27 September 2022

MYCELX TECHNOLOGIES CORPORATION (AIM: MYX)

Half Year Results Statement

MYCELX Technologies Corporation ("MYCELX" or the "Company"), the clean water and clean air technology company transforming the environmental impact of industry, is pleased to announce its unaudited interim results for the six months ended 30 June 2022.

Highlights

Financial

- Revenue of $3.7 million (2021 H1: $4.2 million)
- Gross profit margin of 37.5% (2021 H1: 45.6%)
- EBITDA of negative $2.1 million (2021 H1: $1.2 million, normalized EBITDA excluding sale of building negative $1.3 million)
- Net loss of $2.9 million (2021 H1: $435,000)
- Closed a Placing of 3,539,273 Common Shares raising net proceeds of $2.0 million
- Net cash of $2.8 million at end of period

Operational

- Middle East: a contract extension signed in Q1 2022 and an emergency response system completed in Q2 2022
- Middle East: successful ongoing trial of REGEN product for Enhanced Oil Recovery with major producer
- United States: in discussions with a number of global water treatment companies, an environmental engineering firm for US PFAS trials, as well as a US water treatment company targeting the residential market
- Australia: successful PFAS trial treating landfill leachate
- Awarded the London Stock Exchange's Green Economy Mark, recognizing MYCELX's contribution to the global green economy

Post Period Update

- New project award with a new customer in the Middle East
- Fourth project with existing customer in the Middle East valued at $2.7 million

- Two contract extensions in Saudi Arabia valued at a combined $2.8 million
- Successful installation and commissioning of REGEN produced water system in Nigeria

Outlook

Traditionally, the Company has experienced heightened project bidding activity in the second half of the year, and Management expect that to be the same in 2022. Despite continued volatility in the energy markets, prices remain robust and at levels whereby we are confident that oil and gas companies will agree to finance new capital and operational expenditure projects. While we continue to monitor the situation closely, the impact of COVID-19 appears to be lessening due to the vaccine rollout, meaning international and domestic travel is likely to continue, supporting oil prices in the near to medium term.

As seen with the contracts announced post period end, amounting to $5.5 million, we continue to witness strong demand in our most active region, the Middle East. The Company is actively involved in a number of additional opportunities in other regions such as the United States, Australia and Nigeria, which aligns with our strategy of diversification.

MYCELX is upbeat about the global potential of the PFAS remediation market and was pleased to recently report that it is in discussions with a number of companies about how to best accelerate the commencement of further PFAS trials in the USA. The Company remains highly confident about the capability of its technology in PFAS removal and believes its offering is not only cost effective, but significantly out performs the competition with less hazardous waste generation. MYCELX is well placed as a solution to the significant global issue of PFAS contamination, particularly in light of the recently announced US EPA proposal to designate PFOS and PFOA as hazardous substances that polluters will be responsible for remediating and cleaning up.

Recently the Company announced it is in the commercial phase of contract negotiations with a major oil producer based in the Middle East which, if successful, would see the Company announce its second EOR installation deploying the patented MYCELX REGEN product. Recent negotiations have made the Company aware it is unlikely it will be able to recognize the anticipated revenue for this project in 2022 and, therefore, will defer the revenue to 2023. When engaging with large, global companies the number of division sign-offs required to proceed from an agreement in principle to contract execution inevitably lead to delays making timelines difficult to forecast. While frustrated and disappointed when delays occur, the latent value within industry and the many benefits our technology delivers is proving its class and its superiority. In H2, the Company has other sales opportunities in the pipeline that could close before year end, which could have the potential to reduce the impact of the delayed revenue. In light of this information, the Company recently reported a revision to its guidance and now expects 10% year-on-year revenue growth for FY2022 with anticipated profitability also adversely affected.

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

"The Company was awarded a number of new projects and contract extensions post period end on the back of successful work and performance during the first half of the year. As a business, we have historically witnessed greater levels of bidding activity in the second half of the year and we believe 2022 will be the same. While it is disappointing that anticipated project revenue we expected from the Middle East EOR project has been deferred to 2023, as a business we continue

to have high level interaction with key customers and strategic relationships. Operationally we are delivering what our customers require.

We were also pleased that our strong focus on ESG was recognized by the London Stock Exchange, with the Company being awarded the Green Economy Mark for its contribution towards the green economy.

We are grateful to our existing and new shareholders that supported us with the $2 million fundraise we executed in March 2022, the proceeds of which afford us the financial capacity to further invest in the growth potential of the Company in the REGEN and PFAS markets. We continue to have strong conviction that our patented technology offers a cost effective, safe and best in class solution to the issues faced by companies in the sectors, and we remain in active discussions with a range of parties on the potential for future contracts and trials to be awarded.

We look forward to keeping all our stakeholders updated on the Company's progress over the remainder of 2022."

For further information, please contact:

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Chairman's and Chief Executive Officer's Statement

We are pleased to publish MYCELX's H1 2022 results today, alongside a wider business update on the corporate activity we have been working on since the start of the year.

<u>Operational Review</u>

We delivered a number of important operational objectives during H1, including a contract extension in the Middle East, a successful ongoing REGEN trial for Enhanced Oil Recovery with a major producer and progress with further advancing our solution in the global PFAS remediation market.

A key focus for us in the first half of 2022 was building on the strong client relationships we have in our core regions of focus, which can be observed in the number of customers that return to use our patented solution. Despite revenue for the period coming in slightly lower year-on-year, we feel it is important to note that MYCELX is generally more active on bidding opportunities in the second half of the year and the new business projects we were working on in H1 were delivered post period end.

Continued emphasis remains focused on gaining traction in the global PFAS remediation market. We dedicated considerable resources in H1 to this endeavor, which has started to yield results, as seen by the important discussions we are now having with several global water treatment companies, an environmental engineering firm and companies focused on treatment for the residential market. We anticipate that as these discussions progress and as MYCELX's solution continues to deliver positive results in the trials it is involved with, this will deliver commercial contracts. PFAS pollution is a growing threat which is demonstrated to adversely affect human health. We firmly believe that our solution is the most cost effective and operationally deliverable product on the market to tackle the issue.

We also chose to strengthen the Company's liquidity position during H1 by conducting a $2 million fundraise. This exercise leaves us well placed to deliver operationally on existing and new potential projects for the remainder of 2022 and into 2023. We continue to exercise strong capital discipline, with the cost saving measures implemented during COVID-19 still largely in place as appropriate. This means that the capital MYCELX possesses is highly focused on delivering near term contracts and revenues for the benefit of all our stakeholders.

Financial Review

Total revenue in the period was impacted by a decrease in equipment sales, decreasing by 12% to $3.7 million compared to $4.2 million in the first half of 2021. Revenue from equipment sales and leases decreased by 48% to $1.0 million in the first half of 2022 (2021 H1: $1.9 million). Revenue from consumable filtration media and service increased by 20% to $2.7 million (2021 H1: $2.2 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 decreased by 26% to $1.4 million in the first half of 2022, compared to $1.9 million in the first half of 2021, and gross profit margin decreased to 38% in the first half of 2022 (2021 H1: 46%). The decrease in gross margin was due to an emergency response project executed at a lower margin.

Total operating expenses for the first half of 2022, including depreciation and amortisation, increased to $4.1 million (2021 H1: $1.3 million). Operating expenses in the first half of 2021 were reduced by $2.5 million for the gain on the sale of property and equipment in Duluth, Georgia. Without the gain, operating expenses would have been $3.8 million in the first half of 2021. The largest component of operating expenses was selling, general and administrative expenses ('SG&A'), which increased by approximately 5% to $3.9 million in the first half of 2022 (2021 H1: $3.7 million) due to moving expenses for relocating the Company's office in Georgia.

Depreciation and amortisation within operating expenses decreased by 19% to $92,000 (2021 H1: $113,000), primarily due to older equipment reaching the end of its useful life.

EBITDA was negative $2.1 million for the first half of 2022, compared to $1.2 million for the first half of 2021. Normalized EBITDA for the first half of 2021, which excludes the sale of property and equipment in Duluth, Georgia was negative $1.3 million. 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.

The Company recorded a loss before tax of $2.7 million for the first half of 2022, compared to profit before tax of $599,000 for the first half of 2021. The move into a net loss position was partially due to the impact of the $2.5 million gain the Company recognised on the sale of property and equipment in H1 2021. Basic loss per share was 13 cents for the first half of 2022, compared to basic profit per share of 2 cents for the first half of 2021.

In the first half of 2022, 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 needs across the Company's core markets.

As of 30 June 2022, total assets were $14.3 million with the largest assets being inventory of $4.2 million, property and equipment of $3.1 million, $2.8 million of cash and cash equivalents including restricted cash and $1.2 million of accounts receivable.

Total liabilities as of 30 June 2022 were $2.5 million and stockholders' equity was $11.9 million, resulting in a debt-to-equity ratio of 21%.

The Company ended the period with $2.8 million of cash and cash equivalents, including restricted cash, compared to $3.2 million in total at 31 December 2021. The Company used approximately $2.0 million cash in operations in the first half of 2022, compared to $1.4 million used in operations in the first half of 2021. The Company used $373,000 in investment activities in the first half of 2022 compared to an inflow of $5.4 million from the proceeds from the sale of the Company's property in the first half of 2021. In the first half of 2022, the Company's financing activities included net proceeds of $2.0 million from the sale of Common Shares of stock.

<u>Outlook</u>

Looking at the near and medium term, we are working hard toward securing more REGEN business as well as PFAS trials in the US which have the potential to become longer term leases or installations. With oil prices remaining resilient and greater attention turning towards the global PFAS problem, we believe our technology remains best in class for its applications and well placed to be the solution for these industries. When we speak to potential and existing customers, their request remains the same. They are looking for a solution that can deliver economic results in an environmentally safe and sustainable way, which our technology achieves. So, we will continue to focus on furthering our existing and potential new client relationships, play an active role in the bidding opportunities that we expect to see come through in the second half of the year and further our pursuit of strategic partners. Historically, this has delivered results for us, and we believe that this will be the case again for the second half of 2022 and beyond.

Tom Lamb
Chairman
27 September 2022

Connie Mixon
Chief Executive Officer

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

	Six Months Ended 30 June 2022 (unaudited)	*Six Months Ended 30 June 2021 (unaudited)*	*Year Ended 31 December 2021*
Revenue	**3,699**	**4,164**	**8,478**
Cost of goods sold	2,311	2,266	5,203
Gross profit	**1,388**	**1,898**	**3,275**
Operating expenses:			
Research and development	101	-	223
Selling, general and administrative	3,898	3,696	6,939
Depreciation and amortisation	92	113	205
Gain on sale of property and equipment	(2)	(2,532)	(2,584)
Total operating expenses	**4,089**	**1,277**	**4,783**
Operating profit (loss)	**(2,701)**	**621**	**(1,508)**
Other income (expense)			
Gain upon extinguishment of debt	-	-	403
Interest expense	-	(22)	(24)
Profit (loss) before income taxes	**(2,701)**	**599**	**(1,129)**
Provision for income taxes	(180)	(164)	(296)
Net profit (loss)	**(2,881)**	**435**	**(1,425)**
Profit (loss) per share-basic	**(0.13)**	**0.02**	**(0.07)**
Profit (loss) per share-diluted	(0.13)	0.02	(0.07)
Shares used to compute basic profit (loss) per share	**21,429,675**	**19,443,750**	**19,443,750**
Shares used to compute diluted profit (loss) per share	**21,429,675**	**21,032,082**	**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 2022 (unaudited)	*As of 30 June 2021 (unaudited)*	*As of 31 December 2021*
ASSETS			
Current Assets			
Cash and cash equivalents	2,765	5,512	3,128
Restricted cash	84	-	84
Accounts receivable - net	1,226	1,246	1,867
Unbilled accounts receivable	200	-	175
Inventory	4,182	5,096	4,320
Prepaid expenses	464	411	203
Other assets	233	130	399
Total Current Assets	**9,154**	**12,395**	**10,176**
Property and equipment – net	3,101	3,480	3,249
Intangible assets – net	744	783	774
Operating lease asset – net	1,334	355	1,459
Total Assets	**14,333**	**17,013**	**15,658**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	402	424	683
Payroll and accrued expenses	624	721	758
Contract liability	-	12	54
Customer deposits	72	730	74
Operating lease obligations – current	311	122	251
Other current liabilities	-	401	-
Total Current Liabilities	**1,409**	**2,410**	**1,820**
Operating lease obligations – long-term	1,055	221	1,216
Total Liabilities	**2,464**	**2,631**	**3,036**
Stockholders' Equity			
Common stock, $0.025 par value, 100,000,000 shares authorised, 22,983,023 shares issued and outstanding at 30 June 2022 and 19,443,750 shares issued and outstanding at 30 June 2021 and 31 December 2021.	574	486	486
Additional paid-in capital	44,695	42,555	42,655
Accumulated deficit	(33,400)	(28,659)	(30,519)
Total Stockholders' Equity	**11,869**	**14,382**	**12,622**
Total Liabilities and Stockholders' Equity	**14,333**	**17,013**	**15,658**

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 2020	**19,443,750**	**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)	**19,443,750**	**486**	**42,555**	**(28,659)**	**14,382**
Stock-based compensation expense	-	-	100	-	100
Net loss for the period	-	-	-	(1,860)	(1,860)
Balances at 31 December 2021	**19,443,750**	**486**	**42,655**	**(30,519)**	**12,622**
Issuance of common stock, net of offering costs	3,539,273	88	1,957	-	2,045
Stock-based compensation expense	-	-	83	-	83
Net loss for the period	-	-	-	(2,881)	(2,881)
Balances at 30 June 2022 (unaudited)	**22,983,023**	**574**	**44,695**	**(33,400)**	**11,869**

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 2022 (unaudited)	*Six Months Ended 30 June 2021 (unaudited)*	*Year Ended 31 December 2021*
Cash flow from operating activities			
Net profit (loss)	(2,881)	435	(1,425)
Adjustments to reconcile net profit (loss) to net cash used in operating activities:			
Depreciation and amortisation	552	573	1,124
Gain on sale of property and equipment	(2)	(2,532)	(2,584)
Inventory reserve adjustment	-	-	(45)
Gain upon extinguishment of debt	-	-	(401)
Stock compensation	83	155	255
Change in operating assets and liabilities:			
Accounts receivable - net	641	233	(388)
Unbilled accounts receivable	(25)	-	(175)
Inventory	138	427	1,265
Prepaid expenses	(261)	(327)	(119)
Prepaid operating leases	25	20	40
Other assets	166	(23)	(292)
Accounts payable	(281)	(49)	210
Payroll and accrued expenses	(134)	181	218
Contract liability	(54)	(733)	(691)
Customer deposits	(2)	238	(418)
Net cash used in operating activities	(2,035)	(1,402)	(3,426)
Cash flow from investing activities			
Payments for purchases of property and equipment	(364)	(17)	(327)
Proceeds from sale of property and equipment	-	5,400	5,455
Payments for internally developed patents	(9)	(22)	(43)
Net cash provided by (used in) investing activities	(373)	5,361	5,085
Cash flow from financing activities			
Net proceeds from stock issuance	2,045	-	-
Payments on notes payable	-	(1,643)	(1,643)
Proceeds from notes payable	-	401	401
Payments on line of credit	-	(997)	(997)
Net cash provided by (used in) financing activities	2,045	(2,239)	(2,239)
Net increase (decrease) in cash, cash equivalents and restricted cash	(363)	1,720	(580)
Cash, cash equivalents and restricted cash, beginning of period	3,212	3,792	3,792
Cash, cash equivalents and restricted cash, end of period	2,849	5,512	3,212
Supplemental disclosures of cash flow information:			
Cash payments for interest	-	40	30
Cash payments for income taxes	188	188	300
Non-cash movements of inventory and fixed assets	-	119	102

Non-cash operating ROU assets	1,120	-	1,192
Non-cash operating lease obligations	1,147	-	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 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 2022 and 2021 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 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 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 H1 2021 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. In March 2022, 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 continue to create 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 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 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 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 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 2022 and 2021, 31 December 2021 and 1 January 2021 was $200,000, $nil, $175,000 and $nil, respectively. Contract liability at 30 June 2022 and 2021, 31 December 2021 and 1 January 2021 was $nil, $12,000, $54,000 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 2022	30 June 2021	31 December 2021	30 June 2022	30 June 2021	31 December 2021
Middle East	2,479	2,529	4,550	136	50	838
United States	-	-	-	741	606	1,311
Nigeria	-	-	-	-	733	1,312
Other	-	-	-	343	229	442
Total revenue recognised under ASC 606	2,479	2,529	4,550	1,220	1,618	3,903
Total revenue recognised under ASC 842	-	17	25	-	-	-
Total revenue	2,479	2,546	4,575	1,220	1,618	3,903

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 six months ended 30 June 2022 and 2021, and the year ended 31 December 2021, 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 2022, 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 2022 and 2021, and 31 December 2021, cash in non-U.S. institutions was $124,000, $126,000 and $25,000, 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 2022 and 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. There was no restricted cash at 30 June 2021.

Reconciliation of cash, cash equivalents and restricted cash at 30 June 2022 and 2021, and 31 December 2021:

	30 June 2022 *US$000*	30 June 2021 *US$000*	31 December 2021 *US$000*
Cash and cash equivalents	2,765	5,512	3,128
Restricted cash	84	-	84
Total cash, cash equivalents and restricted cash	2,849	5,512	3,212

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 2022 and 2021, and 31 December 2021 was $90,000, $33,000 and $90,000, 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 30 June 2022 and 2021, and 31 December 2021, the Company had REGEN-related inventory of 39 percent, 36 percent and 39 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 six months ended 30 June 2022 and 2021, and the year ended 31 December 2021.

Research and development costs – Research and development costs are expensed as incurred. Research and development expense for the six months ended 30 June 2022 and 2021, and the year ended 31 December 2021 was approximately $101,000, $nil and $223,000, respectively.

Advertising costs – The Company expenses advertising costs as incurred. Advertising expense for the six months ended 30 June 2022 and 2021, and the year ended 31 December 2021 was $nil, $nil and $5,000, respectively, 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.

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 2022 and 2021, and the year ended 31 December 2021 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 2,297,505 for the six months ended 30 June 2022 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:

	30 June 2022 *US$000*	30 June 2021 *US$000*	31 December 2021 *US$000*
Basic weighted average outstanding shares of common stock	21,429,675	19,443,750	19,443,750
Effect of potentially dilutive stock options	-	1,588,332	-
Diluted weighted average outstanding shares of common stock	21,429,675	19,443,750	19,443,750
Anti-dilutive shares of common stock excluded from diluted weighted average shares of common stock	2,297,505	-	1,782,420

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 2022 and 2021, and the year ended 31 December 2021.

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 2022 and 2021, and 31 December 2021 include cash and cash equivalents, restricted cash, accounts receivable and accounts payable. The carrying values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value due to the short-term nature of those assets and liabilities.

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 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 2022 and 2021, and 31 December 2021:

	30 June 2022 *US$000*	30 June 2021 *US$000*	31 December 2021 *US$000*
Accounts receivable	1,317	1,279	1,957
Less: allowance for doubtful accounts	(90)	(33)	(90)
Total receivable - net	1,226	1,246	1,867

4. Inventories

Inventories consist of the following at 30 June 2022 and 2021, and 31 December 2021:

	30 June 2022 *US$000*	30 June 2021 *US$000*	31 December 2021 *US$000*
Raw materials	1,928	2,101	1,950
Work-in-progress	12	-	202
Finished goods	2,242	2,995	2,168
Total inventory	4,182	5,096	4,320

5. Property and equipment

Property and equipment consist of the following at 30 June 2022 and 2021, and 31 December 2021:

	30 June 2022 *US$000*	30 June 2021 *US$000*	31 December 2021 *US$000*
Leasehold improvements	292	277	107
Office equipment	636	710	636
Manufacturing equipment	937	930	888
Research and development equipment	545	551	545
Purchased software	222	222	222
Equipment leased to customers	10,643	10,156	10,254
Equipment available for lease to customers	-	76	272
	13,275	12,922	12,924
Less: accumulated depreciation	(10,174)	(9,442)	(9,675)
Property and equipment – net	3,101	3,480	3,249

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 six months ended 30 June 2022 and 2021, and the year ended 31 December 2021, the Company removed property, plant and equipment and the associated accumulated depreciation of approximately $14,000, $567,000 and $856,000, respectively, to reflect the disposal of property, plant and equipment.

Depreciation expense for the six months ended 30 June 2022 and 2021, and the year ended 31 December 2021 was approximately $513,000, $544,000 and $1,066,000, 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 2022 and 2021, and the year ended 31 December 2021 was $460,000, $460,000 and $919,000, 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 $74,000, $67,000 and $70,000 as of 30 June 2022 and 2021, and 31 December 2021, 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 2022, there was $9,000 of new internally developed patents and fees on patents in progress.

Intangible assets as of 30 June 2022 and 2021, and 31 December 2021 consist of the following:

	Weighted Average Useful lives	30 June 2022 *US$000*	30 June 2021 *US$000*	31 December 2021 *US$000*
Internally developed patents	15 years	1,456	1,427	1,447
Purchased patents	17 years	100	100	100
		1,556	1,527	1,547
Less accumulated amortisation – internally developed patents		(739)	(67)	(703)
Less accumulated amortisation – purchased patents		(74)	(677)	(70)
Intangible assets – net		744	783	774

At 30 June 2022, internally developed patents include approximately $342,000 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	30
2023	54
2024	52
2025	51
2026	45
Thereafter	170

Amortisation expense for the six months ended 30 June 2022 and 2021, and the year ended 31 December 2021 was approximately $39,000, $29,000 and $58,000, respectively.

7. Income taxes

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

	30 June 2022 *US$000*	30 June 2021 *US$000*	31 December 2021 *US$000*
Current:			
Federal	-	-	-
Foreign	177	160	291
State	3	4	5
Total current provision	180	164	296
Deferred:			
Federal	-	-	-
Foreign	-	-	-
State	-	-	-
Total deferred provision	-	-	-
Total provision for income taxes	180	164	296

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 2022	30 June 2021	31 December 2021
Federal statutory income tax rate	21.0%	21.0%	21.0%
State tax rate, net of federal benefit	0.6%	1.3%	(4.9%)
Valuation allowance	(23.0%)	(16.1%)	(13.3%)
Other	(0.1%)	0.2%	(8.8%)
Foreign withholding tax	(5.2%)	20.9%	(20.2%)
Effective income tax rate	(6.7%)	27.3%	(26.2%)

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

	30 June 2022 *US$000*	30 June 2021 *US$000*	31 December 2021 *US$000*

Deferred tax assets			
Net operating loss	6,406	5,443	5,802
Equity compensation	290	361	272
Research and development credits	159	159	159
Right of use liability	304	74	316
Inventory valuation reserve	349	358	349
Other	102	21	102
Total gross deferred tax asset	7,610	6,416	7,000
Deferred tax liabilities			
Property and equipment	(578)	(478)	(578)
Right of use asset	(303)	(76)	(314)
Total gross deferred tax liability	(881)	(554)	(892)
Net deferred tax asset before valuation allowance	6,729	5,862	6,108
Valuation allowance	(6,729)	(5,862)	(6,104)
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 2022 and 2021 and 31 December 2021, the Company has recorded a valuation allowance of $6.7 million, $5.9 million and $6.1 million, respectively, a change of $600,000, $100,000 and $$200,000 for each period, 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 2022, the Company has approximately $29.3 million of gross U.S. federal net operating loss carry forwards and $3.9 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 30 June 2021, the Company had 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 and at 31 December 2021, the Company had 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.

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 2021.

The Company's tax years 2017 through 2022 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 2022 and 2021 and 31 December 2021 was $nil. Interest expense related to this loan was $9,000 for the six months ended 30 June 2021 and the year ended 31 December 2021.

9. Paycheck Protection Program Loan ('PPP')

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 Paycheck Protection Program ('PPP Loan'), Title I of the CARES Act, which was enacted 27 March 2020. In January 2021, the Company applied for and was granted a second PPP Loan from Pinnacle Bank in the amount of approximately $401,000. The PPP Loan issued to the Company matures in January 2026 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. 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 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. 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 3,447,453 with 2,160,080 shares allocated as of 30 June 2022. 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 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 2022 and 2021 were as follows:

	Number of Options Granted	Grant Date	Risk-Free Interest Rate	Expected Term	Volatility	Exercise Price	Fair Value Per Option
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
2022	250,000	27/06/2022	3.25%	6.0 years	279.00%	$0.55	$0.54

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 2022:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Average Grant Date Fair Value
Outstanding at 31 December 2021	2,043,338	$1.43	5.8	$0.76
Granted	250,000	$0.55	6.0	$0.55

Forfeited	(133,258)	$3.44		
Outstanding at 30 June 2022	2,160,080	$1.21	5.8	$0.66
Exercisable at 30 June 2022	1,365,414	$1.56	4.3	

The total intrinsic value of the stock options exercised during the six months ended 30 June 2022 and 2021, and 31 December 2021 was $nil.

A summary of the status of unvested options as of 30 June 2022 and changes during the six months ended 30 June 2022 is presented below:

Unvested Options	**Shares**	**Weighted-Average Fair Value at Grant Date**
Unvested at 31 December 2021	851,000	$0.41
Granted	250,000	$0.54
Vested	(306,334)	$0.44
Unvested at 30 June 2022	794,666	$0.27

As of 30 June 2022, 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 2022 and 2021, and 31 December 2021 was approximately $83,000, $155,000 and $255,000, respectively.

12. Commitments and contingencies

Operating leases – As of 30 June 2022, the Operating Lease ROU Asset has a balance of $1,334,000, net of accumulated amortisation of $770,000 and an Operating Lease Liability of $1,366,000, 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 March 2027 and have a weighted average remaining life of 4.4 years.

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

(USD, in thousands)	Future Lease Payments
2022	184
2023	381
2024	321
2025	280
2026	290
2027	74
Total future maturities	1,530
Portion representing interest	(164)
	1,366

Total lease expense for the six months ended 30 June 2022 and 2021, and the year ended 31 December 2021 was approximately $148,000, $156,000 and $259,000, respectively.

Total cash paid for leases for the six months ended 30 June 2022 and 2021, and the year ended 31 December 2021 was $122,000, $156,000 and $227,000, 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 $196,000, $166,000 and $447,000 for the six months ended 30 June 2022 and 2021, and 31 December 2021, 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 30 June 2022. For the six months ended 30 June 2022, 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 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Middle East	2,615	2,579	5,388
United States	741	623	1,336
Nigeria	-	733	1,312
Other	343	229	442
Total	3,699	4,164	8,478

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

(USD, in thousands)	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Middle East	1,989	2,548	2,380
United States	716	455	2,328
Total	2,705	3,003	4,708

15. Concentrations

At 30 June 2022, two customers, one with three contracts with three separate plants, represented 84 percent of accounts receivable. During the six months ended 30 June 2022, the Company received 84 percent of its gross revenue from two customers, one with four contracts with four separate plants.

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 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.

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 27 September 2022, the date the interim results were available to be issued, and no events have occurred which require further disclosure.