

MagneGas Reports Financial Results for 2013

TAMPA, Fla., March 27, 2014 /PRNewswire/ -- MagneGas Corporation ("MagneGas" or the "Company") (NASDAQ: MNGA), the developer of a technology that converts liquid waste into hydrogen-based metal working fuels, today announced its financial results for the fiscal year ending December 31, 2013. During the period, the Company focused efforts on revising the Company strategy, launching its co-combustion business line and continuing its efforts in fuel and equipment sales. In addition, the Company actively recruited new management and Board members with specific industry relevant experience and focused on advancing the research and development of certain key segments of the MagneGas technology.

Full Year Business Highlights

The Company spent the last several months developing its strategy for increasing revenue and reducing costs. To that end, it identified three major market segments which it will pursue for generating revenue:

- Industrial Gas Sales;
- Equipment Sales for Liquid Waste Processing;
- Use of MagneGas™ for the Co-Combustion of Hydro-Carbon Fuels to Reduce Emissions.

The Company also embarked on a cost cutting strategy which included the elimination of non-essential personnel, closing of locations that were not producing sufficient revenue to cover expenses and improving margins on both equipment and fuel sales. The Company also launched a new Research and Development initiative with the following focus:

- Combustion of MagneGas with Hydrocarbon fuels, such as coal, to reduce emission;
- High volume processing of oil, with subsequent new fuel development;
- Third party verification of fuel and equipment safety and performance results.

Full Year Financial Highlights:

- Increased total revenue by 45% to \$988,986 for December 31, 2013 as compared to \$677,529 for the same period prior year;
- Increased gross margins by 125% to 45% for period ending December 31, 2013 as compared to 20% for same period prior year;

December 31, 2013 Financial Results

For the fiscal year ending December 31, 2013 revenues were \$988,986 as compared to \$677,529 for the same period prior year. Metal cutting revenue was \$435,995 for December 31, 2013 as compared to \$584,197 for the year ending December 31, 2012. This was primarily due to the a change in the Company's sales strategy from wholesale to retail and the ramp up period required with a new sales force and new products along with some one-time items from 2012.

Operating expenses decreased to \$6,758,319 for December 31, 2013 versus \$6,812,554 for the same period 2012. The Company had an operating loss in 2012 of \$6,680,762 for the period ending December 31, 2012 compared to an operating loss of \$6,317,811 for December 31, 2013.

The Company continued to progress the various strategic and sales relationships. An update to these relationships is as follows:

- The Company signed a Memorandum of Understanding with a confidential third party to pursue co-combustion of MagneGas with Coal and is in the process of third party testing with a major US laboratory associated with a utility company;
- The US Navy continues to be interested in MagneGas fuel for metal cutting applications such as in the decommissioning of ships and the Company has provided additional testing data as requested. The Navy requested fuel pricing for a ship demolition project and the Company is awaiting feedback;
- On August 23, 2013, the Company entered into a definitive agreement with a group from the Central Asian country of Kazakhstan for the purchase of a mini-refinery for \$499,000 which they plan to use to test various liquid wastes. Based on the results of these tests, they anticipate purchasing an industrial size unit in 2014 or 2015;
- The Company is working with two major metropolitan fire departments to test MagneGas as a replacement to acetylene and other cutting systems used by firefighters. Initial purchase orders have been placed by both fire departments and the relationship is progressing;
- The Company held a world summit in July at its headquarters in Tarpon Springs, Florida. MagneGas partners from around the world including Australia, Europe, China and the United States attended to share and collaborate on a variety of strategic technical advancements made by the partners for the MagneGas™ systems and fuels;
- On January 21, 2014, the Company completed a securities purchase agreement with an institutional investor for a total of \$4 million through the sale of a combination of common stock plus convertible preferred stock with warrants (details in Form 10K).
- On March 25, 2014 the Company entered into definitive agreements with an institutional investor for the sale of a combination of common stock and preferred stock for gross proceeds of \$5 million (details in Form 10K).
- The Company filed three provisional patent applications in order to further strengthen its patent portfolio.

The MagneGas IR App is now available for free in Apple's App Store for the iPhone or iPad <http://bit.ly/AfLYww> and at Google Play <http://bit.ly/Km2iyk> for Android mobile devices.

To be added to the MagneGas investor email list, please email pcarlson@kcsa.com with MNGA in the subject line.

About MagneGas Corporation

Founded in 2007, Tampa-based MagneGas Corporation (NASDAQ: MNGA) is the producer of MagneGas™, a natural gas alternative and metal working fuel that can be made from certain industrial, municipal, agricultural and military liquid wastes following the receipt of appropriate governmental permits.

The Company's patented Plasma Arc Flow™ process gasifies liquid waste, creating a clean burning hydrogen based fuel that is essentially interchangeable with natural gas. MagneGas™ can be used for metal working, cooking, heating, powering bi fuel automobiles and more. For more information on MagneGas, please visit the Company's website at www.MagneGas.com.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements as defined within Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events, including our ability to raise capital, or to our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. You should not place undue reliance on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could, and likely will, materially affect actual results, levels of activity, performance or achievements. Any forward-looking statement reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to

our operations, results of operations, growth strategy and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. The Company is currently using new ethylene glycol to produce fuel until proper permits to process used liquid waste have been obtained.

For a discussion of these risks and uncertainties, please see our filings with the Securities and Exchange Commission. Our public filings with the SEC are available from commercial document retrieval services and at the website maintained by the SEC at <http://www.sec.gov>.

MagneGas Corporation
Audited Balance Sheets

	December 31,	
	2013	2012
Assets		
Current Assets		
Cash	\$ 216,523	\$ 1,470,642
Accounts receivable, net of allowance for doubtful accounts of \$83,069 and \$61,792 , respectively	125,930	119,207
Inventory (including units for resale), at cost	1,710,066	961,984
Prepaid and other current assets	46,473	106,600
Total Current Assets	2,098,992	2,658,433
Property and equipment, net of accumulated depreciation of \$661,744 and \$448,302 , respectively	5,306,152	7,193,371
Deferred tax asset	0	0
Intangible assets, net of accumulated amortization of \$248,446 and \$199,978 , respectively	482,824	527,022
Investment in joint ventures	490,410	490,410
Security Deposits	8,568	2,151
Total Assets	\$ 8,386,946	\$ 10,871,387
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 231,008	\$ 483,841
Accrued expenses	341,579	95,704
Deferred revenue and customer deposits	179,339	233,330
Total Current Liabilities	751,926	966,822
Stockholders' Equity		
Preferred stock: \$0.001 par; 10,000,000 authorized; 1,000,000 issued and outstanding, respectively	1,000	1,000
Common stock: \$0.001 par; 900,000,000 authorized; 23,259,109 and 20,042,616 issued and outstanding, respectively	23,259	20,043
Additional paid-in capital	26,163,522	22,284,841
Issued and unearned stock compensation	0	(13,333)
Accumulated deficit	(18,552,761)	(12,234,039)
Total Stockholders' Equity	7,635,020	10,058,512
Total Liabilities and Stockholders' Equity	\$ 8,386,946	\$ 10,871,387

The audit report and accompanying notes are an integral part of these financial statements.

MagneGas Corporation
Audited Statements of Operations

	Year Ended December 31,	
	2013	2012
Revenue	\$ 988,986	\$ 677,529
Direct Costs	548,478	545,737
Gross Profit	440,508	131,792
Operating Expenses:		
Selling, General, and Administration	3,718,461	3,803,033
Net loss on of settlement contracts and Revaluation of assets	622,103	0
Investor Relations	287,401	303,975
Stock-based compensation	1,465,888	2,053,090
Research and Development	179,559	200,225
Depreciation and Amortization	484,907	452,231
Total Operating Expenses	6,758,319	6,812,554
Operating Income (Loss)	(6,317,811)	(6,680,762)
Other Income and (Expense)	0	0
Interest income/(expense)	(913)	320
Total Other Income(Expense)	(913)	320
Net Income (Loss) before tax provision	(6,318,724)	(6,680,442)
Provision for Income Taxes	(456,500)	(456,500)
Net Income (Loss)	\$ (6,318,724)	\$ (7,136,942)
Basic	\$ (0.29)	\$ (0.32)
Diluted	\$ (0.29)	\$ (0.32)
Weighted average common shares:		
Basic and Diluted	21,781,076	17,410,423

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MagneGas Corporation
Audited Statement of Changes in Stockholders' Equity

	Preferred		Common		Additional Paid in Capital	Unearned Stock Comp	Accumulated Deficit	Total Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2011	2,000	2	15,438,930	15,439	10,334,904	(28,333)	(5,097,097)	5,224,915
Compensation recognized under consult agreement (May 31, 2008)						15,000		15,000
Issued per resolution	998,000	998						998
Issued for services			334,220	334	988,990			989,324
Options issued					1,039,500			1,039,500
Options exer. for cash			88,887	89	262,286			262,375
Previous exercised			37,500	38	(38)			-
Private placement			4,139,077	4,139	10,471,842			10,475,981
Offerings costs					(824,039)			(824,039)
Sale of share for cash			4,000	4	11,396			11,400
Net Income (Loss)							(7,136,942)	(7,136,942)
Balance at December 31, 2012	1,000,000	\$ 1,000	20,042,614	\$ 20,043	\$ 22,284,841	\$ (13,333)	\$ (12,234,039)	\$ 10,058,512
Compensation recognized under consult agreement (May 31, 2008)						13,333		13,333
Common Shares Issued			2,821,889	2,821	2,508,754			2,511,575
Offering Cost					(125,981)			(125,981)
Issued in Exchange for Services			394,606	395	1,495,908			1,496,303
Net Income (Loss)							(6,318,722)	(6,318,722)
Balance at December 31, 2013	1,000,000	\$ 1,000	23,259,109	\$ 23,259	\$ 26,163,522		(18,552,761)	7,635,020

The audit report and accompanying notes are an integral part of these financial statements.

MagneGas Corporation
Audited Statement of Cash Flows

	December 31,	
	2013	2012
Cash Flows from Operations		
Net income (loss)	\$ (6,318,724)	\$ (7,136,942)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	484,907	452,231
Stock compensation	1,465,888	2,053,090
Revaluation of Assets	922,754	-
Gain on Settlement	(43,750)	-
Deferred income taxes	-	456,500
Changes in operating assets:		
Accounts receivable	(6,723)	(100,158)
Inventory	(64,088)	(304,992)
Prepaid and other current assets	2,793	(104,100)
Security deposits	(6,417)	(2,151)
Accounts payable	(252,681)	207,178
Accrued expenses	245,723	(43,893)
Deferred revenue and customer deposits	(53,991)	(93,332)
Total adjustments to net income	2,694,415	2,520,373
Net cash (used in) operating activities	(3,624,309)	(4,616,569)
Cash Flows from Investing Activities		
Acquisition of property, plant & equipment	(15,404)	(5,035,750)
Net cash flows (used in) investing activities	(15,404)	(5,035,750)
Cash Flows from Financing Activities		
Advance from affiliate		(13,400)
Advances from related party		(210,500)
	-	-
	-	-
Proceeds from issuance of common stock	2,385,594	9,917,449
Net cash flows provided by (used in) investing activities	2,385,594	9,693,549
Net increase (decrease) in cash	(1,254,119)	41,230
Cash balance, beginning	1,470,642	1,429,412
Cash balance, ending	\$ 216,523	\$ 1,470,642
Supplemental disclosure of cash flow information and non cash investing and financing activities:		
Interest paid	\$ 1,269	\$ 2,813

Taxes paid	\$	-	\$	-
Non-cash transactions:				
Capitalized construction cost for units placed in service	\$	<u>549,772</u>	\$	<u>2,955,509</u>

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SOURCE MagneGas Corporation