Acceleware Ltd. Reports Fourth Quarter 2023 Financial and Operating Results

CALGARY, ALBERTA – March 21, 2024 – 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 the year ended December 31, 2023 (all figures are in Canadian dollars unless otherwise noted). Acceleware's year 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 audited financial statements and the accompanying notes for the year ended December 31, 2023 and management's discussion and analysis ("MDA") thereto, all of which are available on Acceleware's website at www.acceleware.com or on www.sedarplus.ca.

HIGHLIGHTS

Financial highlights for the three and twelve months ended December 31, 2023:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2023	Dec 31, 2022	**Dec 31, 2023**	Dec 31, 2022
Revenue	**$ 43,590**	73,056	**279,011**	328,293
Comprehensive income/ (loss)	**617,748**	(1,345,913)	**(2,045,373)**	(5,142,168)
Gross R&D expenditures	**684,437**	1,219,553	**2,872,982**	5,674,180
Deferred revenue increase	**--**	200,000	**--**	1,300,000
Government assistance	**2,064,434**	900,000	**2,618,242**	2,229,025

Acceleware is piloting RF XL at its commercial-scale RF XL pilot project at Marwayne, Alberta (the "RF XL Pilot"). During 2023, the RF XL Pilot was shut down for maintenance related to the RF XL heating well (the "Workover"). In late Q3, 2023 Acceleware encountered subsurface challenges in redeploying upgraded components during the Workover. In the three months ended December 31, 2023 ("Q4 2023"), encouraged by positive results to date, the Company worked closely with industry partners to determine the most appropriate next steps in the Workover. It was determined that the most practical path forward involves a redeployment of all subsurface components incorporating the multiple improvements and upgrades that Acceleware has made to the RF XL downhole system. Acceleware is actively sourcing an additional $5 million of funding to complete the redeployment. The redeployment is expected to enable higher power to be distributed in the reservoir for a sustained period in a second phase of heating. Please refer to the *RF XL PILOT UPDATE* section below for more information, and to the MDA for a complete RF XL Pilot update.

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 is 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. There was $2,064,434 received in Q4 2023.

Acceleware continued to invest in developing and protecting new intellectual property with the total number of patents issued, allowed, applied for, or in development growing from 44 at the end of 2022 to a total of 60 now.

RF XL PILOT UPDATE

Operations at Acceleware's RF XL Pilot began in early March 2022, and successfully operated until July 2022. At that time, the fibre optic distributed temperature sensing ("DTS") system in the heating well was damaged during a maintenance operation. After the DTS break, RF power was reduced for safety and a plan for the Workover was developed. The Workover commenced in October 2022, and included numerous upgrades of critical RF XL components. During redeployment of the system in Q1 2023 and Q3 2023 Acceleware identified degradation of some additional downhole components due to water ingress. The Company has now determined with our industry partners that the most practical path forward involves a redeployment of all subsurface components.

During the successful operation of the RF XL Pilot, performance data shows that the operation of the Clean Tech Inverter ("CTI") met or exceeded specifications. The CTI is the radio frequency ("RF") electronic 'engine' critical to RF XL Pilot success. A primary objective of the RF XL Pilot was to demonstrate the operation of the CTI and its effectiveness in transmitting RF energy downhole to increase temperature and improve oil production. Significant milestones achieved include:

- Acceleware drilled and completed the first of its kind multilateral heating well and associated production well in a previously produced heavy oil reservoir.
- The RF XL system (including the CTI) demonstrated unprecedented performance with the longest continuous run (142 days) and highest power (up to 250 kW) of any RF heating system.
- Maximum design current was transmitted from the CTI, through the proprietary transmission line, and radiated to the reservoir.
- Increased reservoir temperature and oil production were observed in the RF XL Pilot.
- The temperature profile and oil production increase matched simulated predictions given the levels of power radiated.

Additionally, critical components of the proprietary RF XL subsurface technology functioned as designed and expected.

The Workover was undertaken to address the DTS failure, during which time the engineering team took the opportunity to examine downhole components. As the Workover progressed, an issue was discovered with the downhole RF XL system resulting from water ingress into the RF transmission line during deployment and operation of the RF XL Pilot. Some moisture had been anticipated and was initially addressed via the RF XL Pilot's nitrogen purge and pressurization system which is designed to remove and prevent the return of fluids. Further analysis following the Workover suggests that this system was not able to manage the moisture levels encountered, resulting in degradation of some proprietary downhole components. For clarity, the moisture ingress issue pertained to tubing connections, not to core RF XL technology nor RF XL electronics. Acceleware has recreated the problem in lab tests and has designed and tested a solution. The damage is believed to be the primary impediment to Acceleware's ability to achieve full power in the first phase of heating at the RF XL Pilot. As mentioned on November 22, 2023, Acceleware planned to develop several solutions to this challenge and proceed with the option with the highest probability of success and the lowest risk. The Acceleware team, in consultation with industry partners, has developed what is believed to be a permanent, resilient solution for the issue.

Acceleware now plans to continue a second phase of heating after a significant subsurface upgrade plan to address the moisture ingress issue. Subsurface components not removed during the Workover will be removed,

refurbished, or upgraded, and then redeployed along with the components already upgraded during the original Workover program.

QUARTER IN REVIEW

Revenue of $0.04 million was generated in the three months ended December 31, 2023 ("Q4 2023") compared to $0.1 million in the three months ended December 31, 2022 ("Q4 2022") and $0.1 million in the previous quarter ended September 30, 2023 ("Q3 2023"). Revenue was lower in Q4 2023 and Q3 2023 due to less demand in the HPC segment for FDTD maintenance compared to Q4 2022. 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 Q4 2023 or Q3 2023. Acceleware did not receive any data revenue payments during Q4 2023 or Q3 2023 but received $0.2 million in Q4 2022 for the RF XL Pilot. These payments, when received, are 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 income for Q4 2023 was $0.6 million compared to a comprehensive loss of $1.3 million for Q4 2022 and a comprehensive loss of $1.3 million for Q3 2023. Comprehensive income was higher in Q4 2023 due to receipt of government assistance from CRIN relating to costs incurred from January 1, 2022 to June 30, 2023 and lower R&D spending. These increases are offset by higher interest costs related to current liabilities funding the Company's working capital. Comprehensive income/(loss) in all periods was impacted by changes in value of the derivative financial instruments embedded within the convertible debenture. The changes in derivative value are driven primarily by the fluctuation in the Company's share price.

Gross R&D expenses incurred in Q4 2023 were $0.7 million compared to $1.2 million in Q4 2022 and $0.8 million in Q3 2023. R&D spending was lower in Q4 2023 compared to Q4 2022 and Q3 2023 due to a change in the nature of the Workover activities. Most of the Workover activity in Q4 2023 was related to lab engineering, designing and testing, data analysis, and partner consultations. Government assistance received in Q4 2023 was $2.1 million and nil in Q4 2022 and $0.1 million in Q3 2023. While the ERA, SDTC and Alberta Innovates grants for the RF XL Pilot were completed in 2023, CRIN awarded up to $3 million and the Company received approximately $2.0 million of that in the year ended December 31, 2023.

General and administrative ("G&A") expenses incurred in Q4 2023 were $0.6 million compared to $0.6 million in Q4 2022 and $0.6 million in Q3 2023. There were higher non-cash payroll related costs incurred in Q4 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 IN REVIEW

Revenue of $0.3 million was generated from the Company's software, maintenance and services revenue streams for the year ended December 31, 2023 compared to $0.3 million for the year ended December 31, 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 year ended December 31, 2023 compared to $1.3 million received during the year ended December 31, 2022. When received, these payments are recorded in deferred revenue.

Total comprehensive loss for the year ended December 31, 2023 was $2.0 million compared to $5.1 million for the year ended December 31, 2022 due to lower R&D spending for the RF XL Pilot and higher government grant funding. 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 year ended December 31, 2023 were $2.9 million compared to $5.7 million incurred during the year ended December 31, 2022 due to lower cost R&D activity on the Workover during the year ended December 31, 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 $2.6 million was recognized in the year ended December 31, 2023 compared to $2.2 million for the year ended December 31, 2022. 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 and received $0.4 million in Q1 2023 related to 2021 eligible expenditures and $0.1 million in Q3 2023 related to 2022 eligible expenditures and $nil in Q4 2022. As at December 31, 2023 and 2022 there was $nil million government assistance receivable. Government assistance offsets gross R&D costs.

General and administrative ("G&A") expenses incurred during the year ended December 31, 2023 were $2.0 million compared to $2.1 million for the year ended December 31, 2022. While salaries were lower as the Company continues to prioritize cost management, there were higher legal and related professional fees for the equity offerings and higher non-cash payroll related costs for option grants.

As at December, 2023, Acceleware had negative working capital of $2.0 million (December 31, 2022 – negative working capital of $0.6 million) including cash and cash equivalents of $1.0 million (December 31, 2022 – $1.1 million). As at December 31, 2023 there is $1.2 million included in working capital for amounts due to management for services provided (December 31, 2022 - $0.8 million). The negative working capital for both periods is attributable to the timing of receipt and recognition of government and partner funding and related R&D spending. Not included in working capital is $2.6 million of funding that is committed but not yet received (December 31, 2022 - $2.4 million). Every funder, except ERA and SDTC, reimburses Acceleware for the RF XL Pilot costs in arrears, after the spending has occurred. The Company actively manages its cash flow requirements with a combination of cash generated from operations, external funding, and capital raising activities.

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ABOUT ACCELEWARE:

Acceleware 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 timing of the execution of the RF XL Pilot and the redeployment, expected financing required for the RF XL Pilot redeployment, and the anticipated economic and societal benefits of the RF XL technology. Acceleware assumes that current cost estimates are accurate, 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.

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