29 September 2021

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

MYCELX Technologies Corporation ("MYCELX" or the "Company"), the clean water and air technology company transforming the environmental impact of industry, is pleased to announce its unaudited interim results for the six months ended 30 June 2021.

Highlights

Financial

- Revenue of $4.2 million (2020 H1: $3.6 million)
- Gross profit margin of 45.6% (2020 H1: 45.3%)
- EBITDA of $1.2 million (2020 H1: negative $1.9 million), normalized EBITDA excluding sale of building negative $1.3 million
- Net profit of $435,000 (2020 H1: $2.8 million net loss)
- Sale of office building in Duluth, Georgia, yielded net proceeds of $2.8 million
- Net cash of $5.5 million at end of period
- Recovery in financial performance year-on-year primarily due to improving macro-outlook, but also the sale of the Company's building in Duluth, Georgia

Operational

- Middle East: two contract extensions signed in Q1 2021, valued at $2.4 million
- Nigeria: equipment sale valued at $0.7 million
- Australia: validation and capacity upgrade of Per and Polyfluoroalkyl Substances ("PFAS") system for Department of Defence
- MYCELX continues to pursue other opportunities which have the potential to generate further incremental revenues for the Company, including PFAS in the US market and Enhanced Oil Recovery ("EOR") applications

Post Period Update

- Significant new contract and two contract extensions in Saudi Arabia valued at a combined $3.9 million

- Other water treatment contract wins valued at $650K which includes the paid REGEN trial

- Seasoned business development hire to drive sales in North America

<u>Outlook</u>

MYCELX has made strong progress in H1 2021. New contracts and contract extensions have been signed in the core market of the Middle East and significant strides continue to be made in other target regions such as the US and Nigeria. The Company is actively involved in bidding activity globally, but especially in the Middle East, and will update the market further on material contract awards and extensions as appropriate.

In the US and Australia, the Company is actively pursuing the PFAS remediation market, a rapidly growing multi-billion dollar global sector. Recent validation and capacity upgrade at an Australian Defence location and at a global oil Company's site are evidence of our technology's increasing adoption in the PFAS market. MYCELX expects to commence trials in the US in the coming weeks leveraging its successful track record of PFAS water treatment in Australia since 2014. PFAS remediation is expected to become an increasingly important market for the business with respect to the scale of the human health and environmental crisis attributed to decades of use of PFAS in everyday products. PFAS remediation is another sector where MYCELX is delivering innovative technology to tackle one of the most serious environmental challenges.

Building on the REGEN product development in 2020 the Company expects to commence a paid trial in Q4 2021. The performance of the REGEN technology ensures consistent and reliable production and greatly reduces the number of costly well workovers.

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

"I am pleased with the progress the Company has made in H1 2021. A number of contract extensions and new purchase orders have been awarded to us and we continue to actively bid on further opportunities to improve water treatment in the oil and gas sector. We are upbeat about our ability to win contracts due to our proven technology, operational performance and buoyant oil prices in the $65-$75 a barrel range. There will be challenges around the timing of project awards, but with the continued focus on corporates displaying strong ESG credentials, our patented technology supports their initiatives for reuse or discharge of clean water in their daily operations.

We are excited about our technology's success in the PFAS remediation market in Australia and are currently mobilizing for trials in the US. The need for innovative technology in this market is evident from cost, sustainability and waste reduction perspectives. MYCELX's solution has met these challenges in Australia and we look forward to the same success in the US.

As we see the global economy normalize, we will continue to stay close to our customers, and the markets we are focused on, which we believe will lead to further contract awards in due course."

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Chairman's and Chief Executive Officer's Statement

We are pleased to publish MYCELX's H1 2021 results today and to provide a wider update on the developments we have been working on since the start of the year.

We have seen a resurgence in bidding activity across the industries where we operate. We continued to prioritize the safety and welfare of our workforce, meaning that our employees were able to remain healthy, ensuring our business operations could continue uninterrupted, especially in the current COVID-19 environment. As documented earlier in the year, we are seeing green shoots start to emerge, and with the prevailing focus on improving environmental stewardship globally, we expect the applications for our technology will continue to grow through additional project wins in 2021 and beyond.

In H1, MYCELX delivered revenues of $4.2 million, resulting in a net profit of $435,000. This is up considerably from H1 2020, although we do still remain short of the numbers we produced prior to the pandemic in H1 2019. However, given the continued attention on operators behaving in an environmentally sustainable manner and our strong execution we are confident of achieving revenues that exceed the prior year.

On costs, our corporate G&A remains lower versus last year and the savings initiatives we implemented in light of the pandemic continue to generate results. We plan to maintain our strict approach to capital discipline for the foreseeable future, as we believe it to be in the best interests of all our stakeholders. As of 30 June 2021, the Company's total assets were down from $19.1 million at FY 2020 to $17.1 million. As of 30 June 2021, the Company had cash and cash equivalents of $5.5 million, up 45% from $3.8 million in FY 2020.

<u>Operational Review</u>

We continue to make advancements in two new product applications which will add to the current installed base of our technology. First, PFAS remediation technology opens opportunities for MYCELX in groundwater remediation projects. In the US, we progressed our offering in the PFAS market with the goal of securing pilot trials in Q4 2021 which will leverage the success we have experienced in the PFAS market in Australia. Second, optimizing our REGEN retrofit solution enables use of our technology on EOR as well as other industrial applications. We anticipate that the paid REGEN trial we expect to commence in Q4 will demonstrate REGEN's superior performance over other water treatment offerings which in turn will lead to accelerated uptake.

In the Middle East, we were awarded two contract extensions during the period with customers in the Kingdom of Saudi Arabia. The combined value of these awards to MYCELX was $2.4 million. These projects confirm the commercial attractiveness, performance, and acceptance of our offering as the preferred method to improve process water for reuse and compliant discharge. In Nigeria, we successfully delivered the equipment for our third sale in-country. Our technology has gained significant recognition for reliable treatment of produced water for safe discharge in these regions.

In keeping with our cost saving measures, we announced the sale of our building in Duluth, Georgia, USA, to right-size our office space needs and provide working capital. The sale netted MYCELX a financial gain of approximately $2.5 million.

Financial Review

Building on the work done in 2020 to consolidate our position when the effects of the pandemic slowed, we saw revenue rise 17% to $4.2 million compared to $3.6 million in the first half of 2020. We also saw revenue from equipment sales and leases increase 58% to $1.9 million in the first half of 2021 (2020 H1: $1.2 million). Revenue from consumable filtration media and service was fairly consistent at $2.3 million (2020 H1: $2.4 million). Whilst the equipment sales are one off by nature, there is longevity to the media sales and on-going lease and service revenues.

Gross profit increased by 19% to $1.9 million in the first half of 2021, compared to $1.6 million in the first half of 2020, and gross profit margin remained at 45% in the first half of 2021 (2020 H1: 45%).

We reduced the total operating expenses for the first half of 2021, including depreciation and amortisation, by 10% to $3.8 million (2020 H1: $4.2 million). The largest component of operating expenses was selling, general and administrative expenses (‘SG&A’), which decreased by approximately 7% to $3.7 million (2020 H1: $4.0 million) due to the continued impact of a series of company-wide cost saving measures implemented in 2020.

Depreciation and amortisation within operating expenses decreased by 31% to $113,000 (2020 H1: $163,000), primarily due to older equipment reaching the end of its useful life.

EBITDA was $1.2 million for the first half of 2021, compared to negative $1.9 million for the first half of 2020. Normalized EBITDA excluding the sale of building in Duluth, Georgia was negative $1.3 million. EBITDA is defined as net profit before interest expense, provision for income taxes, and depreciation and amortisation of fixed and intangible assets, including depreciation of leased equipment which is included in cost of goods sold. The Company recorded a profit before tax of $599,000 for the first half of 2021, compared to loss before tax of $2.6 million for the first half of 2020. The increase in net profit was due to the $2.5 million gain the Company recognised on the sale of its building. Basic profit per share was 2 cents for the first half of 2021, compared to basic loss per share of 14 cents for the first half of 2020.

In the first half of 2021, the Company completed the sale of its building in Duluth, Georgia, USA for a total consideration of $5.4 million. The Company recognised a financial gain of approximately $2.5 million on the sale of the property and net cash proceeds were approximately $2.8 million. The Note Payable and line of credit were paid in full and $500,000 of cash was reclassified from restricted cash. The sale enabled the Company to right-size its office space needs across its main operating locations and provided cash proceeds which will be used for working capital purposes to support the business needs.

As of 30 June 2021, total assets were $17.1 million with the largest assets being $5.5 million of cash and cash equivalents, inventory of $5.1 million, property and equipment of $3.5 million and $1.2 million of accounts receivable.

Total liabilities as of 30 June 2021 were $2.7 million and stockholders' equity was $14.4 million, resulting in a debt-to-equity ratio of 19%.

The Company ended the period with $5.5 million of cash and cash equivalents and no restricted cash, compared to $3.8 million in total at 31 December 2020, including restricted cash. The Company used approximately $1.4 million cash in operations in the first half of 2021, compared to $280,000 generated in the first half of 2020. The proceeds from the sale of the Company's property contributed to $5.4 million provided by investment activities compared to an outflow of $25,000 in the first half of 2020. In the first half of 2021, the Company's financing activities included net proceeds of $401,000 from a forgivable loan and $2.2 million paid towards debt.

<u>Outlook</u>

This has been a productive period for the Company, building on the product development achieved in 2020. The Company expects 2021 revenue to be in the region of 20% better than FY 2020, and we anticipate that the hard work the team has put in will yield further results in the near to medium term. The fundamentals of the business have not changed. We have a unique and patented offering that can deliver economic results and environmental improvement in active markets across a range of applications. We are excited about our acceleration into EOR and PFAS applications augmenting our established footprint in petrochemical process and oil and gas produced water. Application of MYCELX's suite of solutions ensures cleaner water which results in reduction of the impact of industry on the environment. These factors, combined with our geographic, technical and industry expertise, will play an important role in our success as we look to secure additional contract orders over the coming period.

Tom Lamb
Chairman
29 September 2021

Connie Mixon
Chief Executive Officer

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

	Six Months Ended 30 June 2021 (unaudited)	*Six Months Ended 30 June 2020 (unaudited)*	*Year Ended 31 December 2020*
Revenue	**4,164**	**3,641**	**7,104**
Cost of goods sold	2,266	1,993	5,512
Gross profit	**1,898**	**1,648**	**1,592**
Operating expenses:			
Research and development	-	55	64
Selling, general and administrative	3,696	3,985	7,271
Depreciation and amortisation	113	163	310
Total operating expenses	**3,809**	**4,203**	**7,645**
Operating loss	**(1,911)**	**(2,555)**	**(6,053)**
Other income (expense)			
Gain upon extinguishment of debt	-	-	404
Gain on sale of property	2,532	-	-
Interest expense	(22)	(62)	(117)
Profit (loss) before income taxes	**599**	**(2,617)**	**(5,766)**
Provision for income taxes	(164)	(162)	(328)
Net profit (loss)	**435**	**(2,779)**	**(6,094)**
Profit (loss) per share-basic	**0.02**	**(0.14)**	**(0.31)**
Profit (loss) per share-diluted	0.02	(0.14)	(0.31)
Shares used to compute basic profit (loss) per share	**19,443,750**	**19,443,750**	**19,443,750**
Shares used to compute diluted profit (loss) per share	**21,032,082**	**19,443,750**	**19,443,750**

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 2021 (unaudited)	*As of 30 June 2020 (unaudited)*	*As of 31 December 2020*
ASSETS			
Current Assets			
Cash and cash equivalents	5,512	4,255	3,292
Restricted cash	-	500	500
Accounts receivable - net	1,246	1,208	1,479
Unbilled accounts receivable	-	100	-
Inventory	5,096	6,821	5,642
Prepaid expenses	411	485	84
Other assets	130	387	107
Total Current Assets	**12,395**	**13,756**	**11,104**
Property and equipment – net	3,480	7,453	6,756
Intangible assets – net	783	778	790
Operating lease asset – net	355	658	482
Total Assets	**17,013**	**22,645**	**19,132**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	424	963	473
Payroll and accrued expenses	721	1,019	540
Contract liability	12	477	745
Customer deposits	730	411	492
Operating lease obligations – current	122	241	175
Note payable – current	-	100	102
Line of credit	-	-	997
Other current liabilities	401	401	-
Total Current Liabilities	**2,410**	**3,612**	**3,524**
Operating lease obligations – long-term	221	343	275
Note payable – long-term	-	1,592	1,541
Total Liabilities	**2,631**	**5,547**	**5,340**
Stockholders' Equity			
Common stock, $0.025 par value, 100,000,000 shares authorised, 19,443,750 shares issued and outstanding at 30 June 2021 and 2020, and 31 December 2020.	486	486	486
Additional paid-in capital	42,555	42,391	42,400
Accumulated deficit	(28,659)	(25,779)	(29,094)
Total Stockholders' Equity	**14,382**	**17,098**	**13,792**
Total Liabilities and Stockholders' Equity	**17,013**	**22,645**	**19,132**

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 2019	**19,444**	**486**	**42,358**	**(23,000)**	**19,844**
Stock-based compensation expense	-	-	33	-	33
Net loss for the period	-	-	-	(2,779)	(2,779)
Balances at 30 June 2020 (unaudited)	**19,444**	**486**	**42,391**	**(25,779)**	**17,098**
Stock-based compensation expense	-	-	9	-	9
Net loss for the period	-	-	-	(3,315)	(3,315)
Balances at 31 December 2020	**19,444**	**486**	**42,400**	**(29,094)**	**13,792**
Stock-based compensation expense	-	-	155	-	155
Net profit for the period	-	-	-	435	435
Balances at 30 June 2021 (unaudited)	**19,444**	**486**	**42,555**	**(28,659)**	**14,382**

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 2021 (unaudited)	*Six Months Ended 30 June 2020 (unaudited)*	*Year Ended 31 December 2020*
Cash flow from operating activities			
Net profit (loss)	435	(2,779)	(6,094)
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortisation	573	607	1,427
Gain on sale of property	(2,532)	-	-
Inventory reserve adjustment	-	-	1,061
Gain upon extinguishment of debt	-	-	(401)
Stock compensation	155	33	42
Change in operating assets and liabilities:			
Accounts receivable - net	233	2,779	2,508
Unbilled accounts receivable	-	(100)	-
Inventory	427	(680)	(562)
Prepaid expenses	(327)	(267)	134
Prepaid operating leases	20	(30)	10
Other assets	(23)	-	280
Accounts payable	(49)	177	(313)
Payroll and accrued expenses	181	516	37
Contract liability	(733)	477	745
Customer Deposits	238	(453)	(372)
Net cash (used in) provided by operating activities	(1,402)	280	(1,498)
Cash flow from investing activities			
Payments for purchases of property and equipment	(17)	(17)	(110)
Proceeds from sale of property	5,400	-	-
Payments for internally developed patents	(22)	(8)	(49)
Net cash provided by (used in) investing activities	5,361	(25)	(159)
Cash flow from financing activities			
Payments on notes payable	(1,643)	(48)	(96)
Proceeds from notes payable	401	401	401
Advances on line of credit	-	-	2,875
Payments on line of credit	(997)	-	(1,878)
Net cash (used in) provided by financing activities	(2,239)	353	1,302
Net increase (decrease) in cash, cash equivalents and restricted cash	1,720	608	(355)
Cash, cash equivalents and restricted cash, beginning of period	3,792	4,147	4,147
Cash, cash equivalents and restricted cash, end of period	5,512	4,755	3,792
Supplemental disclosures of cash flow information:			
Cash payments for interest	40	63	117
Cash payments for income taxes	188	162	247
Non-cash movements of inventory and fixed assets	119	-	-

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 2021 and 2020 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.

Liquidity – The Company meets its day-to-day working capital and other cash flow requirements through operations and loan facilities. The Company had a Note Payable (Note 10) that matured in March 2023 and access to a line of credit (Note 8) that renewed annually. However, the Note and the line of credit were paid in full, and $500,000 of cash was reclassified from restricted cash, during the period when the Company completed the sale of its building in Duluth, Georgia, USA for total consideration of $5.4 million. The sale enabled the Company to right-size its office space needs across its main operating locations and provided cash proceeds, after repayment of the Note Payable and line of credit, of $2.8 million which is being used for working capital purposes to support the business needs. The Company actively manages its financial risk by operating Board-approved financial policies that are designed to ensure that the Company maintains an adequate level of liquidity and effectively mitigates financial risks.

There has been a significant economic impact in the regions in which the Company operates due to the global pandemic. For several reasons including COVID-19, there has been a significant decrease in oil demand and therefore a fall in prices. Considering the Company's customer base is concentrated in the Oil and Gas industry, this has impacted demand for the Company's clean water technology. However, the Company continues to receive contract awards and orders for media and has noted a recovery beginning to take place within the markets it serves. The effect on the Company's operational and financial performance will depend on future developments, including the continued duration, spread, and intensity of the pandemic, and governmental, regulatory and private sector responses.

Given the continued uncertainty, the Company performed a downside scenario sensitivity analysis taking into account the potential for continuation of low oil prices and uncertainty around COVID-19, whilst considering revenues already under contract and adjusting only for cost of goods sold.

On the basis of current financial projections, including the downside scenario sensitivity analysis, the Company believes that it has adequate resources to continue in operational existence for the foreseeable future at least 12 months from the date of the issuance of these interim statements and, accordingly, consider it appropriate to adopt the going concern basis in preparing these interim Financial Statements.

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 inventory valuation, accounts receivable valuation, 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, professional services to operate the leases, turnkey operations 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 and spare parts 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 professional services provided to monitor and operate the equipment is recognised over time when the service is provided and is typically billed monthly. Revenue from turnkey projects whereby the Company is asked to manage the water filtration process end to end is recognised on a straight-line basis over time as the performance obligation, in the context of the contract, is a stand ready obligation to filter all water provided. Revenue from contracts related to construction of equipment is recognised upon shipment of the equipment to the customer because the contractual terms state that control transfers at the point of shipment and there is no enforceable right to payments made as customer deposits prior to that date. Customer deposits for equipment sales represent payments made prior to transferring control at the point of shipment that can be refunded at any time when requested by the customer, thus, they do not represent contract liability.

Sales tax charged to customers is presented on a net basis within the 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 fulfilment cost and are included in cost of goods sold.

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 that are satisfied over 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. All other performance obligations are satisfied at a point in time upon transfer of control to the customer.

The Company's contracts with customers 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. The Company develops observable SSP by reference to stand-alone sales for identical or similar items to similarly situated clients at prices within a sufficiently narrow range.

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 revenue recognised in excess of amounts billed. Contract liability represents billings in excess of revenue recognised. Unbilled accounts receivable at 30 June 2021 and 2020, and 31 December 2020 was $nil, $100,000 and $nil, respectively. Contract liability at 30 June 2021 and 2020 and 31 December 2020 was $12,000, $477,000 and $745,000, respectively.

Timing of revenue recognition for each of the periods and geographic regions presented is shown below:

	Equipment leases, turnkey arrangements, and services recognised over time			**Consumable filtration media, equipment sales and service recognised at a point in time**		
(USD, in thousands)	30 June 2021	30 June 2020	31 December 2020	30 June 2021	30 June 2020	31 December 2020
Middle East	2,529	2,586	5,181	50	48	88
United States	-	-	-	606	646	1,394
Other	-	1	3	962	260	321
Total revenue recognised under ASC 606	2,529	2,587	5,184	1,618	954	1,803
Total revenue recognised under ASC 842	17	100	117	-	-	-
Total revenue	2,546	2,687	5,301	1,618	954	1,803

Contract costs – The Company capitalises certain contract costs such as costs to obtain contracts (direct sales commissions) and costs to fulfil contracts (upfront costs where the Company does not identify the set-up fees as a performance obligation). These contract assets are amortised over the period of benefit, which the Company has determined is customer life.

During the six months ended 30 June 2021 and 2020, and the year ended 31 December 2020, the Company did not have any costs to obtain a contract and any costs to fulfil a contract were inconsequential.

Cash, cash equivalents and restricted cash – 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 2021, all of the Company's cash, cash equivalent and restricted cash 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 30 June 2021 and 2020, and 31 December 2020, cash in non-U.S. institutions was $126,000, $7,000 and $83,000, respectively. The Company has not experienced any losses in such accounts. The Company classifies as restricted cash all cash whose use is limited by contractual provisions. At 30 June 2020 and 31 December 2020, restricted cash included $500,000 cash on deposit in a money market account as required by a lender (see Note 10). The restriction was released when the Note Payable was paid in full during the period with proceeds from the sale of the Duluth property. There was no restricted cash at 30 June 2021.

Reconciliation of cash, cash equivalents and restricted cash at 30 June 2021 and 2020, and 31 December 2020:

	30 June 2021 *US$000*	30 June 2020 *US$000*	31 December 2020 *US$000*
Cash and cash equivalents	5,512	4,255	3,292
Restricted cash	-	500	500
Total cash, cash equivalents and restricted cash	5,512	4,755	3,792

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 2021 and 2020, and 31 December 2020 was $33,000, $nil and $33,000, 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 changed its inventory accounting method from the FIFO method (first in; first out) to the Average Cost method. 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. The Company determines the valuation by evaluating expected future usage as compared to its past history of utilisation and future expectations of usage.

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:

Building	39 years
Leasehold improvements	Lease period or 1-5 years (shorter of)
Office equipment	3-10 years
Manufacturing equipment	5-15 years
Research and development equipment	5-10 years
Purchased software	Licensing period or 5 years (whichever is shorter)
Equipment leased to customers	5-10 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 2021 and 2020, and the year ended 31 December 2020.

Research and development costs – Research and development costs are expensed as incurred. Research and development expense for the six months ended 30 June 2021 and 2020, and the year ended 31 December 2020 was approximately $nil, $55,000 and $64,000, respectively.

Advertising costs – The Company expenses advertising costs as incurred. Advertising expense for the six months ended 30 June 2021 and 2020, and the year ended 31 December 2020 was $nil and is recorded in selling, general and administrative expenses.

Rent expense – In 2019, under ASC 842, the deferred rent liability was recognised within the initial right of use asset as of the transition date and the rent expense was recorded using straight-line amortisation of the right of use asset as calculated under the standard for the remainder of the expected lease term. The lease liability was calculated at the present value of the remainder of the contracted lease payments.

Lessor Contracts

The Company evaluated the potential impact of the adoption from a lessor perspective as the Company's business model provides customers with the use of equipment to filter water. The Company determined that in contracts where equipment was leased, there was an identified asset, the most significant economic benefit was the ability of the customer to obtain clean water from their use of the Company's clean water technology, and customers directed the activities most significant to the ability to obtain those economic benefits. Contracts generally contain no purchase options or residual value guarantees. The assets that the Company leases generally have a long useful life of up to 10 or more years and are used by several customers over the useful life of the equipment. The Company believes that the residual value at any point in time is materially consistent with the recorded rate of depreciation as a result.

The Company's lease contracts are generally short term in nature and contain non lease components in the form of services, whereby employees operate the equipment, and the media to use with the equipment in order to clean the water. Within these contracts, the predominant value lies in the purchased media, which cleans the water, and is the most significant value received by the customer. As a result, the Company will use the lessor practical expedient to recognise all components under ASC 606 within these contracts.

From time to time, customers will lease only the equipment on a trial basis or for a short period of time, as a need arises, without the purchase of services or media. In these instances, revenue is recognised under ASC 842. The amount of lease income to be received under these types of arrangements over the next five years for which a contract currently exists is not significant because of the short-term nature of the Company's lease contracts.

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 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. 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 2021 and 2020, and the year ended 31 December 2020 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 consisting of unexercised stock options that were excluded from computing diluted net loss per share were approximately nil, 1,311,973 and 1,348,638 for the six months ended 30 June 2021 and 2020, and 31 December 2020, respectively, and there were no adjustments to net income available to stockholders as recorded on the statement of operations.

The following table sets forth the components used in the computation of basic and diluted net profit (loss) per share for the periods indicated:

	30 June 2021 *US$000*	30 June 2020 *US$000*	31 December 2020 *US$000*
Basic weighted average outstanding shares of common stock	19,443,750	19,443,750	19,443,750
Effect of potentially dilutive stock options	1,588,332	-	-
Diluted weighted average outstanding shares of common stock	19,443,750	19,443,750	19,443,750
Anti-dilutive shares of common stock excluded from diluted weighted average shares of common stock	-	1,374,542	1,348,638

Fair value of financial instruments – The Company uses the framework in ASC 820, Fair Value Measurements, 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 or out of each level of the fair value hierarchy for assets measured at the fair value for the six months ended 30 June 2021 and 2020, and the year ended 31 December 2020.

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 2021 and 2020, and 31 December 2020 include cash and cash equivalents, restricted cash, accounts receivable, accounts payable, the line of credit, and the note payable. The carrying values of cash and cash equivalents, restricted cash, 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.

Stock 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 11).

Recently issued accounting standards **–** In August 2018, the FASB issued ASU 2018-13, 'Fair Value Measurement (Topic 820): Disclosure Framework', which removes, modifies and adds to the disclosure requirements on fair value measurements in Topic 820. The amendments on changes in unrealised gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Company adopted this guidance effective 1 January 2020. The adoption of this new guidance did not have a material impact on the financial statements.

In December 2019, the FASB issued ASU 2019-12, 'Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes', which is expected to simplify income tax accounting requirements in areas deemed costly and complex. The Company adopted this guidance effective 1 January 2021. The adoption of this new guidance did not have a material impact on the financial statements.

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 30 June 2021 and 2020, and 31 December 2020:

	30 June 2021 *US$000*	30 June 2020 *US$000*	31 December 2020 *US$000*
Accounts receivable	1,279	1,208	1,512
Less: allowance for doubtful accounts	(33)	-	(33)
Total receivable - net	1,246	1,208	1,479

4. Inventories

Inventories consist of the following at 30 June 2021 and 2020, and 31 December 2020:

	30 June 2021 *US$000*	30 June 2020 *US$000*	31 December 2020 *US$000*

Raw materials	2,101	4,139	2,158
Work-in-progress	-	359	-
Finished goods	2,995	2,323	3,484
Total inventory – net	5,096	6,821	5,642

5. Property and equipment

Property and equipment consist of the following at 30 June 2021 and 2020, and 31 December 2020:

	30 June 2021 *US$000*	30 June 2020 *US$000*	31 December 2020 *US$000*
Land	-	709	709
Building	-	2,724	2,724
Leasehold improvements	277	277	277
Office equipment	710	710	710
Manufacturing equipment	930	930	930
Research and development equipment	551	551	551
Purchased software	222	222	222
Equipment leased to customers	10,156	9,842	10,009
Equipment available for lease to customers	76	163	89
	12,922	16,128	16,221
Less: accumulated depreciation	(9,442)	(8,675)	(9,465)
Property and equipment – net	3,480	7,453	6,756

During the six months ended 30 June 2021 and 2020, and the year ended 31 December 2020, the Company removed property, plant and equipment and the associated accumulated depreciation of approximately $567,000, $nil and $nil, respectively, to reflect the disposal of property, plant and equipment.

Depreciation expense for the six months ended 30 June 2021 and 2020, and the year ended 31 December 2020 was approximately $544,000, $580,000 and $1,370,000, 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 2021 and 2020, and the year ended 31 December 2020 was $460,000, $444,000 and $1,117,000, respectively.

6. Intangible assets

During 2009, the Company entered into a patent rights purchase agreement. 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 $67,000, $61,000 and $64,000 as of 30 June 2021 and 2020, and 31 December 2020, 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. In the six months ended 30 June 2021, there was $22,000 of new internally developed patents and fees on patents in progress.

Intangible assets as of 30 June 2021 and 2020, and 31 December 2020 consist of the following:

	Weighted Average Useful lives	30 June 2021 *US$000*	30 June 2020 *US$000*	31 December 2020 *US$000*
Internally developed patents	15 years	1,427	1,363	1,405
Purchased patents	17 years	100	100	100
		1,527	1,463	1,505
Less accumulated amortisation		(744)	(685)	(715)
Intangible assets – net		783	778	790

Internally developed patents include approximately $375,000 for costs accumulated for patents that have not yet been issued and are not depreciating.

Approximate aggregate future amortisation expense is as follows:

Year ending 31 December (USD, in thousands)	
2021	29
2022	57
2023	50
2024	48
2025	47
Thereafter	177

Amortisation expense for the six months ended 30 June 2021 and 2020, and the year ended 31 December 2020 was approximately $29,000, $27,000 and $57,000, respectively.

7. Income taxes

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

	30 June 2021 *US$000*	30 June 2020 *US$000*	31 December 2020 *US$000*
Current:			
Federal	-	-	-
Foreign	160	162	320
State	4	-	8
Total current provision	164	162	328
Deferred:			
Federal	-	-	-
Foreign	-	-	-
State	-	-	-
Total deferred provision	-	-	-
Total provision for income taxes	164	162	328

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 non-deductible 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 2021	30 June 2020	31 December 2020
Federal statutory income tax rate	21.0%	21.0%	21.0%
State tax rate, net of federal benefit	1.3%	0.3%	(0.4%)
Valuation allowance	(16.1%)	(22.5%)	(24.0%)
Other	0.2%	(0.1%)	2.0%
Foreign withholding tax	20.9%	(4.9%)	(4.4%)
Effective income tax rate	27.3%	(6.2%)	(5.8%)

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

	30 June 2021 *US$000*	30 June 2020 *US$000*	31 December 2020 *US$000*
Deferred tax assets			
Net operating loss	5,443	5,249	5,589
Equity compensation	361	331	327
Research and development credits	159	159	159
Right of use liability	74	128	97
Inventory valuation reserve	358	132	358
Other	21	17	22
Total gross deferred tax asset	6,416	6,016	6,552
Deferred tax liabilities			
Property and equipment	(478)	(683)	(635)
Right of use asset	(76)	(144)	(104)
Total gross deferred tax liability	(554)	(827)	(739)
Net deferred tax asset before valuation allowance	5,862	5,189	5,813
Valuation allowance	(5,862)	(5,189)	(5,813)
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 2021, the Company has recorded a valuation allowance of $5.9 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 30 June 2021, the Company has approximately $24.6 million of gross U.S. federal net operating loss carry forwards and $4.4 million of gross state net operating loss carry forwards that will begin to expire in the 2024 tax year and will continue through 2031 when the current year net operating loss will expire.

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.

On 27 March 2020, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act includes, but is not limited to, tax law changes related to (1) accelerated depreciation deductions for qualified improvement property placed in service after 27 September 2017, (2) reduced limitation of interest deductions, and (3) temporary changes to the use and limitation of NOLs. There was no material impact of the CARES ACT to the Company's income tax provision for the six months ended 30 June 2021 or for the year ended 31 December 2020.

The Company's tax years 2017 through 2020 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 allowed for borrowings up to $500,000. The line of credit was revolving and was payable on demand. In November 2018, the maximum borrowing capacity was increased to $1,875,000. The facility renewed annually and was 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 carried a floating rate of interest equal to the lender's Prime Rate and was subject to change any time the Prime Rate changed. Under terms of the line of credit, the Company was required to maintain a minimum cash balance and a specified cash flow coverage ratio, as those terms were defined, and the Company was in compliance throughout the term of the facility. In March 2021, the line of credit was paid in full with proceeds from the sale of the Company's building in Duluth, Georgia and the facility was closed. The balance on the line of credit at 30 June 2020 and 31 December 2020 was $nil and $997,000, respectively. The interest rate was 4.5 percent on 30 June 2020 and 31 December 2020. Interest expense related to this loan was $38,000, $24,000 and $38,000 for the six months ended 30 June 2021 and 2020, and the year ended 31 December 2020, respectively.

9. Paycheck Protection Program Loan ('PPP')

On 16 April 2020, the Company was granted a loan from Pinnacle Bank, the Company's existing lender, in the amount of approximately $401,000, pursuant to the Paycheck Protection Program ('PPP Loan'), Title I of the CARES Act, which was enacted 27 March 2020. The PPP Loan issued to the Company matures on 16 April 2022 and bears interest at a fixed rate of 1 percent per annum and may be prepaid in whole or in part without penalty. No interest payments are due within the initial six months of the PPP Loan. The interest accrued during the initial six-month period is due and payable, together with the principal, on the maturity date. The Company used all proceeds from the PPP Loan to retain employees, maintain payroll and make lease and utility payments to support business continuity during the COVID-19 pandemic. All or a portion of the PPP Loan may be forgiven by the Small Business Administration ('SBA') upon application by the Company and upon documentation of expenditures in accordance with the SBA requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the twenty-four-week period beginning on the date of receipt of the PPP Loan with certain stipulated restrictions. On 8 December 2020, the Company's PPP Loan was forgiven in full, including all principal and interest outstanding as of the date of the forgiveness. Any amount forgiven when the Company was legally released as the primary obligor under the loan was recognised in the Statement of Operations as a gain upon the extinguishment of the loan.

In December 2020, Congress enacted the Consolidated Appropriations Act, 2021. The Act is an approximately $900 billion COVID-19 relief package and includes $284 billion for a second round of the PPP Loan. In January 2021, the Company applied for and was approved for a second PPP Loan in the amount of approximately $401,000 with an interest rate of 1 percent and a maturity date of January 2026. All other terms are the same as the initial PPP Loan. The Company has classified the loan in other current liabilities at 30 June 2021. The Company anticipates meeting the requirements for forgiveness of the loan as laid out in the Act. However, no assurance can be given that the Company will obtain forgiveness of the PPP Loan in whole or in part.

10. 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 was secured by the property and building from which the Company continues to operate. The carrying amount of the property and building was $2.9 million as of 30 June 2020 and 31 December 2020. Upon selling the collateral, the Company was required to repay the term loan in full. The lender was not allowed to sell the collateral during the term of the loan. The Company borrowed proceeds of $2,285,908 at a fixed interest rate of 4.45 percent. The loan had a 10-year term with monthly payments based on a 20-year amortisation. The result was a one-time balloon payment at the end of the term of the note of approximately $1,400,000 during 2023. In accordance with the terms of the agreement, the Company was required to keep $500,000 in a deposit account with the lending bank. At 30 June 2020 and 31 December 2020, the Company had restricted cash of $500,000 related to the loan agreement. In March 2021, the Note Payable was paid in full with proceeds from the sale of the Company's building in Duluth, Georgia and $500,000 of cash was reclassified from restricted cash.

11. 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 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.

In July 2019, the Company's shareholders approved the extension of the Plan to 2029 and the increase in the possible number of shares to be awarded pursuant to the Plan to 15 percent of the Company's issued capital at the date of any award. The total number of shares reserved for stock options under this Plan is 2,916,563 with 1,946,338 shares allocated as of 30 June 2021. The shares are all allocated to employees, executives and consultants.

Any 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 in control, and expire on the tenth anniversary date of the grant. 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 on the five-year anniversary date of the grant.

As discussed in Note 2, the Company uses the Black Scholes valuation model to measure the fair value of options granted. The Company's expected volatility is calculated as the historical volatility of the Company's stock over a period equal to the expected term of the awards. The expected terms of options are calculated using the weighted average vesting period and the contractual term of the options. 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 2021 and 2020 were as follows:

	Number of Options Granted	Grant Date	Risk-Free Interest Rate	Expected Term	Volatility	Exercise Price	Fair Value Per Option
2020	325,000	06/08/2020	0.17%	5.7 years	77.00%	$0.45	$0.29
2021	762,000	09/04/2021	1.10%	5.8 years	76.00%	$0.69	$0.45

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 2021:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Average Grant Date Fair Value
Outstanding at 31 December 2020	1,324,338	$2.04	5.8	$1.01
Granted	762,000	$0.69	5.8	$0.45
Forfeited	(140,000)	$2.87		
Outstanding at 30 June 2021	1,946,338	$1.45	5.8	$0.76
Exercisable at 30 June 2021	1,126,671	$2.06	5.9	

The total intrinsic value of the stock options exercised during the six months ended 30 June 2021 and 2020, and 31 December 2020 was $nil.

A summary of the status of unvested options as of 30 June 2021 and changes during the six months ended 30 June 2021 is presented below:

Unvested Options	Shares	Weighted-Average Fair Value at Grant Date
Unvested at 31 December 2020	365,000	$0.34

Granted	762,000	$0.45
Vested	(307,333)	$0.44
Unvested at 30 June 2021	819,667	$0.40

As of 30 June 2021, total unrecognised compensation cost of $242,000 was related to unvested share-based compensation arrangements awarded under the Plan.

Total stock compensation expense for the six months ended 30 June 2021 and 2020, and 31 December 2020 was approximately $155,000, $33,000 and $42,000, respectively.

12. Commitments and contingencies

Operating leases – As of 30 June 2021, the Operating Lease ROU Asset has a balance of $355,000, net of accumulated amortisation of $473,000 and an Operating Lease Liability of $343,000, which are included in the accompanying balance sheet. The weighted average discount rate used for leases accounted for under ASU 2016-02 is 5.25 percent, which is based on the Company's secured incremental borrowing rate.

The Company's leases do not include any options to renew that are reasonably certain to be exercised. The Company's leases mature at various dates through May 2024 and have a weighted average remaining life of 2.65 years.

Future maturities under the Operating Lease Liability are as follows for the years ended 31 December:

(USD, in thousands)	Future Lease Payments
2021	77
2022	120
2023	122
2024	50
Total future maturities	369
Portion representing interest	(26)
	343

Total lease expense for the six months ended 30 June 2021 and 2020, and the year ended 31 December 2020 was approximately $156,000, $159,000 and $315,000, respectively.

Total cash paid for leases for the six months ended 30 June 2021 and 2020, and the year ended 31 December 2020 was $156,000, $198,000 and $313,000, respectively.

The Company has elected to apply the short-term lease exception to all leases of one year or less and is not separating lease and non-lease components when evaluating leases. Total costs associated with short-term leases was $166,000, $78,000 and $130,000 for the six months ended 30 June 2021 and 2020, and 31 December 2020, 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.

13. Related party transactions

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

14. 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 2021. For the six months ended 30 June 2021, 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 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Middle East	2,579	2,634	5,269
United States	623	746	1,511
Other	962	261	324
Total	4,164	3,641	7,104

Long lived assets available for lease, net of depreciation, by geography is as follows:

(USD, in thousands)	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Middle East	2,548	3,327	3,127
United States	455	594	4,109
Other	-	-	2
Total	3,003	4,316	7,238

15. Concentrations

At 30 June 2021, one customer with two contracts represented 77 percent of accounts receivable. During the six months ended 30 June 2021, that same customer, along with the Company's second largest customer, accounted for 78 percent of the Company's gross revenue.

At 30 June 2020, one customer with three contracts represented 91 percent of accounts receivable. During the six months ended 30 June 2020, the Company received 80 percent of its gross revenue from four customers.

At 31 December 2020, one customer with three contracts represented 72 percent of accounts receivable. During the year ended 31 December 2020, that same customer, along with the Company's second largest customer, accounted for 78 percent of the Company's gross revenue.

16. 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 29 September 2021, 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.