CALGARY, ALBERTA – August 26, 2020 – Acceleware® Ltd. (“Acceleware” or the “Company”) (TSX-V: AXE), an innovator and leading developer of transformative clean-tech energy technologies, today announced its financial and operating results for the three and six months ended June 30, 2020 (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 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 and six months ended June 30, 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 second 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 across 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. 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. Subsequent to June 30, 2020, Acceleware submitted an experimental scheme application to the Alberta Energy Regulator for approval to commence site work on the commercial-scale test. Assuming timely regulatory approvals, the Company continues to anticipate testing results in 2021 and full commercialization of RF XL targeted for 2023.

There were new patent applications filed in Q2 2020 to protect various proprietary technologies related to the RF Heating research and development (“R&D”), for a total of 21 patent applications filed and pending. Significant progress was also made in Q2 2020 on the development and prosecution of key RF Heating patent applications 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 the first half of 2020 risk mitigation activities continued. These activities included several successful outcomes and a major
advancement with the successful conclusion of the full power test of two modules of the RF converter prototype, along with certain RF energy transmission components that will comprise the downhole section of the RF XL system. Each converter prototype module is designed to deliver up to 250 kilowatts ("kW") of RF power and in Acceleware’s commercial-scale prototype, eight modules will be combined to deliver a total of 2 megawatts ("MW") of power. Acceleware believes the 500 kW test represents an unprecedented level of RF power for any field test of an RF heating system designed for heavy oil production and validates the operation of the entire RF XL system at full power at the Company’s desired efficiency.

During the quarter, the Company also appointed Ms. Caralyn Bennett of GLJ Petroleum Consultants, a leading energy resource consulting firm, to the Company’s Board of Directors. In addition to complementing Acceleware’s leadership and advisory team, Ms. Bennett’s focus on advancing Environmental, Social and Governance (“ESG”) initiatives and reporting within the energy industry aligns very well with the Company’s focus on enabling cost-effective and environmentally-friendly extraction of heavy oil and bitumen through its proprietary RF XL heating technology.

Acceleware also realized meaningful impact in its efforts to drive external awareness and position its RF Heating technology more prominently in the oil and gas and clean-tech communities. Several new blog posts and videos were released via social media, which feature discussions on the RF Heating technology by Acceleware’s engineering team. The collection of videos is available for viewing at the following link: https://www.acceleware.com/learn/videos.html.

Acceleware has presented its story to numerous media outlets, including the Danielle Smith Show on AM 770 CHQR radio; the Crowsmen Energy Show; Over a Barrel, a podcast hosted by the Canadian Heavy Oil Association; and in a Global Energy Show webinar on zero greenhouse gas ("GHG") production of heavy oil and oil sands reservoirs. Through the balance of the summer, the Company is scheduled to be featured in a podcast hosted by the Alberta Clean Technology Industry Alliance and is excited to have released a whitepaper on the potential for a zero-GHG project for oil sands and heavy oil producers due to electrification through RF XL. The whitepaper can be accessed from the Company’s website at the following link: https://www.acceleware.com/learn/whitepapers.html.

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. The first two articles in the series can be accessed here:


The Company’s relationship with JWN also led to Acceleware’s nomination as a finalist in the JWN Energy Excellence Awards in the category of “Environmental Excellence: Land”, details of which are available at the following link: https://www.jwnenergy.com/article/2020/4/energy-excellence-awards-companies-earn-high-marks-efforts-shrink-land-footprint-oilsands/.
Through the first half of 2020, oil prices fell precipitously due to a drop in global demand triggered by the COVID-19 pandemic. In March and April 2020, oil 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 has 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 August 1, 2020. Acceleware has not applied for any other COVID-19 related government programs announced as of August 25, 2020.

Revenue of approximately $0.6 million was generated in the three months ended June 30, 2020 (“Q2 2020”) compared to approximately $0.2 million in the three months ended June 30, 2019 (“Q2 2019”). The Company successfully closed a meaningful contract with an international customer in Q1 2020 within its HPC software segment and the majority of the work completed in Q2 2020. The remaining revenue for the contract will be recognized as the work is performed. Revenue of approximately $0.1 million was generated in the three months ended March 31, 2020 (“Q1 2020”), which was lower than in Q2 2020 due to the above mentioned contract and due to the expiry of software maintenance licences at the end of 2019.

Total comprehensive loss for Q2 2020 was approximately $0.1 million (Q2 2019 – approximately $0.5 million) or approximately $0.4 million less than in Q2 2019 due to the above-mentioned increase in revenue.

Gross R&D expenses incurred in Q2 2020 were approximately $0.4 million (Q2 2019 – approximately $0.5 million). Federal and provincial government assistance of approximately $0.3 million was recognized in Q2 2020 (Q2 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 arising from the COVID-19 pandemic, SDTC increased its funding level by 5% and an additional $250,000 was received and recorded in accounts payable and accrued liabilities as at June 30, 2020. ERA also announced it was reducing the holdback percentage and an additional $42,169 was received in Q2 2020.

General and administrative (“G&A”) expenses incurred in Q2 2020 were approximately $0.5 million (Q2 2019 – approximately $0.6 million) or $0.1 million lower than in Q2 2019 due to lower payroll and consulting-related costs. The Company continues to prioritize cost management in these uncertain economic conditions.

YEAR TO DATE
Revenue of approximately $0.7 million was generated in the six months ended June 30, 2020 compared to approximately $1.1 million in the six months ended June 30, 2019. The Company successfully closed a meaningful contract with an international customer in Q1 2020 within its HPC software segment and the majority of the work was completed in Q2 2020 resulting in approximately $0.6 million revenue. In the first half of 2019, the Company recorded significant revenue stemming from a sale of software licenses for seismic imaging software sold directly to oil and gas customers.

Total comprehensive loss for the six months ended June 30, 2020 was approximately $0.5 million compared to approximately $0.4 million in the six months ended June 30, 2019 due to the above-mentioned decrease in revenue and increased spending focused on 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 the six months ended June 30, 2020 were approximately $1.2 million compared to approximately $1.0 million in the six months ended June 30, 2019. Federal and provincial government assistance of approximately $0.7 million was recognized in the six months ended June 30, 2020 compared to approximately $0.7 million in the six months ended June 30, 2019, which offset research and development costs incurred.

G&A expenses incurred in the six months ended June 30, 2020 were approximately $0.9 million compared to approximately $1.2 million in the six months ended June 30, 2019 due to lower payroll and consulting-related costs. The Company continues to prioritize cost management in these uncertain economic conditions.

As at June 30, 2020, Acceleware had working capital of approximately $0.7 million (December 31, 2019 – approximately $1.0 million) including cash and cash equivalents of approximately $3.5 million (December 31, 2019 – approximately $4.4 million). The decrease in cash is attributable to spending for the RF XL field test and an increase in trade accounts receivable for the above noted revenue contract.
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. Management believes that successful execution of its business plan will result in sufficient cash flow and new financing to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available.

**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 to 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

* 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
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 commercial-scale field test. 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 partnership with Broadview. As of early July 2020, the Company completed the application for regulatory approval of the project and is currently working with its service and component supply partners to update the budget and schedule for deployment of the test. *

Q2 2020 Results Summary

- RF Heating revenue was $nil in Q2 2020 compared to $2,250 in Q2 2019 and $nil in Q1 2020, driven by lower software license revenue from the Company’s AxHEAT RF heating simulation software. In addition to software and maintenance revenue, the Company continues to offer marketing simulation and feasibility services.

- RF Heating expenses declined 6% in Q2 2020 compared to Q2 2019 and decreased 26% over the previous quarter. RF Heating G&A expenses in Q2 2020 declined 16% over Q2 2019 and increased 11% over Q1 2020 due to changes in salary and employee-related expenses. RF Heating R&D expenses were 56% higher than in Q2 2019 and 65% lower than Q1 2020, due to changes in contractor and materials costs associated with the risk mitigation 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.

Q2 2020 Results Summary

- HPC revenue was $611,712 in Q2 2020, an increase of 190% compared to $211,225 in Q2 2019 and 637% higher than in the prior quarter due to the new licensing model referenced above and a meaningful contract signed in Q1 2020 for which work was completed in Q2 2020. Maintenance revenue decreased in the HPC division due to the expiry of software maintenance licences at the end of 2019. As of early 2019, the Company no longer offers HPC software consulting services and therefore has minimal services revenue.
- HPC expenses of $154,314 in Q2 2020 decreased 24% and 28% compared to $203,906 in Q2 2019 and $214,185 in Q1 2020, respectively, due to lower payroll and payroll-related costs.

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 electromagnetic 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 Acceleware’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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