Acceleware Ltd. Reports Third Quarter 2018
Financial and Operating Results

CALGARY, Alberta – November 28, 2018 – Acceleware® Ltd. (“Acceleware” or the “Company”) (TSX-V: AXE), a leading developer of radio frequency (RF) heating technology to facilitate cost-effective and environmentally-friendly extraction of heavy oil and bitumen, as well as high-performance seismic imaging applications, today announced its financial and operating results for the three and nine months ended September 30, 2018 (all figures are in Canadian dollars unless otherwise noted). This news release should be read in conjunction with the Company’s unaudited condensed interim financial statements for the three and nine months ended September 30, 2018 and Management’s Discussion and Analysis (“MD&A”) thereto, and the audited consolidated financial statements for the year ended December 31, 2017 and the MD&A thereto. The above documents are available on Acceleware’s website at www.acceleware.com or on SEDAR at www.sedar.com.

Q3 2018 FINANCIAL SUMMARY AND OPERATING HIGHLIGHTS

During the third quarter, Acceleware’s revenue increased by 11% compared to the third quarter of 2017, led by the software and services segment. Given the RF heating segment represents a key driver of future growth, Acceleware has ramped up investment in research and development (R&D) within this segment through the first nine months of 2018. R&D activities included engineering, design and prototyping work related to the Company’s planned commercial-scale test of its proprietary RF XL technology and the preparation of additional patent applications.

During Q3 2018, the Company completed contribution agreements, which provided a total of $10 million in non-repayable grants, with both Sustainable Development Technology Canada (SDTC) and Emissions Reduction Alberta (ERA). This capital infusion enabled Acceleware to commence the construction of the commercial-scale pilot with Prosper Petroleum Ltd. at its Rigel property in northeast Alberta.

- Revenue generated was $263,978 in Q3 2018, 11% higher than the $237,576 recognized during Q3 2017. The year-over-year increase is primarily due to a 420% increase in custom software consulting revenue. Compared to $350,098 recorded in Q2 2018, revenue decreased 25% in Q3 2018 primarily as a result of lower consulting revenue associated with High Performance Computing (HPC) training and lower seismic software maintenance revenue.

- Strategic investments in RF heating R&D associated with the commercial-scale test of RF XL contributed to an operating loss that was 55% higher in Q3 2018 at $1,042,828 compared to $674,274 in Q3 2017, and 62% higher than the loss of $645,643 recorded in Q2 2018. The R&D
expenses incurred to date remain in line with management’s expectations and have positioned the Company to aggressively advance its commercial-scale test which is expected to commence heating in 2019.

• Total comprehensive loss for Q3 2018 was $1,051,292, 15% higher than the total comprehensive loss of $913,738 recorded in Q3 2017, again driven by the higher investments into Acceleware’s RF heating R&D. The total comprehensive loss increased 63% compared to Q2 2018 which totaled $645,911.

• Working capital deficit at September 30, 2018 was $679,294 compared to a working capital surplus of $403,501 at December 31, 2017. The decrease in working capital reflects lower cash and cash equivalents of $279,276 compared to $781,315 at December 31, 2017 owing to the expanded R&D investments to date in 2018. However, subsequent to the quarter end, Acceleware’s working capital deficit and cash balance significantly improved as a result of the project financing agreements noted below, and the Company is financially well-positioned to execute its commercial-scale test.

NINE MONTHS ENDED SEPTEMBER 30, 2018 FINANCIAL SUMMARY

Although Acceleware posted strong year-over-year results for Q2 and Q3 2018 compared to the same periods in 2017, a weaker Q1 2018 contributed to lower revenue in the nine months ended September 30, 2018 relative to the nine months ended September 30, 2017.

• Revenue was 25% lower in the nine months ended September 30, 2018 at $784,335 due to lower RF heating revenue, compared to $1,084,377 recorded in the nine months ended September 30, 2017. This decline was partially due to the Company having sold data from a field test of RF XL in the first nine months of 2017, coupled with lower seismic software product revenue and lower software maintenance revenue in 2018 relative to 2017.

• Operating loss rose 38% to $2,522,350 in the nine months ended September 30, 2018 from $1,829,946 recorded in the nine months ended September 30, 2017 due to lower revenue, higher R&D expense and higher G&A expense related to share-based compensation, including stock options.

• Total comprehensive loss was $2,536,580 in the nine months ended September 30, 2018, an increase of 27% compared to a loss of $2,003,794 recorded in the nine months ended September 30, 2017.
RF HEATING BUSINESS SEGMENT

RF XL is Acceleware’s patented and patent-pending RF heating technology, designed to improve the extraction of heavy oil and bitumen, which has the potential to save billions of dollars in oil sands production costs. When applied, the technology has the potential to reduce both capital and operating costs, while offering significant environmental benefits, including immediate greenhouse gas (“GHG”) emission reductions, a substantial decrease in land use, the elimination of external water or solvent needs and no requirement for tailings ponds. As an electrically-driven process, Acceleware also believes that RF XL technology can provide a clear pathway to zero-GHG production of heavy oil and oil sands and provide optimal alignment with government goals to recognize innovation as part of the solution in the province’s overall emission reduction plans.

During the third quarter of 2018, the Company continued to invest in RF heating R&D. Activities included engineering, design and prototyping work related to the Company’s planned commercial-scale test of RF XL, and the preparation of additional patent applications. Acceleware is pleased with its progress to date in 2018, and as a result of the milestones achieved, currently has:

- Commenced manufacturing and testing of the prototype RF generator with partner GE;
- Advanced the design concepts for the drilling and completion of the RF XL and production wells, and continued its work on the design of surface facilities;
- Completed contribution agreements with both SDTC and ERA providing a total of $10 million in non-repayable grants, allowing for the commencement of the commercial-scale pilot with Prosper Petroleum Ltd. at its Rigel property in northeast Alberta;
- Solidified financing for the RF XL pilot by way of entering into a consulting agreement with Advanced Micro Devices, Inc. (AMD). Over the next four months, the Company will receive total cash compensation of US$2.51 million from AMD in exchange for custom software engineering resources and consulting services. As part of the consulting agreement, Acceleware’s custom software development team will transition to become AMD employees and the Company will also provide certain consulting services to AMD; and
- Secured investment from a major Calgary-based oil sands producer (the “Producer”) for the commercial-scale RF XL pilot test. The Producer will provide funding of up to $2 million toward the RF XL pilot under the terms of a project funding agreement with Acceleware.

Loss from operations attributed to the RF heating segment in Q3 2018 increased 88% to $1,013,330 compared to $558,538 in Q3 2017, due to the significant increase in R&D expense. Operating loss for RF heating was also 61% higher in Q3 2018 compared to the loss of $628,420 recorded in Q2 2018 attributable to the higher R&D expenses.
SOFTWARE AND SERVICES BUSINESS SEGMENT

Acceleware's Software and Services 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. This segment also includes electro-magnetic (EM) simulation software and software development services including porting, acceleration assessments and mentoring.

During the third quarter of 2018, the Company experienced increased demand for products and services in both oil and gas and non-oil and gas verticals.

- Recognized software and services revenue of $263,978 was 22% higher than the $216,876 recognized during Q3 2017 due to higher consulting services revenue for oil and gas customers. Compared to the $350,978 recognized in the previous quarter, software and services revenue were 25% lower reflecting lower seismic product revenue and lower HPC training revenue.

- Operating loss attributed to software and services in Q3 2018 was 78% lower at $29,498, compared to a loss of $136,436 in Q3 2017 due to higher revenue and a lower cost of revenue. Software and services operating loss increased in Q3 2018 compared to the operating loss of $17,223 recorded in Q2 2018 attributable to lower revenue.

OUTLOOK

Through the balance of 2018, the Company will focus on pursuing revenue streams that offer the highest margins – seismic imaging and EM software, and RF heating consulting services. As the Company continues to develop its RF heating technology, new research and development investments will be financed through a combination of internal cash flow from the software business, existing financing and external financing as may be required. Acceleware estimates the cost to complete its RF XL commercial-scale pilot will range between $16 to $20 million. With the $10 million in non-repayable funding from SDTC and ERA, the Producer’s $2 million in funding, the AMD agreement plus other funds, Acceleware has successfully raised a total of over $15 million in non-dilutive capital financing to date, affording the Company a strong financial position to further advance the 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 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 greenhouse gas emissions (GHGs). 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, the anticipated costs of the commercial-scale test of RF XL, Acceleware’s strategy to finance the RF XL technology, and the anticipated benefits of the RF XL technology. Acceleware assumes that the current timeline for the RF XL pilot is achievable, 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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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.

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