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.

13 May 2019

MYCELX TECHNOLOGIES CORPORATION

("MYCELX" or the "Company")

Final Results for the year ending 31 December 2018

MYCELX Technologies Corporation (AIM: MYX), the clean water technology company providing patented solutions for the Oil and Gas market and commercial industrial markets worldwide, is pleased to announce its audited results for the year ended 31 December 2018.

Highlights

Financial

- Total revenue increased 96% to $27.0 million (FY17: $13.8 million)
- Achieved EBITDA of $5.6 million (FY17: $0.5 million)
- Gross profit increased by 88% to $14.1 million (FY17: $7.5 million)
- Net profit of $3.1 million (FY17: net loss of $1.2 million)
- Total operating expenses up 18% year on year as MYCELX invested in staff and resources to support the Company's rapid growth trajectory

Operational

- Saudi Arabia
    - Three contract extensions with current customer
    - Two new contracts with an existing customer and a new customer
- Australia
    - First sale into LNG industry in Australia
- Canada
    - System sale in onshore oil production market

Post period

- Successful $1.8 million fundraise to support continued growth in the Company's core markets
- Successful trials in Canada mean MYCELX is well placed to capitalize on EOR opportunities in-country and globally

Outlook

- Near term focus remains converting extensive pipeline of opportunities in Saudi Arabia into purchase orders in 2019
- Leverage first installation in Nigeria and increase business development efforts in West Africa
- Continue to adopt an opportunistic approach to media sales in markets outside of oil and gas

Tim Eggar, Chairman of MYCELX Technologies Corporation said:

"I am very proud of what we as a business achieved during 2018. We were able to increase our revenue by 96% and record our most successful financial year to date, whilst also maintaining a strict focus on capital discipline.

Our continued focus on maintaining a customer focused approach yielded significant results during the period, particularly in Saudi Arabia. We improved our operational capability in Saudi considerably, which enabled us to respond to our customers' needs much more quickly and seek out longer term and more consistent revenue generating opportunities.

We also benefited from a higher oil price environment, which saw international oil and gas companies increase their levels of investment in new and existing upstream and downstream opportunities. This played an important role in our ability to win new contracts and further deliver orders from our extensive pipeline."

Connie Mixon, Chief Executive Officer of MYCELX Technologies Corporation said:

"2018 saw MYCELX successfully deliver on its growth strategy and achieve record results in the process. We outperformed our initial expectations considerably and further increased our footprint in key target markets, such as Saudi Arabia where we deployed our rapid response business model.

We continue to make progress in regions outside the Middle East and see West Africa, Australia and North America as important markets for us, due to their need for first-rate water treatment capabilities to optimise operational performance through increased production. In West Africa, the Company's unique technology has demonstrated that it can achieve superior water quality meeting regulatory standards compared with other options, and our first installation in Nigeria in 2018 will serve as a reference point for this. We continue to believe that EOR operations in North America are one of the largest opportunities for MYCELX and we are working hard to convert our pipeline into orders in this highly lucrative market.

Our recent fundraise means we are well-funded to execute our ongoing work commitments and to convert our new business opportunities into commercial orders. I believe we are poised to not only be successful in oil and gas but in commercial and industrial markets as well. I look forward to keeping all our stakeholders updated on developments over the course of 2019."

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Notes to Editors

MYCELX is a revolutionary oil-free water technology company solving the world's toughest oil removal problems in the oil and gas industry. The systems are based upon scientific breakthrough for a completely different approach to permanent oil removal. The Company created the patented MYCELX polymer using innovative molecular cohesion for removing oil from water far beyond what conventional systems have ever

achieved. MYCELX systems remove oil to critically low levels in a much smaller physical footprint than conventional systems and in a virtually fail-safe process.
www.mycelx.com

CHAIRMAN'S STATEMENT

EXCEPTIONAL RESULTS, OPERATIONAL EXCELLENCE, DETERMINATION TO UNLOCK FULL POTENTIAL

The results in 2018 were the most successful so far in MYCELX's history, underpinned by the better than anticipated Rapid Response System deployments in Saudi Arabia. MYCELX's ability to respond to our customer's unpredictable needs has come down to two major factors – the foresight to invest in our Saudi Arabian rental fleet, which can be deployed rapidly, and proactively pursuing business development opportunities. It should be noted that the significant turnaround in the Company's position over the last two years, with 241% greater revenue and converting a $3m loss into similar sized net profit, has been achieved with the same equipment asset base and a streamlined workforce. These results are a credit to our CEO, Connie Mixon, and her team.

FINANCIAL & OPERATING PERFORMANCE

The Company's ongoing drive to unlock our full potential has been multi-faceted. We have challenged ourselves to take on bigger and more complex projects, thereby broadening our service offering to an ever-increasing potential customer base. At the same time, we have strived to make our assets work harder for us by optimising our operational performance. Lastly, we continue to promote the technological superiority of our product suite via trials and strategic partnerships, in order to gain greater industry adoption of our cost-effective and performance enhancing solutions.

The improvements in operational excellence that the Saudi team have made in the last eighteen months is best seen in the impressive speed with which we are now able to install and demobilise systems in Saudi Arabia. What once may have taken a week is now achieved in less than 48 hours. This speed improvement opened up new opportunities to respond in this inherently unpredictable market. Our results exceeded our initial revenue forecasts by $10m and this is largely down to the fact that it is difficult to predict rapid response emergency projects in Saudi Arabia, which can have a major impact on revenue. Whilst the Company continues to seek out longer term, more consistent, revenue generation, and to diversify its geographic base, the operational excellence of the Saudi team means that we are well positioned to take advantage of any future emergencies when they arise.

UNLOCKING OUR FULL POTENTIAL – Core Markets

Our primary goal remains the industry adoption of MYCELX as a new standard for water treatment. This would be a key step towards our overall determination to unlock MYCELX's full potential. We have identified our core focus markets as Saudi Arabia, North America, Australia and Nigeria, namely countries where treated water quality is a regulatory requirement and/or a performance imperative.

Saudi Arabia's "Vision 2030" programme, and its focus on environmental protection and reducing the wastage of precious resources such as water, is perfectly aligned to MYCELX solutions. Our team in Saudi has capitalised on this increasing regulatory environment and sought out opportunities to deploy our rental fleet to respond more quickly to clients' needs as they demand smarter solutions to solve their water challenges. The desire to generate a fourth economy pillar in the form of tourism has resulted in a focus on what is being discharged into precious water resources. MYCELX technology is trusted in other protected eco-systems such as the coastguards for the Galapagos Islands, and we are exploring ways to increase awareness of our spill products in Saudi Arabia as a means of further diversifying our product range. We see the recent acquisition of a majority stake in SABIC by Saudi Aramco as a huge opportunity given our existing strong reputation within SABIC and Saudi Aramco's world class operating philosophy.

We believe that our RE-GEN media product is a game-changer for the EOR market globally and have seen excellent operational results both in Nigeria and Canada. The potential to leverage our first installation in Nigeria into a broader footprint will be a focus of our business development efforts in West Africa. With the successful results from that installation demonstrating the significant cost reduction of being able to treat and discharge produced water into the shallow waters as well as the potential enhancement to production efficiencies, this becomes a launchpad for further penetration into this lucrative market. In Canada, we won a small but important project, whilst our continued successes with in-field trials and studies with leading EOR producers is honing in on a retrofit solution for a sizeable portion of the EOR market. The growing complexity of oil reservoir recoveries across the globe is inevitable and with that trend comes harder to treat produced water. Canada is at the forefront of dealing with such enhanced techniques and the produced water solutions that become the preferred method of choice there are likely to then become a standard globally.

Other Markets

The full potential of MYCELX technology is not limited to the oil and gas sector. Given the Company's size and bandwidth we focus on the oil and gas market as the most lucrative for our current suite of products. However, there are already existing markets for MYCELX products in related (Shipping and Maritime) and entirely separate industries (Manufacturing, Air Filtration, Pool & Spa, Bilge Water and Stormwater). The Company has worked on updating product lines and identifying channel partners that will help expedite market adoption and generate greater media sales from a more diverse range of customers. The Company is fully aware of the broad applicability of MYCELX to many different industries and adopts an opportunistic approach to dedicating sufficient bandwidth to exploit these markets.

KEY METRICS & OUTLOOK

The Company outperformed its key metrics and did so whilst preserving its cash position. Revenue exceeded initial projections by $10m and is a 96% improvement on 2017. EBITDA performance was $5.6m, an improvement of over 10 times the figure for 2017. Our exceptional performance is largely due to our ability to win back-to-back lucrative projects for the rental fleet. For the first time since 2013 we are pleased to report a net profit of $3.1m. The improvements in operational excellence and the creativity of our team to apply our technology in new applications to meet more complex water treatment challenges places the Company in a strong position to chase down future material opportunities. The Company will continue to address the upstream market, utilising its lease model as the door opener to full scale excursion management systems. While not compromising our core market focus, the business development plans are in place to sell MYCELX products into other market sectors where the Company can capitalise on the breadth of its technology to address air and water treatment needs in commercial and industrial markets globally.

BOARD OF DIRECTORS COMPOSITION

This year saw some changes in the composition of your Board of Directors with the departure of Swinton Griffith from the Board of Directors after six years of service. I would like to express my gratitude for his long-standing commitment to the Company both as a Non-Executive Director and Chairman of the Audit Committee. We are fortunate to have been able to secure André Schnabl as a Non-Executive Director, Chairman of the Audit Committee and Senior Independent Director, with effect 1 January 2019.

TRIBUTE

The Company owes its existence and core purpose to the vision of John Mansfield Sr, who we sadly lost at the end of the year. It was John's and Hal Alper's vision that MYCELX would become a new standard in the water treatment industry and he was extremely proud of the progress that the Company has made towards that goal. It is this drive and passion borne out of our significant water treatment expertise that will help ensure that our Company continues to thrive.

OUR STRATEGIC REPORT

The business review, future developments and principal risks and uncertainties have been included in the strategic report.

CHIEF EXECUTIVE'S STATEMENT

MYCELX achieved record results in 2018 with revenue up 96% year on year, EBITDA of $5.6m and net profit of $3.1m, to a large extent as a result of our Rapid Response deployments in Saudi Arabia. During the period, the Company successfully delivered on its growth strategy and capitalised on short term opportunities and service and lease renewals for its operating systems in the Middle East. Strong recurring media sales and sales of other smaller but important reference projects in Australia and Canada also added to the Company's successful year.

In recent years, the Company was repositioned to be able to respond to projects that produce near-term revenue. Our strategic plan is offering clients a cost saving option for rapid response systems when water treatment issues arise due to unexpected plant upsets. This short-term rapid response service has been historically dominated by haul-off companies and is a vital component of managing loss time production in petrochemical plants. The contracts the Company secured accounted for a major portion of our revenues in 2018. In addition to the rapid response projects, the Company renewed operating leases for terms from 12 to 24 months. While MYCELX's revenues were primarily underpinned by our continued success in the Middle East, progress was also made in other regions with sales in Australia and Canada that will serve as references for specific applications for treatment of onshore produced water and at LNG facilities. The Company also experienced strong recurring media sales due to a full year of a more robust oil and gas market.

OPERATIONAL PERFORMANCE

The Company continued its customer focused approach and was able to create opportunities with existing and new clients, which was the foundation of our strong financial performance this year. We sought to reposition our resources to take advantage of need-based, near term opportunities in the Middle East while pursuing options with strategic partnerships in other regions. As a result, our focus this year was mainly on Saudi Arabia, Nigeria, North America and Australia. These regions have a need for superior water treatment, driven by a variety of factors. Whilst a major portion of our revenues came from the rapid response model, we made significant headway with positioning ourselves for future long term project wins by executing an Enhanced Oil Recovery trial in Europe and conducting ongoing trials in Australia, leveraging products that provide solutions for difficult to treat groundwater.

Middle East and North Africa (MENA)

Our MENA team set another record with the number of installations in one year surpassing 2017. But it wasn't just the number of projects that was impressive, the value and the level of complexity increased because the team rose to the challenges it was presented with. The results from MENA show that we have made our assets work harder than before and with equipment utilisation rates in excess of 90%, we reached a maximum level of activity given our existing rental fleet. The critical hurdle to winning the most lucrative contracts was overcoming the initial set up time. By adopting a performance optimising approach, the team in Saudi Arabia has brought the installation and demobilisation time down from a week to between 24 – 48 hours. This step change improvement opened up new larger emergency water challenges where the end user could not wait any more than a couple of days for a system to start to remove the problems being faced. Once installed, our small footprint system would be able to treat at greater volumes per hour than even the largest fleet of haul off trucks that could be mobilised within Jubail. Our solution was more cost effective, safer from an EHSS perspective and in line with "Vision 2030" aims.

During the year, we successfully completed the largest and most complex projects we have ever undertaken. We developed a new application based on our core technology called DSG (Dilution Steam Generator) Safeguard. This system was the largest temporary process/waste water treatment system installed in Saudi Arabia to date. No other rapid response system was able to cope with the levels of oil loading (% levels), temperature (>100 degrees Celsius), VOC loading >50,000ppm and consistently meet regulation effluent at a rate close to 200m^3/hr. Because of this system the SABIC affiliate where it was installed was able to continue to produce instead of shutting down for 10-14 days for unscheduled maintenance. This represented a cost saving to the end user that was greater than $30m just in terms of production losses. This project was part of the three back-to-back installations/demobilisations that the team successfully undertook in the second half of the year. At each of these installations we were faced with greater than expected inspec conditions and maintained perfect outlet specifications for the duration of the projects.

The superior water treatment capability of MYCELX is aligned with Saudi Arabia's initiatives to safeguard the environment and reduce waste. At the same time, regulations are becoming more stringent and enforced more rigorously. This provides the ideal environment for MYCELX's superior technology. There is a long term Saudi goal for 100% recycle or reuse of valuable water and other waste streams. Our collaboration with local waste management companies will help to ensure that we will be involved in this exciting and growing market.

West Africa: Nigeria

Our first sale in Nigeria was of significant strategic importance to the Company because it created a footprint for MYCELX in a region where producers and regulators are searching for a new standard in water treatment. Producers require higher quality treated water for operational purposes to enhance production and regulators want to establish more stringent environmental regulations and to enforce proper disposal processes. MYCELX's unique technology has demonstrated that it can achieve the desired water outlet specifications and meet and exceed both parties' requirements.

On the back of a successful trial in 2016, a contract for a MYCELX system was secured in 2017. It was delivered and installed in June 2018. The system has been in continuous operation, allowing the client to meet immediate discharge requirements ensuring robust performance and reliable ongoing production. MYCELX's advanced technology has proven that it can cost effectively solve the client's current and future water challenges. The Company is currently looking to engage with the Department of Petroleum Resources in Nigeria, that regulates and enforces limits for overboard discharge, to seek final approval for the MYCELX system to meet their stringent requirements. The system which includes MYCELX's RE-GEN solution is integral to the client's plan to use its produced water for secondary or enhanced oil recovery techniques. There is significant strategic benefit in MYCELX having a system operating in Nigeria, as it serves as a reference point for all the benefits our technology could potentially provide to producers in the area.

Other key geographic regions: North America and Australia

The Company's legacy media sales were stronger than 2017 due to a full year of a robust oil and gas market. Underpinning the sales was our offshore installations in the Gulf of Mexico as well as other clients deploying our media in manufacturing and other non-oil and gas related markets.

In Canada, the Company installed a system for an operator to treat water during Steam Assisted Gravity Drainage (SAGD) production. While the project was a smaller installation, it serves as a reference for MYCELX's technology in SAGD operations which is very prevalent in Canada. MYCELX's RE-GEN has been able to reliably treat oil to below 10mg/L and remove solids above 7 micron under all conditions. Prior to MYCELX's trial, all previous technologies had failed to achieve the necessary results. The success of this installation places MYCELX in a strong position for a sale at that facility in the future. In the US Permian

Basin the Company teams with a strategic partner to deliver frac-grade water on demand ensuring no interruption to ongoing operations.

The Company continues to believe the ability to treat polymer-laden water during Enhanced Oil Recovery (EOR) operations is one of the largest opportunities in the future. With the increase in oil price many producers are reinvigorating trials and working toward transitioning their fields to EOR to increase production. MYCELX's RE-GEN media is extremely effective in treating polymer-laden produced water removing the associated contaminants to lower levels than the competition without removing the polymer. The Company ran a trial in Europe with a producer looking to move to EOR production furthering our profile in this lucrative market.

In Australia the Company made a sale into the LNG industry in 2018 and continued to support its business expansion in-country. Sales were made into the mining industry for heavy equipment washdown as well as recurring media sales for the offshore production activity. The market in Australia for treating difficult groundwater is a new area for MYCELX and we intend to pursue those opportunities aggressively into the future.

SAFETY

Our continuing success is based on our people, and their safety and that of those people around us is central to everything we do. As we increase the number of installations, we have put in place action plans to ensure that these standards are upheld across the whole portfolio of projects. We have engineered the design of our systems to ensure that operating them is simple and safe.

LOOKING TO THE FUTURE

MYCELX had a very good year, far surpassing revenue projections with the success of the Rapid Response model. Given the number and inherent unpredictable nature of rapid deployment, these contracts kept the Middle East and Houston teams engaged through year end executing two projects in Q4. The Company aims to continue the Rapid Response offering with the expectation of converting these projects into longer term contracts as it has done in the past. To support and accelerate our growth in the Middle East the Company has engaged several strategic partners who work with us in different areas of business from sales and marketing to vendor relations. We expect to continue to work with our partners to grow our business and footprint in this important, robust market into 2019 and beyond.

The Company is committed to pursuing the enormous opportunity in treating water during Enhanced Oil Recovery operations. We are engaged with global producers transitioning to EOR and expect to sell our RE-GEN media to clients globally who are in need of high performance and loss production mitigation. Operational excellence is key to the economics of EOR production and RE-GEN provides the performance that enables producers to meet their goals better than the competition. In 2019 we expect to increase our engagement with large EOR producers advancing the uptake of our proven technology advantage.

The pursuit of market sector and geographic diversity is a focus for the Company that will be carried throughout 2019 and beyond.

The diversity program was initiated in 2017 and the Company spent 2018 refreshing specific non-oil and gas products that the Company has already sold in commercial and industrial markets globally. Strong channel partners were chosen to give us access to marketing and sales platforms with access to the markets we wanted to pursue such as pool and spa, air filtration, spill products and bilge water and stormwater. We will continue to support this initiative to harvest the full value and broad range of applications of our unique technology.

Given the nature and timing element of our Rapid Response offering to manage unexpected upsets, precision of forecasting is a distinct challenge. Conversion to longer term contracts is important as well as chasing our opportunity pipeline in oil and gas in other geographic regions. Our goal for 2019 is to ensure we manage our growth trajectory to ensure profitability, and devote the necessary resources to sustain the momentum while using our strategic relationships and channel partners to enhance our diversification profile.

MYCELX enters 2019 with the knowledge that it is a stronger and more capable solutions provider. As mentioned, the lucrative emergencies that made 2018 an exceptional year are difficult to predict and can come all at once – such as the three back-to-back projects.

At its core, MYCELX is a technology business with exceptional expertise gained through onsite, real-time water treatment experience. The Company will continue to use its knowledge to innovate and commercialise next generation technology to meet its customers' current and future needs. In 2018, our experience was that once we solved one water challenge for our customers they often asked us to help with other water issues. Our solutions are more reliable and cost effective than outdated conventional methods and gradually we have started to obtain local regulatory and industry recognition of our new standard of water treatment. The oil and gas and petrochemical industries continue to integrate MYCELX technology into their critical, real-time processes and we expect the other market sectors we have resourced this year to add to our success into the future. The Company is confident its technology has its role in achieving sustainable water treatment for years to come. The Board of Directors and Company management are committed to ensuring MYCELX technology reaches its full potential as the global industry standard.

Statements of Operations

(USD, in thousands, except share data)

For the Year Ended 31 December:	**2018**	**2017**
Revenue	26,952	13,751
Cost of goods sold	12,892	6,285
Gross profit	14,060	7,466
Operating expenses:		
Selling, general and administrative	9,264	7,772
Depreciation and amortisation	438	422
Total operating expenses	9,702	8,194
Operating profit (loss)	4,358	(728)
Other expense		
Loss on disposal of equipment	(3)	(14)
Interest expense	(85)	(89)
Profit (loss) before income taxes	4,270	(831)
Provision for income taxes	(1,200)	(327)
Net profit (loss)	3,070	(1,158)

Profit (loss) per share – basic	0.16	(0.06)
Profit (loss) per share – diluted	0.15	(0.06)
Shares used to compute basic profit (loss) per share	18,802,981	18,773,764
Shares used to compute diluted profit (loss) per share	20,003,251	18,773,764

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

Balance Sheets

(USD, in thousands, except share data)

as at 31 December:	**2018**	**2017**
Assets		
Current Assets		
Cash and cash equivalents	4,866	5,171
Restricted cash	525	525
Accounts receivable - net	8,225	2,436
Unbilled accounts receivable	20	398
Inventory - net	4,708	3,085
Prepaid expenses	228	254
Other assets	42	33
Total Current Assets	18,614	11,902
Property and equipment – net	8,536	8,755
Intangible assets – net	788	837
Total Assets	27,938	21,494
Liabilities and Stockholders’ Equity		
Current Liabilities		
Accounts payable	2,912	982
Payroll and accrued expenses	1,950	570
Deferred revenue	125	192
Note payable - current	86	89
Other current liabilities	153	14
Total Current Liabilities	5,226	1,847
Note payable – long-term	1,739	1,832

Total Liabilities	6,965	3,679
Stockholders’ Equity		
Common stock, $0.025 par value, 100,000,000 shares authorised, 18,807,617 and 18,787,617 shares issued and outstanding at 31 December 2018 and 2017, respectively.	470	470
Additional paid-in capital	40,544	40,456
Accumulated deficit	(20,041)	(23,111)
Total Stockholders’ Equity	20,973	17,815
Total Liabilities and Stockholders’ Equity	27,938	21,494

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

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
Issuance of common stock, net of offering costs	18	1	6	–	7
Stock-based compensation expense	–	–	125	–	125
Net loss for the period	–	–	–	(1,158)	(1,158)
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	–	–	80	–	80
Net profit for the period	–	–	–	3,070	3,070
Balances at 31 December 2018	18,808	470	40,544	(20,041)	20,973

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

Statements of Cash Flows

(USD, in thousands)

For the Year Ended 31 December:	**2018**	**2017**

Cash flow from operating activities		
Net profit (loss)	3,070	(1,158)
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:		
Depreciation and amortisation	1,239	1,205
Loss on abandonment or expiration of patent	–	22
Loss from disposition of equipment	3	14
Stock compensation	80	125
Change in operating assets and liabilities:		
Accounts receivable - net	(5,789)	(495)
Unbilled accounts receivable	378	(304)
Inventory - net	(2,082)	670
Prepaid expenses	26	(128)
Other assets	(9)	3
Accounts payable	1,930	325
Payroll and accrued expenses	1,380	145
Deferred revenue	(67)	192
Other current liabilities	139	(422)
Net cash provided by operating activities	298	194
Cash flow from investing activities		
Payments for purchases of property and equipment	(492)	(5)
Payments for purchases of intangible assets	(23)	(53)
Net cash used in investing activities	(515)	(58)
Cash flows from financing activities		
Net proceeds from stock issuance	8	6
Payments on notes payable	(96)	(85)
Increase in restricted cash	–	(25)
Net cash used in financing activities	(88)	(104)
Net (decrease) increase in cash and cash equivalents	(305)	32
Cash and cash equivalents, beginning of year	5,171	5,139
Cash and cash equivalents, end of year	4,866	5,171
Supplemental disclosures of cash flow information:		
Cash payments for interest	92	89

Cash and non-cash payments for income taxes	1,128	306
Non-cash movements of inventory and fixed assets	(459)	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 financial statements have been prepared using recognition and measurement principles of Generally Accepted Accounting Principles in the United States of America ("U.S. GAAP").

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 tax assets. 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 filtration media product, equipment leases and equipment sales. These sales are based on mutually agreed upon pricing with the customer prior to the delivery of the media product and equipment. The Company recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Revenue from filtration media sales is billed and recognised when products are shipped to the customer. Revenue from equipment leases is recognised over time as the equipment is available for customer use and is typically billed monthly. Revenue from services is recognised at the point the service is provided and is typically billed monthly. Revenue from long-term contracts related to construction of equipment is recognised over time, usually a period less than one year, as value and control of the asset is transferred to the customer. Revenues on sales in which equipment is pre-fabricated and stocked in inventory are recognised upon shipment of the equipment to the customer.

Sales tax charged to customers is presented on a net basis within the consolidated statements of operations and therefore recorded as a reduction of net revenues. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of revenues.

The Company's contracts with the customers state the final terms of the sales, including the description, quantity, and price of media product, equipment (sale or lease) and the associated services to be provided. The Company's contracts are generally short-term in nature and in most situations, the Company provides products and services ahead of payment and has fulfilled the performance obligation prior to billing.

The Company believes the output method is a reasonable measure of progress for the satisfaction of its performance obligations, which are both satisfied over time and at a point in time, as it provides a faithful depiction of (1) performance toward complete satisfaction of the performance obligation under the contract and (2) the value transferred to the customer of the services performed under the contract.

Our contracts with clients often include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Judgment is required to determine stand-alone selling price ("SSP") for each distinct performance obligation. We develop observable SSP by reference to stand-alone sales for identical or similar items to similarly situated clients at prices within a sufficiently narrow range. In situations where an observable SSP does not exist, the residual method is applied and requires significant judgment.

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.

See Note 13 for disaggregation of revenue by geographic region. Timing of revenue recognition for each of the periods presented is shown below:

	31 December 2018 US$000	**31 December 2017 US$000**
Equipment leases recognised over time	5,503	1,550
Consumable filtration media, equipment sales and service recognised at a point in time	21,449	12,201
Total revenue	26,952	13,751

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 31 December 2018, all of the Company's cash and cash equivalent balances were held in checking and money market accounts. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At 31 December 2018 and 2017, cash in non-U.S. institutions was $13,000 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. As of 31 December 2018 and 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 31 December 2018 and 2017 was $300,000 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 12 months, security deposits on leased space and various prepaid amounts that will be charged to expenses within 12 months. Non-trade receivables that are collectible in 12 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 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 years ended 31 December 2018 and 2017.

Research and development costs – Research and development costs are expensed as incurred. There was no research and development expense for the years ended 31 December 2018 and 2017.

Advertising costs – The Company expenses advertising costs as incurred. Advertising expense for the years ended 31 December 2018 and 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 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 years ended 31 December 2018 and 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. Total common stock equivalents that were excluded from computing diluted net loss per share were approximately 1,119,350 for the year ended 31 December 2017.

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 transfers into and out of each level of the fair value hierarchy for assets measured at fair value for the years ended 31 December 2018 or 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 31 December 2018 and 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") No. 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 12 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 to 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 Company is planning to adopt this ASU under a modified retrospective approach on 1 January 2019. This will result in the recognition of an Operating Lease Right of Use Asset and an Operating Lease Liability of $960K.

Recent accounting pronouncements pending adoption not discussed above are either not applicable or are not expected to have a material impact on the Company.

3. Accounts receivable

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

	31 December 2018 **US$000**	**31 December 2017** **US$000**
Accounts receivable	8,525	2,468
Less: allowance for doubtful accounts	(300)	(32)
Total receivable - net	8,225	2,436

4. Inventories

Inventories consist of the following at 31 December 2018 and 2017:

	31 December 2018	**31 December 2017**

	US$000	US$000
Raw materials	1,341	686
Work-in-progress	–	44
Finished goods	3,367	2,355
Total inventory	4,708	3,085

5. Property and equipment

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

	31 December 2018 US$000	31 December 2017 US$000
Land	709	709
Building	2,724	2,724
Leasehold improvements	361	341
Office equipment	699	697
Manufacturing equipment	898	747
Research and development equipment	496	514
Purchased software	222	222
Equipment leased to customers	9,674	8,495
Construction in progress	–	444
	15,783	14,893
Less: accumulated depreciation	(7,247)	(6,138)
Property and equipment – net	8,536	8,755

During the years ended 31 December 2018 and 2017, the Company removed property, plant and equipment and the associated accumulated depreciation of approximately $58,000 and $188,000, respectively, to reflect the disposal of property, plant and equipment.

Depreciation expense for the years ended 31 December 2018 and 2017 was approximately $1,167,000 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 years ended 31 December 2018 and 2017 was $801,000 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 $51,000 and $45,000 as of 31 December 2018 and 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 31 December 2018 and 2017 consist of the following:

	Weighted Average Useful Lives	31 December 2018 US$000	31 December 2017 US$000
Internally developed patents	15 years	1,294	1,271
Purchased patents	17 years	100	100
		1,395	1,371
Less accumulated amortisation		(606)	(534)
Intangible assets – net		788	837

Approximate aggregate future amortisation expense is as follows:

Year Ending 31 December (USD, in thousands)	
2019	51
2020	51
2021	50
2022	49
2023	41
Thereafter	209

Amortisation expense for the years ended 31 December 2018 and 2017 was approximately $72,000 and $46,000, respectively.

7. Income taxes

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

	31 December 2018 US$000	31 December 2017 US$000
Current:		
Federal	–	–
Foreign	1,185	326
State	15	1
Total current provision	1,200	327

Deferred:		
Federal	–	–
Foreign	–	–
State	–	–
Total deferred provision	–	–
Total provision for income taxes	1,200	327

The provision for income tax varies from the amount computed by applying the statutory corporate federal tax rate of 34 percent for 2017 and 21 percent for 2018, 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:

	31 December 2018	**31 December 2017**
Federal statutory income tax rate	21.0%	34.0%
State tax rate, net of federal benefit	0.5%	(0.5%)
Valuation allowance	(16.7%)	271.6%
Rate reduction adjustment	–	(311.6%)
Other	1.5%	(1.8%)
Foreign withholding tax	21.8%	(31.0%)
Effective income tax rate	28.1%	(39.3%)

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

	31 December 2018 US$000	**31 December 2017 US$000**
Deferred tax assets		
Net operating loss	3,971	4,679
Equity compensation	297	284
Research and development credits	159	159
Allowance for bad debts	64	7
Accrued liability	4	1
Inventory valuation reserve	93	23
Other	22	3
Total gross deferred tax asset	4,610	5,156

Deferred tax liabilities		
Property and equipment	(738)	(569)
Total gross deferred tax liability	(738)	(569)
Net deferred tax asset before valuation allowance	3,872	4,587
Valuation allowance	(3,872)	(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 31 December 2018, the Company has recorded a valuation allowance of $3.9 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 31 December 2018, the Company has approximately $18.0 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 2024 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 new federal corporate tax rate reduces 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 rate of 21 percent. 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 31 December 2018 and 2017, there was no accrual for uncertain tax positions or related interest.

The Company's tax years 2014 through 2018 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. In November 2018, the maximum borrowing capacity was increased to $1,875,000. The facility renews annually and is secured by the assignment of a deposit account held by the lender and a second deed to the property owned by the Company in Duluth, Georgia. The line of credit carries a floating rate of interest equal to the lender's Prime Rate and is subject to change any time the Prime Rate changes. Under terms of the line of credit, the Company is required to maintain a minimum cash balance and a specified cash flow coverage ratio, as those terms are defined, and the Company was in compliance as of 31 December 2018. There was no balance on the line of credit at 31 December 2018 and 2017. The interest rate on 31 December 2018 and 2017 was 5.50 percent and 4.00 percent, respectively. There was no interest expense related to this loan for the years ended

31 December 2018 and 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 10 year term with monthly payments based on a 20 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 31 December 2018 and 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 31 December 2018:

Year Ending 31 December (USD, in thousands)	
2019	86
2020	97
2021	102
2022	107
2023	1,433
	1,825

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 1,347,042 shares allocated as of 31 December 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 vest over three years with a third vesting ratably each year, partially on issuance and partially over the following 24 month period, or if there is a change of control. 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
2018	150,000	30/11/2018	2.90%	5.72 years	53.00%	$3.03	$1.57

The Company assumes a dividend yield of 0.0%.

The following table summarises the Company's stock option activity for the years ended 31 December 2018 and 2017:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Average Grant Date Fair Value
Outstanding at 31 December 2016	1,139,556	$2.56	5.9	$1,372,852
Granted	280,000	$0.89	5.8	$97,200
Exercised	(17,500)	$0.36		
Forfeited	(180,014)	$1.81		
Outstanding at 31 December 2017	1,222,042	$2.31	5.9	$1,307,331
Granted	150,000	$3.03	5.7	$235,500
Exercised	(20,000)	$0.44		
Forfeited	(5,000)	$0.75		
Outstanding at 31 December 2018	1,347,042	$2.43	5.9	$1,536,406
Exercisable at 31 December 2018	1,130,375	$2.42	6.0	

A summary of the status of unvested options as of 31 December 2018 and changes during the years ended 31 December 2018 and 2017 is presented below:

Unvested Options	Shares	Weighted-Average Fair Value at Grant Date
Unvested at 31 December 2016	341,833	$0.65
Granted	280,000	$0.35
Vested	(340,584)	$0.92

Forfeited	(97,583)	
Unvested at 31 December 2017	183,666	$0.44
Granted	150,000	$1.57
Vested	(114,499)	$0.34
Forfeited	(2,500)	
Unvested at 31 December 2018	216,667	$1.14

As of 31 December 2018, total unrecognised compensation cost of $224,000 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 31 December 2018 are as follows:

Year Ending 31 December	**Future Lease Payments US$000**
2019	233
2020	237
2021	166
2022	120
2023	122
Thereafter	51
Total future lease payments	929

Rent expense for the years ended 31 December 2018 and 2017 was approximately $320,000 and $325,000, respectively.

Legal – From time to time, the Company is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material adverse effect on the results of operations or financial position of the Company.

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 31 December 2018. For the year ended 31 December 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:

Year Ending 31 December (USD, in thousands)	**2018**	**2017**
Middle East	23,066	6,256
United States	2,465	7,191
Other	1,421	304
Total	26,952	13,751

Equipment leased to customers by geography is as follows:

Year Ending 31 December (USD, in thousands)	**2018**	**2017**
Middle East	7,602	6,391
United States	1,726	1,729
Other	346	375
Total	9,674	8,495

14. Concentrations

At 31 December 2018, one customer with seven contracts with six separate plants, represented 89 percent of accounts receivable. During the year ended 31 December 2018, the Company received 85 percent of its gross revenue from one customer with six 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 three 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 May 2019, the date the financial statements were available to be issued. On 27 February 2019, the Company completed the closing of a Placing of 577,246 Common Shares and a Subscription for 26,387 Common Shares, both at a price of 230 pence per new share, raising US$1.8 million before expenses. Upon conclusion of the public offering, the total shares issued and outstanding were 19,411,250. Following the exercise of a share option, the total shares issued and outstanding at the date of this report is 19,413,750.

Forward Looking Statements

This Annual Report 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 import. All the statements other than statements of historical facts included in this Annual Report, 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 Annual Report, including any forward-looking statements, in the light of new information, change in circumstances or future events.