Acceleware Ltd. Reports Fourth Quarter and Year End 2019
Financial and Operating Results

CALGARY, ALBERTA – April 22, 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 year ended December 31, 2019 (all figures are in Canadian dollars unless otherwise noted). Acceleware’s year end 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 audited financial statements for the year ended December 31, 2019 and management’s discussion and analysis (“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

Acceleware achieved several key milestones in 2019 throughout the organization which advanced the development of its patented and patent-pending RF XL heating technology, while also taking steps to enhance the Company’s position ahead of the planned commercialization of the transformative RF XL heating technology.

The commercial-scale test of RF XL has been announced as drill-ready following the Company’s gross investment of approximately $2.1 million in research and development during the year ended December 31, 2019 (December 31, 2018 – approximately $4.0 million), which led to several successful outcomes, including:

- **Industry Partner Peer Review:** A strong collaboration with a major oil sands operator including 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 and Testing:** Completion of a robust engineering de-risking program related to critical well design components including thermal, electrical, and mechanical strength. The testing program validated performance in a wide range of operational conditions.

- **Third Party Engineering, Design and Testing:** Securing 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,
thus allowing Acceleware to be poised to benefit from years of experience within our energy industry.

- **Positive Field/Lab Experiment**: Realized successful test metrics from a field test completed in the fourth quarter 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.

Six new patent applications were filed in 2019 protecting various proprietary technologies related to the RF heating research and development. Progress was made on eight patent applications being readied for filing covering areas related to key technologies in RF Heating, and the Company continues to work closely with the patent offices and its intellectual property advisors.

In addition to the key operational advancements outlined above, Acceleware achieved meaningful impact in its efforts to drive awareness and position its RF Heating technology in the clean-tech field across several avenues. The Company was invited by Clean Resource Innovation Network (“CRIN”) to present at an event in Ottawa in May and also co-hosted a follow-up event in Calgary with CRIN and Petroleum Technology Alliance Canada in June. These events have created momentum for Acceleware to establish working groups for clean technology and increase the depth and breadth of its advisory board. Acceleware’s involvement with CRIN also led to a series of six articles published by JuneWarren-Nickle’s Energy Group (“JWN”) focused on the Company’s RF Heating technology and its impact on Canada’s evolving energy landscape. The relationship with JWN also created the opportunity for Acceleware to be nominated across several different categories as a potential recipient of the Energy Excellence Awards in 2020. During the latter half of 2019, the Company launched a new corporate website and implemented targeted outreach programs designed to further build Acceleware’s potential customer base, attract new investors and optimally engage with other stakeholders.

**FINANCIAL SUMMARY HIGHLIGHTS**

Revenue of approximately $1.5 million generated in 2019 from the Company’s software, maintenance and services sales exceeded expectations as the Company successfully signed contracts with international customers under its new HPC software revenue model, which features direct sales of seismic software to oil and gas companies using new licencing models. Revenue in 2018 was $4.3 million, and included approximately $3.3 million earned from a single contract with a Canadian affiliate of Advanced Micro Devices, Inc. (“AMD”) under a consulting services agreement. Were this one-time contract payment to be excluded from 2018, the run-rate revenue generated in 2019 would be the highest of the past three years.

Total comprehensive loss for the year ended December 31, 2019 was approximately $1.6 million (December 31, 2018 – approximately $0.1 million) as the majority of spending focused on research and
development 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. Federal and provincial government assistance of approximately $1.2 million was recognized in 2019 (December 31, 2018 - $1.8 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 research and development expenses as the spending is incurred.

At year end 2019, Acceleware had working capital of approximately $1.0 million (December 31, 2018 – approximately $2.0 million) including cash and cash equivalents of approximately $4.4 million (December 31, 2018 – approximately $3.2 million). The increase in cash is attributable to the receipt of government assistance milestone funding for the RF XL field test.

2019 FINANCIAL RESULTS

- Revenue totaled $1,453,924 in 2019, compared to $4,317,361 in 2018, which includes $3,276,848 of non-recurring revenue associated with work completed under a consulting services agreement with AMD. Excluding this, revenue in 2019 would be $413,411 higher due solely to new contracts under the revised HPC software licensing model.

- Total expenses decreased 34% to $2,962,013 in 2019, supported by lower expenses across the organization. Cost of revenue decreased 96% due to fewer technical staff engaged in custom software development. General and administrative (“G&A”) expenses decreased 5% primarily due to decreased payroll and payroll related expenses. Research and development (“R&D”) expenses fell 66% as a result of decreased payroll spending and consulting costs as the Company’s resources and activities were focused on executing a successful field test of the RF XL Heating technology.

- Total comprehensive loss for the year ended December 31, 2019 was $1,558,810, a significant increase compared to $98,622 in the prior year. The higher total comprehensive loss in 2019 is largely attributable to the decrease in revenue noted above partially offset by decreases in expenses during 2019.

- Loss per share, basic and diluted, increased to $0.015 as at December 31, 2019 compared to $0.001 per share as at December 31, 2018, driven by the decrease in revenue noted above and an increase in shares outstanding following the exercise of options during the year.

- R&D expenditures were $687,519 for the year ended December 31, 2019 compared to $2,019,879 for the year ended December 31, 2018. RF Heating R&D expenses were 63% lower in 2019 due to the higher external engineering design activity that occurred in the latter half of
2018 associated with the Company’s commercial-scale test of RF XL. In 2019, much of the R&D activity was carried out by in-house staff. HPC R&D investment decreased 75% as the Company shifted its focus to the RF XL heating technology.

- G&A expenses of $2,271,641 in 2019 were 5% lower than the $2,393,999 reported in 2018. G&A for RF Heating remained relatively stable while HPC G&A declined 11% due to reduced personnel costs associated with the cessation of the custom software development business.

- Cash flow provided by operations totaled $1,294,175 for 2019, compared to $1,402,152 for the prior year. Cash used in operations before changes in non-cash working capital was $868,859 for the year ended December 31, 2019 compared to cash provided by operations before changes in non-cash working capital of $625,560 in 2018, related to payments received in that year under the AMD contract.

**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’s application and all supplemental requested information for its planned commercial-scale test pilot of RF XL at the Rigel oil sands property in northeast Alberta was submitted to the Alberta Energy Regulator (“AER”) in early 2019. Timing of the receipt of regulatory approval, however, remains uncertain. During the latter half of 2019, in the interests of accelerating the timeline for the test, Acceleware advanced discussions with several interested producers regarding potential alternative test sites and partnerships. In early 2020, the Company had narrowed the number of producers it was in discussions with and is continuing efforts to secure a new test site location. Should a new test site be confirmed, a new application to the AER will be submitted upon approval from the Company’s funding partners.

Q4 2019 Results Summary

- Lower software license revenue from the Company’s AxHEAT RF heating simulation software drove RF Heating revenue lower in Q4 2019 to $2,340, compared to $42,484 in Q4 2018 and $15,925 in Q3 2019.

- Expenses attributed to RF Heating in 2019 were 41% lower than in Q4 2018 and 4% lower than the previous quarter. Lower salary and contractor expenses contributed to Q4 2019 RF Heating G&A expenses declining 43% over Q4 2018, but increased 9% relative to Q3 2019 due to additional legal costs related to patent filings. RF Heating R&D expenses fell 35% in Q4 2019 compared to Q4 2018 due to lower spend on salary and contractor expenses, while 26% lower RF Heating R&D expense in Q4 2019 over Q3 2019 is due to higher contractor and materials costs in the prior quarter related to the ramp-up of activity for the commercial-scale test of RF XL technology.
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 through a direct sales model.

Q4 2019 Results Summary

- HPC revenue decreased 96% to $152,375 in Q4 2019 compared to $3,490,542 in Q4 2018 due to the one-time payment associated with the AMD contract. HPC revenue decreased 16% over the prior quarter due to a reduction in direct sales seismic imaging maintenance revenue from fewer seismic imaging maintenance renewals, and decreased services revenue from the strategic decision to end most HPC service offerings in 2018.
- HPC expenses decreased 20% to $197,149 in Q4 2019 compared to $245,954 in Q4 2018 and $233,665 in Q3 2019 due to the strategic decision to cease most HPC service offerings at the end of 2018.

OUTLOOK

Building on its proven track record of successful development and commercialization of its 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 investment technologies. 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 prudently plans to prioritize the RF Heating segment by concentrating capital allocation and resource deployment to it.
As part of its ongoing growth plans and strategy, Acceleware has invested in various enhancements across the organization, including augmenting its management team, increasing online and marketing efforts to broaden the audience of potential customers and investors, while continuing to leverage the support of industry associations. To further the success realized to date, 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