Industrial Nanotech, Inc.

Consolidated Financial Statements
For the Period Ended September 30, 2014
(Unaudited)

Exhibits Index

Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report.

(1) Financial Statements

Consolidated Balance Sheet as of September 30, 2014 and December 31, 2013

Consolidated Statements of Operations for the Quarter ended September 30, 2014 and Septemeber 30, 2013 and the Year ended December 31, 2013

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Consolidated Statements of Cash Flows for the Quarter ended September 30, 2014 and September 30, 2013 and the Year ended December 31, 2013

Notes to the Consolidated Financial Statements

(2) Financial Statement Schedules

Additional Schedules are omitted as the required information is in applicable or the information is presented in the financial statements or related notes

Industrial Nanotech, Inc.

Consolidated Balance Sheets
(Unaudited)

ASSETS	September 30, 2014	December 31, 2013
Current Assets		
Cash	$2,653	$46,420
Accounts Receivable	9,895	64,289
Inventory	2,386	609
Total Current Assets	14,934	111,318
Equipment, Net	41,188	37,324
Other Assets	38,937	160,000
Total Assets	$95,059	$308,642
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Customer Deposits	363,406	0
Accounts Payable	234,293	242,009
Accrued Payroll Expense	34,205	85,630
Accrued Expense	90,748	95,197
Notes Payable	493,364	297,500
Notes Payable - Related Party (see Note	507,619	654,282
Total Current Liabilities	1,723,635	1,374,618
Total Liabilities	1,723,635	1,374,618
Stockholders' Equity		
Preferred Stock, authorized 25,000,000 shares, Par value $0.0001, issued and outstanding on September 30, 2014 and December 31, 2013 is 5,000,000 respectively	500	500
Common Stock, authorized 975,000,000 shares, Par value $0.0001, issued and outstanding on 859,890,291 and 796,875,728 respective	76,140	68,138
Paid In Capital	19,331,072	18,502,519
Accumulated Deficit	(21,036,288)	(19,637,133)
Total Stockholder' Equity	(1,628,576)	(1,065,976)
Total Liabilities and Stockholders' Equity	$95,059	$308,642

The accompanying notes are an integral part of these statements

Industrial Nanotech, Inc.

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
INCOME				
Revenue	198,003	265,383	626,896	556,235
Less: Cost of Goods Sold	29,363	118,682	92,331	214,593
Gross Profit	168,640	146,701	534,565	341,642
OPERATING EXPENSES				
Sales and Marketing	17,484	13,635	67,075	70,568
General and Administrative	508,143	273,739	1,339,847	716,291
Research and Development	14,174	14,565	48,818	32,091
Professional and Consulting	85,771	30,169	385,319	159,129
Depreciation	0	710	0	710
Toatl Expenses	625,572	332,818	1,841,059	978,789
(Loss) from Operations	(456,932)	(186,117)	(1,306,494)	(637,147)
Other Income (Expense)	(10,415)	(15,321)	(92,661)	(334,371)
Net Income (Loss)	(467,347)	(201,438)	(1,399,155)	(971,518)
Basic and Diluted (Loss) per Share	($0.0001)	($0.0001)	($0.0001)	($0.0001)
Weighted Average Number of Shares	7,453,641	1,339,286	595,161,633	566,870,492

The accompanying notes are an integral part of these statements

Industrial Nanotech, Inc.

Consolidated Statements of Stockholders' Equity

(Inception January 14, 2004 to September 30, 2014)

	Shares	Amount	Shares	Amount	Capital	Subscription Receivable	Deficit	Equity
Balance December 31, 2012	**5,000,000**	**500**	**674,136,083**	**67,414**	**18,373,590**	**(1,526,400)**	**(18,213,290)**	**(1,298,186)**
Prior Period Adjustments			3,052,502	(11,244)	(1,048,556)	1,526,400		466,600
Common Shares Issued for Cash			60,772,857	6,077	487,726			493,803
Common Shares Issued for Consulting			35,650,000	3,565	413,510			417,075
Common Shares Issued for Employee Bonus			550,000	55	7,195			7,250
Common Shares Issued for Interest Expense			19,500,000	1,950	231,125			233,075
Common Shares Issued for Services			3,214,286	321	37,929			38,250
Net Income/(Loss)							(1,423,843)	(1,423,843)
Balance December 31, 2013	**5,000,000**	**500**	**796,875,728**	**68,138**	**18,502,519**	**0**	**(19,637,133)**	**(1,065,976)**
Common Shares Issued for Consulting			20,164,563	1,966	252,071			254,037
Common Shares Issued for Interest Expense			12,850,000	3,036	174,482			177,518
Common Shares Issued for Debt Repayment			30,000,000	3,000	402,000			405,000
Net Income/(Loss)							(1,399,155)	(1,399,155)
Balance September 30, 2014	**5,000,000**	**500**	**859,890,291**	**76,140**	**19,331,072**	**0**	**(21,036,288)**	**(1,628,576)**

The accompanying notes are an integral part of these statements

Industrial Nanotech, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,		Year Ended December 31,
	2014	2013	2013
Operating Activities			
Net Income (Loss)	(1,399,155)	(971,518)	(1,423,843)
Adjusments to Reconcile Net Income (Loss)			
Stock Issued for Services	392,826	278,325	455,325
Stock Issued for Employee Bonuses	0	7,250	7,250
Non-cash Interest Expense	278,750	185,575	233,075
Depreciation	0	34,477	52,770
Balance Sheet Adjustments:			
(Increase)/Decrease in Accounts Receivable	54,394	13,739	(23,820)
(Increase)/Decrease in Employee Advances	0	(290)	0
(Increase)/Decrease in Customer Deposits	363,406	(20,000)	(20,000)
(Increase)/Decrease in Inventory	(1,777)	9,219	77,433
(Increase)/Decrease in Other Assets	121,063	34,477	(124,523)
Increase/(Decrease) in Accounts Payable	(7,716)	168,897	118,972
Increase/(Decrease) in Accrued Expense	892	157,297	(81,877)
Increase/(Decrease) in Accrued Payroll	1,923	46,661	31,603
Net Cash (Used) by Operating Activities	(195,394)	(55,891)	(697,635)
Investment Activities			
Purchase of Equipment	3,864	(44,919)	(19,929)
Net Cash (Used) by Investment Activities	3,864	(44,919)	(19,929)
Financing Activities			
Proceeds from Sale of Stock	0	427,608	555,379
Proceeds from Notes Payable-Related Party	(75,609)	(427,257)	(227,402)
Proceeds from Loans	25,864	113,565	17,266
Proceeds from Debt Conversion	0	0	0
Proceeds from Consulting Stock	197,508	0	417,075
Cash Provided by Financing Activities	147,763	113,916	762,318
Net Increase (Decrease) in Cash	(43,767)	13,106	44,754
Cash, Beginning of Period	46,420	1,666	1,666
Cash,End of Period	2,653	14,772	46,420

The accompanying notes are an integral part of these statements

Industrial Nanotech, Inc.

Notes to UnauditedConsolidated Financial Statements

(September 30, 2014and December 31, 2013)

Note 1. General Organization and Business

Industrial Nanotech, Inc. (the Company) is a Delaware corporation organized on February 7, 2005. On March 14, 2005 the Company acquired a Wyoming corporation with the same name organized on January 14, 2004. The Delaware corporation is the surviving legal entity with the Wyoming corporation being the historical accounting entity for reporting purposes. Both companies were organized by the same founders therefore there is no change of control. The Wyoming corporation is operated as a wholly owned subsidiary.

On June 28, 2005, the Company organized a Florida corporation of the same name to provide management services to the Company and is also operated as a wholly owned subsidiary.

The Company develops, manufactures and markets industrial grade insulation products utilizing emerging nanotechnology. The company currently owns patent rights to the combination of a specific category of nanocomposites and a variety of secondary "carrier" components used in these products. The company is an active participant in research and development with leading laboratories exploring nanotechnology.

The relevant accounting policies and procedures are listed below

Accounting Basis

The statements were prepared following generally accepted accounting principles of the United States of America consistently applied.

Earnings (Loss) per Share

The basic earnings (loss) per share are calculated by dividing the Company's net income available to common shareholders by the weighted average number of common shares during the year. The diluted earnings (loss) per share are calculated by dividing the Company's net income (loss) available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted as of the first of the year for any potentially dilutive debt or equity.

Dividends

The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid during the periods shown.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Equipment

Equipment is stated at cost and only items with a cost greater than $500 are capitalized. Depreciation is computed using the straight-line method over their estimated useful lives ranging from five to seven years. Maintenance and repairs are charged to expense as incurred. Fixed assets consist of the following:

	September 30, 2014	December 31, 2013
Office Furniture and Equipment	$105,822	$101,958
Less: Accumulated Depreciation	(64,634)	(64,634)
Equipment, net	$41,188	$37,324

Revenue Recognition

The Company recognizes revenue when a sale is made and the product is shipped.

Advertising

Advertising is combined with marketing costs and expensed when incurred. Marketing/Advertising costs for the period ended September 30, 2014 and the year ended December 31, 2013 are $67,075 and $81,884 respectively.

Income Taxes

The provision for income taxes is the total of the current taxes payable and the net of the change in the deferred income taxes. Provision is made for the deferred income taxes where differences exist between the periods in which transactions affect current taxable income the period in which they enter into the determination of net income in the financial statements.

Earnings Per Share

Basic earnings per share are computed by dividing net income by the average number of common shares outstanding during the period. Diluted earnings per share takes into consideration the potentially dilutive effect of common stock equivalents, such outstanding stock options and warrants, which if exercised or converted into common stock would then share in the earnings of the Company. In computing diluted earnings per share, the Company utilizes the treasury stock method and anti-dilutive securities are excluded.

Recent Accounting Guidance Not Yet Adopted

The Company has reviewed recently issued accounting pronouncements thru ASU 2014-10 and believes none will have any material impact on our financial statements.

Note 2. Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business.

The Company's gross revenue for the period ended June 30, 2014 and the year ended December 31, 2013 $626,896 and $838,741 respectively. The company must continue to raise funds in the near future to support the growth of product development. Management has been successful in the past in raising these funds.

Management's Plans

The Company is currently preparing patent applications on additional technologies it has developed; is creating new technologies, and is pursuing the acquisition of additional intellectual property in nanotechnology. The overall objectives are to advance the development and commercialization of nanotechnologies through additional joint research agreements with top research facilities, development of a nanocomposite manufacturing and research facility, expansion of distribution networks worldwide, and the cultivation of future researchers through scholarships and research grants. Industrial Nanotech, Inc. has position itself to become the premier source for development of nanoscience solutions to industry. Management plans to develop distributors throughout the United States and internationally and attract new customers through website marketing.

Management plans to expand into European manufacturing market to increase production volume in 2015 - 2016 to enable product availability in Europe. This will reduce shipping costs and further accelerate market expansion.

Note 3. Notes Payable - Related Party

A related party periodically provides operating funds to the Company. The related party note payable balance as of September 30, 2014 and December 31, 2013 consist of the following:

	September 30, 2014	December 31, 2013
Demand note, Unsecured, No due date, 10% Interest Shareholder/Related Party	$507,619	$654,282
Total Notes Payable - Related Party	$507,619	$654,282

Note 4. Stockholders' Equity

Participating Preferred Stock

The Company is authorized 25,000,000 Preferred Shares and on March 15, 2007 created Series A Participating Preferred Stock with 5,000,000 shares which is considered senior to common shares. Holders of Series A Participating Preferred Stock shall be entitled to receive quarterly dividends payable in cash on the 15th day of March, June, September and December of each year if a dividend is declared by the Board of Directors on common stock. The Series A dividend shall be $0.10 per share or 1,000 times the aggregate declared dividend per common share adjusted for changes in outstanding common shares resulting from reverse splits or similar actions.

Series A preferred share are also entitled to 1,000 votes per share for all matters submitted to shareholders with the number of votes adjusted for reverse splits or similar actions and has the right to elect two directors to the board should dividends extend into a default period. The Company may not declare dividends on stock junior to Series A Preferred Stock during any default period. Upon dissolution no distribution can be made until Series A holders receives $1,000 per share plus accrued dividends with common shares receiving $1.00 per share and any remainder is to be distributed proportionally by number of shares outstanding.

Upon consolidation or Merger, Series A preferred shares are to receive 1,000 times the number of shares as common shares receive proportionally adjusted for reverse splits or similar actions. Upon return to the Company Series A preferred shares will be retired or cancelled and become authorized, but unissued preferred shares.

The 5,000,000 Series A Participating Preferred shares were issued to two founders on March 15, 2007, each holding 2,500,000 shares.

Common Stock

Industrial Nanotech, Inc. (the Company) is a Delaware corporation organized on February 7, 2005. On March 14, 2005 the Company merged with a Wyoming corporation with the same name organized on January 14, 2004. The Delaware corporation is the surviving legal entity with the Wyoming corporation being the historical accounting entity for reporting purposes. Both companies were organized by the same founders therefore there is no change of control. The Wyoming Corporation is operated as a wholly owned subsidiary.

During the year ended December 31, 2013 the Company issued common shares as described below:

The Company issued 60,772,857 shares for $493,803 cash and recorded an additional $233,075 interest expense for the fair value of the stock issued

The Company issued 35,650,000 common shares with a fair value of $417,075 for various consulting services.

The Company issued 3,214,286 common shares with a fair value of $38,250 for various services.

The Company issued 550,000 shares restricted common stock to employees as a Bonus.

During the period ended Septmber 30, 2014 the Company issued common shares as described below:

The Company issued and recorded 12,850,000 shares for $177,518 interest expense for the fair value of the stock issued

The Company issued 20,165,653 common shares with a fair value of $254,037 for various consulting services.

The Company issued 30,000,000 shares restricted common stock with a fair market value of $405,000 to Note holders as debt repayment.

Note 5. Operating Leases and Other Commitments

Current operating leases for office space consist of a monthly payment of $3,200. Management feels that the office space is not adequate for future growth but is uncertain of its future needs at this time.

Note 6. Subsequent Events

The Company is in the process of completing an extensive internal review in preparation for a PCAOB audit scheduled to be completed during the earlier part of 2015 resulting in a possible correction of and reclassification of costs.

The Company has successfully entered into the OEM (original equipment manufacturer) roof tile market which includes designing and installing customized spray equipment for the manufacturing line. The new Eagle Platinum Tile which is made in the USA by Eagle Roofing Products represents the most innovative roof tile on the market today. Thus opens the door to similar relationships with OEM customers. This is expected to be a major area of focus and growth in the coming months and years.

The Company continues to expand in the Oil & Gas marketand has added the Middle East and South America to its list of customers.