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MyCelx Technologies Corporation
14 August 2012

MYCELX TECHNOLOGIES CORPORATION
(AIM: MYX)

Half Year Results Statement
For the six months ending 30 June 2012

MyCelx Technologies Corporation, the clean water technology company providing patented solutions to the Oil and Gas industry and other commercial industrial markets worldwide, is pleased to announce its half year, unaudited results for the six months ended 30 June 2012.

Highlights

Financial

- Revenues up 68.0% to \$5.09 million (2011 H1: \$3.03 million)
- Equipment revenues (either sold or leased) up 95.1% to \$2.77 million (2011 H1: \$1.42 million)
- Consumable (filtration media) revenues up 44.1% to \$2.32 million (2011 H1: \$1.61 million)
- Contracted order book revenue of \$3.33 million, most of which is expected to be recognized within 2012
- Gross profit up 49.8% to \$2.22 million (2011 H1: \$1.48 million)
- Adjusted loss before income taxes was \$1.11 million (2011 H1 profit before income taxes: \$0.10 million). The adjusted loss excludes non-cash stock based compensation of \$436,000
- The Company spent \$264,000 for marketing and trade shows in H1 2012 up from \$69,000 in H1 2011 and spent \$214,000 related to the expansion of manufacturing capabilities, establishment of three new office/warehouse facilities and two foreign branches
- Cash position (\$12.60 million) remains strong after building inventory in equipment and filtration media by \$2.20 million

Operational

- Growth strategy presented at IPO being executed successfully; uniquely placed to benefit from trends in the produced water and water treatment markets
- New contracts, contract extensions and purchase orders, totaling \$5.79 million signed with:
 - Oil and Natural Gas Corporation, India's state owned oil and gas company;
 - Saudi Basic Industries Corporation (SABIC);
 - A global oil company in Australia; and
 - In the UAE, the first contract for MyCelx there
- Middle East 'fast-to-market' lease program continues to produce strong revenues in 2012 with both existing customers and new projects

- Completed successful trials in Alberta, Saudi Arabia, Qatar, and with existing customers in Wyoming and the Gulf of Mexico
- Established an additional distribution and service center in Saudi Arabia for the expanding Middle East operations
- David Pattillo stepped down from his position as Chief Financial Officer (CFO). Mark Clark named as interim CFO
- Hired new personnel to expand sales and operations in the US, South America and Middle East.

Post period end events

- Received purchase order for \$2.35 million from a major US fuel oil terminal operator to deliver MyCelx equipment and consumable media for a new installation spanning late 2012 and early 2013.

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

"We are pleased with our results for the first half of 2012 as we achieved strong revenue growth, underpinned by both existing and new customers and on a global basis. I am especially pleased that we are executing our planned strategy by making investments in staff, infrastructure, production capabilities, and the efficient build up of inventory and lease equipment.

We see clear trends of more stringent regulation, more offshore production and demanding requirements within refineries and petrochemical plants, and MyCelx is uniquely placed to capitalise on these with its technologically advanced water treatment systems. Our new business pipeline continues to grow in all territories and we look forward to the future with confidence."

<ends>

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Notes for Editors:

- MyCelx Technologies Corporation is a clean water technology company that provides novel water treatment solutions to the oil and gas, power, marine and heavy manufacturing sectors.
- MyCelx invented and is the owner of the MyCelx polymer which is infused in the consumable media contained in equipment supplied by the Company.
- The technology produces treatment results that compare favorably to existing competition in effectiveness, cost and footprint. The MyCelx polymer and its use are protected by patents and other intellectual property rights.
- The defining difference of the MyCelx polymer as compared with alternative technologies currently available is that it is capable of permanently and reliably removing free, emulsified and dissolved hydrocarbons from water upon contact to levels between 0-10 parts per million (ppm) at any flow rate.

- MyCelx equipment has been installed successfully at the facilities of leading industry operators around the globe. The focus of the Company is now directed at the commercial application of MyCelx solutions in both upstream and downstream markets in the oil and gas industry.
- Over the last three years, the Company has sold its products primarily in North America, Middle East, Australia and Europe. Customers include such oil and gas companies as Chevron, BP, Anadarko Petroleum Corporation, SABIC, engineering, procurement and construction companies such as Mustang Engineering and global water treatment companies.
- Further information on MyCelx Technologies Corporation can be found at www.mycelx.com.

Chairman's and Chief Executive Officer's Statement

Introduction

The Company has made considerable commercial progress in 2012 as it started to implement the expansion strategy outlined at the time of the IPO. This has involved investments in staff, infrastructure and production capabilities as well as signing up projects with new customers. MyCelx has also leveraged its track record of delivery with existing customers to secure additional projects with counterparts in other regions of the world.

This has underpinned a strong financial performance, with total revenues increasing by 68.0% for the first six months of 2012 to \$5.09 million, compared to \$3.03 million for the first six months of 2011.

Operational Review

During the first half, the Company was very active in the Middle East. MyCelx received its first contract extension of the large equipment leasing program for downstream service in Saudi Arabia. This lease project served as a catalyst for a subsequent equipment sale for downstream use in the same petrochemical complex.

Further penetration in the region resulted in the Company's first project in the UAE, integrating a MyCelx system into key production processes. To accelerate expansion further in the region the Company had placed orders for four MyCelx systems to address demand for emergency and short lead time sales opportunities and quick deployment. Three of the systems were delivered to a customer in the Middle East for startup later in the year. The Company's presence in the Middle East also gained support through the addition of an office and warehouse as well as additional professionals to accelerate project growth and lease program implementation.

Elsewhere the Company also received its first contract in India for delivery of two effluent treatment systems to Oil and Natural Gas Corporation, India's state-owned oil and gas company, for installation late Q4 2012. The Company has also seen an increase in its new business pipeline due to successful first half trials in: the Gulf of Mexico, the US Rocky Mountain region, Alberta, Saudi Arabia and Qatar. As the trials are completed successfully the projects move to the final engineering and design stage.

The Company also installed two water treatment systems at a major US-based fuel oil storage terminal, further establishing the Company's presence in the U.S. and Houston in particular. Additionally, the Company is in the process of leasing office and warehouse space in Houston and staff have been recruited to expedite project flow in the Gulf of Mexico and South America as well as to meet the demands of the global Engineering, Procurement and Construction companies located in Houston.

Financial

Revenues increased both as a result of business with new customers as well as increased business from some of the Company's largest customers.

Revenues from equipment sales and leases increased by 95.1% to \$2.77 million for the first six months of 2012 (first six months of 2011: \$1.42 million), while revenues from consumable filtration media increased by 44.1% to \$2.32 million in the first six months of 2012 (first six months of 2011: \$1.61 million).

Gross profit increased by 49.8% to \$2.22 million in the first six months of 2012, compared to \$1.48

million in the first six months of 2011. Gross profit margins decreased in the first six months of 2012 to 43.5% from 48.9% for the first six months of the previous year. The gross margin on filtration media remained strong and stable. The gross margin on equipment was affected by ancillary costs and lower margins on third party equipment. In order to deliver customised turnkey solutions, it is likely that our equipment margins will continue to be affected by lower margin third party equipment.

Total operating expenses for the first six months of 2012 were \$3.76 million. The largest component of the operating expenses was Selling, General and Administrative expenses, which includes \$1.8 million of salaries and travel.

Additionally, SG&A expenses include non-cash stock based compensation of \$436,000. There was also an additional \$214,000 of expenses related to the expansion of manufacturing capabilities, establishment of three new office/warehouse facilities and legal/consulting expenses for establishing two branches in foreign countries. Operating expenses also include \$380,000 of Research and Development.

The Company recorded a loss before tax of \$1.54 million in the first six months of 2012, compared with a profit before tax of \$103,000 in the first six months of 2011.

Basic loss per share was 12 cents, compared to basic earnings per share of 3 cents for the first six months of the previous year.

Corporate

David Pattillo stepped down from his position as CFO. Mark Clark, who was serving in the position of Corporate Controller, has assumed the interim CFO role.

The Occupational Health and Safety Administration's inquiry into the accident that occurred at the Company's Research and Development (R&D) facility in December of 2011 was concluded on June 20, 2012 with the Company incurring a fine of \$4,900.

In January 2012, the Company appointed Swinton Griffith as a non-executive Director and as Chairman of the Audit Committee. Mr. Griffith had a 28 year career as a Certified Public Accountant and Partner at Ernst & Young.

Summary and Outlook

We are extremely pleased with the progress the Company made in 2012. The Company is experiencing the benefit of consumable media sales as a result of installations in late 2011 and has achieved strong revenue growth with new sales and leases in the first half.

The market for clean water systems is very robust as the oil and gas sector continues to seek methods and technology to better manage the water associated with their production and process activities to meet internal and external goals.

The Company expects this trend to continue well into the future.

Tim Eggar
Chairman
14 August 2012

Connie Mixon
Chief Executive Officer

MYCELX TECHNOLOGIES CORPORATION

Statement of Operations

(USD, in thousands, except share data)

<i>Six Months Ended June 30, 2012 (unaudited)</i>	<i>Six Months Ended June 30, 2011 (unaudited)</i>	<i>Year Ended December 31, 2011</i>

Revenue	\$ 5,093	\$ 3,027	\$ 6,257
Cost of goods sold	<u>2,877</u>	<u>1,548</u>	<u>3,321</u>
Gross profit	<u>2,216</u>	<u>1,479</u>	<u>2,936</u>
Operating expenses:			
Research and development	380	187	507
Selling, general and administrative	3,217	1,069	4,945
Depreciation and amortization	<u>159</u>	<u>66</u>	<u>186</u>
Total operating expenses	<u>3,756</u>	<u>1,322</u>	<u>5,638</u>
Operating (loss) income	(1,540)	157	(2,702)
Other expense			
Interest expense	(1)	(54)	(146)
(Loss) income before income taxes	(1,541)	103	(2,848)
(Provision) benefit for income taxes	<u>(5)</u>	<u>85</u>	<u>85</u>
Net (loss) income	<u>\$ (1,546)</u>	<u>188</u>	<u>\$ (2,763)</u>
(Loss) earnings per share-basic	<u>\$ (0.12)</u>	<u>\$ 0.03</u>	<u>\$ (0.30)</u>
(Loss) earnings per share-diluted	<u>\$ (0.12)</u>	<u>\$ 0.03</u>	<u>\$ (0.30)</u>
Shares used to compute basic (loss) income per share	<u>12,922,873</u>	<u>6,545,002</u>	<u>9,177,147</u>
Shares used to compute diluted (loss) income per share	<u>12,922,873</u>	<u>6,545,002</u>	<u>9,177,147</u>

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

MYCELX TECHNOLOGIES CORPORATION

Balance Sheet

(USD, in thousands, except share data)

	<i>As of June 30, 2012 (unaudited)</i>	<i>As of June 30, 2011 (unaudited)</i>	<i>As of December 31, 2011</i>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 12,605	\$ 1,071	\$ 15,094
Accounts receivable	795	481	1,200
Unbilled accounts receivable	24	497	-
Inventory	3,538	426	1,270
Employee loans and advances	11	38	37
Prepaid expenses	90	-	62
Other assets	<u>10</u>	<u>861</u>	<u>5</u>
Total Current Assets	17,073	3,374	17,668
Property and equipment - net	1,230	767	1,045

Intangible assets - net	480	396	410
Employee loans and advances	2	14	6
Total Assets	\$ 18,785	\$ 4,551	\$ 19,129
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	\$ 1,654	\$ 1,118	\$ 1,156
Accrued expenses	272	271	255
Deferred revenue	365	-	95
Capital lease obligations - current	20	20	21
Line of credit	-	264	-
Note payable	3	1,426	13
Total Current Liabilities	2,314	3,099	1,539
Capital lease obligations - long-term	4	24	13
Total Liabilities	2,318	3,123	1,552
Stockholders' Equity			
Common stock, \$0.025 par value, 100,000,000 shares authorized, 12,922,873 shares issued and outstanding at June 30, 2012 and December 31, 2011 and 20,000,000 shares authorized, 6,545,002 shares issued and outstanding at June 30, 2011.			
	324	164	324
Additional paid-in capital	25,383	6,007	24,947
Accumulated deficit	(9,240)	(4,743)	(7,694)
Total Stockholders' Equity	16,467	1,428	17,577
Total Liabilities and Stockholders' Equity	\$ 18,785	\$ 4,551	\$ 19,129

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

MYCELX TECHNOLOGIES CORPORATION
Statement of Stockholders' Equity
(USD, in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	\$	\$	\$	\$
Balances at December 31, 2010	6,545	164	5,915	(4,931)	1,148
Issuance of warrants to shareholder	-	-	93	-	93
Net income for the period	-	-	-	188	188
Balances at June 30, 2011 (unaudited)	6,545	164	6,008	(4,743)	1,429
Issuance of warrants to consultant	-	-	116	-	116
Issuance of common stock to settle notes payable	437	11	1,489	-	1,500
Issuance of common stock, net of offering	5,788	145	16,367	-	16,512

costs					
Issuance of common stock to executive	153	4	305	-	309
Stock based compensation expense	-	-	662	-	662
Net loss for the period	-	-	-	(2,951)	(2,951)
Balances at December 31, 2011	12,923	324	24,947	(7,694)	17,577
Stock based compensation expense	-	-	436	-	436
Net loss for the period	-	-	-	(1,546)	(1,546)
Balances at June 30, 2012 (unaudited)	12,923	324	25,383	(9,240)	16,467

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

MYCELX TECHNOLOGIES CORPORATION

Statement of Cash Flows

(USD, in thousands)

	<i>Six Months Ended June 30, 2012 (unaudited)</i>	<i>Six Months Ended June 30, 2011 (unaudited)</i>	<i>Year Ended December 31, 2011</i>
Cash flow from operating activities			
Net (loss) income	(1,546)	188	(2,763)
Adjustments to reconcile net income(loss) to net cash used in operating activities:			
Depreciation and amortization	159	85	279
Deferred income taxes	-	(85)	(85)
Stock based compensation expense	436	-	1,087
Change in operating assets and liabilities:			
Accounts receivable	405	(161)	(880)
Unbilled accounts receivable	(24)	(324)	173
Inventory	(2,268)	(283)	(710)
Prepaid and other expenses	(33)	(859)	(65)
Employee loans and advances	30	23	32
Accounts payable	498	862	900
Accrued expenses	17	76	60
Deferred revenue	270	(2)	93
Net cash used in operating activities	(2,056)	(480)	(1,879)
Cash flow from investing activities			
Payments for purchases of property and equipment	(317)	(37)	(831)
Payments on capital lease obligations	(10)	(10)	(21)
Payments for purchases of intangible assets	(96)	(29)	(63)
Net cash used in investing activities	(423)	(76)	(915)
Cash flows from financing activities			
Net Proceeds from stock issuance	-	-	16,512
Payments on notes payable	(10)	-	(4)
Advances from notes payable	-	-	17
Advances from notes payable from related party	-	1,500	1,500
Payments on line of credit	-	(50)	(314)
Net cash (used in) provided by financing activities	(10)	1,450	17,711
Net (decrease) increase in cash and cash equivalents	(2,489)	894	14,917
Cash and cash equivalents, beginning of period	15,094	177	177
Cash and cash equivalents, end of period	12,605	1,071	15,094

Supplemental disclosures of cash flow information:

Cash payments for Interest	1	6	43
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Supplemental disclosures of non-cash investing and financing activities

Stock issued to pay notes payable	-	-	1,500
Stock warrants issued in conjunction with notes payable from related party	-	93	93

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

NOTES TO THE FINANCIAL STATEMENTS**1. Summary of significant accounting policies**

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

The interim financial statements for the six months ended June 30, 2012 and 2011 have not been audited.

Nature of business - MyCelx Technologies Corporation ("MyCelx" or the "Company") was incorporated in the State of Georgia on March 24, 1994. The Company provides clean water technology equipment to the oil and gas, power, marine and heavy manufacturing sectors.

Use of estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and cash equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

The Company maintains cash and cash equivalent balances at a financial institution in Gainesville, Georgia. At June 30, 2012 all of the Company's cash and cash equivalent balances were held in noninterest-bearing transaction accounts and were fully insured.

Trade 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 realized, have been within the range of the Company's expectations and, historically, have not been significant. The allowance for doubtful accounts was \$0 for the six months ended June 30, 2012 and 2011, and the year ended December 31, 2011.

Inventories - Inventories consist primarily of materials and are stated at the lower of cost or market value. We apply the FIFO method (first in; first out) to account for inventory. Manufacturing work-in-process and finished products inventory includes all direct costs, such as labor and material, and those indirect costs, which are related to production, such as indirect labor, rents, supplies, repairs and depreciation costs.

Prepaid expenses and other current assets - Prepaid expenses and other current assets include non-trade receivables that are collectible in less than 12 months 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 financial reporting over the following useful lives:

Office equipment	5-10 years
Leasehold improvements	1-3 years
Manufacturing equipment	7-10 years
Research and development equipment	7-10 years
Equipment leased to customers	5 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Intangible assets - Intangible assets are comprised of patents and internal-use software development costs. Intangible assets are amortized over their estimated useful lives using the straight-line method.

Revenue recognition - The Company's revenue consists of media product and equipment sales. Revenues from media sales are recognized, net of sales allowances, when products are shipped and risk of loss has transferred to customers, collection is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable. The Company offers customers the option to lease or purchase their equipment. Lease agreements range from three to twelve months in length and are renewed at the end of each agreement, if necessary. The lease agreements meet the criteria for classification as operating leases; accordingly, revenue on lease agreements is recognized as income over the lease term.

Revenues on long-term contracts related to construction of equipment are recognized on the percentage-of-completion basis using costs incurred compared to total estimated costs. Costs are recognized and considered for percentage completion and therefore revenues may not be related to the progress billings to customers. Revenues are based on estimates, and the uncertainty inherent in estimates initially is reduced progressively as work on the contract nears completion. A contract is considered complete when all costs except insignificant items have been incurred and customers have accepted the completed contract.

Contract costs include all direct labor and benefits, materials unique to or installed to the project, subcontractor costs, as well as general and administrative costs relative to contract performance. Provision for estimated losses on uncompleted contracts is made in the period in which such losses are determined. No such provisions have been recognized as of June 30, 2012 and 2011, and December 31, 2011. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income, which are recognized in the period in which the revisions are determined. Actual results could vary from estimates used in the financial statements.

Unbilled accounts receivable represents revenues recognized in excess of amounts billed. Deferred revenue represents billings in excess of revenues recognized. Contract retentions are recorded as a component of accounts receivable.

Impairment of long-lived assets - The Company accounts for long-lived assets in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360, Property, Plant and Equipment. 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 recognized for the difference between the fair value and carrying value of the assets. Impairment analyses, when performed, are based on the Company's business and technology strategy, management's views of growth rates for the Company's business, anticipated future economic and regulatory conditions, and expected technological availability. For purposes of recognition and measurement, the Company groups its long-lived assets at the lowest level for which there are identifiable cash flows, which are largely independent of the cash flows of other assets and liabilities. No impairment charges were recorded in the six months ended June 30, 2012 and 2011, and the year ended December 31, 2011.

Shipping and handling costs - Consistent with FASB ASC 605-45-50 Shipping and Handling Fees and

Costs, the Company classifies shipping and handling amounts billed to customers as revenue, and shipping and handling costs as a component of costs of goods sold.

Research and development costs - Research and development costs are expensed as incurred. Research and development expense for the six months ended June 30, 2012 and 2011, and the year ended December 31, 2011 was approximately \$380,000, \$187,000 and \$507,000, respectively.

Advertising costs - The Company expenses advertising costs as incurred. Advertising expense for the six months ended June 30, 2012 and 2011, and the year ended December 31, 2011 was approximately \$3,000, \$33,000 and \$35,000, respectively.

Rent expense- The Company records rent expense on a straight-line basis for operating lease agreements that contain escalating rent clauses. The deferred rent liability included in accrued expenses in the accompanying balance sheet represents the cumulative difference between rent expense recognized on the straight-line basis and the actual rent paid.

Income Taxes - Income taxes consist of taxes due plus deferred taxes related primarily to differences between the basis of depreciation, inventory capitalization, and net operating losses, and timing differences of research and development tax credits for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future federal income taxes. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company has elected to use the reduced credit method, under section 280C, for calculating federal research and development tax credits. Under this method research and development costs are expensed as incurred.

The Company recognizes interest accrued related to tax in interest expense and penalties in operating expenses. During the six months ending June 30, 2012 and 2011, and the year ended December 31, 2011 the Company recognized no interest or penalties. The Company's tax years 2008 through 2011 remain subject to examination by federal, state and foreign income tax jurisdictions.

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 and warrants. Potentially dilutive shares are excluded from the computation if their effect is antidilutive.

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

The Company's financial instruments that are not measured at fair value as of June 30, 2012 and 2011, and December 31, 2011 include cash and cash equivalents, accounts receivable, accounts payable, the line of credit, and the note payable. The carrying values of these financial instruments approximate fair value due to the short term nature of those assets and liabilities.

Foreign Currency Translation - The Company's functional currency is the United States Dollar. Assets and liabilities denominated in foreign currencies are translated using the exchange rate on the balance sheet date. Revenue and expenses are translated using average exchange rates prevailing during the year. Foreign currency transaction gains or losses are included in selling, general and administrative expenses.

Share-Based 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 or accelerated 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.

Recently Issued Accounting Standards - Recent authoritative guidance issued by the FASB (including technical corrections to the ASC), and the American Institute of Certified Public Accountants did not or is not expected to have a material effect on the Company's financial statements.

2. Accounts receivable

Accounts receivable and their respective allowance amounts at June 30, 2012 and 2011, and December 31, 2011 follow:

	June 30, 2012 US\$000	June 30, 2011 US\$000	December 31, 2011 US\$000
Accounts receivable	795	481	1,200
Less: allowance for doubtful accounts	-	-	-
Total receivable, net	<u>795</u>	<u>481</u>	<u>1,200</u>

3. Inventories

Inventories consist of the following at June 30, 2012 and 2011, and December 31, 2011:

	June 30, 2012 US\$000	June 30, 2011 US\$000	December 31, 2011 US\$000
Raw materials	820	160	456
Work-in-progress	2,157	19	463
Finished goods	561	247	351
Total inventory	<u>3,538</u>	<u>426</u>	<u>1,270</u>

4. Property and equipment

Property and equipment consists of the following as of June 30, 2012 and 2011, and December 2011:

	June 30, 2012 US\$000	June 30, 2011 US\$000	December 31, 2011 US\$000
Office equipment	\$ 186	\$ 89	\$ 136
Leasehold improvements	123	52	58
Manufacturing equipment	372	312	318
Construction in progress	31	28	31
Research and development equipment	81	76	76
Equipment leased to customers	876	417	732
	<u>1,668</u>	<u>974</u>	<u>1,351</u>
Less: accumulated depreciation	<u>(439)</u>	<u>(207)</u>	<u>(306)</u>
Property and equipment - net	<u>\$ 1,230</u>	<u>\$ 767</u>	<u>\$ 1,045</u>

Depreciation expense for the six months ended June 30, 2012 and 2011, and the year ended December 31, 2011 was approximately \$133,000, \$48,000 and \$147,000, respectively.

5. Intangible assets

During 2009, the Company entered into a patent rights purchase agreement with a shareholder. The agreement provided for the immediate payment of \$28,000 in 2009 with the possibility of an additional \$72,000 based on profits on the sales of a particular product. During 2010, the Company paid \$22,000

based on profits on the sales of the product and paid the remaining \$50,000 in 2011. The patent is amortized utilising the straight-line method over a useful life of 17 years which represents the remaining legal life.

Intangible assets as of June 30, 2012 and 2011, and December 31, 2011 consist of the following:

	<i>Weighted Average Useful lives</i>	June 30, 2012 <i>US\$000</i>	June 30, 2011 <i>US\$000</i>	December 31, 2011 <i>US\$000</i>
Patent defense cost	15 years	\$ 644	\$ 613	\$ 579
Purchased patents	17 years	100	50	100
Software/website development	3 years	51	3	20
		<u>795</u>	<u>666</u>	<u>699</u>
Less accumulated amortization		(315)	(270)	(289)
Intangible assets - net		<u>\$ 480</u>	<u>\$ 396</u>	<u>\$ 410</u>

Approximate aggregate future amortization expense is as follows:

Year ending December 31,

2013	\$ 48,000
2014	42,000
2015	39,000
2016	37,000
2017	25,000

Amortization expense for the six months ended June 30, 2012 and 2011, and the year ended December 31, 2011 was approximately \$26,000, \$19,000 and \$39,000, respectively.

6. Employee loans and advances

In April 2010, the Company made advances to two employees in the total amount of \$50,000 at an annual interest rate of 0.79%. Fifty percent of the employees' debt, principal and interest, was forgiven on the first anniversary of the promissory note and the remaining balance was forgiven on the second anniversary of the promissory note. The balance outstanding at June 30, 2012 and 2011, and December 31, 2011 was \$0, \$25,000 and \$25,000, respectively.

In May 2010, the Company made a loan to an employee, who is also a minority shareholder, of approximately \$33,000 at an annual interest rate of 0.59%. Payments of both principal and interest will be recognized through May 2014. The balance outstanding at June 30, 2012 and 2011, and December 31, 2011 was approximately \$11,000, \$22,000 and \$14,000, respectively.

In February 2011, the Company made an interest-free loan to an employee in the amount of \$3,500. In June 2011 the Company made an interest-free loan to another employee in the amount of \$2,000. The combined outstanding balance at June 30, 2012 and 2011, and December 31, 2011 was \$2,000, \$5,000 and \$4,000, respectively.

These loans and advances were made as a courtesy to the employees and should not be considered to be at the market rate of interest or at arm's-length. The Company believes any adjustment to impute interest would be immaterial to the financial statements.

7. Income taxes

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

	June 30, 2012 <i>US\$000</i>	June 30, 2011 <i>US\$000</i>	December 31, 2011 <i>US\$000</i>
Current:			
Federal	\$ -	\$ -	\$ -
State	5	-	-
Total current provision	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>

Deferred:

Federal	\$ -	\$ (72)	\$ (72)
State	-	(13)	(13)
Total deferred provision	-	(85)	(85)
Total (benefit) provision for income taxes	\$ 5	\$ (85)	\$ (85)

The (benefit) provision for income tax varies from the amount computed by applying the statutory corporate federal tax rate of 34%, primarily due to the effect of certain nondeductible expenses and changes in valuation allowances.

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

	June 30, 2012	June 30, 2011	December 31, 2011
Federal statutory income tax rates	34.0%	34.0%	34.0%
State tax rate, net of federal benefit	(.2%)	3.7%	.2%
Valuation allowance	(34.0%)	(149.0%)	(34.7%)
Other	.2%	28.0%	3.5%
Effective income tax rate	0.0%	(83.3%)	3.0%

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

	June 30, 2012 US\$000	June 30, 2011 US\$000	December 31, 2011 US\$000
Deferred tax assets			
Other	\$ 2	\$ -	\$ 2
Research and development credits	167	-	167
Equity compensation	519	-	370
Net operating loss carryforwards	2,787	1,550	2,409
Total gross deferred tax asset	3,475	1,550	2,948
Deferred tax liabilities			
Property and equipment	(371)	(289)	(366)
Other	(1)	-	(3)
Equity compensation	(180)	-	(180)
Total gross deferred tax liability	(552)	(289)	(549)
Net deferred tax asset (liability) before valuation allowance	\$ 2,923	\$ 1,261	\$ 2,399
Valuation allowance	\$ (2,923)	\$ (1,261)	\$ (2,399)
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 June 30, 2012, the Company has recorded a valuation allowance of \$2.9 million for which it is more likely than not that the Company will not receive future tax benefits due to the uncertainty regarding the realization of such deferred tax assets.

As of June 30, 2012, the Company has approximately \$7.7 million of gross U.S. federal net operating loss carry forwards that will begin to expire in the 2019 tax year.

In July 2006, the Financial Accounting Standards Board issued Interpretation ASC-740-10-25, Income Taxes, an interpretation of ASC-740. The standard clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Under ASC-740, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. ASC-740 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. ASC-740 applies to all tax positions related to income taxes.

In January 2009, the Company adopted new accounting guidance for income taxes. As a result of the

new guidance, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a greater than 50% likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company recognizes interest and penalties related to tax positions in income tax expense. At June 30, 2012 and 2011, and December 31, 2011, there was no accrual for uncertain tax positions or related interest.

8. Line of credit

Since 2010, the Company has had a bank line of credit that allows for borrowings up to \$400,000. The line of credit is revolving and is payable on demand. The balance on the line of credit at June 30, 2012 and 2011, and December 31, 2011 was approximately \$0, \$264,000 and \$0, respectively. The line of credit carries an interest rate of prime plus 0.30%. The interest rate on June 30, 2012 and 2011, and December 31, 2011 was 3.55%. The line of credit was guaranteed throughout 2010 by a shareholder of the Company and collateralized by all assets of the Company. The guarantee was released in August 2011 when the line of credit was completely paid down with proceeds from a public offering of common stock. See more discussion of the public offering in Note 10. Interest expense related to this loan for the six months ended June 30, 2012 and 2011, and the year ended December 31, 2011 was approximately \$0, \$5,000 and \$6,000, respectively.

9. Note payable

In April 2011, the Company entered into a lending agreement with a shareholder in the original amount of \$1,500,000, payable within 5 days after the Company receives at least \$15,000,000 in cash proceeds from an equity offering. The note had an interest rate of 10%, and the Company issued the shareholder 50,000 warrants to purchase common stock of the Company with an exercise price of \$0.01 per share. The shareholder may exercise his warrants until April 3, 2016. The note was recognized net of a discount related to the stock warrant. The balance of this note was converted to common stock in connection with the Company's public offering in August 2011. See more discussion of the public offering in Note 10. The warrants remained outstanding at June 30, 2012.

In October 2011, the Company entered into a lending agreement with a vendor to purchase computer software in the amount of \$17,000 payable in equal installments over one year. The note had an interest rate of 0%. The balance of the payable was \$3,000 at June 30, 2012. The Company believes any adjustment to impute interest would be immaterial to the financial statements.

10. Public offering of common stock

Authorized Shares and Shares Issuance

On July 11, 2011 the authorized share capital of the Company was increased to 100,000,000 Common Shares at a par value of \$0.025 each. On August 4, 2011 the Company issued an additional 5,787,455 shares of common stock for \$3.44 per share ("the Issuance"). The Company incurred costs in the Issuance of these shares of approximately \$3,475,000. The Company received net proceeds of approximately \$16,512,000.

Shareholder Loan Repayment

As part of the Issuance, the note payable to a shareholder of \$1,500,000 referred to in Notes 9 and 13 was paid by conversion to 437,353 shares of the Company's common stock.

11. Stock compensation

Stock Options

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 ten percent of the Common Shares issued and outstanding immediately following completion of the issuance of additional shares discussed in Note 10.

Upon the Issuance of these additional 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 the Chief Financial Officer. In addition, additional stock options were awarded to two employees and a Director in May 2012. The awards of stock options and restricted shares made upon the Issuance were in respect of 85 percent of the Common Shares available under the Plan, equivalent to 8.5 percent of the enlarged share capital. The total number of shares reserved for stock awards and options under this Plan is 1,272,121, with 1,166,650 shares allocated as of June 30, 2012. The shares are allocated as 269,713 shares to Non-Executive directors and 896,937 shares to employees and executives.

The options granted to non-executive directors upon the Issuance have an exercise price equal to \$0.86 per share. All other options granted under the Plan upon the Issuance have an exercise price equal to \$3.44 per share and all options granted in 2012 have an exercise price equal to \$3.87 per share. Unless otherwise agreed, all options 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. Vesting accelerates in the event of a change of control. Options granted to non-executive directors and one executive vest partially on issuance and will vest partially one to two years later. All non-executive director options must be exercised during the course of the 2015 or 2016 calendar years. Vesting accelerates in the event of a change of control.

As discussed in Note 1, the Company uses the Black Scholes valuation model to measure the fair value of options granted. Since we do not have a sufficient trading history from which to calculate our historical volatility, our expected volatility is based on a basket of comparable companies' historical volatility. As our initial options were granted in 2011, we do not have sufficient history of option exercise behavior from which to calculate our expected term. Accordingly, the expected terms of options are calculated based on the short-cut method commonly utilised by newly public companies. The risk free interest rate is based on a blended average yield of 2 and 5 year United States Treasury Bills at the time of grant. The assumptions used in the Black Scholes option pricing model for options granted in 2011 and 2012 were as follows:

	Number of Options Granted	Grant Date	Risk-Free Interest Rate	Expected Term	Volatility	Exercise Price	Fair Value
2011	253,805	08/05/11	0.34%	3.9 years	45.00%	\$0.86	\$2.63
	661,188	08/05/11	0.34%	6 years	45.00%	\$3.44	\$1.46
2012	26,000	05/09/12	0.42%	3.9 years	45.00%	\$3.87	\$1.35
	110,000	05/09/12	0.42%	6 years	45.00%	\$3.87	\$1.65

The Company assumes a dividend yield of 0.0%.

The following table summarizes the Company's stock option activity for the six months ended June 30, 2012:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Average Grant Date Fair Value
Outstanding at June 30, 2011	0			
Granted	914,993	\$2.72	5.4	\$1,632,842
Exercised	-			
Forfeited	(10,092)	\$0.86		
Outstanding at December 31, 2011	904,901	\$2.75	5.4	\$1,606,300
Granted	136,000	\$3.87	5.6	\$216,600
Exercised	-			
Forfeited	(27,314)	\$3.44		
Outstanding at June 30, 2012	1,013,587	\$2.88	5.4	\$1,783,021
Exercisable at June 30, 2012	-			

A summary of the status of unvested options as of June 30, 2012 and changes during the six months ended June 30, 2012 is presented below:

Unvested Options	Shares	Weighted-Average Fair Value at Grant Date
Unvested at June 30, 2011	0	
Granted	914,993	\$1.78
Vested	(182,385)	\$2.63
Forfeited	(10,092)	\$2.63
Unvested at December 31, 2011	722,516	\$1.78
Granted	136,000	\$1.59
Vested	(246,463)	\$1.47
Forfeited	(27,314)	\$2.63
Unvested at June 30, 2012	584,739	\$1.61

As of June 30, 2012, total unrecognized compensation cost of \$717,000 was related to unvested share-based compensation arrangements awarded under the Plan.

Restricted Share Award

On August 5, 2011, the Company issued a restrictive share award to the Chief Financial Officer. This award consisted of 153,063 shares of Common Stock in the Company. These shares are subject to a number of restrictions and forfeiture provisions that continued for up to two to three years, based on performance, the achievement of certain financial milestones and continuity of service.

17,007 of the restricted shares granted to the Chief Financial Officer were immediately vested without restrictions or forfeiture provisions effective at the time of the Issuance. 34,014 of the shares were subject to restrictions and forfeiture provisions that lapsed ratably each quarter over a 24 month period.

The Working Capital shares, consisting of 51,021 of the shares transferred, were subject to restrictions and forfeiture provisions that lapsed at the time the Company received \$15,000,000 in cash from additional investors. The Business Goals shares, also consisting of 51,021 of the shares, were subject to restrictions and forfeiture provisions that lapsed on specific dates as the Company obtained certain prospective revenue amounts in its pipeline. Release of both the Working Capital and Business Goals shares were dependent upon the Chief Financial Officer's continued service with the Company.

As previously discussed, the Chief Financial Officer changed his role within the Company as of May 31, 2012 and the restricted share award was modified. As a result, all of the restrictions related to these share awards immediately lapsed resulting in \$171,000 of stock based compensation expense being immediately recognized.

Stock Warrants

On July 29, 2011 the Company and one of its consultants entered into a warrant agreement for the consultant's assistance in connection with the Company's initial public offering on August 4, 2011. Pursuant to this agreement, the Company agreed to grant to the consultant a warrant to subscribe for Common Shares representing 1.5 percent of the total shares outstanding immediately following the initial public offering. The warrant vested upon the Issuance. The exercise price of the warrant is \$3.44 per share. The warrant is exercisable in whole or in part at any time in the period between August 5, 2011 and August 5, 2016.

The warrant is exercisable, at the election of the consultant, without payment of the exercise price, for such number of Common Shares as is calculated in accordance with a formula set out in the warrant agreement. In summary, that formula operates by calculating the notional net gain that the shareholder would have made if it had exercised its warrant at the exercise price and then sold its shares at the current market value. The formula then uses the notional net gain to calculate such lesser number of Common Shares that the shareholder would need to acquire (at nil acquisition cost) in order to achieve the same notional net gain. In the event that the shareholder exercises the warrant (or any part of it) in this manner, the warrant is deemed to have been exercised in respect of such number of Common Shares as would have been required in order to achieve the same notional net gain had the warrant been exercised at the exercise price.

In addition, either the consultant or the Company may elect, in certain circumstances, including a merger or sale of substantially all of the assets of the Company, to receive or provide (as the case may be) a cash payment, in substitution for the warrant, calculated in accordance with a formula set out in the warrant

agreement.

12. Commitments and contingencies

Operating and Capital Leases - The Company has entered into capital lease agreements for equipment through 2014. Equipment under capital leases together with accumulated depreciation at June 30, 2012 and 2011, and December 31, 2011 is as follows:

	June 30, 2012 US\$000	June 30, 2011 US\$000	December 31, 2011 US\$000
Office equipment	\$ 19	\$ 19	\$ 19
Manufacturing equipment	47	47	47
	66	66	66
Less: Accumulated depreciation	(18)	(10)	(14)
Equipment under capital leases - net	\$ 48	\$ 56	\$ 52

The Company entered into an operating lease for equipment in July 2011 for a six month term with monthly lease payments of \$15,000. The lease was expanded in January 2012 to include additional equipment and modified to become a monthly lease that is cancellable at any time by return of the equipment. The Company utilised the equipment each month in 2012 and made monthly payments of \$30,000.

The Company entered into an operating lease for a commercial building on July 1, 2006. The lease was amended on August 19, 2009. The amended lease commenced December 2009, with monthly payments of approximately \$6,000 through June 2011. The lease was amended on March 22, 2011 to extend the term through June of 2013 with monthly payments of approximately \$6,000 beginning in July 2011. The amendment also grants a three-year option through June 2016 with monthly payments ranging from approximately \$6,000 to \$7,000. The Company has not yet determined whether it will execute the option.

The Company entered into an operating lease for warehouse and office space in Jubail Industrial City, Kingdom of Saudi Arabia, in May 2012. The lease is for a period of one year at an annual rate of \$67,800 and includes an option to renew for a period of one year.

In June 2012, the Company entered into an operating lease for an apartment in Jubail Industrial City, Kingdom of Saudi Arabia, to accommodate Company employees visiting the Jubail Industrial City office. The lease is for a period of one year at an annual rate of \$36,000. The lease includes an option to renew for a period of one year or less.

Future minimum lease payments under the capital and operating leases, together with the present value of minimum lease payments as of June 30, 2012 are as follows:

Year Ending December 31,	Capital Leases US\$000	Operating Lease US\$000
2012	12	88
2013	13	121
2014	1	48
2015	-	8
2016	-	-
2017	-	-
Thereafter	-	-
Total future lease payments	26	265
Less amount representing interest	(2)	
Net capital lease liability	24	
Less current portion	(20)	

Rent expense for the six months ended June 30, 2012 and 2011, and the year ended December 31, 2011 was approximately \$67,000, \$48,000 and \$76,000, respectively.

13. Related party transactions

The Company has held a patent rights purchase agreement since 2009 with a shareholder as described in Note 5.

During 2010, the Company advanced funds in the amount of approximately \$33,000 to a shareholder to be repaid over the course of three years as further described in Note 6. The balance outstanding at June 30, 2012 and 2011, and December 31, 2011 was approximately \$11,000, \$22,000 and \$14,000, respectively.

In April 2011, the Company entered into a borrowing agreement with a shareholder in the original amount of \$1,500,000, payable within 5 days after the Company receives at least \$15,000,000 in cash proceeds from an equity offering. The note has a stated interest rate of 10%, and the Company issued the shareholder 50,000 warrants to purchase common stock of the Company, as further described in Note 9. The note is recognized net of a discount related to the stock warrant. The effective interest rate relating to this note is 17% with consideration of the discount on the issuance of the note. The note was repaid at the time of the public offering of stock in August 2011.

14. Concentrations

At June 30, 2012, one customer represented 59% of accounts receivable. During the six months ended June 30, 2012, the Company received 56% and 10%, respectively, of its gross revenue from two customers.

At December 31, 2011, three customers represented 42%, 18% and 13%, respectively, of accounts receivable. During the year ended December 31, 2011, the Company received 16%, 13% and 13%, respectively, of its gross revenue from three customers.

At June 30, 2011, 63% of the accounts receivable was due from two customers. During the six months ended June 30, 2011, the Company received 52% of its gross revenue from four customers.

15. Subsequent Events

Management has evaluated subsequent events through August 13, 2012, the date the financial statements were available to be issued.

Forward Looking Statements

This release contains certain statements that are or may be "forward-looking statements". These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. All the statements other than statements of historical facts included in this announcement, including, without limitation, those regarding MyCelx's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to MyCelx's products and services) are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and therefore undue reliance should not be placed on such forward-looking statements. There are a number of factors that could cause the actual results, performance or achievements of MyCelx to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding MyCelx's present and future business strategies and the environment in which MyCelx will operate in the future and such assumptions may or may not prove to be correct. Forward-looking statements speak only as at the date they are made. Neither MyCelx nor any other person undertakes any obligation (other than, in the case of MyCelx,

pursuant to the AIM Rules for Companies) to update publicly any of the information contained in this announcement, including any forward-looking statements, in the light of new information, change in circumstances or future events.

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