Acceleware Ltd. Reports First Quarter 2022 Financial and Operating Results

CALGARY, ALBERTA – May 26, 2022 – Acceleware® Ltd. ("Acceleware" or the "Company") (TSX-V: AXE), a leading developer of technologies targeting low-cost and clean extraction of heavy oil and bitumen, today announced its financial and operating results for the three months ended March 31, 2022 (all figures are in Canadian dollars unless otherwise noted). Acceleware's quarter end results reflect contributions from the Company's two business units, comprised of radio frequency heating technology ("RF Heating"), which supports a cost-effective and environmentally friendly alternative to steam assisted gravity drainage ("SAGD") for the 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 and the accompanying notes for the three months ended March 31, 2022, and management's discussion and analysis ("MD&A") thereto, together with the audited financial statements for the year ended December 31, 2021, 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.

HIGHLIGHTS

The commercial-scale RF XL pilot project at Marwayne, Alberta (the "RF XL Pilot") is a final step before commercialization of the RF XL enhanced oil recovery technology. RF XL is the first application of the Company's patent-protected Clean Tech Inverter ("CTI"), a novel electrification "engine" for industrial heating. Acceleware believes the CTI can economically decarbonize many industry verticals through electrification with immediate application in the clean energy transition. Functionality of the CTI has already been proved through scaled field tests conducted in 2019 and 2020, and when combined with existing heating systems and an immediate appetite within industry to adopt a clean technology, can facilitate an economic decarbonization strategy for many organizations.

The drilling and completions program for the RF XL Pilot was finished during Q4 2021 and facilities installation followed and was complete in the first quarter of 2022. In March 2022 heating commenced, and as such the RF XL Pilot entered the final phase. As of May 25, 2022, the Company has successfully injected power into the RF XL system for over 60 days, a significant milestone. During this time, the Company has monitored the performance of the CTI and related components, including control systems, cooling system, temperature monitoring in the heating lines and in the CTI, and power and efficiency measurements. As anticipated, this phase has included trouble shooting and operational changes that have led to multiple insights which will further refine CTI design, performance, and economics and optimize RF XL technology and operations. Another significant milestone was reached early April 2022 with first oil production from the RF XL Pilot. Oil shipments commenced in May 2022.

As of April 5, 2022, the Company had closed two non-brokered private placements of 10% unsecured convertible debentures due 2026 for total gross proceeds of $2,215,000. Each debenture matures four years after the issue date and is convertible into units of the Company at a conversion price of $0.80.

Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share, at an exercise price equal to 200% of the conversion price of the debentures for a 24-month period following the distribution of the debentures. Net proceeds from the offering will be used to fund the further development and testing of the Company's RF heating technology and for general corporate purposes.

Acceleware estimates the net cost to construct and operate the RF XL Pilot for six months to be in the range of $21 million to $22 million. Estimated gross costs of $23 million to $25 million are net of an estimated $2 million to $3 million proceeds from the sale of produced oil. There is uncertainty in estimated proceeds from the sale of produced oil due to fluctuating oil prices and simulated production volumes. Operating cost estimates remain subject to fluctuating commodity prices, in particular electricity and unforeseen mechanical or electrical engineering costs due to uncertainty inherent in a commercial scale pilot program of this nature. As of March 31, 2022, total direct funding committed to the RF XL Pilot included $5 million from Alberta Innovates, $5.5 million from Sustainable Development Technology Canada ("SDTC"), $5 million from Emissions Reduction Alberta ("ERA"), and up to $6 million from three consortium members.

FINANCIAL SUMMARY

R&D spending in Q1 2022 declined significantly compared to the last two quarters, as the drilling program was completed in Q4 2021, surface facility installation was completed early in Q1 2022 and operations began in early March 2022. Cumulative RF XL Pilot expenses as at March 31, 2022 were approximately $23.0 million (December 31, 2021 - $20.4 million). The remaining cash committed but not yet received from SDTC, ERA and Alberta Innovates, including holdbacks receivable was $2.4 million as at March 31, 2022 (December 31, 2021 – $2.9 million) and amounts committed but not yet received from three major oil-sands producers were $2.4 million as at March 31, 2022 (December 31, 2021 – $2.8 million).

QUARTER IN REVIEW

Revenue of $0.1 million was generated in Q1 2022 compared to $0.3 million in the three months ended March 31, 2021 ("Q1 2021"). Revenue of $0.1 million was generated in the previous quarter ended December 31, 2021 ("Q4 2021"). Revenue in Q1 2022 was generated from software sales and maintenance with the largest amount attributable to maintenance. Higher revenue in Q1 2021 compared with Q1 2022 and Q4 2021 is attributable to sales of RF software within the RF Heating segment and a higher level of seismic maintenance activity. Revenue in Q1 2022 is similar to Q4 2021, with a comparable mix between software and maintenance. Acceleware also received non-refundable milestone cash payments of $0.5 million in Q1 2022 compared to $0.3 million in Q1 2021 which was 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 deferred revenue recorded on the statement of financial position as at March 31, 2022 is $3.45 million (December 31, 2021 – $3.05 million).

Total comprehensive loss for Q1 2022 was $1.9 million compared to a comprehensive loss of $.5 million for Q1 2021 and a comprehensive loss of $1.8 million for Q4 2021. The higher comprehensive loss in Q1 2022 compared to Q4 2021 and Q3 2021 is due to a lower ratio of government assistance recognized in Q1 2022 as the RF XL Pilot nears completion.

Gross R&D expenses incurred in Q1 2022 was $2.6 million compared to gross R&D expenses in Q1 2021 of $1.6 million and $5.2 million in Q4 2021. The higher level of spending in Q1 2022 and Q4 2021 over Q1 2021 is due to significant investment in the RF XL Pilot activities beginning in August of 2021. During Q1 2022, facility installation was completed and in Q4 2021 a significant portion of the drilling activity was completed. A lower level of federal and provincial government assistance of $1.1 million was recognized in Q1 2022 compared to $1.3 million recognized in Q1 2021 and $3.9 million recognized in Q4 2021, offsetting gross research and development costs.

General and administrative ("G&A") expenses incurred in Q1 2022 was $0.5 million compared to $0.4 million in Q1 2021 and $0.5 million in Q4 2021. The Company continues to prioritize cost control given uncertain economic conditions.

As at March 31, 2022, Acceleware had negative working capital of $0.4 million (December 31, 2021 – negative working capital of $0.9 million) including cash and cash equivalents of $2.4 million (December 31, 2021 – $1.9 million). The increase in working capital is attributable to the timing of receipt and recognition of government and partner funding and receipt of proceeds from the convertible debentures. Increasing the deficit is deferred revenue of $3,450,000 as at March 31, 2022 (December 31, 2021 – $3,050,000). 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.

RF 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 a cost effective and environmentally friendly alternative to

SAGD. 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
- substantial elimination of water treatment facilities and no need for 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.

RF Heating Results Summary

- RF Heating revenue was $nil in Q1 2022 compared to $85,000 in Q1 2021 and $11,250 in Q4 2021 due to sales of RF simulation software and simulation services, a relatively new revenue stream attributable to customers' interest in applying RF XL to specific reservoirs and operations. Since 2018, the Company has been successful selling data revenue agreements to major oil sands producers which provide the customer with the right to access and use data obtained from the RF XL Pilot. Under *IFRS 15 Revenue from Contracts with Customers*, these contracts do not meet all requirements for revenue recognition over-time, therefore revenue recognition defaults to the end of the contract. As at December 31, 2021, deferred revenue of $3,050,000 (December 31, 2020 – $750,000) has been recorded under these contracts for amounts that have been received in cash, and will be recognized as revenue once heating is complete or the contracts are terminated, whichever is earlier.

- RF Heating expenses for the three months ended March 31, 2022, were $1,869,687 or 202% higher than in Q1 2021 and 8% higher than in Q4 2021. R&D expenses were higher compared to both Q1 2021 and Q4 2021 due to lower government assistance recognized in Q1 2022. Additionally, gross RF XL Pilot expenses were significantly higher for contractor and materials costs in Q1 2022 and Q4 2021 compared to Q1 2021 due to higher activity for the RF XL Pilot. G&A expenses were higher compared to Q1 2021 and lower compared to Q4 2021 due to fluctuations in payroll and payroll related costs.

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

HPC Results Summary

- HPC revenue decreased to $82,407 in Q1 2022 compared to $186,106 in Q1 2021 but slightly increased to $75,780 in Q4 2021. Higher revenue in Q1 2021 was due to higher maintenance revenue for a large seismic contract. The Company's software revenue model results in relatively few overall sales transactions with higher overall revenue per transaction, which could potentially lead to increased volatility in quarterly revenue.

- HPC expenses for the three months ended March 31, 2022 were $116,093 or 19% lower than in Q1 2021 and 5% higher than in Q4 2021. G&A expenses were lower compared to Q1 2021 and higher compared to Q4 2021 due to fluctuations in share-based compensation expenses driven by the timing of grants. R&D expenses were $nil in all periods as the Company focuses on the RF XL Pilot.

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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, 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. Further, Acceleware's RF XL technology could be a key component of an end-to-end integrated carbon management system that can eliminate greenhouse gas (GHG) emissions associated with heavy oil and oil sands production, whether for fossil fuels, or for future clean bitumen by-products such as petrochemicals, carbon fibre, and blue or green hydrogen 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. In shallow oil sands implementations, no tailings ponds will be required.

Acceleware has partnered with Saa Dene Group (co-founded by Jim Boucher) to create 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 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 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.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.

DISCLAIMER

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.

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