Industrial Nanotech, Inc.

Consolidated Financial Statements
For the Period Ended December 31, 2014
(Unaudited)

CERTIFICATION

I, Stuart Burchill, Chief Executive Officer of Industrial Nanotech, Inc. hereby ceritify that the financial statements filed herewith and any notes thereto, fairly present, in all material respects, the financial position, results of operations and cash flows for the periods accounting presented, in conformity with principles generally accepted in the United States, consistently applied.

Stuart Burchill

Exhibits Index

Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report.

(1) Financial Statements

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

Consolidated Statements of Operations for the Year ended December 31, 2014 and the Year ended December 31, 2013

Consolidated Statements of Stockholders' Equity for the Year ended December 31, 2013 through theYear ended December 31, 2014

Consolidated Statements of Cash Flows for the Year ended December 31, 2014 and 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)

	December 31, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash	$23,176	$46,420
Accounts Receivable	76,751	64,289
Inventory	943	609
Total Current Assets	100,870	111,318
Equipment, Net	18,613	37,324
Other Assets	400	160,000
Total Assets	$119,883	$308,642
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Customer Deposits	452,623	0
Accounts Payable	254,200	242,009
Accrued Payroll Expense	63,752	85,630
Accrued Expense	158,682	95,197
Notes Payable	153,364	297,500
Notes Payable-Related Party (see Note 3)	811,894	654,282
Total Current Liabilities	1,894,515	1,374,618
Total Liabilities	1,894,515	1,374,618
Stockholders' Equity		
Preferred Stock, authorized 25,000,000 shares, Par value $0.0001, issued and outstanding on December 31, 2014 and December 31, 2013 is 5,000,000 respectively	500	500
Common Stock, authorized 1,500,000,000 shares, Par value $0.0001, issued and outstanding on 1,022,247,957 and 796,875,728 respectiv	89,838	68,138
Paid In Capital	20,492,323	18,502,519
Accumulated Deficit	-22,357,293	-19,637,133
Total Stockholder' Equity	-1,774,632	-1,065,976
Total Liabilities and Stockholders' Equity	$119,883	$308,642

The accompanying notes are an integral part of these statements

Industrial Nanotech, Inc.

Consolidated Statements of Operations

(Unaudited)

	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013
INCOME		
Revenue	714,744 *	838,741
Less: Cost of Goods Sold	104,436	217,116
Gross Profit (see Note #2)	610,308	621,625
OPERATING EXPENSES		
Sales and Marketing	78,115	81,884
General and Administrative	2,240,630	1,289,407
Research and Development	72,624	26,930
Professional and Consulting	824,102	609,456
Depreciation	10,011	-263
Total Expenses	3,225,482	2,007,414
(Loss) from Operations	-2,615,174	-1,385,789
Other Income (Expense)	-104,986	-38,054
Net Income (Loss)	-2,720,160	-1,423,843
Basic and Diluted (Loss) per Share	($0.0001)	($0.0001)
Weighted Average Number of Shares	635,751,049	579,407,992

The accompanying notes are an integral part of these statements

*See Note #2

Industrial Nanotech, Inc.

Consolidated Statements of Stockholders' Equity

(Inception January 14, 2004 to December 31, 2014)

						Subscription		
	Shares	Amount	Shares	Amount	Capital	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			49,164,563	4,866	382,200			387,066
Common Shares Issued for Interest Expense			13,183,333	3,069	59,333			62,402
Common Shares Issued for Cash			129,650,000	10,428	1,502,380			1,512,808
Common Shares Issued for Debt Repayment			33,374,333	3,337	45,891			49,228
Net Income/(Loss)							-2,720,160	-2,720,160
Balance December 31, 2014	**5,000,000**	**500**	**1,022,247,957**	**89,838**	**20,492,323**	**0**	**-22,357,293**	**-1,774,632**

The accompanying notes are an integral part of these statements

Industrial Nanotech, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

	Year Ended December 31, 2014	Year Ended December 31, 2013
Operating Activities		
Net Income (Loss)	-2,720,160	-1,423,843
Adjusments to Reconcile Net Income (Loss)		
Stock Issued for Services	392,826	455,325
Stock Issued for Employee Bonuses		7,250
Non-cash Interest Expense	62,402	233,075
Depreciation	37,600	52,770
Balance Sheet Adjustments:		
(Increase)/Decrease in Accounts Receivable	-12,462	-23,820
(Increase)/Decrease in Employee Advances	0	0
(Increase)/Decrease in Customer Deposits	452,623	-20,000
(Increase)/Decrease in Inventory	-334	77,433
(Increase)/Decrease in Other Assets	159,600	-124,523
Increase/(Decrease) in Accounts Payable	-12,191	118,972
Increase/(Decrease) in Accrued Expense	-68,826	-81,877
Increase/(Decrease) in Accrued Payroll	-31,470	31,603
Net Cash (Used) by Operating Activities	-1,740,392	-231,035
Investment Activities		
Purchase of Equipment		-7,878
Net Cash (Used) by Investment Activities	18,711	-7,878
Financing Activities		
Proceeds from Sale of Stock	784,540	493,803
Proceeds from Notes Payable-Related Party	228,666	-227,402
Proceeds from Loans	314,136	17,266
Proceeds from Debt Conversion	49,228	0
Proceeds from Consulting Stock	387,066	
Cash Provided by Financing Activities	1,763,636	283,667
Net Increase (Decrease) in Cash	23,244	44,754
Cash, Beginning of Period	46,420	1,666
Cash,End of Period	69,664	46,420

The accompanying notes are an integral part of these statements

Industrial Nanotech, Inc.

Notes to UnauditedConsolidated Financial Statements

(December 31, 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

<u>Accounting Basis</u>

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:

	December 31, 2014	December 31, 2013
Office Furniture and Equipment	$45,647	$101,958
Less: Accumulated Depreciation	-27,034	-64,634
Equipment, net	$18,613	$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 year ended December 31, 2014 and the year ended December 31, 2013 are $78,115 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. Gross Revenue

The Company received $1,167,367 in Sales Revenue in 2014, a 39% increase over the Sales Revenue received by the Company in 2013. Due to the Company ensuring it meets all the GAAP reporting requirements as necessary under the current ongoing PCAOB audit process, and a change from the accounting method used at year end 2013 in which Sales Revenue was reported as received, only $714,744 is reported as income on the Consolidated Statements of Operations and the balance of $452,623 is reported as Customer Deposits on the Consolidated Balance Sheets to account for product paid for but not shipped by the fiscal year end.

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:

	December 31, 2014	December 31, 2013
Demand note, Unsecured, No due date, 10% Interest CEO / Cofounder / Related Party	$811,894	$654,282
Total Notes Payable - Related Party	$811,894	$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 year ended December 31, 2014 the Company issued common shares as described below:

The Company issued 129,650000 shares for $1,512,808 cash and recorded an additional 13,183,333 shares for $62,402 interest expense for the fair value of the stock issued

The Company issued 49,164,563 common shares with a fair value of $387,066 for various consulting services.

The Company issued 33,374,333 shares restricted common stock with a fair market value of $49,228 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 market and has added the Middle East and South America to its list of customers.