12 September 2018

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). This inside information is now considered to be in the public domain.

MYCELX TECHNOLOGIES CORPORATION (AIM: MYX)

Half Year Results Statement

For the six months ended 30 June 2018

Record H1 results on strong contract awards

MYCELX Technologies Corporation ("MYCELX" or the "Company"), the clean water technology company providing patented solutions for the Oil and Gas market and commercial industrial markets worldwide, is pleased to announce its interim unaudited results for the six months ended 30 June 2018 for which highlights are set out below.

Financial

- 107% increase in Revenue YoY: $12.2 million (2017 H1: $5.9 million)
- EBITDA of $2.7 million (2017 H1: $0.3 million)
- Net Profit of $1.5 million (2017 H1: net loss of $0.5 million)
- Gross profit margin of 51.4% (2017 H1: 52.2%)

Operational

Contract awards reflect the renewal of successful long-term installations, the initial results from the targeted business development efforts in the MENA region and the opening of new markets:

Saudi Arabia:

- Operating contract for long-term installation for process water treatment contract was renewed by SABIC on the same commercial terms for a further two years and valued at $5 million
- A new purchase order was secured from SABIC for a rapid response water treatment system that commenced operations in February 2018
- Awarded a new purchase order for a twelve-month extension for one of the Company's rapid response systems that was deployed in Q4 2017
- Secured a new purchase order for a three-month extension of the rapid response unit that was placed in February 2018 and was secured in collaboration with one of the Company's Saudi waste management partners

North America:

- Rental of offshore polisher system to existing customer to manage upsets during production
- With Schlumberger, sold REGEN for onshore, unconventional market treating produced water for frac fluid in Canada

Australia:

- Equipment sale marks the first sale into the LNG market

Post Period

- Nigeria: Successful installation of first produced water treatment system
- Europe: Produced water treatment trial for Enhanced Oil Recovery field upgrade
- Canada: EOR trial with major Canadian producer in 4Q 2018
- North America: Short term lease for water treatment at lubricants plant
- Saudi Arabia: further renewal of rapid response system deployment for additional three months

Outlook

Maintain strong momentum by:

- Leveraging business relationships and successful installations in the Middle East to continue to grow footprint throughout MENA
- Using successful produced water installation in Nigeria as reference site to secure more projects in-country
- Continuing to focus on EOR produced water trials in Canada and Europe which lead to equipment and recurring media sales
- Working with Schlumberger's global sales and marketing targeting unconventional market

Commenting on these results, Connie Mixon, CEO, said:

"The Company is pleased to report its strongest half year performance to date delivering $12.2 million in revenue, which is a 107% increase over H1 2017. EBITDA increased to $2.7 million resulting in net profit of $1.5 million. Momentum grew in Saudi Arabia with a series of contract wins adding to our existing installation base within SABIC, the leading petrochemical company. In addition to our SABIC success, the Company made its first equipment sale into the LNG market in Australia and our recurring media sales to legacy customers remained robust. Looking forward, our focus will be on sustaining momentum by converting our pipeline of opportunities in Saudi Arabia, Nigeria and North America which should keep us in line with current market expectations. We will also continue our proven strategy of engaging new customers for trials. We have secured trials at several opportunities in Canada and Europe for our proprietary RE-GEN media as the oil

price recovery has led to reinvigoration of Enhanced Oil Recovery (EOR) opportunities. Our successful trials, together with strategic partnerships such as Schlumberger, Saudi Waste Management companies and Polymer Flood specialists help to increase industry recognition of our differentiating technology and the superior performance it brings to our customers.

MYCELX is a technology company that continues to expand its exceptional water treatment expertise. MYCELX's growing knowledge base supports the innovation and commercialisation of next generation technology to meet the current and future needs of our customers. We are more reliable and cost effective than outdated conventional methods. The oil and gas and petrochemical industries are integrating MYCELX® technology into critical, real-time production and processes, where increased uptime performance goes straight to the bottom line. Our technology will deliver sustainable water treatment for years to come."

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Chairman's and Chief Executive Officer's Statement

Introduction:

MYCELX is pleased to report the 2018 half year results are the strongest in the Company's history. The Company has delivered $12.2 million in revenue, which is a 107% increase over H1 2017, and EBITDA of $2.7 million which resulted in $1.5 million in net profit. During the first half of 2018 market conditions for our core applications began to improve as the oil price increased to levels that support selective spending by producers. Our strategy of remaining close to our customers and continuing to conduct trials proved effective and the Company benefited once previously abandoned projects were reinstated. This close customer engagement and working with strategic partners was the foundation for the project wins during H1. Our strong H1 financial performance was primarily driven by a series of contract wins in the Middle East. These wins came about due to the reputation that we have established from our successful installations, which have been reliably treating process and waste water for reuse since 2008. We also made our first sale into the Australian LNG market and continued making consistent, recurring media sales to our legacy customers globally.

We continue to build up the market for our proprietary RE-GEN solutions. During the period the engineering team undertook our first RE-GEN installation in Nigeria to treat produced water for discharge and prepared for trials in Canada and Europe for EOR produced water treatment. Performing successful in-field trials has demonstrated RE-GEN's superior capability to leading EOR producers across the globe. These trials together with our strategic partnership with Schlumberger are helping to increase industry recognition of the step change improvement that our proprietary technology provides our customers.

Operational Review

Middle East and North Africa

The first half of 2018 has seen increased activity for MYCELX especially in the MENA region. We continue to pursue numerous opportunities in petrochemical plants as well as other sectors where our technology optimizes production uptime while handling the difficult water streams associated with production. Our strong track record, proven and reliable solutions and the ability to deploy quickly have been instrumental in our ability to seize new MENA opportunities in H1. Successful operating installations have led to industry recognition within Saudi Arabia of MYCELX's superior capability at treating difficult water challenges. It is this reputation, together with a marketing drive and proactive engagement with existing customers that has allowed us to secure several contract wins during the period. With new contract wins, particularly with existing customers, our client relationships deepen and generate further opportunities as we are increasingly treated as a trusted expert partner rather than just a vendor. Our commitment to the MENA region continues to grow and is already yielding results. The Company recently relocated one of its most experienced senior engineers to the region to fill the key position of Director of Engineering to further support the team there as it continues to successfully convert pipeline opportunities.

Our core market in the MENA region is Saudi Arabia where our technology is aligned with recent regulations and government initiatives that are driving industries toward reduced waste generation and increased recycle and reuse of vital resources, such as water. MYCELX's technology offers sustainable solutions for water treatment through our range of applications. Over the last ten years we have been solving water treatment challenges in the GCC ranging from BTEX removal to Quenchwater and Cooling Water Reuse to Turnaround contamination treatment. Our key advantages in all these applications is our extensive water treatment knowledge, our smaller equipment footprint and our ability to rapidly respond to client requests by deploying our regional rental fleet. Our solutions are proven to increase production uptime and reduce unscheduled maintenance, thereby ensuring that water treatment is not only cost effective but also production enhancing.

Our efforts in the Downstream market in the rest of the GCC are focused on applying our Saudi expertise to address similar issues at petrochemical plants in Kuwait and UAE. The planned expansion of the UAE's petrochemical industry offers MYCELX the opportunity to broaden its footprint in the region. Upstream opportunities outside of Saudi Arabia are focused on the region's aging fields which are moving towards EOR methods to continue production. These EOR methods require more advanced water treatment than conventional technologies can deliver. MYCELX has been successfully trialed in the Middle East and other locations to treat EOR produced water. The Company views the EOR market as one of the largest water plays for years to come.

Nigeria

In 2017 the Company entered the Nigerian market with the sale of an onshore water treatment solution to a leading independent oil and gas producer developing its reserves in the Niger Delta. MYCELX's water treatment system was delivered in H1 2018 and was successfully installed post period. The system cost effectively solves the current and future water challenges as the operator progresses to use water injection and enhanced oil recovery techniques to further increase production and reserves. The sale of this complete system is important not only because it opens up an exciting new geographical frontier for MYCELX, it also provides a critical reference installation in-country for other producers to visit. Valuable operating data is currently being gathered and will be the basis for our new business development campaign to commence in Q4 2018. Additionally, the on-going sale of filter media will add to MYCELX's recurring revenue base. MYCELX not only supports the goals of producers who are striving to reduce the environmental impact of industry, it fits their plans to ramp up their production into the future using enhanced oil recovery techniques which plays to MYCELX's experience and strength.

United States

MYCELX operates in both the offshore and onshore markets in the United States. During H1, the Company has seen consistent demand for media from these installations. The activity in the US onshore market is very robust with producers aggressively increasing production which will require more effective produced water recycling. Our innovative technology enables producers to recycle produced water while mitigating the need for fresh water during operations and is in increasing demand. MYCELX is working with its strategic partner Schlumberger on pursuing the US onshore market with an advanced Dual Technology water recycle system that includes effective complementary technologies only available with this system. The Company will be working with Schlumberger to aggressively market this technology in H2. MYCELX has sold and supported systems for onshore water treatment in the past therefore we are optimistic that the combined system will bring better performance to produced water recycle applications.

In the offshore market the Company received a rental contract for a MYCELX Polishing System to treat water during production upsets in the Gulf of Mexico. This is the sixth system either sold or rented to this existing customer for offshore use. The rental systems can lead to sales of larger, permanent systems which continue the recurring media sales begun with the rental.

Canada & Europe

MYCELX's efforts in Canada and Europe are focused on growing industry recognition of our RE-GEN media's superior results when treating polymer-laden produced water at Enhanced Oil Recovery operations. Recognizing that conventional water treatment in the EOR market has struggled to match oil production technique advancements, MYCELX has sought to trial our technology to showcase the efficacy of the RE-GEN media in this lucrative global application and leverage the knowledge base the Company has amassed over six years. To verify RE-GEN's effectiveness, SNF Floerger and MYCELX performed testing that demonstrated RE-GEN media was capable of effectively treating polymer-laden water, while actually preserving the valuable polymer in the water. Polymer preservation improves the overall economics of this effective EOR oil extraction technique. MYCELX and SNF wrote a collaborative white paper on the data and findings of the trial that has led to onsite trials with some of the leading polymer flood producers the world over.

Post the period under review, MYCELX began a trial with a major European producer upgrading to EOR techniques to increase oil production. With the improved oil price, producers are once again looking to implement technology that provides cost savings, performance and environmental benefits beyond what they have experienced with conventional technologies. The capabilities of the RE-GEN media in polymer flood applications is best demonstrated with pilot trials so that the end user sees first-hand the remarkable performance and ease of operation. The primary goal of these trials is to highlight the differentiators of RE-GEN and conventional equipment that is currently in service onsite. This approach has had the greatest impact on end users. MYCELX has been active in Alberta for six years and looks forward to undertaking a trial at a major producer later in the year. EOR activity globally looks set to continue well into the future and MYCELX is well-placed to participate in the very large and growing market.

Financial

Total revenue increased by 107% to $12.2 million for the first half of 2018, compared to $5.9 million in the first half of 2017. Revenue from equipment sales and leases decreased by 10% to $2.7 million in the first half of 2018 (2017 H1: $3.0 million), while revenue from consumable filtration media and service increased 228% to $9.5 million (2017 H1: $2.9 million). Gross profit increased by 100% to $6.2 million in the first half of 2018, compared to $3.1 million in the first half of 2017. Gross profit margin decreased in the first half of 2018 to 51.4% (2017 H1: 52.2%) due to increases in ancillary service costs.

Total operating expenses for the first half of 2018 increased by 21% to $4.1 million (2017 H1: $3.4 million). The largest component of operating expenses was selling, general and administrative expenses which included a $300,000 increase to staff costs and travel, a $200,000 increase to professional fees and a $200,000 increase to property and office expenses.

EBITDA was $2.7 million for the first half of 2018, compared to $300,000 for the first half of 2017. EBITDA is net income before interest expense, provision for income taxes, depreciation and amortisation of fixed and intangible assets including depreciation of leased equipment which is included in cost of goods sold. The Company uses EBITDA as the profitability measure for making decisions regarding allocating resources and assessing performance.

The Company recorded a net profit of $1.5 million in the first half of 2018 compared to a net loss of $500,000 in the first half of 2017. Basic profit per share was 8 cents for the first half of 2018, compared to basic loss per share of 3 cents for the first half of 2017.

The Company ended the period with $5.5 million of cash and cash equivalents, including restricted cash, compared to $4.7 million in total at 30 June 2017. The Company experienced an operating cash outflow of approximately $12,000 in the first half of 2018, compared to an operating cash outflow of $900,000 for the first half of 2017. The Company's net cash position was $3.6 million at 30 June 2018. Net cash is defined as cash and cash equivalents plus restricted cash less the balance on the line of credit and the current and long term note payable.

Outlook

The turnaround in the Company's performance since 2016 has been managed through careful deployment of limited resources and an energised business development effort. With the improvement in market conditions, the Company is now well placed to take advantage of the groundwork that it has laid over the last two years. MYCELX believes that market conditions could improve in H2 but is maintaining a conservative outlook for its business as we continue to convert our pipeline of opportunities which should keep us in line with current market expectations. The focus for the remainder of the year will be on maintaining momentum in the MENA region and capitalising on the trials that are scheduled in Canada and Europe.

Our immediate growth strategy remains focused on geographic regions of the Middle East, Nigeria, and Canada. Each of our targeted geographical markets is water stressed therefore each has a need and significant bottom-line incentive to adopt technology that offers better uptime performance while minimizing water wastage, and ensures that strict regulations are reliably met. The Company is focused on converting defined pipeline opportunities but is capable of responding to unexpected lucrative opportunities as and when they appear. The likelihood of such additional projects has increased with the improvement in the oil price, but the Company is also aware of the increased possibility of price volatility due to geographic or political tensions. The foundation of the Company's ongoing success remains the fact that MYCELX offers better performance, cost benefits through increased production uptime and relief from conventional technology that struggles to keep pace with new extraction techniques and process improvements.

Our strategic partnerships have yielded results across the globe, primarily in Saudi Arabia, where working with Waste Management companies has delivered some of the Company's largest contracts to date. Our in-house business development efforts have delivered significant revenue growth since 2016 and therefore we aim to deploy our strategic partnerships on those segments of the market where they will provide a sales platform that we cannot easily achieve on our own. It is clear that the Oil and Gas industry wants and needs technology that can effectively perform and deliver strong cost benefits to operations. The ongoing adoption of MYCELX technology as demonstrated by the increasing number of contract wins is further confirmation that our technology has its role in achieving sustainable water treatment for years to come. Our goal is to be the industry leader by providing the technology and expertise necessary to stay ahead of the production and process advancements of the Oil and Gas industry and paving the way for the future of water treatment. In this manner, MYCELX will establish a new standard for water treatment for the Oil and Gas industry.

Tim Eggar
Chairman
12 September 2018

Connie Mixon
Chief Executive Officer

MYCELX TECHNOLOGIES CORPORATION
Statements of Operations
(USD, in thousands, except share data)

	Six Months Ended 30 June 2018 (unaudited)	*Six Months Ended 30 June 2017 (unaudited)*	*Year Ended 31 December 2017*
Revenue	**12,160**	**5,877**	**13,751**
Cost of goods sold	5,913	2,808	6,285
Gross profit	**6,247**	**3,069**	**7,466**
Operating expenses:			
Selling, general and administrative	3,895	3,160	7,772
Depreciation and amortisation	244	216	422
Total operating expenses	**4,139**	**3,376**	**8,194**
Operating profit (loss)	**2,108**	**(307)**	**(728)**
Other expense			
Loss on disposal of equipment	-	-	(14)
Interest expense	(43)	(45)	(89)
Profit (loss) before income taxes	**2,065**	**(352)**	**(831)**
Provision for income taxes	(527)	(152)	(327)
Net profit (loss)	**1,538**	**(504)**	**(1,158)**
Profit (loss) per share-basic	**0.08**	**(0.03)**	**(0.06)**
Profit (loss) per share-diluted	0.08	(0.03)	(0.06)
Shares used to compute basic profit (loss) per share	**18,798,242**	**18,770,117**	**18,773,764**
Shares used to compute diluted profit (loss) per share	**20,007,048**	**18,770,117**	**18,773,764**

The accompanying notes are an integral part of the financial statements.

MYCELX TECHNOLOGIES CORPORATION
Balance Sheets
(USD, in thousands, except share data)

	As of 30 June 2018 (unaudited)	*As of 30 June 2017 (unaudited)*	*As of 31 December 2017*
ASSETS			
Current Assets			
Cash and cash equivalents	4,974	4,170	5,171
Restricted cash	525	500	525
Accounts receivable - net	5,316	3,866	2,436
Unbilled accounts receivable	410	680	398
Inventory	3,717	3,070	3,085
Prepaid expenses	327	348	254
Other assets	44	33	33
Total Current Assets	**15,313**	**12,667**	**11,902**
Property and equipment – net	8,343	9,299	8,755
Intangible assets – net	809	844	837
Total Assets	**24,465**	**22,810**	**21,494**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	1,786	891	982
Payroll and accrued expenses	1,081	487	570
Deferred revenue	269	661	192
Note payable – current	91	87	89
Other current liabilities	55	437	14
Total Current Liabilities	**3,282**	**2,563**	**1,847**
Note payable – long-term	1,786	1,877	1,832
Total Liabilities	**5,068**	**4,440**	**3,679**
Stockholders' Equity			
Common stock, $0.025 par value, 100,000,000 shares authorised, 18,807,617 shares issued and outstanding at 30 June 2018, 18,770,117 shares issued and outstanding at 30 June 2017, and 18,787,617 shares issued and outstanding at 31 December 2017.	470	469	470
Additional paid-in capital	40,500	40,358	40,456
Accumulated deficit	(21,573)	(22,457)	(23,111)
Total Stockholders' Equity	**19,397**	**18,370**	**17,815**
Total Liabilities and Stockholders' Equity	**24,465**	**22,810**	**21,494**

The accompanying notes are an integral part of the financial statements.

MYCELX TECHNOLOGIES CORPORATION
Statements of Stockholders' Equity
(USD, in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	$	$	$	$
Balances at 31 December 2016	**18,770**	**469**	**40,325**	**(21,953)**	**18,841**
Stock-based compensation expense	-	-	33	-	33
Net loss for the period	-	-	-	(504)	(504)
Balances at 30 June 2017 (unaudited)	**18,770**	**469**	**40,358**	**(22,457)**	**18,370**
Issuance of common stock, net of offering costs	18	1	6	-	7
Stock-based compensation expense	-	-	92	-	92
Net loss for the period	-	-	-	(654)	(654)
Balances at 31 December 2017	**18,788**	**470**	**40,456**	**(23,111)**	**17,815**
Issuance of common stock, net of offering costs	20	-	8	-	8
Stock-based compensation expense	-	-	36	-	36
Net profit for the period	-	-	-	1,538	1,538
Balances at 30 June 2018 (unaudited)	**18,808**	**470**	**40,500**	**(21,573)**	**19,397**

The accompanying notes are an integral part of the financial statements.

MYCELX TECHNOLOGIES CORPORATION
Statements of Cash Flows
(USD, in thousands)

	Six Months Ended 30 June 2018 (unaudited)	*Six Months Ended 30 June 2017 (unaudited)*	*Year Ended 31 December 2017*
Cash flow from operating activities			
Net profit (loss)	1,538	(504)	(1,158)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortisation	637	617	1,205
Loss on abandonment or expiration of patent	-	-	22
Loss from disposition of equipment	-	-	14
Stock compensation	36	33	125
Change in operating assets and liabilities:			
Accounts receivable	(2,880)	(1,925)	(495)
Unbilled accounts receivable	(12)	(586)	(304)
Inventory	(680)	716	670
Prepaid expenses	(73)	(222)	(128)
Other assets	(11)	3	3
Accounts payable	804	234	325
Payroll and accrued expenses	511	62	145
Deferred revenue	77	661	192
Other current liabilities	41	1	(422)
Net cash (used in) provided by operating activities	(12)	(910)	194
Cash flow from investing activities			
Payments for purchases of property and equipment	(132)	(2)	(5)
Payments for purchases of intangible assets	(17)	(15)	(53)
Net cash used in investing activities	(149)	(17)	(58)
Cash flow from financing activities			
Net proceeds from stock issuance	8	-	6
Payments on notes payable	(44)	(42)	(85)
Increase in restricted cash	-	-	(25)
Net cash used in financing activities	(36)	(42)	(104)
Net (decrease) increase in cash and cash equivalents	(197)	(969)	32
Cash and cash equivalents, beginning of period	5,171	5,139	5,139
Cash and cash equivalents, end of period	4,974	4,170	5,171
Supplemental disclosures of cash flow information:			
Cash payments for interest	43	45	89
Cash and non-cash payments for income taxes	538	159	306
Non-cash movements of inventory and fixed assets	(133)	596	565

Management considered the effect of exchange rate changes on cash and cash equivalents held or due in foreign currency and deemed it immaterial to the statement of cash flows.

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of business and basis of presentation

***Basis of presentation* –** These interim financial statements have been prepared using recognition and measurement principles of Generally Accepted Accounting Principles in the United States of America ("U.S. GAAP").

The interim financial statements for the six months ended 30 June 2018 and 2017 have not been audited.

Nature of business – MYCELX Technologies Corporation ("MYCELX" or the "Company") was incorporated in the State of Georgia on 24 March 1994. The Company is headquartered in Duluth, Georgia with operations in Houston, Texas, Saudi Arabia, and the United Kingdom. The Company provides clean water technology equipment and related services to the oil and gas, power, marine and heavy manufacturing sectors and the majority of its revenue is derived from the Middle East and United States.

2. Summary of significant accounting policies

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements and accompanying notes. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The primary estimates and assumptions made by management relate to the useful lives of property and equipment, volatility used in the valuation of the Company's share-based compensation and valuation allowance on deferred taxes. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates and the differences may be material to the financial statements.

Revenue recognition – The Company's revenue consists of media product and equipment sales. Revenues from media sales are recognised, net of sales allowances and sales tax, when products are shipped and risk of loss has transferred to customers, collection is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable. The Company offers customers the option to lease or purchase their equipment. Lease agreements range from one to twenty-four months in length and are renewed at the end of each agreement, if necessary. The lease agreements meet the criteria for classification as operating leases; accordingly, revenue on lease agreements is recognised as income over the lease term. Revenues on long-term contracts related to construction of equipment are recognised, net of sales tax, on the percentage-of-completion basis using costs incurred compared to total estimated costs. Costs are recognised and considered for percentage-of-completion as they are incurred in the manufacture of the equipment. Therefore, revenues may not be related to the progress billings to customers. Revenues are based on estimates, and the uncertainty inherent in estimates initially is reduced progressively as work on the contract nears completion. Revenues on sales in which equipment is pre-fabricated and stocked in inventory are recognised, net of sales tax, upon shipment of the equipment to the customer.

Contract costs include all direct labour and benefits, materials unique to or installed to the project, subcontractor costs, as well as costs relative to contract performance such as travel to a customer site and shipping charges. Costs to obtain a contract or other precontract costs are expensed as incurred.

Provision for estimated losses on uncompleted contracts is recorded in the period in which such losses are probable and estimable. No such provisions have been recognised as of 30 June 2018 and 2017, or 31 December 2017. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income, which are recognised in the period in which the revisions are determined. Actual results could vary from estimates used in the financial statements. All equipment sold by the Company is covered by the original manufacturer's warranty. The Company does not offer an additional warranty and has no related obligations.

Unbilled accounts receivable represents revenues recognised in excess of amounts billed. Deferred revenue represents billings in excess of revenues recognised. Contract retentions are recorded as a component of accounts receivable.

The Company had no long-term contracts for the six months ended 30 June 2018.

Cash and cash equivalents – Cash and cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase. At 30 June 2018, all of the Company's cash and cash equivalent balances were held in non interest-bearing transaction accounts. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At 30 June 2018 and 2017, and 31 December 2017, cash in non-U.S. institutions was $47,000, $98,000 and $73,000, respectively. The Company has not experienced any losses in such accounts.

Restricted cash – The Company classifies as restricted cash all cash whose use is limited by contractual provisions. At 30 June 2018 and 2017, and 31 December 2017, restricted cash included $500,000 cash on deposit in a money market account as required by a lender (see Note 9) and $25,000 in a Certificate of Deposit to secure the Company's corporate credit card.

Trade accounts receivable – Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers and maintains allowances for doubtful accounts, as necessary. Accounts are considered past due based on the contractual terms of the transaction. Credit losses, when realised, have been within the range of the Company's expectations and, historically, have not been significant. The allowance for doubtful accounts at 30 June 2018 and 2017, and 31 December 2017 was $150,000, $208,000 and $32,000, respectively.

Inventories – Inventories consist primarily of raw materials and filter media finished goods as well as equipment to house the filter media and are stated at the lower of cost or net realisable value. Equipment that is in the process of being constructed for sale or lease to customers is also included in inventory (work-in-progress). The Company applies the FIFO method (first in; first out) to account for inventory. Manufacturing work-in-progress and finished products inventory include all direct costs, such as labour and material, and those indirect costs which are related to production, such as indirect labour, rents, supplies, repairs and depreciation costs. A valuation reserve is recorded for slow moving or obsolete inventory items to reduce the cost of inventory to its net realisable value.

Prepaid expenses and other current assets – Prepaid expenses and other current assets include non-trade receivables that are collectible in less than twelve months, security deposits on leased space and various prepaid amounts that will be charged to expenses within twelve months. Non-trade receivables that are collectible in twelve months or more are included in long-term assets.

Property and equipment – All property and equipment are valued at cost. Depreciation is computed using the straight-line method for financial reporting over the following useful lives:

Buildings	39 years
Leasehold improvements	1-5 years
Office equipment	3-10 years
Manufacturing equipment	5-15 years
Research and development equipment	5-10 years
Purchased software	1-5 years
Equipment leased to customers	3-10 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalised. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense includes depreciation on equipment leased to customers and is included in cost of goods sold.

Intangible assets – Intangible assets consist of the costs incurred to purchase patent rights and legal and registration costs incurred to internally develop patents. Intangible assets are reported net of accumulated amortisation. Patents are amortised using the straight-line method over a period based on their contractual lives which approximates their estimated useful lives.

Impairment of long-lived assets – Long-lived assets to be held and used, including property and equipment and intangible assets with definite useful lives, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss, if any, is recognised for the difference between the fair value and carrying value of the assets. Impairment analyses, when performed, are based on the Company's business and technology strategy, management's views of growth rates for the Company's business, anticipated future economic and regulatory conditions, and expected technological availability. For purposes of recognition and measurement, the Company groups its long-lived assets at the lowest level for which there are identifiable cash flows, which are largely independent of the cash flows of other assets and liabilities. No impairment charges were recorded in the six months ended 30 June 2018 and 2017, and the year ended 31 December 2017.

Shipping and handling costs – Consistent with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 605-45-50 Shipping and Handling Fees and Costs, the Company classifies shipping and handling amounts billed to customers as revenue, and shipping and handling costs as a component of costs of goods sold.

Research and development costs – Research and development costs are expensed as incurred. There was no Research and development expense for the six months ended 30 June 2018 and 2017, and the year ended 31 December 2017.

Advertising costs – The Company expenses advertising costs as incurred. Advertising expense for the six months ended 30 June 2018 and 2017, and the year ended 31 December 2017 was approximately $nil, and is recorded in selling, general and administrative expenses.

Rent expense – The Company records rent expense on a straight-line basis for operating lease agreements that contain escalating rent clauses. The deferred rent liability included in other current liabilities in the accompanying balance sheet represents the cumulative difference between rent expense recognised on the straight-line basis and the actual rent paid.

Income taxes – The provision for income taxes for interim and annual periods is determined using the asset and liability method, under which deferred tax assets and liabilities are calculated based on the temporary differences between the financial statement carrying amounts and income tax bases of assets and liabilities using currently enacted tax rates. The deferred tax assets are recorded net of a valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realised in future periods. Decreases to the valuation allowance are recorded as reductions to the provision for income taxes and increases to the valuation allowance result in additional provision for income taxes. The realisation of the deferred tax assets, net of a valuation allowance, is primarily dependent on the ability to generate taxable income. A change in the Company's estimate of future taxable income may require an addition or reduction to the valuation allowance.

The Tax Cuts and Jobs Act ("TCJA") was enacted on 22 December 2017, with a key provision of the TCJA being a reduction of the corporate income tax rate from 35 percent to 21 percent. Pursuant to the requirements of ASC 740 the Company's income tax provision reflects the impact of the TCJA. This includes a $2.6 million tax expense of the rate reduction on the Company's cumulative differences between the financial statement and tax basis of its assets and liabilities. This expense has been fully offset by a corresponding decrease in valuation allowance.

The benefit from an uncertain income tax position is not recognised if it has less than a 50 percent likelihood of being sustained upon audit by the relevant authority. For positions that are more than 50 percent likely to be sustained, the benefit is recognised at the largest amount that is more-likely-than-not to be sustained. An uncertain income tax position is not recognised if it has less than a 50 percent likelihood of being sustained. Where a net operating loss carried forward, a similar tax loss or a tax credit carry forward exists, an unrecognised tax benefit is presented as a reduction to a deferred tax asset. Otherwise, the Company classifies its obligations for uncertain tax positions as other non-current liabilities unless expected to be paid within one year. Liabilities expected to be paid within one year are included in the accrued expenses account.

The Company recognises interest accrued related to tax in interest expense and penalties in selling, general and administrative expenses. During the six months ending 30 June 2018 and 2017, and the year ended 31 December 2017 the Company recognised no interest or penalties.

Earnings per share – Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and potentially dilutive shares outstanding during the period. Potentially dilutive shares consist of the incremental common shares issuable upon conversion of the exercise of common stock options. Potentially dilutive shares are excluded from the computation if their effect is antidilutive.

Fair value of financial instruments – The Company uses the framework in ASC 820, Fair Value Measurements and Disclosures, to determine the fair value of its financial assets. ASC 820 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value and expands financial statement disclosures about fair value measurements.

The hierarchy established by ASC 820 gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described below:

- **Level 1**: Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- **Level 2**: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- **Level 3**: Unobservable inputs for the asset or liability.

There were no significant transfers into or out of each level of the fair value hierarchy for assets measured at the fair value for the six months ended 30 June 2018 and 2017, and the year ended 31 December 2017.

All transfers are recognised by the Company at the end of each reporting period.

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety.

The Company's financial instruments as of 30 June 2018 and 2017, and 31 December 2017 include cash and cash equivalents, accounts receivable, accounts payable, the line of credit, and the note payable. The carrying values of cash and cash equivalents, accounts receivable, accounts payable, and the line of credit approximate fair value due to the short-term nature of those assets and liabilities. The Company believes it is impractical to disclose the fair value of the note payable as it is an illiquid financial instrument.

Foreign currency transactions – From time to time the Company transacts business in foreign currencies (currencies other than the United States Dollar). These transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency transaction gains or losses are included in selling, general and administrative expenses.

Share-based compensation – The Company issues equity-settled share-based awards to certain employees, which are measured at fair value at the date of grant. The fair value determined at the grant date is expensed, based on the Company's estimate of shares that will eventually vest, on a straight-line basis over the vesting period. Fair value for the share awards representing equity interests identical to those associated with shares traded in the open market is determined using the market price at the date of grant. Fair value is measured by use of the Black Scholes valuation model (see Note 10).

Recently issued accounting standards – In May 2014, the Financial Accounting Standards Board ("FASB") and International Accounting Standards Board issued their converged standard on revenue recognition Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)", as subsequently amended. This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. The standard prescribes a five-step model for recognising revenue, the application of which will require significant judgement. ASU No. 2014-09, as amended, was effective for the Company beginning 1 January 2018. The Company applied Topic 606 using the cumulative effect method, recognising the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of equity at 1 January 2018 for all open contracts at 31 December 2017. Based on the analysis completed by the Company, there was no impact to the beginning equity account at 1 January 2018.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”, which requires lessees to recognise on the balance sheet the assets and liabilities for the rights and obligations created by the leases with lease terms of more than twelve months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases be recognised on the balance sheet, the new standard will require both types of leases to be recognised on the balance sheet. The new standard also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The new standard is effective for fiscal years beginning after 15 December 2018, and for interim and annual periods thereafter, with early application permitted. The Company is currently evaluating the impact of adopting this guidance but does not expect it to have a material impact on the Company’s financial statements.

3. Accounts receivable

Accounts receivable and their respective allowance amounts at 30 June 2018 and 2017, and 31 December 2017:

	30 June 2018 *US$000*	30 June 2017 *US$000*	31 December 2017 *US$000*
Accounts receivable	5,466	4,074	2,468
Less: allowance for doubtful accounts	(150)	(208)	(32)
Total receivable - net	5,316	3,866	2,436

4. Inventories

Inventories consist of the following at 30 June 2017 and 2016, and 31 December 2016:

	30 June 2018 *US$000*	30 June 2017 *US$000*	31 December 2017 *US$000*
Raw materials	864	735	686
Work-in-progress	145	4	4
Finished goods	2,708	2,331	2,355
Total inventory	3,717	3,070	3,085

5. Property and equipment

Property and equipment consists of the following at 30 June 2018 and 2017, and 31 December 2017:

	30 June 2018 *US$000*	30 June 2017 *US$000*	31 December 2017 *US$000*
Land	709	709	709
Building	2,724	2,724	2,724
Leasehold improvements	354	341	341
Office equipment	697	718	697
Manufacturing equipment	782	854	747
Research and development equipment	514	514	514
Purchased software	222	222	222
Equipment leased to customers	9,069	8,464	8,495
Construction in progress	-	443	444
	15,071	14,989	14,893
Less: accumulated depreciation	(6,728)	(5,690)	(6,138)
Property and equipment – net	8,343	9,299	8,755

During the six months ended 30 June 2018 and 2017, and the year ended 31 December 2017, the Company removed property, plant and equipment and the associated accumulated depreciation of approximately $2,000, $71,000 and $188,000, respectively, to reflect the disposal of property, plant and equipment.

Depreciation expense for the six months ended 30 June 2018 and 2017, and the year ended 31 December 2017 was approximately $592,000, $594,000 and $1,159,000, respectively, and includes depreciation on equipment leased to customers. Depreciation expense on equipment leased to customers included in cost of goods sold for the six months ended 30 June 2018 and 2017, and the year ended 31 December 2017 was $393,000, $401,000 and $783,000, respectively.

6. Intangible assets

During 2009, the Company entered into a patent rights purchase agreement with a shareholder. The agreement provided for the immediate payment of $28,000 in 2009 with the possibility of an additional $72,000 based on profits on the sales of a particular product. During 2010, the Company paid $22,000 based on profits on the sales of the product and paid the remaining $50,000 in 2011. The patent is amortised utilising the straight-line method over a useful life of 17 years which represents the legal life of the patent from inception. Accumulated amortisation on the patent was approximately $48,000, $42,000 and $45,000 as of 30 June 2018 and 2017, and 31 December 2017, respectively.

In addition to the purchased patent, the Company has internally developed patents. Internally developed patents include legal and registration costs incurred to obtain the respective patents. The Company currently holds various patents and numerous pending patent applications in the United States, as well as numerous foreign jurisdictions outside of the United States.

Intangible assets as of 30 June 2018 and 2017, and 31 December 2017 consist of the following:

	Weighted Average Useful lives	30 June 2018 *US$000*	30 June 2017 *US$000*	31 December 2017 *US$000*
Internally developed patents	15 years	1,288	1,255	1,271
Purchased patents	17 years	100	100	100
		1,388	1,355	1,371
Less accumulated amortisation		(579)	(511)	(534)
Intangible assets – net		809	844	837

Approximate aggregate future amortisation expense is as follows:

Year ending 31 December (USD, in thousands)	
2018	28
2019	51
2020	50
2021	50
2022	49
Thereafter	250

Amortisation expense for the six months ended 30 June 2018 and 2017, and the year ended 31 December 2017 was approximately $45,000, $23,000 and $46,000, respectively.

7. Income taxes

The components of income taxes shown in the consolidated statements of operations are as follows:

	30 June 2018 *US$000*	30 June 2017 *US$000*	31 December 2017 *US$000*
Current:			
Federal	-	-	-
Foreign	524	152	326
State	-	-	1
Total current provision	524	152	327
Deferred:			
Federal	-	-	-
Foreign	-	-	-
State	-	-	-
Total deferred provision	-	-	-
Total provision for income taxes	524	152	327

The provision for income tax varies from the amount computed by applying the statutory corporate federal tax rate of 21 percent, primarily due to the effect of certain nondeductible expenses, foreign withholding tax, and changes in valuation allowances.

A reconciliation of the differences between the effective tax rate and the federal statutory tax rate is as follows:

	30 June 2018	30 June 2017	31 December 2017
Federal statutory income tax rate	21.2%	34.0%	34.0%
State tax rate, net of federal benefit	(0.2%)	(0.4%)	(0.5%)
Valuation allowance	(18.4%)	(47.9%)	271.6%
Rate reduction adjustment	-	-	(311.6%)
Other	2.7%	(0.4%)	(1.8%)
Foreign withholding tax	20.1%	(28.5%)	(31.0%)
Effective income tax rate	25.4%	(43.2%)	(39.3%)

The significant components of deferred income taxes included in the balance sheets are as follows:

	30 June 2018 *US$000*	30 June 2017 *US$000*	31 December 2017 *US$000*
Deferred tax assets			
Net operating loss	4,266	7,289	4,679
Equity compensation	292	424	284
Research and development credits	159	159	159
Allowance for bad debts	32	72	7
Accrued liability	2	4	1
Charitable contributions	-	10	-
Other	26	37	26
Total gross deferred tax asset	4,777	7,995	5,156
Deferred tax liabilities			
Property and equipment	(568)	(982)	(569)
Total gross deferred tax liability	(568)	(982)	(569)
Net deferred tax asset before valuation allowance	4,209	7,013	4,587
Valuation allowance	(4,209)	(7,013)	(4,587)
Net deferred tax asset (liability)	-	-	-

Deferred tax assets and liabilities are recorded based on the difference between an asset or liability's financial statement value and its tax reporting value using enacted rates in effect for the year in which the differences are expected to reverse, and for other temporary differences as defined by ASC-740, Income Taxes. At 30 June 2018, the Company has recorded a valuation allowance of $4.2 million for which it is more likely than not that the Company will not receive future tax benefits due to the uncertainty regarding the realisation of such deferred tax assets.

As of 30 June 2018, the Company has approximately $19.3 million of gross U.S. federal net operating loss carry forwards and $5.2 million of gross state net operating loss carry forwards that will begin to expire in the 2019 tax year.

On 22 December 2017, the Tax Cuts and Jobs Act was signed into law and impacts individuals, pass through entities and corporations. The Company was impacted by the corporation changes. The corporate tax rate for the year ended 31 December 2017 was 34%, with the new federal corporate tax rate reducing from a maximum 35 percent marginal rate to a set 21 percent rate beginning in 2018. The Company’s current income tax expense is based on a federal tax marginal rate of 21 percent. However, U.S. GAAP requires the deferred tax components to be recorded at the rate in which the differences are expected to reverse which impacts tax expense for the year ended 31 December 2017. Based on the new federal corporate tax rate of 21 percent for 2018 and thereafter, the deferred tax assets and liabilities were revalued at the new tax rate and the adjustment of approximately $2.6 million was recorded directly to tax expense in 2017.

The FASB issued Interpretation ASC-740-10-25, Income Taxes, an interpretation of ASC-740 which clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognised in the financial statements. Under ASC-740, the impact of an uncertain income tax position on the income tax return must be recognised at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. ASC-740 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. ASC-740 applies to all tax positions related to income taxes.

As a result of the adoption and implementation of ASC-740, a tax position is recognised as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognised is the largest amount of tax benefit that has a greater than 50 percent likelihood of being realised on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Company recognises interest and penalties related to tax positions in income tax expense. At 30 June 2018 and 2017, and 31 December 2017, there was no accrual for uncertain tax positions or related interest.

The Company’s tax years 2014 through 2017 remain subject to examination by federal, state and foreign income tax jurisdictions.

8. Line of credit

In October 2014, the Company entered into a bank line of credit that allows for borrowings up to $500,000. The line of credit is revolving and is payable on demand. There was no balance on the line of credit at 30 June 2018 and 2017, and 31 December 2017. The facility matures in October 2019 and is secured by the assignment of a deposit account held by the lender. The line of credit carries a variable interest rate of 0.5 percentage points under an independent index which is the Wall Street Journal Prime and is calculated by applying the ratio of the interest rate over a year of 360 days multiplied by the outstanding principal balance multiplied by the actual number of days the principal balance is outstanding. The interest rate on 30 June 2018 and 2017, and 31 December 2017 was 4.50 percent, 3.75 percent and 4.00 percent, respectively. There was no interest expense related to this loan for the six months ended 30 June 2018 and 2017, and the year ended 31 December 2017.

9. Note payable

On 27 March 2013, the Company entered into a term loan agreement with a lender for the purchase of property and a building for its manufacturing operations and corporate offices. The note is secured by the property and building. The Company borrowed proceeds of $2,285,908 at a fixed interest rate of 4.45 percent. The loan has a ten year term with monthly payments based on a twenty year amortisation. In addition, there is a one-time payment at the end of the term of the note of approximately $1,400,000. In accordance with the terms of the agreement, the Company is required to keep $500,000 in a deposit account with the lending bank. As of 30 June 2018 and 2017, and 31 December 2017, the Company had restricted cash of $500,000 related to the loan agreement. Future maturities of long-term debt are as follows as of 30 June 2018:

Year ending 31 December (USD, in thousands)	
2018	45
2019	93
2020	97
2021	102
2022	106
Thereafter	1,434
	1,877

10. Stock compensation

In July 2011, the Company's shareholders approved the Conversion Shares and the Directors' Shares, as well as the Plan Shares and Omnibus Performance Incentive Plan ("Plan"). This included the termination of all outstanding stock incentive plans, cancellation of all outstanding stock incentive agreements, and the awarding of stock incentives to Directors and certain employees and consultants. The Company established the Plan to attract and retain Directors, officers, employees and consultants. The Company reserved an amount equal to 10 percent of the Common Shares issued and outstanding immediately following the Public Offering.

Upon the issuance of these additional shares, an award of share options was made to the Directors and certain employees and consultants, and a single award of restricted shares was made to a former Chief Financial Officer. In addition, additional stock options were awarded in each year subsequent. The awards of stock options and restricted shares made upon issuance were in respect of 85 percent of the Common Shares available under the Plan, equivalent to 8.5 percent of the Public Offering. The total number of shares reserved for stock awards and options under this Plan is 1,880,762 with 1,197,042 shares allocated as of 30 June 2018. The shares are all allocated to employees, executives and consultants.

The options granted to Non-Executive Directors, unless otherwise agreed, vest contingent on continuing service with the Company at the vesting date and compliance with the covenants applicable to such service.

Employee options either vest over three years with a third vesting ratably each year, or partially on issuance and partially over the following 24 month period. Vesting accelerates in the event of a change of control. Options granted to Non-Executive Directors and one executive vest partially on issuance and will vest partially one to two years later. The remaining Non-Executive Director options expired at the end of 2016.

As discussed in Note 2, the Company uses the Black Scholes valuation model to measure the fair value of options granted. Since the Company does not have a sufficient trading history from which to calculate its historical volatility, the Company's expected volatility is based on a basket of comparable companies' historical volatility. As the Company's initial options were granted in 2011, the Company does not have sufficient history of option exercise behavior from which to calculate the expected term. Accordingly, the expected terms of options are calculated based on the short-cut method commonly utilised by newly public companies. The risk free interest rate is based on a blended average yield of two and five year United States Treasury Bills at the time of grant. The assumptions used in the Black Scholes option pricing model for options granted in 2017 and 2018 were as follows:

	Number of Options Granted	Grant Date	Risk-Free Interest Rate	Expected Term	Volatility	Exercise Price	Fair Value Per Option
2017	205,000	26/05/2017	1.69%	5.75 years	56.70%	$0.75	$0.39
	25,000	06/11/2017	2.08%	6 years	56.70%	$1.26	$0.69
	50,000	06/11/2017	2.08%	6 years	56.70%	$1.26	$0.00

The Company assumes a dividend yield of 0.0%.

The following table summarises the Company's stock option activity for the six months ended 30 June 2018:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Average Grant Date Fair Value
Outstanding at 31 December 2017	1,222,042	$2.31	5.9	$1,307,331
Exercised	(20,000)	$0.44		
Forfeited	(5,000)	$0.75		
Outstanding at 30 June 2018	1,197,042	$2.35	5.9	$1,300,906
Exercisable at 30 June 2018	1,044,542	$2.55	5.9	

A summary of the status of unvested options as of 30 June 2018 and changes during the six months ended 30 June 2018 is presented below:

Unvested Options	Shares	Weighted-Average Fair Value at Grant Date
Unvested at 31 December 2017	183,666	$0.44
Vested	(28,666)	$1.16
Forfeited	(2,500)	
Unvested at 30 June 2018	152,500	$0.31

As of 30 June 2018, total unrecognised compensation cost of $33,000 was related to unvested share-based compensation arrangements awarded under the Plan.

11. Commitments and contingencies

Operating leases – The Company leases certain facilities and equipment under non-cancelable operating leases which expire at varying times between January 2018 and June 2021. Certain of these leases have escalating rent payments which result in the Company recording a deferred rent liability.

Future minimum lease payments under the operating leases, together with the present value of minimum lease payments as of 30 June 2018 are as follows:

	Future Lease Payments US$000
Year Ending 31 December	
2018	70
2019	142
2020	98
2021	49
Total future lease payments	359

Rent expense for the six months ended 30 June 2018 and 2017, and the year ended 31 December 2017 was approximately $150,000, $165,000 and $325,000, respectively.

12. Related party transactions

The Company has held a patent rights purchase agreement since 2009 with a shareholder as described in Note 6.

13. Segment and geographic information

ASC 280-10, *Disclosures About Segments of an Enterprise and Related Information* (ASC 280-10), establishes standards for reporting information about operating segments. ASC 280-10 requires that the Company report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker (CODM) in deciding how to allocate resources and in assessing performance. The Company's CODM is the Chief Executive Officer (CEO). While the CEO is apprised of a variety of financial metrics and information, the business is principally managed on an aggregate basis as of 30 June 2018. For the six months ended 30 June 2018, the Company's revenues were generated primarily in the Middle East and the United States (U.S.). Additionally, the majority of the Company's expenditures and personnel either directly supported its efforts in the Middle East and the U.S., or cannot be specifically attributed to a geography. Therefore, the Company has only one reportable operating segment.

Revenue from customers by geography is as follows:

(USD, in thousands)	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Middle East	10,706	2,767	6,256
United States	1,159	816	7,191
Other	295	2,294	304
Total	12,160	5,877	13,751

Equipment leased to customers by geography is as follows:

(USD, in thousands)	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Middle East	6,971	6,391	6,391
United States	1,723	1,698	1,729
Other	375	375	375
Total	9,069	8,464	8,495

14. Concentrations

At 30 June 2018, one customer with four contracts with three separate plants represented 90 percent of accounts receivable. During the six months ended 30 June 2018, the Company received 88 percent of its gross revenue from one customer with four contracts with three separate plants.

At 30 June 2017, two customers, one with four contracts with three separate plants represented 84 percent of accounts receivable. During the six months ended 30 June 2017, the Company received 81 percent of its gross revenue from two customers, one with four contracts with three separate plants.

At 31 December 2017, two customers, one with four contracts with three separate plants, represented 89 percent of accounts receivable. During the year ended 31 December 2017, the Company received 80 percent of its gross revenue from two customers, one with four separate plants.

15. Subsequent events

The Company discloses material events that occur after the balance sheet date but before the financials are issued. In general, these events are recognised in the financial statements if the conditions existed at the date of the balance sheet, but are not recognised if the conditions did not exist at the balance sheet date. Management has evaluated subsequent events through 10 September 2018, the date the interim results were available to be issued, and no events have occurred which require further disclosure.

Forward Looking Statements

This release contains certain statements that are or may be "forward-looking statements". These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar importance. All the statements other than statements of historical facts included in this announcement, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company's products and services) are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and therefore undue reliance should not be placed on such forward-looking statements. There are a number of factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future and such assumptions may or may not prove to be correct. Forward-looking statements speak only as at the date they are made. Neither the Company nor any other person undertakes any obligation (other than, in the case of the Company, pursuant to the AIM Rules for Companies) to update publicly any of the information contained in this announcement, including any forward-looking statements, in the light of new information, change in circumstances or future events.