August 30, 2018

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

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MagneGas Corp. (MNGA-NASDAQ)

Zacks Initiates Coverage of MagneGas Corp.

Utilizing an industry average P/S ratio of 2.7 on forward 2018 sales through 4Q-2018 (namely $9.96 million), our share price target is $0.70.

Current Price (08/29/18)	$0.23
Valuation	**$0.70**

OUTLOOK

MagneGas produces, sells and distributes MagneGas2®, a hydrogen-based fuel synthesized through its proprietary, patented Plasma Arc Flow™ process. Currently, the largest commercial application for MagneGas2™ is as an alternative to acetylene, and management is pursuing an aggressive acquisition strategy of domestic gas and welding suppliers in order to significantly expand geographical reach, boost the top-line and achieve profitability. Simultaneously, MagneGas is pursuing opportunities in Europe, primarily through government-sponsored grants that promote emerging clean technology projects. Revenues are expected to almost triple in 2018.

SUMMARY DATA

52-Week High	**$11.99**
52-Week Low	**$0.21**
One-Year Return (%)	**-96.89**
Beta	**-0.03**
Average Daily Volume (shrs.)	**2,404,685**
Shares Outstanding (million)	**37.7**
Market Capitalization ($mil.)	**$8.74**
Short Interest Ratio (days)	**0.6**
Institutional Ownership (%)	**0.1**
Insider Ownership (%)	**1.0**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**53.2**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2018 Estimate	**N/M**
P/E using 2019 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small-Value**
Industry	**Pollution Control**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2016	0.7 A	0.8 A	1.0 A	1.1 A	3.6 A
2017	0.9 A	1.0 A	0.9 A	1.0 A	3.7 A
2018	1.2 A	2.9 A	2.8 E	3.0 E	10.0 E
2019					15.0 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2016	-$5.32 A	-$15.3 A	-$12.1 A	-$20.03 A	-$52.74 A
2017	-$4.51 A	-$4.95 A	-$5.78 A	-$5.95 A	-$22.22 E
2018	-$0.62 A	-$0.24 A	-$0.08 E	-$0.07 E	-$0.55 E
2019					-$0.15 E

Adjusted for 1-for-10 reverse split on May 19, 2017
Adjusted for 1-for-15 reverse split on January 16, 2018
Quarterly EPS & revenue may not equal annual totals.

KEY POINTS

- MagneGas is pursuing opportunities to expand and commercialize the company's core technology which is based on the patented Plasma Arc Flow System.
    - produces, sells and distributes **MagneGas2**® in the United States
    - owns and operates 10 industrial gas and welding supply locations situated in **Florida, Louisiana, Texas and California**.
        - In addition to fulfilling local demand for industrial gas and welding supplies, the company **pursues contracts for major metal cutting projects**, particularly for the breakup and recycling of retiring vessels, extraction solutions for fire department/first responder market and projects by major marquee customers in the electric utility and waste industries
    - augmenting and strengthening the sales teams is generating organic sales growth
    - embarking on a major European initiative to advancing the company's gasification and sterilization technologies
- **Management's strategy for the U.S. market for 2018** includes:
    - close the acquisitions of several industrial gas/welding supply businesses, which serve the California and Texas markets where there are strong industry dynamics
        - the company closed the acquisitions of NG Enterprises Inc. (d.b.a. Complete Welding), Green Arc Supply LLC and TriCo Welding Supplies between January and April 2018
    - increase the sales force to enhance the company's sales capacity
        - the expansion of sales personnel at Complete Welding, ESSI and Green Arc Supply has been accomplished
    - utilize MagneGas2® as a competitive advantage to earn new customer relationships
    - financially transform the U.S. business by significantly increasing the revenue base
        - MagneGas reported record revenues for the first and second quarters of 2018
    - future acquisitions in Florida, California and Texas during 2018-2019
    - management estimates that the run rate of annualized revenues is currently $14 million and that the continued implementation of the company's strategy has a potential to double sales from the current run rate over the next three to five years
- MagneGas is also pursuing other applications to further commercialize its patented technology:
    - selling equipment or establishing service models for the **sterilization of bio-mass liquid wastes** (such as sewage, manure, sludge, industrial waste, agricultural waste etc.) through plasma arc technology and the conversion into irrigation water or fertilizer
    - using the prototype MagneGas 4th generation gasification technology for waste to energy as an alternative to natural gas for powering industrial equipment
- The company continues to **build awareness** by attending **Analyst Conferences**:
    - 10th Annual LD Micro Main Event (December 6, 2017)
    - CleanEquity Monaco – An Emerging Cleantech Conference (March 2018)
    - 4th Gabelli & Company Waste Services Symposium (March 23, 2018)
    - 3rd Annual Disruptive Growth & Healthcare Conference in NYC (May 9, 2018)
    - 20th Annual HC Wainwright Global Investment Conference in NYC (September 5, 2018)
- The company also attends **Industry Trade Shows & Clean Technology Events**, **particularly in Europe**:
    - Green Maritime Forum in Hamburg, Germany (April 2018)
    - 5th International Conference on Renewable Energy Gas Technology in France (May 2018)
    - Maritime2020 Conference in Copenhagen, Denmark (June 19, 2018)
        - MagneGas' CEO was a key note speaker delivering presentation titled "Waste to Energy Solutions for Modern Ports"
- Developments at MagneGas generate **considerable news flow** as the company issues numerous press releases every year.

OVERVIEW

Headquartered in Clearwater, Florida, MagneGas Corporation (MNGA) produces, sells and distributes **MagneGas2**®, a hydrogen-based fuel synthesized through its proprietary, patented process of Submerged Plasma Arc Gasification™ (aka the Plasma Arc Flow™ process). Currently, the **largest commercial application** for MagneGas2™ is as an **alternative to acetylene**, which is most often used for oxy-fuel cutting and brazing applications in the metal cutting fuel market with important demand derived from the cutting of steel alloys in **demolition and extraction** projects. MagneGas also markets and has sold equipment aka Plasma Arc Flow refineries (see below).

MagneGas sells its fuel product through a **distribution network** composed of the company's wholly-owned distribution/retail locations and independent distributors. The company has targeted geographical areas with high concentrations of metal cutting fuel consumption. MagneGas2 is available through third party distributors in Alabama, California, Florida, Georgia, Indiana, Kentucky, Louisiana, Michigan, Nevada, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, and Vermont.

MANAGEMENT'S GROWTH STRATEGY

Since the company's founding in 2007, management of MagneGas has attempted to develop a viable, profitable commercial enterprise utilizing its patented Plasma Arc Flow process. Initially, management concentrated on **selling MagneGas fuel** (as an alternative to acetylene) **into the metal cutting space** by expanding its distribution network through the pursuit of relationships with established independent distributors, retail gas end-users and strategic customers. MagneGas also pursued the **sale of MagneGas equipment** (Plasma Arc Flow refineries) for a myriad of applications related to processing liquid waste and co-combustion with hydrocarbon-based fuels. The execution of the strategy has required repeated access to the capital markets (both equity and debt) in order fund the company's financial requirements. MagneGas has twice executed one-for-ten reverse splits of its common shares (on June 26, 2012 and again on May 19, 2017) and most recently a one-for-fifteen reverse split on January 16, 2018.

Beginning in early 2017, management began to pursue a new **growth initiative of building a sales base** in **the industrial gas and welding supplies space which is able to support the company's R&D projects and operating cost structure**. The company's geographical footprint is being expanded through **the acquisition of** multiple **industrial gas and welding supply businesses**. In addition to the acquisitions, the company is augmenting the sales force with experienced personnel who will facilitate access to new clients and thereby help develop incremental demand for MagneGas2. **Management's main focus is to drive sales growth**, primarily through acquisitions but also through organic growth, and benefit from the anticipated economies of scale in order to bring the company to profitability.

The acquisition strategy targets the stronger industrial markets in the U.S. where MagneGas2 fuel can be utilized by the company's sales force to generate incremental complimentary sales. In addition, the sales team at ESSI in Florida was increased with the hire of four experienced sales professionals.

Acquisition Strategy

In October 2014, the company acquired its first in-house distributor, **Equipment Sales and Services**, Inc. (**ESSI**). ESSI is a full-line distributor of welding supplies, welding equipment, safety products and industrial gases (acetylene, argon, oxygen, carbon dioxide, helium, nitrogen, propane, nitrous oxide, etc.) to industrial clients, which in 2014 were located in Clearwater/St. Petersburg/Tampa Bay area of Florida from its storefront in Clearwater. The purchase price was $3,000,000

The ESSI acquisition provided control of the sales force and enabled to better generate incremental demand for MagneGas2. Over the next few years, MagneGas opened several new ESSI retail locations in Lakeland, Sarasota and Lutz. The expansion program **organically grew the geographical footprint of ESSI** and bolstered demand for MagneGas2 and ancillary sales.

E.S.S.I. EQUIPMENT SALES & SERVICE, INC.

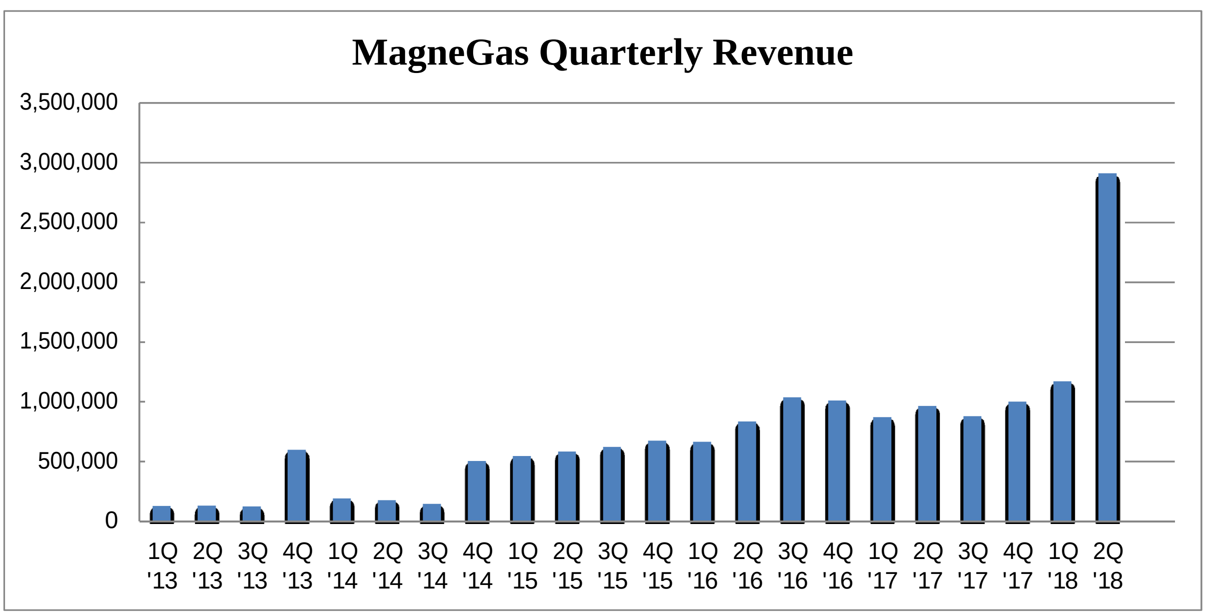
Clearwater	Lakeland	Sarasota	Lutz
12707 44th St N Clearwater, FL 33762	2718 S Combee Road Lakeland, Florida 33803	3100 Whitfield Ave Sarasota, FL 34243	12925 U. S. Hwy. 41 Spring Hill, FL 34610

ESSI Timeline

- October 27, 2014 — Acquired ESSI (Equipment Sales and Services, Inc.) of Clearwater, Florida
- July 28, 2016 — ESSI - opened new store location in Lakeland, FL
- January 2017 — ESSI - opened new store location in Sarasota, FL
- June 2018 — ESSI - opened new store location in Lutz, FL (north of Tampa)

In 2017, management embarked on an acquisition-focused growth strategy to acquire independent distributors of MagneGas2 in order to geographically broaden its exposure to the industrial gas and welding supply industry and **replicate the organic growth strategy being executed in Florida through ESSI**. During the second half of 2017, the company entered into agreements with three industrial gas and welding equipment suppliers, and during the first four months of 2018, the **acquisitions of Green Arc Supply, TriCo Welding Supply** and **Complete Welding and Cutting Supplies** were completed, adding two retail locations in Texas, one location in Louisiana, two locations in central California (Sacramento and Woodland) and one location in southern California (San Diego). The company's sales base has grown significantly from $3.7 million in 2017 to an **annual run-rate of approximately $12 million** currently.

Management intends to continue acquiring industrial gas and equipment supply businesses in order to grow demand for its flagship product (MagneGas2) and create a **retail distribution platform of scale** that provides MagneGas2, non-proprietary industrial gases, traditional welding supplies and related equipment to the metal cutting space. In addition, management is **investing in the company's sales force** to facilitate organic growth by stimulating sales of all products within its suite of industrial gases and welding supplies.

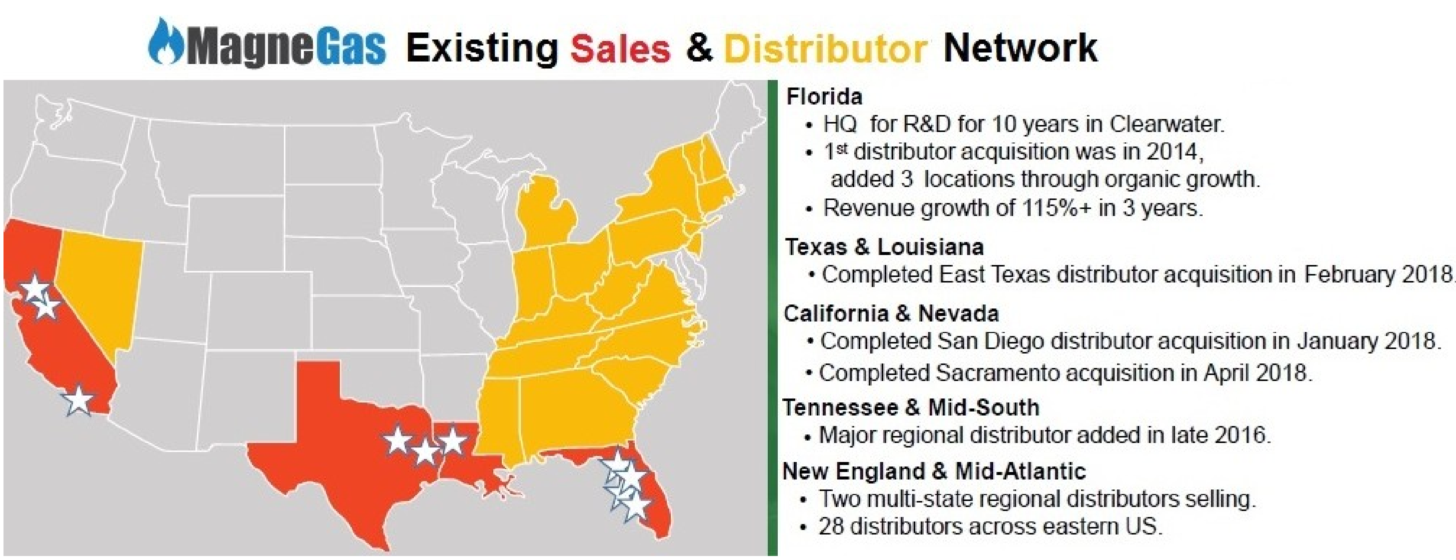


Management's acquisition strategy has transformed and diversified MagneGas' revenue base into that of a distributor of industrial gases, welding gases, welding tools, welding equipment, hardware and safety products. As a result, MagneGas now also offers a wide array of industrial gases and tools. Excluding MagneGas equipment sales, which tend to be lumpy, we estimate that sales derived from the company's patented Plasma Arc Flow System (aka MagneGas2™) now account for about 3% of revenues while sales of ancillary equipment and supplies account for the remaining 97%. Management believes that by broadening and deepening client relationships with companies in the demolition, construction and manufacturing industries, MagneGas can grow into complementary end-markets, expand its footprint geographically and increase sales of MagneGas2.

The acquisition of several industrial gas and welding supply distributors has **significantly expanded the company's revenue base**, from which management anticipates to achieve adequate scale with the aim of improving gross profits and EBITDA.

U.S. Distribution Timeline

- April 2, 2007 — MagneGas founded by Dr. Ruggero Santilli (inventor of Plasma Arc Flow™)
- 2010 — MagneGas begins to be sold through independent distributors
- June 15, 2012 — Ermanno Santilli becomes CEO
- July 29, 2013 — Entered distribution agreement with GTW Welding Supplies of Michigan
- April 3, 2014 — Entered distribution agreement with Sidney Lee Welding Supply of Georgia
- August 28, 2013 — Entered distribution agreement with Accugas of Michigan
- November 5, 2013 — Entered distribution agreement with AWISCO (NY, NJ & CT)
- June 30, 2014 — First order from Placer Power LLC in California for TriCo Welding Supplies
- 2014 — MagneGas was being sold through 28 third party independent distributors
- July 16, 2014 — Launched **MagneGas2**, a new fuel which uses butanol as a feedstock
- October 27, 2014 — **Acquired ESSI** (Equipment Sales and Services, Inc.) of Clearwater, Florida
- August 18, 2015 — Entered distribution agreement with Harris Industrial Gases of Nevada
- September 30, 2015 — AWISCO becomes supplier of MagneGas2 in NY, NJ & CT
- November 3, 2015 — Entered distribution agreement with Haun Welding Supply of New York
- 2016 — 1st distributor purchase of production plant
- May 20, 2016 — Complete Welding (CA & Mexico) begins selling MagneGas2
- December 30, 2016 — Entered distribution agreement with Holston Gases of Tennessee
- March 8, 2017 — Complete 2nd fully-operational MagneGas2 production facility in Tyler, TX
- January 19, 2018 — **Acquired** assets of **NG Enterprises** (San Diego)
- February 20, 2018 — **Acquired** assets of **Green Arc Supply** LLC (Texas and Louisiana)
- April 4, 2018 — Closed the acquisition of **TriCo Welding Supplies**, Inc. (Sacramento)



EUROPEAN INITIATIVE

Legislation in the European Union has incentivized clean tech and renewable fuel initiatives, like the use of the company's Plasma Arc Flow™ process and MagneGas2, itself. Therefore, MagneGas has initiated a concentrated effort to commercialize its process, both through the sales of MagneGas2 and the sales of equipment for gasification, sterilization and co-combustion applications.

In the first half, MagneGas has been aggressively marketing the company's process in Germany, France and the UK, specifically targeting major industrial super ports in Europe, including Rotterdam, Amsterdam Antwerp, Southampton, Hamburg, Copenhagen and Calais where there are concentrations of shipping, rail, trucking, oil and gas exploration, production and refining operations, all that require infrastructure maintenance utilizing metal cutting services. Representatives of the company attend **Industry Trade Shows** and **Clean technology Events**, such as the Green Maritime Forum in Hamburg, the International Conference on Renewable Energy Gas Technology in Toulouse and Maritime2020 Conference in Copenhagen, where at the latter, MagneGas' CEO was a key note speaker.

In December 2017, MagneGas announced the formation of **MagneGas Europe, LLC**, a wholly owned subsidiary and platform for executing a **European joint venture**. The JV has received **two preliminary orders**, one for a 300 KW gasification unit and a second for a sterilization unit for agricultural waste in southern Italy.

In February 2018, MagneGas entered into a Letter of Intent (LOI) to form an Ireland-based holding company for the purpose of acquiring **Infinite Fuels, GmbH**. Once the JV is funded, the joint venture will initiate biodiesel operations at Infinite Fuels facility in northern Germany to act as a pilot a government-backed initiative for converting bio-waste into energy and also become the first MagneGas2 production facility in Europe. The JV has the option to purchase up to six 300 KW gasification units within the next 5 years. The JV will also pay annual consulting fees and royalties to MagneGas, along with the portion of income entitled by its percentage of equity ownership in the joint venture.

INFINITE FUELS

INFINITE FUELS GmbH
Kurfürstendamm 30
10719 Berlin

Initially, MagneGas will benefit from a **consulting services agreement** with the JV that was increased to **$750,000** in order to accelerate the process of commercializing MagneGas in the European market. If and when projects are completed, MagneGas would be entitled to its share of the JV's revenue stream, including royalties, exclusivity fees, consulting fees and minority interest income

Currently, **Infinite Fuels** has a 60% stake in the JV and is **responsible for securing funding for the JV's start-up costs** (estimated to be approximately €2 million), though MagneGas has veto power on key operational and financial matters. Thus far, Infinite Fuels has successfully advanced a government-backed a €6.0 million ($7.2 million) grant application to the contract negotiation phase.

On behalf of the JV, Infinite Fuels filed a project application through the **Eco-Innovation Initiative managed by EASME** (Executive Agency for Small and Medium-sized Enterprises) on behalf of the European Commission, a leading European Union-backed agency. The European Union, itself, is committed to funding emerging clean technology projects. The Eco-Innovation Initiative is designed "to help develop and market products that are more sustainable and make efficient use of resources" with its main goal being to assist "good ideas for innovative products, services and processes that protect the environment become fully-fledged commercial prospects, ready for use by business and industry."[i]

On March 1, 2018, MagneGas announced that Infinite Fuels was informed by EASME that its proposal **passed the evaluation phase** of the grant approval process and has been accepted for a **€6.0 million ($7.2 million) grant.** The next step is contract negotiation phase, which entails negotiating the legal terms for the project and executing a standard agreement that describes the actions covered, the budget and duration of the project. The grant is paid out over the lifetime of the project and is subject to the submission of a series of financial and technical progress reports at the completion of various stages of the project. Usually the initial funds are 30% of the grant; however, in the EU, MagneGas is a foreign-based company, which is a very unique situation in the EU grant realm. Therefore, MagneGas is negotiating to guarantee a "fairly small" undisclosed amount of money to back the unfunded portion of the grant. Importantly, the grant will provide MagneGas access to non-dilutive capital and will accelerate the path towards commercial operations in Europe.

On July 3, 2018, MagneGas announced the **formation of MagneGas Limited**. Based in London, the wholly-owned subsidiary's purpose is two-fold:

1) manage the grant-funded projects in Europe, including the application process
    - Management **anticipates submitting application for at least two additional multi-million grant proposals**, one with deadline in October 2018 and the other in 2019.

2) manage European commercial operations, including
    - the process of obtaining permits and licenses to sell MagneGas2
    - the responsibilities of marketing, production and sale of the company's MagneGas2

Management has met with multiple large port authorities in Europe. MagneGas plans to schedule demonstrations for these large consumers of metal cutting fuels at multiple locations across northeastern Europe during the third quarter of 2018.

European Sterilization Initiatives

MagneGas is on track to sell two sterilization units to a potential client in Italy for the sterilization of landfill leachates (liquid that seeps from landfills). The Plasma Arc Flow™ process has been tested by the prospective customer in tests that verified the chemical oxygen demand (COD)[ii] was sufficiently reduced to meet Italy's stringent regulations on the discharge of wastewater.

EQUIPMENT SALES

MagneGas also markets and has sold equipment aka Plasma Arc Flow refineries. These systems were configured in sizes ranging from 50 kWh to 200 kWh and in price range of $500 thousand to $2.0 million. Not only is the **sales cycle for equipment is longer** and more complex than for the sale of industrial gases or welding supplies, but also Plasma Arc Flow technology has not yet been accepted as a mainstream solution for its various other applications. Therefore, revenues derived from **equipment sales tend to be lumpy**. Further contributing to the unevenness, revenues from equipment sales are recognized either upon shipment or under a bill-and-hold arrangement.

Significant Equipment Sales

- 2010 200 kWh refinery in China for $1,855,000 (in JV investment)
- 2013 50 kWh mini-refinery system in Kazakhstan for $518,000
- 2017 100 kWh Plasma-Arc Gasification System to Green Arc Supply for $775,000

In 2010, Beijing-based **DDI Industry International Beijing Company Ltd** purchased **a 200** kWh **Plasma Arc Flow refinery** for $1.855 million. In addition, DDI created **MagneGas China**, a China-based Joint Venture company, to house the exclusive rights of MagneGas technology and exclusive manufacturing rights for the Greater China market. In compensation, DDI funded MagneGas China with $2.0 million and granted 20% equity ownership of MagneGas China to MagneGas Corp. DDI is a waste management company specializing in waste water treatment and industrial waste disposal and desiring to enter the Municipal sludge disposal market.



Astana TechCom of Kazakhstan purchased a **mobile 50 kWh mini-refinery** for $518,000. The definitive agreement was signed in August 2013, and full payment was received by January 2014. The equipment for the system were sourced from MagneGas in the U.S. and shipped to **Kazakhstan** for assembly. Construction of the custom system was completed in August 2014. The revenue was recognized on a percentage-of-completion method basis. The mobile mini-refinery was used to demonstrate MagneGas Technology to Kazakh entities, particularly Eurasian National University in Astana (Kazakhstan's capital) as well as to local energy businesses and medical facilities. The anticipated follow-on order for an industrial-size unit did not materialize.

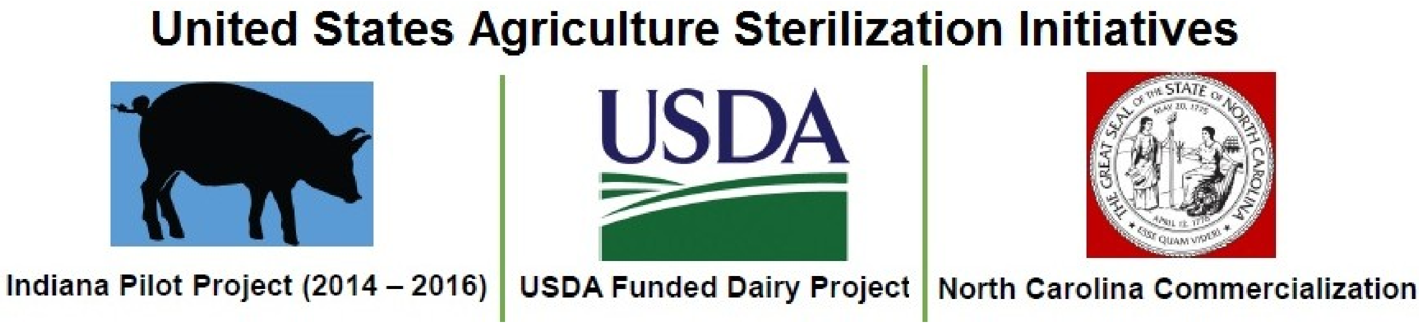
GREEN ARC SUPPLY
Fabricating A New Standard

In November 2015, Green Arc Supply LLC (at the time one of MagneGas' independent distributors and now wholly-owned by the company) signed an agreement to purchase a **100 kWh MagneGas2® gasification system**, which was MagneGas' first commercial gasification system sale. **Green Arc Supply** purchased the system in order to be able to manufacture and distribute MagneGas2 in its service area of Louisiana, Texas, Arkansas, Mississippi and Oklahoma. The purchase price was $775,000, which was fully paid by the end of 2016. In addition, MagneGas received royalty payments of $0.02 per cubic foot of MagneGas2 produced. Installation of the Plasma-Arc Gasification system was completed in March 2017.

BLUE SKY OPPORTUNITIES FOR MAGNEGAS TECHNOLOGY

In addition to pursuing an expansion strategy within the industrial gas and welding supply space, **MagneGas is targeting opportunities in the sterilization, water treatment and waste to energy verticals** in order to advance the commercialization of the company's core intellectual property, the Plasma Arc Flow process.

The company continues to test its Plasma Arc Flow system for **sterilizing liquid biomass waste** (sewage, sludge, manure, waste oils, agricultural waste etc.), which virtually eliminates all living organisms through a combination of high heat, ultraviolent light, hydrogen peroxide and ozone. The process converts the liquid waste to Class A waste while simultaneously creates a clean burning fuel that is substitutable for natural gas. Furthermore, MagneGas continues to pursue additional commercial applications of its plasma arc technology, including the production of MagneGas fuel as an alternative to natural gas for cooking, heating or powering industrial equipment and biofuel automobiles



Management envisions great commercial potential in the plasma arc Venturi® sterilization system for treating pathogens and nutrients found in animal bio-solid waste.

On June 8, 2017, MagneGas was awarded a **$432,000 Conservation Innovation Grant from the USDA** (United States Department of Agriculture) in order to gather data on the company's plasma arc sterilization technology for another application in the agricultural sector. The objective of this follow-on grant is to evaluate the efficacy of the MagneGas' plasma arc sterilization process on **cow manure** for the dairy industry. This competitive grant (which awarded $22.6 million to 33 projects in 2017) funds projects that develop the tools, technologies and/or strategies "to support next-generation conservation efforts on working lands and develop market-based solutions to resource challenges."[iii] The grant covers 50% of all costs involved with conducting a series of the pilot demonstrations over 18 months, the results of which could be a key step for MagneGas equipment being eligible for USDA subsidies.

On May 10, 2018, MagneGas hosted its **first in a series of live, public demonstrations** under the USDA grant. The demonstration, which converted bio-waste liquid into sanitized bio-solids and clean energy gas products, was held at Lake Branch Dairy Farm, an active dairy farm in Bowling Green, Florida. In attendance were representatives from the USDA, the Dairy Farmers Association, the International Dairy Journal, the University of Florida, independent dairy operators and interested local government representatives. The demo showed that the company's plasma arc sterilization process on cow manure can reduce or eliminate the use of lagoon waste collection systems and waste pits.

According to the company, the initial results were very promising and resulted in MagneGas being invited by the USDA to present the findings at the Soil and Water Conservation Society's 73rd International Annual Conference on Culture, Climate and Conservation, which was held in Albuquerque, New Mexico from July 29th to August 1st, 2018.

In 2016, MagneGas had conducted similar pilot programs for the hog industry in Indiana. Demonstrations were conducted on the largest swine farm in the state. The demos verified that the MagneGas' plasma arc sterilization process successfully treated hog manure at scale, eliminating e coli and fecal coliform.

The processed bio-solid met the EPA guidelines to be designated as a Class A waste, which can be legally applied as fertilizer on farms and also vegetable gardens with no restrictions.

The company is also working toward pilot program in North Carolina targeting the hog industry. In mid-August 2018, MagneGas met with representatives of the North Carolina Department of Environmental Quality (NCDEQ) and the U.S. Army Corps of Engineers in order to gain a complete understanding of the regulatory and permitting requirements for initiating a commercial operation for the sterilization of agricultural waste in North Carolina. Management anticipates that the process of obtaining the proper permits will require 8-to-12 months and that the commencement of commercial operations ought to occur during the second half of 2019. Management anticipates providing sterilization services on hog manure feedstock from 1,700 targeted hog farms in a local market of North Carolina.

FINANCINGS

Since the company was organized in 2005, MagneGas has financed its operations through equity and debt financings. Management expects to continue incurring operating losses for the foreseeable future and expects it will be necessary to raise capital in order to fund the company's operations during the next twelve months. As of the second quarter of 2018, the company is utilizing cash at a rate of approximately $300,000 per month.

During 2017, MagneGas **received $3.77 million in net proceeds** through the issuance of Series C, Series D and Series E Convertible Preferred Units (common stock and warrants).

Thus far in 2018, MagneGas has

- issued 1,786,827 common shares for services rendered
- **received net proceeds of $11,199,600** from the issuance of Series C Convertible Preferred Shares and Warrants, most of which was utilized to complete acquisitions
- issued 725,000 Series F Convertible Preferred Stock in compensation for certain placement agent fees related to the June 12, 2017 Series C Convertible Preferred Stock transaction

These transactions have been highly dilutive, increasing shares outstanding from a reverse-split adjusted 1,782,864 shares on December 31, 2017 to 37,713,529 million shares as of August 8, 2018 (per the company's 10-Q filed in August 2018).

RECENT NEWS

Acquisitions

On January 19, 2018 MagneGas acquired the assets of **NG Enterprises Inc**. (d.b.a. Complete Welding), an industrial gas and welding supply business in **San Diego**. The acquisition is expected initially to generate approximately $650,000 in revenues annually. Additional synergies are anticipated from cross-selling MagneGas2 to NG's client list. Moreover, there is a long-term contract opportunity for a power plant decommissioning project in the service area. The purchase price was $745,000, which is in the range of 6.0-to-6.5x NG's 2017 EBITDA. NG Enterprises is MagneGas' **first acquisition in California**. Management indicated that the adjacent metropolitan markets are "a top priority for additional acquisition targets in the coming months."

Complete Welding Supply

3676 Main Street
San Diego, CA 92113

On February 20, 2018, MagneGas acquired the assets of **Green Arc Supply LLC**, an independent industrial gas/welding supply business and exclusive distributor of MagneGas2 in **Texas and Louisiana** out of three locations. The $2.5 million purchase price was comprised of $1.0 million cash and $1.5 million worth of restricted common stock. MagneGas constructed a second MagneGas2 production facility at **Green Arc Supply's** Tyler TX location, which will help reduce delivery costs to MagneGas distributors in Central and Mid-south regions of the U.S.

GREEN ARC SUPPLY
Fabricating A New Standard

Tyler Location	Palestine Location	Shreveport Location
17511 HWY 155 S. STE A-23	6010 North Loop 256	1780 Grimmett Drive
Flint, Texas 75762	Palestine, Texas 75801	Shreveport, Louisiana 71101

On April 4, 2018, MagneGas announced that the company closed the acquisition of **TriCo Welding Supplies**, Inc., an industrial gas and welding supply distributor with two locations in **Sacramento, CA**. Prior to the closing, MagneGas had already made a non-refundable deposit of $1.0 million toward the purchase. TriCo is MagneGas' **second acquisition in California** and is part of management's planned expansion into central and northern California. TriCo Welding Supplies generated $5.5 million in revenues in 2017 and has been the primary West Coast distribution partner and exclusive distributor of MagneGas in the Greater Sacramento area since August 2014. The company is planning to construct a MagneGas production facility in the vicinity of TriCo's service area.

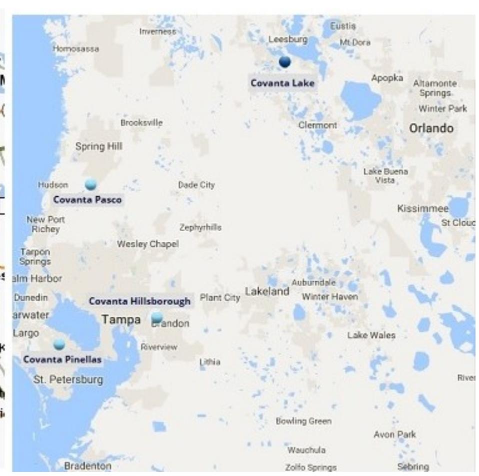
TriCo WELDING SUPPLIES, INC.

8632 Elder Creek Rd
Sacramento, CA 95828

1590 E. Kentucky Ave.
Woodland, CA 95776

New Location

On April 6, 2018, MagneGas announced that the company will open its 10th industrial gas and welding supply location, which will serve the northern Tampa and Pasco County. The **new ESSI location** will be situated in **Pasco County** in the town of Lutz. The new location will provide better access to the Pasco County facility of Covanta, ESSI's largest customers. The expansion to Lutz will complete a logistical route in the business corridor (starting at Lutz, north of Tampa, through Clearwater and Tampa to Lakeland). The grand opening took place in June 2018.



U.S. Business Updates

Management's strategy for the U.S. market for 2018 includes closing the acquisitions of several industrial gas/welding supply businesses, expanding the sales force to enhance the company's sales capacity and utilizing MagneGas2® as a competitive advantage to earn new customer relationships. This multilayered approach is growing the company's geographic footprint and broadening the sales effort to reach multiple verticals. Management plans to ultimately to open satellite branches to enhance the depth of coverage in order to fully penetrate certain targeted markets. Management anticipates that by expanding the scale and scope of the company's business, revenue per share will grow from approximately $0.15 in 2017 to almost $1.00 in 2018

On November 30, 2017, MagneGas announced that **ESSI** (the company's wholly owned industrial gas and welding supply business in Florida) **hired three sales executives** and an experienced **industrial sales representative** to accelerate sales growth in 2018. Management's core strategy for stimulating organic growth is to gain access to new clients for MagneGas2. Two of the hires provide expertise in specialty gases or welding processes; the other two bring an extensive book of customers or a sizeable list of prospective customers.

On February 2, 2018, MagneGas announced that **over 100 new clients were acquired** in the past 90 days, largely in part due to the hiring of three new sales executives in November. The progress is impressive given that the sales conversion cycle in the industrial gas business is often lengthy since the prospective customer must not only be convinced to transition to MagneGas2, but also extricate themselves from existing vendor contracts.

On March 7, 2018, the company announced the authorization to immediately **increase of the local sales force at Green Arc** (all three locations in Texas and Louisiana) **by approximately 60%**. Management expects revenues to increase by approximately 50% as a result of the new sales hires

European Updates

On September 26, 2017, **MagneGas** announced the receipt of a **preliminary purchase order** for a $1.9 million **300KW gasification unit**. The company plans to form a joint venture **with Infinite Fuels, GmbH** to purchase the gasification unit. In the meantime, the partnership will lease gasification unit in Florida from MagneGas to demonstrate the operating capabilities of MagneGas2 to prospective European customers. MagneGas will provide technical and marketing consulting services billable for up to $500,000

On December 4, 2017, MagneGas announced the formation of **MagneGas Europe, LLC**. This wholly owned subsidiary will be the platform for executing the **European joint venture** that was previously announced in September 2017. The company's privately-held partner is in the process of securing financing, which MagneGas anticipates to be completed in 2018.

On December 13, 2017, MagneGas announced the previously announced $500,000 **consulting services agreement** with **Infinite Fuels** has **been increased to $750,000** in order to accelerate the process of commercializing MagneGas2 in the European market and expand the scope to include co-combustion opportunities.

On December 19, 2017, MagneGas announced the receipt of a **second preliminary order** for a MagneGas **sterilization unit** to be used primarily for the sterilization **of agricultural waste**. An Italian grant, which is designed to advance waste reduction technologies and contribute to the reduction of carbon emissions, is expected to help fund the project. Management anticipates that the unit will be delivered in the first half of 2018 into **southern Italy**.

On February 6, 2018, MagneGas announced the entered into a Letter of Intent (LOI) to form an Ireland-based holding company for the purpose of acquiring **Infinite Fuels**. Initially, MagneGas will own a 40%

stake in the JV with the remaining 60% being owned by the current principals of Infinite Fuels. Once the JV is funded, the joint venture will initiate biodiesel operations at Infinite Fuels facility in northern Germany to act as a pilot a government-backed initiative for converting bio-waste into energy and also to become the first MagneGas2 production facility in Europe. The JV has the option to purchase up to six 300 KW gasification units within the next 5 years. The JV will also pay annual consulting fees and royalties to MagneGas, along with the portion of income entitled by its percentage of equity ownership in the joint venture.

On behalf of the JV, Infinite Fuels filed a project application through the **Eco-Innovation Initiative managed by EASME** (Executive Agency for Small and Medium-sized Enterprises) on behalf of the European Commission, a leading European Union-backed agency. The European Union, itself, is committed to funding emerging clean technology projects. The Eco-Innovation Initiative is designed "to help develop and market products that are more sustainable and make efficient use of resources" with its main goal being to assist "good ideas for innovative products, services and processes that protect the environment become fully-fledged commercial prospects, ready for use by business and industry."[iv]

On March 1, 2018, MagneGas announced that Infinite Fuels was informed by EASME that its proposal **passed the evaluation phase** of the grant approval process and has been accepted for a **€6.0 million ($7.2 million) grant.** The next step is contract negotiation phase, which entails negotiating the legal terms for the project and executing a standard agreement that describes the actions covered, the budget and duration of the project. The grant is paid out over the lifetime of the project and is subject to the submission of a series of financial and technical progress reports at the completion of various stages of the project. This grant gives MagneGas access to non-dilutive capital and will accelerate the path towards commercial operations in Europe.

On July 3, 2018, MagneGas announced the **formation of MagneGas Limited**, a wholly-owned subsidiary based in London. The subsidiary's purpose is two-fold: 1) manage the grant-funded projects in Europe, including the application process and 2) manage European commercial operations, including the process of obtaining permits and licenses to sell MagneGas2, and also the responsibilities of marketing, production and sale of the company's MagneGas2. **Management anticipates submitting another two multi-million grant proposals**, the next having a deadline in October 2018.

<u>Second Quarter 2018 Financial Results</u>

Key Aspects of the Second Quarter

- Quarterly revenues increase 201% to a record $2,907,712, primarily due the acquisitions of Complete Welding and Green Arc, but most especially of TriCo.
- The gross margin declined 1,271 basis points from 44.9% to 32.2%.
    - reflects accounting treatment of the acquired inventory values related to acquisitions
    - could encompass business mix shift to a greater proportion of industrial gas and welding supplies
- Weighted average shares outstanding increased from 468,405 to 15,972,166 shares (YOY); end of quarter shares outstanding were 23,609,814 common shares
    - reveals dilutive aspects of
        - raising capital through Series C Convertible Preferred Shares
        - making acquisitions that involve the issuance of new shares and
        - operating with a relatively high level of SG&A expenses

On August 16, 2018, MagneGas reported results for the second quarter ending June 30, 2018. The company reported **record quarterly revenues** of $2,907,712, **up 201%** from $966,204 reported in comparable quarter last year. The revenue increase was due primarily to the acquisitions of Complete Welding of San Diego, Green Arc in Texas and TriCo in Sacramento in January, February and April 2018, respectively, along with organic sales growth in pre-existing operations. The gross margin declined 1,271 basis points (bps) from 44.9% to 32.2%. The gross margin was impacted by the accounting treatment of the acquired inventory values related to the acquisitions that closed during 2018, and management believes that the gross margin will return to the 40% range as the acquired inventory is sold. However, noting that the gross margin also declined in the second half of 2017, it appears that the margin is being also impacted by a shift in business mix.

Operating expenses increased 22.4% to $4,314,268 from $3,524,922 (or $789,346) in comparable quarter last year, primarily from SG&A expenses increasing 24.0% (or $794,321). Management is addressing the relatively high level of SG&A expenses through its acquisition strategy; in addition, a series of operational initiatives have been taken, including the elimination of approximately $650,000 in redundant annualized staffing expenses. Complete Welding, Green Arc Supply and TriCo have been fully integrated into the company's IT platform. The implementation of a unified accounts receivable collection process and a centralized inventory is also expected to reduce the company's working capital needs. With the assimilation of the acquisitions completed, integration expenses are expected to significantly decrease in the third quarter of 2018.

The company reported a net loss attributable to common shareholders of $3,809,161 (or $0.24 per diluted share) versus a loss of $2,316,777 (or $4.95 per diluted share) in the second quarter of 2017. Weighted average shares outstanding increased 3,310% from 468,405 to 15,972,166 year-over-year. At the end of the second quarter, 23,609,814 common shares were outstanding. The company's working capital position $1,235,575, an improvement from a deficit position on December 31, 2017but contracting from the $1,799,776 at the end of the first quarter

New Contract for Major Metal Cutting Project

On March 19, 2018, MagneGas announced a multi-year bulk gas purchase contract from an existing customer in the high-end fabrication business, which serves military and government applications in Florida.

Board Restructuring

In June 2018, three Directors resigned from the Board, namely Luisa Ingardiola (sister of the CEO), Carla Santilli and Chris Huntington in order to address, in part, shareholder concerns regarding the independence of the Board of Directors.

Series F Convertible Preferred Stock

On June 27, 2018, MagneGas announced that the company will issue 817,670 shares of Series F Convertible Preferred Stock (convertible into 817,670 shares of MNGA) to settle the $556,016 owed in financing expenses to Maxim Group LLC, which acted as placement agent for the Series C Convertible Preferred Stock transaction completed on June 12, 2017.

VALUATION

The valuation methodology for companies that provide industrial gases and/or welding supplies usually is based on the use of EV-to-EBITDA (Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization) reflecting the industry's characteristics of profitability and cash flow generation. However, if a company is experiencing negative profitability, either due to adverse fundamental circumstances or being in the early phases of the company's life cycle, the applicable valuation metric becomes Price-to-Sales (P/S).

Finding comparable companies to MagneGas is challenging. The company is unique in that management focused on commercializing its core technology, which is based on the patented Plasma Arc Flow

System. MagneGas is currently embarked upon growing its revenue base through acquisitions of industrial gas/welding supply businesses, along with organic growth through which serve the bolstering the company's sales efforts. In addition, management is also pursuing other applications to further commercialize its Plasma Arc Flow patented technology, including sterilization of bio-mass liquid wastes and the development of a much lower cost 4th generation gasification technology.

We believe that the valuation comparables of MagneGas should be Air Liquide (AI.PA), Air Products and Chemicals (APD), Linde AG (LNEGY), Maxima Air Separation (MAXM.TA) and Praxair (PX). These companies manufacture and provide industrial gases. We are cognizant that these comparables differ from MagneGas in that they are large cap companies that produce industrial gases. MagneGas is a small cap company, which not only is building a retail network in highly targeted local areas, but also has greater growth potential due to the company's smaller size. Furthermore, the blue sky potential of the company's European initiatives and domestic sterilization development efforts are not currently being reflected in our valuation process since these developmental projects are still in an embryonic stage.

The appropriate valuation methodology for MagneGas is based on price-to-sales (P/S) due the character of the company's enterprise, namely a small-capitalization company, currently with negative profitability, but with a sales profile that is expected to grow and expand. MagneGas should experience increases in revenues over the next few years as the company acquires additional industrial gas/welding supply businesses and pursues sales initiatives to generate organic growth. Ultimately, the growing revenue stream should manifest itself into positive EBITDA and later, positive earnings when the break-even point is surpassed.

Industry Comparables	**Pr Chg YTD**	**P/E CFY**	**EPS Gr 5Yr Est**	**Gross Margin**	**Price/ Book**	**Price/ Sales**	**Price/ CF**
MAGNEGAS CORP	-95.2	N/M	7.5	30.8	0.3	1.5	N/M
Industry Mean	5.3	21.2	10.6	37.6	3.3	2.7	15.7
Industry Median	0.8	20.6	9.9	35.3	2.8	2.2	10.1
S&P 500	8.4	18.3	10.8	N/A	9.2	4.4	20.2
AIR LIQUIDE	0.8	20.6	6.3	62.1	2.8	2.2	23.8
AIR PRODUCTS & CHEMICALS	0.4	22.1	16.2	27.5	3.3	4.1	15.9
LINDE AG	0.4	20.2	8.3	35.3	2.3	1.9	12.6
MAXIMA AIR SEPARATION	20.0	20.3	N/A	21.5	1.2	1.3	10.9
PRAXAIR INC	5.1	22.8	11.5	41.7	6.8	3.8	15.4

Comparable companies trade in a P/S valuation range between 4.1 and 1.3. Utilizing an industry average P/S ratio of 2.7 on forward 2018 sales through 4Q-2018 of $9.96 million (in order to account for the closed acquisitions), our share price target is $0.70. As the company approaches annualized revenues in the low $20 million range (where the company should become profitable), we would expect P/S multiple expansion into the second quartile. Significant strides in Europe and/or the sterilization markets should also contribute to a higher multiple.

RISKS

- Until the company achieves profitability, additional capital will be needed to fund operations. Thus far, management has been successful in obtaining capital through equity (both common and preferred) and debt offerings.
- The SG&A overhead of MagneGas has been about three times higher than the revenues generated over the last three years (2015-2017). Management is addressing this structural challenge by

implementing the company's acquisition strategy. We estimate that it will require an annual top-line of between $24 million and $30 million from the industrial gas and welding supply businesses to profitably operate, though management believes that break-even revenue level is between $20 million and $24 million. Management anticipates that the run rate of revenues is currently between $12 million and $14 million and that the continued implementation of the company's strategy has a potential to double sales over the next three to five years, which would advance the company to our estimated profitability zone.

- As management invests in implementing the company's acquisition strategy in the U.S. (and also in the European initiative), shareholders have experienced significant dilution requiring a 1-for-10 reverse stock split on May 22, 2017 and a 1-for-15 reverse stock split effective January 17, 2018 in order to remain compliance with NASDAQ listing requirements. The company has issued common stock for recent acquisitions, through the conversion of Series C Convertible Preferred Shares, in lieu of cash payments to consultants, in a settlement of financing expenses owed to a placement agent and as stock-based compensation. As of August 8, 2018, shares outstanding have increased to 37,713,529 or +2,015% since year end (December 31, 2017).
- There have been three incidents in which pressurized gas cylinders filled with MagneGas have exploded (2010, April 16, 2015 and June 6, 2018) resulting in two deaths. There are inherent risks associated with handling gas cylinders of acetylene and MagneGas.

INSIDER TRADING AND OWNERSHIP

Though the Directors and Officers of MagneGas collectively only own approximately 338,385 shares (or 1.0% of the shares outstanding), the CEO and his family members beneficially control the company through the ownership of 1,000,000 shares of Series A Preferred Stock, which entitle them to a total aggregate of 100 billion votes (each share of Series A Preferred Stock has 100,000 votes).

BALANCE SHEET

MagneGas Corp.	2014	2015	2016	2017	2Q 2018
Balance Sheet	12/31/2014	12/31/2015	12/31/2016	12/31/2017	6/30/2018
ASSETS					
Cash and cash equivalents	5,061,674	5,319,869	1,616,410	586,824	1,147,522
Accounts receivable, net	268,308	373,006	442,555	389,652	1,140,209
Inventories, net	2,164,838	2,362,014	1,615,933	738,950	1,964,331
Prepaid and other current assets	300,065	320,431	226,305	198,056	426,297
Total current assets	**7,794,885**	**8,375,320**	**3,901,203**	**1,913,482**	**4,678,359**
Property and equipment, net	6,353,655	6,004,990	6,402,931	6,865,389	9,134,228
Deposit on acquisition	-	-	-	325,000	-
Intangible assets, net	492,252	493,016	437,121	412,331	2,270,818
Investment in joint ventures, net	718,246	754,601	-	-	-
Security deposits	21,647	24,113	26,636	27,127	96,871
Goodwill	2,098,069	2,108,781	2,108,781	2,108,781	3,343,280
TOTAL ASSETS	**17,478,754**	**17,760,821**	**12,876,672**	**11,652,110**	**19,523,556**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	155,909	425,294	416,247	1,716,661	2,202,730
Accrued expenses	52,120	504,855	276,630	909,562	960,504
Deferred revenue	56,666	412,500	25,000	44,095	0
Capital lease obligations	-	7,891	9,328	27,460	27,460
Note payable, net	-	-	-	451,754	205,840
Promissory notes payable - related party	-	-	-	100,000	46,250
Derivative liabilities	-	1,241,841	7,700,585	-	-
Total current liabilities	**264,695**	**2,592,381**	**8,427,790**	**3,249,532**	**3,442,784**
Notes payable	520,000	520,000	520,000	520,000	763,613
Capital lease obligations	-	32,177	25,317	63,839	69,748
Senior convertible debenture, net	-	-	75,000	-	-
Total Liabilities	**784,695**	**3,144,558**	**9,048,107**	**3,833,371**	**4,276,145**
Commitments and Contingencies					
Redeemable Convertible Series C Preferred stock	-	-	-	115,000	352,000
Redeemable Convertible Series E Preferred stock	-	-	-	430,950	50,000
Series F Preferred stock	-	-	-	-	418,963
	0	**0**	**0**	**545,950**	**820,963**
Stockholders' Equity					
Series A Preferred stock	1,002	1,000	1,000	1,000	1,000
Common stock	245	304	387	1,783	23,610
Paid in Capital	42,398,025	50,703,511	57,385,658	71,852,874	85,499,209
Accumulated deficit	(25,705,213)	(36,088,552)	(53,558,480)	(64,582,868)	(71,097,370)
Total shareholder's equity	**16,694,059**	**14,616,263**	**3,828,565**	**7,272,789**	**14,426,449**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**17,478,754**	**17,760,821**	**12,876,672**	**11,652,110**	**19,523,557**
Shares outstanding	244,610	303,997	386,935	1,782,864	23,609,814

PROJECTED INCOME STATEMENT

MagneGas Corp.

Income Statement

(For Years Ending December 31)	Year ending 12/31/2014	Year ending 12/31/2015	Year ending 12/31/2016	Year ending 12/31/2017	Year ending 12/31/2018 E
Sales					
Metal cutting fuel sales	875,373	2,383,981	2,997,345	N/A	
Equipment sales	147,673	46,666	554,900	N/A	
Total Revenues	**1,023,046**	**2,430,647**	**3,552,245**	**3,719,452**	**9,961,459**
Cost of goods sold	673,867	1,474,361	2,018,453	2,216,773	6,270,183
Gross profit	**349,179**	**956,286**	**1,533,792**	**1,502,679**	**3,691,275**
Selling, general and administrative	3,975,473	6,987,338	10,478,676	11,663,680	15,074,416
Stock Compensation	1,511,989	508,570	N/A	N/A	N/A
Stocks issued to pay for services	1,245,320	1,201,241	N/A	N/A	N/A
Research and Development	387,058	342,350	678,546	171,651	9,296
Depreciation and Amortization	376,640	558,131	650,887	673,062	668,457
Total Operating Expenses	**7,496,480**	**9,597,630**	**11,808,109**	**12,508,393**	**15,752,169**
Income (loss) from operations	**(7,147,301)**	**(8,641,344)**	**(10,274,317)**	**(11,005,714)**	**(12,060,894)**
Interest (expense)	(7,073)	(28,777)	(51,687)	(14,684)	(116,016)
Gain (loss) on sale of property & equip.	-	(483,630)	(1,049,305)	50,180	0
Impairment of joint ventures	-	-	(806,716)	0	0
Gain (loss) on modification of warrants	-	-	(2,897,291)	0	0
Gain (loss) on extinguishment of debt	-	-	0	(513,725)	0
Excess fair value wts issued over rel. debt	-	-	(2,622,080)	0	0
Amortization of debt discount	-	-	(189,000)	(1,030,372)	(233,424)
Change in fair value of derivative liability	-	(729,666)	370,626	2,255,322	0
Loss on settlement of liabilities	-	-	-	(763,617)	(41,696)
Other income (expense)	1,922	12,253	49,842	(1,778)	19,542
Total other income (expense):	**(5,151)**	**(1,229,820)**	**(7,195,611)**	**(18,674)**	**(371,594)**
Net Income (loss)	**(7,152,452)**	**(9,871,164)**	**(17,469,928)**	**(11,024,388)**	**(12,432,488)**
Deemed dividend	0	0	0	4,974,182	1,244,400
Net (loss) attributable to common shareholders	**(7,152,452)**	**(9,871,164)**	**(17,469,928)**	**(15,998,570)**	**(13,676,888)**
Net eanings per share (basic and diluted)	**($33.78)**	**($37.07)**	**($52.74)**	**($22.22)**	**($0.55)**
Wgtd. avg. shares outstanding	211,749	266,319	331,251	719,918	24,759,098

MagneGas Corp.

Income Statement

(For Years Ending December 31)	Year ending 12/31/2016	1Q 3/31/2017	2Q 6/30/2017	3Q 9/30/2017	4Q 12/31/2017	Year ending 12/31/2017
Sales						
Metal cutting fuel sales	2,997,345	N/A	N/A	N/A	N/A	N/A
Equipment sales	554,900	N/A	N/A	N/A	N/A	N/A
Total Revenues	**3,552,245**	**871,788**	**966,204**	**879,511**	**1,001,949**	**3,719,452**
Cost of goods sold	2,018,453	503,388	532,657	552,374	628,354	2,216,773
Gross profit	**1,533,792**	**368,400**	**433,547**	**327,137**	**373,595**	**1,502,679**
Selling, general and administrative	10,478,676	2,607,866	3,305,578	2,453,160	3,297,076	11,663,680
Research and Development	678,546	98,141	26,114	1,470	45,926	171,651
Depreciation and Amortization	650,887	167,338	193,230	166,034	146,460	673,062
Total Operating Expenses	**11,808,109**	**2,873,345**	**3,524,922**	**2,620,664**	**3,489,462**	**12,508,393**
Income (loss) from operations	**(10,274,317)**	**(2,504,945)**	**(3,091,375)**	**(2,293,527)**	**(3,115,867)**	**(11,005,714)**
Interest (expense)	(51,687)	(103,080)	(18,909)	(27,233)	134,538	(14,684)
Gain (loss) on sale of property & equip.	(1,049,305)	-	-	-	50,180	50,180
Impairment of joint ventures	(806,716)	-	-	-	-	0
Gain (loss) on modification of warrants	(2,897,291)	-	-	-	-	0
Gain (loss) on extinguishment of debt	0	-	(513,725)	-	-	(513,725)
Excess fair value wts issued over rel. debt	(2,622,080)	-	-	-	-	0
Amortization of debt discount	(189,000)	-	(43,677)	(804,776)	(181,919)	(1,030,372)
Change in fair value of derivative liability	370,626	831,420	1,423,902	-	-	2,255,322
Loss on settlement of liabilities	-	-	-	-	(763,617)	(763,617)
Other income (expense)	49,842	(4,554)	2,007	481	288	(1,778)
Total other income (expense):	**(7,195,611)**	**723,786**	**849,598**	**(831,528)**	**(760,530)**	**(18,674)**
Net Income (loss)	**(17,469,928)**	**(1,781,159)**	**(2,241,777)**	**(3,125,055)**	**(3,876,397)**	**(11,024,388)**
Deemed dividend	0	0	75,000	1,034,682	3,864,500	4,974,182
Net (loss) attributable to common shareholders	**(17,469,928)**	**(1,781,159)**	**(2,316,777)**	**(4,159,737)**	**(7,740,897)**	**(15,998,570)**
Net eanings per share (basic and diluted)	**($52.74)**	**($4.51)**	**($4.95)**	**($5.78)**	**($5.97)**	**($22.22)**
Wgtd. avg. shares outstanding	331,251	394,531	468,405	719,103	1,297,633	719,918

Income Statement

(For Years Ending December 31)	Year ending 12/31/2017	1Q 3/31/2018	2Q 6/30/2018	3Q E 9/30/2018	4Q E 12/31/2018	Year Estimate 12/31/2018
Sales						
Metal cutting fuel sales	N/A	N/A	N/A	N/A	N/A	N/A
Equipment sales	N/A	N/A	N/A	N/A	N/A	N/A
Total Revenues	**3,719,452**	**1,171,753**	**2,907,712**	**2,848,158**	**3,033,836**	**9,961,459**
Cost of goods sold	2,216,773	757,874	1,972,586	1,780,099	1,759,625	6,270,183
Gross profit	**1,502,679**	**413,879**	**935,126**	**1,068,059**	**1,274,211**	**3,691,275**
Selling, general and administrative	11,663,680	3,153,994	4,099,899	3,991,512	3,829,012	15,074,416
Research and Development	171,651	1,152	2,440	3,050	2,654	9,296
Depreciation and Amortization	673,062	159,211	211,929	157,970	139,347	668,457
Total Operating Expenses	**12,508,393**	**3,314,357**	**4,314,268**	**4,152,532**	**3,971,012**	**15,752,169**
Income (loss) from operations	**(11,005,714)**	**(2,900,478)**	**(3,379,142)**	**(3,084,473)**	**(2,696,801)**	**(12,060,894)**
Interest (expense)	(14,684)	(73,005)	(23,011)	(15,000)	(5,000)	(116,016)
Gain (loss) on sale of property & equip.	50,180	-	-	-	-	0
Impairment of joint ventures	0	-	-	-	-	0
Gain (loss) on modification of warrants	0	-	-	-	-	0
Gain (loss) on extinguishment of debt	(513,725)	-	-	-	-	0
Excess fair value wts issued over rel. debt	0	-	-	-	-	0
Amortization of debt discount	(1,030,372)	(45,958)	(70,754)	(58,356)	(58,356)	(233,424)
Change in fair value of derivative liability	2,255,322	-	-	-	-	0
Loss on settlement of liabilities	(763,617)	-	(41,696)	-	-	(41,696)
Other income (expense)	(1,778)	-	19,542	-	-	19,542
Total other income (expense):	**(18,674)**	**(118,963)**	**(115,919)**	**(73,356)**	**(63,356)**	**(371,594)**
Net Income (loss)	**(11,024,388)**	**(3,019,441)**	**(3,495,061)**	**(3,157,829)**	**(2,760,157)**	**(12,432,488)**
Deemed dividend	4,974,182	930,300	314,100	0	0	1,244,400
Net (loss) attributable to common shareholders	**(15,998,570)**	**(3,949,741)**	**(3,809,161)**	**(3,157,829)**	**(2,760,157)**	**(13,676,888)**
Net eanings per share (basic and diluted)	**($22.22)**	**($0.62)**	**($0.24)**	**($0.08)**	**($0.07)**	**($0.55)**
Wgtd. avg. shares outstanding	719,918	6,350,695	15,972,166	37,713,529	39,000,000	24,759,098

HISTORICAL STOCK PRICE

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I, Steven Ralston, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

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This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.

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[i] EASME web site: https://ec.europa.eu/easme/en/news/12-billion-annual-environmental-savings-thanks-eco-innovation-projects

[ii] Chemical Oxygen Demand (COD) is a measure of the oxygen equivalent of organic materials in wastewater and a widely used indicator of wastewater quality (Ezechi, E. H. Chemical Oxygen Demand Removal from Wastewater by Integrated Bioreactor, Journal of Environmental Science and Technology, Volume 8 (5): 238-243, 2015).

[iii] Conservation Innovation Grant program website - https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/cig/

[iv] EASME web site: https://ec.europa.eu/easme/en/news/12-billion-annual-environmental-savings-thanks-eco-innovation-projects