24 September 2024

MYCELX TECHNOLOGIES CORPORATION (AIM: MYX)

Half Year Results Statement

MYCELX Technologies Corporation ("MYCELX" or the "Company"), the clean water and clean air technology company established to transform the environmental impact of industry, is pleased to announce its unaudited interim results for the six months ended 30 June 2024.

Highlights

Financial

- Sale of Saudi Arabia business operations for a total consideration of $3.125 million at closing with up to $4.0 million deferred on a two year earn-out structure, allowing Company to focus resources on two core growth markets
- Reflecting the sale of the Saudi Arabia business operations, revenue of $3.5 million (2023 H1: $5.6 million)
- Gross profit margin of 28.2% (2023 H1: 45.2%)
- EBITDA* loss $1.1 million (2023 H1: loss $900,000)
- Net loss of $1.4 million (2023 H1: $1.5 million)
- Cash and cash equivalents $2.1 million at end of period

Operational

PFAS

- Completed a short-term, emergency PFAS remediation project treating Aqueous Film Forming Foam (‘AFFF’) contaminated water. Contracted by a global engineering company, MYCELX intends to leverage this success to win more AFFF clean-up projects and become a “go to” solution for AFFF remediation worldwide.
- Successfully completed a treatability study paving the way for inclusion in a multiple technology, four-month pilot trial treating PFAS contamination at a municipal wastewater treatment facility.
    - Post period end: the trial is expected to commence in Q1 2025, with the final outcome of the trial likely to determine the award of a long-term contract by the municipality which, industry-wide, are generally in excess of 15 years.
- Received first media order from an established Point of Entry/Point of Use commercial and residential water system supplier in the US, integrating the Company’s PFAS media into their product line.
- Hired an experienced PFAS technical expert with nine years of industry experience from a global water equipment and solutions provider.

REGEN

- Delivered first REGEN retrofit package, which will enable MYCELX's enhanced oil recovery ('EOR') customer in the Middle East to change from traditional nutshell media to REGEN media.

- Received notification from a global product supplier that their testing concluded REGEN was the most effective technology to treat water during EOR production. The supplier intends to include REGEN in their project bids going forward.

- Continuation of a pilot trial with a global energy technology company showcasing REGEN media's superior capabilities over nutshell media to other producers.

- Commenced REGEN pilot trial with Canadian EOR producer.

- Hired an experience engineer to further strengthen the REGEN team.

Post Period Update

- Signed a Business Partnership Agreement with an 8a and HUBZone Certified Prime Contractor with the sole purpose of developing a mutually beneficial business relationship focused on the US Department of Defense (the 'US DoD') funded PFAS remediation projects.

- Made our second sale of an oil-polishing unit to an electric utility in Canada. Delivery expected in H1 2025.

- Continuation of pre-treatment system design for PFAS system for landfill leachate

- Successful installation of REGEN system at Middle East EOR producer

- Successfully completed an equity fundraise of ca.$0.9 million in September to accelerate the Company's progress in the PFAS and EOR markets. The fundraise enables MYCELX to purchase additional trial equipment so that more trials can be executed, which increases the chances of securing project bids going forward.

Outlook

Based on current robust trial and bidding activity, MYCELX is very optimistic about the PFAS, REGEN and EOR markets going into 2025 and beyond. Recognition that the PFAS remediation market is going to be a multi-billion dollar a year industry (as estimated by the US DoD) is starting to gain traction with operators and developers of remediation technologies. It is imperative the Company focuses on this division to capture its share of this long-term, lucrative opportunity. In the EOR market, two trials are currently underway with another potential opportunity before year end. The building momentum in MYCELX's technology is why the Company elected to successfully complete a ca.$0.9 million equity fundraise in September, as it will enable the Company to capitalise on these and future opportunities.

In terms of upcoming PFAS projects and opportunities that we expect to commence over the coming months, we have the landfill leachate trial with a global engineering company in the second phase addressing the pre-treatment unit required to prevent fouling of the MYCELX system and PFAS removal media. Given the enlarged scope of work, the Company expects the project to move to 2025 with potential follow-on opportunities working with the engineering company. MYCELX's PFAS residential systems partnership is expected to launch by year end with expectations that while media sales per unit will be smaller than in the industrial markets, the sector will build over time into a volume play creating steady, predictable revenue. The Company signed an agreement with a preferred US DoD contractor who has water treatment experience at military sites. Together we are engaged with the US DoD and the EPA to identify upcoming PFAS remediation projects registered on the US government administered System for Award Management. Early in 2025 the Company will be one of a few technologies engaged in a municipal wastewater treatment trial. This market sector is a target for MYCELX in small to mid-size public utilities for PFAS water treatment. The Company is in discussions with an existing engineering company customer to treat AFFF laden with PFAS which would be our second project with them offering onsite, fast response systems to remediate PFAS.

The Company continues to see robust interest in the REGEN media for EOR production. We are continuing a pilot trial with a Canadian EOR producer that has moved into a second phase subsequent to a system upgrade. We expect this phase to prove the efficacy of our REGEN system and lead to either a purchase of the on-site equipment, or a new system. The Company recently installed and started up our REGEN Retro-fit package for an operator in the Middle East, which was shipped to the customer in the first half of 2024. We expect this project to lead to several more projects with this customer.

The Company recently provided updated revenue guidance for the full financial year following a change to a customer's project timeline. This meant that revenue expected to be recognised in December will shift into Q1 2025. Notwithstanding this, the Directors are pleased with the progress of the Company in the year to date and they look forward to delivering on the recently revised forecasts.

*See Financial Review for definition of EBITDA

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

"The Company's performance in H1 2024 is highlighted by a number of important trial projects and contract awards with existing and new customers were secured across our markets of focus, demonstrating that we continue to provide customers with a cost effective, high performance and environmentally sustainable product.

The sale of our Saudi Arabia business operations was a pivotal event for the business, as it allowed us to release capital that could be deployed into high margin and high growth industries, whilst also ensuring that, through our exclusive distribution agreement with the purchaser, we are still able to grow our proprietary media and product sales in Saudi Arabia, which is an important market for these applications.

Post period end, we were pleased to announce the successful closing of a ca.$0.9 million equity fundraise, which will enable us to deploy the funds into additional trial equipment, which will enable the Company to take part in more trials, which should lead to further contract wins.

We have several important trials operating with follow-on sites in both core markets which is cause for optimism for the remainder of 2024 and going into 2025. As recently announced, approximately $5.4 million of revenue from a significant project that we expected to recognise in December will be shifted to Q1 2025. We look forward to delivering our revised expectations for 2024 and we will be updating all our stakeholders on our progress over the coming period."

For further information, please contact:

MYCELX Technologies Corporation
Connie Mixon, CEO — Tel: +1 888 306 6843
Kim Slayton, CFO

Canaccord Genuity Limited (Nomad and Sole Broker)
Henry Fitzgerald-O'Connor — Tel: +44 20 7523 8000
Charlie Hammond

Celicourt Communications (Financial PR)
Mark Antelme — Tel: +44 20 7770 6424
Jimmy Lea
Charlie Denley-Myerson

Chairman's and Chief Executive Officer's Statement

We are pleased to publish MYCELX's H1 2024 results today, alongside a wider business update on the corporate activity we have been working on since the start of the year.

Operational Review

In H1 2024 MYCELX realised a number of significant corporate and operational achievements. Arguably, the most transformational was the completion of the sale of MYCELX's business operations in the Kingdom of Saudi Arabia transitioning it to an Exclusive Distributorship led by the legacy management and operations team. The transaction enabled us to further strengthen our financial position, providing the business with the ability to place greater focus on accelerating the growth of our PFAS and EOR offerings in our core markets.

The agreement with Twarid Water Treatment LLC ("Twarid") allows MYCELX to maintain its presence in Saudi Arabia, with the advantage of a significant reduction in business related costs that come with operating as a foreign company in Saudi Arabia. We are highly confident that we will be able to generate future value from the established footprint and Twarid's strong relationships in what remains one of the most important markets for oil and gas production in the world. The Company has two one-year earn-out periods associated with the sale of the Saudi Arabia operations. Based on the buyer's performance over the first six months, we are on track to earn in excess of $1 million out of a potential $2 million for the first earn-out period that would be received in Q2 2025. If the buyer continues on this trajectory, we would hope that substantially all the contingent consideration would become payable to the Company across both earn-out periods for a total of $4 million, however the Company cautions there are no guarantees to this and it remains outside of the Company's control.

The Company's PFAS and REGEN trials and bidding activity has increased significantly since the beginning of the year. PFAS remediation is a long-term, large market that is in the early stages of development in the US. Technologies to improve performance versus the incumbent technologies are in development and from our discussions with potential clients, it is clear they are seeking more effective and efficient technology. We have forged two strategic relationships; the first in residential PFAS protection with a partner who has years of experience in that market, and the second with the newly signed agreement with a preferred military contractor to address PFAS site remediation for the US DoD. We continue to identify potential partners in our other core markets as well as marketing directly to end users. The Company successfully completed a short-term, emergency remediation project treating water contaminated with AFFF at a refinery, which saw us become the first-choice solution for AFFF remediation for the client, which is a global engineering company. We have worked hard to expand the applicability of MYCELX's PFAS remediation technologies to new markets and look forward to exploring the ever-growing remediation opportunities in the AFFF sector. The period also saw MYCELX successfully complete a treatability study which has led to the inclusion of our technology in a four-month long pilot trial treating PFAS contamination for a municipality at its wastewater treatment facility. If successful, the trial, which is expected to commence in Q1 2025, could lead to MYCELX being awarded a long-term contract by the municipality. The Company also secured a first media order from an established Point of Entry/Point of Use commercial and residential water system supplier in the US with plans to integrate MYCELX's PFAS media into its product line. Following the end of the first half of 2024, the Company was excited to announce its agreement with an 8a and HubZone certified contractor which will lead to an ongoing collaboration to provide PFAS remediation solutions for the US DoD. The Company looks forward to updating the market as this partnership develops further.

We continue to see strong interest in MYCELX's REGEN offering in the EOR market, evidenced by the delivery of the Company's first REGEN retrofit package for a client in the Middle East. The conclusion of this order demonstrates the growing demand for REGEN and MYCELX's ability to install and apply its EOR remediation technology to meet the changing needs of our global client base. Our REGEN technology also gained industry-leading recognition in the period after a global product supplier to the EOR market notified MYCELX that its technology was found to be the best of the technologies tested in treating EOR-produced water. The client also notified us that they intend to bid their products to include REGEN in the future. The Company also maintained its focus on pilot trials to demonstrate the applicability of its REGEN technology across the EOR market.

We were also pleased to further strengthen our senior leadership and management team during the period, hiring an experienced PFAS technical expert with nine years of experience in the sector, who previously worked for a global water equipment and solutions provider. In the REGEN team, MYCELX added an engineer with several years of experience to strengthen the division. Both additions have and will continue to allow us to improve our ability to meet demand from these growing addressable markets.

Financial Review

In February 2024, the Company sold its Saudi Arabia business operations, including equipment, inventory and contracts, for an acquisition price of up to $7.125 million which included $3.125 million paid at closing and up to $4 million deferred on a 24 month earn-out structure. The assets sold had a net book value of $2.2 million. The proceeds of the sale will enable the Company to focus on accelerating its marketing and sales plan for its unique technologies in the PFAS remediation and EOR markets while also supporting other working capital needs.

Due to the sale of the Saudi Arabia business operations, revenue decreased 37% to $3.5 million compared to $5.6 million in the first half of 2023. Revenue from equipment sales and leases decreased by 80% to $400,000 in the first half of 2024 (2023 H1: $2.0 million). Revenue from consumable filtration media and service decreased by 14% to $3.1 million (2023 H1: $3.6 million). The equipment sales are one off by nature, but there is longevity to the recurring media sales.

Gross profit decreased by 60% to $1.0 million in the first half of 2024, compared to $2.5 million in the first half of 2023, and gross profit margin decreased to 28% in the first half of 2024 (2023 H1:

45%) due to an inordinate amount of ancillary services provided in Saudi Arabia prior to the sale of the Saudi Arabia business operations.

Total operating expenses for the first half of 2024, including depreciation and amortisation, decreased by 18% to $3.1 million (2023 H1: $3.8 million). The largest component of operating expenses was selling, general and administrative expenses, which decreased by approximately 19% to $2.9 million in the first half of 2024 (2023 H1: $3.6 million) due to the elimination of overhead expenses associated with the branch office in Saudi Arabia. Depreciation and amortisation within operating expenses decreased by 8% to $107,000 (2023 H1: $116,000).

EBITDA was negative $1.1 million for the first half of 2024, compared to negative $900,000 for the first half of 2023. 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, and includes gains on sale of fixed assets (which includes gains from the sale of Saudi Arabia business operations – see Note 13). 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 $1.3 million for the first half of 2024, unchanged from the loss before tax of $1.3 million for the first half of 2023 despite the lower revenue in the period. Basic loss per share was 6 cents for the first half of 2024, compared to basic loss per share of 7 cents for the first half of 2023.

As of 30 June 2024, total assets were $8.7 million with the largest assets being inventory of $2.7 million, property and equipment of $1.1 million, and $2.1 million of cash and cash equivalents including restricted cash.

Total liabilities as of 30 June 2024 were $2.9 million and stockholders' equity was $5.8 million, resulting in a debt-to-equity ratio of 50%.

The Company ended the period with $2.1 million of cash and cash equivalents, including restricted cash, compared to $433,000 in total at 31 December 2023. The Company used approximately $550,000 cash in operations in the first half of 2024, compared to $100,000 used in operations in the first half of 2023. Due to proceeds from the sale of Saudi business operations, the Company generated $2.2 million in investment activities in the first half of 2024 (2023 H1: $172,000 used in investing) and there were no financing activities in the first half of 2024 or 2023.

Post the period end, the Company completed the closing of a Placing of 1,380,791 Common Shares at a price of US$0.68 (51.5 pence) per new share raising gross proceeds of ca.$0.9 million before expenses. The proceeds from the transaction will be used to purchase additional trial equipment so that more trials can be entered into, which increases the chances of securing project bids going forward.

Outlook

Following our performance in H1 2024, and the recently executed fundraise of ca.$0.9 million, we are well placed to capitalise on the market opportunity in front of us. We firmly believe that the PFAS remediation market will not be a winner-take-all industry, but that there will be a small handful of players that are able to deliver a sustainable, low-cost technology offering, that generates results for customers. Our aim is to be the leader of this group and we see it as our job to deliver on this objective.

Global energy companies remain keen to seek out environmentally friendly and capital efficient technologies that enable them to deliver operational and financial synergies along with environmental benefits to their businesses. We continue to believe that MYCELX offers all of these advantages to its customers, so we look forward to continuing with our growth plans over the remainder of 2024 and beyond, which will generate significant value for all our stakeholders.

Tom Lamb
Chairman
24 September 2024

Connie Mixon
Chief Executive Officer

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

	Six Months Ended 30 June 2024 (unaudited)	*Six Months Ended 30 June 2023 (unaudited)*	*Year Ended 31 December 2023*
Revenue	**3,500**	**5,568**	**10,907**
Cost of goods sold	2,514	3,051	7,017
Gross profit	**986**	**2,517**	**3,890**
Operating expenses:			
Research and development	113	107	248
Selling, general and administrative	2,892	3,608	6,743
Depreciation and amortisation	107	116	231
Total operating expenses	**3,112**	**3,831**	**7,222**
Operating loss	**(2,126)**	**(1,314)**	**(3,332)**
Other income (expense)			
Gain on sale of fixed assets	838	-	-
Interest expense	(7)	(4)	(9)
Loss before income taxes	**(1,295)**	**(1,318)**	**(3,341)**
Provision for income taxes	(66)	(187)	(365)
Net loss	**(1,361)**	**(1,505)**	**(3,706)**
Loss per share-basic	**(0.06)**	**(0.07)**	**(0.16)**
Loss per share-diluted	(0.06)	(0.07)	(0.16)
Shares used to compute basic loss per share	**22,983,023**	**22,983,023**	**22,983,023**
Shares used to compute diluted loss per share	**22,983,023**	**22,983,023**	**22,983,023**

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 2024 (unaudited)	*As of 30 June 2023 (unaudited)*	*As of 31 December 2023*
ASSETS			
Current Assets			
Cash and cash equivalents	2,073	1,394	383
Restricted cash	50	50	50
Accounts receivable - net	443	1,675	1,812
Unbilled accounts receivable	99	-	255
Inventory	2,690	3,826	3,417
Prepaid expenses	155	272	123
Other assets	88	138	153
Total Current Assets	**5,598**	**7,355**	**6,193**
Property and equipment – net	1,083	3,007	2,594
Intangible assets – net	734	784	759
Operating lease asset – net	1,300	1,011	844
Total Assets	**8,715**	**12,157**	**10,390**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	413	703	1,541
Payroll and accrued expenses	54	865	793
Contract liability	1,040	-	-
Customer deposits	53	176	10
Operating lease obligations – current	348	331	282
Total Current Liabilities	**1,908**	**2,075**	**2,626**
Operating lease obligations – long-term	997	725	607
Total Liabilities	**2,905**	**2,800**	**3,233**
Stockholders' Equity			
Common stock, $0.025 par value, 100,000,000 shares authorised, 22,983,023 shares issued and outstanding at 30 June 2023 and 2022 and 31 December 2022	574	574	574
Additional paid-in capital	44,813	44,798	44,799
Accumulated deficit	(39,577)	(36,015)	(38,216)
Total Stockholders' Equity	**5,810**	**9,357**	**7,157**
Total Liabilities and Stockholders' Equity	**8,715**	**12,157**	**10,390**

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 2022	**22,983,023**	**574**	**44,768**	**(34,510)**	**10,832**
Stock-based compensation expense	-	-	30	-	30
Net loss for the period	-	-	-	(1,505)	(1,505)
Balances at 30 June 2023 (unaudited)	**22,983,023**	**574**	**44,798**	**(36,015)**	**9,357**
Stock-based compensation expense	-	-	1	-	1
Net loss for the period	-	-	-	(2,201)	(2,201)
Balances at 31 December 2023	**22,983,023**	**574**	**44,799**	**(38,216)**	**7,157**
Stock-based compensation expense	-	-	14	-	14
Net loss for the period	-	-	-	(1,361)	(1,361)
Balances at 30 June 2024 (unaudited)	**22,983,023**	**574**	**44,813**	**(39,577)**	**5,810**

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 2024 (unaudited)	*Six Months Ended 30 June 2023 (unaudited)*	*Year Ended 31 December 2023*
Cash flow from operating activities			
Net loss	(1,361)	(1,505)	(3,706)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortisation	235	441	868
Gain on sale of fixed assets	(838)	-	-
Inventory reserve adjustment	(101)	-	(415)
Stock compensation	14	30	31
Change in operating assets and liabilities:			
Accounts receivable - net	1,369	1,103	966
Unbilled accounts receivable	156	-	(255)
Inventory	727	(187)	657
Prepaid expenses	(32)	(173)	(24)
Prepaid operating leases	-	5	5
Other assets	65	-	(15)
Accounts payable	(1,128)	(92)	746
Payroll and accrued expenses	(739)	107	35
Contract liability	1,040	-	-
Customer deposits	43	158	(8)
Net cash used in operating activities	(550)	(113)	(1,115)
Cash flow from investing activities			
Proceeds from sale of fixed assets	2,281	-	-
Payments for purchases of property and equipment	(32)	(89)	(90)
Payments for internally developed patents	(9)	(83)	(91)
Net cash provided by (used in) investing activities	2,240	(172)	(181)
Net increase (decrease) in cash, cash equivalents and restricted cash	1,690	(285)	(1,296)
Cash, cash equivalents and restricted cash, beginning of period	433	1,729	1,729
Cash, cash equivalents and restricted cash, end of period	2,123	1,444	433
Supplemental disclosures of cash flow information:			
Cash payments for interest	7	4	9
Cash payments for income taxes	133	244	394
Non-cash movements of inventory and fixed assets	-	98	78
Non-cash operating ROU assets	1,300	906	889
Non-cash operating lease obligations	1,345	946	889

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 2024 and 2023 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 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 the United States.

Liquidity – The Company meets its day-to-day working capital and other cash flow requirements through cash flow from operations. In February 2024, the Company sold its Saudi Arabia business operations for up to $7.125 million which included $3.125 million paid at closing and up to $4 million deferred on a 24 month earn-out structure. Additionally, the Company raised gross proceeds of ca.$0.9 million before expenses in a Placing of Common Shares post period end. The proceeds of these transactions will enable the Company to focus on accelerating its marketing and sales plan for its unique technologies in the PFAS remediation and EOR markets while also supporting other working capital needs. The Company actively manages its financial risk by operating Board-approved financial policies that are designed to ensure that the Company maintains an adequate level of liquidity and effectively mitigates financial risks.

On the basis of current financial projections, including a downside scenario sensitivity analysis considering only revenues that are contracted or that the Company considers probable and adjusting for direct cost of goods sold within the analysis, 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 financial statements and, accordingly, consider it appropriate to adopt the going concern basis in preparing these interim Financial Statements. Should the projected cash flow not materialise under certain scenarios, alternative actions to increase liquidity may need to be considered.

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 (part of equipment sales) is billed and recognised when products are shipped to the customer. Revenue from equipment leases is recognised over time as the equipment is available for customer use and is typically billed monthly. Revenue from 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 either factory acceptance testing or shipment of the equipment to the customer because the control transfers at acceptance or 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 2024 and 2023, 31 December 2023 and 1 January 2023 was $99,000, $nil, $255,000 and $nil, respectively. Contract liability at 30 June 2024 and 2023, 31 December 2023 and 1 January 2023 was $1 million, $nil, $nil and $54,000, 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 2024	30 June 2023	31 December 2023	30 June 2024	30 June 2023	31 December 2023
Middle East	752	3,885	6,967	860	6	615
United States	-	-	-	1,032	1,338	2,683
Australia	-	-	-	513	184	369
Other	-	-	-	272	148	248
Total revenue recognised under ASC 606	752	3,885	6,967	2,677	1,676	3,915
Total revenue recognised under ASC 842	-	7	25	71	-	-
Total revenue	752	3,893	6,992	2,748	1,676	3,915

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 2024 and 2023, and the year ended 31 December 2023, 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 2024, 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 2024 and 2023, and 31 December 2023, cash in non-U.S. institutions was $1,000, $106,000 and $92,000, 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 2024 and 2023, and 31 December 2023, restricted cash included $50,000 in a money market account to secure the Company's corporate credit card.

Reconciliation of cash, cash equivalents and restricted cash at 30 June 2024 and 2023, and 31 December 2023:

	30 June 2024 *US$000*	30 June 2023 *US$000*	31 December 2023 *US$000*
Cash and cash equivalents	2,073	1,394	383
Restricted cash	50	50	50
Total cash, cash equivalents and restricted cash	2,123	1,444	433

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 2024 and 2023, and 31 December 2023 was $58,000, $168,000 and $208,000, 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 2024 and 2023, and 31 December 2023, the Company had REGEN-related inventory of 48 percent, 41 percent and 44 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 and Beneficial Reuse markets that the Company has identified as large global markets. These efforts should reduce this inventory to desired levels over the near term and management believes no loss will be incurred on its disposition. However, there is a risk that management will sustain a loss on the value of the inventory before it is sold. 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:

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 2024 and 2023, and the year ended 31 December 2023.

Research and development costs **–** Research and development costs are expensed as incurred. Research and development expense for the six months ended 30 June 2024 and 2023, and the year ended 31 December 2023 was approximately $113,000, $107,000 and $248,000, respectively.

Advertising costs **–** The Company expenses advertising costs as incurred. Advertising expense for the six months ended 30 June 2024 and 2023, and the year ended 31 December 2023 was $7,000, $7,000 and $9,000, respectively, and is recorded in selling, general and administrative expenses.

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 2024 and 2023, and the year ended 31 December 2023 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 anti-dilutive. Total common stock equivalents consisting of unexercised stock options that were excluded from computing diluted net loss per share were approximately 1,604,578 for the six months ended 30 June 2024 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 2024 *US$000*	30 June 2023 *US$000*	31 December 2023 *US$000*
Basic weighted average outstanding shares of common stock	22,983,023	22,983,023	22,983,023
Effect of potentially dilutive stock options	-	-	-
Diluted weighted average outstanding shares of common stock	22,983,023	22,983,023	22,983,023
Anti-dilutive shares of common stock excluded from diluted weighted average shares of common stock	1,604,578	2,021,707	1,903,694

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 2024 and 2023, and the year ended 31 December 2023.

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 2024 and 2023, and 31 December 2023 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 8).

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 Company adopted this guidance effective 1 January 2023. 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 2024 and 2023, and 31 December 2023:

	30 June 2024 *US$000*	30 June 2023 *US$000*	31 December 2023 *US$000*
Accounts receivable	501	1,843	2,020
Less: allowance for doubtful accounts	(58)	(168)	(208)
Total receivable - net	443	1,675	1,812

4. Inventories

Inventories consist of the following at 30 June 2024 and 2023, and 31 December 2023:

	30 June 2024 *US$000*	30 June 2023 *US$000*	31 December 2023 *US$000*
Raw materials	1,130	2,066	1,637
Work-in-progress	177	-	-

Finished goods	1,383	1,760	1,780
Total inventory	2,690	3,826	3,417

5. Property and equipment

Property and equipment consist of the following at 30 June 2024 and 2023, and 31 December 2023:

	30 June 2024 *US$000*	30 June 2023 *US$000*	31 December 2023 *US$000*
Leasehold improvements	530	617	617
Office equipment	615	636	636
Manufacturing equipment	709	976	975
Research and development equipment	427	545	545
Purchased software	207	222	222
Equipment leased to customers	1,810	10,307	10,114
Equipment available for lease to customers	-	-	-
	4,298	13,303	13,109
Less: accumulated depreciation	(3,215)	(10,296)	(10,515)
Property and equipment – net	1,083	3,007	2,594

During the six months ended 30 June 2024 and 2023, and the year ended 31 December 2023, the Company removed property, plant and equipment and the associated accumulated depreciation of approximately $7.5 million, $68,000 and $243,000, respectively, to reflect the disposal of property, plant and equipment.

Depreciation expense for the six months ended 30 June 2024 and 2023, and the year ended 31 December 2023 was approximately $201,000, $409,000 and $803,000, 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 2024 and 2023, and the year ended 31 December 2023 was $128,000, $325,000 and $637,000, 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 $86,000, $80,000 and $83,000 as of 30 June 2024 and 2023, and 31 December 2023, respectively.

In January 2023, the Company entered into a patent rights purchase agreement. The patents are amortised utilising the straight-line method over useful lives of 13 and 14.75 years which represent the remaining legal life of the patents on the date of purchase. Accumulated amortisation on the patents was approximately $5,000, $2,000 and $4,000 as of 30 June 2024 and 2023, and 31 December 2023, respectively.

In addition to the purchased patents, 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 2024, there was $9,000 of new internally developed patents and fees on patents in progress.

Intangible assets as of 30 June 2024 and 2023, and 31 December 2023 consist of the following:

	Weighted Average Useful lives	30 June 2024 *US$000*	30 June 2023 *US$000*	31 December 2023 *US$000*
Internally developed patents	15 years	1,525	1,508	1,516
Purchased patents	13-17 years	150	150	150
		1,675	1,658	1,666
Less accumulated amortisation – internally developed patents		(850)	(792)	(824)
Less accumulated amortisation – purchased patents		(91)	(82)	(83)
Intangible assets – net		734	784	759

At 30 June 2024, internally developed patents include approximately $246,000 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)	
2024	34
2025	66
2026	63
2027	58
2028	52
Thereafter	215

Amortisation expense for the six months ended 30 June 2024 and 2023, and the year ended 31 December 2023 was approximately $34,000, $32,000 and $65,000, respectively.

7. Income taxes

The components of income taxes shown in the Statements of Operations are as follows:

	30 June 2024 *US$000*	30 June 2023 *US$000*	31 December 2023 *US$000*
Current:			
Federal	-	-	-
Foreign	62	186	363
State	4	1	2
Total current provision	66	187	365
Deferred:			
Federal	-	-	-
Foreign	-	-	-
State	-	-	-
Total deferred provision	-	-	-
Total provision for income taxes	66	187	365

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 2024	30 June 2023	31 December 2023
Federal statutory income tax rate	21.0%	21.0%	21.0%
State tax rate, net of federal benefit	1.3%	2.4%	(0.7%)
Valuation allowance	(23.4%)	(26.5%)	(23.0%)
Other	(0.2%)	0.0%	0.3%
Foreign withholding tax	(3.7%)	(11.1%)	(8.5%)
Effective income tax rate	(5.0%)	(14.2%)	(10.9%)

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

	30 June 2024 *US$000*	30 June 2023 *US$000*	31 December 2023 *US$000*
Deferred tax assets			
Net operating loss	7,812	6,940	7,478
Equity compensation	211	233	208
Research and development credits	159	159	159
Right of use liability	297	228	196
Inventory valuation reserve	265	349	265
Other	34	145	68
Total gross deferred tax asset	8,778	8,054	8,374
Deferred tax liabilities			
Property and equipment	(638)	(710)	(638)
Right of use asset	(287)	(218)	(186)
Total gross deferred tax liability	(925)	(928)	(824)
Net deferred tax asset before valuation allowance	7,853	7,126	7,550
Valuation allowance	(7,853)	(7,126)	(7,550)
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 2024 and 2023 and 31 December 2023, the Company has recorded a valuation allowance of $7.9 million, $7.1 million and $7.6 million, respectively, for which it is more likely than not that the Company will not receive future tax benefits due to the uncertainty regarding the realisation of such deferred tax assets.

As of 30 June 2024, the Company has approximately $35.9 million of gross U.S. federal net operating loss carry forwards and $3.7 million of gross state net operating loss carry forwards that will begin to expire in the 2024 tax year and will continue through 2043 when the current year net operating losses will expire. As of 30 June 2023, the Company had approximately $31.7 million of gross U.S. federal net operating loss carry forwards and $3.6 million of gross state net operating loss carry forwards and at 31 December 2023, the Company had approximately $34.4 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 2024 and 2023 or for the year ended 31 December 2023.

On 16 August 2022, the Inflation Reduction Act of 2022 ('IRA') was signed into law. The IRA levies a 1 percent excise tax on net stock repurchases after 31 December 2022 and imposes a 15 percent corporate alternative minimum tax for tax years beginning after 31 December 2022. There was no material impact of the IRA on the Company's income tax provision for 2023 or the period ending 30 June 2024.

The Company's tax years 2019 through 2023 remain subject to examination by federal, state and foreign income tax jurisdictions. However, net operating losses that were generated in previous years may still be adjusted by the Internal Revenue Service if they are used in a future period.

8. 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 its 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 1,478,335 shares allocated as of 30 June 2024. 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 2024 and 2023 were as follows:

	Number of Options Granted	**Grant Date**	**Risk-Free Interest Rate**	**Expected Term**	**Volatility**	**Exercise Price**	**Fair Value Per Option**
2024	25,000	13/03/2024	3.97%	6.0 years	65%	$0.64	$0.40
	225,000	15/03/2024	3.97%	6.0 years	65%	$0.59	$0.37
	50,000	15/03/2024	3.97%	5.75 years	65%	$0.59	$0.36

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 2024:

Stock Options	**Shares**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Term (in years)**	**Average Grant Date Fair Value**
Outstanding at 31 December 2023	1,753,375	$1.12	5.8	$0.66
Granted	300,000	$0.59	6.0	$0.37
Forfeited	(575,040)	$1.53		
Outstanding at 30 June 2024	1,478,335	$0.85	5.8	$0.55
Exercisable at 30 June 2024	1,011,668	$0.98	5.4	

The total intrinsic value of the stock options exercised during the six months ended 30 June 2024 and 2023, and 31 December 2023 was $nil.

A summary of the status of unvested options as of 30 June 2024 and changes during the six months ended 30 June 2024 is presented below:

Unvested Options	**Shares**	**Weighted-Average Fair Value at Grant Date**
Unvested at 31 December 2023	341,667	$0.40
Granted	300,000	$0.37
Forfeited	(175,000)	
Unvested at 30 June 2024	466,667	$0.42

As of 30 June 2024, total unrecognised compensation cost of $183,000 was related to unvested share-based compensation arrangements awarded under the Plan.

Total stock compensation expense for the six months ended 30 June 2024 and 2023, and 31 December 2023 was approximately $14,000, $30,000 and $31,000, respectively.

9. Commitments and contingencies

Operating leases – As of 30 June 2024, the Operating Lease ROU Asset has a balance of $1,300,000, net of accumulated amortisation of $520,000 and an Operating Lease Liability of $1,346,000, 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 3.75 years.

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

(USD, in thousands)	Future Lease Payments
2024	202
2025	416
2026	432
2027	220
2028	151
2029	64
Total future maturities	1,485
Portion representing interest	(140)
	1,345

Total lease expense for the six months ended 30 June 2024 and 2023, and the year ended 31 December 2023 was approximately $195,000, $193,000 and $386,000, respectively.

Total cash paid for leases for the six months ended 30 June 2024 and 2023, and the year ended 31 December 2023 was $196,000, $189,000 and $381,000, 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 $47,000, $120,000 and $237,000 for the six months ended 30 June 2024 and 2023, and 31 December 2023, 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.

10. Related party transactions

The Company has held a patent rights purchase agreement since 2009 with a Director, who is also a shareholder, as described in Note 6.

11. 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 2024. For the six months ended 30 June 2024, 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 2024	Six months ended 30 June 2023	Year ended 31 December 2023
Middle East	1,612	3,891	7,582
United States	1,083	1,345	2,708
Australia	513	184	369
Other	292	148	248
Total	3,500	5,568	10,907

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

(USD, in thousands)	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
Middle East	-	1,743	1,518
United States	1,083	1,264	1,075
Total	1,083	3,007	2,593

12. Concentrations

At 30 June 2024, seven customers represented 89 percent of accounts receivable. During the six months ended 30 June 2024, the Company received 85 percent of its gross revenue from seven customers.

At 30 June 2023, two customers, one with three contracts with three separate plants, represented 84 percent of accounts receivable. During the six months ended 30 June 2023, the Company received 85 percent of its gross revenue from four customers, one with three contracts with three separate plants.

At 31 December 2023, five customers, one with three contracts with three separate plants, represented 80 percent of accounts receivable. During the year ended 31 December 2023, the

Company received 87 percent of its gross revenue from seven customers, one with three contracts with three separate plants.

13. Gain on sale of Saudi Arabia business operations

On 29 February 2024, the Company sold its Saudi Arabia business operations, including equipment, inventory and contracts, for an acquisition price of up to $7.125 (the 'Total Consideration') million to Twarid Water Treatment LLC ('Twarid'). The Total Consideration was split $3.125 million paid at closing with up to $4 million deferred on a 24 month earn-out structure based on Twarid achieving defined revenue targets. The assets sold had a net book value of $2.2 million. The Company recognised a gain of $838,000 from the sale of fixed assets and operating profit of $100,000 from the sale of inventory. The proceeds of the sale will enable the Company to focus on accelerating its marketing and sales plan for its unique technologies in the PFAS remediation and EOR markets while continuing to grow it propriety media and product sales in Saudi Arabia through an exclusive distribution agreement with Twarid.

14. 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 24 September 2024, the date the interim results were available to be issued, and no events have occurred which require further disclosure other than the following:

On 4 September 2024, the Company issued an additional 1,380,791 shares of Common Stock at a price of US$0.68 (51.5 pence) per share. The Company received gross proceeds of ca.$0.9 million. Upon the conclusion of the Placing, the total shares issued and outstanding were 24,363,814.