



Acceleware Ltd. Reports Fourth Quarter 2022 Financial and Operating Results

CALGARY, ALBERTA – March 24, 2022 – 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 year ended December 31, 2022 (all figures are in Canadian dollars unless otherwise noted). Acceleware’s year 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 audited financial statements and the accompanying notes for the year ended December 31, 2022 and management’s discussion and analysis (“MDA”) 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 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 fibre optic distributed temperature sensing (“DTS”) system 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. 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 and twelve months ended December 31, 2022:

\$	Three Months Ended		Twelve Months Ended	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Revenue	73,056	87,031	328,293	752,770
Comprehensive loss	1,345,913	1,755,118	5,142,168	4,079,593
Gross R&D expenditures	1,219,553	5,192,884	5,674,180	12,614,554
Deferred revenue increase	200,000	400,000	1,300,000	2,300,000

The Company had cash on hand of \$1.1 million (December 31, 2021 - \$1.9 million), up to \$1.4 million (December 31, 2021 - \$2.8 million) of amounts committed but not yet received or receivable from three major oil-sands producers, and negative working capital, excluding cash, of \$1.8 million (December 31, 2021 - \$2.9 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 December 31, 2022 included:



-
- 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.
 - In December 2022, Alberta Innovates committed an additional \$0.9 million funding for the RF XL Pilot.
 - On November 10, 2022, the Company closed a private placement of 6.7 million units, consisting of one common share and one common share purchase warrant, for gross proceeds of \$1.8 million.

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

RF XL PROJECT UPDATE

During the DTS workover planning, the Company scaled back heating and continued to produce oil. When the workover activities commenced at site, RF power was reduced to zero, and oil production was paused. During October and November of 2022, the DTS and certain downhole components were removed. In December, the remaining portion of the DTS was successfully "fished" and in-well inspection was performed. When the severed DTS was removed it was determined that replacement was required. 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 for electrical and mechanical specifications and are currently ready for installation underground.

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.

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.

FINANCIAL SUMMARY

Gross R&D spending in 2022 was significantly lower than 2021 as construction of the RF XL Pilot was completed in early March 2022, followed by operations which continued through the year. Operation of the RF XL Pilot has a much lower cost than installation and construction which occurred for most of 2021. Operational spending in 2022 included some workover costs incurred late in the year. Cumulative RF XL Pilot expenses as at December 31, 2022 were approximately \$25.9 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 \$1.0 million as at December 31, 2022 (December 31, 2021 – \$2.9 million) and amounts committed but not yet received or receivable from three major oil-sands producers were \$1.4 million as at December 31, 2022 (December 31, 2021 – \$2.8 million).

QUARTER IN REVIEW

Revenue generated in the three months ended December 31, 2022 (“Q4 2022”) compared to the three months ended December 31, 2021 (“Q4 2021”) and compared to the previous quarter ended September 30, 2022 (“Q3 2022”) was primarily generated from maintenance and services revenue. Software revenue was lower due to less demand for FDTD and seismic software. Acceleware received non-refundable milestone cash payments for the RF XL Pilot of \$0.2 million in Q4 2022 compared to \$0.4 million in Q4 2021 and \$nil in Q3 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.

Comprehensive loss in 2022 was impacted by an unrealized gain on derivative financial instruments embedded within the convertible debenture. These fluctuations are driven primarily by the fluctuation in the Company’s share price. Additionally, research and development (“R&D”) expenses and government assistance were lower in 2022 compared to 2021 due to less expenditures required for heating operations of the RF XL Pilot.

R&D spending was lower in Q4 2022 compared to Q4 2021 as a result of lower costs for operating the RF XL Pilot compared to the costs incurred for drilling, completion and construction but were higher than Q3 2022 due to expenditures incurred for the workover. The RF XL Pilot began operations in March 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. An additional \$0.9 million of government assistance was received and recognized in Q4 2022 related to the workover.



General and administrative (“G&A”) expenses incurred in Q4 2022 were \$0.6 million compared to \$0.5 million in Q4 2021 and \$0.5 million in Q3 2022. Additional legal and professional fees were incurred in connection with the equity offering and were recorded in Q4 2022. Additionally, non-cash payroll related costs were higher in Q4 2022 and Q3 2022 compared to Q4 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 year ended December 31, 2022 compared to the year ended December 31, 2021 is due to lower demand for software and maintenance in the HPC segment. In addition to recognized revenue, Acceleware also received non-refundable milestone cash payments for the RF XL Pilot of \$1.3 million for the year ended December 31, 2022 compared to \$2.3 million for the year ended December 31, 2021 which are recorded in deferred revenue. Data revenue equal to the amount recorded in deferred revenue will be recognized in income 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 December 31, 2022 is \$4.4 million (December 31, 2021 – \$3.1 million).

Total comprehensive loss for the year ended December 31, 2022 was higher in 2022 primarily due to less government assistance recognized in 2022 for heating operations of the RF XL Pilot, and less revenue.

Gross R&D expenses for the year ended December 31, 2022 were lower than 2021 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 finished in Q1 2022. Federal and provincial government assistance recognized in the year ended December 31, 2022 was lower compared to the year ended December 31, 2021 due to the RF XL Pilot commencing operations.

G&A expenses incurred during the year ended December 31, 2022 were higher due primarily to legal and professional fees for the convertible debenture and equity offering and higher non-cash payroll related costs including option grants. The Company continues to prioritize cost management.

As at December 31, 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 \$1.1 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. In addition to receivables for government assistance, there is \$1.4 million of industry partner funding still committed and not yet received. Increasing the deficit is deferred revenue of \$4.4 million as at December 31, 2022 (December 31, 2021 – \$3.1 million).

ABOUT ACCELEWARE:

Acceleware (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 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.



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