



Acceleware Ltd. Reports Second Quarter 2023 Financial and Operating Results

CALGARY, ALBERTA – August 18, 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 six months ended June 30, 2023 (all figures are in Canadian dollars unless otherwise noted) (“Q2 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 six months ended June 30, 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.sedarplus.ca.

HIGHLIGHTS

In Q2 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 six months ended June 30, 2023:

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue	\$ 69,407	\$ 119,548	\$ 172,954	\$ 201,955
Comprehensive loss	1,135,498	891,033	1,391,115	2,795,909
Gross R&D expenditures	637,633	1,239,217	1,390,002	3,862,187
RF XL Pilot deferred revenue	—	800,000	—	1,200,000

The Company had cash on hand of \$0.1 million (December 31, 2022 - \$1.1 million), up to \$4.4 million (December 31, 2022 - \$1.4 million) of amounts committed but not yet received or receivable from grants and three major oil-sands producers, and negative working capital, excluding cash, of \$2.1 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 June 30, 2023, included:



- Subsequent to June 30, 2023, Acceleware signed an agreement with a Canadian not-for-profit corporation providing non-dilutive, non-repayable funding of up to \$3 million for the RF XL Pilot. The funding will be paid upon completion of certain milestones and is reimbursement for costs incurred between January 1, 2022 and March 31, 2024.
- During Q2 2023, Acceleware successfully concluded an Exploring Innovations project with the International Minerals Innovation Institute (“IMII”), which validated the potential to use RF energy from Acceleware’s CTI to dry potash and other mineral commodities. IMII subsequently announced that it has invited Acceleware to submit a proposal for subsequent project phases which could lead to the development of a commercial scale drying platform.
- On June 6, 2023, Acceleware announced a non-brokered private placement of units (“Units”) at a price of \$0.23 per Unit for gross proceeds of up to \$2,000,000. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of Acceleware at \$0.30 for a period of 24 months from the date of the issuance of the warrant. In the event the common shares trade at a closing price at or greater than \$0.69 per common share for a period of thirty consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof, and in such case, the warrants will expire on the 30th day after the date on which such notice is given. The offering is expected to close on August 21, 2023.

RF XL PROJECT UPDATE

The Acceleware team commenced final on-site workover operations on August 8, 2023 after completion in the first half of 2023 extensive design, procurement, shop testing and de-risking of repaired parts, upgraded components, run-in-hole procedures, and deployment tooling. Based on initial progress, Acceleware now anticipates this stage of the operation to take approximately four to six weeks, contingent upon weather and other factors. Power up and heating is expected to commence shortly thereafter.

As previously communicated in the MD&A for the year ended December 31, 2022, the Acceleware team was able to complete an inspection of the removable and non-removable components of the proprietary down-hole RF XL system. The inspection activities included visual inspection, various electrical and mechanical measurements, down-hole video analysis and other engineering techniques to obtain detailed data on the condition of the components. This inspection enabled the team to identify several opportunities expected to improve the performance of the RF XL system and rectify issues that required repair. These upgrades and repairs would not have been possible without pausing operations to perform the replacement of the distributed temperature sensing system (“DTS”) and have resulted in the addition of valuable intellectual property.

While downhole operations carry a degree of risk, Acceleware has worked to mitigate that risk by developing a plan using standard downhole 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. Completion of the remaining workover tasks is expected to result in increased power injected into the reservoir, and in turn a meaningful increase in reservoir temperature within a few months of resuming heating. The final timing and cost of the workover remains dependent on



availability of service rigs, weather conditions at site, supply chain availability, delivery timing, and the successful deployment of repairs and components.

Acceleware anticipates the net cost of the RF XL Pilot to be 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 Q2 2023 remained conservative as the Company continued to determine thoughtful and cost-conscious final steps in the workover for the RF XL Pilot. A workover program began in late 2022 and continues to date. Construction work on the RF XL Pilot was completed in early March 2022, followed by commencement of operations which continued throughout most of 2022 until operations were paused for the workover. RF XL Pilot expenses as at June 30, 2023 were approximately \$27.3 million (December 31, 2022 - \$25.9 million). The remaining cash committed but not yet received from SDTC, ERA, and a Canadian not-for-profit corporation including holdbacks receivable was \$3.5 million as at June 30, 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 June 30, 2023 (December 31, 2022 – \$1.4 million).

QUARTER IN REVIEW

Revenue of \$0.1 million was generated in Q2 2023 compared to \$0.1 million in the three months ended June 30, 2022 (“Q2 2022”) and \$0.1 million in the previous quarter ended March 31, 2023 (“Q1 2023”). Revenue in Q2 2023 included consulting services revenue as well as software and maintenance revenue. Revenue is lower for the HPC segment due to less demand for FDTD and seismic software while services revenue in the RF Heating segment continued to generate revenue with industry interest in alternative application for the CTI. Acceleware did not receive any data revenue payments during Q2 2023 or Q1 2023 for the RF XL Pilot compared to \$0.8 million in Q2 2022. These payments, when received, 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 Q2 2023 was \$1.1 million compared to a comprehensive loss of \$0.9 million for Q2 2022 and a comprehensive loss of \$0.3 million for Q1 2023. Comprehensive loss in all periods 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 higher in Q2 2023 and Q2 2022 compared to Q1 2023 due to a higher level of government assistance recognized in Q1 2023.



Gross R&D expenses incurred in Q2 2023 were \$0.6 million compared to \$1.2 million in Q2 2022 and \$0.8 million in Q1 2023. R&D spending was lower in Q2 2023 compared to Q2 2022 due to lower costs for the remaining workover activities. Gross R&D expenses incurred in Q2 2022 include costs for operating the RF XL Pilot. Gross R&D expenses were lower in Q2 2023 as compared to Q1 2023 due to a lower level of activity on the workover. Government assistance fluctuated during all periods with the highest level of funding recognized in Q1 2023. The Government of Alberta's Innovation Employment Grant ("IEG") 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 Q2 2023 there was \$nil million government assistance received and recognized related to the workover and \$0.2 million government assistance recognized in Q2 2022 related to the RF XL Pilot. Government assistance offsets gross R&D costs.

General and administrative ("G&A") expenses incurred in Q2 2023 were \$0.5 million compared to \$0.5 million in Q2 2022 and \$0.3 million in Q1 2023. There were additional legal and professional fees incurred in connection with the private placements in Q2 2022 and higher non-cash payroll related costs incurred in Q2 2023 due to the timing of option grants. The Company continues to prioritize cost control given uncertain economic conditions.

YEAR TO DATE IN REVIEW

Revenue of \$0.2 million was generated from the Company's software, maintenance and services revenue streams for the six months ended June 30, 2023 compared to \$0.2 million for the six months ended June 30, 2022. There was lower RF Heating software revenue and lower HPC maintenance revenue for the six months ended June 30, 2023, offset by higher RF Heating services revenue. Services revenue relates to RF simulation and experimental studies paid by customers interested in applying CTI for their industrial heating needs. Certain industries have become interested in alternative applications of CTI for industrial heating, including mining, agriculture, and hydrogen in 2023.

Total comprehensive loss for the six months ended June 30, 2023 was \$1.4 million compared to \$2.8 million for the six months ended June 30, 2022 due to lower R&D spending for the RF XL Pilot. There are fluctuations in both periods related to changes in fair value of the derivative financial instruments embedded in the convertible debentures.

Gross R&D expenses for the six months ended June 30, 2023 were \$1.4 million compared to \$3.9 million incurred during the six months ended June 30, 2022 due to decreased R&D activity related to final steps of the RF XL Pilot workover during the six months ended June 30, 2023. Operating costs for the RF XL Pilot were incurred in the six months ended June 30, 2022. Federal and provincial government assistance of \$0.4 million was recognized in the six months ended June 30, 2023 compared to \$1.3 million for the six months ended June 30, 2022 as the RF XL Pilot nears completion.

G&A expenses incurred during the six months ended June 30, 2023 were \$0.9 million compared to \$1.0 million for the six months ended June 30, 2022 a decrease of \$0.1 million due primarily to lower legal and professional fees for the convertible debenture in the six months ended June 30, 2023, partially offset by higher non-cash payroll related costs for option grants. The Company continues to prioritize cost management.



As at June 30, 2023, Acceleware had negative working capital of \$2.0 million (December 31, 2022 – negative working capital of \$0.6 million) including cash and cash equivalents of \$0.1 million (December 31, 2021 – \$1.1 million). The decrease in working capital is attributable to the timing of receipt and recognition of government and partner funding and related R&D spending. Subsequent to June 30, 2023, Acceleware submitted the first claim for reimbursement under the new \$3 million funding arrangement noted above. No amounts have been received as of August 17, 2023. Increasing the deficit is deferred revenue of \$4,350,000 as at June 30, 2023 (December 31, 2022 – \$4,350,000). 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 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.

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.sedarplus.ca.

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.

For more information:

Geoff Clark

Tel: +1 (403) 249-9099

geoff.clark@acceleware.com

Acceleware Ltd.

435 10th Avenue SE

Calgary, AB, T2G 0W3

Canada

Tel: +1 (403) 249-9099

www.acceleware.com