

ACCELEWARE LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020

This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read together with Acceleware Ltd.'s ("Acceleware" or the "Company") unaudited condensed interim financial statements and the accompanying notes for the three months ended March 31, 2020 ("Q1 2020"), which were prepared in accordance with International Financial Reporting Standards ("IFRS"), and the audited annual financial statements, accompanying notes and MD&A for the year ended December 31, 2019, which have been prepared in accordance with IFRS. Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under Acceleware Ltd.

This MD&A is presented as of May 26, 2020. All financial information contained herein is expressed in Canadian dollars unless otherwise indicated.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believes" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A may contain forward-looking statements, pertaining to the following:

- the expectation of Acceleware's ability to continue operating as a going concern, fund its operations through the sale of its products and services, and access external financing when required;
- the expectation of software revenue growth in the oil and gas sector through innovative licensing arrangements;
- potential benefits of the Company's software to customers, including cost savings and increases to cash flow and productivity;
- the impact on local and global markets of epidemic or pandemic disease, including the novel coronavirus disease known as COVID-19;
- oil and natural gas production levels of both Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC countries;
- the future growth prospects for radio frequency ("RF") heating technology for heavy oil and oil sands based on technical and economic feasibility analyses and testing performed to date;
- the patentability of concepts developed through RF Heating research and development ("R&D") efforts;
- the expectation that the positive economic and technical analyses and testing to date will be reinforced by future results of subsequent testing of the RF technology;
- advantages to using Acceleware's products and technology;
- the demand for new products currently under development at the Company;
- ease and efficiency of implementing Acceleware's products; and
- supply and demand for Acceleware's primary software products.

With respect to forward-looking statements contained in this MD&A, the Company has assumed, among other things:

- that the future revenue and resulting cash flow expected by the Company's management ("Management") and ability to attract new financing will be sufficient to fund future operations - this assumption being subject to the risk and uncertainty that the Company may not generate enough cash flow from operating activities to meet its capital requirements and that the Company may not be able to secure additional capital resources from external sources to fund any shortfall. Operating cash flow may be negatively affected by general economic conditions, increased competition, increased equipment or labour costs, and adverse movements in foreign currencies. Should the Company experience a cash flow shortfall from operating activities, Management's contingency plan may not be sufficient to reverse the shortfall;
- that industry and government interest in reducing greenhouse gas emissions ("GHG") remains constant or increases;
- that the long-term impact of the COVID-19 pandemic on the Company's products and services and R&D efforts will be manageable;
- that the long-term effect of any agreement or non-agreement among both Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC countries regarding production levels on the Company's products, services, and R&D efforts will be manageable;
- that the preliminary analyses coupled with lab and field testing that the Company has performed to date regarding the technical and economic feasibility of RF Heating technology for heavy oil and oil sands will be confirmed in future commercial-scale testing and in commercial products;
- that the Company will receive all regulatory approvals required to carry out the commercial-scale testing of its RF Heating technology;
- that the RF Heating concepts developed by the Company are unique, novel and non-infringing of intellectual property owned by others;
- that the Company will be able to maintain sales of its software products and services by focusing on innovative licensing arrangements and continuously improving its products – which is subject to the risks that sales in core vertical markets may be negatively affected by general economic conditions, that the Company's R&D efforts may be unable to develop continuous improvements; and
- that it will be able to withstand the impact of increasing competition.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Forward-looking statements include statements with respect to the timing and amount of estimated future revenue and sales and the Company's ability to protect and commercially exploit its intellectual property. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

BUSINESS OVERVIEW

Acceleware is an innovator of transformational technology leading to a new era of responsible and cost-effective energy development focused within two business segments: radio frequency heating (“RF Heating”) for enhanced oil recovery and high-performance computing (“HPC”) scientific software.

RF XL is Acceleware’s patented and patent-pending RF Heating technology, designed to improve the extraction of heavy oil and bitumen, with the possibility of saving significant production costs. When applied, RF XL has the potential to **reduce both capital and operating costs**, while offering significant environmental benefits, including:

- immediate GHG emission reductions;
- a substantial decrease in land use;
- the elimination of external water use;
- no requirement for solvents; and
- no need for water treatment facilities or tailings ponds

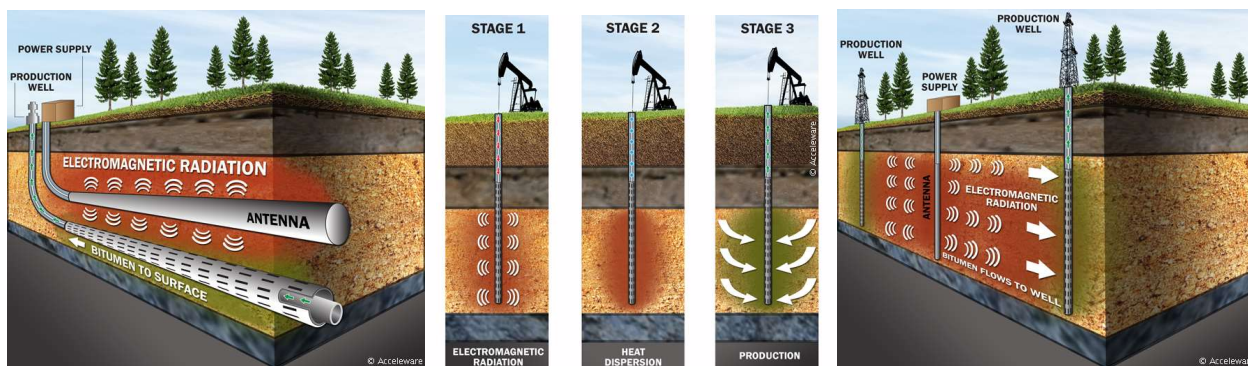
The Company believes that RF XL Heating technology, as an electrically-driven process, can provide a clear pathway to zero-GHG production of heavy oil and oil sands and provide optimal alignment with industry and government goals to recognize innovation as a meaningful solution in the oil and gas industry’s overall emission reduction plans.*

Acceleware's HPC segment helps customers meet their oil and gas exploration needs with seismic imaging software that provides the most accurate and advanced imaging available for oil exploration in complex geological zones and formations, and their electronic and medical product development needs with state-of-the-art electro-magnetic (“EM”) simulation software.

RF Heating for Enhanced Oil Recovery

Acceleware’s RF Heating technology broadly falls into two versions:

1. Modular RF is a technology primarily aimed at deeper, vertical wells where efficiencies can be gained due to the innovative approach offered by downhole RF power generation.
2. RF XL Heating targets long horizontal wells most often associated with in-situ oil sands production.



Multiple Vertical – RF flood

Single Vertical – Cyclic RF flood

Horizontal – RF injector

RF Heating can be used in a variety of vertical and horizontal well arrangements.

*This paragraph contains forward looking information. Please refer to “Forward Looking Statements” and “Risk Factors and Uncertainties” for a discussion of the risks and uncertainties related to such information.

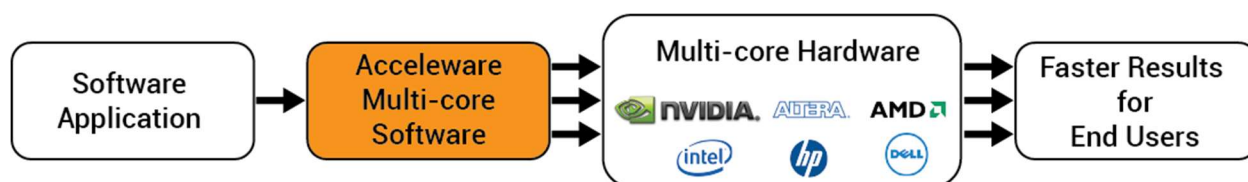
In 2010, Acceleware began investigating technology that would use RF energy for in-situ heating of heavy oil and bitumen. Over the ensuing nine years, Acceleware has vigorously developed RF Heating technology with two patents granted, 17 patent applications pending, a further five patent applications under development, and has conducted significant laboratory and field testing.

Through the Company's RF Heating development and services business, Acceleware developed sophisticated simulation software tools based on its proprietary AxFDTD solution coupled with third party reservoir simulation software. In late 2013, Acceleware commercialized and introduced these simulation tools as AxHEAT™, a product aimed at oil and gas companies investigating the effectiveness of RF Heating to increase the efficiency of heavy oil and oil sands production.*

RF Heating for oil production is not a new concept, as known trials have been conducted in several locations across Russia and North America. However, these previous trials showed limited success. Acceleware believes that these limitations can be overcome with new technology. The Company's RF Heating R&D efforts have focused on reducing the capital cost of the technology, making it more flexible for use in a variety of resource plays, and improving its scalability to be conducive for very long horizontal wells commonly used in Alberta's oil sands, as well as in Latin America, Asia, the Middle East and elsewhere. Acceleware's unique expertise with RF Heating technology has also resulted in the generation of service revenue both locally and abroad.

High-Performance Computing Software

Acceleware's traditional HPC market has been centered around EM simulation software, and the Company continues to provide products to this industry. Its first software commercialized was an accelerated finite difference time domain ("FDTD") solution for the EM simulation industry. AxFDTD™ has been used by many Fortune 500 companies such as GE, Apple, Samsung, LG, Blackberry, Foxconn, Nikon, Renault, Mitsubishi, Merck, Boeing and Lockheed Martin, many of which continue to use the software today. With AxFDTD, Acceleware was a pioneer in the graphics processing unit ("GPU") computing revolution as most of the major mobile telephone manufacturers in the world are using Acceleware's EM design solutions which facilitate more rapid design of their products. Acceleware's fourth-generation software acceleration solutions, which support multi-board GPU systems, can accelerate entire industrial simulation and processing applications by more than 35 times.



The EM solutions developed by Acceleware can be easily integrated by software developers, saving them the expense and time of migrating applications to high performance multi-core platforms. Acceleware improves the overall experience for end users of these applications by providing greater computing speed without the need for end users to learn new skills or change their work processes.

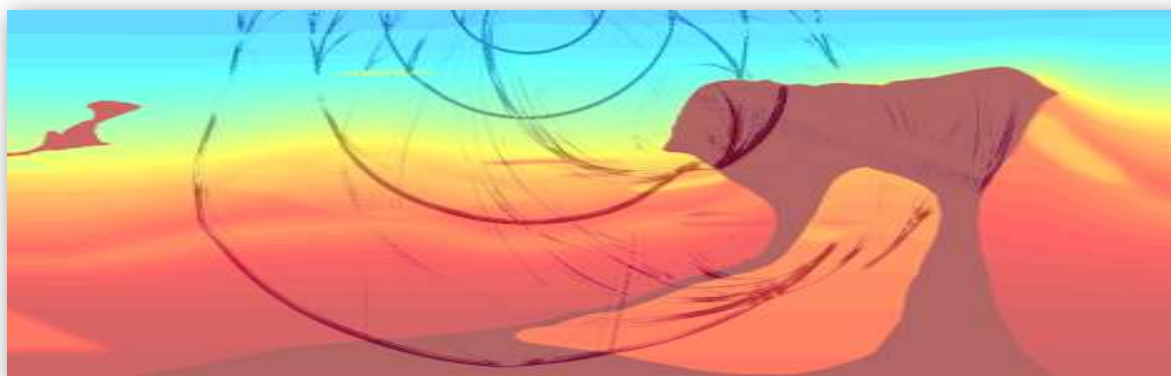
In the EM market, software developers choose to partner with Acceleware to increase the speed of their software. Such partners currently include SPEAG, ZMT Zurich MedTech and Keysight Technologies. Acceleware reaches the EM market through a combination of partner channels and direct sales. Investment in AxFDTD continues for traditional markets because it is an enabling technology for AxHEAT.

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Acceleware recognized the similarity between EM FDTD and certain seismic imaging algorithms, which led the Company to enter the seismic imaging market in 2008. The Company's first product was a GPU accelerated Kirchhoff Time Migration solution, followed closely by AxRTM™ in 2009, a central processing unit ("CPU") and GPU enabled Reverse Time Migration ("RTM") library.

In 2013, Acceleware introduced AxWave™, a forward modelling variant of AxRTM which allows customers to accurately model seismic acquisition and perform data characterization.

In late 2014, Acceleware added AxFWI™ a revolutionary modular full waveform inversion ("FWI") application to its seismic imaging suite. AxFWI allows geophysicists to create high quality subsurface velocity models in dramatically less time than before. Acceleware accesses the oil and gas geoscience software market with innovative licensing structures through a direct sales model that targets oil and gas exploration companies and seismic service providers.



Seismic forward modelling in complex subsurface geology using AxWave

In February 2004, Acceleware was founded by a group of graduate students and professors from the University of Calgary's Electrical Engineering department for the purpose of building software solutions that targeted the GPU as a compute platform. Since 2006, Acceleware has been publicly-traded on the TSX Venture Exchange (symbol: AXE) and is headquartered in Calgary, Alberta.

On March 31, 2020, Acceleware had 18 employees and long-term contractors, including: three in administration; four in sales, marketing and product management; and 11 in R&D and engineering.

For further information about the Company, please visit www.acceleware.com.

OPERATING SUMMARY

During the first quarter, Acceleware continued to advance the development of its patented and patent-pending RF XL Heating technology and deliver results across the organization. The Company made progress on numerous objectives despite the unprecedented circumstances and global economic impact related to the COVID-19 pandemic, which led to extremely challenging operating conditions for the oil and gas industry.

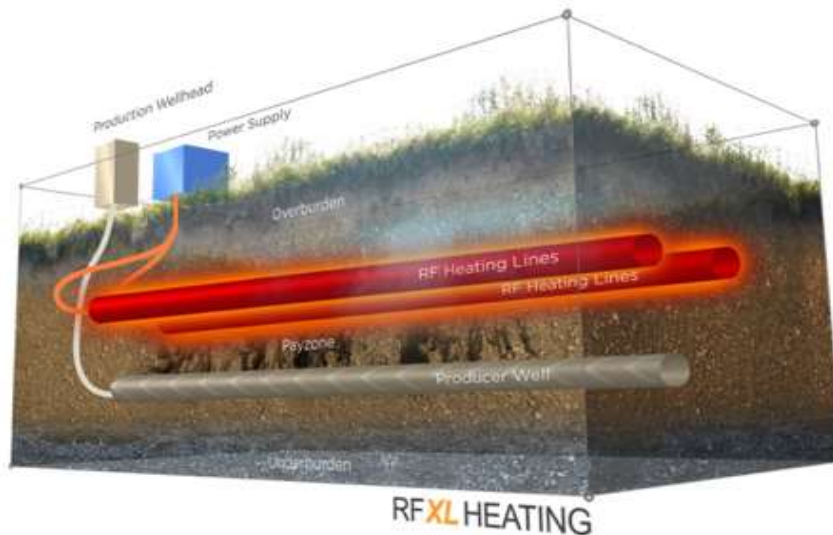
As a result of negotiations which began in Q1 2020, the Company executed agreements effective May 19, 2020 with Broadview Energy ("Broadview") to host the commercial-scale test of RF XL (the "Project") at a site in the Cold Lake Oil Sands region near the town of Marwayne, Alberta.

Broadview, a private oil and gas company with extensive heavy oil operating experience currently focused on developing thermal (SAGD) projects in West-Central Saskatchewan, will host the Project. Acceleware will farm-in to Broadview's Marwayne asset near Lloydminster in the Cold Lake Oil Sands area, which offers favourable operating conditions that support accelerated timelines, including all-weather access, existing roads and well sites, and is in close proximity to key services and trades, all of which make Marwayne highly suitable for the Project. Acceleware anticipates commencing heating as early as the second half of 2020, with full commercialization of RF XL targeted for 2023.

Also in the quarter, a new patent application was filed which adds to the 16 patent applications filed and pending as of December 31, 2019 to protect various proprietary technologies related to the RF Heating R&D. Significant progress was made in Q1 2020 on the prosecution of key RF Heating patents and the Company continues to work closely with the patent offices and its intellectual property advisors.

The commercial-scale test of RF XL was announced as drill-ready in Q4 2019 and in Q1 2020 post-design preparation began, which led to several successful outcomes, including:

- **Detailed Component Performance Evaluation:** Completion of a successful high voltage test of transmission line components, testing of subsurface components to gain further knowledge of expected performance and preparation for a high-power test of the GE designed RF converter prototype.
- **Industry Partner Peer Review:** A strong collaboration with a major oil sands operator includes QC/QA on all data and testing results, and the ability to leverage the operator's expertise in areas of drilling and completions, production, material design, electrical engineering, facility design and project management.
- **Well Design Evaluation and Testing:** Completion of a robust engineering de-risking program related to critical well design components including thermal, electrical and mechanical strength.
- **Third Party Engineering, Design and Testing:** Developed multiple working partnerships with industry leaders, who provide drilling and completions well design and execution support, including service companies and technical experts interested in working with clean technology. As a result, Acceleware is poised to benefit from years of experience within the energy industry.
- **Positive Field/Lab Experiment:** Realized successful test metrics from the field test completed in the fourth quarter of 2019 which assessed the magnitude of power levels injected, converter efficiency, load adaptability and confirmed the ability to perform under a variety of environmental operating conditions.



Schematic of Commercial-Scale test of RF XL

Acceleware also realized meaningful impact in its efforts to drive external awareness and position its RF Heating technology more prominently in the clean-tech field across several avenues. Acceleware's involvement with Clean Resource Innovation Network ("CRIN") in 2019 led to a series of articles featuring Acceleware, two of which were published in Q1 2020, by JuneWarren-Nickle's Energy Group ("JWN") focused on the Company's RF Heating technology and its impact on Canada's evolving energy landscape. This relationship with JWN also led to the nomination of Acceleware as a finalist in the JWN Energy Excellence Awards in the category of "Environmental Excellence: Land".

FINANCIAL SUMMARY

Through the first quarter of 2020, oil and natural gas prices fell precipitously due to a drop in global demand triggered by the COVID-19 pandemic. In March and April 2020, oil and natural gas prices plummeted further due to a breakdown in negotiations between OPEC and non-OPEC countries regarding production quotas. Despite OPEC+ countries cutting production output in April, volatility in market prices for oil and natural gas have continued.

Acceleware's response to the impacts of COVID-19 has been rapid and effective following government restrictions that were imposed to control the spread of the virus. The Company's priority has remained the health and safety of its staff, clients, partners and other stakeholders. Acceleware has implemented modified work practices, staggered work hours as needed, physical distancing and work-from-home protocols to meet all appropriate health and safety standards. The Company successfully transitioned its workforce to remote working and experienced minimal productivity disruption.

Ongoing oil price weakness and the significant supply/demand imbalance could adversely affect the market for the Company's products and services and its ability to secure funds for its pilot project. In response, Management has been actively seeking alternative forms of financing including government assistance programs available for growth stage organizations. Acceleware meets eligibility criteria for the Canada Emergency Wage Subsidy and has successfully applied for funding for the period extending from March 15, 2020 to May 9, 2020. Acceleware has not applied for any other COVID-19 related government programs announced as of May 26, 2020.

Revenue of approximately \$0.1 million was generated in Q1 2020 compared to approximately \$0.9 million in the three months ended March 31, 2019 ("Q1 2019"). The Company successfully closed a meaningful contract with an international customer in Q1 2020 within its HPC software segment, and a deposit amount was recorded in contract

liabilities. The associated revenue for the contract will be recognized as the work is performed. In Q1 2019, the Company recorded its second highest quarterly revenue over the past three years stemming from new sales of software licenses for seismic imaging software sold directly to oil and gas customers. Revenue of approximately \$0.2 million was generated in the three months ended December 31, 2019 ("Q4 2019"), which was slightly higher than Q1 2020 due to the expiry of software maintenance licences at the end of 2019.

Total comprehensive loss for the three months ended March 31, 2020 was approximately \$0.5 million (March 31, 2019 – approximately \$0.1 million comprehensive income) or approximately \$0.6 million less than Q1 2019 due to the above mentioned decrease in revenue and also due to increased spending focused on research and development ("R&D") initiatives that (1) have a longer-term payback and (2) are directed at increasing the Company's profile and presence in the clean technology segment of the energy industry.

Gross R&D expenses incurred in Q1 2020 were approximately \$0.8 million (March 31, 2019 – approximately \$0.6 million). Federal and provincial government assistance of approximately \$0.4 million was recognized in Q1 2020 (March 31, 2019 – approximately \$0.4 million), which offset research and development costs incurred. During the last quarter of 2018, Acceleware completed contribution agreements for the commercial-scale RF XL pilot test with Sustainable Development Technology Canada ("SDTC") and Emissions Reduction Alberta ("ERA") as well as a Calgary-based oil sands producer. The government assistance funding is recorded as an offset to R&D expenses as the spending is incurred. Due to the unforeseen circumstances in the quarter due to COVID-19, SDTC increased their funding level by 5% and an additional \$250,000 was received and recorded in accounts payable and accrued liabilities as at March 31, 2020. Subsequent to March 31, 2020, ERA announced they were reducing the holdback percentage and an additional \$42,169 was received.

General and administrative ("G&A") expenses incurred in Q1 2020 were approximately \$0.5 million (March 31, 2019 – approximately \$0.6 million) or \$0.1 million lower in the 2020 period due to lower payroll and consulting related costs. The Company continues to prioritize cost management in these uncertain economic conditions.

As at March 31, 2020, Acceleware had working capital of approximately \$0.7 million (December 31, 2019 – approximately \$1.0 million) including cash and cash equivalents of approximately \$4.7 million (December 31, 2019 – approximately \$4.4 million). The increase in cash is attributable to the receipt of government assistance milestone funding for the RF XL field test, collection of trade accounts receivable and receipt of a deposit on a customer software contract, recorded in contract liabilities.

In the interests of matching cash requirements with a combination of cash generated from operations, external funding, and capital raising activities, the Company actively manages its cash flow and investments in new products. Acceleware intends to maximize cash generated from operations through several initiatives which include continuing to focus on higher gross margin software products that are marketed through a combination of direct and reseller models; minimizing operating expenses where possible; and limiting capital expenditures. As the Company continues to develop its RF Heating technology, new R&D investments will be financed through a combination of internal cash flow from the HPC business, project funding agreements, government assistance and external financing, when available. Management believes that successful execution of its business plan will result in sufficient cash flow and new financing 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.*

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STRATEGIC UPDATE

Acceleware will continue to focus on the energy markets, with RF Heating, AxRTM, AxWave, AxFWI, and AxHEAT as the primary strategic revenue-generating and investment technologies. Innovations and improvements to AxFDTD will continue for the EM markets and be an enabling technology for AxHEAT in the energy market. Acceleware has a proven track record for successful development and commercialization of revolutionary technologies.

Historically low oil prices combined with the unprecedented impact of COVID-19 and measures taken by governments and companies to contain its spread may affect the Company's ability to raise additional funding for the final stages of the commercial scale pilot test of RF XL. A delay in the testing program may result in additional costs and a delay in technology commercialization. To mitigate this risk, the Company plans to prioritize the RF XL segment by concentrating capital allocation and resource deployment to it.

RF Heating

Acceleware began investigating technology in 2010 that would use RF energy for in-situ heating of heavy oil and bitumen. In each of the four years up to 2017, the Company received funding from NRC-IRAP to partially finance its RF Heating technology development. In 2018, the Company began preparation for a commercial-scale field test of its RF XL technology, which will use two megawatts of electricity with an 800m-1000m horizontal well.

In 2018, Acceleware was awarded a \$10 million non-repayable contribution funded 50/50 by the federal government of Canada and the provincial government of Alberta in accordance with their mandates to bring clean technologies to market that are economically viable and reduce GHG emissions. Acceleware raised a further \$2 million in funding for the test from a major Canadian oil sands producer. The Company continues to pursue partnerships with oil sands producers to provide additional financial and technical support for this commercial-scale field test in an oil sands reservoir.

In 2019, Acceleware, with partner GE, completed the design, manufacturing, and factory testing of the prototype RF generator that will be used in the test and has determined the commercial-scale test as drill ready. In late 2019, the prototype RF generator was field tested at the Company's simulated "ditch" reservoir in Alberta and produced record results. Acceleware has also finalized design concepts for drilling and completing RF XL wells and has completed front-end engineering and design of the surface facilities that will be used during the test.

Acceleware has received conditional approval from its core funders for the Project partnership with Broadview. The Company intends to apply for regulatory approval of the Project as soon as possible and is currently working with its service and component supply partners to update the budget and schedule for deployment of the test.*

HPC

In 2019, the Company focused on selling seismic imaging software to the oil and gas exploration market and continued the development of its suite of seismic products, as well as adding features, functionality and performance to AxRTM, AxWave and AxFWI. Going forward, the Company will access the oil and gas geoscience software market with innovative licensing structures through a direct sales model.

The Company continues to develop AxRTM, AxWave and AxFWI, which are GPU-accelerated and CPU-optimized seismic solutions, providing a multi-fold performance increase over alternative solutions, resulting in reduced processing times and enabling expedited drilling decisions for the oil and gas industry.

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While the Company is focusing on energy markets, it continues to develop and sell its EM FDTD solution to end users primarily through independent software vendors (“ISV”) that have integrated Acceleware’s solution into their software packages. Acceleware currently works with some of the world’s largest companies in the electronics market, which consists of mobile phone manufacturers, industrial electronics firms, and government organizations. Acceleware’s key ISV partners include SPEAG, ZMT Zurich MedTech AG, Keysight Technologies, Synopsis, Inc., and Crosslight Software Inc.

SUMMARY OF QUARTERLY RESULTS

The following table highlights revenue, cash generated (used) in operating activities, total comprehensive (loss) income and earnings (loss) per share for the eight most recently completed quarters ended March 31, 2020.

	2020	2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$83,003	\$154,715	\$197,001	\$213,475	\$888,733	\$3,533,026	\$263,978	\$350,098
Cash generated (used) in operating activities	368,055	221,293	(478,372)	339,678	1,211,576	2,807,350	(551,816)	(310,203)
Total comprehensive (loss) income for the period	(465,318)	(621,751)	(551,412)	(453,145)	67,498	2,437,958	(1,051,292)	(645,911)
Loss (earnings) per share basic and diluted	(\$0.004)	(\$0.006)	(\$0.005)	(\$0.004)	\$0.001	\$0.024	(\$0.010)	(\$0.007)

Due to the change in the software revenue model, the Company now expects fewer overall sales transactions with higher overall revenue, which could potentially lead to increased volatility in quarterly revenue. This was evident in the remaining quarters of 2019 and Q1 2020 as revenue declined relative to Q1 2019. As a result of the decrease in revenue, the Company recorded a total comprehensive loss in each of the last three quarters of 2019 and Q1 2020 following two consecutive quarters of positive total comprehensive income in Q1 2019 and Q4 2018. The collection of receivables on higher revenue generated in Q4 2018, combined with increased government funding for R&D throughout 2019, contributed to positive cash flow from operating activities in Q1 2020 and for three quarters in 2019.

RESULTS OF OPERATIONS – Q1 2020

Revenue	Three months ended March 31, 2020	Three months ended March 31, 2019	Three months ended December 31, 2019	% change Q1 2020 over Q1 2019	% change Q1 2020 over Q4 2019
Software	\$ 36,832	\$ 737,638	\$ 3,443	-95%	970%
Maintenance	46,171	144,542	151,272	-68%	-69%
Services	-	6,553	-	-100%	N/A
	\$ 83,003	\$ 888,733	\$ 154,715	-91%	-46%

During Q1 2020, the Company recognized revenue of \$83,003 driven entirely by the HPC division, a 91% decrease over Q1 2019 due to lower HPC revenue for sales of software licences under the new licensing model referenced above, and 46% lower than Q4 2019. However, a meaningful contract with an international oil and gas company was signed during Q1 2020 with a deposit recorded on the statement of financial position in contract liabilities. The associated revenue for the contract will be recognized as the work is performed.

RF Heating Revenue	Three months ended March 31, 2020	Three months ended March 31, 2019	Three months ended December 31, 2019	% change Q1 2020 over Q1 2019	% change Q1 2020 over Q4 2019
Software	\$ -	\$ -	\$ -	N/A	N/A
Maintenance	-	2,225	2,340	-100%	-100%
	\$ -	\$ 2,225	\$ 2,340	-100%	-100%

RF Heating revenue was lower in Q1 2020 at \$nil compared to \$2,225 in Q1 2019 and \$2,340 in Q4 2019, driven by lower software license revenue from the Company's AxHEAT RF heating simulation software.

HPC Revenue	Three months ended March 31, 2020	Three months ended March 31, 2019	Three months ended December 31, 2019	% change Q1 2020 over Q1 2019	% change Q1 2020 over Q4 2019
Software	\$ 36,832	\$ 737,638	\$ 3,443	-95%	970%
Maintenance	46,171	142,317	148,932	-68%	-69%
Services	-	6,553	-	-100%	N/A
	\$ 83,003	\$ 886,508	\$ 152,375	-91%	-46%

HPC revenue was \$83,003 in Q1 2020, a decrease of 91% compared to \$886,508 in Q1 2019 due to the new licensing model referenced above and was 46% lower than the prior quarter. However, a meaningful contract with an international oil and gas company was signed during Q1 2020 with a deposit recorded on the statement of financial position in contract liabilities. The associated revenue for the contract will be recognized as the work is performed.

Expenses

Expenses	Three months ended March 31, 2020	Three months ended March 31, 2019	Three months ended December 31, 2019	% change Q1 2020 over Q1 2019	% change Q1 2020 over Q4 2019
Cost of revenue	\$ -	\$ 603	\$ -	-100%	N/A
General & administrative	463,222	610,838	539,560	-24%	-14%
Research & development	329,617	150,376	201,807	119%	63%
	\$ 792,839	\$ 761,817	\$ 741,367	4%	7%

Expenses increased 4% in Q1 2020 compared to Q1 2019 and 7% compared to Q4 2019 due primarily to higher R&D expenses offset by lower G&A expenses. Higher R&D expenses in Q1 2020 were a result of higher contractor and materials costs related to post-well design activities for the commercial-scale test of RF XL technology. G&A expenses are lower in Q1 2020 due to lower payroll and payroll related costs which are a result of cost management activities.

RF Heating expenses	Three months ended March 31, 2020	Three months ended March 31, 2019	Three months ended December 31, 2019	% change Q1 2020 over Q1 2019	% change Q1 2020 over Q4 2019
Cost of revenue	\$ -	\$ -	\$ -	N/A	N/A
General & administrative	296,678	476,934	386,700	-38%	-23%
Research & development	281,976	121,260	157,518	133%	79%
	\$ 578,654	\$ 598,194	\$ 544,218	-3%	6%

RF Heating expenses declined 3% in Q1 2020 compared to Q1 2019 and increased 6% over the previous quarter. RF Heating G&A expenses in Q1 2020 declined 38% over Q1 2019 and 23% over Q4 2019 due to lower salary and employee-related expenses. RF Heating R&D expenses were 133% and 79% higher than in Q1 2019 and Q4 2019, respectively, due to higher contractor and materials costs associated with the post-well design activities for the RF XL commercial-scale test.

HPC expenses	Three months ended March 31, 2020	Three months ended March 31, 2019	Three months ended December 31, 2019	% change Q1 2020 over Q1 2019	% change Q1 2020 over Q4 2019
Cost of revenue	\$ -	\$ 603	\$ -	-100%	N/A
General & administrative	166,544	133,904	152,860	24%	9%
Research & development	47,641	29,116	44,289	64%	8%
	\$ 214,185	\$ 163,623	\$ 197,149	31%	9%

HPC expenses of \$214,185 in Q1 2020 increased 31% and 9% compared to \$163,623 in Q1 2019 and \$197,149 in Q4 2019, respectively, due to higher payroll related costs as a result of the above noted revenue contract signed in the quarter.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2020, Acceleware had working capital of \$710,187 (December 31, 2019 – \$1,022,395), \$4,748,434 (December 31, 2019 - \$4,381,194) in cash and cash equivalents, and \$111,511 (December 31, 2019 - \$155,335) in combined short-term and long-term debt in the form of leases. The increase in cash is attributable to the receipt of government assistance milestone funding for the RF XL field test, collection of trade accounts receivable and receipt of a deposit on a new customer software contract, recorded in contract liabilities.

In the interests of matching cash requirements with a combination of cash generated from operations, external funding, and capital raising activities, the Company actively manages its cash flow and investments in new products. Acceleware intends to maximize cash generated from operations through several initiatives which include continuing to focus on higher gross margin software products that are marketed through a combination of direct and reseller models; minimizing operating expenses where possible; and limiting capital expenditures. As the Company continues to develop its RF Heating technology, new R&D investments will be financed through a combination of internal cash flow from the HPC business, project funding agreements, government assistance and external financing, when available. Management believes that successful execution of its business plan will result in sufficient cash flow and new financing to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available. Further, if the Company's operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next

twelve months. Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to: deferring certain additional product development initiatives; reducing sales, marketing and G&A expenses; and seeking outside financing. The failure of the Company to achieve one or all the above items may have a material adverse impact on the Company's financial position, results of financial performance and cash flows.*

Cash flow provided by operations totaled \$368,055 for the three months ended March 31, 2020 compared to \$1,211,577 for the three months ended March 31, 2019. Cash used in operations before changes in non-cash working capital was \$345,797 for the three months ended March 31, 2020 compared to cash provided by operations before changes in non-cash working capital of \$267,496 in Q1 2019, due to higher revenue recognized in Q1 2019 as noted above.

Trade and Other Receivables

Trade and other receivables as at March 31, 2020 decreased to \$1,251,999, compared to \$1,612,892 as at December 31, 2019. The Company maintains close contact with its customers to mitigate risk in the collection of receivables and a large portion of the receivables is due from provincial and federal government bodies related to a contract for government assistance, and therefore is deemed lower-risk.

Alberta SR&ED Tax Credits

The Company has recorded \$173,097 as at March 31, 2020 (December 31, 2019 - \$173,097) in SR&ED tax credit receivables. As of December 5, 2019, Bill 20 of the Fiscal Measures and Taxation Act, 2019 eliminated the Alberta SR&ED tax credit effective January 1, 2020 therefore, no additional receivables were recorded subsequent to December 31, 2019.

Current Liabilities

As at March 31, 2020, the Company had current liabilities of \$5,627,090 compared to current liabilities of \$5,328,404 as at December 31, 2019. The increase in current liabilities is due to higher deferred government assistance for R&D and an increase in customer deposits recorded in contract liabilities.

Investing Activities

For the three months ended March 31, 2020, \$nil was invested in property and equipment compared to \$2,846 for the three months ended March 31, 2019. The equipment purchased in 2019 is related to the RF XL commercial-scale pilot project.

Financing Activities

During the three months ended March 31, 2020, 895,000 stock options (March 31, 2019 – 1,224,000 stock options) were exercised for cash proceeds of \$44,750 (December 31, 2018 - \$61,200).

Income Tax

The Company follows the liability method with respect to accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the carrying amount and the tax basis of assets and liabilities (temporary differences). Deferred tax assets and liabilities are measured using the substantively enacted tax rates

* this paragraph contains forward looking information. Please refer to "Forward Looking Statements" and "Risk Factors and Uncertainties" for a discussion of the risks and uncertainties related to such information

that will be in effect when these differences are expected to reverse. Deferred tax assets, if any, are recognized only to the extent that, in the opinion of Management, it is probable that the assets will be realized.

Except for the refundable Alberta SR&ED tax credits, as at March 31, 2020, the potential tax benefits of Acceleware's available tax pools have not been recognized in the Company's account due to uncertainty surrounding the realization of such benefits.

RISKS FACTORS AND UNCERTAINTIES

Management defines risk as the probability of a future event that could negatively affect the financial condition and/or results of operations of the Company. Except as noted, there have been no material changes in any risks or uncertainties facing the Company since December 31, 2019. A discussion of risks affecting the Company and its business is set forth under the heading Risk Factors and Uncertainties in Management's Discussion and Analysis for the period ended December 31, 2019.

Recent Economic Developments

In December 2019, a novel strain of coronavirus surfaced in China. By March 11, 2020, the Coronavirus disease (COVID-19) had spread to over 100 countries. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a Public Health Emergency of International Concern and, on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These measures have caused and will continue to cause significant disruption to business operations and a significant increase in economic uncertainty, with reduced demand for commodities leading to volatile prices and currency exchange rates, and a decline in long-term interest rates. The speed and extent of the spread of COVID-19, the duration and intensity of the resulting business disruption, and the magnitude of the financial and social impacts are uncertain and difficult to predict. Further, in April 2020, an agreement was made between OPEC, Russia and other oil-producing countries around the world that would see global crude oil production curbed and oversupply brought closer into balance. However, without significant production shut-ins to offset the sharp decrease in demand, there continues to be concern over physical storage capacity globally and the price of crude oil has remained depressed, even trading below zero at times. The resulting oversupply, in combination with reduced demand from the effects of the COVID-19 pandemic, have caused a precipitous decline in oil and natural gas prices.

Low oil and natural gas prices combined with COVID-19 and the measures taken by governments and companies to reduce its spread may have an adverse impact on many aspects of the Company's business. Increased capital market and interest rate volatility may negatively affect the Company's ability to access external financing. The overall market for the Company's products and services may undergo stagnant or negative growth due to reduced capital expenditures by the Company's current and potential customers. Supply-chain shortages or disruptions, the full or partial closure of transportation infrastructure, temporary suspension of some or all business operations, and labour disruptions (including those affecting key employees and directors of the Company) arising from illness, reductions in working hours, layoffs or restrictions on movement may also adversely affect the Company's growth and operating results. Whether and to what extent the recent market volatility and COVID-19 outbreak will impact the Company's business and operations will depend on future developments which, at this time, remain uncertain and difficult to predict.

TRANSACTIONS WITH RELATED PARTIES

For the three months ended March 31, 2020, the Company incurred expenses in the amount of \$43,750 (three months ended March 31, 2019 - \$43,167) with a company controlled by an officer of the Company as fees for duties performed in managing operations, and this amount is included in research and development expense. As at March 31, 2020, \$50,313 was included in accounts payable and accrued liabilities (March 31, 2019 - \$41,332). These fees were incurred in the normal course of operations and in the opinion of management represent fair value for services rendered.

For the three months ended March 31, 2020, the Company incurred expenses in the amount of \$11,370 (three months ended March 31, 2019 - \$14,059) with a company controlled by a director of the Company for legal fees, and this amount is included in general and administrative expense. As at March 31, 2020, \$11,946 was included in accounts payable and accrued liabilities (March 31, 2019 - \$12,272). These fees were incurred in the normal course of operations and in the opinion of management represent fair value for services rendered.

For the three months ended March 31, 2020, the Company incurred expenses in the amount of \$16,300 (three months ended March 31, 2019 - \$16,450) with a company controlled by the spouse of an officer of the Company for communications services, and this amount is included in general and administrative expense. As at March 31, 2020, \$5,670 was included in accounts payable and accrued liabilities (March 31, 2019 - \$17,273). These fees were incurred in the normal course of operations and in the opinion of management represent fair value for services rendered.

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

	Three months ended March 31, 2020		Three months ended March 31, 2019	
Salaries and short-term employee benefits	\$	212,621	\$	332,155
Share-based payments		47,959		92,503
	\$	260,580	\$	424,658

CRITICAL ACCOUNTING ESTIMATES

General

The Management's Discussion and Analysis for the year ended December 31, 2019 outlined critical accounting policies including key estimates and assumptions that Management has made under these policies and how they affect the amounts reported in the financial statements. During the quarter, there have been no material changes in Management's key estimates and assumptions and the significant accounting policies used in the preparation of the condensed interim financial statements are unchanged from those disclosed in the Company's financial statements for the year ended December 31, 2019.

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, Acceleware had the following common shares, options and warrants outstanding:

Common Shares	105,506,670
Stock Options	10,225,868

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company's research and development expenses and general and administrative expenses is provided in the unaudited financial statements for March 31, 2020 that are available on www.sedar.com and as noted below.

Research and Development	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Salaries	197,558	181,830
Consulting	431,530	282,997
R&D lab supplies	67,938	43,679
Share-based payments	20,529	43,828
Rent and overhead allocations	10,470	10,470
Amortization	25,449	21,486
Government assistance	(423,857)	(384,015)
Alberta SR&ED Tax Credits	-	(49,899)
Total	\$ 329,617	\$ 150,376

Sales, General and Administration	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Salaries	235,099	300,788
Marketing	24,012	42,540
Travel	916	552
Share-based payments	46,353	109,330
Rent, supplies and public company fees	83,181	73,477
Amortization	25,449	21,486
Professional fees	48,212	62,665
Bad debt expense	-	-
Total	\$ 463,222	\$ 610,838