

Research Update

Investors should consider this report as only a single factor in making their investment decision.

OxySure Systems, Inc.

Rating: Speculative Buy

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August 19, 2013

OXYS \$0.84 — (OTCQB)

	2012A	2013E	2014E	2015E
Total revenues (in millions)	\$0.27	\$2.0	\$2.7	\$4.9
Earnings (loss) per share	(\$0.04)	(\$0.03)	(\$0.04)	(\$0.02)

52 - Week range	\$2.75 – \$0.35	Fiscal year ends:	December
Shares outstanding as of Aug. 12, 2013	24 million	Revenue/share (ttm)	\$0.04
Approximate float	2.7 million	Price/Sales (ttm)	22X
Market Capitalization	\$20 million	Price/Sales (2014)E	8X
Tangible Book value as of June 30, 2013	NA	Price/Earnings (ttm)	NA
Price/Book	NM	Price/Earnings (2014)E	NA

OxySure Systems, Inc., based in Frisco, Texas, manufactures and markets the OxySure Model 615, a low cost, lightweight portable emergency device that administers acute oxygen therapy. The FDA-approved Model 615 is designed to be prepositioned in public settings for use by laypersons when life-threatening medical emergencies occur. The Model 615 aims to deliver emergency oxygen therapy before first responders arrive at the scene of medical emergencies. OXYS also distributes automatic external defibrillators manufactured by all of the major producers.

Reiterating Speculative Buy with a (12-month) price target of \$2.10.

OxySure's oxygen generating technology has lifesaving potential in the treatment of cardiac arrest, acute asthma or pneumonia, severe trauma, smoke inhalation, carbon monoxide poisoning and air embolism.

Untrained nonmedical personnel using the OxySure Model 615 can provide emergency therapy safely and rapidly, supporting lifesaving resuscitation before the arrival of emergency medical personnel.

OXYS' Model 615, easy to use and quickly brought to bear, is a highly suitable companion for automatic external defibrillators (AEDs). There are an estimated 2.2 million AEDs in service worldwide, roughly 60% of them in the US. OxySure aims to position the Model 615 alongside AEDs in public and private venues.

We project a revenue ramp from \$2 million in 2013 to \$4.9 million in 2015. We have raised our revenue estimates through 2015 mainly to reflect higher sales under a military subcontract than we anticipated earlier.

As the OxySure's Model 615 gains traction, revenue should increase to \$18 million by 2017. That long-term revenue estimate is based on moderate acceptance of the Model 615, mainly as a companion to AEDs.

In 2Q13 (results released Aug. 13, 2012), OXYS earned revenue of \$476,000, up from \$63,000 in the year-earlier quarter, but incurred a loss of (\$0.01) per share. We projected a loss of (\$0.01) per share on revenue of \$247,000. We project continued losses through 2015 but a sharp revenue in 2015 should make operations cash flow positive by the end of the year.

By our estimates, cash needs will require further borrowing through 2015. The increase in debt will weigh on profitability due to increases in interest expense.

See disclosures on pages 13 - 15

Investment Recommendation

Reiterating Speculative Buy with a (12-month) price target of \$2.10.

A comparison group of 140 medical device and instrument stocks with market values under \$250 million is trading at a trailing price to sales multiple, excluding outliers, of 7X, vs. 22X for OXYS. The market has clearly accorded the stock a valuation that is based on anticipation of significantly higher revenue.

We value the stock at 7X estimated 2017 revenue per share of \$0.63, a target of \$4.40, which we have discounted by 25% to a year-ahead value of \$2.10. Our discount reflects acceptance and execution risks. Our target is based on an estimated 29 million shares outstanding in 2017, reflecting shares, warrants and options outstanding as of June 30, 2013, as well as shares issued in connection with additional borrowing through 2015.

In our view, acceptance and execution risks make OXYS shares suitable mainly for highly risk-tolerant accounts.

Overview

Oxysure was founded in 2004 and went public in 2011. In 2005 the Food and Drug Administration granted the Model 615 oxygen generator 510-K clearance for over the counter sale. The 615 is approved for emergency use only. Under a military subcontract, the company sells oxygen generator components to the US government.

In early 2013 the company started distributing automatic external defibrillators. The company sells replacement single-use oxygen cartridges, and face mask and tubing systems, and replacement batteries and other AED-related supplies.

The Model 615 was introduced to US school districts in 2008. Most of the company's sales to date have been to educational facilities in more than 40 states but distribution has broadened to commercial markets. Sales have increased steadily since 2010 and should begin a sharp ramp in 2013. In addition to oxygen generators, OxySure also distributes automatic external defibrillators (AEDs), which are widely used to resuscitate cardiac arrest patients.

Oxysure's technology rapidly generates medically pure oxygen by combining two inert powders, obviating the need for storage cylinders or tanks. The OxySure Model 615 can be prepositioned in educational institutions, manufacturing facilities, commercial and government office buildings, sports stadia, restaurants, airports, military installations and a wide variety of other public venues for emergency administration of acute oxygen therapy by untrained non-medical persons. Broad emergency application potential prior to arrival of first responders or admission to an emergency medical treatment facility underlies the appeal of the Model 615.

Oxysure's technology offers lifesaving potential in cases of major adverse cardiac events, severe trauma, and respiratory distress. The design of the Model 615 eliminates or minimizes the risks of fire or explosion seen in other portable oxygen delivery systems.

OxySure sells its products through more than 40 independent commission agents in the US and overseas distributors in Australia and New Zealand, the UK, Brazil, South Africa and Turkey.

One of the company's initial objectives is positioning the Model 615 alongside automatic external defibrillators, which are widely sold in markets targeted by Oxysure. Worldwide, there are an estimated 2.2 million AEDs currently in service, roughly 60% of those in the US and another 30% in Japan. Market penetration potential is very high. If OxySure successfully positions its Model 615 together with a modest number of the AED's in service, revenue potential would be substantial.

Outlook

There is substantial revenue potential for an effective, FDA-approved low-cost acute oxygen therapy system that is safe, easy to use and can be operated by untrained non-medical personnel. The National Center for Health Statistics reports 130 million visits to US emergency rooms in 2010. Most of these visits were not for severe or life threatening conditions, but emergency room diagnoses suggest that millions might have been. In 5.4 million visits, patients were diagnosed with chest pain and another 6.4 million with abdominal pain. There were 4.1 million cases of acute respiratory infection and 1.8 million cases of asthma. There were also 29,000 cases of accidental falls, and 10.5 million cases of injuries sustained in traffic accidents.

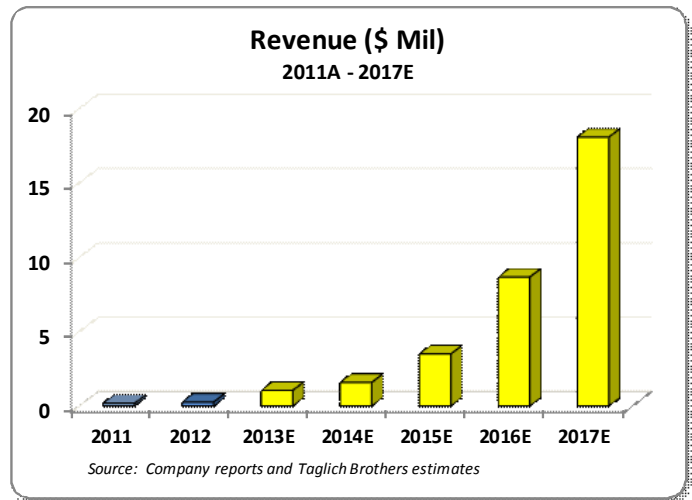
The benefit of acute oxygen therapy is probably demonstrated most clearly in first aid, or pre-hospital care of cardiac arrest patients. In the US, there were 382,000 cases of out-of-hospital cardiac arrest in 2012. Cardiopulmonary resuscitation was attempted on only 41% of them.

Longer term potential for emergency treatment devices such as AEDs and the Model 615 could rest on their availability in the home market. Most victims suffer cardiac arrest at home, where AED placement is low, rather than in public places. Of the 383,000 US cardiac arrest cases in 2012, only 11% survived (to hospital discharge), a dismal rate that some medical practitioners attribute to lack of defibrillators in the home. AED prices (they can range up to \$2,000) and reimbursement issues probably limit patients' ability to purchase them for home use.

Oxysure would arguably optimize its initial impact by positioning the Model 615 in the same sites where AEDs have been installed, enabling cardiac arrest patients access to acute oxygen therapy as well as defibrillation. There are an estimated 2.2 million AEDs in service worldwide, 60% of those in the US and another 30% in Japan. Industry research services estimate that AED sales are increasing at around 10% annually, reflecting the increasing incidence of major adverse coronary events as the population ages, heightened awareness and wider public availability of AEDs, and a gradual decline in prices.

From an estimated \$255 million, or 102,000 units, in 2002, AED global sales are projected by GII Research to increase to \$837 million, around 875,000 units, by 2017. Based on estimated historical annual AED sales and an average service life of 7.5 years, we estimate the number of AEDs currently in service at 2.2 million units, a figure that should increase to an estimated 3.8 million by 2017.

If Model 615 unit sales ramp to as little as 5% to 6% of AEDs sold annually by 2017, the company's annual revenue should grow to \$18 million by then. (see chart right).



Strategy

The company is positioning the Model 615 as a companion product to AEDs, and plans to place the Model 615 alongside as many AEDs as possible. In the long term the Model 615 could become a standard issue emergency treatment device in public and private settings, including private homes. Cost makes a persuasive case for installing emergency oxygen generators next to AEDs; the Model 615 is priced at around \$350, a fraction of an AED's \$1,500 to \$2,000 price.

OxySure Systems, Inc.

OXYS aims to increase penetration of school districts and educational institutions, and continue its expansion into other commercial markets, including places of worship, manufacturing facilities and government and office buildings.

The company is increasing partnerships with distributors of AEDs, safety products and medical devices and aims to invest resources in training that will facilitate distributors' sales of the Model 615. OXYS may undertake collaborations with industry, medical opinion leaders, and community organization aimed at promoting awareness of the need for early administration of emergency or supplemental oxygen in medical emergencies.

The company will increase the number of its US and overseas distributors, seeking those with relationships in medical emergency and industrial safety markets, especially ones already manufacturing or distributing AEDs, and specialty medical distributors that sell into at-risk patient populations in the cardiovascular disease, asthma and COPD (chronic obstructive pulmonary disease) markets.

OxySure sells its Model 615 through more than 40 independent US distributors that sell AEDs, medical products and safety products. The company also has overseas distributors in Australia, New Zealand, the UK, Brazil, South Africa and Turkey.

OxySure's addition of AED's to its product line aims to broadly support its sales efforts by offering distributors another major first-aid technology to market to the same call point as the Model 615, and expanding the company's presence in medical emergency markets.

Projections

Operations Revenue growth will be driven by sales of the Model 615 and single-use oxygen cartridges. Cartridges must be replaced at least once every two years, an annualized replacement rate of at least 50% of 615s in service, excluding replenishment due to their use. Sales should begin to accelerate sharply by 2015, rising to \$4.9 million from \$2 million in 2013 as widening acceptance gives the Model 615 greater traction. Our sales forecast is based mainly on a rise in unit sales of the model 615 to almost 8,000 by 2015 and concomitant gains in sales of oxygen cartridges. That unit sales figure could double by 2017. Our revenue forecast also reflects substantive contributions from sales to the government under a military subcontract. US government purchases currently consist mainly of breathing devices for use at high altitudes.

We increased our revenue projections for 2013 through 2015 on expectations of higher government sales than we previously expected, and increased our cost projections accordingly.

We project largely stable gross margins at 65% and narrowing expense margins as the business expands. Operating losses should narrow significantly, from \$846,000 in 2012 to \$243,000 in 2015. By our estimates the company will turn cash flow positive in 2H15. Bottom line improvement, however, will be constrained by an increase in (non-cash) interest expenses stemming from the issuance of more convertible notes, and related warrants and options. For 2013 and 2014 we project losses of \$765,000, or (\$0.03) per share, and \$952,000, or (\$0.04) per share, respectively. For 2015, we project a loss of \$552,000, or (\$0.02) per share.

Finances At this time, OxySure is totally debt financed, mainly by trade credit and short-term notes from the company's landlord. By our estimates, the company will need additional financing that will double the amount of short-term notes outstanding to \$1.5 million by 2Q15. Reliance on trade credit will increase in dollar terms but the company should be able to steadily shorten its vendor payment periods.

We have forecasted issuance of short-term notes under roughly the same terms as notes payable to the company's landlord, convertible notes with attached options and warrants. In connection with these new notes, charges for fair value of warrants and beneficial conversion options will be recorded as debt discounts amortized over the term of the notes and charged as interest expense. These new notes account for the jump in interest expense,

OxySure Systems, Inc.

largely non-cash, in 2014. If OxySure is able to secure conventional financing within the next year or two, interest charges could be significantly less than we project.

By our estimates, cash burn will increase to \$479,000 in 2014, up from \$351,000 in 2012, and shrink considerably by 2015. Operations should turn cash flow-positive by 2H15, enabling OXYS to break even on a cash basis for 2015. While receivables and inventory should increase as sales rise, continued increases in trade payables should offset their effect on working capital. By 2015, receivables and inventory will increase working capital but cash earnings should provide ample coverage of the increase in working capital, and offer a means of repaying a portion of outstanding notes.

2Q13 and Six-Month Results

Operations 2Q13 revenue was up sharply due to an increase in sales of kits and components under a military subcontract, as well as Model 615 gains. Gross profit increased more than eightfold as revenue increased and the gross margin widened to 68% from 60% due to more service and license revenue in the sales mix.

Operating expenses increased 28% to \$331,000, reflecting recognition of R&D costs relating to a military subcontract and an increase in sales and marketing expenses driven by revenue gains. Increases in R&D and sales/marketing were offset in part by a reduction in G&A stemming mainly from a drop in stock compensation expenses.

As expenses were well leveraged, the company's 2Q13 operating loss narrowed by 35% to \$144,000. The drop in interest expense was largely offset by a reduction in other income.

	Quarter ending June 30:			% +/-(-)	Six months ending June 30:		
	2013A	2013E	2012A		2013	2012	% +/-(-)
Revenue	476	247	63	657%	716	91	689%
Cost of revenue	152	99	25	506%	206	38	443%
Gross profit	324	148	38	758%	511	53	865%
Expenses							
R&D	183	37	1	NM	220	1	17727%
Sales & marketing	134	62		NM	192	21	834%
G&A	195	222	257	(24%)	431	518	(17%)
Total	331	321	258	28%	843	540	56%
Operating loss	(144)	(173)	(220)	(35%)	(332)	(487)	(32%)
Other income (expense)	19	40	58	(67%)	19	59	(68%)
Interest expense	(24)	(25)	(57)	(59%)	(48)	(115)	(58%)
Net income (loss)	(169)	(158)	(220)	(23%)	(362)	(544)	(33%)
Average shares out. (000)	23,167	23,100	19,807		22,918	18,826	
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(33%)	(0.02)	(0.03)	(45%)
Margin Analysis							
Gross margin	68%	60%	60%		71%	58%	
R&D	39%	15%	2%		31%	1%	
Sales & marketing	28%	25%	0%		27%	23%	
G&A	41%	90%	408%		60%	571%	
Operating loss	NA	NA	NA		NA	NA	
Net income (loss)	NA	NA	NA		NA	NA	

Source: Company reports and Taglich Brothers estimates

For the first half of 2013, revenue was up eightfold to \$716,000. Higher sales and an increase in the gross margin to 71% from 58% increased gross profit tenfold to \$511,000. 1H13 operating expenses were up 56% to \$843,000, an increase driven mainly by 2Q13 operations. Due to a gross profit gain the operating loss for the first half of 2013 narrowed by 32% to \$332,000 despite the rise in operating expenses. Non-operating expenses dropped by half due to the decrease in interest expense. The net loss for 1H13 narrowed by 33% to \$362,000 due to a smaller operating loss. The loss per share narrowed to (\$0.02) from (\$0.03).

Finances In 2Q13 the company burned cash of \$112,000 and increased working capital by \$171,000 due to an increase in inventory and a reduction in deferred revenue. Cash of \$284,000 used in operations was covered by

OxySure Systems, Inc.

the issuance of and subscriptions to common stock leaving cash largely unchanged at \$97,000 at the end of the quarter.

For the first six months of 2013 OxySure burned cash of \$218,000 and increased working capital by \$259,000 due to increases in receivables and inventory, and a reduction in deferred revenue, partly offset by an increase in payables. Cash of \$477,000 used in operations was covered by the issuance of and subscriptions to common stock, which increased cash by \$83,000 to \$97,000 as of June 30, 2013.

Debt As of June 30, 2013 the company had notes payable with a total face value of \$594,000, consisting mainly of \$421,000 in short-term notes (all payable to the company's landlord) and a long-term note of \$148,000, of which \$44,000 was due in the coming year.

The short term notes were issued in satisfaction of rent obligations to the company's landlord. Relative fair value of warrants issued in connection with issuance of the notes and beneficial conversion options were recorded as debt discounts amortized over the term of the notes and charged as interest expense. The notes are convertible to common stock, some at the option of the landlord and some at the option of the company, at an exercise price of either \$1.00 per share, or \$1.50 per share, depending on the note. In connection with each note, the company also issued penny warrants to the landlord exercisable at varying dates at a price of \$0.01 per share.

The long-term note is payable to the City of Frisco (TX) in annual payments of \$44,000 for 2013, and \$52,000 for each of 2014 and 2015. The note is non-interest bearing but interest has been imputed at 12.34%.

Moratorium/Debt Settlement – Capitalized Lease Obligations On August 6, 2013 the company announced an agreement with Vencore Solutions, which holds a number of equipment leases executed between October 30, 2006 and August 20, 2007. Vencore will grant a moratorium on payments on the balance of \$308,000 in debt until December 31, 2013, and will consider the obligation settled in full if, by December 31, 2013, Oxysure pays Vencore \$150,000 and grants Vencore 75,000 unrestricted common shares.

Oxygen Delivery Systems

Major medical emergencies in which patients need high concentrations of oxygen immediately include cardiac arrest, shock, major trauma, severe hemorrhage, sepsis (severe inflammatory response to a bacterial infection), anaphylaxis (a severe whole-body allergic reaction to a food, drug or insect bite) and carbon monoxide poisoning. Most of these can occur outside of a medical facility so a timely response by an adequately equipped layperson is essential to restoring normal breathing.

Oxygen is delivered through a variety of masks but most oxygen storage systems are not suitable in out-of-hospital medical emergencies, as they are too large or must be operated by a relatively knowledgeable user. In hospitals, oxygen is piped in from large storage cylinders and administered by medical staff. Some storage cylinders are some small enough to be easily portable, as are electrical and chemical reaction-based oxygen generators, but the operation of even relatively simple home and travel systems requires some experience.

Chemical reaction-based oxygen generators release oxygen when chemicals (usually sodium chlorate, barium peroxide and potassium perchlorate) are released and combine with each other. This type of oxygen generator is widely used on passenger aircraft and submarines and by firefighters and mine rescue crews. They are compact, have a long shelf life and are well suited to emergency use. However, as the chemical reactions are exothermic, activation of these generators can increase external temperatures significantly, posing a risk of fire. The Model 615 is based on a different oxygen generation technology.

The Model 615

The Model 615, illustrated at right, is a catalytic portable oxygen generator that releases 99%-pure oxygen when two inert chemical powders within its single use cartridge are combined. Use of the 615 requires no prescription; the device is available over the counter.

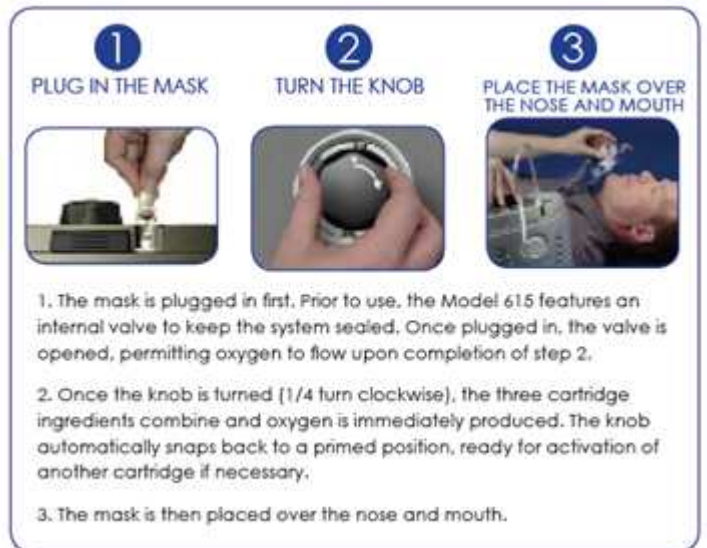
The 615 is housed in a thermoplastic, lightweight (less than 11 pounds) dispenser which holds a cartridge containing two powders and an accelerant that combine to create oxygen when the cartridge is activated. The 615 dispenses oxygen rate of six liters per minute for approximately 15 to 20 minutes.

The chemicals are combined within an easily removable, single-use cartridge that has a shelf life of two years. As shown in the illustration on page 6, operation of the 615 is a simple and straightforward three step process that requires no training or experience. So is the removal and replacement of an empty or expired cartridge. The system requires no maintenance other than replacement of the oxygen cartridge after use or at the end of its shelf life.

The Model 615 apparatus and method of operation are covered by six US and three foreign patents, most of which do not expire for at least another 10 years. Two of the US patents cover a “breathing device utilizing a catalytic oxygen generation method” and another two cover methods (and apparatus) for controlled production of a gas, including its control, containment and delivery.

OxySure does not disclose the chemicals used by its technology. The Model 615 might use a solid form of hydrogen peroxide, e.g., sodium percarbonate or carbamide peroxide, both available in powder form, that generates oxygen when combined with water and a catalyst. Both these forms of hydrogen peroxide are easy to transport and safe to handle.

As FDA clearance hinges in large measure on product safety, we infer that potential safety hazards, such as fire risks stemming from the heat generated by chemical reactions, are well contained, a key objective in the design of the 615 and its cartridge.



Risks

In our view, these are the principal risks underlying the stock:

Acceptance Hurdles Penetration achieved so far in the company's initial target markets may not be sustained, curtailing growth and leaving revenue short of levels essential to satisfactory profitability.

Liquidity The company's operations are financed largely with trade credit and notes extended by its landlord. Reducing dependence on those sources will hinge on OXYS's ability to turn cash flow positive and raise more equity through the sale of common stock for cash. Based on our operating forecasts and the company's debt position, OXYS should be able to sustain operations through 2015 without having to take on substantial additional borrowing. But if OxySure is unable to obtain adequate financing, the company may have to curtail its sales efforts.

Execution Product launch is still in a relatively early stage. Without broad distribution capability and production scalability, sales may fall short of potential, leading to a failure to achieve critical mass.

Intervening Technology/Competition There does not appear to be any directly competing emergency oxygen therapy systems. But while the company's catalytic oxygen generation technology and the Model 615 apparatus are covered by US patents, other medical technology companies might develop alternative oxygen generation technology. The chemicals that OxySure uses in the Model 615 are trade secrets but are not patent protected and could potentially be used in competing systems.

Concentration of Ownership Julian Ross controls two-thirds of outstanding common shares, a position that underlies a strong commitment to the success of the business. However, he is able to influence business decisions in ways that may not be in the best interest of the shareholders at large.

Potential Dilution The issuance of common shares to raise capital and pay down debt would dilute the ownership interests of current shareholders.

Microcap Concerns Shares of OXYS have risks common to the stocks of other microcap (which we define as market capitalizations of \$250 million or less) companies. These risks often underlie stock price discounts from the valuations of larger-capitalization stocks. Liquidity risk, typically caused by small trading floats and very low trading volume, can lead to large spreads and high volatility in stock price. The company has approximately 2.7 million shares in the float. On average, approximately 7,000 shares are traded daily.

Miscellaneous Risks The company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

OxySure Systems, Inc.

Annual Balance Sheets
(\$ 000)
2011A –2015E

	2011A	2012A	2Q13A	2013E	2014E	2015E
ASSETS						
Current assets						
Cash + equivalents	65	14	96	351	368	1,122
Accts receivable	3	18	81	300	334	616
Inventory	248	221	289	214	234	287
Total	316	253	466	865	936	2,025
Fixed assets (net)						
Fixed assets (net)	134	28	24	29	63	112
Intangibles	445	418	407	391	359	327
Other	53	516	470	500	500	500
TOTAL ASSETS	948	1,216	1,367	1,785	1,858	2,964
LIABILITIES AND EQUITY						
Current liabilities						
Accts pay & accruals	245	596	724	1,107	1,177	1,292
Capital lease obligations - current	328	296	309	300		
Notes payable - current	1,565	399	462	500	1,100	1,500
Deferred revenue	422	499	262	590	802	1,478
Total	2,560	1,790	1,757	2,497	3,079	4,271
Capital lease obligations	3	2	2	2		
Notes payable	1,162	76	76	76	76	76
Shareholders' equity	(2,777)	(652)	(469)	(790)	(1,299)	(1,382)
TOTAL LIABILITIES AND EQUITY	948	1,216	1,367	1,785	1,857	2,964

Source: Company reports & Taglich Brothers estimates

OxySure Systems, Inc.

Annual Income Statements
(\$ 000)
2011A – 2015E

	2011A	2012A	2013E	2014E	2015E
Revenue	185	270	1,966	2,674	4,927
Cost of revenue	103	96	643	936	1,724
Gross profit	82	174	1,323	1,738	3,203
Expenses					
R&D		26	689	904	1,120
Sales & marketing	15	76	504	669	1,232
G&A	1,135	918	821	882	1,094
Total	1,151	1,020	2,015	2,454	3,445
Operating loss	(1,069)	(846)	(692)	(716)	(243)
Other income (expense)	145	225	99	200	200
Interest expense	(608)	(207)	(173)	(436)	(509)
Net income (loss)	(1,532)	(828)	(765)	(952)	(552)
Average shares outstanding (000)	15,930	19,862	23,417	25,417	27,542
Earnings (loss) per share	(0.10)	(0.04)	(0.03)	(0.04)	(0.02)
Margin Analysis					
Gross margin	44.2%	64.6%	67.3%	65.0%	65.0%
R&D	0.0%	9.6%	35.0%	33.8%	22.7%
Sales & marketing	8.2%	28.3%	25.7%	25.0%	25.0%
G&A	NM	NM	41.8%	33.0%	22.2%
Operating income	NM	NM	NM	NM	(4.9%)
Net income (loss)	NM	NM	NM	NM	(11.2%)

Source: Company reports and Taglich Brothers estimates

Quarterly Income Statements
(\$ Thousands)
2013E - 2015E

	1Q13A	2Q13A	3Q13E	4Q13E	2013E	1Q14E	2Q14E	3Q14E	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E
Revenue	240	476	626	623	1,966	473	546	747	908	2,674	927	1,096	1,331	1,573	4,927
Cost of revenue	53	152	219	218	643	166	191	261	318	936	325	384	466	551	1,724
Gross profit	187	324	407	405	1,323	307	355	486	590	1,738	603	712	865	1,022	3,203
Expenses															
R&D	37	183	219	249	689	189	219	224	272	904	232	274	299	315	1,120
Sales & marketing	58	134	157	156	504	118	137	187	227	669	232	274	333	393	1,232
G&A	236	195	188	203	821	189	219	224	250	882	278	274	266	275	1,094
Total	331	512	564	608	2,015	497	574	635	749	2,454	742	822	898	983	3,445
Operating loss	(144)	(188)	(157)	(203)	(692)	(189)	(219)	(149)	(159)	(716)	(139)	(110)	(33)	39	(243)
Other income (expense)	19	40	40	40	99	50	50	50	50	200	50	50	50	50	200
Interest expense	(25)	(24)	(54)	(70)	(173)	(87)	(103)	(118)	(128)	(436)	(135)	(135)	(128)	(112)	(509)
Net income (loss)	(169)	(193)	(171)	(232)	(765)	(226)	(271)	(218)	(237)	(952)	(224)	(194)	(111)	(23)	(552)
Average shares outstanding	22,666	23,167	23,667	24,167	23,417	24,667	25,167	25,667	26,167	25,417	26,667	27,256	27,809	28,434	27,542
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)	(0.04)	(0.01)	(0.01)	(0.00)	(0.00)	(0.02)
Margin Analysis															
Gross margin	78%	68%	65%	65%	67%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%
R&D	15%	39%	35%	40%	35%	40%	40%	30%	30%	34%	25%	25%	23%	20%	23%
Sales & marketing	24%	28%	25%	25%	26%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
G&A	98%	41%	30%	33%	42%	40%	40%	30%	28%	33%	30%	25%	20%	18%	22%
Operating loss					NM					NM					NM
Net income (loss)					NM					NM					NM

Source: Company reports and Taglich Brothers estimates

OxySure Systems, Inc.

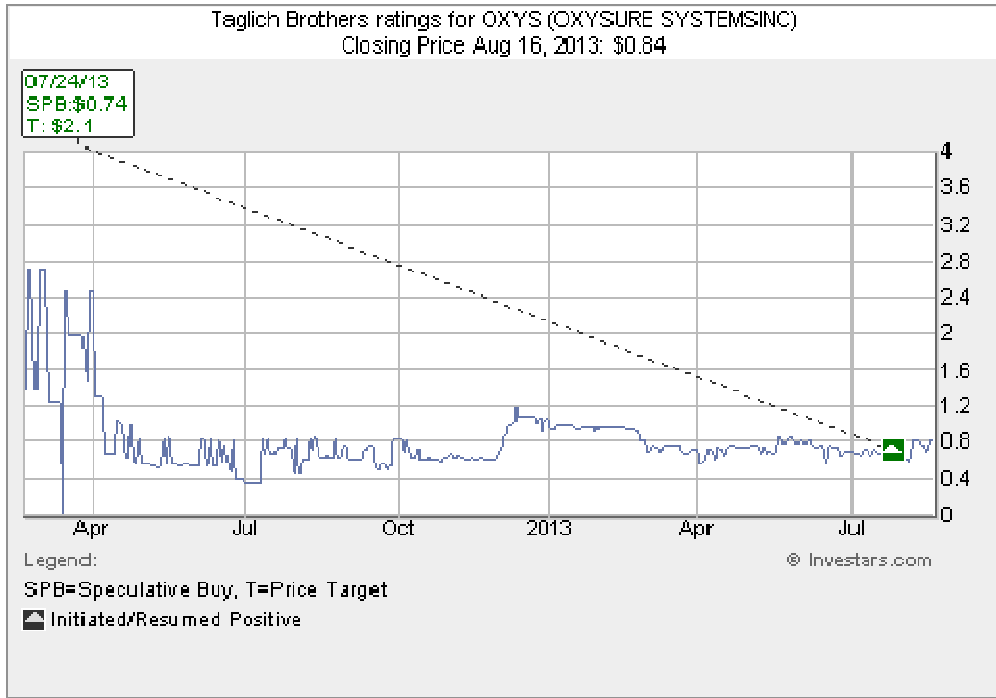
Annual Cash Flow Statements
(\$ 000)
2011A –2015E

	2011A	2012A	2Q13A	2013E	2014E	2015E
Operating activities			(quarter only)			
Net Income	(1,532)	(828)	(193)	(765)	(952)	(552)
Depreciation	174	139	5	20	26	31
Amortization of intangibles	30	55	(16)	31	32	32
Prior period adjustment				(0)	0	0
Amortization of debt discount/warrant fair value	546	190	17	112	335	408
Changes in deferred rent/leasehold improvement	(18)	65	21	21		
Amortization of other assets			46	46		
Stock based compensation - employees	104	8	0	(12)		
Stock based compensation - others	29	21	7	66	80	80
Cash burn/earnings	(667)	(351)	(112)	(481)	(479)	(1)
Accts rec	(2)	(16)	(8)	(282)	(34)	(282)
Inventory	(20)	27	(67)	7	(20)	(53)
Prepayments & other	(41)					
Accts pay & accruals	(125)	142	16	491	70	115
Deferred revenue	166	78	(113)	91	213	676
Changes in working capital	(23)	230	(171)	307	229	456
Net cash from operations	(689)	(120)	(284)	(175)	(250)	455
Investing activities						
Capital expenditures	(3)	(33)	(5)	(20)	(60)	(80)
Purchase of intangibles	(1)	(3)	(4)	(4)		
Other	(40)					
Net from investing activities	(45)	(36)	(9)	(24)	(60)	(80)
Financing activities						
Loan proceeds (repayments)	764	(9)	(3)	9	529	329
Payment - capital lease obligations	(28)	(32)	(0)	12	(202)	0
Proceeds - issuance of common stock on conversion		41	45	60		52
Proceeds - issuance of preferred stock		(1)				
Common stock subscribed/issued			253	469		
Proceeds - exercise of options/warrants	23	104		4		
Net cash from financing	760	104	294	553	327	381
Net change in cash	25	(53)	2	354	17	756
Cash - beginning	40	65	95	13	367	384
Cash - ending	65	13	97	367	384	1,140

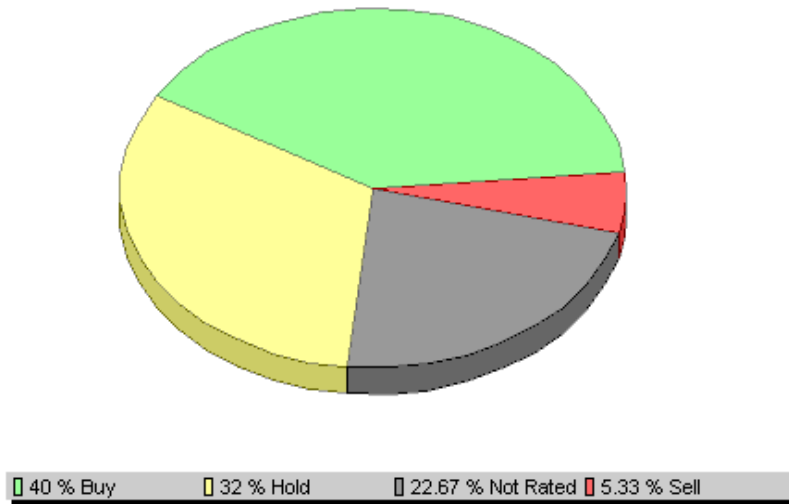
Source: Company reports and Taglich Brothers estimates

Price Chart

OxySure Systems, Inc.



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	1	4
Hold	1	14
Sell		
Not Rated		

Important Disclosures

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Analyst Certification

I, Juan Noble, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, non-payment for such services, diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.