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MagneGas App. Tech. Sol. (MNGA-NASDAQ)

MagneGas Acquires 3 Additional Welding Supply Companies; Series A Pfd Retired; Corporate Transformation Continues

Utilizing an industry mid-first quartile P/S ratio of 5.4 on the run rate of sales (namely \$14 million), our share price target is \$0.55.

Current Price (11/15/18) **\$0.28**
Valuation **\$0.55**

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 over double in 2018.

SUMMARY DATA

52-Week High **\$7.14**
52-Week Low **\$0.13**
One-Year Return (%) **-95.58**
Beta **-1.71**
Average Daily Volume (shrs.) **22,999,420**

Shares Outstanding (million) **136**
Market Capitalization (\$mil.) **\$38.8**
Short Interest Ratio (days) **0.0**
Institutional Ownership (%) **0.1**
Insider Ownership (%) **3.0**

Annual Cash Dividend **\$0.00**
Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates
Sales (%) **52.3**
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

Type of Stock
Industry

Above Average
Small-Value
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	2.6 A	3.2 E	9.9 E
2019					14.8 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	-\$0.10 A	-\$0.03 E	-\$0.36 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.

EXECUTIVE SUMMARY

Key Aspects of the Third Quarter 2018

- **Quarterly revenues increase 195%** to \$2,598,820, primarily due the acquisitions of Complete Welding and Green Arc, but most especially of TriCo.
- The **gross margin expanded 155 basis points** from 37.2% to 38.4%.
 - excluding the accounting treatment of the acquired inventory values related to acquisitions, the gross margin would have been 46%
- Weighted average shares outstanding increased from 719,103 to 39,366,633 shares (YOY); end of quarter shares outstanding were 59,917,080 common shares.
- The company's working capital position improved sequentially to \$2,629,420 from \$1,235,575 at the end of the second quarter.

The conference call was well attended with over 500 participants. The call lasted almost 1 ½ hours.

Corporate Restructuring Initiatives

Scott Mahoney Appointed CEO: On November 6, 2018, MagneGas announced that **Scott Mahoney** was been **appointed CEO**. Mr. Mahoney previously served as CFO since December 2016 and will now lead the efforts in advancing the company's commercial growth strategy in the welding and industrial gas business, along with pursuing other emerging plasma arc applications in the fields of sterilization of agricultural waste and waste-to-energy. Ermanno Santilli was appointed Chief Technology Officer (CTO) and will focus on advancing research-centric plasma arc technology initiatives.

Series A Preferred Stock Repurchased and Retired: On November 2, 2018, MagneGas repurchased the company's 1,000,000 outstanding shares of the Series A Preferred (super-majority voting stock) for \$1,000,000 in cash and 5,000,000 shares of restricted common stock. The repurchased **Series A Preferred shares** were thereafter **terminated**, which resulted in voting control of the company being given the common stock shareholders.

Rebranding: The company was formally **renamed MagneGas Applied Technology Solutions** on September 25, 2018 in order to aid in the rebranding effort to better identify and align the company with the marketing efforts in Europe for both industrial metal cutting applications and sterilization/waste-to-energy solutions.

Corporate Initiatives

Management is expanding the company's scale in the domestic metal cutting industry through a strategy of acquiring industrial gas/welding supply businesses. This growth strategy is not only expanding the company's geographical footprint, but also generating incremental sales by enhancing the sales effort. The growing sales base is expected to eventually lead to profitability through economies of scale. In addition, series of cost-saving initiatives have been undertaken. Operating expenses as a percent of sales is expected to be almost halved in 2018.

New Initiatives

- Starting in January 2019, management plans to start disclosing monthly production volumes and gas sales.
- The company's website is currently being redesigned to better reflect the company's new strategic direction.

Recent U.S. Acquisitions: In late October 2018, the company's footprint in east Texas and Louisiana was expanded through the acquisition of three welding and industrial gas suppliers: **Paris Oxygen, United Welding Specialties** and **Latex Welding Supplies**.

European Developments:

- Management has met with multiple large **port authorities** in Europe, including Rotterdam, Amsterdam Antwerp, and Hamburg. MagneGas plans to schedule demonstrations for these large consumers of metal cutting fuels at multiple locations across northeastern Europe.
- MagneGas is pursuing government-sponsored funding opportunities to help advance commercial opportunities for the company's technology.
 - On October 9, 2018, MagneGas Applied Technology announced the closing of the €6.0 million (US\$7.0 million) **EASME grant** under the LIFE program.
 - On November 8, 2018, MagneGas Applied Technology announced that a consortium, which includes MagneGas with a fourth-generation gasification unit, submitted an **application for a €2.5 million grant** through the European Commission's Horizon 2020 grant program.
 - Management **plans to apply for a third grant** in Europe in February 2019.
- In November, MagneGas announced that the company has **initiated monthly billing of consulting fees** to the European JV with Infinite Fuels.

MagneGas continues to explore and pursue complimentary technology plasma arc opportunities, particularly in the fields of sterilization of agricultural waste and waste-to-energy.

RECENT NEWS

Third Quarter 2018 Financial Results

On November 14, 2018, MagneGas reported results for the third quarter ending September 30, 2018. The company reported **quarterly revenues** of \$2,598,820, **up 195%** from \$879,511 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. The gross margin expanded 155 basis points (bps) from 37.2% to 38.4%. 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.

Operating expenses increased 73.5% to \$4,546,454 from \$2,620,664 (or \$1,925,790) in comparable quarter last year, primarily from SG&A expenses increasing 68.5% (or \$1,679,913). Management is addressing the relatively high level of SG&A expenses through its acquisition strategy; operating expenses declined from 298% to 175% of sales as a result of the acquisitions of Complete Welding, Green Arc Supply and TriCo.

The company reported a net loss attributable to common shareholders of \$4,028,388 (or \$0.10 per diluted share) versus a net loss of \$4,159,737 (or \$5.78 per diluted share) in the third quarter of 2017. Weighted average shares outstanding increased 5,374% from 719,103 to 39,366,633 year-over-year. At the end of the third quarter, 59,917,080 common shares were outstanding. The company's working capital position improved sequentially to \$2,629,420 from \$1,235,575 at the end of the second quarter.

October Sales

On November 14, 2018, MagneGas Applied Technology Solutions announced that sales for the month of October were \$1.05 million, which represents a 180% YOY increase. Though the sales growth was

primarily driven by the three acquisitions completed earlier in 2018 (Complete Welding, Green Arc Supply and TriCo), sequential monthly sales were also strong (+15% in California and +9% in Florida).

Acquisitions

In late October 2018, the company's footprint in east Texas and Louisiana was expanded through the acquisition of three welding and industrial gas suppliers: Paris Oxygen, United Welding Specialties and Latex Welding Supplies.

Paris Oxygen

On October 21, 2018, MagneGas completed the acquisition of **Paris Oxygen Company**, an industrial gas and welding supply distributor in **Paris, Texas**. The purchase price was \$1,250,000, which was paid in cash. This third acquisition in Texas will expand the company's operational capabilities in the state. Management anticipates that Paris Oxygen will generate annual sales of approximately \$1.0 million.



Paris Oxygen Company
3320 NE Loop 286
Paris, Texas 75460

Latex Welding Supplies

On October 26, 2018, MagneGas completed the acquisition of **Latex Welding Supplies** (dba ARC-La-Tec Welding Supply), an industrial gas and welding supply distributor in Shreveport, Louisiana. The purchase price was \$1,500,000, which was paid in cash. The acquisition expands the company's footprint in the northern Louisiana, a significant industrial corridor with strong demand for metal cutting fuels, particularly by the oil & gas industry. Latex Welding also serves the medical gas business. Management expects that Latex Welding Supplies will generate monthly sales of approximately \$80,000.



Latex Welding Supplies
dba Arc-La-Tec Welding Supply
1234 Grimmert Dr.
Shreveport, LA 71107

United Welding Specialties

At the end of October 2018, MagneGas Applied Technology Solutions acquired **United Welding Specialties**, an industrial gas and welding supply distributor located in **Longview, Texas**. The purchase price was \$750,000, which was paid in cash. This fourth acquisition in Texas further expands the company's geographic footprint in this important industrial area and should further improve the operating efficiency through additional economies of scale. Management expects that United Welding will generate monthly sales of more than \$60,000.



United Welding Specialties
103 E. Niblick
Longview, Texas 75604

2nd USDA Sterilization Demonstration Day

On October 23, 2018, MagneGas Applied Technology Solutions conducted the company's second USDA-funded sterilization demonstration day. The demonstration at the Lake Branch Dairy Farm (located in Bowling Green, Florida) included a tour of a MagneGas 50 KW sterilization system and a presentation on some of the changes implemented based on the results of Phase 1 under the USDA Conservation Innovation Grant (CIG). Currently, Phase 2 (of the 18-month, 4-phase CIG project) is near completion and the preliminary results and analysis of the Phase 2 testing were also presented.

Phase 2 expands the scope of testing sterilization efficacy to additional pathogens and living organisms. The company has mentioned that the study will expand to the study of sterilization of other animal waste solids, pharmaceutical wastes and potentially the blue green algae blooms that have plagued the waterways in Florida. The preliminary results and analysis of the Phase 2 testing were also presented during the October 2018 demonstration day.

Financings and Shares Outstanding

Offering of up to 25,000,000 shares of common stock: In August 2018, MagneGas began offering up to 25,000,000 shares for \$0.15 per share, which included a 1-year warrant exercisable at \$0.30 per share. As of September 30, 2018, 4,425,001 common shares has been issued for gross proceeds of \$663,750

Offering of 21,800,000 Shares and a Private Placement of 21,800,000 Warrants: On October 15, 2018, MagneGas closed a registered direct offering (under shelf registration statement filed on June 15, 2016) of 21,800,000 common shares and 21,800,000 42-month warrants (exercisable at \$0.3654 per share) in a concurrent private placement. Total gross proceeds were \$5,014,000 with net proceeds being approximately \$4,588,160.

After this offering, 131,266,638 common shares were outstanding. Thereafter, the repurchase and retirement of the Series A Preferred shares on November 2, 2018 resulted in the issuance of 5,000,000 additional common shares, bringing the **total of number of outstanding shares to 136,266,638** as of November 14, 2018. Additional common shares could be issued through the exercise of options (206,084 shares) and warrants (49,744,445 shares).

NASDAQ Listing Requirements and Potential Reverse Split

On November 07, 2018, MagneGas Applied Technology Solutions announced that the NASDAQ Listing Qualifications Staff granted an additional 180-day period to regain compliance with the \$1.00 minimum bid per share price requirement of NASDAQ's Marketplace Rules. The company now has until May 6, 2019 to regain compliance.

MagneGas could regain compliance through share price appreciation. Furthermore, the Board of Directors has granted the discretionary authority to effect a reverse stock split of up to 100-for-1 from now until May 11, 2019 for the purpose of regaining compliance. On the third quarter conference call, CEO

Scott Mahoney stated that if it becomes necessary to effect a reverse-split in order to regain compliance, the company's intent is to fix the ratio to a shareholder-friendly number, i.e. as low as possible.

DEVELOPMENTS IN FIRST HALF OF 2018

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."



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.



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



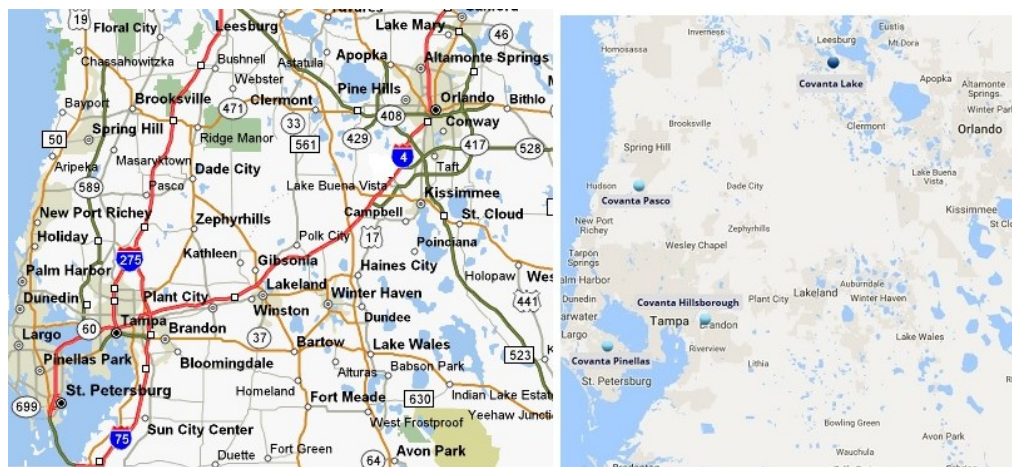
8632 Elder Creek Rd
Sacramento, CA 95828

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.



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.

RECENT DEVELOPMENTS IN EUROPEAN INITIATIVE

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.”¹

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 (\$7.0 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.

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 **MagneGas** in the United States
 - owns and operates 13 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** includes:
 - close the acquisitions of several industrial gas/welding supply businesses, which serve the California and Texas markets where there are strong industry dynamics
 - 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
 - acquired **Paris Oxygen**, **Latex Welding Supplies** and **United Welding Specialties** in late October 2018, further expanding the company's footprint in Texas and Louisiana
 - 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"
 - 3rd Annual International Green Shipping Summit (October 2, 2018) - keynote speaker
 - The Good Capital Conference in London (November 13, 2018) - Sustainable Energy panel
- 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.

U.S. 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.



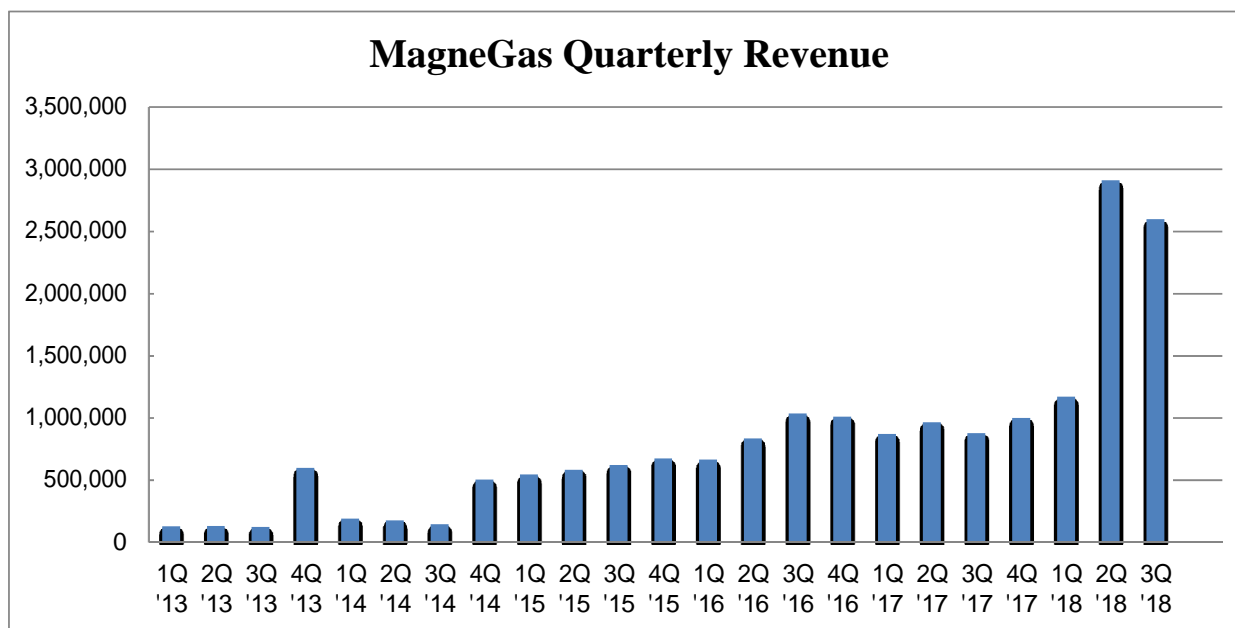
Clearwater	Lakeland	Sarasota	Lutz
12707 44th St N Clearwater, FL 33762	2718 S Combee Road Lakeland, Florida 33803	3100 Whitfield Ave Sarasota, FL 34243	12925 U. S. Hwy. 41 Spring Hill, FL 34610

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). In late October 2018, the company acquired three additional welding and industrial gas suppliers: **Paris Oxygen** (Paris, Texas), **Latex Welding Supplies** aka ARC-La-Tec Welding Supply (Shreveport, Louisiana) and **United Welding Specialties** (Longview, Texas). The company's sales base has grown significantly from \$3.7 million in 2017 to an **annual run-rate of approximately \$14 million**.

Management intends to continue acquiring industrial gas and equipment supply businesses in order to grow demand for its flagship product (MagneGas) and create a **retail distribution platform of scale** that provides MagneGas, 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 MagneGas™) 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 MagneGas.

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)
- October 21, 2018 Acquired **Paris Oxygen** (Paris, Texas)
- October 26, 2018 Acquired **Latex Welding Supplies** (Shreveport, Louisiana)
- October 31, 2018 Acquired **United Welding Specialties** (Longview, Texas)

Existing Sales & Distributor Network



Florida

- HQ for R&D for 10 years in Clearwater.
- 1st distributor acquisition was in 2014, added 3 locations through organic growth.
- Revenue growth of 115%+ in 3 years.

Texas & Louisiana

- Completed East Texas distributor acquisition in February 2018.

California & Nevada

- Completed San Diego distributor acquisition in January 2018.
- Completed Sacramento acquisition in April 2018.

Tennessee & Mid-South

- Major regional distributor added in late 2016.

New England & Mid-Atlantic

- Two multi-state regional distributors selling.
- 28 distributors across eastern US.

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 and sterilization applications.

During 2018, MagneGas aggressively marketed MagneGas and the company's plasma arc 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. Infinite Fuels successfully advanced a government-backed €6.0 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."ⁱⁱ



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 (\$7.0 million) grant**. The next step was contract negotiation phase, which entailed 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. MagneGas negotiated 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.

On October 9, 2018, MagneGas Applied Technology announced the closing of the €6.0 million (US\$7.0 million EASME grant under the LIFE program.

On November 8, 2018, MagneGas Applied Technology announced that a consortium, which includes MagneGas, submitted an application for a €2.5 million grant through the European Commission’s Horizon 2020 grant program. Specifically, the grant is under LC-SC3-RES-1-2019-2020: Developing the next generation of renewable energy technologies. The grant application process entails two phases, first an initial vetting procedure, and if the initial proposal is approved, the submission of a comprehensive proposal in April 2019. The grant application is for fully-funded €2.5 million, 24-month project that would utilize a fourth-generation MagneGas gasification unit. The consortium consists of MagneGas (via MagneGas Limited), the Danish Technology Institute, The Welding Institute and the Netherlands Standardization Institute. Attracting such world class partners further validates the company’s plasma arc gasification process.



**Danish Technology
Institute**



**The Welding
Institute**



**Netherlands Standardization
Institute**

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)ⁱⁱⁱ was sufficiently reduced to meet Italy's stringent regulations on the discharge of wastewater.

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, ultraviolet 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

United States Agriculture Sterilization Initiatives



Indiana Pilot Project (2014 – 2016)



USDA Funded Dairy Project



North Carolina Commercialization

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 (CIG) from the United States Department of Agriculture (USDA)** 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."^{iv} 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.

On October 23, 2018, MagneGas Applied Technology Solutions conducted the company's **second sterilization demonstration day**. The demonstration, again conducted at the Lake Branch Dairy Farm in Bowling Green Florida, included a tour of a MagneGas 50 KW sterilization system and a presentation on some of the changes implemented based on the results of Phase 1 under the USDA Conservation Innovation Grant (CIG).

Phase 2 expands the scope of testing sterilization efficacy to additional pathogens and living organisms. The company has mentioned that the study will expand to the study of sterilization of other animal waste solids, pharmaceutical wastes and potentially the blue green algae blooms that have plagued the waterways in Florida. The preliminary results and analysis of the Phase 2 testing were also presented during the October 2018 demonstration day.

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 the first nine months of 2018, MagneGas has

- issued 3,883,684 common shares for services rendered
- issued 721,455 common shares for settlement of accounts payable
- **received net proceeds of \$14,941,800** from the issuance of Series C Convertible Preferred Shares and Warrants,
- 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 and subsequently converted into 3,132,106 shares

- issued 961,539 common shares for the acquisition of assets
- issued 4,425,001 common shares for **\$663,750** in cash
- converted Series E Preferred Stock into 3,132,106 shares of common stock

These transactions have been highly dilutive, increasing shares outstanding from a reverse-split adjusted 1,782,864 shares on December 31, 2017 to 59,917,080 million shares as of September 30, 2018 (per the company's 10-Q filed in November 2018).

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 (LNEG.Y) and Maxima Air Separation (MAXM.TA). 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.

Industry Comparables	Pr Chg YTD	P/E CFY	EPS Gr 5Yr Est	Gross Margin	Price/ Book	Price/ Sales	Price/ CF
MAGNEGAS CORP	-94.1	N/M	7.5	35.8	0.5	2.8	N/M
Industry Mean	6.7	22.2	11.8	29.9	3.3	2.8	11.9
Industry Median	0.9	19.4	11.8	31.4	2.9	3.0	11.8
S&P 500	1.0	16.7	10.8	N/A	8.6	3.9	18.9
AIR LIQUIDE	1.4	19.6	6.3	35.3	2.8	2.3	10.2
AIR PRODUCTS & CHEMICALS	-4.2	19.2	11.8	27.5	3.1	3.9	13.2
LINDE AG	0.4	31.5	17.2	35.3	6.3	3.8	13.8
MAXIMA AIR SEPARATION	29.1	18.6	N/A	21.5	1.3	1.4	10.4
Recent Industry Acquisitions	Year	Acquiror					
AIRGAS INC	2016	Air Liquide	5.0	56.7	6.1	2.4	16.9
PRAXAIR INC	2018	Linde AG	11.5	41.7	6.8	4.7	15.4

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.

Comparable companies trade in a P/S valuation range between 3.9 and 1.4. Utilizing an industry mid-first quartile P/S ratio of 5.4 on the current run rate of sales of \$14 million (in order to account for the closed acquisitions), our share price target is \$0.55.

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 approximately \$25 million from the industrial gas and welding supply businesses to operate profitably; management believes that break-even revenue level is between \$20 million and \$25 million. Management anticipates that the run rate of revenues is currently around \$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 November 14, 2018, shares outstanding have increased to 136,266,638 or +7,543% 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

The Directors and Officers of MagneGas collectively own approximately 3% of the shares outstanding. The shares of the super-majority voting Series A Preferred Stock have been purchased by the company and retired.

BALANCE SHEET

MagneGas Corp.	2014	2015	2016	2017	3Q 2018
Balance Sheet	12/31/2014	12/31/2015	12/31/2016	12/31/2017	9/30/2018
ASSETS					
Cash and cash equivalents	5,061,674	5,319,869	1,616,410	586,824	1,835,912
Accounts receivable, net	268,308	373,006	442,555	389,652	1,386,523
Inventories, net	2,164,838	2,362,014	1,615,933	738,950	1,543,817
Prepaid and other current assets	300,065	320,431	226,305	198,056	581,661
Total current assets	7,794,885	8,375,320	3,901,203	1,913,482	5,347,913
Property and equipment, net	6,353,655	6,004,990	6,402,931	6,865,389	9,131,926
Deposit on acquisition	-	-	-	325,000	-
Intangible assets, net	492,252	493,016	437,121	412,331	2,232,509
Investment in joint ventures, net	718,246	754,601	-	-	-
Security deposits	21,647	24,113	26,636	27,127	16,941
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	20,072,569
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	155,909	425,294	416,247	1,716,661	1,571,337
Accrued expenses	52,120	504,855	276,630	909,562	911,402
Deferred revenue	56,666	412,500	25,000	44,095	0
Capital lease obligations	-	7,891	9,328	27,460	110,074
Note payable, net	-	-	-	451,754	125,680
Promissory notes payable - related party	-	-	-	100,000	-
Derivative liabilities	-	1,241,841	7,700,585	-	-
Total current liabilities	264,695	2,592,381	8,427,790	3,249,532	2,718,493
Notes payable	520,000	520,000	520,000	520,000	520,000
Capital lease obligations	-	32,177	25,317	63,839	217,552
Senior convertible debenture, net	-	-	75,000	-	-
Total Liabilities	784,695	3,144,558	9,048,107	3,833,371	3,456,045
Commitments and Contingencies					
Redeemable Convertible Series C Preferred stock	-	-	-	115,000	0
Redeemable Convertible Series E Preferred stock	-	-	-	430,950	50,000
Series F Preferred stock	-	-	-	-	0
	0	0	0	545,950	50,000
Stockholders' Equity					
Series A Preferred stock	1,002	1,000	1,000	1,000	1,000
Common stock	245	304	387	1,783	59,918
Paid in Capital	42,398,025	50,703,511	57,385,658	71,852,874	91,215,564
Accumulated deficit	(25,705,213)	(36,088,552)	(53,558,480)	(64,582,868)	(74,709,958)
Total shareholder's equity	16,694,059	14,616,263	3,828,565	7,272,789	16,566,524
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	17,478,754	17,760,821	12,876,672	11,652,110	20,072,569
Shares outstanding	244,610	303,997	386,935	1,782,864	59,917,080

PROJECTED INCOME STATEMENT

MagneGas Corp.

Income Statement

	Year ending	Year ending	Year ending	Year ending	Year ending
(For Years Ending December 31)	12/31/2014	12/31/2015	12/31/2016	12/31/2017	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	9,865,734
Cost of goods sold	673,867	1,474,361	2,018,453	2,216,773	6,179,782
Gross profit	349,179	956,286	1,533,792	1,502,679	3,685,951
Selling, general and administrative	3,975,473	6,987,338	10,478,676	11,663,680	15,553,481
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	10,789
Depreciation and Amortization	376,640	558,131	650,887	673,062	1,245,947
Total Operating Expenses	7,496,480	9,597,630	11,808,109	12,508,393	16,810,217
Income (loss) from operations	(7,147,301)	(8,641,344)	(10,274,317)	(11,005,714)	(13,124,266)
Interest (expense)	(7,073)	(28,777)	(51,687)	(14,684)	(114,903)
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)	(214,677)
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)	(351,734)
Net Income (loss)	(7,152,452)	(9,871,164)	(17,469,928)	(11,024,388)	(13,476,000)
Deemed dividend	0	0	0	4,974,182	2,076,000
Net (loss) attributable to common shareholders	(7,152,452)	(9,871,164)	(17,469,928)	(15,998,570)	(15,552,000)
Net earnings per share (basic and diluted)	(\$33.78)	(\$37.07)	(\$52.74)	(\$22.22)	(\$0.36)
Wgt.d. avg. shares outstanding	211,749	266,319	331,251	719,918	43,082,130

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 earnings 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

MagneGas Corp.

Income Statement						Year
(For Years Ending December 31)	Year ending 12/31/2017	1Q 3/31/2018	2Q 6/30/2018	3Q 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	2,598,820	3,187,519	9,865,804
Cost of goods sold	2,216,773	757,874	1,972,586	1,600,602	1,848,761	6,179,823
Gross profit	1,502,679	413,879	935,126	998,218	1,338,758	3,685,981
Selling, general and administrative	11,663,680	3,153,994	4,099,899	4,133,073	4,166,515	15,553,481
Research and Development	171,651	1,152	2,440	4,500	2,697	10,789
Depreciation and Amortization	673,062	159,211	211,929	408,881	465,936	1,245,957
Total Operating Expenses	12,508,393	3,314,357	4,314,268	4,546,454	4,635,149	16,810,228
Income (loss) from operations	(11,005,714)	(2,900,478)	(3,379,142)	(3,548,236)	(3,296,391)	(13,124,247)
Interest (expense)	(14,684)	(73,005)	(23,011)	(11,387)	(7,500)	(114,903)
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)	(52,965)	(45,000)	(214,677)
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)	(64,352)	(52,500)	(351,734)
Net Income (loss)	(11,024,388)	(3,019,441)	(3,495,061)	(3,612,588)	(3,348,891)	(13,475,981)
Deemed dividend	4,974,182	930,300	314,100	415,800	415,800	2,076,000
Net (loss) attributable to common shareholders	(15,998,570)	(3,949,741)	(3,809,161)	(4,028,388)	(3,764,691)	(15,551,981)
Net earnings per share (basic and diluted)	(\$22.22)	(\$0.62)	(\$0.24)	(\$0.10)	(\$0.03)	(\$0.36)
Wgtd. avg. shares outstanding	719,918	6,350,695	15,972,166	39,366,633	110,639,027	43,082,130

HISTORICAL STOCK PRICE



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

ⁱⁱⁱ 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).

^{iv} Conservation Innovation Grant program website - <https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/cig/>