 28 was amended in 2011 which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint

(in Canadian dollars)

4. Recent Accounting Pronouncements Issued and not yet Effective (cont'd)

ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

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

5. 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, 2011	55,950,266	$ 16,544,812
Issued	—	—
Balance, March 31, 2012	**55,950,266**	**$ 16,544,812**

(b) Share-based payments

At March 31, 2012 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 option's vesting period and charged to share-based compensation expenses.

During the three months ended March 31, 2012, the Company granted to certain employees, officers, and directors, a series of options to purchase a total of 1,380,000 Common Shares at an exercise price of $0.10 per share. 460,000 of the options will vest one year from the date of grant, 460,000 will vest two years from the date of grant and 460,000 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 issued during the three months ended March 31, 2012 was estimated to be $0.070 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 1.33%, expected dividend yield of nil%, expected forfeiture rate of 10% and expected life of 5 years. 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 payments for the three months ended March 31, 2012 were $23,298.

During the year ended December 31, 2011, the Company granted to certain employees, officers, and directors, a series of options to purchase a total of 1,240,000 Common Shares at an exercise price of $0.10 per share. 413,333 of the options will vest one year from the date of grant, 413,333 will vest two years from the date of grant and 413,334 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 issued during 2011 was estimated to be $0.063 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 187%, a risk-free interest rate of 2.48%, expected dividend yield of nil%, expected forfeiture

(in Canadian dollars)

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

(b) Share-based payments (cont`d)

rate of 10% and expected life of 5 years. 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 payments for the year ended December 31, 2011 were $37,346.

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, 2011	3,580,000	$ 0.219
Granted	1,380,000	0.100
Forfeited	—	—
Expired	—	—
Balance, March 31, 2012	4,960,000	$ 0.186

Summary of options outstanding and exercisable as at March 31, 2012 are as follows:

Range of exercise price outstanding		Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
$0.10	$0.10	4,545,000	2.94	$0.100	2,070,000
0.70	0.70	37,500	1.10	0.700	37,500
0.80	1.14	377,500	0.17	1.045	377,500
$0.10	$1.14	4,960,000	2.71	$0.186	2,485,000

(in Canadian dollars)

(c) Contributed surplus

Balance, December 31, 2011	$	5,911,452
Share-based payments		23,298
Balance, March 31, 2012	**$**	**5,934,750**

6. 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**
March 31, 2012	**$**	**10,859**	**413,678**	**$**	**424,537**
March 31, 2011	$	5,398	509,226	$	514,624

(b) Product segmentation of revenue is as follows:

		Three months ended March 31, 2012		Three months ended March 31, 2011
Product sales	**$**	**46,096**	$	181,447
Consulting		**303,187**		235,074
Maintenance		**75,254**		98,083
Interest		—		20
	$	**424,537**	$	514,624

The Company derives significant revenues from major customers each of whom exceed 10% of total revenues for either the three months ended March 31, 2012 or 2011.

		Three months ended March 31, 2012		Three months ended March 31, 2011
Customer A	**$**	**219,299**	$	—
Customer B		**99,923**		265,939
Customer C		—		90,963
Customer D		—		—
Customer E		—		—
	$	**319,222**	$	356,902

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

(in Canadian dollars)

7. 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 March 31, 2012, $1,544 of the rent inducement remains (March 31, 2011 - $10,806).

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:

2012	$	108,052
2013		148,563
2014		150,747
2015		153,807
2016		155,991
Thereafter		79,525
	$	796,685

8. Related Party Transactions

(a) For the three months ended March 31, 2012, the Company incurred expenses in the amount of $37,114 (March 31, 2011 - $33,330) 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 March 31, 2012 (December 31, 2011 $13,770). 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) For the three months ended March 31, 2012, the Company incurred expenses in the amount of $nil (March 31, 2011 - $4,685) 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 March 31, 2012 (December 31, 2011 - $1,916). 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.

(c) Three officers of the Company have advanced $18,974 (December 31, 2011 - $24,194) 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.

(in Canadian dollars)

(d) Key management includes the Company's directors and members of the executive management team. Compensation awarded to key management included:

		Three months ended March 31, 2012		Three months ended March 31, 2011
Salaries and short-term employee benefits	**$**	**227,877**	$	169,674
Share-based payments		**14,320**		2,237
	$	**242,197**	$	171,911