



Acceleware Ltd. Reports First Quarter 2020 Financial and Operating Results

CALGARY, Alberta, May 27, 2020 -- Acceleware® Ltd. ("Acceleware" or the "Company") (TSX-V: AXE), an innovator and leading developer of transformational clean-tech energy technologies, today announced its financial and operating results for the three months ended March 31, 2020 (all figures are in Canadian dollars unless otherwise noted). Acceleware's first quarter results reflect contributions from the Company's two business units, comprised of radio frequency heating technology ("RF Heating") which supports cost-effective and environmentally friendly 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, the accompanying notes for the three months ended March 31, 2020, and management's discussion and analysis ("MD&A") thereto, together with the audited financial statements for the year ended December 31, 2019, 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.

OPERATING SUMMARY HIGHLIGHTS

During the first quarter, Acceleware continued to advance the development of its patented and patent-pending RF XL Heating technology and deliver results across the organization. The Company made progress on numerous objectives despite the unprecedented circumstances and global economic impact related to the COVID-19 pandemic, which led to extremely challenging operating conditions for the oil and gas industry.

As a result of negotiations which began in Q1 2020, the Company executed agreements effective May 19, 2020 with Broadview Energy ("Broadview") to host the commercial-scale test of RF XL (the "Project") at a site in the Cold Lake Oil Sands region near the town of Marwayne, Alberta.

Broadview, a private oil and gas company with extensive heavy oil operating experience currently focused on developing thermal (SAGD) projects in West-Central Saskatchewan, will host the Project. Acceleware will farm-in to Broadview's Marwayne asset near Lloydminster in the Cold Lake Oil Sands area, which offers favourable operating conditions that support accelerated timelines, including all-weather access, existing roads and well sites, and is in close proximity to key services and trades, all of which make Marwayne highly suitable for the Project. Acceleware anticipates commencing heating as early as the second half of 2020, with full commercialization of RF XL targeted for 2023.

Also in the quarter, a new patent application was filed which adds to the 16 patent applications filed and pending as of December 31, 2019 to protect various proprietary technologies related to the RF Heating R&D. Significant progress was made in Q1 2020 on the prosecution of key RF Heating patents and the Company continues to work closely with the patent offices and its intellectual property advisors.

The commercial-scale test of RF XL was announced as drill-ready in Q4 2019 and in Q1 2020 post-design preparation began, which led to several successful outcomes, including:

- **Detailed Component Performance Evaluation:** Completion of a successful high voltage test of transmission line components, testing of subsurface components to gain further knowledge of expected performance and preparation for a high-power test of the GE designed RF converter prototype.
- **Industry Partner Peer Review:** A strong collaboration with a major oil sands operator includes QC/QA on all data and testing results, and the ability to leverage the operator's expertise in areas of drilling and completions, production, material design, electrical engineering, facility design and project management.
- **Well Design Evaluation and Testing:** Completion of a robust engineering de-risking program related to critical well design components including thermal, electrical and mechanical strength.
- **Third Party Engineering, Design and Testing:** Developed multiple working partnerships with industry leaders, who provide drilling and completions well design and execution support, including service companies and technical experts interested in working with clean technology. As a result, Acceleware is poised to benefit from years of experience within the energy industry.
- **Positive Field/Lab Experiment:** Realized successful test metrics from the field test completed in the fourth quarter of 2019 which assessed the magnitude of power levels injected, converter efficiency, load adaptability and confirmed the ability to perform under a variety of environmental operating conditions.

Acceleware also realized meaningful impact in its efforts to drive external awareness and position its RF Heating technology more prominently in the clean-tech field across several avenues. Acceleware's involvement with Clean Resource Innovation Network ("CRIN") in 2019 led to a series of articles featuring Acceleware, two of which were published in Q1 2020, by JuneWarren-Nickle's Energy Group ("JWN") focused on the Company's RF Heating technology and its impact on Canada's evolving energy landscape. This relationship with JWN also led to the nomination of Acceleware as a finalist in the JWN Energy Excellence Awards in the category of "Environmental Excellence: Land".

Q1 2020 FINANCIAL RESULTS

Through the first quarter of 2020, oil and natural gas prices fell precipitously due to a drop in global demand triggered by the COVID-19 pandemic. In March and April 2020, oil and natural gas prices plummeted further due to a breakdown in negotiations between OPEC and non-OPEC countries regarding production quotas. Despite OPEC+ countries cutting production output in

April, volatility in market prices for oil and natural gas have continued.

Acceleware's response to the impacts of COVID-19 has been rapid and effective following government restrictions that were imposed to control the spread of the virus. The Company's priority has remained the health and safety of its staff, clients, partners and other stakeholders. Acceleware has implemented modified work practices, staggered work hours as needed, physical distancing and work-from-home protocols to meet all appropriate health and safety standards. The Company successfully transitioned its workforce to remote working and experienced minimal productivity disruption.

Ongoing oil price weakness and the significant supply/demand imbalance could adversely affect the market for the Company's products and services and its ability to secure funds for its pilot project. In response, Management has been actively seeking alternative forms of financing including government assistance programs available for growth stage organizations. Acceleware meets eligibility criteria for the Canada Emergency Wage Subsidy and has successfully applied for funding for the period extending from March 15, 2020 to May 9, 2020. Acceleware has not applied for any other COVID-19 related government programs announced as of May 26, 2020.

Revenue of approximately \$0.1 million was generated in the three months ended March 31, 2020 ("Q1 2020") compared to approximately \$0.9 million in the three months ended March 31, 2019 ("Q1 2019"). The Company successfully closed a meaningful contract with an international customer in Q1 2020 within its HPC software segment, and a deposit amount was recorded in contract liabilities. The associated revenue for the contract will be recognized as the work is performed. In Q1 2019, the Company recorded its second highest quarterly revenue over the past three years stemming from new sales of software licenses for seismic imaging software sold directly to oil and gas customers. Revenue of approximately \$0.2 million was generated in the three months ended December 31, 2019 ("Q4 2019"), which was slightly higher than in Q1 2020 due to the expiry of software maintenance licences at the end of 2019.

Total comprehensive loss for the three months ended March 31, 2020 was approximately \$0.5 million (March 31, 2019 – approximately \$0.1 million comprehensive income) or approximately \$0.6 million less than in Q1 2019 due to the above mentioned decrease in revenue and also due to increased spending focused on research and development ("R&D") initiatives that (1) have a longer-term payback and (2) are directed at increasing the Company's profile and presence in the clean technology segment of the energy industry.

Gross R&D expenses incurred in Q1 2020 were approximately \$0.8 million (March 31, 2019 – approximately \$0.6 million). Federal and provincial government assistance of approximately \$0.4 million was recognized in Q1 2020 (March 31, 2019 – approximately \$0.4 million), which offset research and development costs incurred. During the last quarter of 2018, Acceleware completed contribution agreements for the commercial-scale RF XL pilot test with Sustainable Development Technology Canada ("SDTC") and Emissions Reduction Alberta ("ERA") as well as a Calgary-based oil sands producer. The government assistance funding is recorded as an offset to R&D expenses as the spending is incurred. Due to the unforeseen circumstances in the quarter due to COVID-19, SDTC increased their funding level by 5% and an additional \$250,000 was received and recorded in accounts payable and accrued liabilities as at March 31, 2020. Subsequent to March 31, 2020, ERA announced they were reducing the holdback percentage and an additional \$42,169 was received.

General and administrative ("G&A") expenses incurred in Q1 2020 were approximately \$0.5 million (March 31, 2019 – approximately \$0.6 million) or \$0.1 million lower in the 2020 period due to lower payroll and consulting related costs. The Company continues to prioritize cost management in these uncertain economic conditions.

As at March 31, 2020, Acceleware had working capital of approximately \$0.7 million (December 31, 2019 – approximately \$1.0 million) including cash and cash equivalents of approximately \$4.7 million (December 31, 2019 – approximately \$4.4 million). The increase in cash is attributable to the receipt of government assistance milestone funding for the RF XL field test, collection of trade accounts receivable and receipt of a deposit on a customer software contract, recorded in contract liabilities.

RF XL 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 the possibility of saving significant production costs. 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
- no need for water treatment facilities or 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.

Acceleware began investigating technology in 2010 that would use RF energy for in-situ heating of heavy oil and bitumen. In each of the four years up to 2017, the Company received funding from NRC-IRAP to partially finance its RF heating technology development. In 2018, the Company began preparation for a commercial-scale field test of its RF XL technology, which will use two megawatts of electricity with an 800m -1000m horizontal well.

In 2018, Acceleware was awarded a \$10 million non-repayable contribution funded 50/50 by the federal government of Canada

and the provincial government of Alberta in accordance with their mandates to bring clean technologies to market that are economically viable and reduce GHG emissions. Acceleware raised a further \$2 million in funding for the test from a major Canadian oil sands operator. The Company continues to pursue partnerships with energy companies to provide additional financial and technical support for this commercial-scale field test in an oil sands reservoir.

In 2019, Acceleware, with partner GE, completed the design, manufacturing, and factory testing of the prototype RF converter that will be used in the test and has determined the commercial-scale test as drill ready. In late 2019, the prototype RF converter was field tested at the Company's simulated "ditch" reservoir in Alberta and produced record results. Acceleware has also finalized design concepts for drilling and completing RF XL wells and has completed front-end engineering and design of the surface facilities that will be used during the test.

Acceleware has received conditional approval from its core funders for the Project partnership with Broadview. The Company intends to apply for regulatory approval of the Project as soon as possible and is currently working with its service and component supply partners to update the budget and schedule for deployment of the test.

Q1 2020 Results Summary

- RF Heating revenue was lower in Q1 2020 at \$nil compared to \$2,225 in Q1 2019 and \$2,340 in Q4 2019, driven by lower software license revenue from the Company's AxHEAT RF heating simulation software.
- RF Heating expenses declined 3% in Q1 2020 compared to Q1 2019 and increased 6% over the previous quarter. RF Heating G&A expenses in Q1 2020 declined 38% over Q1 2019 and 23% over Q4 2019 due to lower salary and employee-related expenses. RF Heating R&D expenses were 133% and 79% higher than in Q1 2019 and Q4 2019, respectively, due to higher contractor and materials costs associated with the post-well design activities for the RF XL commercial-scale test.

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 to end users primarily through independent software vendors that have integrated Acceleware's solution into their software packages.

In 2019, the Company focused on selling seismic imaging software to the oil and gas exploration market and continued the development of its suite of seismic products, as well as adding features, functionality and performance to AxRTM, AxWave and AxFWI. Going forward, the Company will access the oil and gas geoscience software market with innovative licensing structures whereby software licences will be sold direct to oil and gas customers, which is expected to result in fewer overall sales transactions but higher overall revenue and, as such, increased volatility in quarterly revenue.

Q1 2020 Results Summary

- HPC revenue was \$83,003 in Q1 2020, a decrease of 91% compared to \$886,508 in Q1 2019 due to the new licensing model referenced above and was 46% lower than in the prior quarter. However, a meaningful contract with an international oil and gas company was signed during Q1 2020 with a deposit recorded on the statement of financial position in contract liabilities. The associated revenue for the contract will be recognized as the work is performed.
- HPC expenses of \$214,185 in Q1 2020 increased 31% and 9% compared to \$163,623 in Q1 2019 and \$197,149 in Q4 2019, respectively, due to higher payroll related costs as a result of the above noted revenue contract signed in the quarter.

OUTLOOK

Building on its proven track record of successful development and commercialization of revolutionary technologies, Acceleware intends to continue focusing efforts on energy markets, with RF Heating, AxRTM, AxWave, AxFWI, and AxHEAT as the primary drivers of strategic revenue and continued investments. Innovations and improvements to the AxFDTD will continue for the EM markets and are expected to be an enabling technology for AxHEAT in the energy market.

Historically low oil prices combined with the unprecedented impact of COVID-19 and measures taken by governments and companies to contain its spread may affect the Company's ability to raise additional funding for the final stages of the commercial scale pilot test of RF XL. A delay in the testing program may result in additional costs and a delay in technology commercialization. To mitigate this risk, the Company plans to prioritize the RF Heating segment by concentrating capital allocation and resource deployment to it.

Acceleware intends to continue identifying opportunities to raise its profile, support focused industry organizations and further strengthen relationships with key members of the clean-tech community in a measured fashion with minimal financial expenditures. In an effort to preserve financial flexibility during the unprecedented market conditions caused by COVID-19, Acceleware will control operating expenses and limit capital expenditures. New R&D investments are expected to be financed through a combination of internal cash flow generated through the software business, existing funding, and external financing as may be required.

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 and Modular RF, its patented and patent-pending low-cost, low-carbon production technologies for heavy oil and oil sands that are materially different from any heavy oil recovery technique used today. They will use no water, require no solvent, have a small physical footprint, can be redeployed from site to site, and can be adapted to a multitude of reservoir types, while expected to greatly reduce and eventually eliminate production of greenhouse gas emissions (GHG). In shallow oil sands implementations, no tailings ponds will be required.

Our 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 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 Acceleware's plans to focus on revenue streams that offer the highest margins, secure an alternative test site and partner for the RF XL technology, Acceleware's strategy to finance the RF XL technology, the anticipated benefits of the RF XL technology and the impact of the novel coronavirus disease known as COVID-19 and the impact from changes in oil and natural gas production levels of both the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC countries. Acceleware assumes 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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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