

## **MYCELX TECHNOLOGIES CORPORATION (AIM: MYX)**

### **2014 Preliminary Results**

MYCELX Technologies Corporation (the “Company”), the clean water technology and engineering company providing patented solutions to the Oil and Gas industry and other commercial industrial markets worldwide, announces its preliminary unaudited results for the year ended 31 December 2014.

#### **Financial**

- Gross profit margin remained strong at 52.3% (2013: 56.9%)
- Revenue of \$13.6 million (2013: \$21.4 million)
- Adjusted EBITDA of negative \$4.1 million (2013: \$2.3 million)
- Cash flows used in operations decreased 64% to \$1.2 million (2013: \$3.3 million)
- Equity capital raise of \$12.4 million
- Lines of credit extended from \$5.0 million to \$10.5 million
- Net cash at year end of \$8.4 million

#### **Operational**

- Successful high profile enhanced oil recovery (EOR) trials in the Middle East and India building on successful trials in North America and Europe
- Opened an additional warehouse location in Houston to stage equipment for the Gulf of Mexico, onshore produced water projects and South America
- Opened an additional location in the Jebel Ali Free Zone in Dubai to move equipment cost effectively around the region
- Investment of \$4.1 million in equipment available for fast-to-market lease program, with units now in strategically positioned regions

#### **New Contracts**

- Qatar: Turnaround project contract with integrated petrochemical plant for Q1 2015
- Saudi Arabia: Sale of process water treatment system for integrated petrochemical plant installed in Q1 2015
- Gulf of Mexico: Fourth sale of produced water treatment system to global integrated oil company installed in Q3 2014
- India: Third sale to Oil and Natural Gas Corporation of India (ONGC) for process water reuse
- Kuwait: Two short term contracts with petrochemical plant to treat process water completed in 2014

#### **Contract Extensions**

- Saudi Arabia: Three lease and service contract extensions with SABIC for process water treatment systems

#### **Post period end events**

- Qatar: Successfully completed turnaround project with integrated petrochemical plant
- Saudi Arabia: Signed contract and successfully completed turnaround project for existing customer
- Gulf of Mexico: New contract for produced water treatment with independent oil and gas producer

- Americas: Signed Master Purchase Agreement with global oil field services company
- Canada: Successful pilot trial with major independent oil and gas producer
- India: Successful pilot with major independent oil and gas producer

## **Outlook**

- 2015 is off to a good start
- Operational challenges at a key customer's plant have been addressed and the water treatment process has returned to normal operations
- Expense reduction implemented resulting in 10% cost savings for 2015
- Growing industry adoption of the Company's technology, however oil price volatility and market dislocation will likely affect timing of project awards

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

*"The Company faced several challenges in 2014 that adversely affected revenues due to unexpected operational interruptions at major customer facilities and the deferral of several projects.*

*However, the Company moved forward on several fronts, importantly a successful capital raise was completed, which will enable the Company to prudently deploy working capital to support targeted opportunities and continue forward in a measured way with its business strategy and plans.*

*In reference to the three major projects the Company expected to execute in 2014, the smaller of the three projects was successfully completed in Q1 2015 meeting revenue expectations. The Company is still in discussions related to the other two projects and they remain active prospects in our advanced pipeline.*

*Against the backdrop of oil price volatility in 2015, forecasting timing of contract awards and revenue recognition will remain difficult. The Company remains focused on its core commercial regions where effective water treatment is critical to customers' ongoing operations, uptake of the fast-to-market lease program is progressing, and niche applications in the U.S that offer better performance and lower cost-to-treat for producers seeking to control costs.*

*Overall, the Company continues to see growing industry adoption of its technology and wherever oil and gas production and petrochemical processing occurs, water is present and must be effectively treated. This is what the Company does best and where we will continue to move forward."*

## **For further information please contact:**

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**Tel: 44 20 3772 2500****Chairman's and Chief Executive Officer's Statement****Introduction**

In 2014, the Company's expected revenues were adversely impacted by unforeseen operational interruptions at one of its major customers and an annual turnaround project that was moved to Q1 2015. Projects in which the Company expected to receive notification or begin execution in Q3 and Q4 were delayed past year end but remain active prospects. Collectively, these events resulted in a significant revenue shortfall in 2014.

The Company moved forward on several fronts, importantly a successful capital raise was completed, which will enable the Company to prudently deploy working capital to support targeted opportunities and continue forward in a measured way with its business strategy and plans. Key to the Company's plans is the deployment of the fast-to-market equipment the Company funded in 2014 which has now been positioned strategically in regions where the Company is currently active with client references. Also important to the Company's progress are the successful trials in which the Company engaged during the year providing further confirmation of the superior performance of the MYCELX<sup>®</sup> systems versus alternative systems.

Overall, the Company continues to see growing industry adoption of its technology, but accurate forecasting of large project award timing and hence revenue recognition remains difficult, whilst oil price volatility and ensuing uncertainty affects the industry. Nonetheless, wherever oil and gas production and petrochemical processing occurs, water is present and must be effectively treated for sustainable operation. This is what the Company does best and where we will continue to move forward with the entire team's focus.

**Operational Review****MIDDLE EAST**

In the Middle East, the Company received two contract extensions from its largest customer for equipment leases currently in downstream services and a third system, which was installed at another plant in late 2013, became operational. In addition, a contract was won with a new petrochemical plant

in Saudi Arabia and a successful installation completed in Q1 2015, the Company's fifth process water treatment system in the Jubail Industrial City I complex.

The Company secured a new lease from a state owned petrochemical company which was followed by an additional lease later in the year. While the lease was successful and within revenue expectations, the lease later in 2014 was performed on a shortened timeframe and did not produce the revenue the Company expected. The Company secured two additional turnaround projects, one post period, which have been successfully completed in Q1 2015 and are within our revenue expectations.

During the year, the Company completed a trial in the Middle East for EOR produced water building on other successful EOR installations for customers operating in North America and Europe. The capability and commercial opportunity in treating water associated with EOR operations cannot be overstated. For producers around the world, EOR is one of the predominant processes for high level extraction in older fields which have substantial amounts of oil remaining in the ground. We expect to build on these successes with further opportunities and sales in this lucrative application.

## INDIA

The Company received its third contract from ONGC for a system to treat process water to stringent discharge requirements. The Company also began a trial with a major independent oil company treating produced water during EOR operations.

## AMERICAS

Leveraging the Company's successes in water reuse applications globally, the Company deployed resources to actively pursue niche applications in the onshore produced water market in the US. These projects are a faster path to recurring media sales and complement large project timelines. Post-period, the Company signed a Master Purchase Agreement with a global oil field services company to pursue projects where the strengths of both companies result in lower cost-to-treat advantages. In the lower oil price environment, producers are actively pursuing operating cost reductions. The joint offering plays well into the new paradigm.

A general manager with extensive water management experience joined to lead the Americas team in Houston. Warehouse space was added to accommodate lease equipment staging for the onshore and offshore initiative in the Americas.

## Financial Review

Due to customer operational interruptions and project delays, total revenue decreased by 36.4% to \$13.6 million for 2014, compared to \$21.4 million for 2013. Revenues from equipment sales and leases decreased by 35.0% to \$5.0 million for 2014 (2013: \$7.7 million). Recurring revenues from consumable filtration media and service decreased by 37.2% to \$8.6 million (2013: \$13.7 million) due to operational disruptions at one large customer and a decrease in fourth quarter media sales to legacy customers. Gross profit margin decreased slightly in 2014 to 52.3% (2013: 56.9%) due to a lower margin on a short term turnaround project late in the year.

Total operating expenses for 2014 were \$12.4 million (2013: \$10.7 million). The largest component of operating expenses was selling, general and administrative (SG&A) expenses. The Company's continued

commitment to invest in warehousing infrastructure in Houston and Dubai and equipment related to the leasing business resulted in an increase in SG&A expenses. Included was an increase in equipment and facility maintenance and shipping of \$693,000 as well as an increase in rent, utilities and supplies of \$316,000. Also included in SG&A was an increase in travel expenses of \$229,000, an increase in insurance and consulting fees of \$192,000 and bank fees of \$86,000 incurred as a result of the expanded lines of credit.

The Company recorded a loss before tax of \$5.5 million in 2014, compared to income before tax of \$1.3 million in 2013. Basic loss per share was 44 cents, compared to basic earnings per share of four cents for the previous year.

The Company raised \$12.4 million in new equity capital from investors in the UK and the US during Q4. The funds will be used for investment in working capital and future expansion when the Company's core market improves or in support of signed contracts.

The Company ended the period with \$11.8 million of cash and cash equivalents including restricted cash, compared to \$4.2 million in total at 31 December 2013. Cash used in operations decreased 64% to \$1.2 million, compared to \$3.3 million used in 2013. The Company's primary use of cash in 2014 was related to continued investment in the fast-to-market lease fleet. The \$5 million line of credit established in 2013 was increased to \$10 million in early 2014 and \$2.9 million had been drawn on the line as of 31 December 2014. The Company also obtained a \$500,000 line of credit with the holder of the note secured by property and a building. At 31 December 2014, the full \$500,000 had been drawn from this facility resulting in net cash for the Company of \$8.4 million at year end.

## **Outlook**

The Board of Directors and the Company are very cognizant of the challenges the Company faces in 2015 and beyond. We believe long term success and building a global brand is achieved by engaging in large scale projects as well as smaller scale, fast-to-market opportunities that are additive to cash flow and bridge longer lead-time projects. Turnaround projects that have approved budgets and US onshore applications that provide diversification and alliances through master purchase agreements are examples of the type of projects we will target in 2015.

The current year has started out well and the Company is pleased to report that the operational challenges at one of its key customer's plant have been addressed and the water treatment process has returned to normal operations. The pipeline for capital equipment sales remains strong but customers are slow to commit due to oil price volatility. As a result, predicting the timing of capital sales and revenue recognition continues to be difficult. Utilising the equipment from previous leases, the Company is well positioned for turnaround projects which are short term, maintenance-driven and provide opportunity for quick media usage and lease revenue streams. They are best addressed with modular, readily available equipment. The successful 2015 turnaround projects are an example of the Company's ability to deploy quickly and be responsive to customer needs. The Company is ideally suited for these projects because of the flexible and effective way in which the Company's media is deployed as well as the small footprint and ease of operation.

The Company has already taken the necessary actions to reduce operating expenses by 10% for 2015. The plan is constantly monitored to ensure specific measures are taken in the event of a revenue shortfall or contract delay during the year. In considering what areas expense reduction would be achieved,

engineering and business development will remain protected from further reduction of expense. The Company will be prudent stewards of its cash and any additional equipment purchased will be supported by a contract.

At its core, the Company is a technology company. As such, the Company will continue to innovate and commercialize next generation technology to achieve treatment results not currently found in the market today. The oil and gas and petrochemical industries continue to integrate MYCELX® technology into their critical, real-time processes which confirms its adoption to achieve sustainable water treatment for years to come. The Board of Directors and Company management are committed to ensuring MYCELX® technology reaches its full potential as the global industry standard.

**Tim Eggar**  
Chairman  
20 March 2015

**Connie Mixon**  
Chief Executive Officer

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

	<b>2014</b> <b>(unaudited)</b>	<b>2013</b> <b>(audited)</b>
<b>Revenue</b>	\$ 13,581	\$ 21,379
Cost of goods sold	6,482	9,205
<b>Gross profit</b>	<u>7,099</u>	<u>12,174</u>
<b>Operating expenses:</b>		
Research and development	443	479
Selling, general and administrative	11,473	9,864
Depreciation and amortisation	<u>519</u>	<u>340</u>
<b>Total operating expenses</b>	<u>12,435</u>	<u>10,683</u>
<b>Operating (loss) income</b>	(5,336)	1,491
<b>Other expense</b>		
Loss on disposal of equipment	(2)	(90)
Interest expense	<u>(209)</u>	<u>(87)</u>
<b>(Loss) income before income taxes</b>	(5,547)	1,314
Provision for income taxes	<u>(373)</u>	<u>(749)</u>
<b>Net (loss) income</b>	<u>\$ (5,920)</u>	<u>\$ 565</u>
<b>(Loss) earnings per share-basic</b>	<u>\$ (0.44)</u>	<u>\$ 0.04</u>
(Loss) earnings per share-diluted	<u>\$ (0.44)</u>	<u>\$ 0.04</u>
<b>Shares used to compute basic (loss) income per share</b>	<u>13,574,809</u>	<u>13,097,911</u>
<b>Shares used to compute diluted (loss) income per share</b>	<u>13,574,809</u>	<u>14,316,603</u>

**MYCELX TECHNOLOGIES CORPORATION**

**Balance Sheets**

**(USD, in thousands, except share data)**

**31 December:**

	<b>2014</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 11,289	\$ 3,664
Restricted cash	500	500
Accounts receivable - net	2,610	7,431
Unbilled accounts receivable	91	1,430
Inventory - net	4,980	3,142
Prepaid expenses	528	218
Deferred tax asset	50	36
Other assets	140	94
<b>Total Current Assets</b>	<b>20,188</b>	<b>16,515</b>
Property and equipment - net	12,386	10,542
Intangible assets - net	756	574
<b>Total Assets</b>	<b>\$ 33,330</b>	<b>\$ 27,631</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,201	\$ 1,680
Payroll and accrued expenses	873	1,356
Deferred revenue	282	15
Capital lease obligations - current	5	4
Lines of credit	3,427	2,820
Note payable - current	78	74
Warrant liability	63	383
Other current liabilities	234	46
<b>Total Current Liabilities</b>	<b>6,163</b>	<b>6,378</b>
Note payable – long term	2,088	2,165
Capital lease obligations – long-term	5	4
Deferred tax liability – long-term	50	36
<b>Total Liabilities</b>	<b>8,306</b>	<b>8,583</b>



## Stockholders' Equity

Common stock, \$0.025 par value, 100,000,000 shares authorised, 18,552,803 and 13,257,734 shares issued and outstanding at 31 December 2014 and 2013, respectively

	464	332
Additional paid-in capital	39,820	27,821
Accumulated deficit	(15,025)	(9,105)
Stock subscription receivable	(235)	-
<b>Total Stockholders' Equity</b>	<b>25,024</b>	<b>19,048</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 33,330</b>	<b>\$ 27,631</b>

## MYCELX TECHNOLOGIES CORPORATION Statements of Stockholders' Equity

(USD, in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Stock Subscription Receivable	Total
	Shares	\$				
<b>Balances at 31 December 2012 (audited)</b>	<b>12,923</b>	<b>324</b>	<b>25,799</b>	<b>(9,670)</b>	-	<b>16,453</b>
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
<b>Balances at 31 December 2013 (audited)</b>	<b>13,258</b>	<b>332</b>	<b>27,821</b>	<b>(9,105)</b>	-	<b>19,048</b>
Issuance of common stock, net of offering costs	5,295	132	11,654	-	(235)	11,551
Stock-based compensation expense	-	-	345	-	-	345
Net loss for the period	-	-	-	(5,920)	-	(5,920)
<b>Balances at 31 December 2014 (unaudited)</b>	<b>18,553</b>	<b>464</b>	<b>39,820</b>	<b>(15,025)</b>	<b>(235)</b>	<b>25,024</b>

**MYCELX TECHNOLOGIES CORPORATION**

**Statements of Cash Flows**

**(USD, in thousands)**

**For the Year Ended 31 December:**

	<b>2014</b> <b>(unaudited)</b>	<b>2013</b> <b>(audited)</b>
<b>Cash flow from operating activities</b>		
Net (loss) income	(5,920)	565
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortisation	1,222	857
Loss from disposition of equipment	2	90
Stock compensation	345	1,047
Non-cash change in warrant liability	(320)	383
Change in operating assets and liabilities:		
Accounts receivable	4,821	(5,254)
Unbilled accounts receivable	1,339	(981)
Inventory - net	(1,838)	(178)
Prepaid expenses	(310)	77
Other assets	(46)	35
Accounts payable	(479)	(121)
Payroll and accrued expenses	(483)	521
Deferred revenue	267	(300)
Other current liabilities	188	(17)
<b>Net cash used in operating activities</b>	<b>(1,212)</b>	<b>(3,276)</b>
<b>Cash flow from investing activities</b>		
Payments for purchases of property and equipment	(3,024)	(7,629)
Proceeds from sale of property and equipment	-	19
Payments for purchases of intangible assets	(219)	(139)
<b>Net cash used in investing activities</b>	<b>(3,243)</b>	<b>(7,749)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from stock issuance	11,551	983
Payments on capital lease obligations	(5)	(12)
Payments on notes payable	(73)	(47)
Advances from notes payable	-	2,286
Increase in restricted cash	-	(400)
Payments on lines of credit	(1,593)	-
Advances on lines of credit	2,200	2,820
<b>Net cash provided by financing activities</b>	<b>12,080</b>	<b>5,630</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,625</b>	<b>(5,395)</b>
Cash and cash equivalents, beginning of year	3,664	9,059
<b>Cash and cash equivalents, end of year</b>	<b>11,289</b>	<b>3,664</b>

**Supplemental disclosures of cash flow information:**

Cash payments for interest	191	87
Cash payments for income taxes	445	638
Property and equipment remaining in accounts payable and other current liabilities	28	137
Purchase of property and equipment under capital leases	7	6

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.

**NOTES TO THE FINANCIAL STATEMENTS****Note 1 - Annual Report**

The financial information set out in this document does not constitute the Company's statutory accounts for 2013 or 2014. 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 2013 is audited and the auditor's report is unqualified.

The results for 2014 are unaudited. Statutory accounts for the year ended 31 December 2014 will be finalized based on the financial information in this announcement and the Company does not believe there will be any material differences between statutory accounts and the financial 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 the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company'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 the Company 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 the Company's present and future business strategies and the environment in which the Company 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 the Company nor any other person undertakes any obligation (other than, in the case of the Company, 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.