TARONIS FUELS

STONEGATE CAPITAL PARTNERS

September 9, 2020

Marco Rodriguez, CFA
marco@stonegateinc.com
214-987-4121

MARKET STATISTICS

Exchange / Symbol	OTCPK: TRNF
Price:	$0.14
Market Cap (mm):	$24.4
Enterprise Value (mm):	$43.6
Shares Outstanding (mm):	164.7
Float (%):	84.0%
Volume (3-month avg.):	807,598
52-week Range:	$0.01 –$0.51
Industry:	Industrial Gases

CONDENSED BALANCE SHEET

($mm, except per share data)

Balance Sheet Date:	06/30/2020
Cash & Cash Equivalent:	$0.2
Cash/Share:	$0.00
Debt	$19.5
Equity (Book Value):	$38.5
Equity/Share:	$0.23

CONDENSED INCOME STATEMENTS

($mm, except per share data)

FY - 12/31	Rev	Net Inc	EBITDA	EPS
FY17	$3.7	$(3.1)	$(2.5)	N/A
FY18	$9.7	$(4.5)	$(3.9)	$(0.03)
FY19	$21.1	$(5.7)	$(3.8)	$(0.04)
FY20 E	$40.0	$(3.0)	$1.3	$(0.02)

LARGEST SHAREHOLDERS

Scott Mahoney	10,791,424
Tyler Wilson	3,887,190
Robert Dingess	3,716,312
Kevin Andrew Pollack	2,736,611
William Staunton III	2,681,228
Peter Molloy	2,443,156
Cutter & Company Asset Mgmt.	10,000

STOCK CHART

COMPANY DESCRIPTION

Taronis Fuels, Inc. is a renewable fuel and power generation company that is focused on the production and sale of sustainable, socially responsible alternatives to fossil fuel and industrial gas products. The Company, through its subsidiaries, sells and distributes industrial gasses, welding equipment, and services to the metalworking and manufacturing industries. Taronis' first commercial product is a patent protected metal cutting fuel called MagneGas, which is sold through the Company's existing 26 retail locations in the United States as well as through joint ventures and licensing deals internationally. Taronis Fuels went public after it was spun-off from Taronis Technologies, Inc. in December 2019. As of Dec. 31, 2019, the Company has 151-full time employees and is headquartered in Peoria, Arizona.

SUMMARY

- **Innovative technology**– MagneGas is the Company's proprietary synthetic gas comprised primarily of hydrogen and is produced using its patented Plasma Arc Venturi® Flow design which enables the Company to closely monitor the speed of fluids passing near the plasma arc. The result is a more stable product that produces 40-70% faster cutting times.
- **Superior product and cost profile** – MagneGas, is a clean, renewable, and environmentally sustainable metal cutting fuel that is superior to current competitors in safety, sustainability, function, and cost. Taronis uses primarily medical grade waste ethanol to create a flame that burns 54% hotter than its main competitive product, acetylene, at a cost that is ~50% cheaper.
- **Large addressable market** – Taronis' superior pricing power gives them an advantage in the $8B metal cutting fuel market. The Company is focused on using its pricing power to accelerate its marketing and taking market share from competitors. The Company is anticipating launching into the much larger propane and natural gas markets within the next 5 years.
- **Domestic sales are ramping** – Using a national retail network focused on welding supply and industrial gas markets, Taronis has increased its sales 6.5x from 2017 to 2019, and 118% from 2018 to 2019. Taronis' proprietary MagneGas product and acquisition of existing welding retail supply stores have contributed to the growth with Taronis expecting to become a top independent distributor in less than 3 years.
- **International growth opportunity** – In international markets, Taronis focuses on exclusively selling its own higher margin fuel products where it focuses on the MagneGas advantages in water conservation, sustainability, and safety. The Company's first owner operate model outside of the U.S. is in the Port of Amsterdam. Additionally, it recently signed a JV with a consortium of industry leaders in Turkey to deliver its first international sales in Q320, which should equate to $165M by 1H 2021. The Company believes its environmental advantages countries of Saudi Arabia, UAE, Kuwait, Oman, Bahrain, and Qatar.
- **TGS acquisition enhances cash flow** – On May 26, 2020, Taronis acquired TGS, a specialty gas distributor exclusively focused on the HVAC market. This acquisition allows MagneGas to replace the acetylene currently being used and increase gross margins by up to 3x, while adding ~$20M in new revenue and making the combined entity cash flow positive.
- **Valuation** – We use a comp analysis on current operations along with one of Taronis' LT model. On current operations we use an EV/S to arrive at a valuation range of $0.25 to $0.75, with a midpoint of $0.50. On the LT model, we arrive at a valuation range of $0.55 to $0.70 with a midpoint of $0.60.

BUSINESS OVERVIEW

Taronis Fuels (TRNF) is a renewable fuels and power generation company that is focused on the production of sustainable, environmentally responsible alternatives to the current fossil fuel and industrial gas products. The Company's proprietary commercial product is called MagneGas, which is predominantly used as a metal cutting agent that is more efficient and cost effective than its current competitors propane and acetylene. Taronis Fuels was spun out of Taronis Technologies, Inc. (OTC: TRNX) in December 2019, as TRNF was much closer to profitability and had a cleaner capital structure than TRNX. In addition, the management team believed that Taronis Fuels IP portfolio had very broad applications and was not being fully valued in the combined entity.

Taronis Fuels has a goal of "cleaner, safer, and smarter" products. Each product must meet specific criteria within its mission statement.

Exhibit 1: Taronis Fuels Mission Statement

Cleaner: Our technology <u>must</u> support the United Nations Sustainability Development Goals (SDG). Our technology directly supports 9 of the 17 SDGs.

Safer: Our products must offer a clear safety benefit. Our goal is to prevent accidents and save lives.

Smarter: Our products must deliver measurable cost saving efficiencies.

Source: Company Reports

Taronis' goal of creating socially responsible products is evident in its patented Plasma Arc Venturi® System technology that gasifies liquids and liquid wastes into a stable, clean burning metal-cutting gas. This technology can produce a synthetic gas from any fluid feedstock that contains hydrogen and oxygen and has produced fuel products from food waste, medical waste, plant-based oils, and industrial wastes. Its initial commercialized product, MagneGas, uses waste ethanol from the medical industry as the primary input to create a sustainable, green metal cutting gas. Additionally, the MagneGas product has been extensively tested by more than 20 independent gas analysis, chemical engineering, and safety engineering leaders for validation.

The Company is using separate go to market strategies for its domestic and international markets. In the domestic markets, Taronis is using a national retail network of industrial gas distributors to promote MagneGas. The Company uses MagneGas' pricing and functional advantages to entice new customers to shop at its retail locations while also cross selling them additional products such as standard industrial gas and hard goods.

The International model for MagneGas is a much different model than in the U.S. As opposed to the U.S. where MagneGas is a way of increasing sales of additional products, Taronis will only sell its own patented products to foreign countries. By focusing solely on sales of its own products, the Company significantly cuts down on the necessary capital to acquire or open retail locations. Additionally, by only selling MagneGas, the Company can partner with larger retailers and suppliers who are more interested in selling ancillary products and gasses.

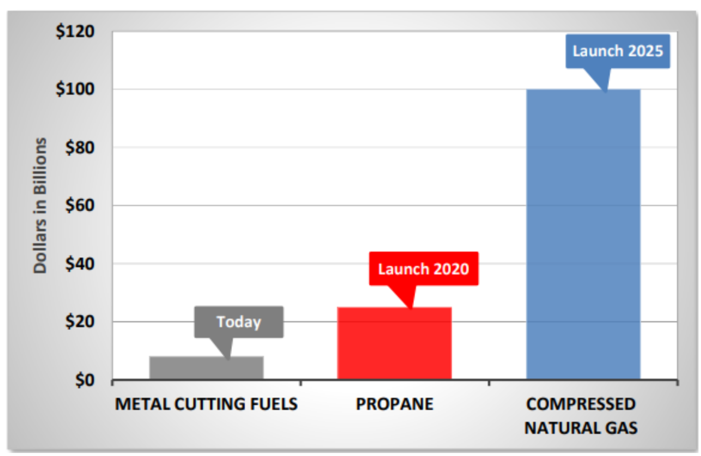
The Company operates three different structures in international markets:

- Owner Operate
- Partnerships
- Joint Ventures

Taronis will use MagneGas' safety and sustainability advantages to market to areas where resources are scarce, and safety is paramount. The Company is planning to launch commercial operations at the Port of Amsterdam in Q320 and scale revenues throughout 2021. Recently, the Company announced its first international licensing contract with a consortium of industry leaders in Turkey after successfully demonstrating a gas unit in May 2020.

The Company's goal is to continue to grow its retail sales business throughout the United States through both acquisitions of current independent industrial gas and welding supply companies as well as organic growth. The Company is hoping to scale its international operations throughout joint ventures and direct sales to end users. Lastly, the Company is anticipating having MagneGas be a substitute to propane by 2022 and a substitute to compressed natural gas by 2025.

Exhibit 2: Addressable Fuel Markets



Source: Company Reports

Taronis Fuels is led by Scott Mahoney who has roughly 20 years of finance and executive management experience in several industries including banking, energy, and recycling. Scott Mahoney, a Chartered Financial Analyst, recently served as Chief Financial Officer of Phoenix Group Metals, LLC, a recycling company which he grew through acquisitions. Mr. Mahoney has also served as Chief Financial Officer of several oil and gas companies and as Vice President of JP Morgan Chase.

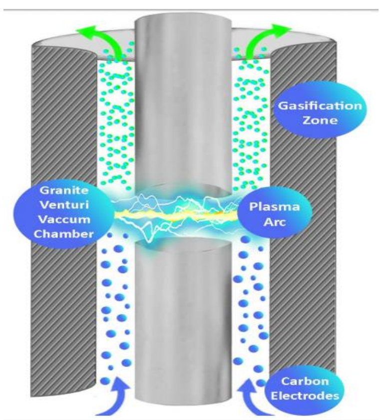
MAGNEGAS

MagneGas is Taronis' Fuels first viable product and is used as a metal cutting agent. This proprietary synthetic gas is primarily composed of hydrogen and is produced using the company's fully patented submerged plasma arc technology called Plasma Arc Venturi® System. The Venturi Flow design allows the team to closely monitor and manage the speed of fluids that pass through the arc which, in turn, allows management of the proximity to the heat and energy that are coming off the plasma arc. This combination of patents and experience are key to the Companies continued growth.

Taronis' technology is 100% sustainable and renewable. Using any fluid feedstock that includes hydrogen and oxygen, the Company can produce a synthetic gas. MagneGas is created from waste ethanol primarily from the medical industry. After more than 30 efficacy, safety, and environmental validation studies, MagneGas has been recognized for its advanced safety and sustainability profile. The biggest social advantages the product has is using a zero-water footprint when compared to its main competitor acetylene which pollutes 3B gallons of freshwater annually. Additionally, MagneGas is the only renewable metal cutting fuel on the planet and has proven to be a much safer alternative to acetylene.

After the spin out from Taronis Technologies, Taronis Fuels entered into an agreement to license the Plasma Arc Venturi® System technology from Taronis Technology. However, in August 2020, Taronis Fuels acquired the IP portfolio for $1.25M. As part of the transaction, Taronis Fuels will pay a 7% royalty for exclusive use of all fuel applications derived from the acquired IP portfolio. The royalty is payable during the first 5 years but then ceases thereafter.

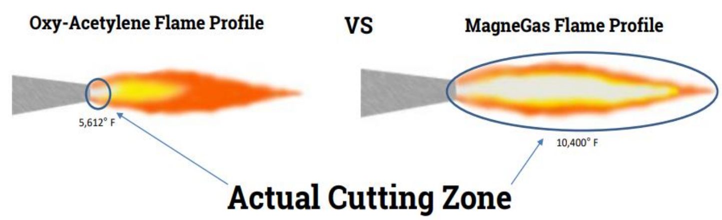
Exhibit 3: Venturi Flow Design



Source: Company Reports

In addition to being environmentally superior to acetylene, MagneGas is also functionally superior. The key to metal cutting gases is its ability to burn hotter flame over a greater surface area than other traditional flames. Acetylene, for example, burns at roughly 5,612 degrees Fahrenheit while butane burns at roughly 3,200 degrees Fahrenheit. Taronis' MagneGas burns roughly 85% hotter than the next closest competitor, acetylene, at 10,400 degrees Fahrenheit. MagneGas produces the hottest flame temperature of any known cutting fuel. Additionally, MagneGas produces a much larger actual cutting zone when compared to acetylene.

Exhibit 4: Cutting Zone



Source: Company Reports

The higher temperature and larger cutting zone produced by the Taronis technology gives superior performance to the end user. Taronis Fuels notes a few of these:

- 40%-70% faster cutting times
- Piercing in a fraction of the time
- 300%-500% thicker metals can be cut
- Multiple stacked plates can be cut simultaneously
- Little to no slag and soot which reduced post cut cleanup

Taronis Fuels and previously Taronis Technologies have been working on reducing the cost for MagneGas for the past 8 years. From 2012 to 2019 the Company reduced the costs of MagneGas by 88% and it is now ~50% cheaper to produce than acetylene. In addition to the great strides made in cost savings since 2012, the Company believes it will further reduce costs by 30%+ in 2020 through several upgrades in technology. For example, the Company is upgrading its compressor systems this year, which should effectively double the possible output. Being able to produce and sell MagneGas at a lower price is particularly important in getting end users to switch from acetylene to MagneGas. This pricing power should create an additional incentive for customers to switch and allow Taronis to increase its market share.

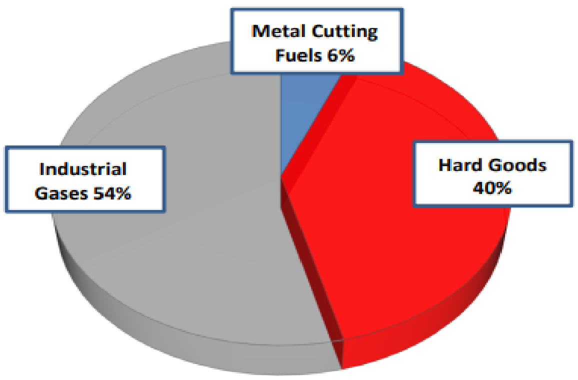
GO-TO-MARKET STRATEGY

Taronis Fuels is separating its go-to-market strategy in to two distinct segments: Domestic and International models. The Company's domestic model will have two national brands MagneGas Welding Supply and TGS.

Domestic

MagneGas Welding Supply is Taronis Fuels domestic retail network of industrial gas and welding supply equipment. These are retail locations located throughout many states in the southern U.S. including California, Arizona, Texas, Louisiana, Georgia, Florida, and Indiana. These retail store fronts are usually located within commercial and industrial areas where its customer base typically works. The Company uses MagneGas' superior functionality, safety, and cost profile to bring customers into the store where its able to cross sell a host of additional items. Taronis' target market typically prefers a one-stop-shop experience, so the ability to bring customers in the door with a proprietary product is an important differentiator. Once the Company pulls the customer into the store, it can leverage $1.00 of MagneGas sales into 30-35X of other goods in the store.

Exhibit 5: U.S. Industrial Gas & Welding Supply Market



Source: Company Reports

To amass its current 26 store industrial gas retail locations, the Company purchased the locations from existing small, independent welding suppliers. After the Company purchases the shops, it implements its MagneGas product and immediately increase margins on the metal cutting fuel sales and ultimately increase store traffic. The Company believes that in addition to purchasing existing locations, it can also grow organically through the opening of its own locations in other states throughout the U.S.

TGS, LLC was acquired by Taronis Fuels in May 2020 for roughly $8M. TGS is a specialty gas distributor that is specifically focused on the HVAC market. The TGS acquisition will help increase the Company's footprint as TGS's operations stretch over Georgia, Florida, and Texas near major metropolitan areas of Atlanta, Dallas, Orlando, and Tampa. With a footprint already in these U.S. cities, Taronis Fuels will be able to open MagneGas Welding Supply retail locations for little capital investment by using high-margin HVAC centric gas sales to fund organic growth.

Combining these two companies will make Taronis Fuels U.S. operations cash flow positive as it believes it can realize $300,000 in EBITDA a month from TGS. In addition, the Company notes that TGS has been growing revenue at 20%+ organically prior to the acquisition.

Perhaps the biggest catalyst of the TGS acquisition is the pivot from sales of acetylene to MagneGas. Currently 35% of TGS's $8M in revenues are from sales of acetylene. These acetylene sales should be easily converted into MagneGas sales which carries a 3x higher gross margin.

International

In the international markets, Taronis is solely focused on selling its own patented products which carry higher margins. The Company is targeting areas in which water conservation, sustainability, and safety are of the upmost importance. As MagneGas is superior to acetylene in those three areas, these should be markets where its products competitive advantages would make acceptance of the new product easier.

The Company has three separate international operating models. Taronis intends to use owner operate, partnerships, and joint ventures.

The Owner Operate Model is where Taronis produces and sells MagneGas directly to end users. This model is currently being used in the Port of Amsterdam. The Port of Amsterdam was a strategic location for Taronis fuels first EU location for a number reason including:

- EU has legislated a series of clean technology and renewable energy initiatives promoting sustainability
- High margin, lean staffing model for marketing
- Surrounding port regions are the most industrialized in Europe
- The ports within range of the Company's Port of Amsterdam location have more than 500 heavy industry potential customers for MagneGas

The Company's port of Amsterdam facility is anticipated to have a commercial launch in Q320. The facility will have a capacity to scale to produce 150,000 cylinders annually which could contribute $15M in sales annually.

Exhibit 6: Port of Amsterdam

Source: Company Reports

The Joint Venture Model creates a partnership between Taronis Fuels and another entity to allow the separate entity to facilitate the sales and marketing of MagneGas. In December 2019, Taronis established a JV with a consortium of industry leaders in Turkey. Taronis holds a 49% minority interest in the JV and has agreed to provide 30 gasification units to the JV for $165M plus 3% royalties and maintenance contracts.

The Company successfully delivered a demonstration unit to Ankara in May 2020 for $5M with commissioning slated for July 2020. Additionally, manufacturing for a $27.25M purchase order for 5 units, is expected to start in Q320.

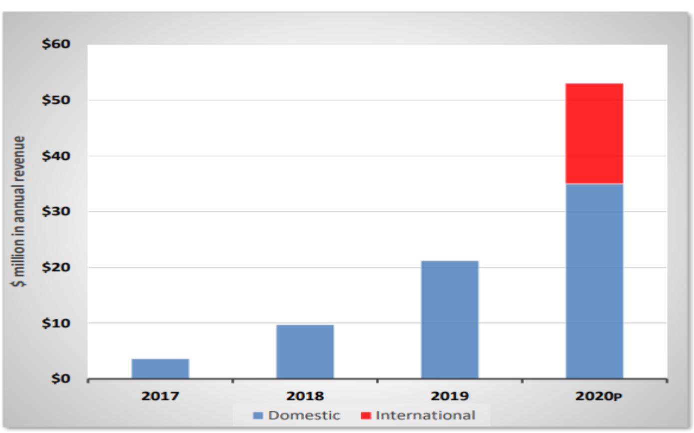
Lastly, the Turkish government has informed Taronis that it is working to ban acetylene in the country which would require up to 100 units to service the whole country.

The Partnership Model is where the Company supplies its existing equipment to existing industrial gas producers and then executes a revenue sharing model. Currently Taronis is in talks with all Gulf Cooperation Council states to pursue partnerships. These states of Saudi Arabia, UAE, Kuwait, Oman, Bahrain, and Qatar are all states in which water conservation is of paramount importance, an area where MagneGas is uniquely positioned to succeed.

RECENT RESULTS

Taronis Fuels has done a good job growing its sales through organic and inorganic growth. With only domestic sales in the past 3 years, it has grown revenue more than 6.5X from 2017 to 2019. In 2017 the Company reported $3.7M in sales compared to $21.1M in 2019. In 2018 Taronis acquired 9 new retail locations and increased same store sales 82% in those 9 locations in 2019. In addition to growing the top line, Taronis has also improved gross margins from 42% in 2018 to 51% in 2019 due to increased sales of MagneGas, a more profitable product. Lastly, the company reduced operating expenses from 89.7% of sales in 2018 to 74% of sales in 2019. We would continue to expect this percentage to decrease further with increases in sales.

Exhibit 7: Revenue Growth



Source: Company Reports

The company reported strong Q220 revenue growth of 51.8% to $8.9M compared to $5.8M in Q219. Driving sales higher was a sale of a 300KW Venturi plasma arc gasification unit for $3M. Additionally, the Company saw a ~$1.4M increase in wholesale industrial gas products sold into the HVAC market through its recently acquired subsidiary, TGS.

Q220 gross margins improved significantly to 81% compared to 47% in Q219. Driving this accomplishment was very high gross margins generated from unit sales, coupled with mix shifts toward industrial gas products.

Operating expenses, excluding D&A, were higher y/y due to increased payroll, costs for its new corporate HQ, and manufacturing facilities launched in Arizona. Given the expanding revenue growth and potential sales in the pipeline, the Company has increased its operations to meet demand.

CAPITAL STRUCTURE

Taronis Fuels has traditionally been financed with 100% equity until Q1 2020. In conjunction with the TGS acquisition, the Company issued $8M in seller debt financing. Currently the Company has $11.5M in total debt, which it expects to amortize approximately 50% of in 2020 with the remainder in 2021.

Exhibit 8: Capital Structure

(As of 6/30/20, except for S/O (in millions))	
Cash	**$0.3**
Accounts Receiveable	**4.4**
Inventory	**6.5**
Working Capital	**$11.3**
Short Term Debt	**3.5**
Long Term Debt	**8.0**
Total Debt	**$11.5**
Equity	**$38.5**
Total Capitalization	**$50.0**
Issued & Outstanding (8/18/20)	**164.7**
Fully Diluted Shares (8/18/20)	**164.7**

Source: Company Reports, Stonegate Capital Partners

Taronis Fuels also expects that with its current capitalization, it should be self-funded for the remainder of 2020. The Company does note that any access to equity markets would be for discretionary purposes to accelerate the Company's business objectives.

RISKS

As with any investment, there are certain risks associated with Taronis' operations as well as with the surrounding economic and regulatory environments common to smaller startups in any industry. We note that this is not an exhaustive list of risks, but view these as the highest risks to Taronis' business.

Lack of operating history – Taronis Fuels as an independent business has a limited operating history, which makes it difficult to accurately forecast earnings and cash flows. Additionally, the limited operating history makes it likely that there are inherent risks to the business that have yet to be recognized, or fully appreciated, by the Company or others outside of the Company that could result in further losses.

Capital needs & going concern - The Company's growth and continuing operations are dependent upon generation of cash from earnings or raising capital through the debt or equity markets. Because the Company has never generated positive cash flows, a history of net losses, coupled with other factors, the Company's independent auditors issued an audit opinion with respect to financial statements for fiscal years 2018 and 2019 that indicated the there is a substantial doubt about its ability to continue as a going concern. Any equity financings could result in dilution to stockholders or reduction in earnings available to common stockholders.

COVID-19 disruptions – After the Coronavirus outbreak in China in December 2019, it has spread significantly and resulted in outbreaks and deaths globally. It is possible that the outbreak will significantly impact the Company's U.S. retail locations and subsequent financial performance. Additionally, travel bans may make it difficult to open more stores domestically and complete deals internationally. This could result in signed agreements getting postponed or cancelled.

Adoption of new technology – MagneGas competes directly with acetylene and other fossil-fuel based metal cutting fuels in the metal working market. Because MagneGas is a new technology, it may take more time for end-users to consider switching from acetylene to MagneGas. If the market takes longer to adopt MagneGas or if it does not adopt MagneGas at all, the Company will experience an adverse financial impact.

Reliance on proprietary technology – The success of the Company depends, in part, upon its proprietary technologies and information that may be difficult to protect and may infringe or be perceived to infringe on the intellectual property right of third parties. Additionally, the Company relies on trademarks, trade secrets, and other forms of IP protections, however, these protections may not be adequate and may be challenged resulting in adverse economic consequences or loss of patents.

VALUATION

To help frame valuation, we are using a multiple analysis on current operations along with Taronis Fuels' long-term operating goal. We are using comparable gas distribution companies and industrial machinery operators. While many of the comparable companies are much larger and more mature, they are growing at slower rates. Nonetheless, we believe the multiples provide are a reasonable starting point.

Exhibit 9: Comparable Analysis

Comparative Analysis
(all figures in $USD M, expect per share information)

						Revenue (2)			EBITDA (2)			EPS (2)		
Name	**Ticker**	**Price (1)**	**S/O**	**Mrkt Cap**	**EV**	**2019**	**LTM**	**2020E**	**2019**	**LTM**	**2020E**	**2019**	**LTM**	**2020E**
Linde plc	LIN	$243.05	525.4	$127,688.8	$142,533.7	5.0x	5.2x	5.2x	17.4x	17.3x	16.9x	33.3x	58.9x	31.3x
Air Products and Chemicals, Inc.	APD	$294.52	220.9	$ 65,057.8	$ 67,540.0	7.5x	7.7x	7.7x	19.8x	19.7x	18.7x	35.8x	44.7x	35.1x
Lincoln Electric Holdings, Inc.	LECO	$ 92.48	59.4	$ 5,490.2	$ 6,162.8	2.1x	2.2x	2.4x	13.1x	14.4x	16.3x	19.8x	28.3x	26.1x
Colfax Corporation	CFX	$ 33.23	118.4	$ 3,934.1	$ 6,329.9	1.9x	2.0x	2.1x	10.9x	12.2x	13.8x	16.8x	45.4x	24.6x
Kennametal Inc.	KMT	$ 30.93	82.9	$ 2,565.0	$ 3,142.3	1.3x	1.7x	1.7x	6.7x	11.3x	12.5x	10.2x	34.0x	34.0x
					Average	**3.5x**	**3.8x**	**3.8x**	**13.6x**	**15.0x**	**15.7x**	**23.2x**	**42.2x**	**30.2x**
					Median	**2.1x**	**2.2x**	**2.4x**	**13.1x**	**14.4x**	**16.3x**	**19.8x**	**44.7x**	**31.3x**
Taronis Fuels, Inc.	**TRNF**	**$ 0.14**	**164.7**	**$ 24.4**	**$ 43.6**	**2.1x**	**1.8x**	**1.1x**	**nm**	**nm**	**33.3x**	**nm**	**nm**	**nm**

(1) Previous day's closing price
(2) Estimates are from Capital IQ except for TRNF, which are Stonegate estimates
Source: Company reports, CapitalIQ, Stonegate Capital Partners

Source: CapitalIQ, Stonegate Capital Partners

EV/S

Based on our F20 revenue estimate, Taronis Fuels is trading at an EV/S multiple of 1.1x vs. comps at a median of 2.5x. Our focus on EV/S is driven by the early stage of operations. Given current multiples, along with 3 and 5-year historical multiples, we believe an EV/S multiple range of 1.5x to 3.5x is reasonable. Applying this range to our F20 revenue estimate we arrive at a valuation range of $0.25 to $0.75, with a mid-point of $0.50.

Long-Term Operating Goal

The Company's 2 to 3-year goal is to reach an operating model with $100M in revenue with an EBITDA margin of ~ 20%. This goal should be achieved via a combination of acquisitions and organic growth. While current EV/EBITDA comps, as shown above, are in the mid-teens, we note that over the prior 3- and 5-year historical period, EV/EBITDA multiples are in the 10-11x level. Current comps are likely elevated due to depressed EBITDA estimates given the global pandemic.

Given the risks associated with acquisitions, general execution of the business plan, and the length of time to achieve its goal, we believe a slight discount to historical multiples is warranted. We then discount the future value to today. As seen below, we arrive at a valuation range of $0.55 to $0.70, with a mid-point of $0.60. We note that we included a 4-year scenario to provide additional color on a delayed goal.

Exhibit 10: LT Operating Goal Analysis

Target Revenue	**$ 100.0**		
Target EBITDA	**20.0%**		
Assumptions (in millions, except per sh)			
EV/EBITDA Multiple	8.0X	8.0X	8.0X
Enterprise Value	160.0	160.0	160.0
Less: Net Debt	19.3	19.3	19.3
Equity Value	**140.7**	**140.7**	**140.7**
Shares Outstanding	164.7	164.7	164.7
Share Price	**$ 0.85**	**$ 0.85**	**$ 0.85**
Discount Rate	12%		
Discount Period - Months	48.0	36.0	24.0
Discount Period - Years	4.0	3.0	2.0
Discount Factor	0.6	0.7	0.8
PV Share Price	**$ 0.54**	**$ 0.61**	**$ 0.68**

Source: Stonegate Capital Partners

BALANCE SHEETS

Taronis Fuels Inc. (TRNF) Consolidated Balance Sheets (in $millions) Fiscal Year: December				
			Q1	Q2
ASSETS	**FY 2018**	**FY 2019**	**Mar-20**	**Jun-20**
Current Assets				
Cash	$ 1.6	$ 0.1	$ 1.0	$ 0.2
Marketable Securities	-	-	0.3	0.1
Accounts Receiveable	1.4	2.9	3.0	4.4
Inventory	2.6	3.6	4.4	6.5
Prepaid Comission	-	1.2	1.2	1.2
Prepaid Other	0.2	0.1	0.4	0.4
	5.8	**8.0**	**10.2**	**12.9**
Property and Equipment, Net	9.7	16.8	17.4	18.3
Operating Lease right-of-use assets	-	3.7	6.6	8.5
Finance lease right of-use-assets	-	0.2	0.2	0.9
Deposits on Acquisition	0.6	-	-	-
Investments in and advances to affiliates	-	0.8	0.8	0.8
Intangible Assets, net	-	-	-	4.1
Restricted deposit	0.8	0.9	0.9	0.9
Security Deposits	0.2	0.0	0.1	0.1
Goodwill	6.7	11.6	11.6	19.1
Total Assets	**23.7**	**42.0**	**47.8**	**65.6**
LIABILITIES AND SHAREHOLDERS' EQUITY				
CurrentLiabilities				
Accounts Payable	$ 1.8	$ 2.9	$ 2.9	$ 2.8
Accrued Expenses	0.4	1.0	1.0	1.4
Unearned Revenue	-	0.6	0.6	0.5
Operating Lease Liabilities, Current	-	0.7	0.9	1.1
Finance Lease Liability, Current	0.1	0.1	0.1	0.2
Future revenue payables, net	-	-	-	3.0
Notes Payable	0.1	-	0.1	3.2
Current Liabilities	**2.4**	**5.3**	**5.4**	**12.3**
Opertaing Lease, Net of Current	-	3.0	5.8	6.8
Finance Lease, Net of Current	0.2	0.2	0.2	0.5
Note Payable	0.6	0.6	0.5	7.6
Total Liabilities	**3.2**	**9.1**	**11.8**	**27.1**
Shareholders' Equity				
Common Stock	-	0.0	0.0	0.0
Additional Paid in Capital	-	38.2	44.7	47.2
Due from BBHC Inc	-	-	-	(1.0)
Accumulated Other Comprehensive Loss	-	-	-	(0.1)
Accumulated Defecit	-	(5.3)	(8.8)	(7.6)
Former Parent's Net Investment	20.5	-	-	-
Total Shareholders' Equity (deficit)	**20.5**	**33.0**	**35.9**	**38.5**
Total Liabilities and Shareholders' Equity	**23.7**	**42.0**	**47.8**	**65.6**
Ratios				
Liquidity				
Current Ratio	2.4x	1.5x	1.9x	1.1x
Quick Ratio	1.3x	0.6x	0.8x	0.4x
Debt to Equity	1.0%	9.5%	16.5%	19.0%
Debt to Capital	1.0%	8.7%	14.2%	16.0%
Total Liabilities to Total Assets	13.4%	21.6%	24.8%	41.4%

Source: Company Reports, Stonegate Capital Partners

INCOME STATEMENT

Taronis Fuels Inc. (TRNF)
Consolidated Statements of Income (in $millions)
Fiscal Year: December

	FY 2017	FY 2018	FY 2019	FY 2020E
Revenue:				
Sales revenues	$ 3.7	$ 9.7	$ 21.1	$ 40.0
Cost of Sales	2.2	5.6	10.3	15.7
Gross Profit	**1.5**	**4.1**	**10.7**	**24.3**
Operating expenses:				
SG&A	4.7	8.7	15.7	25.9
(Gain) loss on sale & disposal of PPE	(0.1)	(0.0)	-	-
Total operating expenses	4.6	8.7	15.7	25.9
Operating inc (loss)	**(3.1)**	**(4.6)**	**(4.9)**	**(1.6)**
Interest inc (exp)	(0.0)	(0.2)	(0.5)	(1.4)
Other income (exp)	(0.0)	0.3	-	-
Loss on settlement of liabilities	-	-	(0.3)	-
Total Other Expenses	(0.0)	0.1	(0.8)	(1.4)
Taxes		-	-	-
Net income (loss)	**$ (3.1)**	**$ (4.5)**	**$ (5.7)**	**(3.0)**
Basic EPS (loss)	**$ -**	**$ (0.03)**	**$ (0.04)**	**$ (0.02)**
Diluted EPS (loss)	**$ -**	**$ (0.03)**	**$ (0.04)**	**$ (0.02)**
WTD Avg. Basic S/O	NA	138.8	138.8	152.7
WTD Avg. Diluted S/O	NA	138.8	138.8	152.7
EBITDA	**(2.5)**	**(3.9)**	**(3.1)**	**1.3**
Growth Rate Analysis Y/Y				
Sales revenues	N/A	161.1%	117.1%	89.6%
Gross Profit	N/A	173.8%	161.2%	125.9%
SG&A	N/A	87.6%	79.5%	65.0%
Total operating expenses	N/A	89.3%	79.8%	65.0%
Net income	N/A	-44.2%	-27.8%	47.3%
EPS - fully diluted	N/A	N/A	-27.8%	52.1%
Share count - fully diluted	N/A	N/A	0.0%	10.0%

Source: Company Reports, Stonegate Capital Partners estimates

STONEGATE CAPITAL PARTNERS

TRNF GOVERNANCE

Management

Scott Mahoney, **CEO -** Mr. Mahoney has almost 20 years of finance and executive management experience and has held positions at several public and privately held companies in the banking, energy, and recycling industries. Prior to joining MagneGas, Mr. Mahoney served as Chief Financial Officer of Phoenix Group Metals, LLC, a recycling company which he grew through various acquisitions. He has also served as Chief Financial Officer of several oil and gas companies and as Vice-President of JP Morgan Chase. Mr. Mahoney is a Chartered Financial Analyst (CFA) and obtained his Bachelor Degree from the University of New Hampshire and his Masters in Business Administration from the Thunderbird School of International Management.

Tyler Wilson, CFO, Treasurer and General Counsel – Mr. Wilson has served as the Company's General Counsel since mid-2017. On December 1, 2018, he was appointed as the Company's Executive Vice President and corporate Secretary. During his time with the Company, Mr. Wilson has been instrumental in advancing the Company's acquisition model, leading capital market financings, and shoring up corporate governance. Mr. Wilson has served as the managing attorney of Wilson Law Group, PLLC, a corporate and securities boutique he founded in 2011. Over the course of his career, Mr. Wilson has founded a number of start-ups while managing Wilson Law Group and has developed extensive experience in business operations in addition to his legal expertise. Mr. Wilson holds a Bachelor of Arts from the University of Notre Dame and a Juris Doctor from the University of Notre Dame Law School.

Richard Conz, Chief Technology Officer – Mr. Conz is an accomplished professional with more than thirty years of engineering, program management, and new business development experience which included 28 years with Raytheon. His expertise includes component and system level design, integration and test, production, deployment, and maintenance of complex electro-mechanical systems. He is well-trained and versed in engineering processes, strategy development, and project scoping, planning, execution, and budget/resource management throughout the entire program life cycle. He received his Bachelor of Science degree in Electrical Engineering from Wayne State University and held Program Management, Capture Management, and Six Sigma certifications.

Board of Directors

Scott Mahoney – *Director*

Robert Dingess – *Director*

Kevin Pollack – *Director*

William Staunton III – *Director*

Peter Molloy – *Director*

RECENT NEWS

August 31, 2020 – Taronis Fuels Expands. Wholesale Operations into Houston Market.

August 20, 2020 – Taronis Fuels Buys All Licensed Intellectual Property for $1.25 Million.

August 17, 2020 – Taronis Fuels Releases Record Second Quarter Results of Operations.

August 13, 2020 – Taronis Fuels Expands into Miami Market.

August 10,2020 –Taronis Fuels Completes $6.7 Million Financing.

July 7, 2020 – Taronis Fuels Releases First Quarter Results of Operations.

June 18, 2020 – Taronis Fuels Executes Strategic Equity Raise.

June 11, 2020 – Taronis Fuels Launches Innovative Mobile Marketing Pilot Program.

June 08, 2020 – Taronis Fuels Launches Large Scale Manufacturing Capabilities in Arizona.

June 02, 2020 – Taronis Fuels Expands into the Arizona Market.

May 27, 2020 – Taronis Fuels Completes Largest Acquisition in Company History. Closing $8 Million Acquisition of One of the Largest Independent Specialty Industrial Gas Distributors in the United States.

May 18, 2020 – Taronis Fuels Release 2019 Results of Operations and its 2019 Annual Report.

May 4, 2020 – Taronis Expands Midwest Retail Operations.

April 23, 2020 – Taronis Fuels Expands Florida Retail Operations.

April 21, 2020 – Taronis Fuels Ships First Gasification Unit to Ankara, Turkey.

April 2, 2020 – Taronis Fuels Provides International Operations Update

April 1, 2020 – Taronis Fuels Board and Management Acquire Over 4 Million Share in Block Investment

March 30, 2020 – Taronis Fuels Provides Domestic Operations Update.

March 23, 2020 – Taronis Fuels Changes Ticker Symbol and Is Expected to Begin Trading on the OTCQB Under the New Ticker Symbol TRNF.

March 17, 2020 – Taronis Fuels Launches Aggressive MagenGas Pricing Campaign.

March 11, 2020 – Taronis Fuels Schedules Shipment of First Turkish Unit.

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CONTACT INFORMATION

Taronis Fuels, Inc.
24980 North 83rd Avenue, Suite 100
Peoria, Az 85383
Phone: (866) 370-3835
https://taronisfuels.com/

Stonegate Capital Partners, Inc.
8201 Preston Road #325
Dallas, Texas 75225
Phone: (214) 987-4121
www.stonegateinc.com