

MYCELX TECHNOLOGIES CORPORATION (AIM: MYX)

2013 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 2013.

Highlights

Financial

- Record profit to date both at the PBT and gross profit levels
 - Gross profit increased 84.8% to \$12.2 million (2012: \$6.6 million)
 - Profit before tax was \$1.3 million (2012: Loss before tax was \$1.6 million)
- Revenues increased 74.0% to \$21.4 million (2012: \$12.3 million)
 - Equipment revenues (either sold or leased) increased 148.4% to \$7.7 million (2012: \$3.1 million)
 - Recurring revenue from consumable filtration media and services increased 48.9% to \$13.7 million (2012: \$9.2 million)
- Gross profit margins increased to 56.9% (2012: 53.3%)
- Basic earnings per share of 4 cents (2012: Basic loss per share of 15 cents)
- Line of credit of \$5 million established for the expansion of the fast-to-market lease program

Operational

- Several new contracts, contract extensions and purchase orders
 - SABIC: two contract extensions and a new project
 - Albania and Canada: produced water treatment systems
 - Gulf of Mexico: two new leases
- Seven installations completed in the second half of 2013
- Multiple successful trials in Canada, Saudi Arabia and the Gulf of Mexico
- Live demonstration facility in Houston added eight project opportunities to the sales pipeline
- Received a filter replacement order for proprietary mercury removal from gas condensate application
- Successfully moved corporate office and manufacturing operations to Duluth, Georgia securing a scalable manufacturing platform

Post period end events

- New contracts and extensions with SABIC, a new customer in Saudi Arabia and the Company’s first contract in Kuwait, with a state-owned petrochemical company worth in aggregate a total of \$9.0 million (included in contracted order book)

Outlook

- Contracted order book of \$13.9 million at 18 March 2014 (March 2013: \$11.3 million), \$13.7 million of which is expected to be recognized in 2014
- Contracted order book plus expected renewal of leases and recurring revenue to contribute 64% of projected revenue in 2014 (at 18 March 2014)

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

“We are very pleased with the results for 2013, especially our record profits and expansion into new geographic markets. Strong revenue growth, effective expense management as well as a continued increase in gross margin contributed to the solid results.

The increasing number of opportunities in the oil and gas and petrochemical sectors is a result of recognition that our technology is a cost effective solution giving operational control to the end user for sustainable water management. Our sales strategy positions us well to capitalize on these opportunities. The Company has invested prudently to support the growth of the business and improve the efficiency of our operations. With the establishment of our line of credit and our increased manufacturing capacity, we are well-placed to convert our growing new business pipeline and are looking forward to servicing the needs of the oil and gas industry globally.”

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Chairman’s and Chief Executive Officer’s Statement

Introduction

The Company expanded its commercial success globally in 2013 and this was reflected in an excellent financial performance over the year. MyCelx systems were installed in three new geographic regions, whilst the installed base at established customer sites in the Middle East was also increased. During the year the Company also utilized its Houston demonstration center to rapidly add new opportunities in the Gulf of Mexico to the sales pipeline. The addition of professional engineering staff to execute delivery and installation of seven systems in H2 of 2013 will ensure timely prosecution of future pipeline opportunities. The Company leveraged its new manufacturing facility to increase media production to match increased media sales while decreasing filter media inventory levels from H1.

Effective expense control underpinned a strong financial performance, with total revenues increasing by 74% to \$21.4M in 2013 from \$12.3M in 2012 resulting in record profits for the Company.

Operational Review

In 2013, the Company was active across multiple regions particularly in the Middle East, North America and Europe. In Saudi Arabia, MyCelx received two contract extensions for each of the two large equipment leases currently in downstream service. In addition, a contract was placed for an additional system from an existing customer as well as two leases with new customers. Also in the Middle East, MyCelx systems were deployed to treat water at a waste water treatment facility on an intermittent basis which serves as a reference for future mobile water treatment opportunities. The lease renewals, the new lease and the treatment facility application confirm the success of the 'fast-to-market' lease strategy which the Company will continue to pursue.

The Company developed and extended its systems offerings during the year. Capital was invested in the first half in three new rental systems, all of which were delivered to new or existing projects. Design and implementation was also finalized for standardized modular systems for offshore deployment as well as for the lease and emergency response markets globally. We expect to invest in additional units of these standardized modular systems to form the backbone of our rental fleet capacity in order to respond swiftly to customer demand and shorten the sales timeline. While the Company will continue to be involved in large green field projects where timelines are less predictable, the lease strategy continues to gain momentum in the Middle East and other regions.

Expansion into new regions highlights the Company's success in gaining broader technology recognition and pilot trials. The first sales for produced water treatment systems were made in Alberta, Canada and Albania, both of which underline the Company's ability to handle the more challenging areas of water treatment such as heavy oil and polymer-flood applications.

The Company's technical and engineering team was predominantly focused during the second half of the year on prosecuting and installing seven projects in the Middle East, Australia, India, Colombia, Albania and a major US oil terminal facility which will result in media sales in late 2014.

Business development efforts were greatly enhanced with the addition of the Houston demonstration center in early 2013. The demonstration center allows potential customers to observe real-time processing of water samples taken by the customer from the applicable installation site. As a result, eight opportunities were added to the sales pipeline and two successful trials were conducted in the Gulf of Mexico in the second half of 2013. Leveraging the success of in-house demonstrations during the Offshore Technology Conference week in 2013, the Company has designed an intensive 2014 program and expects record participation again this year.

The Company moved into a new manufacturing facility mid-year which resulted in increased capacity and improved efficiency. The Company believes it will be able to greatly scale up and optimize production while keeping manufacturing costs level.

The Company's projects in the last two years have increased in size, profile and complexity. While these projects typically involve higher values for both equipment and recurring media sales, they are often subject to lengthier and less predictable timelines to completion that can be beyond the control of the Company. Major green field projects involving multiple vendors and interdependent complex work streams can present the greatest challenge to accurate forecasting. Management monitors closely all project timelines and incremental expense increases as it invests to ensure growth in the future.

Financial

The Company continued its strong financial performance, recording record profits. Total revenues for the year increased by 74.0% to \$21.4 million for 2013, up from \$12.3 million in 2012. Revenues continued to increase both as a result of new customer wins and additional installations with existing customers. Revenues from equipment sales and leases increased by 148.4% to \$7.7 million for 2013 (2012: \$3.1 million), while recurring revenues from consumable filtration media and service increased by 48.9% to \$13.7 million (2012: \$9.2 million). Gross profit increased by 84.8% to \$12.2 million in 2013, compared to \$6.6 million in 2012. Gross profit margins increased in 2013 to 56.9% from 53.3% for the previous year, assisted by a full year of the revised pricing structure put in place in Q2 2012.

Total operating expenses for 2013 were \$10.7 million (2012: \$8.2 million). The largest component of operating expenses was Selling, General and Administrative (SG&A) expenses, which includes \$5.3 million of salaries, payroll taxes and travel. Additionally, SG&A expenses include non-cash, stock based expense of \$1.4 million, rent expense and property taxes of \$526,000 and insurance expense of \$458,000.

The Company recorded income before tax of \$1.3 million in 2013, compared to a loss before tax of \$1.6 million in 2012. Basic earnings per share were 4 cents, compared to basic loss per share of 15 cents for the previous year.

The Company's investment in the fast-to-market lease fleet led to cash outflow in the first half of the year, and shortly thereafter a \$5 million line of credit was secured to support this continued investment. Cash levels increased throughout the second half of 2013 until year end when an increase in accounts receivable, due to the timing of customer payments, resulted in the need to utilize the line of credit. The majority of the \$7 million receivable balance at year end has since been collected in early 2014 and there have been no further draws on the line of credit.

Corporate

In May 2013, the Company bid farewell to three retiring Directors: former Chairman and co-founder John Mansfield, Sr., and Non-Executive Directors Dr. Dale Threadgill and Ian Johnson. The Board resolved to bestow upon Mr. Mansfield the title of Chairman Emeritus upon his retirement in recognition of his contribution to the Company, particularly during its early development. The Board is also grateful to Dr. Threadgill and Mr. Johnson for their contributions to the Company through the IPO and during its subsequent development.

The Board currently consists of three Executive Directors and three Non-Executive Directors: Tim Eggar (Chairman [Non-Executive]); Connie Mixon (Chief Executive Officer); Mark Clark (Chief Financial Officer); Hal Alper (Chief Science Officer); Brian Rochester (Non-Executive Director) and Swinton Griffith (Non-Executive Director).

In late 2013, the Board of Directors approved the formation of an independent technology committee to be chaired by former Non-Executive Director, Dr. Dale Threadgill. As a leading provider of advanced technology as well as cutting edge research and development, the committee will provide guidance and support to ensure the Company's proprietary technology is protected, advanced, and further commercialized in appropriate markets and applications.

Summary and Outlook

We are very pleased with the progress of the Company and the financial results for 2013.

The market for proven technology that can provide clean water in the production process is as robust as ever in the oil and gas industry. MyCelx systems fill a very large and recognized need for cost effective and reliable water treatment that also gives operational control to the end user. The Company expects to continue its expansion in the Middle East, North America and other established markets through increased engineering and sales capacity and a larger modular rental fleet.

The Board looks forward to the future with enthusiasm and confidence.

Tim Eggar

Chairman

20 March 2014

Connie Mixon

Chief Executive Officer

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

	2013 (unaudited)	2012 (audited)
Revenue	\$ 21,379	\$ 12,297
Cost of goods sold	<u>9,205</u>	<u>5,737</u>
Gross profit	<u>12,174</u>	<u>6,560</u>
Operating expenses:		
Research and development	479	870
Selling, general and administrative	9,864	7,065
Depreciation and amortization	<u>340</u>	<u>219</u>
Total operating expenses	<u>10,683</u>	<u>8,154</u>
Operating income (loss)	1,491	(1,594)
Other expense		
Loss on disposal of equipment	(90)	-
Interest expense	<u>(87)</u>	<u>(2)</u>
Income (loss) before income taxes	1,314	(1,596)
Provision for income taxes	<u>(749)</u>	<u>(380)</u>
Net income (Loss)	<u>\$ 565</u>	<u>\$ (1,976)</u>
Earnings (loss) per share-basic	<u>\$ 0.04</u>	<u>\$ (0.15)</u>
Earnings (loss) per share-diluted	<u>\$ 0.04</u>	<u>\$ (0.15)</u>
Shares used to compute basic income (loss) per share	<u>13,097,911</u>	<u>12,922,873</u>
Shares used to compute diluted income (loss) per share	<u>14,316,603</u>	<u>12,922,873</u>

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

	2013	2012
	(unaudited)	(audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,664	\$ 9,059
Restricted cash	500	100
Accounts receivable	7,431	2,177
Unbilled accounts receivable	1,430	449
Inventory - net	3,142	2,964
Prepaid expenses	218	295
Other assets	94	129
Total Current Assets	16,479	15,173
Property and equipment - net	10,542	3,832
Intangible assets - net	574	476
Total Assets	\$ 27,595	\$ 19,481
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 1,680	\$ 1,801
Payroll and accrued expenses	1,356	835
Deferred revenue	15	315
Capital lease obligations - current	4	13
Line of credit	2,820	-
Note payable - current	74	-
Warrant liability	383	-
Other current liabilities	46	63
Total Current Liabilities	6,378	3,027
Note payable – long term	2,165	-
Capital lease obligations - long-term	4	1
Total Liabilities	8,547	3,028

Stockholders' Equity

Common stock, \$0.025 par value, 100,000,000 shares authorized, 13,257,734 and 12,922,873 shares issued and outstanding at 31 December 2013 and 2012, respectively

	332	324
Additional paid-in capital	27,821	25,799
Accumulated deficit	(9,105)	(9,670)
Total Stockholders' Equity	19,048	16,453
Total Liabilities and Stockholders' Equity	\$ 27,595	\$ 19,481

MYCELX TECHNOLOGIES CORPORATION Statements of Stockholders' Equity

(USD, in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	\$	\$	\$	\$
Balances at 31 December 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 31 December 2012 (audited)	12,923	324	25,799	(9,670)	16,453
Exercise of stock options and issuance of shares	171	4	606	-	610
Exercise of stock warrants and issuance of shares	164	4	369	-	373
Stock based compensation expense	-	-	1,047	-	1,047
Net income for the period	-	-	-	565	565
Balances at 31 December 2013 (unaudited)	13,258	332	27,821	(9,105)	19,048

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

	2013 (unaudited)	2012 (audited)
Cash flow from operating activities		
Net income (loss)	565	(1,976)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	857	406
Loss from disposition of equipment	90	-
Stock compensation	1,047	852
Non-cash change in warrant liability	383	-
Change in operating assets and liabilities:		
Accounts receivable	(5,254)	(977)
Unbilled accounts receivable	(981)	(449)
Inventory - net	(178)	(1,694)
Prepaid expenses	77	(351)
Other assets	35	37
Accounts payable	(121)	645
Payroll and accrued expenses	521	580
Deferred revenue	(300)	220
Other current liabilities	(17)	63
Net cash used in operating activities	(3,276)	(2,644)
Cash flow from investing activities		
Payments for purchases of property and equipment	(7,629)	(3,132)
Proceeds from sale of property and equipment	19	-
Payments on capital lease obligations	(12)	(20)
Payments for purchases of intangible assets	(139)	(126)
Net cash used in investing activities	(7,761)	(3,278)
Cash flows from financing activities		
Net proceeds from stock issuance	983	-
Advances from notes payable	2,286	-
Payments on notes payable	(47)	(13)
Increase in restricted cash	(400)	(100)
Advances on line of credit	2,820	-
Net cash provided by (used in) financing activities	5,642	(113)
Net decrease in cash and cash equivalents	(5,395)	(6,035)
Cash and cash equivalents, beginning of year	9,059	15,094
Cash and cash equivalents, end of year	3,664	9,059

Supplemental disclosures of cash flow information:

Cash payments for interest	87	2
Cash payments for income taxes	638	348
Property and equipment remaining in accounts payable and other current liabilities	137	169
Purchase of property and equipment under capital leases	6	0

Management considered the effect of exchange rate changes on cash and cash equivalents held or due in foreign currency and deemed it immaterial to the statement of cash flows.

Note 1 - Annual Report

The financial information set out in this document does not constitute the Company's statutory accounts for 2012 or 2013. 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 31 December 2012 is audited and the auditor's report is unqualified.

The results for 2013 are unaudited. Statutory accounts for the year ended 31 December 2013 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.