

MYCELX TECHNOLOGIES CORPORATION (AIM: MYX)

2012 Preliminary Results

MyCelx Technologies Corporation (“MyCelx” or the “Company”), the clean water technology and engineering company providing patented solutions to the Oil and Gas industry and other commercial industrial markets worldwide, is pleased to announce its preliminary, unaudited results for the year ended 31 December 2012.

Highlights

Financial

- Revenues up 96.5% to \$12.30 million (2011: \$6.26 million)
 - Equipment revenues (either sold or leased) up 35.8% to \$3.11 million (2011: \$2.29 million)
 - Recurring revenue from consumable filtration media and service up 131.2% to \$9.18 million (2011: \$3.97 million)
- Gross profit up 123.1% to \$6.56 million (2011: \$2.94 million) and gross profit margins increased to 53.3% (2011: 46.9%)
- Loss before income taxes was \$1.60 million (2011: \$2.85 million)
- PBT positive in each of the last three months

Operational

- New contracts, contract extensions and purchase orders, signed with:
 - ONGC (India’s state owned oil and gas company), Saudi Basic Industries Corporation, major US-based pipeline and terminal operating company, global E&P company for offshore project in Australia; and
 - MyCelx’s first contract with a major national gas producer in the UAE
- The new Middle East ‘fast-to-market’ lease program continued to produce strong revenues with both existing customers and new projects
- Established an additional distribution and service center in Saudi Arabia and a new sales and engineering center in Houston
- Hired new personnel to expand sales and support operations in the US, Europe, Southeast Asia, South America and the Middle East
- Successful trials in Alberta, Saudi Arabia, Qatar, and with existing customers in Wyoming and Australia
- Mark Clark named as Chief Financial Officer

Post period end events

- Contract extension with SABIC worth \$2.5M (included in contracted order book)
- New contract for second installation at existing customer facility adding \$1.2M in revenue (included in contracted order book)
- Awarded contract through London office for produced water treatment system in Albania valued at \$1.0M most of which will be recognized in 2014
- MyCelx project in Saudi Arabia has been nominated as a top 3 finalist for the Industrial Water Sustainability project to be awarded during the 2013 Global Water Summit in April

Outlook

- Growth strategy presented at IPO continues to be executed successfully; strongly placed to benefit from trends in the produced water and process water treatment markets
- Contracted order book of \$11.28 million (as of March 4, 2013), \$10.10 million of which is expected to be recognized in 2013
- Contracted order book plus installed base (expected renewal of current leases and recurring revenue) results in 80% of projected revenue in 2013 (as of March 4, 2013)

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

“We are very pleased with our results for 2012 and momentum for 2013. We achieved strong revenue growth as well as a solid increase in revenue and gross margins which enabled us to achieve a profit before tax on a monthly basis in the fourth quarter of the year. Our strategy of focusing on the end user and water-intense geographic regions while providing operational and cost benefits is providing the platform from which our business model will thrive.

We continue to see significant opportunity spurred by the desire of the oil and gas and petrochemical industries to seek out and implement proven technology to achieve their goals of sustainable water management with particular focus on reuse. With our advanced technology, we are strongly positioned to provide better solutions and capitalize on the goals within the industry toward long term, sustainable water guardianship. The Company has expanded locations and added professionals in order to support the growth of the business as well as making investments to improve efficiency of operations and infrastructure. While doing so, we maintained a strong balance sheet with a cash balance of \$9.1 million at year end. Our new business pipeline continues to grow and we are looking forward to the future with enthusiasm and confidence.”

For further information please contact:

MyCelx Technologies Corporation

Connie Mixon, CEO

Mark Clark, CFO

Tel: 1 888 306 6843

Numis Securities Limited

Corporate Finance

Alastair Stratton

Stuart Skinner

Tel: 44 20 7260 1000

Corporate Broking

James Black

Ben Stoop

Pelham Bell Pottinger

Mark Antelme

Nick Lambert

Henry Lerwill

Tel: 44 20 7861 3232

Chairman’s and Chief Executive Officer’s Statement

Introduction

The Company made considerable commercial progress in 2012 as it began implementing the expansion strategy presented during the IPO. During the year the Company has leveraged its track record of success with existing customers to secure additional projects with counterparts in other regions of the world as well as contracting projects with new customers. Investment has been made in staff, infrastructure and production capabilities to support the growing business.

This has underpinned a strong financial performance, with total revenues increasing by 96.5% to \$12.30M in 2012 from \$6.26M in 2011.

Operational Review

During the year, the Company was active across all regions particularly 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 an additional equipment lease for downstream use in the same petrochemical complex, evidencing the success of the new “fast to market” lease strategy.

The Company also undertook its first project in the UAE, integrating a MyCelx system into key production processes. The Company invested in four MyCelx systems in order to accelerate expansion in the region by addressing demand for emergency and short lead time water treatment equipment for quick deployment. All four systems were delivered to a new customer in the Middle East and were successfully commissioned later in the year. A further three systems are in fabrication, two of which are under contract and all three are expected to be deployed in the second half of 2013. The Company’s presence in the Middle East was further strengthened 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 Q2 2013. The Company has also seen an increase in its new business pipeline due to successful trials in Australia, the US Rocky Mountain region, Alberta, Saudi Arabia and Qatar. All of these projects have moved to the final engineering and design stage and are expected to contribute revenues during 2013.

The Company also installed two water treatment systems at a major US-based fuel oil storage terminal, which led to another contract from a major US-based pipeline and terminal operating company. On these projects the Company has made significant advances in building in automated proportional flow controls to its water treatment solutions, enabling its customers to target a specific level of oil-in-water effluent concentration irrespective of influent conditions. Both projects have further established the Company’s presence in the downstream market in the U.S. and Houston in particular. The Company established an office and technology demonstration center 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. Additionally, the Company expanded its London office with a new Business Development Officer focusing on Europe and Asia.

Financial

The Company continued to record a strong financial performance, with total revenues increasing by 96.5% to \$12.30 million for 2012, compared to \$6.26 million for 2011. Revenues continued to increase both as a result of new customer wins and increased penetration into some of the Company’s largest customers. Revenues from equipment sales and leases increased by 35.8% to \$3.11 million for 2012 (2011: \$2.29 million), while recurring revenues from consumable filtration media and service increased by 131.2% to \$9.18 million (2011: \$3.97 million). Gross profit increased by 123.1% to \$6.56 million in 2012, compared to \$2.94 million in 2011. Gross profit margins increased in 2012 to 53.3% from 46.9% for the previous year, due to a revised pricing structure and continuous efforts to reduce third party vendor costs for both raw materials and services.

Total operating expenses for 2012 were \$8.15 million. The largest component of operating expenses was Selling, General and Administrative expenses, which includes \$4.22 million of salaries and travel.

Additionally, SG&A expenses include non-cash stock based compensation of \$852,000 and \$870,000 for Research and Development.

The Company recorded a loss before tax of \$1.60 million in 2012, compared to a loss before tax of \$2.85 million in 2011. Basic loss per share was 15 cents, compared to basic loss per share of 30 cents for the previous year. The Company's revenue momentum resulting from investing in sales and engineering personnel as well as strategic sales and support locations is expected to carry the Company to profitability for the full year 2013.

Corporate

David Pattillo stepped down from his position as CFO in May 2012. Mark Clark, who was serving in the position of Corporate Controller, assumed the CFO role.

In January 2012, the Company appointed Swinton Griffith as a non-executive Director and as Chairman of the Audit Committee and member of the Compensation 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 experienced the benefit of recurring consumable media sales as a result of installations in late 2011 and achieved strong revenue growth with new sales and leases secured throughout the year.

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

The Board expects the Company to meet expectations and looks forward to the future with enthusiasm and confidence.

Tim Eggar
Chairman
13 March 2013

Connie Mixon
Chief Executive Officer

Notes for Editors:

- MyCelx Technologies Corporation is a clean water technology and engineering company that provides advanced, customized 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 into filtration media that are housed within MyCelx designed and engineered vessels.
- MyCelx's polymer based technology enables the permanent separation of oil from produced and process water, achieving high efficiency filtration with significant advantages in performance, cost and footprint over conventional mechanical separation and absorption methodologies.

- The defining difference of MyCelx's polymer-based technology 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 oil and gas companies around the globe since 2004. The focus of the Company continues to be the 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, Asia, Australia, the Middle East and Europe. Customers include such oil and gas companies as Chevron, BP, Anadarko Petroleum Corporation, SABIC and 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.

MYCELX TECHNOLOGIES CORPORATION**Statement of Operations****(USD, in thousands, except share data)****For the Year Ended December 31**

	2012 (unaudited)	2011 (audited)
Revenue	\$ 12,297	\$ 6,257
Cost of goods sold	5,737	3,321
Gross profit	6,560	2,936
Operating expenses:		
Research and development	870	507
Selling, general and administrative	7,065	4,945
Depreciation and amortization	219	186
Total operating expenses	8,154	5,638
Operating Loss	(1,594)	(2,702)
Other expense		
Interest expense	(2)	(146)
Loss before income taxes	(1,596)	(2,848)
Benefit/(provision) for Income taxes	(380)	85
Net Loss	\$ (1,976)	\$ (2,763)
Loss per share-basic	\$ (0.15)	\$ (0.30)
Loss per share-diluted	\$ (0.15)	\$ (0.30)
Shares used to compute basic loss per share	12,922,873	9,177,147
Shares used to compute diluted loss per share	12,922,873	9,177,147

MYCELX TECHNOLOGIES CORPORATION**Balance Sheet****(USD, in thousands, except share data)****December 31:**

	2012	2011
	(unaudited)	(audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,059	\$ 15,094
Restricted Cash	100	-
Accounts receivable	2,177	1,200
Unbilled accounts receivable	449	-
Inventory - net	2,964	1,270
Employee loans and advances	6	37
Prepaid expenses	295	62
Other assets	123	5
Total Current Assets	15,173	17,668
Property and equipment - net	3,832	1,045
Intangible assets - net	476	410
Employee loans and advances	-	6
Total Assets	\$ 19,481	\$ 19,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 1,801	\$ 1,156
Payroll and accrued expenses	835	255
Deferred Revenue	315	95
Capital lease obligations - current	13	21
Other Current Liabilities	63	-
Note payable	-	13
Total Current Liabilities	3,027	1,539
Capital lease obligations - long-term	1	13
Total Liabilities	3,028	1,552
Stockholders' Equity		
Common stock, \$0.025 par value, 100,000,000 shares authorized, 12,922,873 shares issued and outstanding at December 31, 2012 and 2011	324	324

Additional paid-in capital	25,799	24,947
Accumulated deficit	<u>(9,670)</u>	<u>(7,694)</u>
Total Stockholders' Equity	<u>16,453</u>	<u>17,577</u>
Total Liabilities and Stockholders' Equity	<u>\$ 19,481</u>	<u>\$ 19,129</u>

MYCELX TECHNOLOGIES CORPORATION
Statement of Stockholders' Equity

(USD, in thousands)

	Common Stock		Additional	Accumulated	Total
	Shares	\$	Paid-in Capital \$	Deficit \$	\$
Balances at December 31, 2010 (audited)	6,545	164	5,915	(4,931)	1,148
Issuance of warrants to shareholder	-	-	93	-	93
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 costs	5,788	145	16,367	-	16,512
Issuance of common stock to executive	153	4	305	-	309
Stock based compensation expense	-	-	662	-	662
Net loss for the period	-	-		(2,763)	(2,763)
Balances at December 31, 2011 (audited)	12,923	324	24,947	(7,694)	17,577
Stock based compensation expense	-	-	852		852
Net loss for the period	-	-		(1,976)	(1,976)
Balances at December 31, 2012 (unaudited)	<u>12,923</u>	<u>324</u>	<u>25,799</u>	<u>(9,670)</u>	<u>16,453</u>

MYCELX TECHNOLOGIES CORPORATION**Statement of Cash Flows****(USD, in thousands)****For the Year Ended December 31:**

	2012 (unaudited)	2011 (audited)
Cash flow from operating activities		
Net loss	(1,976)	(2,763)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	406	186
Noncash amortization of debt discount	-	93
Deferred income taxes	-	(85)
Stock compensation	852	1,087
Change in operating assets and liabilities:		
Accounts receivable	(977)	(880)
Unbilled accounts receivable	(449)	173
Inventory	(1,694)	(710)
Prepaid and other expenses	(351)	(65)
Employee loans and advances	37	32
Accounts payable	645	900
Payroll and accrued expenses	580	60
Deferred revenue	220	93
Other Current Liabilities	63	-
Net cash used in operating activities	<u>(2,644)</u>	<u>(1,879)</u>
Cash flow from investing activities		
Payments for purchases of property and equipment	(3,114)	(831)
Payments on capital lease obligations	(20)	(21)
Payments for purchases of intangible assets	(144)	(63)
Net cash used in investing activities	<u>(3,278)</u>	<u>(915)</u>
Cash flows from financing activities		
Net Proceeds from stock issuance	-	16,512
Payments on notes payable	(13)	(4)
Advances from notes payable	-	17
Advances from notes payable from related party	-	1,500
Payments on line of credit	-	(314)
Increase in restricted Cash	(100)	-
Net cash (used in) provided by financing activities	<u>(113)</u>	<u>17,711</u>
Net (decrease) increase in cash and cash equivalents	<u>(6,035)</u>	<u>14,917</u>
Cash and cash equivalents, beginning of year	15,094	177
Cash and cash equivalents, end of year	<u>9,059</u>	<u>15,094</u>
Supplemental disclosures of cash flow information:		
Cash payments for Interest	2	43

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

Note 1 - Annual Report

The financial information set out in this document does not constitute the Company's statutory accounts for 2011 or 2012. This information has been prepared using recognition and measurement principles of Generally Accepted Accounting Principles in the United States of America ("U.S. GAAP"). The financial information as of and for the year ended December 31, 2011 is audited and the auditor's report is unqualified.

The results for 2012 are unaudited. Statutory accounts for the year ended December 31, 2012 will be finalized based on the information in this announcement.

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.