Acceleware Ltd. Reports Second Quarter 2021 Financial and Operating Results

CALGARY, ALBERTA – August 25, 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 three and six months ended June 30, 2021 (all figures are in Canadian dollars unless otherwise noted). Acceleware's second 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 three and six months ended June 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 continued to advance the development of its patented RF heating technology through the second quarter of 2021. This progress builds on the Company's previously announced key accomplishments including the following highlights from the past twelve months:

- New funding of $5 million from Alberta Innovates for the RF XL Pilot at our site in the Cold Lake Oil Sands region near the town of Marwayne, Alberta ("RF XL Pilot");
- A successful full-power test of two modules, or 500 kW, of the Clean Tech Inverter ("CTI") prototype;
- Receipt of all required regulatory approvals from the Alberta Energy Regulator for the RF XL Pilot;
- Grant of a key RF XL patent in the United States;
- Confirmation from the first major oil sands producer of ongoing support for RF XL Pilot;
- Commitment from a second major oil sands producer for support of the RF XL Pilot; and
- Creation of Acceleware | Kisâstwêw, a limited partnership, with Saa Dene Group.

During the three months ended June 30, 2021 ("Q2 2021") the Company made a significant addition to its leadership team and overall industry expertise with:

- **The election of Jim Boucher to Acceleware's board of directors**: A highly respected Indigenous leader, executive and philanthropist, Jim Boucher is a champion for sustainable and environmentally responsible development, social prosperity, and economic inclusion for Indigenous peoples. In 2020, he cofounded the Saa Dene Group of Companies. In his role as President, Jim is working with a variety of partners to pursue opportunities in multiple sectors

with one clear vision: to increase diversity and inclusive opportunity through meaningful economic and social participation in the global economy.

The RF XL Pilot is fully funded based on current costs estimates, which range between $16 and $20 million. As of June 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 $4 million provided by two major oil sands producers. During the six months ended June 30, 2021, the Company received an additional payment of $262,500 from SDTC in response to ongoing challenges arising from the global pandemic, increasing their total commitment up to approximately $5.5 million from $5.25 million.

Effective July 5, 2021, a third major oil sands producer signed as a consortium member of the RF XL Pilot and 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.

The current status of the RF XL Pilot is summarized as follows: drilling and completions program is now underway at Marwayne; industry-standard and proprietary well completion materials have all been received and are either ready for deployment or are in the final stages of testing protocols; surface equipment and facilities have been received or are in final stages of construction at suppliers' facilities; and service company partners have been selected and contracted. Barring unforeseen delays, construction at the site is scheduled to be complete at or shortly after the end of Q3 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.

There are 10 patents granted or allowed to protect various proprietary technologies related to Acceleware's RF Heating research and development ("R&D"), and 25 patent applications pending or under development. The Company continues to work closely with the patent offices and its intellectual property advisors.

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

In addition to securing additional RF XL Pilot funding from Alberta Innovates as noted above, the Company continued to complete engineering de-risking, lab testing and procurement, manufacturing and construction of materials and equipment for the RF XL Pilot, all of which contributed to an increased level of R&D spending in the period. Cumulative RF XL Pilot expenses as at June 30, 2021 were approximately $11.2 million (December 31, 2020 - $7.6 million). The remaining cash committed but not yet received from SDTC, ERA and Alberta Innovates, including holdbacks receivable is approximately $5.6 million as at June 30, 2021 (December 31, 2020 – approximately $4.2 million) and amounts committed but not yet received from two major oil-sands producers is approximately $2.2 million as at June 30, 2021 (December 31, 2020 – approximately $3.2 million). Effective July 5, 2021, a third major oil sands producer signed as a consortium member of the RF XL Pilot and committed up to $2 million in funding and technical expertise bringing the total committed but not yet received from all three major oil-sands producers to $4.2 million.

QUARTER IN REVIEW

Revenue of approximately $0.1 million was generated in Q2 2021 compared to approximately $0.6 million in the three months ended June 30, 2020 ("Q2 2020"). Revenue of approximately $0.3 million was generated in the previous quarter ended March 31, 2021 ("Q1 2021"). Revenue in all three periods is mainly attributable to software and maintenance sales with a smaller amount attributable to service revenue in Q2 2021. The decrease in Q2 2021 compared with Q2 2020 is attributable to a significant contract in the HPC software segment for which revenue was recognized in Q2 2020. The decrease in Q2 2021 revenue compared to Q1 2021 is the result of a $0.2 million contract that was closed in Q2 2021 but not yet completed.

Total comprehensive loss for Q2 2021 was approximately $0.7 million compared to a comprehensive loss of approximately $0.1 million for Q2 2020 and a comprehensive loss of approximately $0.5 million for Q1 2021. The higher comprehensive loss in Q2 2021 compared to Q2 2020 is due to an increase in spending for R&D in Q2 2021 and also due to lower revenue in Q2 2021 for the significant software contract noted above. The higher comprehensive loss in Q2 2021 compared to Q1 2021 is also due to lower revenue as noted above.

Gross R&D expenses incurred in Q2 2021 were approximately $1.8 million compared to gross R&D expenses in Q2 2020 of approximately $0.4 million and approximately $1.6 million in Q1 2021. The increase in Q2 2021 and Q1 2021 over Q2 2020 is due to significant investment in the RF XL Pilot activities in 2021. During the first half of 2021, manufacturing and assembly of the CTI prototype was completed with many of the downhole and surface equipment and components ordered and received in preparation for drilling and completion construction activity scheduled for the last half of 2021. Federal and provincial government assistance of approximately $1.4 million was recognized in Q2 2021 compared to approximately $0.3 million in Q2 2020 and approximately $1.3 million was recognized in Q1 2021 offsetting gross research and development costs.

General and administrative ("G&A") expenses incurred in Q2 2021 were similar to those in other periods, at approximately $0.4 million compared to approximately $0.4 million in Q2 2020 and approximately $0.4

million in Q1 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

Revenue of approximately $0.4 million was generated from the Company's software, maintenance and services revenue streams for the six months ended June 30, 2021 compared to approximately $0.7 million for the six months ended June 30, 2020. The lower revenue in the six months ended June 30, 2021 compared to the six months ended June 30, 2020 is due to the aforementioned HPC software revenue contract slightly offset by increased demand for software in the oil and gas sector in early 2021. In addition to recognized revenue, Acceleware has also received non-refundable milestone cash payments of $0.9 million for the six months ended June 30, 2021 (six months ended June 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 June 30, 2021 is $1.65 million (December 31, 2020 – $0.75 million).

Total comprehensive loss for the six months ended June 30, 2021 was approximately $1.2 million compared to approximately $0.5 million for the six months ended June 30, 2020 due to higher R&D spending for the RF XL Pilot.

Gross R&D expenses for the six months ended June 30, 2021 were approximately $3.4 million compared to approximately $1.2 million incurred during the six months ended June 30, 2020 due to increased R&D activity noted above. Federal and provincial government assistance of approximately $2.7 million was recognized in the six months ended June 30, 2021 compared to approximately $0.7 million for the six months ended June 30, 2020.

G&A expenses incurred during the six months ended June 30, 2021 were approximately $0.8 million compared to approximately $0.9 million for the six months ended June 30, 2020 a decrease of approximately $0.1 million due primarily to lower payroll and professional costs. The Company continues to prioritize cost management.

As at June 30, 2021, Acceleware had negative working capital of approximately $0.2 million (December 31, 2020 – approximately $0.03 million) including cash and cash equivalents of approximately $3.3 million (December 31, 2020 – approximately $1.9 million). The decrease 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 $1,650,000 as at June 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.

Q2 2021 RF Heating Results Summary

- RF Heating revenue was $nil in Q2 2021 and Q2 2020 compared to $85,000 in Q1 2021 due to a sale of AxHeat RF heating simulation software in connection with a data revenue agreement to a major oil sands producer in Q1 2021. 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 June 30, 2021, deferred revenue of $1,650,000 (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.

* 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.

- RF Heating expenses for the three months ended June 30, 2021, were $675,484 or 58% higher than in Q2 2020 and 9% higher than in Q1 2021. R&D expenses were higher compared to both Q2 2020 and Q1 2021 due to higher contractor and materials costs related to the significantly increased activity for the RF XL Pilot in preparation for drilling and completion work. G&A expenses were lower compared to Q2 2020 and relatively unchanged compared to Q1 2021 as management continues to manage overall administrative costs and to benefit from the CEWS government program.

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.

Q2 2021 HPC Results Summary

- HPC revenue decreased to $97,408 in Q2 2021 from $611,712 in Q2 2020 and $186,106 in Q1 2021 due mainly to lower software revenue. Due to the change in the software revenue model in 2018, 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 Q1 2021 and Q2 2020 as revenue fluctuated relative to Q2 2021.

- HPC expenses for the three months ended June 30, 2021 were $119,108 or 23% lower than in Q2 2020 and 17% lower than in Q1 2021. Cost of revenue is related to software sales in Q2 2021 with no similar sales in either Q2 2020 or Q1 2021. G&A expenses were lower compared to both Q2 2020 and Q1 2021 due to lower payroll and payroll related expenses. R&D expenses were minimal in Q2 2021 and lower than in Q2 2020 as the Company focuses the majority of all R&D on the RF XL Pilot in 2021.

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 and patent-pending 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.

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