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## News release

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25 June 2014

### Acquisition of Pinto Energy and Ashtabula GTL Project

Velocys plc (VLS.L), the technology innovator for smaller scale gas-to-liquids (GTL), is pleased to announce the acquisition of Pinto Energy LLC ("Pinto Energy") and the Ashtabula GTL project.

Pinto Energy is one of the leading project developers of smaller scale GTL in North America. As its first facility, Pinto Energy is developing an approximately 2,800 barrels per day (bpd) plant at an 80 acre industrial site that it owns near the Port of Ashtabula, Ohio, USA. The project will have access to abundant low-cost natural gas from the Marcellus shale region, as well as benefiting from substantial existing infrastructure. Initial engineering for the facility is complete and the air permit has been issued. Final investment decision is expected within six to nine months. Future expansions could see installed capacity of 10,000 bpd or more at the site. In addition to Ashtabula, Pinto Energy has a pipeline of smaller scale GTL projects it is seeking to develop throughout North America.

The acquisition of Pinto Energy will allow Velocys to further stimulate early market adoption of its technology in North America by accelerating the development of "shovel ready" GTL projects. It also provides complementary skills and business synergies from which to improve both the breadth and quality of the Company's service offerings to customers.

Velocys technology remains fully available for license to new customers. Furthermore, Velocys is also open to partner with project developers to bring promising smaller scale GTL opportunities to market.

#### **Roy Lipski, CEO of Velocys, said:**

"The acquisition of Pinto Energy, one of North America's leading smaller scale GTL project developers, provides Velocys a key stepping stone for commercial growth. It will strengthen our route to market, accelerate early adoption, and deepen our ties with suppliers, partners, investors and customers across the entire GTL value chain.

"Our primary mandate remains technology leadership in smaller scale GTL; Velocys continues to work with and welcome customers seeking to take advantage of the historic opportunity presented by smaller scale GTL."

#### **Susan Robertson, CFO of Velocys, said:**

"The acquisition of Pinto Energy affords Velocys the means to further advance smaller scale GTL projects in North America in a fiscally prudent manner. When fully established, this added capability should not only allow Velocys to better serve its customers and accelerate success in its core technology business, but could also generate income in its own right."

**John Baardson, CEO of Pinto Energy, said:**

"The entire Pinto Energy team is excited to be joining Velocys. Combining its technology leadership with Pinto's project development capabilities makes for a formidable business. Together we are set to accelerate development of smaller scale GTL assets in North America, the time for which has never been better."

Velocys has acquired 100% of Pinto Energy and its wholly owned subsidiaries, including Ashtabula Energy LLC, for an initial consideration of 955,977 ordinary shares in Velocys plc ("Shares") (201,089 of which shall be held in escrow pending claims by Velocys under the sale and purchase documentation), and a further sum of 1,072,476 Shares at successful financial close of the Ashtabula GTL project (subject to certain conditions), as well as five year warrants over up to \$750,000 worth of Shares that will be granted for each additional project in the Pinto Energy pipeline (up to a maximum of two projects) that achieves financial close by the end of 2015, struck at a price equivalent to the greater of £2.192 per Share and 200 per cent of the share price at financial close of the project in question.

The consideration Shares will rank pari-passu with all existing ordinary shares of Velocys plc. Application has been made for a portion of the initial consideration Shares (being 754,887 Shares) to be admitted to trading on AIM; it is expected that such admission will be effective as at 8 am on 1 July 2014. The Company's total issued share capital after admission of these Shares will be 117,806,277 ordinary shares. The Company does not currently hold any shares in treasury. This figure of 117,806,277 ordinary shares may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the FSA's Disclosure and Transparency Rules.

The Company expects that application will be made for the remaining portion of the initial consideration Shares (being 201,089 Shares) to be admitted to trading on AIM once the escrow arrangements described above have been finalised. A further announcement will be made in relation to admission of these Shares in due course.

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## Contact

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## Notes

Velocys enables modular gas-to-liquids (GTL) plants to convert unconventional, remote and problem gas into valuable liquid fuels. Systems based on the Company's technology are significantly smaller than those using conventional technology, enabling modular plants that can be deployed cost effectively in remote locations and on smaller fields than is possible with competing systems. Together with world-class partners, Velocys provides complete modular GTL solutions that address an untapped market of up to 25 million barrels of fuel a day.

Velocys plc is listed on the AIM market of the London Stock Exchange (LSE: VLS). The Company has approx. 100 employees with facilities in Houston, Texas, USA and near Oxford, UK and Columbus, Ohio, USA.

**About Pinto Energy**

Pinto Energy, LLC is a Houston-based developer of GTL facilities in the United States. The principals of Pinto Energy have been developers of clean energy projects in the US since 1986.

[www.PintoGTL.com](http://www.PintoGTL.com)

Velocys plc trades through its subsidiaries Velocys Technologies Ltd, 115e Olympic Avenue, Milton Park, Abingdon, OX14 4SA, UK (Registered in England No. 5258554) and Velocys, Inc., 7950 Corporate Blvd, Plain City, Ohio 43064, USA (Registered in the State of Delaware, USA). Terms & Conditions. "Velocys" and the Velocys logo are trademarks of Velocys. © 2013 Velocys. All Rights Reserved.