



Acceleware Ltd. Reports First Quarter 2023 Financial and Operating Results

CALGARY, ALBERTA – May 24, 2023 – Acceleware® Ltd. (“Acceleware” or the “Company”) (TSX-V: AXE), a leading innovator of transformative technologies targeting the decarbonization of industrial heating, today announced its financial and operating results for the three months ended March 31, 2023 (all figures are in Canadian dollars unless otherwise noted) (“Q1 2023”). Acceleware’s quarter end results reflect contributions from the Company’s two business units, radio frequency (“RF”) heating for industrial applications using the Company’s proprietary Clean Tech Inverter (“CTI”) including enhanced oil recovery (“RF XL”), and high-performance computing (“HPC”) scientific software. This news release should be read in conjunction with the Company’s unaudited interim condensed financial statements and the accompanying notes for the three months ended March 31, 2023 and management’s discussion and analysis (“MDA”) thereto, together with the audited financial statements for the year ended December 31, 2022, 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

In Q1 2023, the Company continued to make progress on the workover for the pilot test of RF heating technology at Marwayne, Alberta (the “RF XL Pilot”), and based on observations to date, remains confident that RF XL will become viable as a critical technology in the effort to decarbonize heavy oil and oil sands production. Initial data analysis, backed up with subsequent “history-matching” simulations and further analyses provide strong evidence that the operation of the RF XL Pilot in 2022 resulted in sustained RF heating of the formation around the heating well prior to a pause in operations for a maintenance workover. The final timing and cost of the workover remains dependent on availability of service rigs, supply chain availability, and the successful deployment of upgraded components. Please refer to the *RF XL Pilot Update* section below for more information, and to the MDA for a complete RF XL Pilot update.

Financial highlights for the three months ended March 31, 2023:

	Three Months Ended	
	Mar 31, 2023	Mar 31, 2022
Revenue	\$ 103,547	\$ 82,407
Comprehensive loss	225,617	1,904,876
Gross R&D expenditures	752,368	2,622,967
Deferred revenue increase	-	400,000

The Company had cash on hand of \$1.0 million (December 31, 2022 - \$1.1 million), up to \$1.4 million (December 31, 2022 - \$1.4 million) of amounts committed but not yet received or receivable from three major oil-sands producers, and negative working capital, excluding cash, of \$2.0 million (December 31, 2022 - \$1.8 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 highlights during the three months ended March 31, 2023, included:

- Upon inspection of the subsurface components of the RF XL system during the workover, the Acceleware operations team identified additional opportunities to upgrade certain components. Replacement

components were received, quality control tested to electrical and mechanical specifications and are now ready for installation.

- Oil production resumed in late Q1 2023, however production will be shut-in when workover operations are active at site.
- Acceleware continued to invest in developing and protecting new intellectual property with the total number of patents issued, allowed, applied for or in development growing from 44 at the end of 2022 to a total of 50 now.
- On February 22, 2023, Acceleware and Aurora Hydrogen announced the award of \$2 million from Alberta Innovates to Aurora Hydrogen for a collaborative project. The \$5.5 million joint development will work to develop a new method of methane pyrolysis, utilizing RF energy from Acceleware's CTI to heat Aurora's unique reactor. Negotiations with Aurora regarding project execution are underway.

RF XL PROJECT UPDATE

In December 2022, the severed DTS was successfully "fished" and in-well inspection was performed. Upon inspection of the extracted subsurface components of the RF XL transmission line, management implemented an upgrade and modification program intended to improve the performance of the RF XL heating system at high RF power and high temperature. Replacement components have been received, quality control tested to electrical and mechanical specifications and are ready for installation.

During in-well inspection of the non-removable RF XL transmission line components, the operations team identified subsurface components that required repairs. After analysis by the operations team, service provider partners, and operating partners, management decided to move forward with a solution that is expected to be completed in Q2 2023. While downhole operations carry a degree of risk, Acceleware has worked to mitigate that risk by developing a repair plan using standard downhole repair technologies and selecting proven service providers to ensure the best opportunity for success. Upon successful completion of these final workover steps, RF XL components and DTS will be reassembled, and heating operations will resume. Acceleware will implement the workover steps in a staged process whereby the initial stage would result in approximately 50 percent of maximum power being available, performance assessed, and the second stage will then be implemented to achieve full power.

Upgrades to the RF XL heating system successfully completed as part of the workover included:

- RF energy transmission system design improvements – leading to better electrical performance and higher tolerance for adverse downhole conditions; and
- CTI operation and control software enhancements – improving the resilience and performance of the CTI.

Learnings from pilot operations and the workover are expected to result in additional intellectual property that will further refine the RF XL system including version 2.0 designs for the CTI and the downhole system that will improve future deployability, performance, and economics.

Including updated estimates for the workover, Acceleware anticipates an increase of \$1 million to the net cost of the RF XL Pilot from \$26 million to \$27 million. Net cost includes estimated gross costs of \$27 million to \$28 million offset by an estimated \$1.0 million to \$2.0 million in proceeds from the sale of produced oil. Estimated proceeds

from the sale of produced oil have been determined for the economic life of the RF XL Pilot well. There is uncertainty in estimating proceeds from the sale of produced oil due to fluctuating oil prices and simulated production volumes. Operating and maintenance cost estimates remain subject to fluctuating commodity prices, in particular electricity, supply chain disruption costs and any additional unforeseen mechanical or electrical engineering costs that could still potentially be encountered in a complex, commercial scale pilot program of this nature. While the RF XL Pilot heating phase was planned for at least six months, this period will be extended in light of the workover to allow Acceleware to capture additional information on the operation of the technology and its efficiency.

FINANCIAL SUMMARY

Overall spending in Q1 2023 remained conservative as the Company continued to determine thoughtful and cost-conscious next steps in the workover for the RF XL Pilot. Construction work on the RF XL Pilot was completed in early March 2022, followed by commencement of operations which continued throughout most of 2022. A workover program began in late 2022 and continues to date. RF XL Pilot expenses as at March 31, 2023 were approximately \$26.7 million (December 31, 2022 - \$25.9 million). The remaining cash committed but not yet received from SDTC and ERA, including holdbacks receivable was \$0.5 million as at March 31, 2023 (December 31, 2022 – \$1.0 million receivable from SDTC, ERA and Alberta Innovates) and amounts committed but not yet received or receivable from three major oil-sands producers were \$1.4 million as at March 31, 2023 (December 31, 2022 – \$1.4 million).

QUARTER IN REVIEW

Revenue of \$0.1 million was generated in the three months ended March 31, 2023 compared to \$0.1 million in the three months ended March 31, 2022 (“Q1 2022”) and \$0.1 million in the previous quarter ended December 31, 2022 (“Q4 2022”). Revenue in Q1 2023 included consulting services revenue as well as software and maintenance revenue. Revenue continues to be lower for the HPC segment due to less demand for FDTD and seismic software. Acceleware did not receive any data revenue payments during Q1 2023 for the RF XL Pilot compared to \$0.4 million in Q1 2022 and \$0.2 million in Q4 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 comprehensive loss for Q1 2023 was \$0.3 million compared to a comprehensive loss of \$1.9 million for Q1 2022 and a comprehensive loss of \$1.3 million for Q4 2022. Comprehensive loss in Q1 2023 and Q4 2022 was impacted by changes in value of the derivative financial instruments embedded within the convertible debenture. These fluctuations are driven primarily by the fluctuation in the Company’s share price. Additionally, R&D expenses were lower in Q1 2023 and Q4 2022 compared to Q1 2022 due a lower level of operating activity on the RF XL Pilot during the workover.

Gross R&D expenses incurred in Q1 2023 were \$0.8 million compared to gross R&D expenses in Q1 2022 of \$2.6 million and \$1.2 million in Q4 2022. R&D spending was lower in Q1 2023 compared to Q1 2022 as the Company was completing the final construction stage of the RF XL Pilot in Q1 2022. R&D expenses were lower in Q1 2023 as compared to Q4 2022 due to a lower level of activity on the workover. Additionally, there were fluctuations in recognized government assistance. The Government of Alberta’s Innovation Employment Grant to support



research and development was effective January 1, 2021 and provides a grant of up to 20% of eligible R&D expenses incurred in Alberta. This new grant effectively replaces Alberta's 10% scientific research and experimental development refundable tax credit that was eliminated as of December 31, 2019. The Company met the eligibility criteria, claimed eligible R&D expenditures for 2021 and received and recognized \$0.4 million in Q1 2023. In Q4 2022 there was \$0.9 million government assistance received and recognized related to the workover and \$1.1 million government assistance recognized in Q1 2022 related to the RF XL Pilot. Government assistance offsets gross R&D costs.

General and administrative ("G&A") expenses incurred in Q1 2023 were \$0.3 million compared to \$0.5 million in Q1 2022 and \$0.6 million in Q4 2022. There were additional legal and professional fees incurred in connection with the private placements in Q1 2022 and Q4 2022. Additionally, non-cash payroll related costs were lower in Q1 2023 compared to Q1 2022 due to the timing of option grants. The Company continues to prioritize cost control given uncertain economic conditions.

ABOUT ACCELEWARE:

Acceleware (www.acceleware.com) is an innovator of clean-tech decarbonization technologies comprised of two business units: Radio Frequency 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 is also actively developing partnerships for RF heating of other industrial applications using the Company's proprietary CTI.

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 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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