# Acceleware Ltd. Reports Third Quarter 2021 Financial and Operating Results

CALGARY, ALBERTA – November 24, 2021 – 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 nine months ended September 30, 2021 (all figures are in Canadian dollars unless otherwise noted). Acceleware's third quarter 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 nine months ended September 30, 2021, and management's discussion and analysis ("MD&A") thereto, together with the audited financial statements for the year ended December 31, 2020, 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**

Acceleware achieved a major milestone in the execution of the commercial-scale RF XL pilot project at Marwayne, Alberta (the "RF XL Pilot") by kicking off the drilling and completions program during the quarter. The RF XL Pilot is the final step before commercialization of the Company's patent-protected Clean Tech Inverter ("CTI"), a novel electrification "engine" for industrial heating, first applied in the extraction of heavy oil and oil sands. Acceleware believes the CTI can economically decarbonize many industry verticals through electrification with immediate application in the clean energy transition. Functionality of the CTI has already been proved through scaled field tests conducted in 2019 and 2020, and when combined with existing heating systems and an immediate appetite within industry to adopt a clean technology, can facilitate an economic decarbonization strategy for many organizations.

In addition to the ongoing activities for the drilling and completions program, the Company achieved the following highlights in the last twelve months:

- CEO, Geoff Clark, received Canada's Clean-50 Award;
- A third major oil sands producer signed-on as a consortium member of the RF XL Pilot and committed up to $2 million in funding and technical expertise;
- Jim Boucher was elected to the board of directors;
- Alberta Innovates granted new funding of $5 million for the RF XL Pilot at our site in the Cold Lake Oil Sands region near the town of Marwayne, Alberta;
- A second major oil sands producer committed up to $2 million in funding to support of the RF XL Pilot;
- The Acceleware | Kisâstwêw limited partnership with the Saa Dene Group was established;

- Acceleware was granted a key RF XL patent in the United States; and
- The Company completed a successful full-power test of two modules, or 500 kW, of the CTI prototype.

The RF XL Pilot is fully funded based on current cost estimates, which range between $16 and $20 million. As of September 30, 2021, total direct funding committed to the RF XL Pilot included $5 million from Alberta Innovates, $5.5 million from Sustainable Development Technology Canada ("SDTC"), $5 million from Emissions Reduction Alberta ("ERA"), and $6 million from three major oil sands producers.

All three consortium members of the RF XL Pilot have committed up to $2 million in funding and technical expertise. In exchange for this funding, Acceleware will provide exclusive access to detailed technical data and test results, prioritized rights to host a subsequent test, preferred pricing on pre-commercial products and preferred access to RF XL products. Acceleware's three oil sands partners now represent well over one million barrels of oil sands and heavy oil production per day and a commitment of up to $6 million of funding.

**Project Update:** As noted above, the RF XL Pilot is progressing through the drilling and completion stage. The producer well was successfully drilled and completed as of September 30, 2021. The reservoir characterization appears in line with expectations and there were no major issues encountered while drilling the producer well. The surface and intermediate sections of the heater well were also complete as of September 30, 2021.

Horizontal drilling of the heating well was paused by Acceleware in September 2021 due to manufacturing timing for a few remaining components and the lack of rig availability. Drilling re-commenced in early November 2021 and both the producer and heating wells have been drilled with casing and production liner installed in the producer well and RF XL transmission lines installed in the heating well. The drilling rig has been released and a service rig will finish the remaining completion tasks near the end of November such as running internal electrical lines in the heating well and production string in the producer well. The building containing the CTI ("E-house") and related electrical equipment, was in the final stages of construction as of September 30, 2021 and as of the date of the MD&A is ready to move to Marwayne, Alberta.

Barring delays that could not have been reasonably foreseen, surface construction and facility installation at the site is scheduled to be completed by, or shortly after, the end of Q4 2021, with power-up and heating commencing shortly thereafter. While the initial heating phase is planned for approximately six months, this period may be extended to allow Acceleware to capture additional information on the efficiency and operation of the technology.

Acceleware also continues to focus on driving external awareness of the Company and on positioning its RF Heating technology more prominently within both the oil and gas and clean-tech communities. Several new blog posts and videos have been released via social media recently which feature discussions

on the RF Heating technology by Acceleware's engineering team. The collection of videos is available for viewing here: Acceleware Vlog Posts .

**FINANCIAL SUMMARY**

R&D spending has increased significantly, in lockstep with progress towards completion of the drilling program and the purchase and manufacture of surface and sub-surface equipment. Cumulative RF XL Pilot expenses as at September 30, 2021 were approximately $15.2 million (December 31, 2020 - $7.6 million). The remaining cash committed but not yet received from SDTC, ERA and Alberta Innovates, including holdbacks receivable was $5.6 million as at September 30, 2021 (December 31, 2020 – $4.2 million) and amounts committed but not yet received from three major oil-sands producers was $3.2 million as at September 30, 2021 (December 31, 2020 – $3.2 million).

**QUARTER IN REVIEW**

Revenue of $0.3 million was generated in the three months ended September 30, 2021 ("Q3 2021") compared to $0.1 million in the three months ended September 30, 2020 ("Q3 2020"). Revenue of $0.1 million was generated in the previous quarter ended June 30, 2021 ("Q2 2021"). Revenue is attributable to software, maintenance and services with the largest amount attributable to software. The increase in Q3 2021 compared with Q3 2020 and Q2 2021 is attributable to a significant contract in the HPC segment and sales of RF simulation services within the RF Heating segment.

Total comprehensive loss for Q3 2021 was $1.1 million compared to a comprehensive loss of $0.5 million for Q3 2020 and a comprehensive loss of $0.7 million for Q2 2021. The higher comprehensive loss in Q3 2021 compared to Q3 2020 and Q2 2021 is due to an increase in spending for R&D in Q3 2021.

Gross R&D expenses incurred in Q3 2021 were $4.0 million compared to gross R&D expenses in Q3 2020 of $0.5 million and $1.8 million in Q2 2021. The increase in Q3 2021 and Q2 2021 over Q3 2020 is due to significant investment in the RF XL Pilot activities in 2021. During Q3 2021, a significant portion of the drilling activity was completed, and the majority of surface and sub-surface equipment was received and completed. Federal and provincial government assistance of $3.0 million was recognized in Q3 2021 compared to $0.3 million in Q3 2020 and $1.4 million in Q2 2021, offsetting gross research and development costs.

General and administrative ("G&A") expenses incurred in Q3 2021 were similar to those in other periods, at $0.4 million compared to $0.4 million in Q3 2020 and $0.4 million in Q2 2021. The Company continues to prioritize cost control given uncertain economic conditions and to benefit from the CEWS government subsidy program.

**YEAR TO DATE IN REVIEW**

There was $0.7 million generated from the Company's software, maintenance and services revenue streams for the nine months ended September 30, 2021 compared to $0.8 million for the nine months ended September 30, 2020. The lower revenue in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 is due to recognition of a large HPC contract

in 2020. In addition to recognized revenue, Acceleware has also received non-refundable milestone cash payments of $1.9 million for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - $0.3 million) which are 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 September 30, 2021 is $2.65 million (December 31, 2020 – $0.75 million).

Total comprehensive loss for the nine months ended September 30, 2021 was $2.3 million compared to $1.1 million for the nine months ended September 30, 2020 due to higher R&D spending for the RF XL Pilot.

Gross R&D expenses for the nine months ended September 30, 2021 were $7.4 million compared to $1.7 million incurred during the nine months ended September 30, 2020 due to increased R&D activity noted above. Federal and provincial government assistance of $5.8 million was recognized in the nine months ended September 30, 2021 compared to $1.0 million for the nine months ended September 30, 2020.

G&A expenses incurred during the nine months ended September 30, 2021 were $1.2 million compared to $1.3 million for the nine months ended September 30, 2020 a decrease of $0.1 million due primarily to lower payroll and professional costs. The Company continues to prioritize cost management.

As at September 30, 2021, Acceleware had positive working capital of $0.2 million (December 31, 2020 – positive working capital of $0.03 million) including cash and cash equivalents of $3.4 million (December 31, 2020 – $1.9 million). The increase in working capital and cash is attributable to timing of receipt of funding and R&D spending for the RF XL Pilot. Increasing the deficit is deferred revenue of $2,650,000 as at September 30, 2021 (December 31, 2020 – $750,000). 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.*

**RF HEATING BUSINESS SEGMENT SUMMARY**

RF XL is Acceleware's patented and patent-pending RF Heating technology, designed to improve the extraction of heavy oil and bitumen, with a cost effective and environmentally friendly alternative to SAGD. When applied, RF XL has the potential to reduce both capital and operating costs, while offering significant environmental benefits, including:

- immediate GHG emission reductions;
- a substantial decrease in land use;
- the elimination of external water use;
- no requirement for solvents; and
- substantial elimination of water treatment facilities and no need for tailings ponds.

The Company believes that its RF XL heating technology, as an electrically-driven process, can provide a clear pathway to zero-GHG production of heavy oil and oil sands and provide optimal alignment with industry and government goals to recognize innovation as a meaningful solution in the oil and gas industry's overall emission reduction plans.

***RF Heating Results Summary***

- RF Heating revenue was $55,000 in Q3 2021 compared to $nil in Q3 2020 and $nil in Q2 2021 due to sales of RF simulation services, a relatively new revenue stream attributable to customers' interest in applying RF XL to specific reservoirs and operations. Since 2018, the Company has been successful selling data revenue agreements to major oil sands producers which provide the customer with the right to access and use data obtained from the RF XL Pilot. Under *IFRS 15 Revenue from Contracts with Customers*, these contracts do not meet all requirements for revenue recognition over-time, therefore revenue recognition defaults to the end of the contract. As at September 30, 2021, deferred revenue of $2,650,000 (December 31, 2020 - $750,000) has been recorded under these contracts for amounts that have been received in cash, and will be recognized as revenue once heating is complete or the contracts are terminated, whichever is earlier.

- RF Heating expenses for the three months ended September 30, 2021, were $1,310,076 or 177% higher than in Q3 2020 and 94% higher than in Q2 2021. R&D expenses were higher compared to both Q3 2020 and Q2 2021 due to higher contractor and materials costs related to the significantly increased activity for the RF XL Pilot for drilling and completion work. During Q3, the Company completed manufacturing and assembly of the RF XL Pilot E-house including installation of the CTI

* this paragraph contains forward looking information. Please refer to "Forward Looking Statements" and "Risk Factors and Uncertainties" for a discussion of the risks and uncertainties related to such information.

prototype and ancillary equipment, prepared downhole and surface equipment for installation, and successfully completed the majority of the well drilling and completion program. G&A expenses were higher compared to Q3 2020 and Q2 2021 due to an increased level of activity on RF Heating as compared to HPC.

- RF Heating revenue was higher in the nine months ended September 30, 2021 at $140,000 compared to $nil in the nine months ended September 30, 2020, driven by higher software revenue from the sale in Q1 2021 of the Company's AxHEAT RF heating simulation software to a major oil sands producer in connection with a data revenue agreement and due to higher services revenue for sales of simulation services.

- RF Heating expenses increased 76% to $2,604,071 in the nine months ended September 30, 2021 compared to $1,477,895 for the nine months ended September 30, 2020 because of an 212% increase in R&D expenses for increased activity on the RF XL Pilot as noted above. G&A expenses for the nine months ended September 30, 2021 decreased 4% compared to nine months ended September 30, 2020 due to lower payroll related costs.

**HIGH-PERFORMANCE COMPUTING BUSINESS SEGMENT SUMMARY**

Acceleware's HPC business segment helps customers meet their oil and gas exploration needs with seismic imaging software that provides the most accurate and advanced imaging available for oil exploration in complex geological zones and formations. While the Company is focusing on energy markets, it continues to develop and sell its electro-magnetic ("EM") simulation software FDTD (or finite difference time domain) solution, AxFDTD, to end users primarily through independent software vendors that have integrated Acceleware's solution into their software architecture.

***HPC Results Summary***

- HPC revenue increased to $242,226 in Q3 2021 from $130,219 in Q3 2020 and $97,408 in Q2 2021 due mainly to higher software revenue. Due to the 2018 change in the software revenue model, the Company now expects fewer overall sales transactions with higher overall revenue per transaction, which could potentially lead to increased volatility in quarterly revenue. This was evident in Q3 2021 as revenue fluctuated relative to Q3 2020 and Q2 2021.

- HPC expenses for the three months ended September 30, 2021 were $96,414 or 36% lower than in Q3 2020 and 19% lower than in Q2 2021. Cost of revenue in Q2 2021 related to software sales recognized in Q2 2021 with no similar sales in either Q3 2021 or Q3 2020. G&A expenses were lower compared to both Q3 2020 and Q2 2021 due to lower payroll and payroll related expenses. R&D expenses were minimal in Q3 2021 and lower than in Q3 2020 and Q2 2021 as the Company focuses the majority of all R&D on the RF XL Pilot.

- HPC revenue was $525,740 in the nine months ended September 30, 2021, a decrease of 36% compared to $824,935 in the nine months ended September 30, 2020 due to the above-

mentioned 2020 revenue contract partially offset by increased demand for software in the oil and gas sector in early 2021.

- HPC expenses were $359,356 in the nine months ended September 30, 2021 a decrease of 31% compared to $518,809 in the nine months ended September 30, 2020 as the Company continues to focus the majority of resources on the RF XL Pilot.

**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 at Marwayne, the timing of the execution of the Pilot, and the anticipated benefits of the RF XL technology. Acceleware assumes that current cost estimates are accurate, 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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