MYCELX

MYCELX Technologies Corporation

Pioneering a **Greener Future**

Annual Report & Accounts 2021

About MYCELX

MYCELX was founded to address the ever-increasing global requirements for clean water and clean air. We have developed numerous technologies all of which address these markets.

They are all unique, they are all patented and they are all developed within our business. With sustainability and environmental concerns at the forefront of all companies and their impact upon the world, we believe that MYCELX is ideally positioned to take advantage of these trends.

Pioneering a Greener Future

Contents

Find the latest investor relations at:
https://mycelx.com/investors/

At a Glance

Our Purpose

MYCELX reduces the environmental impact of industry and improves sustainability through science and its unique technology.

Our Vision

MYCELX will become the industry standard in clean water treatment.

Highlights

Operational

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

Post Period

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

Our Aims & Values

Safe solutions for everybody at all times

Safety is paramount for MYCELX. Our staff are our most valuable assets and our solutions always protect their well-being.

Protect the environment

MYCELX enables its customers to meet the strictest regulatory standards, thereby reducing their impact on the environment. This also allows them to guarantee their customers that they are complying or exceeding industry requirements.

Provide future-proof systems

MYCELX systems solve immediate challenges, are robust and able to meet future demands as industry's requirements become more strict.

Deliver cost effective, performance optimising solutions

MYCELX systems are proven, reliable and robust, providing our customers with superior performance, significant cost savings and the comfort to focus solely on their production.

Support local stakeholders

MYCELX protects the environment in the locations it operates, whilst providing employment and supporting local content initiatives by manufacturing and sourcing locally.

Realise value for shareholders

MYCELX seeks to gain widespread adoption for its applications to realise the full value of its technology.

Financial

Revenue	Gross profit	EBITDA	Loss Before Tax	Cash & Cash Equivalents
$8.5m	$3.3m	$19,000	$1.1m	$3.2m
2020: $7.1m	2020: $1.6m	2020: -$4.2m	2020: $5.8m	2020: $3.8m

Chairman's Statement

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

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

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

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

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

MYCELX is uniquely placed to help its industrial clients fulfil their commitments to more environmentally sustainable processes and effective remediation of contaminated water.

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

Outlook

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

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

Tom Lamb
Chairman
16 May 2022

Chief Executive Officer's Statement

Continued operational delivery and poised to meet new environmental challenges

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

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

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

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

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

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

MYCELX's proven technology has never been more relevant in the fight for clean water and air.

Operational performance

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

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

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

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

Looking to the future

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

Connie Mixon
Chief Executive
16 May 2022

Our Focus Markets

MYCELX has a global footprint across the oil and gas sector and PFAS market

PFAS & Other

Key Applications:
PFAS Groundwater Remediation

Key Countries:
USA, Australia

MYCELX has a superior and cost-effective solution to treat Per-and Polyfluoroalkyl substances ('PFAS') contaminated groundwater. MYCELX systems are at the forefront of treating PFAS impacted industrial water for clients across Australia and are installed at Aqueous Film Forming Foam ('AFFF') impacted sites, globally integrated oil companies, airports, and military sites. A MYCELX team of experts works with and assists engineering firms and end-user clients to design, install and operate these systems. MYCELX aims to deploy its superior solutions in the growing US market for PFAS groundwater remediation.

Current Trends

- Environmental challenges continue to grow in number, scope and complexity, and mounting public pressure and regulatory changes continue to drive demand for better solutions
- Increasing public awareness of the risks posed from PFAS contaminated water and increasing shareholder demand for environmental accountability has increased the demand for sustainable solutions
- The Environmental Protection Agency ('EPA') expected to expand the range of PFAS types covered in regulations due to greater understanding of risks

Opportunities

- Industry is highly fragmented with no single market leader. MYCELX is uniquely positioned to establish itself as a leader in the industry
- MYCELX technology provides competitive advantages versus conventional treatment methods. MYCELX's solution is more robust than conventional methods and has been shown to remove a broader range of PFAS contaminants to below detectable levels
- MYCELX's solution generates significantly less waste and is more cost effective than conventional alternatives

Upstream Onshore

Key Applications:
Produced Water Treatment, Heavy Oils, cEOR

Key Countries:
USA, Nigeria, Qatar, Kuwait, Canada

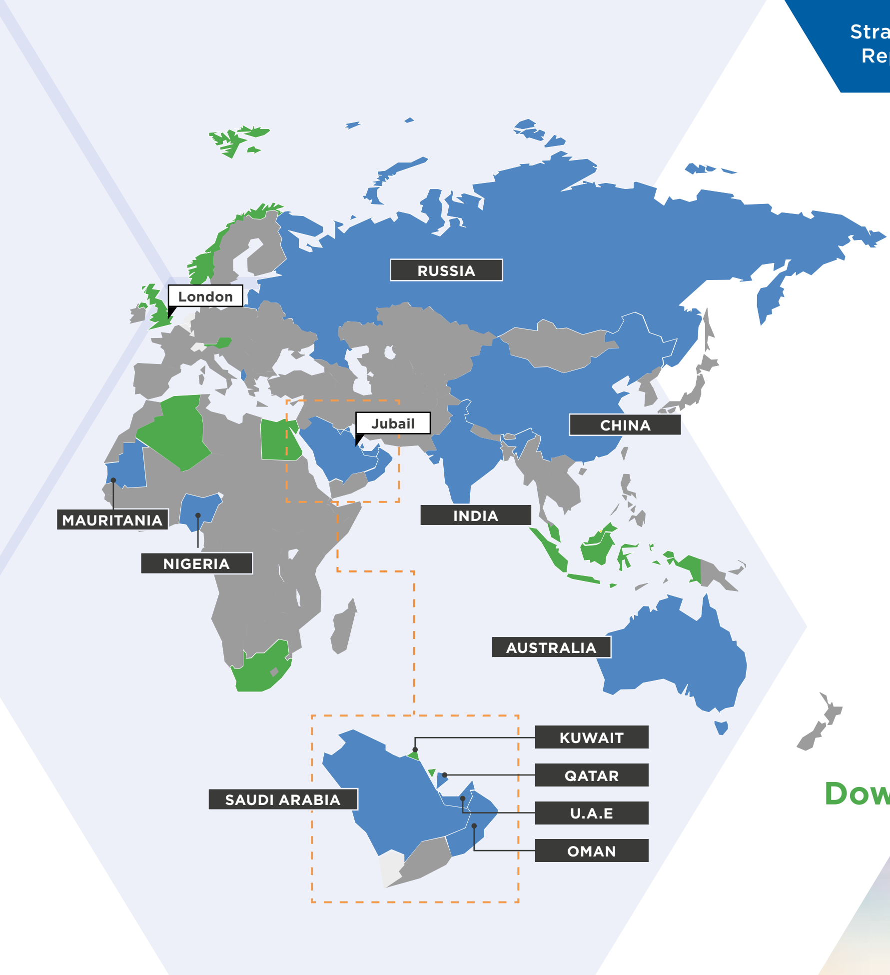
MYCELX Onshore installations provide superior performance for clients across the globe. However, it is the optimised REGEN Retrofit Solution which has the potential to transform this focus market by offering the ability to expand production with the same infrastructure and overcoming water treatment barriers to production using lucrative cEOR techniques.

Current Trends

- Producers are focussed on ensuring hydrocarbons are produced in an efficient and environmentally sustainable manner
- Preference of maximising potential of brownfield assets, rather than starting new greenfield developments

Opportunities

- The cEOR market is forecasted to grow dramatically over the next 5–7 years as producers increase levels of production to take advantage of higher product prices driven by global demand
- Mature production assets will create greater and more complex treatment challenges as water-cuts increase
- MYCELX's REGEN retrofit package offers the ability to use existing on-site equipment and treat up to 30% extra flow rate at higher removal efficiency and less wastage
- REGEN already recognised by leading industry players as the industry's leading option for cEOR water treatment



KEY

MYCELX solution installed

Potential MYCELX opportunity identified

MYCELX offices

Downstream

Key Applications:
Process Water, Industrial Wastewater, Turnarounds

Key Countries:
Saudi Arabia, U.A.E, Oman, Qatar, Kuwait

MYCELX's well established downstream capabilities are currently responsible for the majority of revenue generation and consist largely of temporary and multi-year rental projects in Saudi Arabia.

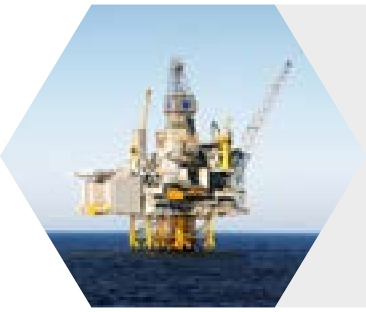
Current Trends

- Vision 2030: Greater adherence to water and air regulations is shown by stricter monitoring by authorities to ensure compliance
- With supply chain delays increasing equipment lead times and the need to provide service now to take advantage of improved product pricing, rapid-deployment, temporary rental solutions will be in demand

Opportunities

- One of MYCELX's major areas of expertise is deploying its rapid response systems and solutions which will allow customers to reap the benefits of better pricing overcoming equipment delays
- Recycle/Reuse Opportunities: MYCELX water expertise offers chances to reduce water wastage and develop wastewater recycle/reuse systems
- Planned developments of petrochemical complexes in Saudi Arabia and rest of GCC

Upstream Offshore



Key Applications:
Produced Water Treatment, Excursion Management, Early Production

Key Countries:
USA, Nigeria, Australia

MYCELX's offshore capability is demonstrated by its installations on several major platforms in the Gulf of Mexico. The Company's nimble footprint and superior removal capability make MYCELX an ideal treatment solution for any offshore location.

Current Trends

- Increased environmental regulations expected, which when coupled with hurricane seasons becoming longer and more serious year on year, means greater production efficiencies are required
- Significant new field development spending expected in Australia and South America

Opportunities

- Leverage existing installations in Gulf of Mexico, Nigeria and Australia to expand footprint in the U.S. offshore and international markets for excursion management and early production applications

Our Technology and Approach

MYCELX solutions are a leap forward in filtration, resulting in clean water

The polymer that we developed and subsequently patented is unique molecular cohesion to remove oil and other contaminants from water to customer specifications. The processed, clean water can be discharged back to the original water source with no environmental impact.

By removing oil at the molecular level MYCELX solutions have advantages over conventional physical separation methods in terms of performance, cost and footprint required.

MYCELX solutions can achieve oil removal to less than 1 ppm if required or tailored for specific discharge levels and contaminant removal as well as operational run time.

MYCELX provides customers with a new standard in clean water and air treatment and an enhanced ability to protect the environment.

1

REVOLUTIONARY TECHNOLOGY

The polymer and its applications are protected by 36 global patents

2

RECURRING MEDIA SALES

Polymer is infused into purpose-built back-washable media and standard filters

3 STANDARDISED EQUIPMENT

Our media is housed inside MYCELX designed equipment or specially modified standard vessels

4 ENGINEERED SOLUTIONS BASED ON EXTENSIVE WATER EXPERTISE

Our engineers design tailor-made systems which meet our customers' requirements in terms of overall economics, frequency of media changeouts and whether they wish us to handle maintenance of the installation

5 ENHANCED CUSTOMER PERFORMANCE

The end result is oil-free water that allows MYCELX's clients to consistently meet their discharge requirements, regulations, cost savings and improve production uptime

What Makes Us Different

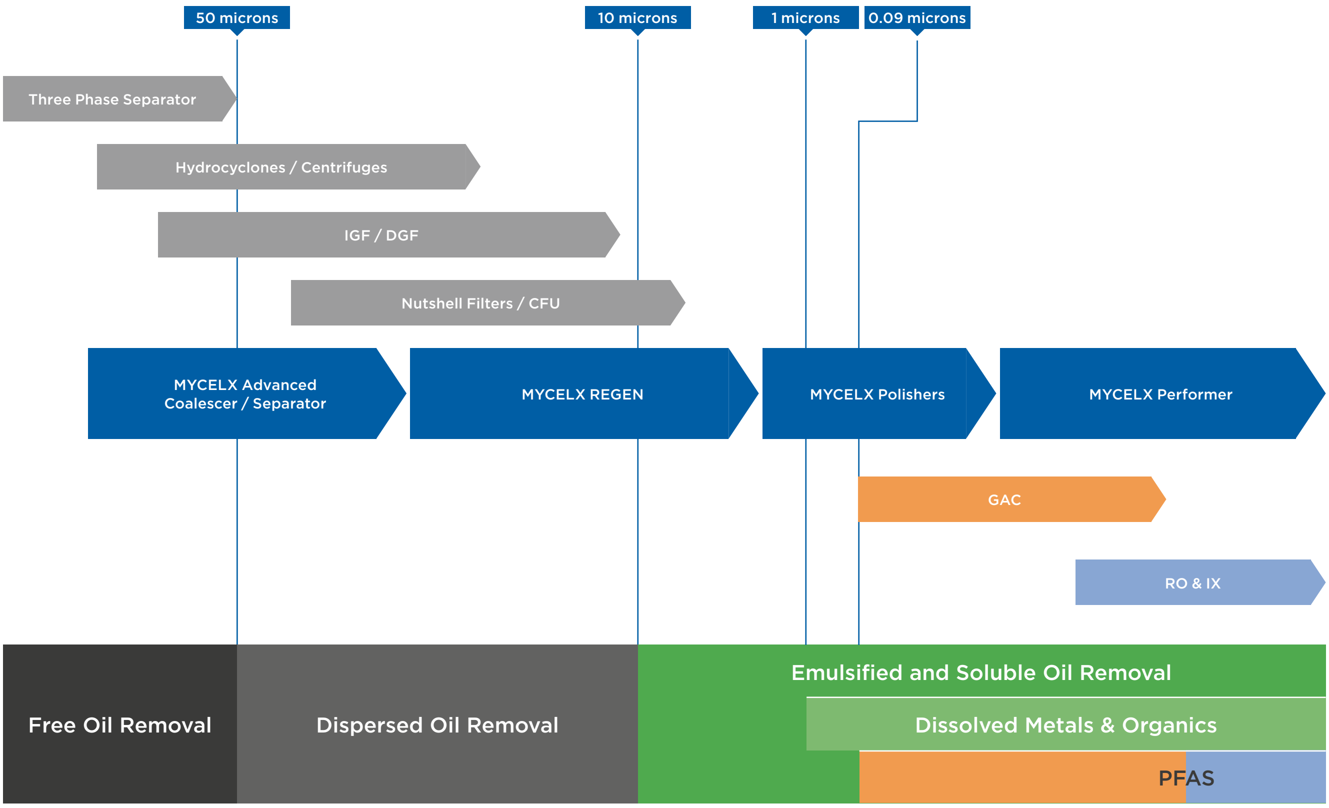
Bridging the Technology Gap Where Others Fail

The key differences between MYCELX and other oil removal processes are:

- **Instant and permanent oil removal at any flow rate**
- **Broad oil removal spectrum – free oils to emulsified oils**
- **Small footprint available, lower capital cost, highest efficiency**
- **Enables water reuse**
- **Reduces need for chemical or biological treatment**
- **Guaranteed no visible oil sheen in effluent**

The ability to remove droplet sizes below 10 microns sets MYCELX apart from the rest of the conventional technologies currently used in the Oil and Gas industry. These very small droplets can contribute a high percentage of the total oil contamination and wreak havoc on the ability to reuse or discharge because they evade conventional treatment systems.

MYCELX offers a total treatment solution for its customers, or can be retrofitted into existing infrastructure. The methods of oil and gas production as well as petrochemical processing have undergone extraordinary technological changes to improve and increase output but the existing equipment struggles or no longer meets the new operational demands. MYCELX's differentiated performance is filling the gap that has been created as industry demands evolve.



Fit for the Future

Efficient and More Effective Solutions for PFAS

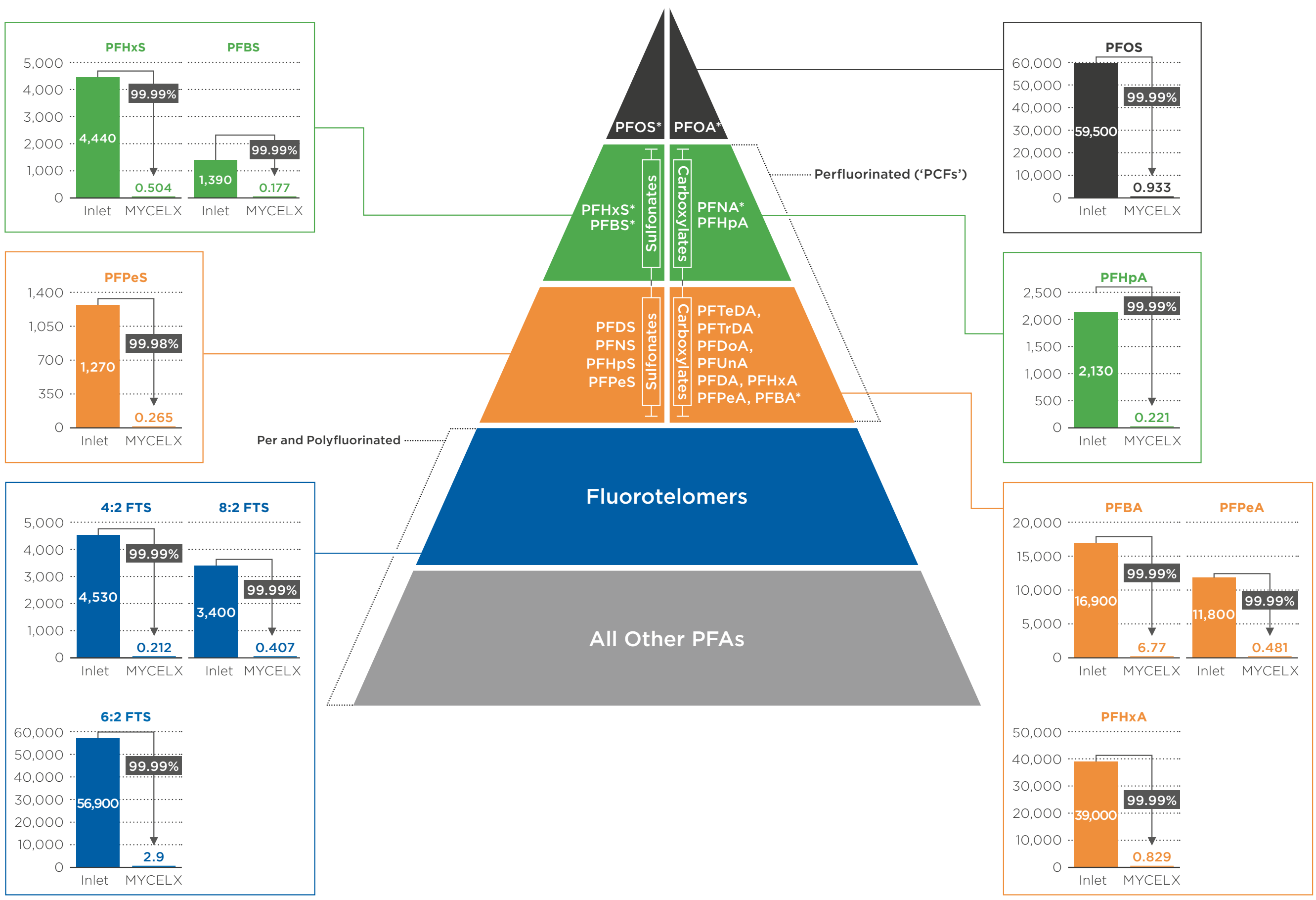
MYCELX solutions' superior removal capability creates solutions which are more robust and that will remain effective as regulations become more stringent.

The Environmental Protection Agency ('EPA') has submitted a plan for a PFAS Superfund designating two PFAS compounds – PFOA and PFOS – as "hazardous substances" under the Comprehensive Environmental Response, Compensation & Liability Act (CERLA, also known as the Superfund law). These regulatory actions will have significant financial impacts for businesses and property owners with any sort of legacy or current PFOA and PFOS pollution concerns.

Recent EPA evaluation of the potential human health risks may identify additional compounds to be regulated and drive certain remedial target levels much lower. Current guidance recommends using a remediation goal of 70 ppt for PFOA and PFOS.

The Department of Defense ('DOD') identified 687 installations with a known or suspected release of PFAS from firefighting foams used in training exercises. The DOD estimates that its future PFAS investigation and clean-up costs will total more than $2.1b beginning in fiscal year 2021, which is in addition to $1.1b in actual PFAS costs incurred through fiscal year 2020. Industrial/military sites with significant co-contamination are ideally suited for MYCELX's advanced technology.

MYCELX technology provides complete removal of the full spectrum of PFAS compounds to non-detect levels. Complete removal will prevent future degradation of components into PFAS compounds that may be subject to future regulation. This provides MYCELX technology with a significant technical advantage over costly conventional alternatives.



Our Business Model

We deploy our assets to pursue our strategic goals

Driven by our clear purpose & values

Our Purpose

To reduce the environmental impact of industry and improve sustainability through science and our unique technology.

Our Vision

MYCELX aims to be the new standard in clean water treatment.

Our Aims and Values

- Safety
- Protect the Environment
- Future-proof Systems
- Cost Effective Solutions
- Performance Optimisation
- Local Support
- Value Realisation

We deploy our key assets


Technology and IP


People and Culture


Fixed Assets


Reputation & Relationships

What we do and how we make money

Design

Our experts use our patented technology to design and engineer robust treatment systems that meet the client's specific needs.

Capital Sales

Our solutions can be tailor-made and manufactured for sale. Due to our small footprint such sales may be to retrofit existing systems or as part of a new greenfield build.

Rental Fleet

We are able to provide equipment for temporary or long-term rental solutions. In Saudi Arabia we have a team that operates and maintains rental deployments 24/7.

Recurring Media

Our patented technology solutions comprise MYCELX patented media which will lead to recurring media sales.

Overview of our Achievements

36+ patents issued

13 countries with MYCELX systems

We create and secure value for all our stakeholders

...Our competitive advantages

- Patented Technology
- Best-in-class Performance and Competitive Pricing
- Smaller Footprint
- Better Understanding of Water Characteristics
- Strong Reputation and After-Sales Support
- Problem Solving Attitude and Continuous Improvement Approach
- Strong R&D Capability

...Value we create for all stakeholders

Clients

Provide environmentally beneficial water treatment that ensures the client meets their sustainability goals. Consistent superior performance lifts the performance and lowers maintenance and repair costs. A better understanding of the water characteristics allows them to manage their water challenges more cost effectively.

Shareholders

Our robust business model has enabled MYCELX to grow into a company with a strong reputation and industry traction. As broad adoption is achieved, it will be possible to unlock further potential value for all stakeholders.

Local Communities

Benefit from the improved environmental standards, and MYCELX full support for local content initiatives in terms of employment and supply chain creation/local manufacture.

Employees

We are committed to develop and train our people and to keep them safe and healthy. As and when further business growth is achieved, additional opportunities will become available for our employees.

Environment

Our smart solutions mean that clients can meet stricter environmental regulations cost effectively – improving overall adherence and protection.

100% performance guarantees achieved

20+ specific treatment applications

<5ppm discharge spec for Nigeria

Our Strategy

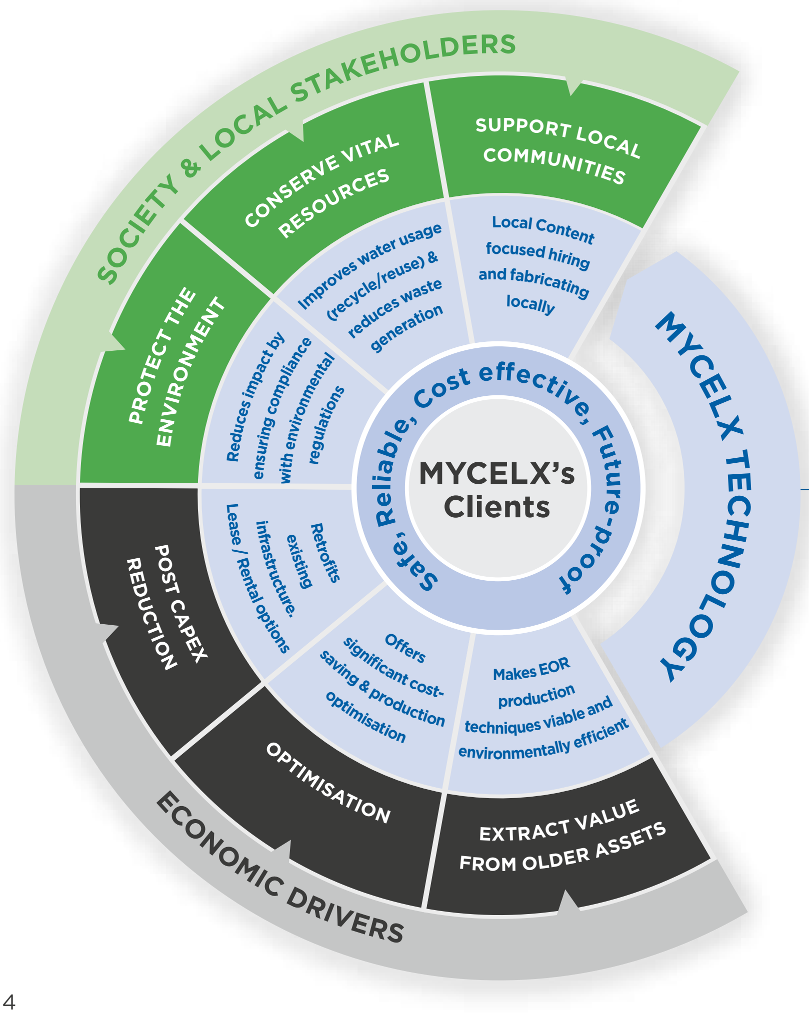
Supporting our clients' ambitions with our superior, sustainable solutions

MYCELX Technology solutions provide a shield for our clients from the increasingly complicated demands from society and local stakeholders as well as the challenging current economic drivers.

MYCELX's safe, reliable and future-proof solutions ensure that our customers can reduce water and energy usage and reuse or safely dispose treated water that meets the highest regulatory standards. An example of how society and local stakeholders have demanded enhanced clean water treatment to protect the environment and lives is seen in the growing response to PFAS groundwater contamination.

A Strategy Focused on Growth

MYCELX has developed a range of key applications across its focus markets and has pursued a strategy to gain widespread adoption by first proving technical superiority, usually through in-field trials, then gaining industry acceptance with installations or awards and finally leveraging those installations to obtain critical mass and become the new standard for treatment.



	Key Applications
Downstream	PROCESS WATER
	INDUSTRIAL WASTEWATER
	TURNAROUNDS
Upstream onshore	PRODUCED WATER TREATMENT
	REGEN RETROFIT
Upstream offshore	EXCURSION MANAGEMENT
	EARLY PRODUCTION
PFAS & others	PFAS GROUNDWATER
	OTHERS

ACHIEVEMENTS TO DATE / GOALS

Proven Technical Superiority	Industry Acceptance	Leverage Position to Obtain Critical Mass	Near-term Priorities
Have displaced conventional tech at world's largest ethylene complex since 2011	Systems in place in multiple petrochemical companies globally. Recognised with industry award	Invited to establish global contract framework agreement with leading petrochemical company	**Secure global contract agreement**
Broad range of wastewater applications proven in trial work	In-plant wastewater treatment systems successfully used to meet multiple emergency rapid response requirements		**Work with customers to deliver recycle/reuse solutions to reduce wastewater disposal**
Demonstrated ability to treat contamination levels that were >10,000x higher than regulation	Successful turnarounds undertaken in Saudi Arabia, Kuwait and Qatar	Established partnership with leading turnaround support services company to target full turnaround market in Saudi Arabia	**Establish multi-year pipeline of turnaround projects across GCC**
Only technology approved for discharge into shallow water of Niger Delta (<5ppm)	Multiple project wins in Nigeria and trials around the globe		**Secure further Nigerian project wins and gain traction with other global producers**
Successfully trialled with producers in Canada, Oman and India	Acknowledged by industry leaders as the next generation solution for Produced Water Treatment	Technology chosen for water treatment on leading EOR study at major National Oil Producer	**Replace Nutshell with REGEN Retrofit on a 500,000bbl/day system**
Successfully deployed on several Gulf of Mexico platforms	Incorporated into the design of Jack St Malo Platform by Chevron		**Dedicated Business Development initiative to expand footprint in Gulf of Mexico and other offshore opportunities**
Used by Schlumberger on several Early Production projects			**Secure further Early Production opportunities using lease or capital model**
Analysis demonstrates broad PFAS removal to below detectable limits	Successful US trial Several Australian installations both on military and industrial locations		**Secure several U.S.-based PFAS projects**
Lab and in-field testing shows successful applications in Mercury removal, air filtration and agri-business applications			**Secure channel partners to pursue these non-core applications**

Our Investment Case

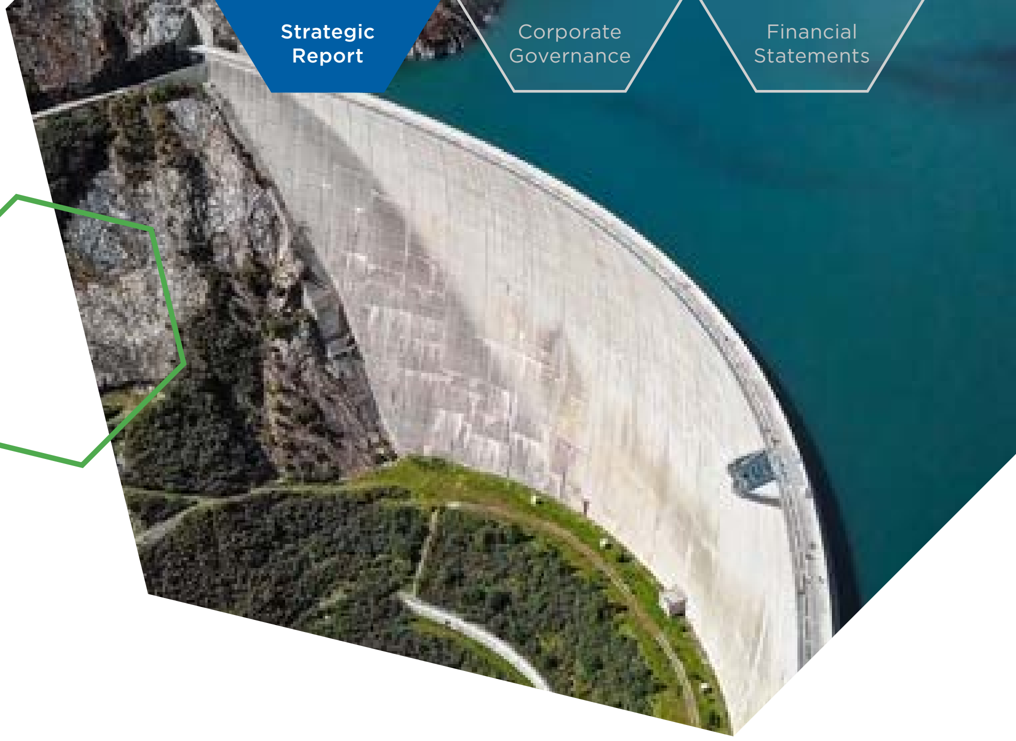
At a time when companies are focused on their environmental impact, MYCELX's patented technology enables businesses to meet their sustainability targets

1 Relevant technology fit for the future

- Owner and manufacturer of revolutionary, patented MYCELX technology that is a leap forward in cost effective water treatment over conventional approaches
- MYCELX tackles the toughest industrial water and air treatment challenges ensuring clients' environmental directives are met
- Our technology covers a very broad range of applications including oil and gas, groundwater remediation, commercial marine, power and air filtration
- Flexibility of the technology means water can be treated to below detectable levels of contamination or to a client's specific needs

2 Years of experience helping clients achieve their environmental protection goals

- Operational in the Middle East since 2011 providing sustainable, cost effective water treatment for closed loop production and recycle and reuse
- Since 2018 installed on close-to-shore platforms in Nigeria ensuring producers meet their environmental protection goals
- Installed on Chevron's state-of-the-art platform, Jack/St. Malo in 2018 in the Gulf of Mexico providing clean water management in keeping with Chevron's sustainability goals
- Protecting the most environmentally sensitive waters of the Galapagos Islands since 2008 ensuring compliance with IMO (International Maritime Organization) mandate of no oil contamination discharge to the sea



3

Growing the business

- Expect continued growth in 2022, building momentum over the coming years
- Expand the footprint in the Middle East as we meet the demands of significantly increased focus on sustainable, cost effective water treatment
- Increasing our Business Development presence in Houston and the Middle East with additional hires
- Focused marketing initiatives supported by our new website and business development team

4

Continuous innovation

- We innovated differentiated, leading-edge technology to treat groundwater contaminated with PFAS with systems currently operating
- Product development in 2020 on REGEN, our regenerable filter media, allowing REGEN drop-in into existing production systems as a replacement to Nutshell filter media saving waste and water
- Robust filter product innovation in 2020 significantly increasing oil capture capacity ensuring producers meet or exceed their water treatment discharge levels

5

Financial metrics

- Strong cash position with no debt after note payable and line of credit paid in full with proceeds from sale of Duluth property during the period and capital raise subsequent to year end
- Robust business model based on recurring revenue
- Healthy margins allowing for flexibility on contract bidding

Financial Review

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

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

Total operating expenses for 2021, including depreciation and amortisation and the gain on sale of property and equipment, decreased by 37% to $4.8 million (FY20: $7.6 million). The largest component of operating expenses was selling, general and administrative expenses, which decreased by approximately 5% to $6.9 million (FY20: $7.3 million) due to the continued impact of a series of company-wide cost saving measures implemented in 2020.

Depreciation and amortisation within operating expenses decreased by 34% to $205,000 (FY20: $310,000), primarily due to older equipment reaching the end of its useful life.

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

In March 2021, the Company completed the sale of its building in Duluth, Georgia, USA for a total consideration of $5.4 million. The Company recognised a financial gain of approximately $2.6 million on the sale of the property and net cash proceeds were approximately $2.8 million. The Note Payable and line of credit were paid in full and $500,000 of cash was reclassified from restricted cash. The sale enabled the Company to right-size its office space needs across its main operating locations and provided cash proceeds which were used for working capital purposes to support the business needs.

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

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

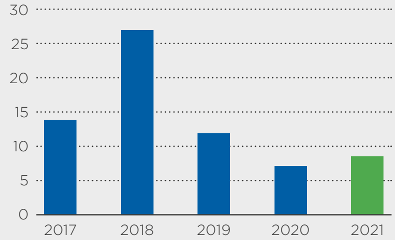
The Company ended the period with $3.2 million of cash and cash equivalents, including restricted cash, compared to $3.8 million in total at 31 December 2020. The Company used approximately $3.4 million of cash in operations in 2021 (FY20: $1.5 million used in operations). The proceeds from the sale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

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

Kimberly Slayton
Chief Financial Officer
16 May 2022

GOALS & KEY PERFORMANCE INDICATORS

Revenue ($m):

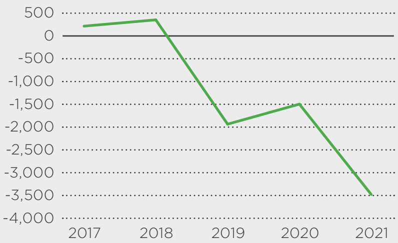


Revenue was impacted by a resurgence in activity across the various industries in which we operate.

Gross Margin (%):

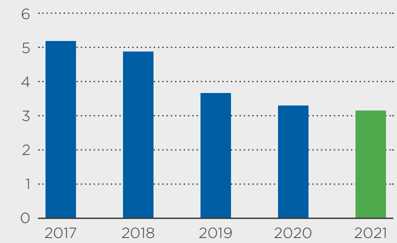
Gross margin rebounded after the inventory reserve posted in 2020.

Cash Flow from Operations (US $000):



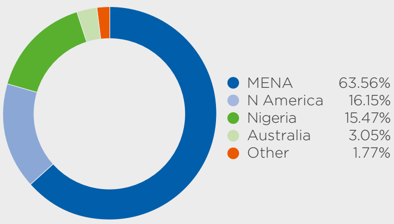
The Company continued to manage costs while also investing in strategic market initiatives.

Cash and Cash Equivalents ($m):



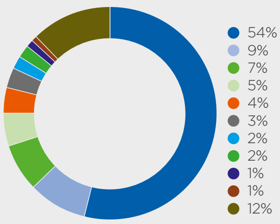
The Company continues to preserve the cash position whilst supporting revenue generating growth activities and has bolstered its position post period end with the fundraise.

Geographical Diversity



The geographical split of revenues reflects market conditions as well as successful Company business development efforts to grow footprint in other geographies.

Client Diversity



Currently top 10 customers make up 88% of Company revenue. These large customers are industry leaders. As we pursue our strategy of gaining industry acceptance and critical mass, the client mix will improve as a consequence.

Principal Risks and Uncertainties

RISK	Additional Funds	Retaining Key Personnel	Existing Products and Service Optimisation	Reliance on Certain Key Manufacturers
DESCRIPTION	Should the Company require additional funds in order to carry out its strategy, there can be no assurance that the Company will be able to raise such additional capital on favourable terms or at all.	The contribution of the existing Executive Directors, senior management team members and certain key employees to the immediate and near-term operations of the Company is likely to be of central importance to the Company's future success and growth.	The future success of the Company will depend on its ability to enhance its existing products and services, address the increasingly sophisticated and diverse needs of its customers and respond to technological advances and emerging industry and regulatory standards and practices on a cost effective and timely basis, specifically including further development of the REGEN market for which the Company holds significant inventory as disclosed in the financial statements.	The Company relies on certain key manufacturers for the fabrication of the Company's equipment in accordance with the specifications of the Company's customers.
MITIGATION	Following the fundraise in early 2022, the Company is in a robust cash position.	The Company continuously monitors and reviews compensation and benefits offered to its employees. The Company desires to have competitive remuneration and benefit plans in place to reward and retain key individuals.	The Company seeks and acts upon feedback from its customers and potential customers through various means including professional societies, industry conferences, trade shows and direct queries. The Company is continuously developing intellectual property to commercialise new products.	To attempt to manage this risk, the Company has expanded the number of manufacturers it uses that are capable of conducting manufacture on similar terms. However, any disruption in the Company's relationship with a manufacturer could affect pending orders placed with that manufacturer and result in transition costs and delays.

RISK

	Competitive Market	Customer Diversification	Oil & Gas Industry Cycles	Geopolitical Risk
DESCRIPTION	The Company operates in a competitive market and it can be expected that the competition will continue and/or increase in the future both from established competitors and from new entrants to the market. The Company's competitors include companies with greater financial, technical and other resources than the Company.	The Company receives a significant portion of its revenue from one customer through multiple system installations at several of the customer's plants.	Historically, the oil and gas industry has been subject to 'boom-and-bust' cycles. Recession-induced downturns can affect the development of various oil and gas projects, particularly high-cost projects such as those relating to oil sands, deepwater offshore and liquefied natural gas. High-cost oil projects like deepwater offshore and oil sands typically depend on high oil prices. The market price of oil is affected by numerous factors which are beyond the Company's control. Should oil prices fall and remain low for a prolonged period for any reason including, for example, the global COVID-19 pandemic combined with the recent collapse of oil prices, high cost oil projects may be scaled down, deferred or cancelled.	Historically, oil supply is subject to periodic disruption due to political unrest or insurrection, sabotage or terrorism, nationalist policies, accident or embargo. These events generally prove to be transient; however they can cause material reductions in production and are often difficult or impossible to predict. A disruption in oil supply can cause significant fluctuations in oil prices which, in turn, could have a material adverse effect on the Company's business.
MITIGATION	The Company is pursuing a growth strategy to continuously increase its financial and technical resources. The growth strategy includes partnering with companies with complementary technologies to expand scope and leverage relationships to garner more business.	While the individual plants operate autonomously, any disruption in the Company's relationship with this customer could result in reduced revenue. The installations at this customer's various plants are performing critical functions and any stoppage of the Company's systems could have a severe impact on production and therefore it is unlikely that the customer would want to disrupt the relationship. Furthermore, the Company is pursuing a growth strategy that will diversify its customer base.	The Company's primary customers are located in the lowest quadrants of their respective industry curves, which provides them with some insulation against oil and related feedstock price declines. Furthermore, the Company is continuously developing intellectual property to commercialise new products for other industry sectors to broaden its client and market base.	Although the Company is focused on the oil and gas industry, it does sell into other industry sectors and is continuously developing intellectual property to commercialise new products.

Board of Directors

Tom Lamb

Non-Executive Chairman

Committee Membership

Appointed

2019

Background & Experience

Mr. Lamb joined the MYCELX Board as a Non-Executive Director, Chairman of the Compensation Committee and a member of the Audit and Nomination Committees in July 2019. He was appointed Non-Executive Chairman by the Board in July 2021. Mr. Lamb has a wealth of strategic and operating expertise in the industrial and technology sectors, having spent over 30 years driving organic growth and leading businesses in multiple international settings. He has served in several executive leadership roles in public and private companies and his previous experience includes Chairman and CEO of Agilex Flavors and Fragrances, President and CEO of C.P. Kelco/J.M. Huber Corporation and Executive VP of Lexmark International. Mr. Lamb has also served on the boards of several for-profit companies in chemical, technology and healthcare spaces. Mr. Lamb received an MBA from the Stanford Graduate School of Business and a BA in Economics from Union College in Schenectady, New York.

Current Appointments

Mr. Lamb serves on a number of corporate and not-for-profit boards.

Connie Mixon

Chief Executive Officer and Director

Committee Membership

Appointed

2004

Background & Experience

Ms. Mixon joined MYCELX in 2004 and was responsible for rapidly developing the commercial and financial infrastructure to provide MYCELX products to a global customer base. Prior to joining MYCELX in 2004, she was a Director for Global Markets for Deutsche Bank. Her career with investment banks included pioneering Deutsche Bank's institutional presence in the southern region of the United States. Before her tenure at Deutsche Bank, Ms. Mixon was Vice President at Donaldson, Lufkin & Jenrette. Ms. Mixon holds an MBA from the Goizueta Business School Emory University and a BA in politics from Wake Forest University.

Current Appointments

None.

Haluk (Hal) Alper

President, Chief Science Officer and Director

Committee Membership

Appointed

1994

Background & Experience

Mr. Alper co-founded the Company with John Mansfield Sr. in 1994. An inventor of chemistries and chemical processes, he has authored and been granted numerous patents in the areas of electrochemistry, polymer chemistry, and environmental technologies, including approximately seventy for MYCELX oil removal chemistry and related applications.

A published author with over fifty scientific and technical papers to his credit, Mr. Alper is a member of numerous professional societies, including NYAS (New York Academy of Sciences), AAAS (American Association for the Advancement of Science), ASNE (American Society of Naval Engineers), SNAME (Society of Naval Architects and Marine Engineers), NDIA (National Defense Industrial Association), AFS (American Filtration and Separations Society), ACS (American Chemical Society) and AICHE (American Institute of Chemical Engineers.

Current Appointments

Mr. Alper is a recipient of the 2005 Ronald Reagan Gold Medal from the National Republican Congressional Committee ('NRCC') for Technological Innovation, is on the editorial board of Filtration News Magazine and also serves on the Technical Advisory Board of Environmental Protection Magazine.

André Schnabl
Non-Executive Director

Committee Membership

Committee Membership key
- Audit Committee
- Nomination and Governance Committee
- Compensation Committee
- Executive Committee

Appointed
2019

Background & Experience
Mr. Schnabl joined the MYCELX Board as a Non-Executive Director and Senior Independent Director, and as Chairman of the Audit Committee and a member of the Compensation and Nomination Committees in January 2019. Mr. Schnabl is the managing principal of Tenor Capital Partners LLC, a boutique corporate finance firm focused on advising companies and shareholders in analysing, structuring and financing employee ownership through stock ownership plans. Prior to Tenor, Mr. Schnabl was the managing partner of the Atlanta office of Grant Thornton LLP, from which he retired in 2012. He joined Grant Thornton in Zimbabwe and also spent time in the firm's Montreal office before moving to the Atlanta office. Mr. Schnabl holds a Bachelor degree in Chemistry and Geology from the University of London and is a CPA.

Current Appointments
Mr. Schnabl serves on a number of corporate and not-for-profit boards.

Corporate Governance Statement

The Directors recognise the value and importance of high standards of corporate governance. The Company is incorporated in the State of Georgia, United States, and is governed by and complies with the Georgia Business Corporation Code ('GBCC'). There are a number of differences between the corporate structure of the Company and that of a public limited company incorporated in England under the Companies Act 2006. Whilst the Directors consider that it is appropriate to retain the majority of the usual features of a U.S. corporation, they intend to take certain actions to meet U.K. standard practice adopted by companies incorporated under English law and admitted to AIM.

The Company is committed to high standards of corporate governance and draws upon best practice available. Further to AIM Rule 26, the Board has determined to follow the QCA code, published by the Quoted Companies Alliance, which sets out a minimum best practice standard for small and mid-size quoted companies, particularly AIM companies. The following information is provided to describe how the Company applies the principles of that code and explain any departures from the specific provisions of that code. This review was originally carried out as at 21 September 2018, and updated on 16 May 2022.

The QCA's Ten Principles of Corporate Governance

The ten principles of corporate governance set out in the QCA Code and applied by the Company are as follows:

Deliver Growth

1. Establish a strategy and business model which promote long-term value for shareholders

MYCELX's business model and strategy can be found on pages 12 to 15 of this Annual Report.

2. Seek to understand and meet shareholder needs and expectations

At the Company's Annual Meeting, usually held in London, the Chairman and Chief Executive Officer are available before and after the meeting for further discussions with shareholders. A meeting with U.S. shareholders is also held annually. The Chief Executive Officer meets with institutional investors on various occasions during the year, primarily following the Company's Annual Results and Interim Results announcements. A number of such meetings took place in 2021 by way of video conference.

Further information on the 2022 Annual Meeting, which is scheduled to be held on 13 July 2022, is set out in the Notice of 2022 Annual Meeting, which is available on the Company's website.

Special arrangements were in place for the 2020 and 2021 Annual Meetings due to COVID-19.

Copies of the Annual Report and Financial Statements are issued to all shareholders and copies are available on the Company's website. The Company also uses its website to provide information to shareholders and other interested parties, subject to applicable restrictions of United States securities laws. The Chief Financial Officer and Secretary also deal with shareholder correspondence as and when it arises, and may be contacted through the address on the Company's website.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Our business model which identifies the key resources and relationships on which the business relies can be found on pages 12 and 13 of this Annual Report.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Company continues to face and address a number of risks and uncertainties, some of which are set out on pages 20 and 21 of this Annual Report.

The Board is ultimately responsible for the Company's system of internal control and reviewing its effectiveness on an ongoing basis. The system is designed to manage rather than eliminate the risk of failure to achieve the Company's strategic objectives, and cannot provide absolute assurance against material misstatement or loss. The key risk management processes and internal control procedures include the following:

- The involvement of the Executive Directors in day-to-day operations.
- Clearly defined responsibilities and limits of authority.
- A system of financial reporting, forecasting and budgeting. Budgets are prepared annually for the business based upon a multi-year strategic plan narrowed to a current year tactical plan to take advantage of current opportunities and address near-term risks. Reviews occur through the management structure culminating in a Company budget which is considered and approved by the Board. Company management accounts are prepared monthly and submitted to the Board for review. Variances from budget and prior year are monitored and the reasons for significant variances are reviewed.

- An ongoing process for identifying, evaluating and seeking to manage significant risks across the Company.

Maintain a Dynamic Management Framework

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board of the Company consists of two Non-Executive Directors with relevant experience to complement the two Executive Directors and to provide an independent view to the Executive Directors. The Non-Executive Directors are Tom Lamb (Chairman) and André Schnabl. The two Executive Directors are Connie Mixon (Chief Executive Officer) and Haluk Alper (President and Chief Science Officer). Tim Eggar, who served as Non-Executive Chairman during the period from August 2011, resigned as a Director on 7 July 2021 following completion of three consecutive three-year periods of office.

Kimberly Slayton was appointed Chief Financial Officer on 16 March 2016, but is not a member of the Board of Directors.

Of the two Non-Executive Directors, Tom Lamb was independent on his appointment as a Director on 29 July 2019. Thereafter, the test of independence is not appropriate in relation to the Chairman. André Schnabl, who was appointed as a Director on 1 January 2019, is regarded as independent and was appointed as Senior Independent Director on 1 January 2019.

Following Mr. Eggar's retirement, the Company continues to have two independent Non-Executive Directors as required under the QCA Code. The Board is actively searching for a further Non-Executive Director.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board believes that, as a whole, it contains the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long term. Full details of the Directors are set out on pages 22 and 23.

Internal Advisory Responsibilities

The Company is incorporated in the State of Georgia, United States, and the role of Company Secretary is carried out by the U.S.-based Chief Financial Officer. An experienced qualified U.K.-based individual performs the role of Assistant Secretary, and provides a sounding board for the Board on U.K. regulatory issues. In addition, the Company relies on its external U.S. and U.K. advisers to provide additional advice when required, and to ensure the Directors are fully aware of their responsibilities as Directors of an AIM company.

There is a process for ensuring that any new Director receives advice, including from the Company's nominated adviser and external lawyers where appropriate, on his/her responsibilities as a Director of an AIM company, and the Board would ensure that any new appointee would benefit from a full induction programme.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Company has conducted an internal evaluation of the Board and its Committees, and their performance, annually since Admission to AIM in August 2011. Further information on the process used can be found below under QCA Principle 9 – Nomination and Governance Committee.

Succession planning at Board and Committee level, and of senior management, is formally reviewed on an annual basis. In addition, all Directors who wish to stand are subject to re-election at the Annual Meeting, and due consideration is given by the Nomination Committee as to whether individual Directors are recommended for re-election.

The Company regularly reviews the ongoing training requirements of Directors as part of the annual Board evaluation process, and Directors are encouraged to attend relevant training courses.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board believes that the business culture is consistent with the Company's objectives, strategy and business model as set out in the Strategic Report and the description of principal risks and uncertainties.

The Board ensures that the Company has the means to determine that ethical values and behaviours are recognised and respected through the adoption of appropriate policies, including a Code of Ethics and Business Conduct; a Whistleblower Policy, and a Policy on Equal Employment Opportunities, all of which are available on the Company's website.

In addition, in response to the Market Abuse Regulations ('MAR') which came into force on 3 July 2016, and which apply to AIM companies, the Company has adopted a Share Dealing Policy and Dealing Code which apply to all Directors and employees of the Company.

Corporate Governance Statement continued

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board met formally eight times in 2021. All of the Board meetings were attended by all of the Board members.

The Board has adopted policies in relation to a Schedule of Matters Reserved for Board Decision and the Separation of the Roles of Chairman and Chief Executive Officer, copies of which are available on the Company's website.

Board Committees

The Company has established an Audit Committee, a Compensation Committee, a Nomination and Governance Committee and an Executive Committee. The minutes of the committees are circulated to the Board, and the committee chairs also report to the Board on the outcome of committee meetings at the subsequent Board meeting. All of the committees annually review and re-adopt their terms of reference. The committees have the following roles:

Audit Committee

The members of the Audit Committee are André Schnabl (Chairman) and Tom Lamb. Meetings are held not less than three times a year, and take into account the work programme set out in the Audit Committee Guide published by the QCA. André Schnabl served as Chairman of the Audit Committee during the year ended 31 December 2021.

The role of the Committee is set out in its Terms of Reference which are available on the Company's website.

Further information on the work of the Audit Committee can be found on page 30.

The Audit Committee met formally three times in 2021. The Committee meetings were attended by both Committee members.

Compensation Committee

The members of the Compensation Committee are Tom Lamb (Chairman) and André Schnabl. Tim Eggar served on the Compensation Committee until his resignation on 7 July 2021. The primary duty of the Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Directors, the officers and such other members of the executive management as it is designated to consider. The remuneration of the Non-Executive Directors is a matter for the Chairman and the Company's Executive Directors. No Director or officer may be involved in any decisions as to their own remuneration.

Meetings of the Committee take place not less than three times a year. The Compensation Committee met formally twice in 2021. Both of the Committee meetings were attended by both of the Committee members.

The Terms of Reference of the Compensation Committee are available on the Company's website. Further information on the work of the Compensation Committee can be found on pages 32 to 34.

Nomination and Governance Committee

The members of the Nomination and Governance Committee are Tom Lamb (Chairman) and André Schnabl. Tim Eggar served as Chairman of the Nomination and Governance Committee until his resignation on 7 July 2021. The Nomination and Governance Committee is responsible for identifying and nominating members of the Board, recommending Directors to be appointed to each Committee of the Board and the chair of such Committees and overseeing the evaluation of the Board.

An internal evaluation of the Board and its Committees, and their performance, has been conducted annually since Admission to AIM in August 2011. The individual evaluation takes the form of interviews conducted by the Chairman with each Director. A performance evaluation of the Chairman is carried out by the Non-Executive Directors in conjunction with the Chief Executive Officer. Questionnaires covering the Board and each Committee are also completed by each relevant Director, and provide an opportunity to comment on Board and Committee procedures. The results of the 2021 evaluation were presented to the Board in January 2022, and any findings are followed up at subsequent Board meetings.

The Terms of Reference of the Nomination and Governance Committee are available on the Company's website. The Nomination and Governance Committee met formally four times in 2021. All the Committee meetings were attended by both of the Committee members.

Further information on the work of the Nomination Committee can be found on page 31.

Executive Committee

The members of the Executive Committee are Connie Mixon (Chairman) and Tom Lamb. Tim Eggar served on the Executive Committee until his resignation on 7 July 2021. The Executive Committee has the power to perform all functions of the Board between meetings of the full Board, except as otherwise provided by the GBCC.

Build Trust

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board ensures that the market is kept fully appraised of all material business developments through formal announcements. The Company announces the outcomes of all votes held at Annual Meetings.

Further information is shown under QCA Principle 2 above.

Kimberly Slayton
Chief Financial Officer and Secretary
16 May 2022

Directors' Report
for the year ended 31 December 2021

Principal Activities
MYCELX Technologies Corporation ('MYCELX' or the 'Company') is a clean water technology company, incorporated in the State of Georgia, United States, which provides novel water treatment solutions to the oil and gas, power, marine and heavy manufacturing sectors. MYCELX operates globally to deliver environmentally sustainable, low-cost solutions to manage both produced water and downstream process water effectively.

Future Developments
The Board aims to pursue its corporate strategies as detailed in the Strategic Report on pages 1 to 21.

Admission to AIM
MYCELX was admitted to trading on the AIM market of the London Stock Exchange on 4 August 2011, at which time 5,787,455 new Common Shares were placed to raise gross proceeds of approximately US$20 million.

On 9 December 2014, the Company received commitments under a U.S. private placement (the 'U.S. Placing') in accordance with Regulation D of the U.S. Securities Act of 1933, as amended, to subscribe for 468,773 Common Shares raising gross proceeds of approximately $1.1 million at a price of US$2.35 (150 pence) per new share.

On 10 December 2014, the Company completed a U.K. Placing of 4,826,296 new Common Shares of US$0.025 per value each with U.K. institutional investors at a price of US$2.35 (150 pence) per new share raising gross proceeds of approximately $10.7 million. On 5 January 2015, the Company completed the final closing of the U.S. Placing and issued 78,977 Common Shares at a price of US$2.35 (150 pence) per new share raising gross proceeds of approximately US$186,000. The Company incurred costs in the issuance of these shares of approximately $657,000.

On 27 February 2019, the Company completed the closing of a Placing of 577,246 Common Shares and a Subscription for 26,387 Common Shares, both at a price of 230 pence per new share, raising US$1.8 million before expenses. The Company incurred costs in the issuance of these shares of approximately $229,000.

On 21 March 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.

Dividends
The Company has never declared or paid cash dividends on its capital stock and does not intend to in the foreseeable future.

Directors
The following Directors held office throughout the year ended 31 December 2021 and up to the date of signing the financial statements.

Tom Lamb (Appointed Chairman 7 July 2021)

Haluk (Hal) Alper (President and Chief Science Officer)

Connie Mixon (Chief Executive Officer)

André Schnabl (Non-Executive Director and Senior Independent Director)

Tim Eggar (Chairman) – resigned 7 July 2021

Kimberly Slayton was appointed as Chief Financial Officer and Secretary on 16 March 2016. Ms. Slayton reports to, but is not a member of, the Board of Directors.

Biographical details of the Directors are shown on pages 22 and 23.

Election of Directors
Directors are elected annually at the Company's Annual Meeting of Shareholders.

2022 Annual Meeting
Further information will be set out in the Notice of 2022 Annual Meeting which will be mailed to Shareholders together with this Annual Report. Any change concerning those arrangements will be announced through the London Stock Exchange, and published on the Company's website.

Directors' Remuneration and Interests
The Remuneration Report is set out on pages 32 to 34. It includes details of Directors' remuneration, interests in the Common Shares of the Company and share options.

Corporate Governance
The Board's Corporate Governance Statement is set out on pages 24 to 27.

Going Concern
Having considered the Company's funding position and financial projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and has prepared the financial statements on that basis. In assessing whether the going concern basis is appropriate, the Directors have considered the information contained in the financial statements, the latest business plan, revenue forecasts and the latest working capital forecasts. These forecasts have been subject to sensitivity tests and the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. See Note 1 of the financial statements for further discussion.

Share Capital and Substantial Shareholdings

At 16 May 2022, a total of 22,983,023 Common Shares were outstanding.
At 16 May 2022, the Company had received notification, or was otherwise aware, that the following are interested in more than three percent of the issued ordinary share capital:

Octopus Investments	22.30%
Connie Mixon	11.11%
Canaccord Genuity Wealth Management	11.09%
Hargreaves Lansdown Nominees	6.40%
Hal Alper	5.31%
Artemis Investment Management	5.30%

Directors' Statement as to Disclosure of Information to Auditors

The Directors who served as members of the Board at 31 December 2021 have approved this report. Each of these Directors confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is not aware; and
- Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditors

During the year the Board engaged Deloitte & Touche LLP, who have indicated their willingness to continue in office. A resolution concerning their reappointment will be voted on at the Annual Meeting.

Directors Indemnity Insurance

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

By Order of the Board

Tom Lamb
Chairman
16 May 2022

Audit Committee Report
for the year ended 31 December 2021

Committee Members

The members of the Audit Committee are currently André Schnabl (Chair) and Tom Lamb. Meetings are normally held not less than three times a year and are based on the work programme set out in the Audit Committee Guide published by the QCA.

Roles and Responsibilities

Under its Terms of Reference, which can be found on the Company's website, the Audit Committee reviews inter alia:

I. Monitoring the integrity of the Company's financial statements, including its annual and interim reports, preliminary announcements and any other formal statements relating to its financial performance, and reviewing and reporting to the Board on significant financial reporting issues and judgements which those statements contain;

II. Reviewing the Company's internal financial controls that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;

III. Reviewing and making recommendations in relation to the adequacy and security of the Company's arrangements for its employees to raise concerns over compliance, whistleblowing and fraud; and

IV. Making recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditor.

Committee Meetings

Meetings are attended by Committee members, and the Chairman, Chief Executive Officer, Chief Financial Officer and external auditors are invited as appropriate. The Committee normally meets at least once a year with the external auditors without the Executive Directors being present.

Both Committee members attended each of the three meetings held during the year ended 31 December 2021.

Financial Information

The Company prepares detailed budget and working capital projections, which are approved annually by the Board and are maintained and updated regularly throughout the year. Detailed management accounts and working capital cash flows are prepared on a monthly basis and compared to budgets and projections to identify any significant variances.

Financial Statements

The Audit Committee has considered the integrity of the Company's 2021 financial statements and reviewed the appropriateness of its critical accounting policies and the judgements made in applying them. The year-end financial statements were reviewed and discussed with Deloitte & Touche LLP, and the Committee concluded that in its view the statements were fair, balanced and understandable, and recommended their adoption to the Board.

Significant Areas

The significant reporting matters and judgements considered by the Committee during the year included:

- Going concern – see page 28, for consideration by the Board regarding going concern
- Valuation of assets (inventory)
- COVID-19

Audit Review

The Audit Committee monitors the Group's relationship with the external auditor, Deloitte & Touche LLP, to ensure that external independence and objectivity has been maintained. The Committee has reviewed Deloitte & Touch LLP's audit process, the findings from the audit of the 2021 financial year, and the effectiveness of the external audit process. The Committee reviewed the quality and cost effectiveness of the external audit, and the independence and objectivity of the auditors.

External Audit

Deloitte & Touche LLP have provided audit services to the Company since 2019.

The Audit Committee reviews annually the quality and cost effectiveness of the external audit and the independence and objectivity of the external auditors. Audit performance is reviewed annually and audit partner rotation requirements are observed.

The Committee obtained confirmation from Deloitte & Touche LLP that their independence and ethics policies complied with the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and the rules and standards of the U.S. Securities and Exchange Commission and the Public Company Accounting Oversight Board, and that they are independent and maintain internal safeguards to ensure their objectivity. No contractual obligations exist that restrict the Company's choice of external auditor and the Committee is satisfied that the external auditor remains independent.

Non-Audit Services

The Committee has established policies determining the non-audit services that the external auditors can provide and the procedures required for approval of any such engagement, and on the engagement of any former employees of the auditors.

Deloitte & Touche LLP was engaged to perform the 2021 audit for fees of $180,000 (2020: $170,000) and was also engaged to perform tax work in Saudi Arabia and audit-related services in 2021.

Internal Audit

There is currently no formal internal audit function in place which the Audit Committee has concluded is appropriate given the size and complexity of the business and the mitigating controls in place. The Committee will continue to keep under review the need for the Group to introduce such a function.

Approved on behalf of the Audit Committee by:

André Schnabl
Chairman, Audit Committee
16 May 2022

Nomination Committee Report

for the year ended 31 December 2021

Committee Members

The members of the Nomination Committee are currently Tom Lamb (Chair) and André Schnabl (Senior Independent Director).

Committee Meetings

Meetings are held not less than twice a year and are attended by all Committee members. The Chief Executive Officer may also be invited as appropriate.

All current Committee members attended the four meetings held during the year ended 31 December 2021.

Roles and Responsibilities

Under its Terms of Reference, which can be found on the Company's website, the Nomination Committee inter alia:

- reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and makes recommendations to the Board with regard to any changes;
- gives full consideration to succession planning for Directors, officers and other senior executives, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- keeps under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;
- reviews the results of the Board performance evaluation process that relate to the composition of the Board;
- considers the re-appointment of Non-Executive Directors at the conclusion of their specified term of office;
- approves the re-election by shareholders of Directors under the annual re-election provisions of the Company's byelaws;
- reviews annually the time required from Non-Executive Directors and officers;
- considers Director independence under the Corporate Governance Code.

Significant Areas

The significant matters considered by the committee during the year included succession planning for the position of Company Chairman. Tim Eggar was originally appointed to the Board in August 2011 and served three consecutive three-year terms of office. Tim Eggar notified the Board of his intention not to stand for re-election as a Director at the Company's Annual Meeting on 7 July 2021. Following Mr. Eggar's retirement, the Board resolved that Mr. Lamb would be appointed as Company Chairman.

Following Mr. Eggar's retirement, the Company continues to have two independent Non-Executive Directors as required under the QCA Code. The Board intends to consider the appointment of a further Non-Executive Director in due course.

Approved on behalf of the Nomination Committee by:

Tom Lamb
Chairman, Nomination Committee
16 May 2022

Directors' Remuneration Report
for the year ended 31 December 2021

As a U.S. incorporated AIM-listed Company, MYCELX is not required to comply with the following regulations: disclosure requirements of the Directors' Remuneration Report Regulations 2013; the UKLA Listing Rules; the disclosure provisions under schedule 8 to SI 2008/410 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Consequently, certain disclosures contained in these regulations are not included below.

The following disclosures are therefore made on a voluntary basis. The information is unaudited.

Remuneration Policy

The Company's remuneration policy is based on the following broad principles:

- to provide competitive remuneration packages to attract and retain quality individuals;
- to align the interests of management with the interests of shareholders; and
- to set the pay of the Executive Directors with due account taken of (i) pay and conditions throughout the Company and (ii) corporate governance best practice.

Remuneration Consists of the Following Elements:

Base Pay

Executive Directors' base pay is designed to reflect the role and responsibility of the individual within the Company. Salary levels are reviewed annually.

Annual Bonus

All Executive Directors and members of senior management participate in the Company's annual bonus scheme, which is based on the achievement of individual and Company performance targets. Annual bonuses are designed to incentivise performance and reward achievement in line with the agreed corporate strategy. Due to the continuing economic impact of the COVID-19 pandemic and the need for the Company to conserve its funds, no bonuses were paid in respect of 2021 to Executive Directors.

Long-term Incentives

The Compensation Committee considers that equity-based long-term incentive schemes are the most effective way to align the interests of participants and shareholders.

Service Contracts

Connie Mixon

Ms. Mixon entered into an employment agreement with the Company on 29 July 2011 to serve as its Chief Executive Officer and to serve on the Board of Directors and to serve as Chair of the Executive Committee. The employment agreement provides for, among other things: (i) salary of $325,000 and participation in the Executive Bonus Plan to be directed by the Compensation Committee; (ii) grant of 163,017 options to purchase Common Shares of the Company vesting ratably over a three-year period; and (iii) a two-year term (automatically renewing for successive one-year periods). The agreement may only be terminated by Ms. Mixon upon six months' notice or by the Company upon providing for one year's base salary as severance if she is terminated without cause or resigns for good reason. The agreement provides for customary non-solicitation, non-compete and non-disclosure restrictions.

An increase in Ms. Mixon's base salary to $400,000 was approved by the Compensation Committee with effect 1 January 2019. As part of a programme to reduce costs, Ms. Mixon agreed to a reduction of 15 percent in base salary to $340,000 with effect 1 April 2019. In March 2020, Ms. Mixon agreed to a further reduction in base salary to $323,000 with effect 16 April 2020. Ms. Mixon's base salary was further reduced to $275,000 with effect 1 October 2020. On 1 January 2021, Ms. Mixon's base salary was partially restored to $350,000.

Hal Alper

Mr. Alper entered into an employment agreement with the Company on 29 July 2011 to serve as its President and Chief Science Officer and to serve on the Board of Directors. The employment agreement provides for, among other things: (i) salary of $225,000 and a technology incentive bonus between $75,000 and $150,000 per year; (ii) grant of 163,017 options to purchase Common Shares vesting ratably over a three-year period; (iii) a three-year term (automatically renewing for successive one-year periods) and no termination without cause by either party; and (iv) Company ownership of intellectual property developed by Mr. Alper: (a) until 4 August 2013; or (b) that relates to the Company's principal business or the mercury filtration technology, and a Company option to purchase any intellectual property developed by Mr. Alper that is developed after 4 August 2013 and does not relate to the principal business or the mercury filtration technology. The terms of purchase are that Mr. Alper will be entitled to receive three percent on gross sales of products relating to that intellectual property, six percent on license fees received by the Company for the license of such intellectual property and a non-refundable royalty equal to the amount of $100,000 for each new and distinct area of business covered by such intellectual property. The agreement provides for customary non-solicitation, non-compete and non-disclosure restrictions.

As part of a programme to reduce costs, the agreement with Mr. Alper was amended in September 2015 (i) to reduce Mr. Alper's base salary by 15 percent to $219,013 which is fixed for the period ending 15 September 2018; (ii) to replace the technology incentive bonus with an entitlement to a bonus in respect of each calendar year of employment as determined and administered by the Company's Compensation Committee; and (iii) to extend the term of the agreement for the three-year period ending 15 September 2018.

In September 2018, Mr. Alper's agreement was extended for another year and an increase in his base salary to $250,000 was approved by the Compensation Committee with effect 16 September 2018.

As part of a programme to reduce costs, Mr. Alper agreed to a reduction of 20 percent in base salary to $200,000 with effect 1 April 2019. In March 2020, Mr. Alper agreed to a further reduction in base salary to $190,000 with effect 16 April 2020. Mr. Alper's base salary was further reduced to $171,000 with effect 1 October 2020. On 1 January 2021, Mr. Alper's base salary was partially restored to $200,000.

Annual Re-election of Directors

All Directors are elected each year by the shareholders at the Annual Meeting, to serve until the next succeeding Annual Meeting and until their successors are elected and qualified, or until their earlier death, resignation or removal.

Directors' Remuneration

The Directors' Remuneration for 2021 was as follows:

	Salary And Directors' Fees $US	Benefits In Kind $US	Performance Related Bonus $US	2021 Total $US	2020 Total $US
Non-Executive Chairman					
Tom Lamb	$43,597	–	–	$43,597	$40,825
Tim Eggar*	$25,147	–	–	$25,147	$50,588
Executive					
Connie Mixon	$350,000	$17,295	–	$367,295	$332,450
Hal Alper	$200,000	$23,597	–	$223,597	$209,022
Non-Executive					
André Schnabl	$39,100	–	–	$39,100	$40,825

*For period 1 January to 7 July 2021.

Benefits in kind include medical and life insurance.

As part of a programme to reduce costs, Tim Eggar, André Schnabl and Tom Lamb agreed to a 15 percent reduction in Directors' fees with effect 1 April 2020.

The interests of the Directors at 16 May 2022 in the shares of the Company, not including interests of investment funds in respect of which the Director may have a managerial interest, and with respect to which such Director disclaims beneficial ownership, were:

	Number of Common Shares	Percentage of Issued Share Capital
Tom Lamb	292,175	1.27
Hal Alper	1,219,546	5.31
Connie Mixon (1)	2,552,636	11.11
André Schnabl	46,413	0.20

(1) The aggregate number of shares shown for Ms. Mixon includes: (a) 150,000 shares held by limited liability companies controlled by Ms. Mixon; (b) 202,646 shares held by or on behalf of Ms. Mixon's children; and (c) 10,000 shares which are held by the estate of her late husband Mark Mixon (0.05 percent of the issued share capital) as a custodian.

Directors' Remuneration Report continued
for the year ended 31 December 2021

Share Options

Options over Common Shares awarded to Directors under the Omnibus Performance Incentive Plan in place on 31 December 2021 were:

Option Holder	Type of Award	Date of Vesting	Exercise Price ($US)	Number of Shares
Connie Mixon	Employee Stock Option	1 January 2012	$3.44	54,339
		1 January 2013	$3.44	54,339
		1 January 2014	$3.44	54,339
		31 December 2017	$0.75	20,000
		31 December 2018	$0.75	20,000
		9 April 2021	$0.69	210,000
Hal Alper	Employee Stock Option	1 January 2014	$3.44	54,339
		9 April 2021	$0.69	70,000

No Director exercised any options over Common Shares during the year.

Tom Lamb
Chairman, Compensation Committee
16 May 2022

Directors' Responsibilities Statement

Under the GBCC, all corporate powers are exercised by or under the authority of, and the business and affairs of the corporation managed under the direction of, its Board of Directors, subject to any limitation set forth in the articles of incorporation. Under the GBCC, the corporation is required to prepare and disseminate to its shareholders, upon request, financial statements for each fiscal year. Consequently, the Company has prepared financial statements in accordance with Generally Accepted Accounting Principles in the United States ('U.S. GAAP').

Under the GBCC:

1. A Director shall discharge the duties of a Director, including duties as member of a committee, in a manner he or she believes in good faith to be in the best interests of the corporation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

2. In discharging the duties of a Director, a Director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:

    a. One or more officers or employees of the corporation whom the Director reasonably believes to be reliable and competent in the matters presented; or
    b. Legal counsel, public accountants, or other persons as to matters the Director reasonably believes are within the person's professional or expert competence; or
    c. A committee of the Board of Directors of which the Director is not a member if the Director reasonably believes the committee merits confidence.

3. A Director is not entitled to rely if the Director has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection (2) above unwarranted.

4. A Director is not liable to the corporation or its shareholders for any action taken as a Director, or any failure to take any action, if the Director performed the duties of the Director's office in compliance with the foregoing.

André Schnabl
Chairman, Audit Committee
16 May 2022

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
MYCELX Technologies Corporation:

Opinion

We have audited the financial statements of MYCELX Technologies Corporation (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

May 16, 2022

Statements of Operations

(USD, in thousands, except share data)

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

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

Balance Sheets

(USD, in thousands, except share data)

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

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

Statements of Stockholders' Equity

(USD, in thousands)

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

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

Statements of Cash Flows

(USD, in thousands)

For the Year Ended 31 December:	2021	2020
Cash flow from operating activities		
Net loss	**(1,425)**	(6,094)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortisation	**1,124**	1,427
Gain on sale of property and equipment	**(2,584)**	–
Inventory reserve adjustment	**(45)**	1,061
Gain upon extinguishment of debt	**(401)**	(401)
Stock compensation	**255**	42
Change in operating assets and liabilities:		
Accounts receivable – net	**(388)**	2,508
Unbilled accounts receivable	**(175)**	–
Inventory	**1,265**	(562)
Prepaid expenses	**(119)**	134
Prepaid operating leases	**40**	10
Other assets	**(292)**	280
Accounts payable	**210**	(313)
Payroll and accrued expenses	**218**	37
Contract liability	**(691)**	745
Customer deposits	**(418)**	(372)
Net cash used in operating activities	**(3,426)**	(1,498)
Cash flow from investing activities		
Payments for purchases of property and equipment	**(327)**	(110)
Proceeds from sale of property and equipment	**5,455**	–
Payments for internally developed patents	**(43)**	(49)
Net cash provided by (used in) investing activities	**5,085**	(159)
Cash flows from financing activities		
Payments on notes payable	**(1,643)**	(96)
Proceeds from notes payable	**401**	401
Advances on line of credit	**–**	2,875
Payments on line of credit	**(997)**	(1,878)
Net cash (used in) provided by financing activities	**(2,239)**	1,302
Net decrease in cash, cash equivalents and restricted cash	**(580)**	(355)
Cash, cash equivalents and restricted cash, beginning of year	**3,792**	4,147
Cash, cash equivalents and restricted cash, end of year	**3,212**	3,792
Supplemental disclosures of cash flow information:		
Cash payments for interest	**30**	117
Cash payments for income taxes	**300**	247
Non-cash movements of inventory and fixed assets	**102**	–
Non-cash operating ROU assets	**1,192**	–
Non-cash operating lease obligations	**1,192**	–

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

Notes to the Financial Statements

1. Nature of Business and Basis of Presentation

Basis of presentation – These financial statements have been prepared using recognition and measurement principles of Generally Accepted Accounting Principles in the United States of America ('U.S. GAAP').

Nature of business – MYCELX Technologies Corporation ('MYCELX' or the 'Company') was incorporated in the State of Georgia on 24 March 1994. The Company is headquartered in Norcross, Georgia with operations in Houston, Texas, Saudi Arabia and the United Kingdom. The Company provides clean water technology equipment and related services to the oil and gas, power, marine and heavy manufacturing sectors and the majority of its revenue is derived from the Middle East, Nigeria and the United States.

Liquidity – The Company meets its day-to-day working capital and other cash flow requirements through operations and loan facilities. The Company had a Note Payable (Note 10) that matured in March 2023 and access to a line of credit (Note 8) that renewed annually. However, the Note and the line of credit were paid in full, and $500,000 of cash was reclassified from restricted cash, during the period when the Company completed the sale of its building in Duluth, Georgia, USA for total consideration of $5.4 million. The sale enabled the Company to right-size its office space needs across its main operating locations and provided cash proceeds, after repayment of the Note Payable and line of credit, of $2.8 million which is being used for working capital purposes to support the business needs. Post the period end, the Company completed the closing of a placing raising gross proceeds of approximately $2.3 million before expenses (see Note 16). The proceeds from the transaction will be used to accelerate the commercialisation of the Company's PFAS remediation system in the U.S., and in order to support working capital across the Company's core markets. The Company actively manages its financial risk by operating Board-approved financial policies that are designed to ensure that the Company maintains an adequate level of liquidity and effectively mitigates financial risks.

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

2. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements and accompanying notes. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The primary estimates and assumptions made by management relate to the inventory valuation, accounts receivable valuation, useful lives of property and equipment, volatility used in the valuation of the Company's share-based compensation and the valuation allowance on deferred tax assets. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates and the differences may be material to the financial statements.

Revenue recognition – The Company's revenue consists of filtration media product, equipment leases, professional services to operate the leased assets, turnkey operations and equipment sales. These sales are based on mutually agreed upon pricing with the customer prior to the delivery of the media product and equipment. The Company recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Revenue from filtration media sales and spare parts is billed and recognised when products are shipped to the customer. Revenue from equipment leases is recognised over time as the equipment is available for customer use and is typically billed monthly. Revenue from professional services provided to monitor and operate the equipment is recognised over time when the service is provided and is typically billed monthly. Revenue from turnkey projects whereby the Company is asked to manage the water filtration process end to end is recognised on a straight-line basis over time as the performance obligation, in the context of the contract, is a stand-ready obligation to filter all water provided. Revenue from contracts related to construction of equipment is recognised upon shipment of the equipment to the customer because the contractual terms state that control transfers at the point of shipment and there is no enforceable right to payments made as customer deposits prior to that date. Customer deposits for equipment sales represent payments made prior to transferring control at the point of shipment that can be refunded at any time when requested by the customer.

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

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

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

The Company's contracts with customers often include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgement. Judgement is required to determine stand-alone selling price ('SSP') for each distinct performance obligation. The Company develops observable SSP by reference to stand-alone sales for identical or similar items to similarly situated clients at prices within a sufficiently narrow range.

All equipment sold by the Company is covered by the original manufacturer's warranty. The Company does not offer an additional warranty and has no related obligations.

Unbilled accounts receivable represents revenue recognised in excess of amounts billed. Contract liability represents billings in excess of revenue recognised. Unbilled accounts receivable at 31 December 2021 and 2020, and 1 January 2020 was $175,000, $nil and $nil, respectively. Contract liability at 31 December 2021 and 2020, and 1 January 2020 was $54,000, $745,000 and $nil, respectively.

Notes to the Financial Statements continued

2. Summary of Significant Accounting Policies continued

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

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

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

During the years ended 31 December 2021 and 2020, the Company did not have any costs to obtain a contract and any costs to fulfil a contract were inconsequential.

Cash, cash equivalents and restricted cash – Cash and cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase. At 31 December 2021, all of the Company's cash, cash equivalent and restricted cash balances were held in checking and money market accounts. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At 31 December 2021 and 2020, cash in non-U.S. institutions was $25,000 and $83,000, respectively. The Company has not experienced any losses in such accounts. The Company classifies as restricted cash all cash whose use is limited by contractual provisions. At 31 December 2021 restricted cash included $84,000 in a money market account to secure the Company's corporate credit card and a stand-by letter of credit. At 31 December 2020, restricted cash included $500,000 cash on deposit in a money market account as required by a lender (see Note 10). The restriction was released when the Note Payable was paid in full during the period with proceeds from the sale of the Duluth property.

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

	31 December 2021 US$000	31 December 2020 US$000
Cash and cash equivalents	**3,128**	3,292
Restricted cash	**84**	500
Total cash, cash equivalents and restricted cash	**3,212**	3,792

Accounts receivable – Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers and maintains allowances for doubtful accounts, as necessary. Accounts are considered past due based on the contractual terms of the transaction. Credit losses, when realised, have been within the range of the Company's expectations and, historically, have not been significant. The allowance for doubtful accounts at 31 December 2021 and 2020 was $90,000 and $33,000, respectively.

Inventories – Inventories consist primarily of raw materials and filter media finished goods as well as equipment to house the filter media and are stated at the lower of cost or net realisable value. Equipment that is in the process of being constructed for sale or lease to customers is also included in inventory (work-in-progress). The Company applies the Average Cost method to account for its inventory. Manufacturing work-in-progress and finished products inventory include all direct costs, such as labour and materials, and those indirect costs which are related to production, such as indirect labour, rents, supplies, repairs and depreciation costs. A valuation reserve is recorded for slow-moving or obsolete inventory items to reduce the cost of inventory to its net realisable value. The Company determines the valuation by evaluating expected future usage as compared to its past history of utilisation and future expectations of usage. At 31 December 2021 and 2020, the Company had REGEN-related inventory of 39 percent and 34 percent of the total inventory balance, respectively, which is in excess of the Company's current requirements based on the recent level of sales. The inventory is associated with efforts to expand into the Enhanced Oil Recovery market that the Company has identified as a large global market. These efforts should reduce this inventory to desired levels over the near term and Management believes no loss will be incurred on its disposition. No estimate can be made of a range of amounts of loss that are reasonably possible should the efforts not be successful.

Prepaid expenses and other current assets – Prepaid expenses and other current assets include non-trade receivables that are collectible in less than 12 months, security deposits on leased space and various prepaid amounts that will be charged to expenses within 12 months. Non-trade receivables that are collectible in 12 months or more are included in long-term assets.

Property and equipment – All property and equipment are valued at cost. Depreciation is computed using the straight-line method for reporting over the following useful lives:

Building	39 years
Leasehold improvements	Lease period or 1–5 years (whichever is shorter)
Office equipment	3–10 years
Manufacturing equipment	5–15 years
Research and development equipment	5–10 years
Purchased software	Licensing period or 5 years (whichever is shorter)
Equipment leased to customers	5–10 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalised. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense includes depreciation on equipment leased to customers and is included in cost of goods sold.

Intangible assets – Intangible assets consist of the costs incurred to purchase patent rights and legal and registration costs incurred to internally develop patents. Intangible assets are reported net of accumulated amortisation. Patents are amortised using the straight-line method over a period based on their contractual lives which approximates their estimated useful lives.

Impairment of long-lived assets – Long-lived assets to be held and used, including property and equipment and intangible assets with definite useful lives, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss, if any, is recognised for the difference between the fair value and carrying value of the assets. Impairment analyses, when performed, are based on the Company's business and technology strategy, management's views of growth rates for the Company's business, anticipated future economic and regulatory conditions, and expected technological availability. For purposes of recognition and measurement, the Company groups its long-lived assets at the lowest level for which there are identifiable cash flows, which are largely independent of the cash flows of other assets and liabilities. No impairment charges were recorded in the years ended 31 December 2021 and 2020.

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

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

Notes to the Financial Statements continued

2. Summary of Significant Accounting Policies continued

Income taxes – The provision for income taxes for annual periods is determined using the asset and liability method, under which deferred tax assets and liabilities are calculated based on the temporary differences between the financial statement carrying amounts and income tax bases of assets and liabilities using currently enacted tax rates. The deferred tax assets are recorded net of a valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realised in future periods. Decreases to the valuation allowance are recorded as reductions to the provision for income taxes and increases to the valuation allowance result in additional provision for income taxes. The realisation of the deferred tax assets, net of a valuation allowance, is primarily dependent on the ability to generate taxable income. A change in the Company's estimate of future taxable income may require an addition or reduction to the valuation allowance.

The benefit from an uncertain income tax position is not recognised if it has less than a 50 percent likelihood of being sustained upon audit by the relevant authority. For positions that are more than 50 percent likely to be sustained, the benefit is recognised at the largest amount that is more-likely-than-not to be sustained. Where a net operating loss carried forward, a similar tax loss or a tax credit carry forward exists, an unrecognised tax benefit is presented as a reduction to a deferred tax asset. Otherwise, the Company classifies its obligations for uncertain tax positions as other non-current liabilities unless expected to be paid within one year. Liabilities expected to be paid within one year are included in the accrued expenses account.

The Company recognises interest accrued related to tax in interest expense and penalties in selling, general and administrative expenses. During the years ended 31 December 2021 and 2020 the Company recognised no interest or penalties.

Earnings per share – Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and potentially dilutive shares outstanding during the period. Potentially dilutive shares consist of the incremental common shares issuable upon conversion of the exercise of common stock options. Potentially dilutive shares are excluded from the computation if their effect is antidilutive. Total common stock equivalents consisting of unexercised stock options that were excluded from computing diluted net loss per share were approximately 1,782,420 for the year ended 31 December 2021 and there were no adjustments to net income available to stockholders as recorded on the statement of operations.

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

	Years Ended 31 December	
	2021	2020
Basic weighted average outstanding shares of common stock	**19,443,750**	19,443,750
Effect of potentially dilutive stock options	**–**	–
Diluted weighted average outstanding shares of common stock	**19,443,750**	19,443,750
Anti-dilutive shares of common stock excluded from diluted weighted average shares of common stock	**1,782,420**	1,348,638

Fair value of financial instruments – The Company uses the framework in ASC 820, *Fair Value Measurements*, to determine the fair value of its financial assets. ASC 820 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value and expands financial statement disclosures about fair value measurements.

The hierarchy established by ASC 820 gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described below:

- **Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** Unobservable inputs for the asset or liability.

There were no transfers into and out of each level of the fair value hierarchy for assets measured at fair value for the years ended 31 December 2021 or 2020.

All transfers are recognised by the Company at the end of each reporting period.

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety.

The Company's financial instruments as of 31 December 2021 and 2020 include cash and cash equivalents, restricted cash, accounts receivable, accounts payable, the line of credit, and the note payable. The carrying values of cash and cash equivalents, accounts receivable, accounts payable, and the line of credit approximate fair value due to the short-term nature of those assets and liabilities. The fair value of the note payable approximates face value.

Foreign currency transactions – From time to time the Company transacts business in foreign currencies (currencies other than the United States Dollar). These transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency transaction gains or losses are included in selling, general and administrative expenses.

Stock compensation – The Company issues equity-settled share-based awards to certain employees, which are measured at fair value at the date of grant. The fair value determined at the grant date is expensed, based on the Company's estimate of shares that will eventually vest, on a straight-line basis over the vesting period. Fair value for the share awards representing equity interests identical to those associated with shares traded in the open market is determined using the market price at the date of grant. Fair value is measured by use of the Black Scholes valuation model (see Note 11).

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

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

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

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

Notes to the Financial Statements continued

3. Accounts Receivable

Accounts receivable and their respective allowance amounts at 31 December 2021 and 2020:

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

4. Inventories

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

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

5. Property and Equipment

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

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

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

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

Depreciation expense for the years ended 31 December 2021 and 2020 was approximately $1,066,000 and $1,370,000, respectively, and includes depreciation on equipment leased to customers. Depreciation expense on equipment leased to customers included in cost of goods sold for the years ended 31 December 2021 and 2020 was $919,000 and $1,117,000, respectively.

6. Intangible Assets

During 2009, the Company entered into a patent rights purchase agreement. The patent is amortised utilising the straight-line method over a useful life of 17 years which represents the legal life of the patent from inception. Accumulated amortisation on the patent was approximately $70,000 and $64,000 as of 31 December 2021 and 2020, respectively.

In addition to the purchased patent, the Company has internally developed patents. Internally developed patents include legal and registration costs incurred to obtain the respective patents. The Company currently holds various patents and numerous pending patent applications in the United States, as well as numerous foreign jurisdictions outside of the United States.
In 2021, there was $43,000 of new internally developed patents and fees on patents in progress.

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

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

At 31 December 2021, internally developed patents include approximately $396,000 for costs accumulated for patents that have not yet been issued and are not depreciating.

Approximate aggregate future amortisation expense is as follows:

Year Ending 31 December (USD, in thousands)	
2022	57
2023	50
2024	48
2025	47
2026	44
Thereafter	132

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

7. Income Taxes

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

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

Notes to the Financial Statements continued

7. Income Taxes continued

The provision for income tax varies from the amount computed by applying the statutory corporate federal tax rate of 21 percent, primarily due to the effect of certain non-deductible expenses, foreign withholding tax, and changes in valuation allowances.

A reconciliation of the differences between the effective tax rate and the federal statutory tax rate is as follows:

	31 December 2021	31 December 2020
Federal statutory income tax rate	**21.0%**	21.0%
State tax rate, net of federal benefit	**(4.9%)**	(0.4%)
Valuation allowance	**(13.3%)**	(24.0%)
Other	**(8.8%)**	2.0%
Foreign withholding tax	**(20.2%)**	(4.4%)
Effective income tax rate	**(26.2%)**	(5.8%)

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

	31 December 2021 US$000	31 December 2020 US$000
Deferred tax assets		
Net operating loss	**5,802**	5,589
Equity compensation	**272**	327
Research and development credits	**159**	159
Right of use liability	**316**	97
Inventory valuation reserve	**349**	358
Other	**102**	22
Total gross deferred tax asset	**7,000**	6,552
Deferred tax liabilities		
Property and equipment	**(578)**	(635)
Right of use asset	**(314)**	(104)
Total gross deferred tax liability	**(892)**	(739)
Net deferred tax asset before valuation allowance	**6,108**	5,813
Valuation allowance	**(6,108)**	(5,813)
Net deferred tax asset (liability)	**–**	–

Deferred tax assets and liabilities are recorded based on the difference between an asset or liability's financial statement value and its tax reporting value using enacted rates in effect for the year in which the differences are expected to reverse, and for other temporary differences as defined by ASC-740, *Income Taxes*. At 31 December 2021 and 2020, the Company has recorded a valuation allowance of $6.1 million and $5.8 million, respectively, a change of $300,000 and $1.2 million for each year, for which it is more likely than not that the Company will not receive future tax benefits due to the uncertainty regarding the realisation of such deferred tax assets.

As of 31 December 2021, the Company has approximately $26.5 million of gross U.S. federal net operating loss carry forwards and $3.6 million of gross state net operating loss carry forwards that will begin to expire in the 2022 tax year and will continue through 2040 when the current year net operating losses will expire. As of 31 December 2020, the Company had approximately $25.2 million of gross U.S. federal net operating loss carry forwards and $4.4 million of gross state net operating loss carry forwards.

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

The Company's tax years 2017 through 2021 remain subject to examination by federal, state and foreign income tax jurisdictions.

8. Line of Credit

In October 2014, the Company entered into a bank line of credit that allowed for borrowings up to $500,000. The line of credit was revolving and was payable on demand. In November 2018, the maximum borrowing capacity was increased to $1,875,000. The facility renewed annually and was secured by the assignment of a deposit account held by the lender and a second deed to the property owned by the Company in Duluth, Georgia. The line of credit carried a floating rate of interest equal to the lender's Prime Rate and was subject to change any time the Prime Rate changed. Under terms of the line of credit, the Company was required to maintain a minimum cash balance and a specified cash flow coverage ratio, as those terms were defined, and the Company was in compliance as throughout the term of the facility. In March 2021, the line of credit was paid in full with proceeds from the sale of the Company's building in Duluth, Georgia and the facility was closed. The balance on the line of credit at 31 December 2020 was $997,000. The interest rate on 31 December 2020 was 4.50 percent. Interest expense related to this loan was $9,000 and $38,000 for the years ended 31 December 2021 and 2020, respectively.

9. Paycheck Protection Program Loan

On 16 April 2020, the Company was granted a loan from Pinnacle Bank, the Company's existing lender, in the amount of approximately $401,000, pursuant to the Paycheck Protection Program ('PPP Loan'), Title I of the CARES Act, which was enacted 27 March 2020. The PPP Loan issued to the Company matures on 16 April 2022 and bears interest at a fixed rate of 1 percent per annum and may be prepaid in whole or in part without penalty. No interest payments are due within the initial six months of the PPP Loan. The interest accrued during the initial six-month period is due and payable, together with the principal, on the maturity date. The Company used all proceeds from the PPP Loan to retain employees, maintain payroll and make lease and utility payments to support business continuity during the COVID-19 pandemic. All or a portion of the PPP Loan may be forgiven by the Small Business Administration ('SBA') upon application by the Company and upon documentation of expenditures in accordance with the SBA requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the 24-week period beginning on the date of receipt of the PPP Loan with certain stipulated restrictions. On 8 December 2020, the Company's PPP Loan was forgiven in full, including all principal and interest outstanding as of the date of the forgiveness. Any amount forgiven when the Company was legally released as the primary obligor under the loan was recognised in the Statement of Operations as a gain upon the extinguishment of the loan.

In December 2020, Congress enacted the Consolidated Appropriations Act, 2021. The Act is an approximately $900 billion COVID-19 relief package and includes $284 billion for a second round of the PPP loan. In January 2021, the Company applied for and was approved for a second PPP Loan in the amount of approximately $401,000 with an interest rate of 1 percent and a maturity date of January 2026. All other terms are the same as the initial PPP Loan. On 5 August 2021, the Company's second PPP Loan was forgiven in full, including all principal and interest outstanding as of the date of the forgiveness. Any amount forgiven when the Company was legally released as the primary obligor under the loan was recognised in the Statement of Operations as a gain upon the extinguishment of the loan.

Notes to the Financial Statements continued

10. Note Payable

On 27 March 2013, the Company entered into a term loan agreement with a lender for the purchase of property and a building for its manufacturing operations and corporate offices. The note was secured by the property and building from which the Company continued to operate through March 2022. The carrying amount of the property and building was $2.9 million as of 31 December 2020. Upon selling the collateral, the Company was required to repay the term loan in full. The lender was not allowed to sell the collateral during the term of the loan. The Company borrowed proceeds of $2,285,908 at a fixed interest rate of 4.45 percent. The loan had a 10-year term with monthly payments based on a 20-year amortisation. The result was a one-time balloon payment at the end of the term of the note of approximately $1,400,000 during 2023. In accordance with the terms of the agreement, the Company was required to keep $500,000 in a deposit account with the lending bank. At 31 December 2020, the Company had restricted cash of $500,000 related to the loan agreement. In March 2021, the Note Payable was paid in full with proceeds from the sale of the Company's building in Duluth, Georgia and $500,000 of cash was reclassified from restricted cash.

11. Stock Compensation

In July 2011, the Company's shareholders approved the Conversion Shares and the Directors' Shares, as well as the Plan Shares and Omnibus Performance Incentive Plan ('Plan'). This included the termination of all outstanding stock incentive plans, cancellation of all outstanding stock incentive agreements, and the awarding of stock incentives to Directors and certain employees and consultants. The Company established the Plan to attract and retain Directors, officers, employees and consultants. The Company reserved an amount equal to 10 percent of the Common Shares issued and outstanding immediately following the Public Offering.

Upon the issuance of these shares, an award of share options was made to the Directors and certain employees and consultants, and a single award of restricted shares was made to a former Chief Financial Officer. In addition, additional stock options were awarded in each year subsequent. The awards of stock options and restricted shares made upon issuance were in respect of 85 percent of the Common Shares available under the Plan, equivalent to 8.5 percent of the Public Offering.

In July 2019, the Company's shareholders approved the extension of the Plan to 2029 and the increase in the possible number of shares to be awarded pursuant to the Plan to 15 percent of the Company's issued capital at the date of any award. The total number of shares reserved for stock options under this Plan is 2,916,563 with 2,043,338 shares allocated as of 31 December 2021. The shares are all allocated to employees, executives and consultants.

Any options granted to Non-Executive Directors, unless otherwise agreed, vest contingent on continuing service with the Company at the vesting date and compliance with the covenants applicable to such service.

Employee options vest over three years with a third vesting ratably each year, partially on issuance and partially over the following 24-month period, or if there is a change of control, and expire on the tenth anniversary date the option vests. Vesting accelerates in the event of a change of control. Options granted to Non-Executive Directors, Consultants and one Executive vest partially on issuance and will vest partially one to two years later. The remaining Non-Executive Director options expired at the end of 2016 on the five-year anniversary date of the grant.

As discussed in Note 2, the Company uses the Black Scholes valuation model to measure the fair value of options granted. The Company's expected volatility is calculated as the historical volatility of the Company's stock over a period equal to the expected term of the awards. The expected terms of options are calculated using the weighted average vesting period and the contractual term of the options. The risk-free interest rate is based on a blended average yield of two- and five-year United States Treasury Bills at the time of grant. The assumptions used in the Black Scholes option pricing model for options granted in 2021 and 2020 were as follows:

	Number of Options Granted	Grant Date	Risk-free Interest Rate	Expected Term	Volatility	Exercise Price	Fair Value Per Option
2020	325,000	06/08/2020	0.17%	5.7 years	77.00%	$0.45	$0.29
2021	762,000	09/04/2021	1.10%	5.7 years	76.00%	$0.69	$0.45
	100,000	11/11/2021	1.23%	5.2 years	63.00%	$1.00	$0.54

The Company assumes a dividend yield of 0.0 percent.

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

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

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

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

Unvested Options	Shares	Weighted-Average Fair Value at Grant Date
Unvested at 31 December 2019	168,334	$0.76
Granted	325,000	$0.29
Vested	(70,000)	$1.33
Forfeited	(58,334)	
Unvested at 31 December 2020	365,000	$0.34
Granted	862,000	$0.46
Vested	(374,000)	$0.46
Forfeited	(2,000)	
Unvested at 31 December 2021	**851,000**	**$0.41**

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

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

Notes to the Financial Statements continued

12. Commitments and Contingencies

Operating leases – As of 31 December 2021, the Operating Lease ROU Asset has a balance of $1,459,000, net of accumulated amortisation of $283,000, and an Operating Lease Liability of $1,467,000, which are included in the accompanying balance sheet. The weighted average discount rate used for leases is 5.25 percent, which is based on the Company's secured incremental borrowing rate.

The Company's leases do not include any options to renew that are reasonably certain to be exercised. The Company's leases mature at various dates through March 2027 and have a weighted average remaining life of 4.58 years.

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

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

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

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

The Company has elected to apply the short-term lease exception to all leases of one year or less and is not separating lease and non-lease components when evaluating leases. Total costs associated with short-term leases was $447,000 and $130,000 for the years ended 31 December 2021 and 2020, respectively.

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

13. Related Party Transactions

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

14. Segment and Geographic Information

ASC 280-10, *Disclosures About Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments. ASC 280-10 requires that the Company report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker ('CODM') in deciding how to allocate resources and in assessing performance. The Company's CODM is the Chief Executive Officer ('CEO'). While the CEO is apprised of a variety of financial metrics and information, the business is principally managed on an aggregate basis as of 31 December 2021. For the year ended 31 December 2021, the Company's revenues were generated primarily in the Middle East and the United States ('U.S.'). Additionally, the majority of the Company's expenditures and personnel either directly supported its efforts in the Middle East and the U.S., or cannot be specifically attributed to a geography. Therefore, the Company has only one reportable operating segment.

Revenue from customers by geography is as follows:

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

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

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

15. Concentrations

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

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

16. Subsequent Events

The Company discloses material events that occur after the balance sheet date but before the financials are issued. In general, these events are recognised in the financial statements if the conditions existed at the date of the balance sheet, but are not recognised if the conditions did not exist at the balance sheet date. Management has evaluated subsequent events through 16 May 2022, the date the financial statements were available to be issued, and no events have occurred which require further disclosure other than the following:

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

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