Acceleware Ltd.
(Formerly Acceleware Corp.)

Financial Statements
December 31. 2011 and 2010
(in Canadian dollars)

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Financial Statements
For the Years Ended December 31, 2011 and 2010
(in Canadian dollars)

Contents

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Management's Report to Shareholders

The accompanying financial statements of Acceleware Ltd. (the "Company" or "Acceleware") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The financial statements and other financial information have been prepared using the accounting policies described in Note 4 to the financial statements and reflect management's best estimates and judgements based on available information.

The Company's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. Management is satisfied that these financial statements have been prepared accordingly and within reasonable limits of materiality. Further, management is satisfied that the financial information throughout the balance of this report is consistent with the information presented in the financial statements.

MNP, LLP, an independent firm of Chartered Accountants, was engaged to audit the consolidated financial statements in accordance with IFRS and their independent professional opinion is provided herein.

The Audit Committee, consisting of independent members of the Board of Directors, has reviewed these consolidated financial statements with management and the auditors and has reported the results of this review to the Board of Directors. The Board of Directors has approved the consolidated financial statements.

(Signed)
Geoff Clark
Chief Executive Officer
April 17, 2012

(Signed)
Heather Stubbs
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Acceleware Ltd.:

We have audited the accompanying statement of financial position of Acceleware Ltd. (formerly Acceleware Corp.) which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Acceleware Ltd. (formerly Acceleware Corp.) as at December 31, 2011, December 31, 2010 and January 1, 2010, and the results of its financial performance and its cash flows for the year ending December 31, 2011 and December 31, 2010 in accordance in International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 3 in the financial statements which indicates that the Company has accumulated losses of $21,281,027. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt on Acceleware Ltd.'s (formerly Acceleware Corp.) ability to continue as a going concern.

MNP LLP

Calgary, Alberta
April 17, 2012

Chartered Accountants

Acceleware Ltd. (Formerly Acceleware Corp.)

Statements of Financial Position
(in Canadian dollars)

As at:

		December 31, 2011		December 31, 2010		January 1, 2010
				(Note 22)		*(Note 22)*
Assets						
Current						
Cash and cash equivalents	**$**	**876,386**	$	353,584	$	547,172
Trade and other receivables *(note 6)*		**496,926**		517,584		567,210
Alberta SR&ED tax credits receivable *(note 7)*		**160,465**		109,301		178,974
Deposits and prepaid expenses		**33,794**		22,748		16,709
		1,567,571		1,003,217		1,310,065
Non-current						
Property and equipment *(note 8)*		**92,873**		272,241		565,437
Total assets		**1,660,444**	$	1,275,458	$	1,875,502
Liabilities						
Current						
Accounts payable and accrued liabilities *(note 9)*	**$**	**386,282**	$	536,654	$	574,282
Deferred revenue		**98,925**		123,945		207,015
		485,207		660,599		781,297
Going concern *(note 3)*						
Commitments *(note 19)*						
Subsequent events *(note 21)*						
Shareholders' Equity						
Share capital *(note 10a)*		**16,544,812**		16,474,036		16,359,210
Contributed surplus *(note 10c)*		**5,911,452**		5,874,106		5,760,295
Deficit		**(21,281,027)**		(21,733,283)		(21,025,300)
		1,175,237		614,859		1,094,205
Total liabilities and shareholders' equity	**$**	**1,660,444**	$	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 Ltd. (Formerly Acceleware Corp.)

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

		December 31, 2011		December 31, 2010
				(Note 22)
Revenue *(note 11)*	**$**	**2,762,348**	$	2,484,441
Expenses				
Cost of revenue *(note 12)*		**544,114**		458,626
General and administrative *(note 13)*		**1,304,680**		1,738,653
Research and development *(note 14)*		**1,373,085**		996,654
Loss (gain) on disposal of property and equipment		**5,409**		(1,509)
		3,227,288		3,192,424
Loss before income tax		**(464,940)**		(707,983)
Deferred income tax recovery *(note 15)*		**917,196**		—
Total comprehensive income (loss) for the year attributable to shareholders	**$**	**452,256**	$	(707,983)
Earnings (loss) per share				
Basic and diluted	**$**	**0.008**	**$**	(0.013)
Weighted average shares outstanding – basic and diluted		**54,281,855**		54,138,364

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

Acceleware Ltd. (Formerly Acceleware Corp.)

Statements of Changes in Shareholders' Equity
(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 comprehensive loss	—	—	(707,983)	(707,983)
Share-based payments	—	113,811	—	113,811
Share issuances	114,826	—	—	114,826
Balance at December 31, 2010	$ 16,474,036	$ 5,874,106	$ (21,733,283)	$ 614,859
Balance at December 31, 2010	$ 16,474,036	$ 5,874,106	$ (21,733,283)	$ 614,859
Net comprehensive income	—	—	452,256	452,256
Share-based payments	—	37,346	—	37,346
Share issuances	70,776	—	—	70,776
Balance at December 31, 2011	**$ 16,544,812**	**$ 5,911,452**	**$ (21,281,027)**	**$ 1,175,237**

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

Acceleware Ltd. (Formerly Acceleware Corp.)

Statements of Cash Flows
(in Canadian dollars)

	December 31, 2011	December 31, 2010 *(Note 22)*
Cash flows from (used for) operating activities		
Comprehensive income (loss) before tax	**$ (464,940)**	$ (707,983)
Items not involving cash:		
Amortization *(note 8)*	**224,772**	309,094
Loss (gain) on disposal of property and equipment	**5,409**	(1,509)
Share-based payments *(note 10c)*	**37,346**	113,811
	(197,413)	(286,587)
Changes in non-cash working capital items		
Trade and other receivables	**20,657**	49,626
Alberta SR&ED tax credit receivable	**(51,164)**	69,673
Deposits and prepaid expenses	**(11,046)**	(6,039)
Accounts payable and accrued liabilities	**(79,595)**	60,289
Deferred revenue	**(25,020)**	(83,070)
	(343,581)	(196,108)
Cash flows from financing activities		
Proceeds from plan of arrangement *(note 1)*	**1,200,545**	—
Costs associated with plan of arrangement *(note 1)*	**(283,349)**	—
	917,196	—
Cash flows from investing activities		
Proceeds from sale of property and equipment	**8,233**	2,520
Purchase of property and equipment *(note 8)*	**(59,046)**	(16,909)
Change in non-cash working capital	—	16,909
	(50,813)	2,520
Increase (decrease) in cash and cash equivalents	**522,802**	(193,588)
Cash and cash equivalents, beginning of year	**353,584**	547,172
Cash and cash equivalents, end of year	**$ 876,386**	$ 353,584
Comprised of:		
Cash on hand	**$ 836,285**	$ 313,544
Cash equivalents	**40,101**	40,040
	$ 876,386	$ 353,584
Interest received	**$ 20**	$ 204
Interest paid	**$ 310**	$ 725
Income taxes paid	**$ —**	$ 945

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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 Company is provided in note 22. This note includes reconciliations of equity and total comprehensive loss for the comparative year and of equity at the date of transition reported under Canadian GAAP to those reported for that year and at the date of transition under IFRS.

These financial statements were approved by the Board of Directors on April 17, 2012.

(b) Functional and presentation currency

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

2. Basis of Presentation (cont'd)

(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 (note 4 (f) and note 4 (h)) 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 $21,281,027 (December 31, 2010 - $21,733,283), 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 a software products, consulting services and training; focussing on selected core vertical markets, reducing 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

3. Going concern (cont'd)

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 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 years presented in these financial statements and in preparing the opening IFRS statement of financial position as at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the reporting date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current year.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined.

(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.

Revenue from consulting revenue is recognized when services have been completed.

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

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

4. Significant Accounting Policies (cont'd)

the functionality of the delivered elements.

(c) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand 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.

(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 statement of comprehensive income (loss) 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 income (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 statement of comprehensive income (loss). 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 assets

The carrying amounts of the Company's property and equipment 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

4. Significant Accounting Policies (cont'd)

(e) Impairment of assets (cont'd)

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.

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 income (loss).

(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.

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 salaries, share-based payments, lab supplies, and an allocation of office costs and amortization. No development costs have been deferred as at December 31, 2011 (December 31, 2010 - $nil).

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 reporting date are recorded as trade and other receivables on the statement of financial position when there is reasonable assurance of recovery. As at December 31, 2011 there was $nil (December 31, 2010 - $6,248) included in trade and other receivables pursuant to government assistance programs.

4. Significant Accounting Policies (cont'd)

(h) Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of comprehensive income (loss) 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 year 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 year. 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 payments

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 share-based payments to the statement of comprehensive income (loss) 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 total comprehensive income (loss) attributable to shareholders by the weighted average number of common shares outstanding during the year. 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 year. No adjustment to diluted earnings (loss) per share is made if the result of this calculation is anti-dilutive or if the Company is in a loss position.

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 statement of financial position 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 comprehensive income (loss). Gains and losses arising from changes in fair value are presented in the statement of comprehensive income (loss) within other gains and losses in the year 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 reporting 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 accounts 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.

5. 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 this is difficult to assess.

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

(in Canadian dollars)

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

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 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.

6. Trade and other receivables

		December 31, 2011		December 31, 2010		January 1, 2010
Trade receivables	**$**	**557,179**	$	497,566	$	545,986
Goods and services tax and other receivables		**21,107**		20,018		21,224
Allowance for doubtful accounts		**(81,360)**		—		—
	$	**496,926**	$	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 year 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.

(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	$ 662,957	$ 77,659	$ 647,126	$ 1,651,119
Additions	—	83,575	—	—	83,575
Disposals	(32,775)	(26,233)	—	—	(59,008)
Closing balance at December 31, 2011	$ 230,602	$ 720,299	$ 77,659	$ 647,126	$ 1,675,686

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
Amortization	8,779	125,922	—	90,071	224,772
Disposals	(19,295)	(1,542)	—	—	(20,837)
Closing balance at December 31, 2011	$ 196,442	$ 681,864	$ 77,659	$ 626,848	$ 1,582,813
Net book value at December 31, 2011	**$ 34,160**	**$ 38,435**	**$ —**	**$ 20,278**	**$ 92,873**

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	$ 1,081,565
Amortization	14,249	216,950	—	77,895	309,094
Disposals	(1,384)	(10,397)	—	—	(11,781)
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
Net book value at January 1, 2010	$ 71,434	$ 305,759	$ —	$ 188,244	$ 565,437

50% of amortization expense is allocated to research and development expense and 50% is allocated to general and administrative expense. For the year ended December 31, 2011 $112,386 (2010 – $154,547) in amortization is included in each of general and administrative and research and development expense on the statement of comprehensive income (loss).

(in Canadian dollars)

9. Accounts payable and accrued liabilities

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

		December 31, 2011		December 31, 2010		January 1, 2010
Accounts payable	**$**	**182,792**	$	143,146	$	155,968
Deferred employee salaries		**24,194**		156,097		168,647
Other payroll liabilities		**73,037**		51,359		105,910
Customer deposits		**30,812**		87,021		14,247
Accrued liabilities and other payables		**75,447**		99,031		129,510
	$	**386,282**	$	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, December 31, 2010	54,534,748		16,474,036
Issued in satisfaction of debt	1,415,518		70,776
Balance, December 31, 2011	**55,950,266**	**$**	**16,544,812**

Effective November 24, 2011, the Company settled outstanding indebtedness of $70,776 through the issuance of common shares at a deemed price of $0.05 per common share. The deemed price of $0.05 per common share was determined using the TSX Venture Exchange calculation of the minimum discounted market price which cannot be less than $0.05 per common share. The outstanding debt was comprised of employee wages and consulting fees. A total of 1,415,518 common shares were issued under the debt settlement.

Effective March 3, 2010, the Company settled outstanding indebtedness of $114,826 through the issuance of common shares at a deemed price of $0.05 per common share. The deemed price of $0.05 per common share 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.

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

(b) Share-based payments

At December 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 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 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.

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 during 2010 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 payments for the year ended December 31, 2010 were $113,811.

(in Canadian dollars)

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

(b) Share based payments (cont'd)

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

	Number	Weighted Average Exercise Price
Balance, 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
Granted	1,240,000	0.100
Forfeited	(543,000)	0.165
Expired	(222,900)	0.196
Balance, December 31, 2011	3,580,000	0.219

Summary of options outstanding and exercisable as at December 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	3,165,000	2.86	$0.100	2,070,000
0.70	0.70	37,500	1.35	0.700	37,500
0.80	1.14	377,500	0.42	1.045	377,500
$0.10	$1.14	3,580,000	2.58	$0.219	2,485,000

(c) Contributed surplus

Balance, January 1, 2010	$	5,760,295
Share-based payments		113,811
Balance, December 31, 2010	$	5,874,106
Share-based payments		37,346
Balance, December 31, 2011	**$**	**5,911,452**

(in Canadian dollars)

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
December 31, 2011	**$**	**37,592**	**2,724,756**	**$**	**2,762,348**
December 31, 2010	$	128,152	2,356,289	$	2,484,441

(b) Product segmentation of revenue is as follows:

		December 31, 2011		December 31, 2010
Product sales	**$**	**888,729**	$	587,065
Consulting		**1,487,444**		1,531,822
Maintenance		**386,094**		365,350
Interest		**81**		204
	$	**2,762,348**	$	2,484,441

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

		December 31, 2011		December 31, 2010
Customer A	**$**	**562,487**	$	582,125
Customer B		**449,733**		417,417
Customer C		**290,345**		19,651
Customer D		–		284,248
Customer E		**378,314**		–
	$	**1,680,879**	$	1,303,441

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

(in Canadian dollars)

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.

		December 31, 2011		December 31, 2010
Salaries	$	**312,090**	$	329,964
NRC-IRAP repayments (note 14)		**55,300**		49,689
Hardware sold to customers		**93,919**		29,838
Travel, freight and other		**82,805**		49,135
	$	**544,114**	$	458,626

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, marketing, travel, share-based payments, a proportionate share of rent, supplies, public company fees, amortization and professional fees.

		December 31, 2011		December 31, 2010
Salaries	$	**612,987**	$	931,958
Marketing		**79,660**		44,342
Travel		**48,211**		41,686
Share-based payments		**18,919**		80,836
Rent, supplies and public company fees		**281,669**		401,988
Amortization		**112,386**		154,547
Professional fees		**69,488**		83,296
Bad debt expense		**81,360**		—
	$	**1,304,680**	$	1,738,653

(in Canadian dollars)

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, share-based payments, R&D lab supplies, a proportionate share of rent and office supplies, and amortization and other expenses. Research and development costs incurred during the year are as follows:

	December 31, 2011	December 31, 2010
Salaries	$ **994,069**	$ 884,098
Consultants	**235,065**	217,249
R&D lab supplies	**116,513**	51,383
Share-based payments	**18,427**	32,975
Rent and overhead allocation	**69,105**	71,039
Amortization	**112,386**	154,547
Non-refundable government assistance	**(12,015)**	(305,336)
Alberta SR&ED tax credits	**(160,465)**	(109,301)
	$ **1,373,085**	$ 996,654

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 from NRC IRAP and Alberta Ingenuity Fund for the year ended December 31, 2011 and December 31, 2010 is non-refundable.

As of December 31, 2011, $197,459 in IRAP repayments has been made. As of December 31, 2011, of that total, $157,372 has been paid in cash and $40,087 was accrued. The total repayment amount (cash, payable and accrued) is based on 2% of revenue as of December 31, 2011. Future payments will be made based on the 2% of revenue repayment term. Future payments are accrued when revenue amounts are known, at the end of each quarter. Future payments become payable once IRAP provides an invoice based on a quarterly revenue report.

(in Canadian dollars)

15. Income taxes

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% (December 31, 2010 – 28.0%) to loss before income taxes. The difference results from the following:

	December 31, 2011	December 31, 2010
Loss before income tax	$ **464,940**	$ 707,983
Computed expected recovery	**123,209**	198,235
Tax rate changes and other	**(6,435)**	(79,410)
Non-deductible expenses	**(66,465)**	(36,155)
Deferred tax assets disposed of on plan of arrangement	**(4,256,051)**	—
Change in deferred tax assets not recognized	**4,975,095**	(82,670)
SR&ED investment tax credits	**147,843**	—
Deferred income tax recovery	$ **917,196**	$ —

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

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred income tax assets:			
Non-capital losses carried forward	**$ 44,430**	$ 3,434,736	$ 3,415,174
Share issue costs	—	62,868	131,992
SR&ED tax pools	—	1,586,130	1,450,798
Capital losses carried forward	—	86,097	86,097
SR&ED investment tax credits	**147,843**	—	—
Property and equipment and other	**51,970**	49,507	52,607
Deferred tax assets not recognized	**(244,243)**	(5,219,338)	(5,136,668)
Net deferred income tax asset	**$ —**	$ —	$ —

The Company has $177,721 (December 31, 2010 - $13,738,945) in non-capital losses available to claim against future taxable income. These losses expire in 2031.

The Company has $nil (December 31, 2010 - $6,344,519) in deductible SR&ED expenditures and $147,843 (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 in 2031.

The Company recorded $160,465 in refundable Alberta SR&ED tax credits for the year ended December 31, 2011 (2010 - $109,301). The Alberta SR&ED tax credits are recorded as a reduction of research and development expenses.

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;

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 fair value of cash and cash equivalents is considered to be level 1.

(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 year end is as follows:

	December 31, 2011	December 31, 2010
Cash and cash equivalents	**$ 280,745**	$ 186,672
Trade and other receivables	**462,895**	477,675
Accounts payable and accrued liabilities	**(17,416)**	(17,925)
Net exposure	**$ 726,224**	$ 646,422

(in Canadian dollars)

16. Financial Instruments (cont'd)

(c) Currency Risk (cont'd)

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

		December 31, 2011		December 31, 2010
Revenue	**$**	**2,687,246**	$	2,357,014
Expenses		**(208,132)**		(239,816)
Net exposure	**$**	**2,479,114**	$	2,117,198

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

	Average exchange rate for the year ended December 31, 2011	Average exchange rate for the year ended December 31, 2010	**Exchange rate as at December 31, 2011**	Exchange rate as at December 31, 2010
USD per one Canadian dollar	**$ 1.0110**	$ 0.9690	**$ 0.9833**	$ 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 comprehensive income (loss) for the year ended December 31, 2011		decrease/(increase) in comprehensive loss for the year ended December 31, 2010
1 cent strengthening in the Canadian dollar	**$**	**(31,907)**	$	(27,015)
1 cent weakening in the Canadian dollar	**$**	**31,907**	$	27,015

(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, an allowance for doubtful account of $81,360 has been recorded as at December 31, 2011 (December 31, 2010 - $nil).

(in Canadian dollars)

16. Financial Instruments (cont'd)

(d) Credit risk (cont'd)

The aging of trade and other receivables as at year end is as follows:

		December 31, 2011		December 31, 2010		January 1, 2010
1 – 30 days	**$**	**284,827**	$	473,316	$	430,807
31 - 60 days		**74,354**		22,842		59,618
61 – 90 days		**2,609**		1,463		29,686
91 – 120 days		**—**		10,576		45,462
Over 120 days		**216,496**		9,387		1,637
Allowance for doubtful accounts		**(81,360)**		—		—
	$	**496,926**	$	517,584	$	567,210

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

		December 31, 2011		December 31, 2010		January 1, 2010
Customer U	**$**	**130,913**	$	8,183	$	17,277
Customer V		**97,048**		120,269		157,758
Customer W		**72,722**		5,002		—
Customer X		**40,012**		225,068		105,560
Customer Y		**4,815**		—		84,812
Customer Z		**408**		79,541		51,402
	$	**345,918**	$	438,063	$	416,809

(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.

16. Financial Instruments (cont'd)

(e) Liquidity risk (cont'd)

Acceleware's financial liabilities are all due within one year.

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 December 31, 2011, shareholders' equity was $1,175,237 (December 31, 2010 - $614,859) and the Company had no debt (December 31, 2010 - $nil).

18. Indemnifications

(a) Directors and officers

Under the terms of certain agreements and Acceleware's by-laws, the individuals who have acted at the Company'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 the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Company has mitigated this risk by obtaining directors' and officers' liability insurance.

(b) Other

In the ordinary course of business, the Company 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, the

(in Canadian dollars)

18. Indemnifications (cont'd)

(b) Other (cont'd)

Company 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 the Company could be required to pay cannot be estimated.

19. Commitments

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

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

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

The minimum annual basic rent commitments are as follows:

2012	$	79,039
Thereafter		—
	$	79,039

20. Related Party Transactions

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

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

(in Canadian dollars)

20. Related party Transactions (cont'd)

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

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

		2011		2010
Salaries and short-term employee benefits	**$**	**775,551**	$	552,174
Share-based payments		**22,247**		61,077
	$	**797,798**	$	613,251

21. Subsequent Events

(a) On January 26, 2012, the Company announced that it has granted stock options to acquire up to 1,380,000 common shares of the Company to certain employees, officers and directors. The options have an exercise price of $0.10 per common share and expire on January 26, 2017. One third of the options will vest on the first anniversary of the grant date, one third of the options will vest on the second anniversary of the grant date, and the remaining options will vest on the third anniversary of the grant date. The stock options grant is subject to regulatory approval.

(b) On February 29, 2012, the Company entered into an agreement to lease 5,244 square feet of office space commencing August 1, 2012 and ending July 31, 2017, a period of five years. In addition to the basic monthly rent, the Company must pay property taxes, operating costs, utilities and additional services.

The minimum annual basic rent commitments are as follows:

2012	$	70,641
2013		148,563
2014		150,747
2015		153,807
2016		155,991
Thereafter		92,779
	$	772,528

22. Effect of Transition to IFRS

These are the Company's first annual financial statements prepared in accordance with IFRS and IFRS 1. The accounting policies set out in note 4 have been applied in preparing the annual financial statements for the year ended December 31, 2011, the comparative information for the year ended December 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).

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 Generally Accepted Accounting Principles ("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, 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.

(in Canadian dollars)

22. 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 22g)*		5,669,374	90,921		5,760,295
Deficit *(note 22g)*		(20,934,379)	(90,921)		(21,025,300)
		1,094,205	—		1,094,205
	$	1,875,502	—	$	1,875,502

(in Canadian dollars)

22. Effect of Transition to IFRS (cont'd)

(d) 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 22g)*		5,814,196	59,910		5,874,106
Deficit *(note 22g)*		(21,673,373)	(59,910)		(21,733,283)
		614,859	—		614,859
	$	1,275,458	—	$	1,275,458

(e) Reconciliation of statement of comprehensive loss:

		Year ended December 31, 2010
Total comprehensive loss for the period attributable to shareholders under previous GAAP	$	(738,994)
Accounting differences – share based payments *(note 22g)*		31,011
Total comprehensive loss for the year attributable to shareholders under IFRS	$	(707,983)

22. Effect of Transition to IFRS (cont'd)

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

There were no significant changes to cash flows during 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.

(g) Notes to the reconciliations:

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.