

Acceleware Ltd. Reports Third Quarter 2023 Financial and Operating Results

CALGARY, Alberta, Nov. 22, 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 nine months ended September 30, 2023 (all figures are in Canadian dollars unless otherwise noted). 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 nine months ended September 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 the three months ended September 30, 2023 ("Q3 2023"), encouraged by positive results to date, the Company worked closely with industry partners to determine the most appropriate next steps in the workover. Several options were analyzed that could allow for demonstration of RF XL in an operational environment, and each was ranked by probability of success. During Q3 2023, a refined configuration of RF XL was finalized including many upgraded components, improved deployment tools, and modified operational procedures based on experience to date. Please refer to the *RF XL Pilot Update* section below for more information, and to the MDA for a complete RF XL Pilot update.

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Revenue	\$ 62,467	\$ 53,282	\$ 235,421	\$ 255,237
Comprehensive loss	1,272,006	1,000,346	2,663,121	3,796,255
Gross R&D expenditures	798,544	592,443	2,188,545	4,454,625
RF XL Pilot deferred revenue	—	—	—	1,200,000
Cash flows from financing	909,401	(3,801)	1,209,829	2,180,334

The Company had cash on hand of \$0.3 million (December 31, 2022 - \$1.1 million), up to \$4.4 million of amounts committed but not yet received from government grants and three major oil-sands producers (December 31, 2022 - \$1.4 million), and negative working capital, excluding cash, of \$2.9 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. On December 3, 2022, the Company signed a promissory note payable for \$678,774, bearing interest at 9.45% per annum and secured with a general security agreement over the Company's assets. The principal and accrued interest amount of the promissory note is included in working capital. As at September 30, 2023, \$746,849 of principal and accrued interest remains outstanding and the counterparty has agreed to amended terms. Repayment is expected on or about December 31, 2023 and the interest rate was increased to 11.85% per annum beginning July 1, 2023.

In addition, recent highlights during the three months ended September 30, 2023, included:

- On November 6, 2023, Acceleware announced non-dilutive, non-repayable [funding from the Clean Resource Innovation Network](#) ("CRIN") 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. This funding is intended to accelerate clean technology development and commercialization for the oil and gas industry. No amounts have been received as of November 21, 2023.
- On August 21, 2023 Acceleware closed a [non-brokered private placement](#) of units which consisted of one common share of the Company and one common share purchase warrant. The Company distributed a total of 1,949,036 units at a price of \$0.23 per unit for total gross proceeds of \$448,278. The proceeds will be used to fund a portion of the RF XL Pilot workover and for general corporate purposes.
- On August 2, 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 had invited Acceleware to submit a proposal for subsequent project phases which could lead to the development of a commercial scale drying platform. Acceleware has submitted a proposal and awaits approval from IMII.

RF XL PROJECT UPDATE

The Acceleware team re-commenced on-site workover operations on August 8, 2023 after completion in the first half of 2023 of extensive design, procurement, shop testing and de-risking of repaired parts, upgraded components, run-in-hole procedures, and deployment tooling. While challenges were encountered in redeploying upgraded components subsurface, to the best of the Company's management's knowledge, the RF XL Pilot has demonstrated greater success than any radio frequency pilot to date. The Company has met with its industry partners to develop and discuss options to resume testing. Technical plans and

next steps for resuming operations were designed following these collaborative discussions. Each alternative plan has a range of probability, cost and timeline for deployment. Although the challenge in resuming operations results in additional cost and time, the updated technical plans allow Acceleware to deploy upgraded components to improve operations or address known concerns. Acceleware remains encouraged by the operation of the RF XL Pilot, in particular no known operability concerns of the RF XL technology itself.

Acceleware is looking to proceed with the option that has the highest probability of success and lowest risk, backed by the most partner support. 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 financing, partner investment, availability of rigs, weather conditions at site, supply chain availability, delivery timing, and the successful deployment of repairs and components.

Using the most likely scenarios moving forward, Acceleware estimates a range of net cost for the RF XL Pilot of between \$30 million and \$33 million. Net cost includes estimated gross costs of between \$31 million and \$35 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 the cost estimate stemming from the number of alternatives being studied, each with its own cost profile. There is also 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 the three months ended September 30, 2023 ("Q3 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 September 30, 2023 were approximately \$28.0 million (December 31, 2022 - \$25.9 million). The remaining cash committed but not yet received from SDTC, ERA, and CRIN including holdbacks receivable was \$3.5 million as at September 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 September 30, 2023 (December 31, 2022 – \$1.4 million).

QUARTER IN REVIEW

Revenue of \$0.1 million was generated in the three months ended September 30, 2023 compared to \$0.1 million in the three months ended September 30, 2022 ("Q3 2022") and \$0.1 million in the previous quarter ended June 30, 2023 ("Q2 2023"). Revenue in Q3 2023 included software and maintenance revenue. Revenue was slightly stronger in Q3 2023 in the HPC segment for FDTD software compared to Q3 2022 and Q2 2023 but was lower for seismic software due to less demand. There continues to be variability in the RF Heating segment for revenue related to services in applying CTI to industrial heating. While interest has increased in the intelligent electric heating service offering, there was no revenue in Q3 2023. Acceleware did not receive any data revenue payments during Q3 2023, Q3 2022 or Q2 2023 for the RF XL Pilot. These payments, when historically 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 Q3 2023 was \$1.3 million compared to a comprehensive loss of \$1.0 million for Q3 2022 and a comprehensive loss of \$1.1 million for Q2 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, comprehensive loss was higher for higher interest costs related to current liabilities funding the Company's working capital and fluctuating levels of R&D spending and government assistance for R&D activities.

Gross R&D expenses incurred in Q3 2023 were \$0.8 million compared to \$0.6 million in Q3 2022 and \$0.6 million in Q2 2023. R&D spending was higher in Q3 2023 compared to Q3 2022 and Q2 2023 due to on-site workover activities. Government assistance received in Q3 2023 was \$0.1 million and nil in Q3 2022 and Q2 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 replaced Alberta's 10% scientific research and experimental development refundable tax credit that was eliminated as at December 31, 2019. The Company met the eligibility criteria, claimed eligible R&D expenditures for 2021 and 2022 and received and recognized \$0.4 million in Q1 2023 and \$0.1 million in Q3 2023. In Q3 2022 and Q2 2023 there was \$nil million government assistance received and recognized related to the RF XL Pilot. Government assistance offsets gross R&D costs.

General and administrative ("G&A") expenses incurred in Q3 2023 were \$0.6 million compared to \$0.5 million in Q3 2022 and \$0.5 million in Q2 2023. There were higher non-cash payroll related costs incurred in Q3 2023 due to the timing of option grants, higher professional fees and lower salaries as 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 nine months ended September 30, 2023 compared to \$0.3 million for the nine months ended September 30, 2022. Although revenue is more diversified in 2023 with a significant contribution from services revenue, revenue was lower due to lower demand for HPC software and maintenance revenue. Services revenue relates to RF simulation and experimental studies paid by customers interested in applying CTI for their industrial heating needs. Industries outside heavy oil have also become interested in utilizing CTI for industrial heating, including mining, agriculture, and hydrogen. Acceleware did not receive any non-refundable milestone cash payments during the nine months ended September 30, 2022 compared to \$1.2 million received during the nine months ended September 30, 2022. When received, these payments are recorded in deferred revenue.

Total comprehensive loss for the nine months ended September 30, 2023 was \$2.7 million compared to \$3.8 million for the nine months ended September 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 and interest expense due to short- and long-term debt financing.

Gross R&D expenses for the nine months ended September 30, 2023 were \$2.2 million compared to \$4.5 million incurred during the nine months ended September 30, 2022 due to lower cost R&D activity on the RF XL Pilot during the nine months ended September 30, 2023. There was a significant amount of non-recurring installation costs for the RF XL Pilot incurred in the early part of 2022. Federal and provincial government assistance of \$0.6 million was recognized in the nine months ended September 30, 2023 compared to \$1.3 million for the nine months ended September 30, 2022 as the ERA and SDTC and Alberta Innovates grants for the RF XL Pilot near completion.

G&A expenses incurred during the nine months ended September 30, 2023 were \$1.4 million compared to \$1.5 million for the nine months ended September 30, 2022 a decrease of \$0.1 million primarily due to lower salaries as the Company continues to prioritize cost management, partially offset by higher non-cash payroll related costs for option grants.

As at September 30, 2023, Acceleware had negative working capital of \$2.6 million (December 31, 2022 – negative working capital of \$0.6 million) including cash and cash equivalents of \$0.3 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. During the nine-months ended September 30, 2023, Acceleware submitted the first claim for reimbursement under the new \$3 million CRIN grant funding agreement noted above. No amounts have been received as of November 21, 2023. Increasing the deficit is deferred revenue of \$4,350,000 as at September 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 RF XL 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.

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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