



Acceleware Ltd. Reports Second Quarter 2022 Financial and Operating Results

CALGARY, ALBERTA – August 19, 2022 – Acceleware® Ltd. (“Acceleware” or the “Company”) (TSX-V: AXE), a leading developer of technologies targeting low-cost and clean extraction of heavy oil and bitumen, today announced its financial and operating results for the three and six months ended June 30, 2022 (all figures are in Canadian dollars unless otherwise noted). Acceleware’s quarter end results reflect contributions from the Company’s two business units, comprised of radio frequency heating technology (“RF Heating”), which supports a cost-effective and environmentally friendly alternative to steam assisted gravity drainage (“SAGD”) for the extraction of heavy oil and bitumen through its proprietary RF XL heating technology, along with high-performance scientific computing applications (“HPC”). This news release should be read in conjunction with the Company’s unaudited interim condensed financial statements and the accompanying notes for the three and six months ended June 30, 2022, and management’s discussion and analysis (“MD&A”) thereto, together with the audited financial statements for the year ended December 31, 2021, notes and MD&A thereto, all of which are available on Acceleware’s website at www.acceleware.com or on SEDAR at www.sedar.com.

HIGHLIGHTS

The Company continues to make progress on the RF XL Pilot and based on initial observations, remains confident that RF XL will become viable as a critical technology in the effort to decarbonize heavy oil and oil sands production. As noted in the most recent commercial pilot update on July 27, 2022, heating was paused to allow for repair of a non-core component of the system and inspect certain downhole components of the RF XL system, to gain valuable data regarding the initial performance of the RF power transmission system. Upon completion of these steps, heating operations and further testing will resume.

Financial highlights for the three and six months ended June 30, 2022:

<i>\$ in millions</i>	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue	119,548	97,408	201,955	368,514
Comprehensive loss	891,033	721,632	2,795,909	1,221,407
Gross R&D expenditures	1,239,217	1,810,024	3,862,187	3,429,032
RF XL Pilot deferred revenue	800,000	-	1,200,000	1,000,000

- The Company had cash on hand of \$0.4 million, up to \$1.6 million of amounts committed but not yet received or receivable from three major oil-sands producers and negative working capital, excluding cash, of \$1.0 million. The Company actively manages its cash flow requirements with a combination of cash generated from operations, external funding, and capital raising activities.

In addition, recent strategic and operational highlights during the three months ended June 30, 2022:

- As of April 5, 2022, the Company closed two non-brokered private placements of 10% unsecured convertible debentures due 2026 for total gross proceeds of \$2,215,000.
- Two additional patents are now under development.
- RF XL and the CTI have been operational for four consecutive months, which is a breakthrough in radio frequency heating that has never been done before by any operator in a subsurface reservoir.
- The Company has successfully injected power into the transmission lines for over 60 days, a significant milestone.
- There has been sustained heating of the formation around the RF XL wellbore.
- In early April 2022, there was first oil production from the RF XL Pilot with oil shipments delivered through May and June 2022. During the RF XL Pilot, oil proceeds are recorded as an offset to R&D expenses.

There are 13 patents granted or allowed to protect various proprietary technologies related to Acceleware's RF XL, and 31 patent applications pending or under development. The Company uses an integrated strategy to IP protection involving a combination of patenting and trade secrets, working closely with the patent offices and intellectual property advisors.

FINANCIAL SUMMARY

Gross R&D spending in Q2 2022 declined significantly compared to the last two quarters as operations began in early April 2022 and continued throughout the quarter. Surface facility installation was completed in Q1 2022, and the drilling program was completed in Q4 2021, both of which incurred a significant portion of the RF XL Pilot costs. Cumulative RF XL Pilot expenses as at June 30, 2022 were approximately \$24.1 million (December 31, 2021 - \$20.4 million). The remaining cash committed but not yet received from SDTC, ERA and Alberta Innovates, including holdbacks receivable was \$1.75 million as at June 30, 2022 (December 31, 2021 – \$2.9 million) and amounts committed but not yet received or receivable from three major oil-sands producers were \$1.6 million as at June 30, 2022 (December 31, 2021 – \$2.8 million).

QUARTER IN REVIEW

Revenue in Q2 2022 was primarily generated from software sales with lower maintenance revenue due to declining demand for FDTD and seismic software in Q2 2022. Acceleware also received non-refundable milestone cash payments of \$0.8 million in Q2 2022 compared to \$nil in Q2 2021 and \$0.4 million in Q1 2022, all of which were recorded in deferred revenue. Data revenue equal to the amount recorded in deferred revenue will be recognized as revenue at the end of the RF XL Pilot or when the data contracts are terminated, whichever is earlier. Total deferred revenue recorded on the statement of financial position as at June 30, 2022 is \$4.15 million (December 31, 2021 – \$3.05 million).

The increasing comprehensive loss in Q2 2022 and Q1 2022 compared to Q2 2021 is due to a lower ratio of government assistance recognized as the RF XL Pilot nears completion.

The lower level of spending in Q2 2022 over Q2 2021 and Q1 2022 is a result of the RF XL Pilot moving into operations and out of drilling, completion and construction. Additionally, a lower level of federal and provincial government assistance of \$0.2 million was recognized in Q2 2022 compared to \$1.4 million recognized in Q2 2021 and \$1.1 million recognized in Q1 2022, offsetting gross research and development costs.

General and administrative (“G&A”) expenses incurred in Q2 2022 were \$0.5 million compared to \$0.4 million in Q2 2021 and \$0.5 million in Q1 2022. Legal and professional fees incurred in connection with the convertible debenture and were recorded in both Q2 2022 and Q1 2022. Additionally, non-cash payroll related costs were higher in Q2 2022 and Q1 2022 compared to Q1 2022 due to the timing of option grants. The Company continues to prioritize cost control given uncertain economic conditions.

YEAR IN REVIEW

The lower revenue in the six months ended June 30, 2022 compared to the six months ended June 30, 2021 is due to lower demand for software and maintenance software in HPC segment. In addition to recognized revenue, Acceleware has also received non-refundable milestone cash payments of \$1.2 million for the six months ended June 30, 2022 compared to \$1.0 million for the six months ended June 30, 2021 which are recorded in deferred revenue.

Total comprehensive loss for the six months ended June 30, 2022 was higher than the comparative period due to higher R&D spending for the RF XL Pilot and lower government assistance recognized as the RF XL Pilot nears completion.

Gross R&D expenses were higher due to increased R&D activity. Well drilling and completion work began in August 2021 with construction completed in Q1 2022. Federal and provincial government assistance of \$1.3 million was recognized in the six months ended June 30, 2022 compared to \$2.7 million for the six months ended June 30, 2021 as the RF XL Pilot nears completion.

G&A expenses incurred during the six months ended June 30, 2022 were \$1.0 million compared to \$0.8 million for the six months ended June 30, 2021 an increase of \$0.2 million due primarily to legal and professional fees for the convertible debenture and higher non-cash payroll related costs for option grants. The Company continues to prioritize cost management.

As at June 30, 2022, Acceleware had negative working capital of \$0.6 million (December 31, 2021 – negative working capital of \$0.9 million) including cash and cash equivalents of \$0.4 million (December 31, 2021 – \$1.9 million). The increase in working capital is attributable to the timing of receipt and recognition of government and partner funding and receipt of proceeds from the convertible debentures. Increasing the deficit is deferred revenue of \$4,150,000 as at June 30, 2022 (December 31, 2021 – \$3,050,000). Despite receiving non-refundable cash payments for these amounts, the milestone



payments have not met all requirements for revenue recognition under IFRS 15 Revenue from Contracts with Customers. These amounts will be recognized as revenue and increase shareholders' equity when RF XL Pilot heating is complete or the data revenue contracts are terminated, whichever is earlier.

In the interest 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.

ABOUT ACCELEWARE:

Acceleware (www.acceleware.com) is an innovator of clean-tech oil and gas technologies comprised of two business units: Radio Frequency (RF) Enhanced Oil Recovery and Seismic Imaging Software.

Acceleware is developing RF XL, its patented, low-cost, low-carbon production technology for heavy oil and oil sands that is materially different from any heavy oil recovery technique used today. Acceleware's vision is that electrification of heavy oil and oil sands production can be made possible through RF XL, supporting a transition to much cleaner energy production that can quickly bend the emissions curve downward. Further, Acceleware's RF XL technology could be a key component of an end-to-end integrated carbon management system that can eliminate greenhouse gas (GHG) emissions associated with heavy oil and oil sands production, whether for fossil fuels, or for future clean bitumen by-products such as petrochemicals, carbon fibre, and blue or green hydrogen production. RF XL uses no water, requires no solvent, has a small physical footprint, can be redeployed from site to site, and can be applied to a multitude of reservoir types. In shallow oil sands implementations, no tailings ponds will be required.

Acceleware has partnered with Saa Dene Group (co-founded by Jim Boucher) to create Acceleware | Kisâstwêw to raise the profile, adoption, and value of Acceleware technologies. The shared vision of the partnership is to improve the environmental and economic performance of the energy sector by supporting ideals that are important to Indigenous peoples, including respect for land, water, and clean air.

The Company's seismic imaging software solutions are state-of-the-art for high fidelity imaging, providing the most accurate and advanced imaging available for oil exploration in complex geologies. Acceleware is a public company listed on Canada's TSX Venture Exchange under the trading symbol "AXE".

NOTE REGARDING FORWARD-LOOKING INFORMATION AND OTHER ADVISORIES

This news release contains "forward-looking information" within the meaning of Canadian securities legislation. Forward-looking information generally means information about an issuer's business, capital, or operations that are prospective in nature, and includes disclosure about the issuer's prospective financial performance or

financial position.

The forward-looking information in this press release can be identified by terms such as “believes”, “estimates”, “plans”, “potential”, and “will”, and includes information about the expected cost of the RF XL Pilot, the amount of, and realized price for the oil produced at the RF XL Pilot, the timing of the execution of the RF XL Pilot, and the anticipated economic and societal benefits of the RF XL technology. Acceleware assumes that current cost estimates are accurate, simulations of oil production at the RF XL Pilot are accurate, the price realized for oil produced at the pilot remain at or near current levels, current timelines will not be delayed by either internal or external causes, that research and development effort including the commercial-scale test plans will result in commercial-ready products, and that future capital raising efforts will be successful.

Actual results may vary from the forward-looking information in this press release due to certain material risk factors. These risk factors are described in detail in Acceleware’s continuous disclosure documents, which are filed on SEDAR at www.sedar.com.

Acceleware assumes no obligation to update or revise the forward-looking information in this press release, unless it is required to do so under Canadian securities legislation.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities described in this release in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws and may not be offered or sold within the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

DISCLAIMER

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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