



## Acceleware Ltd. Reports Third Quarter 2022 Financial and Operating Results

CALGARY, ALBERTA – November 23, 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 nine months ended September 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”), 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 nine months ended September 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](http://www.acceleware.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

### HIGHLIGHTS

The Company continues to make progress on the RF XL commercial-scale pilot being conducted near Marwayne, Alberta (“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 RF XL Pilot update released on October 20, 2022, the heating well workover program is underway. Planning and execution of the workover program is in response to damage incurred to the fibre optic distributed temperature sensing (DTS) system in the heating well during a maintenance operation at the RF XL Pilot, in late July 2022. Though not a core component of the RF XL technology itself, the DTS is important to data gathering and power regulation to ensure the system operates within specified parameters. In conjunction with the repair of the DTS, the Company will take the opportunity to remove and inspect certain downhole components of the RF XL system, to gain valuable information regarding the initial performance of the RF power transmission system. The Company’s workover plans included input and review from industry partners, sourcing replacement parts and securing service vendors. Upon completion of the workover, heating operations and further testing are expected to resume.

Financial highlights for the three and nine months ended September 30, 2022:

\$	Three Months Ended		Nine Months Ended	
	Sept 30, 2022	Sept 30, 2021	Sept 30, 2022	Sept 30, 2021
Revenue	<b>53,282</b>	297,226	<b>255,237</b>	665,740
Comprehensive loss	<b>1,000,346</b>	1,103,068	<b>3,796,255</b>	2,324,475
Gross R&D expenditures	<b>592,442</b>	3,992,639	<b>4,454,625</b>	7,421,670
RF XL Pilot deferred revenue	-	1,000,000	<b>1,200,000</b>	2,000,000



The Company had cash on hand of \$0.2 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 \$1.9 million. The Company actively manages its cash flow requirements with a combination of cash generated from operations, external funding, and capital raising activities. On November 10, 2022, the Company closed a private placement of units for total gross proceeds of \$1,800,000. The proceeds will be used to fund a portion of the workover for the commercial-scale pilot test of the RF XL technology and for general corporate purposes.

In addition, recent highlights during the three months ended September 30, 2022 included:

- Before a pause for the workover described above, the CTI had been operational for seven consecutive months, something that has never been achieved before.
- The Company successfully injected power into the transmission lines for over 200 days prior to the workover, a significant milestone. Sustained heating of the formation was observed around the RF XL well prior to a pause in operations for a workover.
- Oil production from the RF XL Pilot well commenced in April 2022 and continued during Q3 2022, with shipments and proceeds recorded as an offset to R&D expenses.

There are 13 patents granted or allowed to protect various proprietary technologies related to Acceleware's intellectual property, 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 Q3 2022 was significantly lower than the same quarter in the prior year as operations for the RF XL Pilot began in early March 2022 and continued through the quarter. Operation of the RF XL Pilot has a much lower cost than installation and construction which occurred for most of Q3 2021 until end of Q1 2022. Operational spending in Q3 2022 compared to Q2 2022 was also lower as there were additional costs incurred in Q2 2022 to ramp up the power. Cumulative RF XL Pilot expenses as at September 30, 2022 were approximately \$24.8 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 \$1.5 million as at September 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 September 30, 2022 (December 31, 2021 – \$2.8 million).

## **QUARTER IN REVIEW**

Revenue in Q3 2022 was primarily generated from maintenance revenue with software revenue lower due to less demand for FDTD and seismic software. Acceleware received non-refundable milestone cash payments for the RF XL Pilot of \$nil in Q3 2022 compared to \$1,000,000 in Q3 2021 and \$0.8 million in Q2 2022, all of which were recorded in deferred revenue.

Comprehensive loss in Q3 2022 and Q2 2022 was positively impacted by the unrealized gain on derivative instruments within the convertible debenture. These changes in value are driven primarily by the fluctuation in



the Company's share price. Additionally, R&D expenses and government assistance were lower in Q3 2022 and Q2 2022 compared to Q3 2021 due to less expenditures required for heating operations of the RF XL Pilot.

Research and development ("R&D") expenses were lower in Q3 2022 compared to Q3 2021 and Q2 2022 because of lower costs for operating the RF XL Pilot compared to the costs incurred for drilling, completion, and construction. The RF XL Pilot began operations in April 2022 and incurred additional costs in Q2 2022 for initialization but then experienced lower and more consistent costs in Q3 2022. Government assistance typically reduces R&D expenses; however, all government assistance had been fully recognized at the end of Q2 2022. There was \$3.0 million government assistance recognized in Q3 2021 and \$0.2 million recognized in Q2 2022, offsetting gross R&D costs.

General and administrative ("G&A") expenses incurred in Q3 2022 were \$0.5 million compared to \$0.4 million in Q3 2021 and \$0.5 million in Q2 2022. Additional legal and professional fees were incurred in Q2 2022 in connection with the convertible debenture and non-cash payroll related costs were higher in Q3 2022 and Q2 2022 compared to Q3 2021 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 nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 is due to lower demand for software and maintenance in the HPC segment. In addition to recognized revenue, Acceleware has also received non-refundable milestone cash payments for the RF XL Pilot of \$1.2 million for the nine months ended September 30, 2022 compared to \$2.0 million for the nine months ended September 30, 2021 which are recorded in deferred revenue.

Total comprehensive loss for the nine months ended September 30, 2022 was \$3.8 million compared to \$2.3 million for the nine months ended September 30, 2021 primarily due to less government assistance recognized in 2022 for heating operations of the RF XL Pilot.

Gross R&D spending was lower in 2022 because of lower costs for operating the RF XL Pilot compared to the costs incurred for drilling, completion, and construction. Well drilling and completion work began in August 2021 and was completed in Q1 2022. Federal and provincial government assistance of \$1.3 million recognized in the nine months ended September 30, 2022 was lower compared to \$5.8 million for the nine months ended September 30, 2021 due to the RF XL Pilot entering operations.

G&A expenses incurred during the nine months ended September 30, 2022 were \$1.5 million compared to \$1.2 million for the nine months ended September 30, 2021 an increase of \$0.3 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.

The decrease in working capital is attributable to the timing of receipt and recognition of government and partner funding and timing of payment of accounts payable. On November 10, 2022, the Company closed a private placement of units ("Units"). Each Unit consists of one common share and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one common share at an exercise price of



\$0.36, for a period ending on November 10, 2024. In the event the common shares trade at a closing price at or greater than \$0.81 per common share for a period of thirty consecutive trading days, Acceleware may accelerate the expiry date by giving notice and in such case the Warrants will expire on the 30<sup>th</sup> day after the date on which such notice is given by the Company. Pursuant to the private placement, the Company distributed a total of 6,666,667 Units at a price of \$0.27 per Unit, for total gross proceeds of \$1,800,000. The proceeds will be used to fund a portion of the workover for the commercial-scale pilot test of the RF XL technology and for general corporate purposes.

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#### **ABOUT ACCELEWARE:**

Acceleware ([www.acceleware.com](http://www.acceleware.com)) is an innovator of clean-tech decarbonization technologies comprised of two business units: Radio Frequency (RF) Heating Technology and Seismic Imaging Software.

Acceleware is piloting 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. With clean electricity, Acceleware's RF XL technology could eliminate greenhouse gas (GHG) emissions associated with heavy oil and oil sands 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.

Acceleware and Saa Dene Group (co-founded by Jim Boucher) have created 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 commercialization of RF XL, 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*



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[www.sedar.com](http://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.*

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