MAGNETIC MILES, LLC.
2336 SE Ocean Boulevard, #156
Stuart, Florida 34996
772-324-8541

MID-YEAR UPDATE 2018:

To: Magnetic Miles Unit Holders and Investors
From: Your Management Team and Board of Directors
Date: August 23, 2018

ORGANIZATIONAL STRUCTURE:

As many of you are aware, there has been a change in the management structure of the corporation with the resignation of Charles Heath during the second quarter of 2018. John Madden and Spiro Laskaris have assumed the day-to-day operations of the corporation supported by a diverse and experienced Board of Directors. Shari Tobias has been retained to perform the administrative duties in support of the management team. Lenny Gentile has rejoined the energy development team to bring the energy technology back up to speed and to support the needed testing for future continuation. Keith Campbell and McHale Slavin remain the corporate patent counsel for the corporation, and Dr. Doug Lindstrom will continue as principal investigator and advisor for the energy division. Steve Pappas, Keith Campbell and Mike Termini will manage the operations of the coatings division.

MM ENERGY DEVELOPMENT DIVISION:

The Magnetic Miles electrical apparatus termed the "motor" has repeatedly been observed to operate in what could be called an anomalous mode of operation. This is characterized by an apparent excess electrical energy generation, anomalous hydrogen gas production, excess heat generation and nuclear element

transmutation. Four paths to commercialization based on these anomalies have been identified. These are:

- Excess Electrical Energy Generation: Excess electrical energy production, greater than what is fed into the apparatus, has been repeatedly observed by Magnetic Miles but recent erratic behavior and subsequent failure of the measuring equipment has led to the questioning of past results and the necessity of reconfiguring Magnetic Miles's "Anomalous Energy Laboratory". New personnel have been hired to replace a vital staff member that left the company for health reasons, last year. Replacement equipment has been sourced and purchased making the laboratory ready for immediate use. Technologically significant results are expected shortly that will allow commercialization opportunities to be explored.
- Anomalous Hydrogen Gas Production: The anomalous generation of hydrogen, far in excess of that produced by traditional electrolysis, has repeatedly been reported in the literature for LENR (Low Energy Nuclear Reaction) experiments. The current Magnetic Miles apparatus produces large volumes of gas but the apparatus has been purposefully configured to produce a gas mixture that is not explosive. The apparatus is being reconfigured to allow the exploration of hydrogen production as a potential technology platform.
- Excess Heat: Traditional LENR apparatus produces heat as a major source of energy (e.g. Rossi's E-Cat Device, Brilliant Light and Power's SunCorr device, and Brillouin Energy's LENR generator). Magnetic Miles has anecdotally observed significant heating and cooling within the apparatus, the source of which is poorly understood. This will be monitored during upcoming experimentation to determine its validity and possible practical usefulness.
- Nuclear Element Transmutation: Preliminary laboratory analysis has shown what appears to be the nuclear transmutation of thorium into lead and tungsten into hafnium in the Magnetic Miles apparatus. It is not known if this process is a hybrid of fusion and fission, the two known nuclear reactions, or if it is the electromagnetic stimulation of a fission reaction, fission being the type nuclear reaction being used for conventional nuclear energy production. Both the hybrid reaction and the electromagnetically stimulated reaction are not conventional nuclear processes with their very existence is questioned by mainstream science. Either of these reactions could form the basis of an alternate mechanism for controlling nuclear reactions in a manner suitable for commercialization by the nuclear energy industry. It could also form the basis of a nuclear waste remediation technology. This development requires a significant investment in equipment and personnel to implement, and as such, has out grown the current resources of Magnetic Miles. Since these capabilities are normally available within a university setting, partnerships with universities for

technology development and commercialization are currently being sought. Preliminary discussions have started with a leading U.S. university that wishes to remain anonymous for the moment.

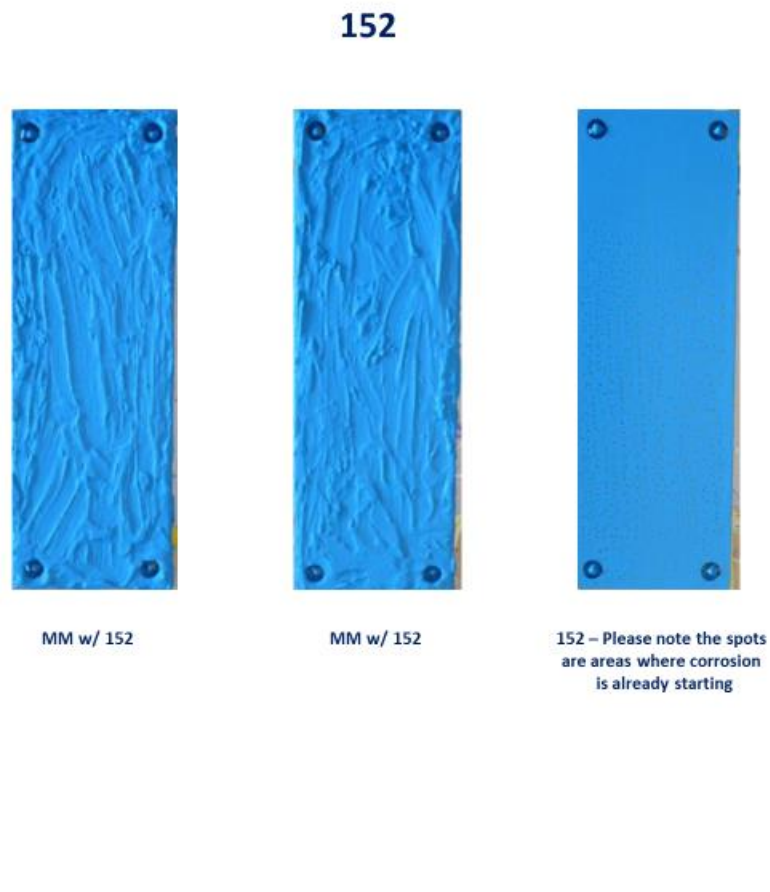
THERMAL COATING DIVISION:

The corporation has identified and retained the services of a polymer chemist and coatings expert/formulator to oversee the expanded development of the thermal coating following the vision established by the division's development team. A toll manufacturer has been retained to produce the final product, and a group of coatings industry experts have been aligned to guide the commercialization process once the product is fully developed, tested and validated. The supply base is in place and certified.

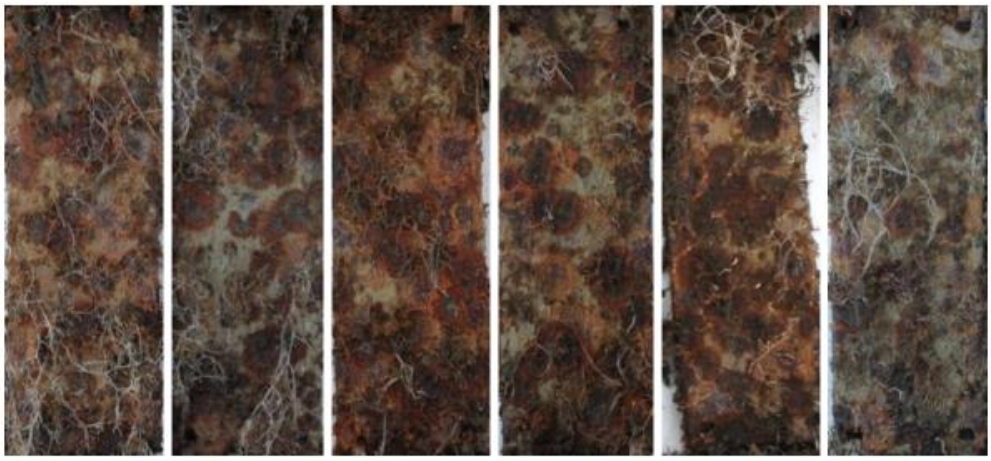
When the company first explored the concept of launching a division to develop and commercialize a thermal coating based upon what was believed to be a proprietary product developed by the MM energy development team, an intensive search was undertaken to locate the formula believed to have been developed and tested. Those efforts did not prove fruitful, and after significant time and effort were expended, the group abandoned those efforts and refocused their efforts on developing a new coating product that was based upon current technologies and material sciences resident within the global coatings industry. From the team's research, coupled with multiple discussions with industry experts and users, the team developed a unique formula based upon space age materials and unique molecular structures that had not been used before in the industry.

Initial inhouse testing of the first version of the formula developed by the team proved promising with thermal protection levels in competitive ranges. Since then, additional research into enhanced materials with improved thermal characteristics was undertaken with the goal of optimizing the overall thermal protection ranges with target ranges of 2500-3500 degrees F. The target ranges for thermal protection will give the proprietary product a significant market advantage in multiple industry segments. A second-tier development plan is now underway in which, with the assistance of the polymer chemist/formulator retained by the division, a series of third party validation tests will be performed using unique resins, polymer adhesives and masking agents to determine the practical range of thermal protection possible. From those tests, if successful, a commercialization schedule will be finalized. EPA compliance may be a requirement before the product can be sold for commercial use. So, once the final formula is completed and validated, discussions with selected EPA consultants will be scheduled and the process of registration begun.

In parallel with the development of the thermal characteristics of the coating formula, as series of tests were contracted with a leading corrosion and antifouling university research laboratory. The first phase of anti-corrosion testing was completed in July and a report submitted for review. The conclusion of the university's research group was, "Corrosion is not occurring on the metal substrate where the MM coating is intact." And when a secondary antifouling coating was applied over the MM coating, antifouling protection was also observed. A continuation of the field testing has been approved and in now underway to determine potential life cycle characteristics of the MM coating in a marine environment.

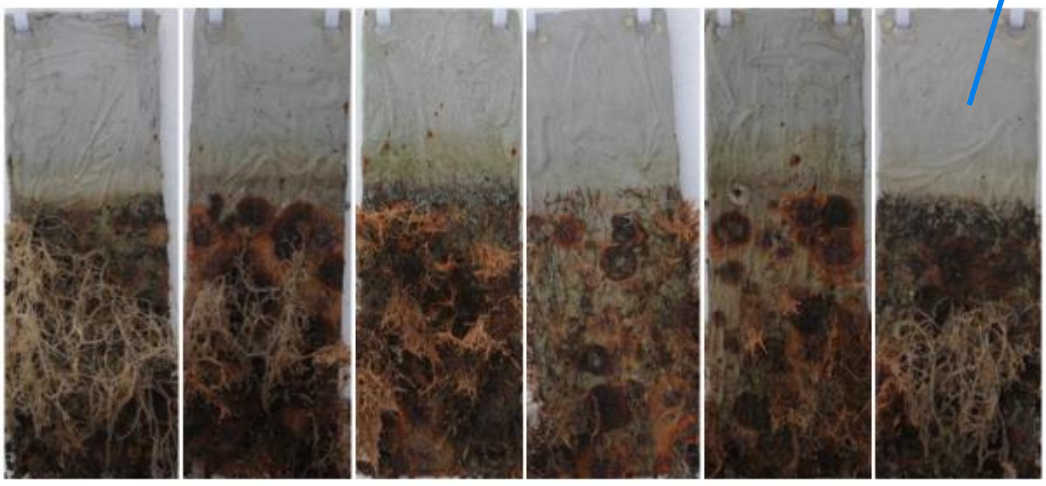


MM



17N-A03 17N-A05 17N-A08 17S-A02 17S-A05 17S-A07

MM - Waterline

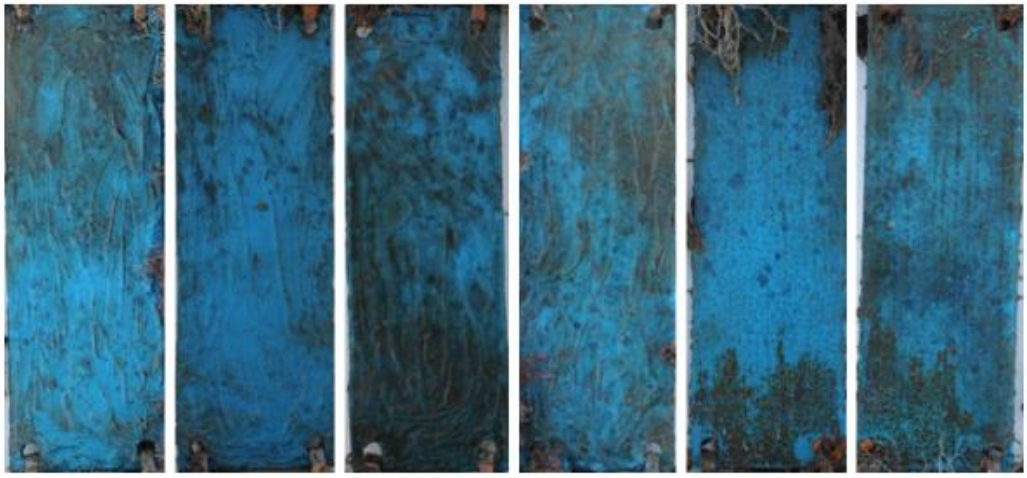


17N-A01W 17N-A02W 17N-A03W 17S-A01W 17S-A02W 17S-A03W

Fouling below the waterline but no corrosion

Secondary coating over MM coating prevents fouling and corrosion

152



17N-A04 MM 152 | 17N-A07 MM 152 | 17S-A03 MM 152 | 17S-A06 MM 152 | 17N-A02 152 | 17S-A08 152

So what does this all mean? If (and we must exercise caution in drawing any preliminary conclusions until the empirical data is all received) the coating formula can be proven to provide a combination of industry leading thermal protection, anticorrosion protection, and (when secondarily coated) antifouling protection to metal substrates, the market potential may well be significant because of the ability to provide a single product for multiple applications in multiple industry segments.

FINANCIAL STATUS:

The company remains constrained by a lack of funding to move both divisions ahead. However, the management and Board have been able to acquire sufficient funding from personal loans made to the company by investors to sustain operations and patent coverage in the near term. Additional sources of funding are being actively explored, including partnerships and grants, to ensure the sustainability of the company operations into 2019.

QUESTIONS:

Please direct any questions you might have to Shari Tobias at 772-324-8541 or by email at stobias@magneticmilesllc.com. A member of the management team will

respond as quickly a possible. In the interim, please accept our best wishes and sincere gratitude for your continued support in our journey toward a new generation in clean energy products and technologies.

Best regards to you all.

_____

For Your Management Team