17 May 2022

MYCELX Technologies Corporation

Final Results for the Year Ending 31 December 2021

MYCELX Technologies Corporation ("MYCELX" or the "Company"), the clean water and clean air technology company, announces its audited results for the year ended 31 December 2021.

Highlights

Financial

- Revenue of $8.5 million (2020: $7.1 million)
- Gross profit of $3.3 million (2020: $1.6 million)
- EBITDA[1] of $19,000 (2020: negative $4.2 million)
- Loss before tax $1.1 million (2020: loss before tax $5.8 million)
- Cash & cash equivalents $3.2 million (2020: $3.8 million)

Operational

- Middle East:
  - Significant new contract and two contract extensions
  - Two separate contract wins including REGEN media sale and paid REGEN trial with leading EOR producer
- U.S. PFAS Market:
  - Successful U.S. PFAS trial demonstrating ability to remove all PFAS compounds to non-detect levels
  - Engineered and built two PFAS remediation units for commercialisation in 2022
- U.S. Business Development
  - Seasoned Business Development professional hired to drive sales in North America
  - Further contract win for an industrial water treatment project
- Launched new website
- Sale of Duluth office for $5.4 million

Post Period

- Closed a Placing of 3,539,273 Common Shares raising gross proceeds of approximately $2.3 million before expenses

Connie Mixon, CEO, said:

"In 2021, a more stable oil price benefitted the Company's core business which focusses primarily on supporting the energy industry's clean production initiatives. This energy market strength, along with the Company's efforts, helped MYCELX achieve both new contracts and the extension of existing contracts across multiple core geographies. The Company also made significant inroads into the PFAS remediation market, demonstrating our PFAS system is cost effective and more efficient than existing technologies.

MYCELX is well placed to capitalise on new, large market applications with ambitious growth targets. With industry's increased focus on mitigating environmental impact, MYCELX's proven technology has never been more relevant in the fight for clean water and air. We look forward to keeping all our stakeholders updated on the Company's progress throughout the rest of the year."

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[1] *EBITDA is a non-U.S. GAAP measure that the Company uses to measure and monitor performance and liquidity and is calculated 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. This non-U.S. GAAP measure may not be directly comparable to other similarly titled measures used by other companies and may have limited use as an analytical tool.*

Chairman's Statement

MYCELX meets the growing demand for innovative technology that mitigates the environmental impact of industry

I am pleased to address our shareholders, and all stakeholders, following my first year as Chairman of your Company. MYCELX today is in a strong position, and strategically well placed to capitalise on the growing demand for innovative technology, which is designed with the clear intention of helping the world mitigate the environmental impact of industry. We are leaders in this field and are supporting compliance across multiple industries and geographies.

Throughout 2021, MYCELX continued to successfully navigate the challenges presented by the global pandemic. The Company maintained its focus on ensuring the welfare of its staff and serving its customers, and was pleased to witness the gradual easing of COVID-related restrictions.

Whilst the pandemic continued to bring uncertainty throughout the year, operations did improve in the second half of 2021. A more stable oil price benefitted the Company's core business which focusses primarily on supporting the energy industry's clean production initiatives. This energy market strength, along with the Company's efforts, helped MYCELX achieve both new contracts and the extension of existing contracts across multiple core geographies.

The need for improved environmental stewardship has never been more important. This was made clear at the recent United Nations Climate Conference in the U.K., as well as with the burgeoning adoption of Environmental, Sustainability and Governance ('ESG') initiatives by companies around the globe. MYCELX is uniquely placed to help its industrial clients fulfil their commitments to more environmentally sustainable processes and effective remediation of contaminated water. The Company continues its commitment to driving the global green economy and was designated with the award of the London Stock Exchange's Green Economy Mark, which recognises our achievement in ESG initiatives. This environmental focus remains the cornerstone of our offering, which allows MYCELX to be a force for global sustainability, and it also presents attractive commercial growth opportunities.

The PFAS remediation market represents a material opportunity for MYCELX, and you will read in the annual report the significant progress that has been made to accelerate commercialisation of our PFAS offering. PFAS, which stands for perfluoroalkyl and polyfluoroalkyl compounds, are a collection of long-lasting man-made toxic chemicals, which present a threat to the environment and human health. The Company estimates the annual PFAS remediation cost in the United States alone to be in excess of US$8bn and growing as contaminated sites continue to be identified.

Outlook

Our outlook is encouraging on multiple fronts. The PFAS remediation market is a significant growth opportunity for MYCELX, providing real environmental and health benefits deploying our effective and efficient technology. In our traditional energy markets, today's high oil price bodes well for the completion of new commercial agreements with both existing and new international customers, and we are optimistic that the resurgence in bidding activity will support strong performance in 2022 and beyond. Our REGEN offering is also expected to play an important role as we grow within the Enhanced Oil Recovery market of the energy sector. We continue to focus on taking advantage of these attractive market opportunities.

On behalf of the Board, I would like to thank our shareholders for their continued support. In addition, our team have worked tirelessly through a challenging time to advance the Company's initiatives, and I would like to thank them for their dedication and professionalism. I look forward to keeping you updated on our progress throughout the year.

Chief Executive's Statement

Continued operational delivery and poised to meet new environmental challenges

Global markets continued to be buffeted by geo-political events in 2021, but the Company saw green shoots emerge, on which it seeks to capitalise.

Following a challenging year in 2020, the Company continued to deliver in its core markets despite a challenging backdrop. Notwithstanding the continued impact of the COVID-19 pandemic and the effect this has had on global energy markets, we saw a resurgence in activity across the various industries in which we operate.

As ever, the safety of our workforce remained of the utmost importance to us and we were pleased with how we managed to not skip a beat operationally, whilst simultaneously safeguarding the wellbeing of our employees. The travel and work restrictions in place both kept people safe and ensured that we were able to manage our cost base effectively. At the time of writing, I am pleased to report that the business is currently experiencing minimal to no impact of COVID-19 in its day-to-day business functions.

Although historically the Company has largely been focused on the oil and gas sector, the emergence of the Perfluoroalkyl and Polyfluoroalkyl Substances ('PFAS') remediation market in the Unites States and Australia led to a new and potentially highly lucrative opportunity for us. PFAS chemicals, commonly found in Teflon-related consumer goods and other industrial use products, are highly toxic and pose a significant threat to human health and the environment. MYCELX's unique product offering is well suited to play an important role in the global PFAS remediation challenge. As such, considerable time and efforts went into pursuing new opportunities in this market, which I will go into more detail on later in this statement.

We made a strong start to 2021, signing a number of new contracts and contract extensions in the Middle East, in addition to targeting other opportunities in the U.S. and Nigeria, and the Company was actively involved in bidding projects globally. In the second half of the year, MYCELX signed a $1 million contract with a client in the Middle East, with much of the revenues due to fall in the 2022 financial year.

We also made significant inroads into the PFAS remediation market, announcing in May 2021 the validation and capacity upgrade of a MYCELX PFAS system in an Australian Department of Defence location. This was an important milestone for the business as it demonstrated that our PFAS system is cost effective and able to remove toxic "forever" chemicals associated with Teflon-related products. We were also pleased to commence an important trial at an industrial site in upstate New York, in December 2021, which demonstrated the ability of the MYCELX system to completely remove all detected PFAS chemicals, achieving a 99.99% removal efficiency.

Operational performance

I am pleased to report that our operations continue to perform in line with management expectations, and we are experiencing little to no disruption due to COVID-19. We anticipate that international travel will continue to open up, meaning that a number of the safety restrictions we put in place can now be removed, which will improve our ability to perform business functions and travel to meet new and existing clients.

In 2021, the Company achieved revenue of $8.5 million, an increase of 20% year-on-year. The Company continues to manage its working capital requirements and following the recently closed fundraise, is well placed to take advantage of opportunistic applications and new customer initiatives in the market. EBITDA was $19,000 and the Company recorded a loss before tax of $1.1 million in 2021. In 2022, MYCELX aims to achieve a similar level of year-on-year revenue growth, but this remains subject to market conditions.

After the reporting period, we chose to undertake a fundraise in order to help support the Company's growth trajectory and capitalise on the rapidly changing PFAS market. As we have demonstrated in Australia and in our recent U.S. trial, MYCELX has the potential to play an important role in tackling the enormous challenges presented by PFAS-laden water. The Company's technology is proven and our unique PFAS systems are installed and have been operational in Australia for seven years. In addition, we executed a highly promising trial in the U.S. We are very grateful for the support of our shareholders, as with the inclusion of the Broker Option, we were able to raise ca.$2.3 million, which will enable us to cement our position in the market. The PFAS market in the U.S. is both nascent and very large, and one we believe we are ideally positioned to take advantage of. We hope to comment further in the coming months.

Post-period end, we were also pleased to receive the London Stock Exchange's Green Economy Mark, recognising MYCELX's contribution to the global green economy. In order to qualify, companies and funds must generate 50% or more of their total annual revenues from products and services that contribute to the global green economy. This reinforces our view that MYCELX is a 'pure-play' green technology business that has the potential to be a force for good.

Looking to the future

Following the uptick in bidding activity that we witnessed last year, coupled with the strict capital controls in place and the successfully executed fundraise, MYCELX is well placed to capitalise new, large market applications with ambitious growth targets. With industry's increased focus on mitigating environmental impact, MYCELX's proven technology has never been more relevant in the fight for clean water and air. We are excited about what the future holds and look forward to updating all our stakeholders on future corporate developments as appropriate.

Financial Review

Due to the resurgence in activity across the various industries in which we operate, we saw revenue rise 20% to $8.5 million for 2021, compared to $7.1 million for 2020. Revenue from equipment sales and leases increased by 36% to $3.8 million for 2021 (FY20: $2.8 million) and revenue from consumable filtration media and service increased by 9% to $4.7 million (FY20: $4.3 million). Whilst the equipment sales are one-off by nature, there is longevity to the media sales and ongoing lease and service revenues.

Gross profit increased by 106% to $3.3 million during the year, compared to $1.6 million in 2020, and gross profit margin increased to 39% (FY20: 23%).

Total operating expenses for 2021, including depreciation and amortisation and the gain on sale of property and equipment, decreased by 37% to $4.8 million (FY20: $7.6 million). The largest component of operating expenses was selling, general and administrative expenses, which decreased by approximately 5% to $6.9 million (FY20: $7.3 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 34% to $205,000 (FY20: $310,000), primarily due to older equipment reaching the end of its useful life.

EBITDA was $19,000, compared to negative $4.2 million in 2020. Normalised EBITDA excluding the sale of the Company's building in Duluth, Georgia was negative $2.5 million. The Company recorded a loss before tax of $1.1 million in 2021, compared to a loss before tax of $5.8 million in 2020. The decrease in net loss was partially due to the $2.6 million gain the Company recognised on the sale of its building. Basic loss per share was 7 cents in 2021, compared to basic loss per share of 31 cents in the previous year.

In March 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 $2.6 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 were used for working capital purposes to support the business needs.

As of 31 December 2021, total assets were $15.6 million with the largest assets being inventory of $4.3 million, property and equipment of $3.2 million, $3.2 million of cash and cash equivalents including restricted cash and $1.9 million of accounts receivable.

Total liabilities as of 31 December 2021 were $3.0 million and stockholders' equity was $12.6 million, resulting in a debt-to-equity ratio of 24%.

The Company ended the period with $3.2 million of cash and cash equivalents, including restricted cash, compared to $3.8 million in total at 31 December 2020. The Company used approximately $3.4 million of cash in operations in 2021 (FY20: $1.5 million used in operations). The proceeds from the sale of the Company's property offset by purchases of property and equipment and patents contributed to $5.1 million provided by investment activities (FY20: $159,000 used in investing activities). In 2021, the Company's financing activities included net proceeds of $401,000 from a forgivable loan and $2.6 million paid towards debt.

Post the period end, the Company completed the closing of a Placing of 3,539,273 Common Shares at a price of US$0.66 (50 pence) per new share raising gross proceeds of approximately $2.3 million before expenses. The Company incurred costs in the issuance of these shares of approximately $267,000. The proceeds from the transaction will be used to accelerate the commercialisation of the Company's Remediation System in the U.S. for per- and polyfluoroalkyl substances ('PFAS') and in order to support working capital across the Company's core markets.

Statements of Operations

(USD, in thousands, except share data)

For the Year Ended 31 December:	2021	2020
Revenue	8,478	7,104
Cost of goods sold	5,203	5,512
Gross profit	3,275	1,592
Operating expenses:		
Research and development	223	64
Selling, general and administrative	6,939	7,271
Depreciation and amortisation	205	310
Gain on sale of property and equipment	(2,584)	–
Total operating expenses	4,783	7,645
Operating loss	(1,508)	(6,053)
Other income (expense)		
Gain upon extinguishment of debt	403	404
Interest expense	(24)	(117)
Loss before income taxes	(1,129)	(5,766)
Provision for income taxes	(296)	(328)
Net loss	(1,425)	(6,094)
Loss per share – basic	(0.07)	(0.31)
Loss per share – diluted	(0.07)	(0.31)
Shares used to compute basic loss per share	19,443,750	19,443,750
Shares used to compute diluted loss per share	19,443,750	19,443,750

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

Balance Sheets

(USD, in thousands, except share data)

As at 31 December:	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	3,128	3,292
Restricted cash	84	500
Accounts receivable – net	1,867	1,479
Unbilled accounts receivable	175	–
Inventory	4,320	5,642
Prepaid expenses	203	84
Other assets	399	107
Total Current Assets	10,176	11,104
Property and equipment – net	3,249	6,756
Intangible assets – net	774	790
Operating lease asset – net	1,459	482
Total Assets	15,658	19,132
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	683	473
Payroll and accrued expenses	758	540
Contract liability	54	745
Customer deposits	74	492
Operating lease obligations – current	251	175
Note payable – current	–	102
Line of credit	–	997
Total Current Liabilities	1,820	3,524
Operating lease obligations – long-term	1,216	275
Note payable – long-term	–	1,541
Total Liabilities	3,036	5,340
Stockholders' Equity		
Common stock, \$0.025 par value, 100,000,000 shares authorised, 19,443,750 shares issued and outstanding at 31 December 2021 and 2020.	486	486
Additional paid-in capital	42,655	42,400
Accumulated deficit	(30,519)	(29,094)
Total Stockholders' Equity	12,622	13,792
Total Liabilities and Stockholders' Equity	15,658	19,132

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 2019	19,443,750	486	42,358	(23,000)	19,844
Stock-based compensation expense	–	–	42	–	42
Net loss for the period	–	–	–	(6,094)	(6,094)
Balances at 31 December 2020	19,443,750	486	42,400	(29,094)	13,792
Stock-based compensation expense	–	–	255	–	255
Net loss for the period	–	–	–	(1,425)	(1,425)
Balances at 31 December 2021	19,443,750	486	42,655	(30,519)	12,622

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

Statements of Cash Flows

(USD, in thousands)

For the Year Ended 31 December:	2021	2020
Cash flow from operating activities		
Net loss	(1,425)	(6,094)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortisation	1,124	1,427
Gain on sale of property and equipment	(2,584)	–
Inventory reserve adjustment	(45)	1,061
Gain upon extinguishment of debt	(401)	(401)
Stock compensation	255	42
Change in operating assets and liabilities:		
Accounts receivable – net	(388)	2,508
Unbilled accounts receivable	(175)	–
Inventory	1,265	(562)
Prepaid expenses	(119)	134
Prepaid operating leases	40	10
Other assets	(292)	280
Accounts payable	210	(313)
Payroll and accrued expenses	218	37
Contract liability	(691)	745
Customer deposits	(418)	(372)
Net cash used in operating activities	(3,426)	(1,498)
Cash flow from investing activities		

Payments for purchases of property and equipment	(327)	(110)
Proceeds from sale of property and equipment	5,455	–
Payments for internally developed patents	(43)	(49)
Net cash provided by (used in) investing activities	5,085	(159)
Cash flows from financing activities		
Payments on notes payable	(1,643)	(96)
Proceeds from notes payable	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)	1,302
Net decrease in cash, cash equivalents and restricted cash	(580)	(355)
Cash, cash equivalents and restricted cash, beginning of year	3,792	4,147
Cash, cash equivalents and restricted cash, end of year	3,212	3,792
Supplemental disclosures of cash flow information:		
Cash payments for interest	30	117
Cash payments for income taxes	300	247
Non-cash movements of inventory and fixed assets	102	–
Non-cash operating ROU asset	1,192	–
Non-cash operating lease obligation	1,192	–

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 Norcross, 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, Nigeria and the 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. Post the period end, the Company completed the closing of a placing raising gross proceeds of approximately $2.3 million before expenses (see Note 16). The proceeds from the transaction will be used to accelerate the commercialisation of the Company’s PFAS remediation system in the U.S., and in order to support working capital across the Company’s core markets. 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.

Whilst macro events are creating uncertainty within world markets and volatility in oil prices, today’s high oil price bodes well for the completion of new commercial agreements with both existing and new international customers. On the basis of current financial projections, including a downside scenario sensitivity analysis taking into account the potential for lingering effects of the COVID-19 pandemic whilst considering revenues already under contract and adjusting only for cost of goods sold, the Company believes that it has adequate resources to continue in operational existence for the foreseeable future of at least 12 months from the date of the issuance of these financial statements and, accordingly, consider it appropriate to adopt the going concern basis in preparing these 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 the 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 leased assets, 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.

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 judgement. Judgement 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 31 December 2021 and 2020, and 1 January 2020 was $175,000, $nil and $nil, respectively. Contract liability at 31 December 2021 and 2020, and 1 January 2020 was $54,000, $745,000 and $nil, respectively.

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

Year Ending 31 December (USD, in thousands)	Equipment Leases, Turnkey Arrangements, and Services Recognised Over Time		Consumable Filtration Media, Equipment Sales and Service Recognised at a Point in Time	
	2021	2020	2021	2020
Middle East	4,550	5,181	838	88
United States	–	–	1,311	1,394
Nigeria	–	–	1,312	3
Other	–	3	442	318
Total revenue recognised under ASC 606	4,550	5,184	3,903	1,803
Total revenue recognised under ASC 842	25	117	–	–
Total revenue	4,575	5,301	3,903	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 and averages one year.

During the years ended 31 December 2021 and 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 31 December 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 31 December 2021 and 2020, cash in non-U.S. institutions was $25,000 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 31 December 2021 restricted cash included $84,000 in a money market account to secure the Company's corporate credit card and a stand-by letter of credit. At 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.

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

	31 December 2021 US$000	31 December 2020 US$000
Cash and cash equivalents	3,128	3,292
Restricted cash	84	500
Total cash, cash equivalents and restricted cash	3,212	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 31 December 2021 and 2020 was $90,000 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 applies the Average Cost method to account for its inventory. Manufacturing work-in-progress and finished products inventory include all direct costs, such as labour and materials, 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. At 31 December 2021 and 2020, the Company had REGEN-related inventory of 39 percent and 34 percent of the total inventory balance, respectively, which is in excess of the Company's current requirements based on the recent level of sales. The inventory is associated with efforts to expand into the Enhanced Oil Recovery market that the Company has identified as a large global market. These efforts should reduce this inventory to desired levels over the near term and Management believes no loss will be incurred on its disposition. No estimate can be made of a range of amounts of loss that are reasonably possible should the efforts not be successful.

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 (whichever is shorter)
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 years ended 31 December 2021 and 2020.

Research and development costs – Research and development costs are expensed as incurred. Research and development expense for the years ended 31 December 2021 and 2020 was approximately $223,000 and $64,000, respectively.

Advertising costs – The Company expenses advertising costs as incurred. Advertising expense for the years ended 31 December 2021 and 2020 was $5,000 and $nil, respectively, and is recorded in selling, general and administrative expenses.

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 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 years ended 31 December 2021 and 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 1,782,420 for the year ended 31 December 2021 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 (loss) profit per share for the periods indicated:

	Years Ended 31 December	
	2021	**2020**
Basic weighted average outstanding shares of common stock	19,443,750	19,443,750
Effect of potentially dilutive stock options	–	–
Diluted weighted average outstanding shares of common stock	19,443,750	19,443,750
Anti-dilutive shares of common stock excluded from diluted weighted average shares of common stock	1,782,420	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 and out of each level of the fair value hierarchy for assets measured at fair value for the years ended 31 December 2021 or 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 31 December 2021 and 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, accounts receivable, accounts payable, and the line of credit approximate fair value due to the short-term nature of those assets and liabilities. The fair value of the note payable approximates face value.

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 June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which requires measurement and recognition of expected credit losses for financial assets held. The standard is to be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The guidance will become effective for the Company in fiscal years beginning after 15 December 2022, including interim periods within that reporting period. The Company is currently evaluating the impact of adopting this guidance but does not expect it to have a material impact on the Company's financial statements.

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 31 December 2021 and 2020:

	31 December 2021 US$000	**31 December 2020 US$000**
Accounts receivable	1,957	1,512
Less: allowance for doubtful accounts	(90)	(33)
Total receivable – net	1,867	1,479

4. Inventories

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

	31 December 2021 US$000	**31 December 2020 US$000**
Raw materials	1,950	2,158
Work-in-progress	202	–
Finished goods	2,168	3,484
Total inventory	4,320	5,642

5. Property and Equipment

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

	31 December 2021 US$000	31 December 2020 US$000
Land	–	709
Building	–	2,724
Leasehold improvements	107	277
Office equipment	636	710
Manufacturing equipment	888	930
Research and development equipment	545	551
Purchased software	222	222
Equipment leased to customers	10,254	10,009
Equipment available for lease to customers	272	89
	12,924	16,221
Less: accumulated depreciation	(9,675)	(9,465)
Property and equipment – net	3,249	6,756

In March 2021, the Company completed the sale of its building in Duluth, Georgia for total consideration of $5.4 million enabling the Company to right-size its office space needs across its main operating locations. The net book value of the building and land was $2.8 million so the Company recognised a financial gain of approximately $2.6 million.

During the years ended 31 December 2021 and 2020, the Company removed property, plant and equipment and the associated gross and accumulated depreciation of approximately $856,000 and $nil, respectively, to reflect the disposal of property, plant and equipment.

Depreciation expense for the years ended 31 December 2021 and 2020 was approximately $1,066,000 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 years ended 31 December 2021 and 2020 was $919,000 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 $70,000 and $64,000 as of 31 December 2021 and 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 2021, there was $43,000 of new internally developed patents and fees on patents in progress.

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

	Weighted Average Useful Lives	31 December 2021 US$000	31 December 2020 US$000
Internally developed patents	15 years	1,447	1,405
Purchased patents	17 years	100	100
		1,547	1,505
Less accumulated amortisation - Internally developed patents		(703)	(651)
Less accumulated amortisation - purchased patents		(70)	(64)
Intangible assets – net		774	790

At 31 December 2021, internally developed patents include approximately $396,000 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)	
2022	57
2023	50
2024	48
2025	47
2026	44
Thereafter	132

Amortisation expense for the years ended 31 December 2021 and 2020 was approximately $58,000 and $57,000, respectively.

7. Income Taxes

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

	31 December 2021 US$000	**31 December 2020 US$000**
Current:		
Federal	–	–
Foreign	291	320
State	5	8
Total current provision	296	328
Deferred:		
Federal	–	–
Foreign	–	–
State	–	–
Total deferred provision	–	–
Total provision for income taxes	296	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:

	31 December 2021	**31 December 2020**
Federal statutory income tax rate	21.0%	21.0%
State tax rate, net of federal benefit	(4.9%)	(0.4%)
Valuation allowance	(13.3%)	(24.0%)
Other	(8.8%)	2.0%
Foreign withholding tax	(20.2%)	(4.4%)

Effective income tax rate	(26.2%)	(5.8%)

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

	31 December 2021 US$000	**31 December 2020 US$000**
Deferred tax assets		
Net operating loss	5,802	5,589
Equity compensation	272	327
Research and development credits	159	159
Right of use liability	316	97
Inventory valuation reserve	349	358
Other	102	22
Total gross deferred tax asset	7,000	6,552
Deferred tax liabilities		
Property and equipment	(578)	(635)
Right of use asset	(314)	(104)
Total gross deferred tax liability	(892)	(739)
Net deferred tax asset before valuation allowance	6,108	5,813
Valuation allowance	(6,108)	(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 31 December 2021 and 2020, the Company has recorded a valuation allowance of $6.1 million and $5.8 million, respectively, a change of $300,000 and $1.2 million for each year, 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 2021, the Company has approximately $26.5 million of gross U.S. federal net operating loss carry forwards and $3.6 million of gross state net operating loss carry forwards that will begin to expire in the 2022 tax year and will continue through 2040 when the current year net operating losses will expire. As of 31 December 2020, the Company had approximately $25.2 million of gross U.S. federal net operating loss carry forwards and $4.4 million of gross state net operating loss carry forwards.

On 27 March 2020, the U.S. Government enacted the Coronavirus Aid, Relied, 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 2021 or 2020.

The Company's tax years 2017 through 2021 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 as 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 31 December 2020 was $997,000. The interest rate on 31 December 2020 was 4.50 percent. Interest expense related to this loan was $9,000 and $38,000 for the years ended 31 December 2021 and 2020, respectively.

9. Paycheck Protection Program Loan

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 24-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. On 5 August 2021, the Company's second 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.

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 continued to operate through March 2022. The carrying amount of the property and building was $2.9 million as of 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 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 2,043,338 shares allocated as of 31 December 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 of control, and expire on the tenth anniversary date the option vests. Vesting accelerates in the event of a change of control. Options granted to Non-Executive Directors, Consultants 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%	5.7 years	76.00%	$0.69	$0.45
	100,000	11/11/2021	1.23%	5.2 years	63.00%	$1.00	$0.54

The Company assumes a dividend yield of 0.0 percent.

The following table summarises the Company's stock option activity for the years ended 31 December 2021 and 2020:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Average Grant Date Fair Value
Outstanding at 31 December 2019	1,374,542	$2.40	5.7	$1.13
Granted	325,000	$0.45	5.7	$0.29
Forfeited	(375,204)	$1.97		
Outstanding at 31 December 2020	1,324,338	$2.04	5.8	$1.01
Granted	862,000	$1.69	5.7	$0.46
Forfeited	(143,000)	$2.83		
Outstanding at 31 December 2021	2,043,338	$1.43	5.8	$0.76
Exercisable at 31 December 2021	1,192,338	$2.00	6.0	

The total intrinsic value of the stock options exercised during the years ended 31 December 2021 and 2020 was approximately $nil.

A summary of the status of unvested options as of 31 December 2021 and changes during the years ended 31 December 2021 and 2020 is presented below:

Unvested Options	Shares	Weighted-Average Fair Value at Grant Date
Unvested at 31 December 2019	168,334	$0.76
Granted	325,000	$0.29
Vested	(70,000)	$1.33
Forfeited	(58,334)	
Unvested at 31 December 2020	365,000	$0.34

Granted	862,000	$0.46
Vested	(374,000)	$0.46
Forfeited	(2,000)	
Unvested at 31 December 2021	851,000	$0.41

As of 31 December 2021, total unrecognised compensation cost of approximately $192,000 was related to unvested share-based compensation arrangements awarded under the Plan.

Total stock compensation expense for the years ended 31 December 2021 and 2020 was approximately $255,000 and $42,000, respectively.

12. Commitments and Contingencies

Operating leases – As of 31 December 2021, the Operating Lease ROU Asset has a balance of $1,459,000, net of accumulated amortisation of $283,000, and an Operating Lease Liability of $1,467,000, which are included in the accompanying balance sheet. The weighted average discount rate used for leases 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 March 2027 and have a weighted average remaining life of 4.58 years.

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

Year Ending 31 December	**Future Lease Payments US$000**
2022	307
2023	381
2024	321
2025	280
2026	291
2027	74
Total future maturities	1,654
Portion representing interest	(187)
	1,467

Total lease expense for the years ended 31 December 2021 and 2020 was approximately $259,000 and $315,000, respectively.

Total cash paid for leases for the years ended 31 December 2021 and 2020 was $227,000 and $313,000, respectively, and is part of prepaid operating leases on the Statements of Cash Flows.

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 $447,000 and $130,000 for the years ended 31 December 2021 and 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*, 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 2021. For the year ended 31 December 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:

Year Ending 31 December (USD, in thousands)	**2021**	**2020**
Middle East	5,388	5,269
United States	1,336	1,511
Nigeria	1,312	3
Other	442	321
Total	8,478	7,104

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

Year Ending 31 December (USD, in thousands)	**2021**	**2020**
Middle East	2,380	3,127
United States	2,328	4,109
Other	-	2
Total	4,708	7,238

15. Concentrations

At 31 December 2021, two customers, one with four contracts with four separate plants, represented 82 percent of accounts receivable. During the year ended 31 December 2021, the Company received 78 percent of its gross revenue from five customers, one with four contracts with four separate plants.

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 its 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 16 May 2022, the date the financial statements were available to be issued, and no events have occurred which require further disclosure other than the following:

On 21 March 2022, the Company issued an additional 3,539,273 shares of common stock at a price of US$0.66 (50 pence) per share. The Company incurred costs in the issuance of these shares of approximately $267,000. The Company received net proceeds of approximately $2.1 million. Upon the conclusion of the public offering, the total shares issued and outstanding were 22,983,023.