Acceleware Corp.
Interim Financial Statements
September 30, 2008
(Unaudited)

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Interim Financial Statements
September 30, 2008 and 2007
(Unaudited)

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Balance Sheets

As at:

	September 30, 2008 (unaudited)			December 31, 2007 (audited)	
Assets					
Current					
Cash and cash equivalents	\$	1,001,144	\$	6,196,894	
Short term investments		-		1,550,017	
Accounts receivable		481,882		1,198,480	
Inventory		1,357,362		1,077,306	
Prepaid expenses		52,031		78,457	
		2,892,419		10,101,154	
Investment		1,036,865		1,011,313	
Property and equipment		1,302,502		1,456,826	
	\$	5,231,786	\$	12,569,293	
Current					
Current Accounts payable and accrued liabilities	\$	900,279	\$	1,177,404	
	\$	900,279 261,717	\$	1,177,404 225,010	
Accounts payable and accrued liabilities	\$	•	\$		
Accounts payable and accrued liabilities Deferred revenue	\$	261,717	\$		
Accounts payable and accrued liabilities Deferred revenue Current debt (note 3)	·	261,717 350,977		225,010	
Accounts payable and accrued liabilities Deferred revenue	·	261,717 350,977		225,010	
Accounts payable and accrued liabilities Deferred revenue Current debt (note 3) Shareholders' Equity	\$	261,717 350,977 1,512,973	\$	225,010	
Accounts payable and accrued liabilities Deferred revenue Current debt (note 3) Shareholders' Equity Share capital (note 4) Warrants (note 4)	\$	261,717 350,977 1,512,973 15,859,561	\$	225,010 - 1,402,414 15,229,099	
Accounts payable and accrued liabilities Deferred revenue Current debt (note 3) Shareholders' Equity Share capital (note 4)	\$	261,717 350,977 1,512,973 15,859,561 3,651,178	\$	225,010 - 1,402,414 15,229,099 3,902,506	
Accounts payable and accrued liabilities Deferred revenue Current debt (note 3) Shareholders' Equity Share capital (note 4) Warrants (note 4) Contributed surplus (note 4)	\$	261,717 350,977 1,512,973 15,859,561 3,651,178 1,719,456	\$	225,010 - 1,402,414 15,229,099 3,902,506 1,365,390	

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

Approved on behalf of the Board:
"Dennis Nerland" (Signed)
Director
"Peter Neweduk" (Signed)
Director

Acceleware Corp.
Statements of Operations and Deficit (Unaudited)
For the:

		Three Months Ended September 30, 2008		Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008		Nine Months Ended September 30, 2007
Revenue							
Product sales	\$	355,949	\$	539,549	\$ 2,413,330	\$	1,329,414
Maintenance	*	88,160	Ψ.	39,250	304,795	*	120,614
Interest		28,511		65,224	182,785		156,896
		472,620		644,023	2,900,910		1,606,924
Expenses							
Costs of product sales	\$	429,238	\$	341,694	\$ 1,897,917	\$	765,236
General and administrative		2,036,721		1,204,220	5,870,177		3,785,228
Research and development		950,443		626,508	3,015,752		1,317,647
Write-down of investment		-		216,710	-		216,710
Loss on disposal of property							
and equipment, net		102,148		-	102,148		-
Amortization		62,278		50,558	196,182		138,426
		3,580,828		2,439,690	11,082,176		6,223,247
Loss for the period		(3,108,208)		(1,795,667)	(8,181,266)		(4,616,323)
Deficit, beginning of period		(14,403,174)		(5,413,026)	(9,330,116)		(2,592,370)
Deficit, end of period	\$	(17,511,382)	\$	(7,208,693)	\$ (17,511,382)	\$	(7,208,693)
Loss per share							
Basic and diluted	\$	(0.07)	\$	(0.05)	\$ (0.19)	\$	(0.14)
Weighted average outstanding		42,038,830		34,968,861	42,081,330		33,269,719

See accompanying notes to interim financial statements

Acceleware Corp. Statements of Cash Flows (Unaudited) For the:

	Three Months Ended September 30, 2008		Ş	Three Months Ended September 30, 2007	S	Nine Months Ended September 30, 2008	9	Nine Months Ended September 30, 2007
		2000		2007		2000		2007
Cash flows from (used for) operating activities			_					
Loss for the period	\$	(3,108,208)	\$	(1,795,667)	\$	(8,181,266)	\$	(4,616,323)
Items not involving cash:		404		100 100				004.000
Amortization		124,555		100,180		392,364		224,830
Loss on disposal of property		102 140				402 440		
and equipment, net Accrued interest on investments		102,148		-		102,148		-
		-		- 016.710		(25,552)		-
Write-down of investment		- 92 702		216,710 98,906		-		216,710
Stock-based compensation		82,702		•		264,064		412,454
		(2,798,803)		(1,379,871)		(7,448,242)		(3,762,329)
Changes in non-cash working capital items								
Accounts receivable		892,601		(120,104)		716,598		(472,079)
Prepaid expenses		99,000		4,914		26,426		(77,934)
Inventory		311,199		(69,174)		(500,407)		(495,366)
Accounts payable and accrued liabilities		(280,450)		(39,759)		(277,126)		170,623
Deferred revenue		(39,855)		11,940		36,707		44,168
Deletted revenue		(1,816,308)		(1,592,054)		(7,446,044)		(4,592,917)
Cash flows from financing activities Issuance of common shares and warrants, net of issue costs		-		20,675		469,136		11,152,184
Proceeds from issuing debt		350,977		-		350,977		-
		350,977		20,675		820,113		11,152,184
Cash flows from investing activities								
Redemption of short-term investments		-		-		1,550,017		-
Purchase of investment		-		(1,444,733)		-		(1,444,733)
Proceeds from sale of property and equipment		17,151		- (000 704)		17,151		- (4.000.500)
Purchase of property and equipment		-		(290,704)		(136,987)		(1,299,522)
		83,735		(1,735,436)		1,430,181		(2,744,254)
Increase(decrease) in cash and cash equivalents		(1,448,180)		(3,306,815)		(5,195,750)		3,815,013
Cash and cash equivalents, beginning of period		2,449,324		7,748,824		6,196,894		626,996,
Cash and cash equivalents, end of period	\$	1,001,144	\$	4,442,009	\$	1,001,144	\$	4,442,009
Comprised of:								
Cash on hand	\$	751,144	\$	136,288	\$	751,144	\$	136,288
Cash equivalents	Ψ	250,000	Ψ	4,305,721	٣	250,000	Ψ	4,305,721
Cach oquiraionio	\$	1,001,144	\$	4,442,009	\$	1,001,144	\$	4,442,009
	Ψ	1,001,144	ψ	7,772,003	Ψ	1,001,144	Ψ	+, ++∠,003

See accompanying notes to interim financial statements.

Notes to Interim Financial Statements September 30, 2008 (Unaudited)

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 applicable to audited annual financial statements and therefore should be read in conjunction with the December 31, 2007 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 accounting policies described in note 2.

These interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has accumulated losses of \$17,511,382 and the net loss was 8,181,266 for the nine-months ended September 30, 2008. The ability of the Company to continue as a going concern is dependent upon successful execution of its restructuring and cost containment plans and on its ongoing efforts to focus on core vertical markets and achieve profitable operations. The outcome of these initiatives 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. Adoption of New Accounting Standards

Capital Disclosures

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535 "Capital Disclosures". The new section requires an entity to disclose information about its capital and how it is managed. The Company's capital management strategy is outlined in note 6 to the financial statements.

Financial Instruments

Effective January 1, 2008, the Company adopted the CICA Handbook Section 3862 "Financial Instruments" and Section 3863 "Financial Instruments – Presentation", which replace Section 3861 "Financial Instruments – Disclosure and Presentation". The new sections revise and enhance financial instruments disclosure requirements and place increased emphasis on disclosure about the nature and extent of the risks arising from financial instruments and how the Company manages those risks.

In accordance with these new standards, the Company's financial instruments are classified as follows:

- Cash and cash equivalents, short-term investments and investments are classified as held-for-trading and accordingly are carried at their fair values;
- Accounts receivable are classified as loans and receivables, and accordingly are carried at their amortized costs;
- Accounts payable, accrued liabilities and current debt are classified as other financial liabilities and are currently carried at their amortized cost.

Notes to Interim Financial Statements September 30, 2008 (Unaudited)

2. Adoption of New Accounting Standards (cont'd)

General Standards on Financial Statement Presentation

Effective January 1, 2008, the Company adopted CICA Handbook Section 1400 "General Standards on Financial Statement Presentation", which requires the Company 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 adoption of this standard did not have a material impact on the Company's financial statements.

Inventories

Effective January 1, 2008, the Company adopted CICA Handbook Section 3031 "Inventories", which requires inventory to be valued on a first-in, first-out basis or weighted average basis. The new standard also requires fixed and variable production overheads that are incurred in converting material into finished goods to be allocated to the cost of inventory on a systematic basis. The Company assessed a retrospective adjustment to its inventories and considered it not material, therefore no adjustment has been made. The adoption of this standard did not have a material impact on the Company's financial statements.

Recent Accounting Pronouncements

Goodwill and Intangible Assets

CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaces CICA Handbook Section 3062 "Goodwill and Intangible Assets", and Section 3450 "Research and Development Costs", establishes the standards for recognition, measurement and disclosure of goodwill and intangible assets. Under these new standards, internally generated intangible assets may be recognized in the financial statements under certain circumstances. This standard is effective for the Company for interim and annual financial statements beginning on January 1, 2009. The Company has not yet determined the impact of the adoption of this change on these financial statements.

International Financial Reporting Standards

The CICA plans to transition from Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) effective January 1, 2011. The impact of the transition to IFRS on the Company's financial statements has not yet been determined.

3. Current Debt

During the period ended September 30, 2008, the Company utilized a line of credit that is secured by an investment security held by the Company. The line of credit has a maximum limit of \$350,977 that may be increased at the lender's option, no set maturity date, an interest rate of prime minus 1.5% and payments of interest only.

Notes to Interim Financial Statements September 30, 2008 (Unaudited)

4. 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	Amount		
Balance, December 31, 2007	41,351,821	\$	15,229,099
Stock option plan exercises:			
Issued for cash	142,571		58,280
Transferred from contributed surplus			43,094
Warrant exercises:			
Issued for cash	586,938		410,857
Transferred from warrants			118,232
Balance, September 30, 2008	42,081,330	\$	15,859,561

Warrants

The changes to the 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, 2007	6,672,361 \$	3,902,506 \$	1.539
Exercised	(586,938)	(118,232)	0.646
Expired	(477,777)	(133,096)	0.962
Balance, September 30, 2008	5,607,646	3,651,178	1.682

Notes to Interim Financial Statements September 30, 2008 (Unaudited)

4. Share Capital (cont'd)

Warrants outstanding and exercisable:

Exercise Price	Warrants Outstanding	Weighted Average Remaining Term (Years)	Warrants Exercisable
1.29	2,250,000	0.31	2,250,000
1.30	100,000	0.21	100,000
1.30	180,723	1.20	180,723
2.00	3,076,923	0.21	3,076,923
1.68	5,607,646	0.28	5,607,646

Escrowed Shares

At September 30, 2008, an aggregate of 2,021,095 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 January 18, 2009.

Stock Options

During the nine-months ended September 30, 2008, the Company granted to certain employees and officers, a series of options to purchase a total of 310,000 common shares of Acceleware Corp. at prices ranging from \$0.70 to \$0.82 per share. Ten percent of the options will vest immediately, thirty percent will vest one year from the date of grant, thirty percent will vest two years from the date of grant and thirty percent will vest three years from the date of grant. The exercise price was based upon the market price prevailing at the stock option grant date. The weighted average grant date fair value of the stock options issued was estimated to be \$0.65 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 125%, a risk-free interest rate of 3.42% and expected dividend yield of nil % and expected life of 5 years.

Notes to Interim Financial Statements September 30, 2008 (Unaudited)

4. Share Capital (cont'd)

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, 2007	4,101,676	\$ 0.739
Granted	310,000	0.769
Expired	(14,000)	0.876
Forfeited	(40,000)	0.400
Exercised	(142,571)	0.420
Balance, September 30, 2008	4,215,105	0.755

A summary of outstanding options at September 30, 2008 is shown below:

	Options exercisable				
•	Range of exercise prices Number outstanding		Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
\$0.20	\$0.31	1,223,930	1.92	\$0.24	1,223,930
0.38	0.60	787,713	2.91	0.44	492,659
0.80	1.14	1,370,000	3.89	0.94	583,864
1.30	2.00	833,462	0.56	1.52	801,162
\$0.20	\$2.00	4,215,105	2.48	\$0.76	3,101,615

Stock-based compensation expense of \$264,064 was recorded for the nine-months ended September 30, 2008 (2007 - \$412,454).

Notes to Interim Financial Statements September 30, 2008 (Unaudited)

4. Share Capital (cont'd)

Contributed Surplus

Contributed surplus consists of the following:

Balance, December 31, 2007	\$ 1,365,390
Stock-based compensation	264,064
Warrants expired	133,096
Exercise of options	(43,094)
Balance, September 30, 2008	\$ 1,719,456

5. Segmented Information

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

Revenue (excluding interest) :	Canada	Foreign Countries	Total
Three months ended September 30, 2008	\$ 39,097	\$ 405,012	\$ 444,109
Three months ended September 30, 2007	\$ 12,982	\$ 565,817	\$ 578,799
Nine months ended September 30, 2008	\$ 91,509	\$ 2,626,616	\$ 2,718,125
Nine months ended September 30, 2007	\$ 68,582	\$ 1,381,446	\$ 1,450,028

The Company derives significant revenues from four major customers each of which exceeded 10% of total revenues for the nine-months ended September 30, 2008 (September 30, 2007- two customers). The first customer accounted for \$839,406 (2007 - \$621,445) of revenues and the second customer accounted for \$576,964 (2007 - \$528,245) of revenues and in 2008 a third customer accounted for \$552,628 (2007 - \$nil) of revenues and a fourth customer for \$286,321 (2007 - \$nil) of revenues.

Notes to Interim Financial Statements September 30, 2008 (Unaudited)

6. Financial Instruments and Capital Risk

The Company's objective for investments is to hold securities which are highly liquid and temporary in nature. The Company currently holds an investment in asset backed commercial paper as disclosed in the audited financial statements for December 31, 2007. To date, the Company has not entered into derivative contracts to manage these risks.

Fair Value

The carrying value of accounts receivable, accounts payable and accrued liabilities approximates their fair values due to the immediate or short-term maturity of these financial instruments. The carrying value of current debt approximates fair value as it bears a floating rate of interest.

The Company has updated with current values, management's assumptions disclosed in note 4 of the annual audited financial statements for December 31, 2007, for the Company's investment in asset backed commercial paper (ABCP), and the Company has determined that the adjustment was immaterial and therefore management has recorded no change for the period ending September 30, 2008.

While the Company believes that it has utilized an appropriate methodology to estimate the fair value of the Company's investment in ABCP, given the number of uncertainties there can be no assurance that management's estimate of potential recovery as at September 30, 2008 is accurate.

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.

The Company is exposed to interest rate risk with respect to its current debt as this debt is subject to floating market rates of interest.

Currency Risk

A portion of the Company's revenues is made from sales to customers in foreign countries and, accordingly, the Company is exposed to related foreign currency risk arising from fluctuations in US dollar exchange rates. This risk is significantly mitigated by purchases settled in US dollars.

Market Risk

Market risk includes the Company's assumptions on value and on liquidity from its investment in asset backed commercial paper as disclosed in the audited financial statements dated December 31, 2007. While the Company believes that it has utilized an appropriate methodology to estimate fair value, given the number of uncertainties there can be no assurance that management's estimate of potential recovery as at September 30, 2008 is accurate.

Notes to Interim Financial Statements September 30, 2008 (Unaudited)

6. Financial Instruments and Capital Risk (cont'd)

Credit Risk

Credit risk reflects the risk that the Company may be unable to recover its accounts receivable. 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. At this time, the Company makes no allowance for doubtful accounts.

Credit risk includes the Company's assumptions on value and on liquidity from its investment in asset backed commercial paper as disclosed in the audited financial statements dated December 31, 2007. While the Company believes that it has utilized an appropriate methodology to estimate fair value, given the number of uncertainties there can be no assurance that management's estimate of potential recovery as at September 30, 2008 is accurate.

Capital Risk Management

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 shareholder's 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 restructuring and 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.

Notes to Interim Financial Statements September 30, 2008 (Unaudited)

7. Related Parties

During the three-months ended September 30, 2008, the Company paid \$25,591 to an officer of the Company as fees for duties performed in managing operations and has an additional \$6,995 recorded in accounts payable for total fees of \$32,586. These fees occurred in the normal course of operations and have been recognized at the exchange amount which in the opinion of management approximates fair value for services rendered.

8. Restructuring Charges

On July 22, 2008, Acceleware disclosed that as a result of the July 18, 2008 announced withdrawal of its short form prospectus offering, it would be restructuring the organization and reducing expenditures, including reducing the number of personnel from approximately 90 to just over 40.

To date, restructuring charges of approximately \$823,657 have been incurred, primarily related to severance of \$402,659, vacation liabilities of \$70,850, net loss on property and equipment of \$102,148 and prospectus offering costs of \$248,000. The restructuring charges related to severance, vacation liabilities and prospectus offering costs are recorded on the Income Statement under general and administrative expenses. As at September 30, 2008, a balance of approximately \$300,000 of the restructuring charges is outstanding in accounts payable and accrued liabilities. The Company may incur further restructuring charges of approximately \$100,000 prior to January 31, 2009 and estimates the completion of the overall restructuring by March 31, 2009.

9. Subsequent Events

- In note 4 to the December 31, 2007 audited financial statements, the asset backed commercial paper restructuring plan was disclosed. The restructuring plan has been approved to proceed and the Pan-Canadian Restructuring Committee has commenced the process for implementation of the restructuring with a view to completing implementation by December 2008.
- ii. As a result of the restructuring on July 22, 2008, employees and officers who left the Company had 90 days to exercise their vested stock options. On October 22, 2008, 880,928 options were forfeited by these employees and officers. As a result of these forfeitures, the stock based compensation expense relating to the unvested options that had been previously recognized will be recognized as a recovery of this expense in the period of forfeiture. All severance liabilities relating to the restructuring have been paid or accrued in the accounts of the Company as at September 30, 2008.