Acceleware Corp.
Interim Financial Statements
September 30, 2007
(Unaudited)

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September 30, 2007 and 2006
(Unaudited)

Contents

Acceleware Corp.
Balance Sheets
As at:

		September 30, 2007 (unaudited)		December 31, 2006 (audited)
Assets				
Current				
Cash and cash equivalents	$	**4,442,009**	$	626,996
Accounts receivable		**966,210**		494,131
Inventory		**819,569**		324,204
Prepaid expenses		**92,015**		14,081
		6,319,803		1,459,412
Investment (note 3)		**1,228,023**		-
Property and Equipment (note 4)		**1,432,823**		358,132
	$	**8,980,649**	$	1,817,544
Liabilities and Shareholder's Equity				
Current				
Accounts payable and accrued liabilities	$	**444,903**	$	274,281
Deferred revenue		**168,491**		124,323
	$	**613,394**	$	398,604
Shareholders' Equity				
Share capital (note 5)	$	**10,451,194**	$	3,140,414
Warrants (note 5)		**3,841,181**		529,458
Contributed surplus (note 5)		**1,283,573**		341,439
Deficit		**(7,208,693)**		(2,592,371)
		8,367,255		1,418,940
	$	**8,980,649**	$	1,817,544

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

Approved on behalf of the Board:

(signed) "Sean Krakiwsky"
Director

(signed) "Dennis Nerland"
Director

Acceleware Corp.
Statements of Operations and Deficit
For the:

		Three Months Ended September 30, 2007 (unaudited)		Three Months Ended September 30, 2006 (unaudited)		Nine Months Ended September 30, 2007 (unaudited)		Fourteen Months Ended September 30, 2006 (unaudited)
Revenue								
Product sales	**$**	**539,549**	**$**	111,063	**$**	**1,329,414**	$	683,182
Maintenance		**39,250**		15,443		**120,614**		37,855
Consulting		**-**		-		**-**		56,000
Interest		**65,224**		9,645		**156,896**		15,149
		644,023		136,151		**1,606,924**		792,187
Expenses								
Costs of product sales	**$**	**341,694**	**$**	59,192	**$**	**765,236**	$	398,750
General and administrative		**1,204,220**		373,811		**3,785,228**		1,187,668
Research and development, including stock-based compensation expense of $19,135 and $4,574 for 3 months ended 2007 and 2006 and $59,973 and $42,693 for 9 months ended 2007 and 14 months ended 2006		**626,508**		262,454		**1,317,647**		750,280
Write-down of investment (note 3)		**216,710**		-		**216,710**		-
Amortization		**50,558**		5,534		**138,426**		21,911
		2,439,690		700,991		**6,223,247**		2,358,609
Loss for the period		**(1,795,667)**		(564,840)		**(4,616,323)**		(1,566,422)
Deficit, beginning of period		**(5,413,026)**		(1,326,215)		**(2,592,370)**		(324,633)
Deficit, end of period	**$**	**(7,208,693)**	**$**	(1,891,055)	**$**	**(7,208,693)**	**$**	(1,891,055)
Loss per share								
Basic and diluted	**$**	**(0.05)**	**$**	(0.03)	**$**	**(0.14)**	**$**	(0.10)
Weighted average outstanding		**34,968,861**		20,571,633		**33,269,719**		16,114,485

See accompanying notes to interim financial statements

Acceleware Corp.
Statements of Cash Flows
For the:

	Three Months Ended September 30, 2007 (unaudited)	Three Months Ended September 30, 2006 (unaudited)	Nine Months Ended September 30, 2007 (unaudited)	Fourteen Months Ended September 30, 2006 (unaudited)
Cash flows from (used for) operating activities				
Loss for the period	$ **(1,795,667)**	$ (564,840)	$ **(4,616,323)**	$ (1,566,422)
Items not involving cash:				
Amortization	**100,180**	5,534	**224,830**	21,911
Write-down of intangible asset	**-**	3,567	**-**	3,567
Write-down of investment	**216,710**	**-**	**216,710**	**-**
Stock-based compensation	**98,906**	87,139	**412,454**	152,145
	(1,379,871)	(468,600)	**(3,762,329)**	(1,388,799)
Changes in non-cash working capital items				
Accounts receivable	**(120,104)**	253,281	**(472,079)**	(111,827)
Prepaid expenses	**4,914**	-	**(77,934)**	(1,000)
Inventory	**(69,174)**	(5,878)	**(495,366)**	(80,912)
Deferred charges	**-**	(25,786)	**-**	(25,786)
Accounts payable and accrued liabilities	**(39,759)**	11,037	**170,623**	106,387
Deferred revenue	**11,940**	58,930	**44,168**	123,528
	(1,592,054)	(177,016)	**(4,592,917)**	(1,378,409)
Cash flows from financing activities				
Issuance of common shares and warrants, net of issue costs (note 5)	**20,675**	1,010,267	**11,152,184**	2,534,825
Issuance of warrants	**-**	359,712	**-**	476,137
Deferred share issue costs	**-**	8,500	**-**	-
	20,675	1,378,479	**11,152,184**	3,010,962
Cash flows from investing activities				
Purchase of property and equipment	**(290,704)**	(86,902)	**(1,299,522)**	(216,726)
Investment	**(1,444,733)**	-	**(1,444,733)**	-
	(1,735,436)	(86,902)	**(2,744,254)**	(216,726)
Increase(decrease) in cash and cash equivalents	**(3,306,815)**	1,114,561	**3,815,013**	1,415,827
Cash and cash equivalents, beginning of period	**7,748,824**	540,359	**626,996**	239,093
Cash and cash equivalents, end of period	$ **4,442,009**	$ 1,654,920	$ **4,442,009**	$ 1,654,920
Comprised of:				
Cash on hand	$ **136,288**	$ 270,642	$ **136,288**	$ 270,642
Cash equivalents	**4,305,721**	1,384,278	**4,305,721**	1,384,278
	$ **4,442,009**	$ 1,654,920	$ **4,442,009**	$ 1,654,920

See accompanying notes to interim financial statements.

1. Description of business, basis of presentation and going concern

The accompanying unaudited interim financial statements do not include all of the information and notes required by Canadian generally accepted accounting principles ("GAAP") applicable to audited annual financial statements and therefore should be read in conjunction with the December 31, 2006 audited financial statements and notes. In management's opinion, the interim financial statements have been properly prepared using careful judgment with reasonable limits of materiality and within the same framework of the Company's significant accounting policies and method of application as the most recent audited financial statements except for the changes in accountings policies described in note 2.

These consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent upon successful execution of a marketing strategy, on-going product development, obtaining additional financing and achieving profitable operations. The outcome of these matters cannot be predicted at this time. These interim financial statements do not reflect the adjustments that would be necessary if the Company was unable to continue as a going concern.

2. Change in accounting policies

Accounting Changes

Effective January 1, 2007, the Company adopted the amended Handbook Section 1506 "Accounting Changes". The changes to this Section particularly affect the following:

- An entity would be permitted to change an accounting policy only when it is required by a primary source of GAAP, or when the change results in a more reliable and relevant presentation in the financial statements;
- Changes in accounting policy should be applied retrospectively, except in cases where specific transitional provisions in a primary source of GAAP permit otherwise or where application to comparative information is impractical (the standard provides specific guidance as to what is considered impractical);
- Expanded disclosures about the effects of changes in accounting policy, estimates and errors on the financial statements; and
- Disclosure of new primary sources of GAAP that have been issued but have not yet come into effect and have not yet been adopted by the entity.

The adoption of the amended Section had no affect on the financial statement accounts of the Company.

2. Change in accounting policies (cont'd)

Financial Instruments – Recognition and Measurement

Effective January 1, 2007, the Company adopted, on a retroactive without restatement basis, the CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" which prescribes all financial instruments within the scope of this standard, including derivatives, be initially measured in the balance sheet at fair value, (except for certain related party transactions). Subsequent measurement of financial instruments should be either at their fair value or, in limited circumstances when fair value may not be considered most relevant, at cost or amortized cost. It also specifies when gains and losses as a result of changes in fair value are to be recognized in the income statement. The adoption of this new accounting standard did not significantly affect the Company's financial statements.

Financial Instruments – Disclosure and Presentation

Effective January 1, 2007, the Company adopted, on a prospective basis, reissued Section 3860 of the Handbook as Section 3861, "Financial Instruments - Disclosure and Presentation", which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The adoption of the new requirement did not affect the Company's financial statements.

Comprehensive Income

Effective January 1, 2007, the Company adopted, on a retroactive without restatement basis, the new Handbook Section 1530 ''Comprehensive Income'' which requires that an enterprise present comprehensive income and its components, in a financial statement that is displayed with the same prominence as other financial statements. This Section introduces a new requirement to present certain gains and losses temporarily outside net income. The adoption of the new requirement did not affect the Company's financial statements.

2. Change in accounting policies (cont'd)

Primary Sources of GAAP That Have Been Issued But Have Not Yet Come Into Effect

Effective December 2006, the AcSB issued three new Handbook Sections; Section 3862 "Financial Instruments – Disclosures"; Section 3863 "Financial Instruments – Presentation"; and Section 1535 "Capital Disclosures". These new Sections carry forward unchanged presentation requirements of Section 3861 "Financial Instruments – Disclosure and Presentation"; and converge with the capital disclosure-related amendments to International Accounting Standards. Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed and also simplifies the disclosures about concentrations of risk, credit risk, liquidity risk and market risk currently found in Section 3861. Additional requirements include: more extensive disclosures about exposures to liquidity; currency and other price risks and an analysis of the sensitivity of net income for possible changes thereto; more specific disclosures about collateral; and details of liabilities that are in default or in breach of their terms and conditions. Proposed Section 3863 carries forward, without change, the presentation-related requirements of Section 3861. Proposed Section 1535 requires the disclosure of: an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. As required, the Company will adopt these new accounting standards for its interim and annual financial statements beginning on January 1, 2008. The Company is in the process of assessing the full impact of these new Sections on its financial statements.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The changes are effective for the Company for interim and annual financial statements beginning on January 1, 2008. The Company does not expect the adoption of this change to have an impact on its financial statements.

Inventories

In March 2007, CICA Handbook Section 3031, Inventories, was approved and replaces Section 3030 Inventories. The changes are effective for the Company for interim and annual financial statements beginning on or after January 1, 2008, with earlier application encouraged. The Section provides more guidance on the measurement and disclosure requirements for inventories. The Company is evaluating the impact of the adoption of this new accounting standard on the financial statements.

International Financial Reporting Standards

The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

3. Investment

As at August 27, 2007, the Company had $1,444,733 of its cash equivalents invested in Structured Investment Trust III, Series A ("SIT"). The SIT is administered by Coventree Capital Group Inc. At the time of purchase, this asset-backed commercial paper ("ABCP") had a credit rating of R-1 High (highest rating available for short-term commercial paper) by Dominion Bond Rating Service. The ABCP did not settle as it matured as a result of liquidity issues in the ABCP market.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. As at September 30, 2007, management has reclassified the ABCP from cash equivalent to investment. The Company estimates the fair value of the ABCP by discounting expected cash flows considering the best available data. Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods.

The ABCP was classified as available for sale on initial adoption of CICA Handbook Section 3855. A write-down of fifteen percent, which equates to $216,710, has been recorded at September 30, 2007 to reflect the lack of liquidity in the ABCP market.

4. Property and equipment

During the quarter, the company incurred leasehold improvements associated with a new premise lease for office space. These costs will be amortized over the 60 month term of the lease using the straight-line method of amortization.

5. Share capital

Authorized:

Unlimited common shares
Unlimited first preferred shares, conditions to be determined
Unlimited second preferred shares, conditions to be determined

Issued:

Common shares	Number		Amount
Balance, December 31, 2006	22,616,267	$	3,140,414
Issued for cash, net of offering costs (i)	4,500,000		1,535,955
Issued for cash, net of offering costs (ii)	6,153,846		4,473,099
Issued for cash, net of offering costs (iii)	90,000		63,545
Stock option plan exercises:			
Issued for cash	167,333		75,119
Transferred from contributed surplus			55,874
Warrant exercises:			
Issued for cash	1,466,885		861,641
Transferred from warrants			245,547
Balance, September 30, 2007	34,994,331	$	10,451,194

(i) On January 22, 2007, Acceleware Corp. completed a non-brokered private placement of 4,500,000 units to NVIDIA Corporation (NASDAQ: NVDA) at a price of $0.65 per unit for aggregate gross proceeds of $2,925,000 and incurred selling costs of $61,044. Each unit consists of one common share and one-half of one common share-purchase warrant. Each whole warrant is exercisable into one common share at a price of $1.29 per common share for a period of 24 months from the issuance of the warrants. Acceleware Corp. has recorded the fair value of the warrants issued as a separate component of shareholders' equity.

5. Share capital (cont'd)

The fair value of the share purchase warrants issued was estimated to be $1,328,001 using the Black-Scholes option pricing model based on the following assumptions: dividend yield (Nil), expected volatility (125%), risk free interest rate (4.10%), and weighted average life of 24 months.

(ii) On February 14, 2007, Acceleware Corp. completed a brokered private placement of 6,153,846 units at a price of $1.30 per unit for aggregate gross proceeds of $8,000,000 and incurred selling costs of $1,331,285 (cash costs of $745,732 and non cash costs of $585,554). Each unit consists of one common share and one-half of one common share-purchase warrant. Each whole warrant is exercisable into one common share at a price of $2.00 per common share for a period of 22 months from the issuance of the warrants. Acceleware Corp. has recorded the fair value of the warrants issued as a separate component of shareholders' equity. The fair value of the share purchase warrants issued was estimated to be $2,195,614 using the Black-Scholes option pricing model based on the following assumptions: dividend yield (Nil), expected volatility (125%), risk free interest rate (3.97%), and weighted average life of 22 months. Northern Securities Inc. ("Northern") acted as underwriter for the offering.

(iii) On May 14, 2007, Acceleware Corp. completed a non-brokered private placement of 90,000 units to Robert Miller, Vice President of Marketing and Product Development for Acceleware, at a price of $1.08 per unit for gross proceeds of $97,200. Each unit consists of one common share and one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of $1.80 per common share for a period of 12 months. Acceleware Corp. has recorded the fair value of the warrants issued as a separate component of shareholders' equity. The fair value of the share purchase warrants issued was estimated to be $33,655 using the Black-Scholes option pricing model based on the following assumptions: dividend yield (Nil), expected volatility (125%), risk free interest rate (4.63%), and weighted average life of 12 months.

5. Share capital (cont'd)

Warrants

The warrant exercise price was based upon the market price prevailing at the warrant grant date. The grant date fair value of the warrants issued was estimated to be $0.66 per warrant using the Black-Scholes warrant pricing model based on the following weighted average assumptions: dividend yield (nil), expected volatility (125%), risk free interest rate (4.63%), expected life (5 years). The estimated fair value of the warrants is amortized to expense over the warrant vesting period on a straight line basis.

The changes to number of warrants issued by the Company and their weighted average exercise price are as follows:

	Number	Amount	Weighted Average Exercise Price
Balance, December 31, 2006	2,861,600	$ 529,458	$ 0.665
Issued in respect of private placement January 22, 2007 (i) above	2,250,000	1,328,001	1.290
Issued in respect of private placement February 14, 2007 (ii) above	3,076,923	2,195,614	2.000
Issued in respect of private placement May 2, 2007 (iii) above	90,000	33,655	1.800
Exercised	(1,466,885)	(245,547)	0.587
Balance, September 30, 2007	6,811,638	$ 3,841,181	$ 1.506

Warrants outstanding and exercisable:

Exercise Price	Warrants Outstanding	Weighted Average Remaining Term (Years)	Warrants Exercisable
0.70	1,144,715	0.39	1,144,715
0.96	250,000	0.05	250,000
1.29	2,250,000	1.32	2,250,000
1.80	90,000	0.59	90,000
2.00	3,076,923	1.21	3,076,923
	6,811,638	1.05	6,811,638

5. Share capital (cont'd)

Escrowed shares

At September 30, 2007, an aggregate of 6,063,285 common shares remain subject to escrow agreements pursuant to the requirements of the TSX Venture Exchange. Pursuant to the escrow agreements, an aggregate of 2,021,095 escrowed shares (representing 15% of the 13,473,952 originally escrowed shares) will be released from escrow on each of January 18, 2008, July 18, 2008 and January 18, 2009.

Agent options

On February 14, 2007, Acceleware Corp. granted the Agent 492,308 non-transferable agent options. Each agent option entitles the holder thereof to acquire one unit at a price of $1.30 for a period of 22 months from the date of issuance of the agent options. Each unit consists of one common share and one-half of one common share-purchase option. Each whole purchase option is exercisable into one common share at a price of $2.00 per common share for a period of 22 months from February 14, 2007. The fair value of the 492,308, $1.30 Agent options, are estimated to be $406,045 and the fair value of the 246,154, $2.00, Agent options, are estimated to be $179,509, both using the Black-Scholes option pricing model based on the following assumptions: dividend yield (Nil), expected volatility (125%), risk-free interest rate (3.97%), and weighted average life of 22 months.

Stock options

During the nine months ended September 30, 2007, the Company granted to certain employees, a series of options to purchase a total of 1,040,000 common shares of Acceleware Corp. at prices ranging from $0.84 to $1.40 per share. Of the total options, 755,000 of the options granted to date have vesting terms of one third of the options vest on the date of grant, one third vest one year from the date of grant, and one third vest two years from the date of grant and 285,000 of the options granted to date have vesting terms of ten percent of the options vest on the date of grant, thirty percent vest one year from the date of grant, thirty percent vest two years from the date of grant and thirty percent vest three years from the date of grant. The options expire 5 years from the date of grant.

5. Share capital (cont'd)

The option exercise price was based upon the market price prevailing at the stock option grant date. The grant date fair value of the stock options issued was estimated to be $0.86 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: dividend yield (nil), expected volatility (125%), risk free interest rate (4.23%), expected life (5 years). The estimated fair value of the options is amortized to expense over the option vesting period on a straight line basis. Stock based compensation expense for the nine months ended September 30, 2007 was $412,454 (fourteen-months ended September 30, 2006 was $152,145).

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

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2006	2,425,214	$0.338
Granted	1,778,462	$1.240
Forfeited	(43,667)	$0.600
Exercised	(51,333)	$0.520
Exercised (Agent)	(116,000)	$0.420
Balance, September 30, 2007	3,992,676	$0.734

5. Share capital (cont'd)

A summary of outstanding options at September 30, 2007 is shown below:

Options Outstanding					Options exercisable
Range of exercise price outstanding		Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
$0.20	$0.20	450,000	2.31	0.200	450,000
0.25	0.40	963,501	3.34	0.287	859,447
0.42	0.42	292,571	3.22	0.420	132,571
0.44	0.44	443,142	3.92	0.440	288,761
0.45	0.45	20,000	3.83	0.450	13,334
0.60	0.60	45,000	4.09	0.600	14,983
0.84	0.84	80,000	4.29	0.840	26,667
0.85	0.85	100,000	4.97	0.850	10,000
0.90	0.90	185,000	4.94	0.900	18,500
1.08	1.08	415,000	4.59	1.080	138,333
1.09	1.09	127,500	4.51	1.090	42,500
1.14	1.14	37,500	4.81	1.140	12,500
1.30	1.30	492,308	1.21	1.300	492,308
1.40	1.40	95,000	4.33	1.400	31,667
2.00	2.00	246,154	1.21	2.000	246,154
$0.20	$2.00	3,992,676	3.91	0.716	2,777,725

5. Share capital (cont'd)

Contributed surplus

Contributed surplus consists of the following:

Balance, December 31, 2006	$	341,439
Stock-based compensation		412,454
Issued on financing (Agent)		585,554
Exercise of options		(55,874)
Balance, September 30, 2007	$	1,283,573

6. Segmented information

The Company operates in an international market within one reportable industry segment. Revenues are distributed as follows:

Revenue:		**Canada**	**Foreign Countries**		**Total**
Three months ended September 30, 2007	$	9,699	569,100	$	578,799
Three months ended September 30, 2006	$	3,006	123,500	$	126,506
Nine months ended September 30, 2007	$	68,582	1,381,446	$	1,450,028
Fourteen months ended September 30, 2006	$	84,066	692,971	$	777,037

The Company derives significant revenues from two major customers which both exceed 10% of total revenues for the nine-months ended September 30, 2007. The first customer accounts for $621,445 (2006 - $341,896) of revenues and the second customer accounts for $528,245 (2006 - $365,207) of revenues.

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

7. 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. 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:

June to December 2007	$	97,356
2008		166,896
2009		166,896
2010		166,896
2011		166,896
January to May 2012		69,540

8. Subsequent Events

On October 3, 2007, Acceleware Corp. completed a non-brokered private placement of 2,409,699 shares at a price of $0.83 per share for aggregate gross proceeds of $2,000,050. Acceleware incurred selling costs of $150,000 and issued 100,000 agent options, a non cash cost of $33,843, for a total selling costs of $183,843. Each agent option acquires one common share at a price of $1.30 per share until December 14, 2008. The fair value of the agent options issued was estimated to be $33,843 using the Black-Scholes option pricing model based on the following assumptions: dividend yield (Nil), expected volatility (125%), risk free interest rate (4.14%), and weighted average life of 14 months.

On October 15, 2007, Acceleware Corp. granted to certain employees an aggregate of 17,500 options to acquire common shares of Acceleware. The options have an exercise price of $0.88 per share and expire on October 15, 2012. Ten percent of the options will vest immediately, thirty percent will vest on October 15, 2008, thirty percent will vest on October 15, 2009 and thirty percent will vest on October 15, 2010.

On November 19, 2007, Acceleware Corp. announced a private placement of 3,529,412 shares at a price of $0.85 per share for aggregate gross proceeds of $3,000,000. In connection with the Offering, Acceleware will incur selling costs of 7.5% of the gross proceeds and a number of broker warrants equal to 5% of the number of common shares sold under the Offering. Each broker warrant will entitle the holder thereof to acquire one Common share at a price of $1.30 for a period of 24 months from date of issuance of the broker warrants. Closing of the Offering is expected to occur on or about December 3, 2007.