

Acceleware Corp.

Interim Financial Statements (Unaudited)
For the Three Months Ended March 31, 2011 and 2010
(in Canadian dollars)

Acceleware Corp.

Interim Financial Statements (Unaudited) For the Three Months Ended March 31, 2011 and 2010

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Acceleware Corp.

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

As at:

	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current			
Cash and cash equivalents	\$ 250,312	\$ 353,584	\$ 547,172
Trade and other receivables (note 6)	366,256	517,584	567,210
Alberta SR&ED tax credits receivable (note 7)	152,816	109,301	178,974
Deposits and prepaid expenses	53,226	22,748	16,709
	822,610	1,003,217	1,310,065
Non-current			
Property and equipment (note 8)	229,740	272,241	565,437
Total assets	1,052,350	\$ 1,275,458	\$ 1,875,502
Liabilities			
Current			
Accounts payable and accrued liabilities (note 9)	\$ 527,715	\$ 536,654	\$ 574,282
Deferred revenue	165,452	123,945	207,015
	693,167	660,599	781,297
Shareholders' Equity			
Share capital (note 10)	16,474,036	16,474,036	16,359,210
Contributed surplus (note 10)	5,878,935	5,874,106	5,760,295
Deficit	(21,993,788)	(21,733,283)	(21,025,300)
	359,183	614,859	1,094,205
Total liabilities and shareholders' equity	\$ 1,052,350	\$ 1,275,458	\$ 1,875,502

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 Corp.

Statements of Comprehensive Loss (Unaudited)

(in Canadian dollars)

	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenue (note 11)	\$ 514,624	\$ 493,735
Expenses		
Cost of revenue (note 12)	86,387	88,684
General and administrative (note 13)	315,762	517,625
Research and development (note 14)	372,556	306,405
(Gain) loss on disposal of property and equipment	424	—
	775,129	912,714
Total comprehensive loss for the period attributable to shareholders	\$ (260,505)	\$ (418,979)
Loss per share		
Basic and diluted	\$ (0.005)	\$ (0.008)
Weighted average shares outstanding	54,534,748	52,952,706

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

Acceleware Corp.

Statements of Changes in Shareholders' Equity (Unaudited) (in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at January 1, 2010	\$ 16,359,210	\$ 5,760,295	\$ (21,025,300)	\$ 1,094,205
Net Loss	—	—	(418,979)	(418,979)
Share-based compensation expense	—	63,959	—	63,958
Share issuances	114,826	—	—	114,826
Balance at March 31, 2010	\$ 16,474,036	\$ 5,824,254	\$ (21,444,279)	\$ 854,011
Balance at December 31, 2010	\$ 16,474,036	\$ 5,874,106	\$ (21,733,283)	\$ 614,859
Net Loss	—	—	(260,505)	(260,505)
Share-based compensation expense	—	4,829	—	4,829
Share issuances	—	—	—	—
Balance at March 31, 2011	\$ 16,474,036	\$ 5,878,935	\$ (21,993,788)	\$ 359,183

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

Acceleware Corp.

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

	Three months ended March 31, 2011	Three months ended March 31, 2010
Cash flows from (used for) operating activities		
Loss before tax for the period	\$ (260,505)	\$ (418,979)
Items not involving cash:		
Amortization (note 6)	54,420	80,814
(Gain) loss on disposal of property and equipment	424	—
Share-based compensation (note 10)	4,829	63,958
	(200,832)	(274,207)
Changes in non-cash working capital items		
Trade and other receivables	4,838	243,526
Alberta SR&ED tax credit receivable	(43,515)	(42,673)
Prepaid expenses	(30,478)	(943)
Accounts payable and accrued liabilities	137,551	(68,186)
Deferred revenue	41,507	(36,211)
	(90,929)	(178,694)
Cash flows from investing activities		
Proceeds from sale of property and equipment	548	—
Purchase of property and equipment (note 6)	(12,891)	—
	(12,343)	—
Decrease in cash and cash equivalents	(103,272)	(178,694)
Cash and cash equivalents, beginning of year	353,584	547,172
Cash and cash equivalents, end of year	\$ 250,312	\$ 368,478
Comprised of:		
Cash on hand	\$ 210,272	\$ 328,438
Cash equivalents	40,040	40,040
	\$ 250,312	\$ 368,478
Interest received	\$ 20	\$ 40
Interest paid	\$ 310	\$ —
Income taxes paid	\$ —	\$ —

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

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

1. General information

Acceleware Corp. (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.

2. Basis of presentation

(a) Statement of compliance

The interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. These are the Company’s first International Financial Reporting Standards (“IFRS”) interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1, First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in note 23. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods and at the date of transition under IFRS.

These interim financial statements should be read in conjunction with the Company’s 2010 annual audited financial statements and in consideration of the IFRS transition disclosures included in note 23 to these financial statements and the additional disclosures included herein.

These interim financial statements were approved by the Board of Directors on May 25, 2011.

(b) Functional and presentation currency

The 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.

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

2. Basis of presentation – cont'd

(c) Use of estimates – cont'd

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. In contracts recognized using percentage of completion, the Company must use estimates in determining the progress of each contract at period end. In such contracts, the Company evaluates the completion relative to predetermined milestones.

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 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 (note 4 (f) and note 4 (h)); fair value of share-based payments (note 4 (i)); and contingencies. Actual results could differ from these and other estimates.

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 \$21,993,788 (including a net loss of \$260,505 for the three months ended March 31, 2011, 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 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. 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.

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

3. Going concern – cont'd

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.

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. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Foreign currency translation

Foreign currency monetary items are translated at rates of exchange prevailing at the balance sheet date. Foreign currency non-monetary items are translated at rates of exchange in effect on the date of the transaction. Revenues and expenses are translated at the rates of exchange prevailing on the dates of the transactions.

(b) Revenue recognition

Revenue from product sales is recognized when persuasive evidence of an arrangement exists, the product has been shipped, the price is fixed and determinable, and collection is reasonably assured.

Maintenance revenue is deferred and recognized on a pro-rata basis over the term of the maintenance contract, typically 12 months.

Revenues from consulting services are recognized on a percentage of completion basis which is based on pre-determined milestones.

Revenues from interest are recognized when earned.

Contracts with multiple-element arrangements, such as those including both product sales and maintenance contracts, are accounted as separate units of accounting and are recognized as each element is earned based on the relative fair value of each element and only when there are no undelivered elements that are essential to the functionality of the delivered elements.

(c) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand (and temporary overdrafts) and guaranteed investment certificates which are subject to insignificant risk of changes in value and that have original maturity at date of purchase of three months or less.

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

4. Significant Accounting Policies (cont'd)

(d) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Cost is determined as the expenditure directly attributable to the asset at acquisition, only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. When an asset is disposed of, its carrying cost is derecognized. All repairs and maintenance costs are charged to the earnings statement during the financial period in which they are incurred. Amortization over the estimated useful life of assets is provided on the following bases and annual rates:

Furniture and fixtures	20% declining balance
Computer software	100% declining balance
Leasehold improvements	five years straight-line
Computer hardware	three years straight-line

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant components and depreciates separately each such component, where applicable. The estimated residual value and useful lives of property and equipment are reviewed at the end of each reporting period and adjusted if required.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss.

(e) Impairment of assets

i. Financial assets

Financial assets carried at amortized cost are assessed for impairment at each reporting date. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset. For financial assets measured at amortized cost, the impairment loss is the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. If impairment has occurred, the carrying amount of the asset is reduced, with the amount of the loss recognized in earnings. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

ii. Non-financial and intangible assets

The carrying amounts of the Company's property and equipment and intangible assets having a finite useful life are assessed for impairment indicators on at least an annual basis to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

4. Significant Accounting Policies (cont'd)

(e) Impairment of assets (cont'd)

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or group of assets estimated fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows (a cash generating unit or "CGU").

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but limited to the carrying that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

Assets that have an indefinite useful life and goodwill are not subject to depreciation and are tested for impairment on an annual basis and when there is an indication of potential impairment.

(f) SR&ED Investment tax credits

The Company claims federal investment tax credits as a result of incurring scientific research and experimental development ("SR&ED") expenditures. Federal investment tax credits are recognized when the related expenditures are incurred and there is reasonable assurance of their realization. Management has made a number of estimates and assumptions in determining the expenditures eligible for the federal investment tax credit claim. It is possible that the allowed amount of the federal investment tax credit claim could be materially different from the recorded amount upon assessment by Canada Revenue Agency.

Beginning in 2009, the Company claims provincial (Alberta) investment tax credits as a result of incurring SR&ED expenditures. Provincial investment tax credits are recognized when the related expenditures are incurred and there is reasonable assurance of their realization. Management has made a number of estimates and assumptions in determining the expenditures eligible for the provincial investment tax credit claim. The provincial investment tax credits are refundable and have been recorded as Alberta SR&ED tax credit receivable, and as a reduction in research and development on the income statement. It is possible that the allowed amount of the provincial investment tax credit claim could be materially different from the recorded amount upon assessment by Canada Revenue Agency and the Alberta Tax and Revenue Administration.

(g) Research and development costs

Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless the Company believes a development project meets generally accepted criteria for deferral and amortization. Research and development costs are comprised of wages and benefits, share-based compensation, lab supplies, and an allocation of office costs and fixed asset amortization. No development costs have been deferred as at March 31, 2011 or as at December 31, 2010.

Reimbursements of eligible costs pursuant to government assistance programs are recorded as a reduction of research and development costs when the related costs are incurred. Claims not settled by the balance sheet date are recorded as accounts receivable on the balance sheet when there is reasonable assurance of recovery. As at March 31, 2011 there was \$7,846 (December 31, 2010 - \$6,248) included in accounts receivable pursuant to government assistance programs.

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

4. Significant Accounting Policies (cont'd)

(h) Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the income statement except to the extent it relates to items recognized in other comprehensive income or directly in equity.

i. Current Income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

(i) Share-based compensation plan

The Company uses the fair value method to account for options to be granted to employees, directors and officers. All options and similar instruments that are granted to non-employees are also accounted at the fair value of the goods or services received unless the fair value of the goods or services cannot be estimate reliably. The fair value method consists of recording compensation costs to earnings over the vesting period of each tranche of options granted. At the time of exercise, the consideration and the related contributed surplus recognized to the exercise date are credited to share capital.

(j) Earnings (loss) per share

Basic net earnings (loss) per share is computed by dividing the net earnings (loss) by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to determine the dilutive effect of stock options and warrants. The treasury stock method assumes the notional exercise of all in-the-money stock options and warrants and that all notional proceeds to the Company are used to repurchase the Company's stock at the average market price during the period. No adjustment to diluted earnings (loss) per share is made if the result of this calculation is anti-dilutive.

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

4. Significant accounting policies (cont'd)

(k) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when Company's obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. At initial recognition, the company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss ("FVTPL"): A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the period in which they arise. Financial assets and liabilities that are FVTPL are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current. The Company's financial assets that are classified as FVTPL are its cash and cash equivalents.

(ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company's trade and other receivables are classified as loans and receivables and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables and accrued liabilities. Financial liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

5. Recent Accounting Pronouncements Issued and not yet Effective

IFRS 9 – Financial instruments and measurement

International Financial Reporting Standard 9, Financial Instruments (“IFRS 9”), was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

6. Trade and other receivables

	March 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	\$ 354,788	\$ 497,566	\$ 545,986
Goods and services tax and other receivables	11,468	20,018	21,224
	\$ 366,256	\$ 517,584	\$ 567,210

7. Alberta SR&ED tax credit receivables

Reimbursement of eligible research and development project costs related to government assistance programs are recorded as a reduction of research and development costs when incurred. The benefit of investment tax credits for scientific research and experimental development expenses are recognized in the period the qualifying expenditure is made provided there is reasonable assurance of recovery. This benefit is presented as a reduction of the related research and development costs.

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

8. Property and equipment

Cost:	Furniture and fixtures	Computer hardware	Computer software	Leasehold improvements	Total
Opening balance at January 1, 2011	\$ 263,377	\$ 662,959	\$ 77,659	\$ 647,126	\$ 1,651,121
Additions	—	12,891	—	—	12,891
Disposals	(1,885)	(1,704)	—	—	(3,589)
Closing balance at March 31, 2011	\$ 261,492	\$ 674,146	77,659	\$ 647,126	\$ 1,660,423

Accumulated amortization and impairment:	Furniture and fixtures	Computer hardware	Computer software	Leasehold improvements	Total
Opening balance at January 1, 2011	\$ 206,958	\$ 557,484	\$ 77,659	\$ 536,777	\$ 1,378,878
Depreciation expense	2,774	29,128	—	22,518	54,420
Disposals	(1,073)	(1,542)	—	—	(2,615)
Closing balance at March 31, 2011	\$ 208,659	\$ 585,070	77,659	\$ 559,295	\$ 1,430,683

Net book value at March 31, 2011	\$ 52,833	\$ 89,076	—	\$ 87,832	\$ 229,740
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Cost:	Furniture and fixtures	Computer hardware	Computer software	Leasehold improvements	Total
Opening balance at January 1, 2010	\$ 265,527	\$ 656,690	\$ 77,659	\$ 647,126	\$ 1,647,002
Additions	—	16,909	—	—	16,909
Disposals	(2,150)	(10,642)	—	—	(12,792)
Closing balance at December 31, 2010	\$ 263,377	\$ 662,957	\$ 77,659	\$ 647,126	\$ 1,651,119

Accumulated amortization and impairment:	Furniture and fixtures	Computer hardware	Computer software	Leasehold improvements	Total
Opening balance at January 1, 2010	\$ 194,093	\$ 350,931	\$ 77,659	\$ 458,882	\$ 1,081,566
Depreciation expense	14,249	216,949	—	77,895	309,093
Disposals	(1,394)	(10,396)	—	—	(11,780)
Closing balance at December 31, 2010	\$ 206,958	\$ 557,484	77,659	\$ 536,777	\$ 1,378,878

Net book value at December 31, 2010	\$ 56,419	\$ 105,473	—	\$ 110,349	\$ 272,241
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50% of amortization expense is allocated to research and development expense and 50% is allocated to general and administrative expense. For the three months ended March 31, 2011 \$27,210 (2010 – \$40,407) in amortization expense is included in each of general and administrative and research and development expense on the statement of comprehensive loss.

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

9. Accounts payable and accrued liabilities

The Company's accounts payable and accrued liabilities are non-interest bearing and detailed below:

	March 31, 2011	December 31, 2010	January 1, 2010
Accounts payable	\$ 205,194	\$ 141,698	\$ 155,968
Deferred employee salaries	194,419	156,097	168,647
Other payroll liabilities	63,386	51,359	105,910
Customer deposits	5,314	87,021	14,247
Accrued liabilities and other payables	59,402	100,479	129,510
	\$ 527,715	\$ 536,654	\$ 574,282

10. 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, January 1, 2010	52,238,235	\$ 16,359,210
Issued in satisfaction of debt	2,296,513	114,826
Balance, March 31, 2011 and December 31, 2010	54,534,748	\$ 16,474,036

Effective March 3, 2010 the Company settled outstanding indebtedness of \$114,826 through the issuance of common shares of the Company ("Common Shares") at deemed prices of \$0.05 per Common Share (the "Debt Settlement"). The deemed price of \$0.05 was determined using the weighted average closing price of the Common Shares on the TSX Venture exchange for the five trading days preceding March 3, 2010. The outstanding debt was comprised of employee wages and consulting fees. A total of 2,296,513 Common Shares were issued under the debt settlement.

(b) Share-based payments

At March 31, 2011 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, 2011, no options were granted under the plan. Total share-based compensation expense for the three months ended March 31, 2011 was \$4,829 (three months ended March 31, 2010 - \$63,958).

Acceleware Corp.

Notes to Interim Financial Statements

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(in Canadian dollars)

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

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

During the year ended December 31, 2010, the Company granted to certain employees, officers, and directors, a series of options to purchase a total of 1,355,000 Common Shares at an exercise price of \$0.10 per share. 677,500 of the options will vest immediately and 677,500 will vest one year from the date of grant. The options expire 5 years from the date of grant. The exercise price was based upon the minimum option price allowed by the TSX Venture Exchange, which was higher than the market price prevailing at the stock option grant date. The weighted average grant date fair value of the stock options issued was estimated to be \$0.069 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 223%, a risk-free interest rate of 2.11%, expected dividend yield of nil%, forfeiture rate of 4% and expected life of 5 years. The estimated fair value of each tranche of options not immediately vesting is amortized to expense over the option vesting period on a straight line basis. Total share-based compensation expense for the year ended December 31, 2010 was \$113,817.

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

	Number	Weighted Average Exercise Price
Balance, January 1, 2010	3,716,930	0.323
Granted	1,355,000	0.100
Forfeited	(1,178,529)	0.311
Expired	(787,501)	0.222
Balance, December 31, 2010	3,105,900	0.256
Expired	(36,429)	0.250
Forfeited	(107,000)	0.294
Balance, March 31, 2011	2,962,471	0.254

Summary of options outstanding and exercisable as at March 31, 2011 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	2,330,000	3.27	\$0.100	2,330,000
0.44	0.70	243,971	0.67	0.481	232,721
0.80	1.14	388,500	1.19	1.038	388,500
\$0.10	\$1.14	2,962,471	2.78	\$0.254	2,951,221

Acceleware Corp.

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10. Share capital and other components of shareholders' equity – cont'd

(c) Contributed surplus

Balance, January 1, 2010	\$	5,669,374
Share-based compensation		144,822
Balance, December 31, 2010	\$	5,874,106
Share-based compensation		4,829
Balance, March 31, 2011	\$	5,878,935

11. 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, 2011	\$	5,398	509,226	\$	514,624
Three months ended March 31, 2010	\$	10,456	483,000	\$	493,735

(b) Product segmentation of revenue is as follows:

		Three months ended March 31, 2011		Three months ended March 31, 2010
Product sales	\$	181,447	\$	179,678
Consulting		235,074		210,269
Maintenance		98,083		103,748
Interest		20		40
	\$	514,624	\$	493,735

The Company derives significant revenues from major customers each of whom exceed 10% of total revenues for either the three months ended March 31, 2011 or the three months ended March 31, 2010.

		Three months ended March 31, 2011		Three months ended March 31, 2010
Customer A	\$	237,805	\$	167,481
Customer B		90,963		—
Customer C		—		61,287
	\$	328,768	\$	228,768

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

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

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12. Cost of revenue

The Company incurs costs directly related to the provision of its products and services. These costs include direct salaries, benefits, repayments under an Industrial Research Assistance Program funding agreement with the National Research Council ("NRC") (see note 14), hardware, and travel, freight and other expenses.

	Three months ended		Three months ended
	March 31, 2011		March 31, 2010
Salaries	\$ 51,373	\$	58,237
NRC-IRAP repayments (note 14)	10,292		9,875
Hardware sold to customers	102		12,607
Travel, freight and other	24,620		7,965
	\$ 86,387	\$	88,684

13. General and administrative

The Company incurs costs related to marketing and selling its products and services as well as costs related to general and administrative activities. These costs include salaries, benefits, marketing and advertizing, travel, share-based compensation, a proportionate share of rent, supplies, public company fees, amortization and professional fees.

	Three months ended		Three months ended
	March 31, 2011		March 31, 2010
Salaries	\$ 139,736	\$	271,741
Marketing	5,275		11,693
Travel	7,173		6,092
Share-based payments	2,884		46,563
Rent, supplies and public company fees	92,577		131,349
Amortization	27,210		40,407
Professional fees	40,907		9,780
	\$ 315,762	\$	517,625

Acceleware Corp.

Notes to Interim Financial Statements

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14. Research and development

The Company incurs costs related to its research and development activities. To date, all of the costs relating to the Company's projects under development have been expensed as incurred. These costs include a portion of salaries, benefits, share-based compensation, lab supplies, a proportionate share of rent and office supplies, and amortization. Research and development costs incurred during the period are as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Salaries	\$ 300,650	\$ 292,021
Consultants	57,127	69,981
R&D lab supplies	17,728	11,444
Share-based payments	1,945	17,395
Rent and overhead allocation	23,427	17,417
Amortization	27,210	40,407
Non-refundable government assistance	(12,015)	(99,587)
Alberta SR&ED tax credits	(43,516)	(42,673)
	\$ 372,556	\$ 306,405

During the year ended December 31, 2007, the Company completed its Industrial Research Assistance Program funding agreement with the National Research Council ("NRC") which funded certain research and development costs relating to hardware acceleration products. The Company received a total of \$294,375, which was recorded as a reduction against research and development costs of \$127,288 for 2007 and \$167,087 for 2006. The funding is repayable quarterly, based on 2% of revenues, commencing July 1, 2008 and ending on the earlier of September 30, 2012 and the date total repayments equal 150% (\$441,563) of the funding advanced. If the total payments made by the Company as of September 30, 2012 are less than 100% of the funding advanced, payments will continue until the earlier of December 31, 2018 and the date total repayments equal 100% of the funding advanced. The Company's assistance for NRC IRAP and Alberta Ingenuity Fund for the three months ended March 31, 2011 and March 31, 2010 is non-refundable.

15. Income taxes

The components of the deferred income tax asset are as follows:

	March 31, 2011	December 31, 2010
Deferred income tax assets:		
Non-capital losses carried forward	\$ 3,456,254	\$ 3,434,736
Share issue costs	47,254	62,868
Scientific research and experimental development tax pools	1,640,141	1,586,130
Capital losses carried forward	86,097	86,097
Property and equipment and other	52,938	49,507
Deferred tax assets not recognized	(5,282,684)	(5,219,338)
Net future income tax asset	\$ —	\$ —

Acceleware Corp.

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15. Income taxes (cont'd)

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian federal and provincial statutory income tax rate of 26.5% (three months ended March 31, 2010 – 28.0%) to loss before income taxes. The difference results from the following:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Loss before provision for income taxes	\$ 260,505	\$ 418,979
Computed expected recovery	69,034	117,314
Enactment of tax rate changes and other	(3,989)	(36,925)
Non-deductible expense	(1,699)	(18,980)
Increase in deferred tax assets not recognized	(63,346)	(61,409)
	\$ —	\$ —

The Company has \$13,825,017 (December 31, 2010 - \$13,738,945) in non-capital losses available to claim against future taxable income. The company has 688,775 in capital losses available to claim against future capital gains. The non-capital losses expire as follows:

2013	\$ 112,701
2014	62,579
2015	54,746
2026	1,349,574
2027	4,498,250
2028	7,168,037
2029	326,065
2030	166,993
2031	86,072
	\$ 13,825,017

The future income tax benefit of these losses has not been recognized in the accounts of the Company.

The Company has \$6,560,565 (December 31, 2010 - \$6,344,519) in deductible SR&ED expenditures and \$2,047,068 (December 31, 2010 - \$1,980,924) of SR&ED investment tax credits available to claim against deferred tax or income taxes. The investment tax credits expire between 2014 and 2031.

The Company recorded \$43,515 in refundable Alberta SR&ED tax credits for the three months ended March 31, 2011 (three months ended March 31, 2010 - \$42,673). The Alberta SR&ED tax credits are recorded as a reduction of research and development expenses.

Acceleware Corp.

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16. Financial Instruments

(a) Fair Value

The carrying value of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities approximates their fair values due to the immediate or short-term maturity of these financial instruments. The Company uses three input levels to measure fair value:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis – the Company uses this level for fair valuing its cash and cash equivalents;

Level 2 - quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities – the Company uses this level for fair valuing its trade and other receivables and accounts payable and accrued liabilities.

(b) Interest Rate Risk

The Company is exposed to interest rate risk in that changes in market interest rates will cause fluctuations in the fair value of or future cash flows from its cash equivalents. The short term nature of these instruments, a maturity within three months of their purchase date and the highly liquid nature of these investments significantly mitigate the Company's interest rate risk.

(c) Currency Risk

A significant portion of the Company's revenues is made from sales to customers in foreign countries, and is denominated in United States dollars ("USD"). Accordingly, the Company is exposed to related foreign currency risk arising from fluctuations in USD exchange rates. The Company does not engage in any foreign currency hedging at this time.

The USD working capital exposure as at period end is as follows:

		March 31, 2011		December 31, 2010
Cash and cash equivalents	\$	126,265	\$	186,672
Accounts receivable		346,942		477,675
Accounts payable and accrued liabilities		(22,496)		(17,925)
Net exposure	\$	450,711	\$	646,422

Acceleware Corp.

Notes to Interim Financial Statements March 31, 2011 and 2010 (in Canadian dollars)

16. Financial Instruments (cont'd)

(c) Currency Risk (cont'd)

The USD denominated revenue and expenses for the period are as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenue	\$ 509,078	\$ 483,000
Expenses	(31,009)	(110,678)
Net exposure	\$ 478,069	\$ 372,322

The table below depicts the average and ending USD to Canadian dollar exchange rates for the period.

	Average exchange rate for three months ended March 31, 2011	Average exchange rate for three months ended March 31, 2010	Exchange rate as at March 31, 2011	Exchange rate as at December 31, 2010
USD per one Canadian dollar	\$ 1.0141	\$ 0.9615	\$ 1.0314	\$ 1.0054

The table below depicts the annual impact to net and comprehensive loss of varying the above USD to Canadian dollar exchange rate by one cent.

	decrease/(increase) in net and comprehensive loss for the three months ended March 31, 2011	decrease/(increase) in net and comprehensive loss for the three months ended March 31, 2010
1 cent strengthening in the Canadian dollar	\$ (10,125)	\$ (7,096)
1 cent weakening in the Canadian dollar	\$ 10,125	\$ 7,096

(d) Credit Risk

Credit risk reflects the risk that the Company may be unable to recover its trade and other receivables. The Company is exposed to credit risk as a substantial portion of its revenue is predominately generated from four customers. The Company manages its credit risk by closely monitoring the granting of credit. Trade and other receivables that are greater than 30 days are considered past due but not impaired. Based on the status of trade and other receivables, no allowance for doubtful accounts has been recorded as at March 31, 2011.

Acceleware Corp.

Notes to Interim Financial Statements

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16. Financial Instruments (cont'd)

(d) Credit risk (cont'd)

The aging of accounts receivable as at period end is as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
1 – 30 days	\$ 207,696	\$ 473,316	\$ 430,807
31 - 60 days	29,216	22,842	59,618
61 – 90 days	3,521	1,463	29,686
91 – 120 days	119,936	10,576	45,462
Over 120 days	5,887	9,387	1,637
	\$ 366,256	\$ 517,584	\$ 567,210

The following table shows the customers whose trade receivables exceed 15% of the total trade and other receivables at each period end:

	March 31, 2011	December 31, 2010	January 1, 2010
Customer W	\$ 121,814	\$ 225,068	\$ 105,560
Customer X	151,307	120,269	157,758
Customer Y	24,878	79,541	52,252
Customer Z	—	—	84,812
	\$ 297,999	\$ 424,878	\$ 400,382

(e) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or that it can only do so at an abnormally high cost.

The Company plans to manage its cash flow and investment in new products to match the cash requirements to cash generated from operations. 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.

Management strives to maintain an optimum level of liquidity by actively managing assets, liabilities and cash flows. Management prepares regular budgets and cash flow forecasts to help predict future changes in liquidity. Based on the Company's aggregate liquid assets as compared to its liabilities and commitments, management assesses liquidity risk to be low, subject to the ability to generate positive cash flows from operations.

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

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16. Financial Instruments (cont'd)

(e) Liquidity risk (cont'd)

Acceleware's financial liabilities are all due within one year and are as indicated in the following table:

	March 31, 2011	December 31, 2010	January 1, 2010
Accounts payable and accrued liabilities	\$ 527,715	\$ 536,654	\$ 574,282

17. Capital risk management

Capital disclosures provide information about (i) the Company's objectives, policies, and processes for managing capital, (ii) quantitative data about what the Company regards as capital, (iii) whether the Company has complied with any capital requirements, and (iv) if it has not complied, the consequences of such non-compliance.

The Company's objectives for managing capital are:

- i. To safeguard the Company's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders.
- ii. To ensure sufficient liquidity to enable the internal financing of capital thereby facilitating its ability to continue operations and eventually achieve profitable operations.
- iii. To maintain a strong capital base so as to maintain investor, creditor and market confidence.

The Company considers the items included in capital to include shareholders' equity, short-term lines of credit, and long-term debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic and business conditions, financing environment and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, new debt, draw on lines of credit, or scale back the size and nature of its operations. The Company's management of its capital is dependent upon successful execution of its cost containment plans and on its ongoing efforts to focus on core vertical markets and achieve profitable operations. The Company is not subject to externally imposed capital requirements. As at March 31, 2011, shareholders' equity was \$359,183 (December 31, 2010 - \$614,859) and the Company had no debt (December 31, 2010 - \$nil).

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

18. Indemnifications

(a) Directors and officers

Under the terms of certain agreements and Acceleware Corp.'s by-laws, the individuals who have acted at Acceleware Corp.'s request as directors and/or officers are indemnified to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevents Acceleware Corp. from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. Acceleware Corp has mitigated this risk by obtaining directors' and officers' liability insurance.

(b) Other

In the ordinary course of business, Acceleware Corp. enters contracts which contain indemnification provisions such as loan agreements, purchase contracts, service agreements, licensing agreements, asset purchase and sale agreements, operating agreements, leasing agreements, asset use agreements etc. In such contracts Acceleware Corp. may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that Acceleware Corp. could be required to pay cannot be estimated.

19. Economic dependence

The Company's solutions currently run on digital processor cards from a single supplier. Should this supplier 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.

20. Commitments

Acceleware Corp 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 is included in accounts payable and accrued liabilities and will be amortized over the term of the lease and be recorded as a reduction to rent expense. In addition to the basic monthly rent, the Company must pay a proportionate share of realty taxes, operating costs, utilities and additional services. The minimum annual basic rent commitments are as follows:

2011	\$	142,271
2012		79,039
Thereafter		—
	\$	221,310

Acceleware Corp.

Notes to Interim Financial Statements

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21. Related Party Transactions

- (a) In the three months ended March 31, 2011, the Company incurred expenses in the amount of \$33,330 (2010- \$41,242) 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, \$10,626 was included in accounts payable as at March 31, 2011 (December 31, 2010 - \$11,110). 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) Four officers of the Company have advanced \$134,837 (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, 2011. 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 March 31, 2011	Three months ended March 31, 2010
Salaries and short-term employee benefits	\$ 169,674	\$ 168,411
Share-based payments	2,237	36,460
	\$ 171,911	\$ 204,871

22. Subsequent Events

(a) Arrangement

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 ("Privateco"), pursuant to which the Company completed a reorganization transaction to create a new company named Acceleware Ltd. As a result of the reorganization, Acceleware Ltd. has received financing of approximately \$900,000.

The Arrangement

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.

Acceleware Corp.

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22. Subsequent Events – cont'd

Effect of 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 approximately \$900,000.

(a) Option grant

On May 9, 2011 the Company granted options to certain of its directors, executives, consultants and employees to acquire 1,090,000 common shares of the Company. The options have an exercise price of \$0.10 and an expiry date of May 9, 2016. One third of the options vest on the first anniversary of the grant date, one third of the options vest on the second anniversary of the grant date, and the remainder of the options vest on the third anniversary of the grant date.

23. Effect of Transition to IFRS

These are the Company's first interim financial statements prepared in accordance with IAS 34. The accounting policies set out in note 4 have been applied in preparing the interim financial statements for the three months ended March 31, 2011, the comparative information for the three months ended March 31, 2010, and in preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition to IFRS) and statements of financial position as at March 31, 2010 and December 31, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(a) Mandatory exceptions to retrospective application

In preparing these financial statements using IFRS 1, First-Time Adoption of International Financial Reporting Standards, the Company has applied certain mandatory exceptions from full retrospective application of IFRS as described below.

- *Estimates* - Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

(b) Elected exemptions from full retrospective application

In preparing these financial statements in accordance with IFRS 1, the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

- *Share-based payment transactions* - The Company elected to apply IFRS 2 only to options issued after November 7, 2002 which were not fully vested at January 1, 2010.

Acceleware Corp.

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23. Effect of Transition to IFRS – cont'd

(c) Reconciliation of financial position and shareholders' equity – as at January 1, 2010

	Canadian GAAP as previously reported	Adjustments	IFRS
Assets			
Current			
Cash and cash equivalents	\$ 547,172	\$	547,172
Trade and other receivables	567,210		567,210
Alberta SR&ED tax credits receivable	178,974		178,974
Deposits and prepaid expenses	16,709		16,709
	1,310,065		1,310,065
Non-current			
Property and equipment	565,437		565,437
	1,875,502	\$	1,875,502
Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 574,282	\$	574,282
Deferred revenue	207,015		207,015
	781,297		781,297
Shareholders' Equity			
Share capital	16,359,210		16,359,210
Contributed surplus (note 1)	5,669,374	90,921	5,760,295
Deficit (note 1)	(20,934,379)	(90,921)	(21,025,300)
	1,094,205		1,094,205
	\$ 1,875,502	\$	1,875,502

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

23. Effect of Transition to IFRS – cont'd

(d) Reconciliation of financial position and shareholders' equity – as at March 31, 2010

	Canadian GAAP as previously reported	Adjustments	IFRS
Assets			
Current			
Cash and cash equivalents	\$ 368,478	\$	368,478
Trade and other receivables	323,684		323,684
Alberta SR&ED tax credits receivable	221,647		221,647
Deposits and prepaid expenses	17,652		17,652
	931,461		931,461
Non-current			
Property and equipment	484,623		484,623
	1,416,084	\$	1,416,084
Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 391,269	\$	391,269
Deferred revenue	170,804		170,804
	562,073		562,073
Shareholders' Equity			
Share capital	16,474,036		16,474,036
Contributed surplus (note 1)	5,746,577	77,677	5,824,254
Deficit (note 1)	(21,366,602)	(77,677)	(21,444,279)
	854,011		854,011
	\$ 1,416,084	\$	1,416,084

Acceleware Corp.

Notes to Interim Financial Statements

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(in Canadian dollars)

23. Effect of Transition to IFRS – cont'd

(e) Reconciliation of financial position and shareholders' equity – as at December 31, 2010

	Canadian GAAP as previously reported	Adjustments	IFRS
Assets			
Current			
Cash and cash equivalents	\$ 353,584		\$ 353,584
Trade and other receivables	517,584		517,584
Alberta SR&ED tax credits receivable	109,301		109,301
Deposits and prepaid expenses	22,748		22,748
	1,003,217		1,003,217
Non-current			
Property and equipment	272,241		272,241
	1,275,458	\$	1,275,458
Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 536,654		\$ 536,654
Deferred revenue	123,945		123,945
	660,599		660,599
Shareholders' Equity			
Share capital	16,474,036		16,474,036
Contributed surplus (note 1)	5,814,196	59,910	5,874,106
Deficit (note 1)	(21,673,373)	(59,910)	(21,733,283)
	614,859		614,859
	\$ 1,275,458	\$	1,275,458

(f) Reconciliation of statement of comprehensive loss:

	Three months ended March 31, 2010	Year ended December 31, 2010
Total comprehensive loss for the period attributable to shareholders under previous GAAP	\$ (432,223)	\$ (738,994)
Accounting differences – share based payments (note 1)	13,244	31,011
Total comprehensive loss for the period attributable to shareholders under IFRS	\$ (418,979)	\$ (707,983)

Acceleware Corp.

Notes to Interim Financial Statements

March 31, 2011 and 2010

(in Canadian dollars)

23. Effect of Transition to IFRS – cont'd

(g) Reconciliation of cash flows as reported under Canadian GAAP and IFRS

There were no significant changes to cash flows during the three month period ended March 31, 2010 or the year ended December 31, 2010. The prior year and period net earnings and share-based payments were both modified due to the decrease in expense as a result of graded vesting of stock options, with no change in cash flows.

(h) Notes to the reconciliations:

- 1) Share-based payments - under Canadian GAAP, the fair value of grants of share-based awards with graded vesting is recognized on a straight-line basis over the employment period necessary to vest the award.

Under IFRS, each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As a result, the Company adjusted its expense for share-based awards to reflect this difference in recognition.