Industrial Nanotech, Inc.

Consolidated Financial Statements and
Report of Independent Registered Public Accounting Firm
For the Years Ended December 31, 2014 and 2013

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.

Report of Independent Registered Public Accounting Firm
Accell Audit & Compliance, P.A.

(1) Consolidated Financial Statements

Consolidated Balance Sheets as of December 31, 2014 and 2013

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

Consolidated Statements of Stockholders' Deficit for the Years ended December 31, 2014 and 2013

Consolidated Statements of Cash Flows for the Years ended December 31, 2014 and 2013

Notes to the Consolidated Financial Statements

Industrial Nanotech, Inc.

Consolidated Balance Sheets

	December 31, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash	$ 23,874	$ 46,393
Accounts Receivable	4,854	6,317
Other Current Assets	254,001	155,609
Total Current Assets	282,729	208,319
Property and Equipment, Net	27,657	33,453
Total Assets	$ 310,386	$ 241,772
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts Payable	$ 227,301	$ 193,347
Accrued Expenses	140,395	247,508
Customer Deposits	449,887	29,248
Notes Payable in default, net of discount	343,364	318,333
Note Payable-Related Party	981,480	1,046,833
Total Current Liabilities	2,142,427	1,835,269
Total Liabilities	2,142,427	1,835,269
Commitments and Contingencies (Note 10)	-	-
Stockholders' Deficit		
Preferred Stock, par value $0.0001, 25,000,000 shares authorized, 5,000,000 shares issued and outstanding	500	500
Common Stock, par value $0.0001, 1,500,000,000 shares authorized, 1,022,247,957 and 796,875,728 shares issued and outstanding	102,225	79,688
Paid In Capital	13,444,912	11,135,886
Accumulated Deficit	(15,379,678)	(12,809,571)
Total Stockholders' Deficit	(1,832,041)	(1,593,497)
Total Liabilities and Stockholders' Deficit	$ 310,386	$ 241,772

See accompanying notes to the Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm

Industrial Nanotech, Inc.

Consolidated Statements of Operations

For the Years Ended

	December 31, 2014	December 31, 2013
INCOME		
Revenues, net	$ 826,513	$ 784,095
Less: Cost of Revenues	511,828	464,410
Gross Profit	314,685	319,685
OPERATING EXPENSES		
Payroll Expenses	1,215,609	452,549
Professional and Consulting	692,452	792,354
General and Administrative	376,262	425,775
Sales and Marketing	72,415	74,287
Research and Development	64,773	34,090
Depreciation	10,001	10,933
Total Operating Expenses	2,431,512	1,789,988
Loss from Operations	(2,116,827)	(1,470,303)
Interest Expense	169,537	341,565
Loss on Extinguishment of Debt	283,743	-
Net Loss	$ (2,570,107)	$ (1,811,868)
Basic and Diluted		
Loss per Common Share	($0.0026)	($0.0023)
Number of Weighted Average		
Common Shares Outstanding	986,724,535	774,822,869

See accompanying notes to the Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm

Industrial Nanotech, Inc.

Consolidated Statements of Stockholders' Deficit

	Preferred Stock		Common Stock		Paid In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance December 31, 2012	**5,000,000**	**$ 500**	**656,888,585**	**$ 65,689**	**$ 9,863,501**	**$(10,997,703)**	**$(1,068,013)**
Common Shares Issued for Cash	-	-	60,772,857	6,078	487,501	-	493,579
Common Shares Issued for Services	-	-	51,664,286	5,166	413,964	-	419,130
Common Shares Issued for Employee Bonus	-	-	8,050,000	805	73,945	-	74,750
Common Shares Issued for Debt and Interest Expense	-	-	19,500,000	1,950	296,975	-	298,925
Net Loss	-	-	-	-	-	(1,811,868)	(1,811,868)
Balance December 31, 2013	**5,000,000**	**500**	**796,875,728**	**79,688**	**11,135,886**	**(12,809,571)**	**(1,593,497)**
Common Shares Issued for Cash	-	-	39,650,000	3,965	56,835	-	60,800
Common Shares Issued for Services	-	-	47,364,563	4,736	672,922	-	677,658
Common Shares Issued for Employee Bonus	-	-	90,000,000	9,000	873,000	-	882,000
Common Shares Issued for Debt and Interest Expense	-	-	48,357,666	4,836	706,269	-	711,105
Net Loss	-	-	-	-	-	(2,570,107)	(2,570,107)
Balance December 31, 2014	**5,000,000**	**$ 500**	**1,022,247,957**	**$ 102,225**	**$ 13,444,912**	**$(15,379,678)**	**$(1,832,041)**

See accompanying notes to the Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm

Industrial Nanotech, Inc.

Consolidated Statements of Cash Flows

For the Years Ended

	December 31, 2014	December 31, 2013
Cash flows from Operating Activities:		
Net Loss	$(2,570,107)	$(1,811,868)
Adjustments to Reconcile Net Loss		
Stock Issued for Services	677,658	419,130
Stock Issued for Employee Bonuses	882,000	74,750
Stock Issued for Interest	39,681	293,091
Loss from Extinguishment of Debt	283,743	
Amortization of Notes Payable Discount	204,677	30,846
Depreciation	10,001	10,933
Loss on Disposal of Property and Equipment	-	1,708
Changes in Operating Assets and Liabitilities:		
Accounts Receivable	1,463	(3,186)
Other Current Assets	(98,392)	(252)
Accounts Payable	33,954	109,040
Accrued Expenses	(74,628)	(11,050)
Customer Deposits	420,639	30,248
Net Cash Used by Operating Activities	(189,311)	(856,610)
Cash flows from Investing Activities:		
Purchase of Property and Equipment	(4,205)	(1,708)
Net Cash Used by Investing Activities	(4,205)	(1,708)
Cash flows from Financing Activities:		
Proceeds from issuance of Common Stock	60,800	493,579
Net Activity from Note Payable-Related Party	(65,353)	183,262
Proceeds from Notes Payable	240,050	226,333
Payments on Notes Payable	(64,500)	-
Net Cash Provided by Financing Activities	170,997	903,174
Net (Decrease) Increase in Cash	(22,519)	44,856
Cash, Beginning of Year	46,393	1,537
Cash, End of Year	$ 23,874	46,393

See accompanying notes to the Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm

Industrial Nanotech, Inc.
Notes to Consolidated Financial Statements
December 31, 2014 and 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 corporation with the same name organized in Wyoming 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 was 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.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") on the accrual basis of accounting.

Basis of Consolidation

The consolidated fianancial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation, with the exception of those further discussed in Note 3.

Earnings (Loss) per Share

The basic earnings (loss) per share is calculated by dividing the Company's net (loss) 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 average number of shares adjusted as of the first of the year for any potentially dilutive debt or equity. Basic and diluted losses per share were the same at the reporting dates as there were no common stock equivalents outstanding at December 31, 2014 and 2013.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers cash on hand, cash in banks and other highly liquid instruments purchased with an original maturity date of three months or less to be cash equivalents.

Property and Equipment

Property and Equipment is stated at cost less accumulated depreciation. The Company capitalizes all additions and improvements with a cost greater than $500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to seven years. Maintenance and repairs are charged to expense as incurred. Property and equipment consists of the following:

	December 31, 2014	December 31, 2013
Computer Equipment	$ 41,194	$ 39,907
Equipment	16,195	12,573
Furniture and Fixtures	6,527	6,527
Less: Accumulated Depreciation	(36,259)	(25,554)
Property and Equipment, net	$ 27,657	$ 33,453

Depreciation expense for the years ended December 31, 2014 and 2013 was approximately $10,000 and $11,000, respectively.

Revenue Recognition

The Company recognizes revenue when a sale is made and the product is shipped. The Company receives payment for orders that have not yet met the revenue recognition criteria. These payments are recorded as customer deposits within current liabilities until the revenue is earned.

Accounts receivable consist of amounts due from customers which arise in the normal course of business. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables, and once those receivables are determined to be uncollectible, they are written off against an existing allowance account. As of December 31, 2014 and 2013, the Company has determined that an allowance for doubtful accounts is not necessary.

Advertising

The Company expenses advertising costs as they are incurred. Advertising costs for the years ended December 31, 2014 and 2013 was approximately $73,000 and $74,000, respectively.

Shipping and Handling Fees

All amounts billed to a customer in a sales transaction related to shipping and handling represent revenues and are reported as revenues in the consolidated statements of operations. Costs incurred by the Company for shipping and handling are reported within costs of revenues in the consolidated statements of operations.

Income Tax

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Additionally, the recognition of future tax benefits, such as net operating loss carry forwards, is required to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the Company's assets and liabilities result in deferred tax assets. Periodic reviews of the carrying amount of deferred tax assets are made to determine if the establishment of a valuation analysis is necessary. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some or all of the deferred tax asset will not be realized. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies when making this determination.

The Company's income tax returns are subject to examination by tax authorities. Generally, the statute of limitations related to the Company's federal and state income tax return is three years from the date of filing. The state impact of any federal changes for prior years remains subject to examination for a period up to five years after formal notification to the states.

Management has evaluated tax positions in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, *Income Taxes,* and has not identified any significant tax positions.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk include cash, accounts receivable, revenue and vendor concentrations. At times, the Company may maintain deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the credit rating and concentration of risk with these fiinancial institutions on a continuing basis to mitigate risk.

As of December 31, 2014 and 2013, two and one customers accounted for 82% and 93% of accounts receivable, respectively. During the years ended December 31, 2014 and 2013, two and one customers accounted for 32% and18% of total revenues, respectively.

As of December 31, 2014 and 2013, four vendors accounted for 71% and 63% of accounts payable, respectively. During the years ended December 31, 2014 and 2013, one vendor accounted for 99% and 83% of total cost of revenues, respectively.

Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below.

Level 1 Valuations based on unadjusted quoted market prices in active markets for identical assets and liabilities.

Level 2 Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly.

Level 3 Valuations based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement.

Recent Accounting Pronouncements

The Company has implemented all new accounting standards and does not believe there are any other new accounting pronouncements that have been issued that may have a material impact on the consolidated financial statements.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Company evaluated subsequent events through the date of this report, which was the date the consolidated financial statements were available for issue.

Note 3. Departure from GAAP

Within the consolidated statements of operations for the year ended December 31, 2014, the Company has included management fee income within revenues and management fee expense within cost of revenues. The Company properly recorded the mangement fee income and expense within the respective subsidiary for tax purposes; however, these amounts were not eliminated upon consolidation to comply with GAAP presentation. If the consolidated financial statements were corrected for the departure from GAAP, revenues and cost of revenues would be reduced by $400,000 for the year ended December 31, 2014. The departure from GAAP had no effect on the consolidated balance sheet, gross profit, or net loss for the year ended December 31, 2014.

Note 4. Going Concern

The accompanying consolidated 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 financial position and operating results raise substantial doubt about the Company's ability to continue as a going concern, as reflected by the net losses of $15,379,678 accumulated through December 31, 2014. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management is presently creating new technologies and is pursuing the acquisition of additional intellectual property in nanotechnology. The overall objective is to develop a nanocomposite manufacturing and research facility and expansion of distribution networks worldwide.The Company must continue to raise funds to support the growth of product development. Management has been successful in the past in raising these funds; however, failure to do so would cause the Company to further increase its negative working capital deficit and could result in the Company having to curtail or cease operations. Additionally, even if the Company does raise sufficient funds and create new technologies, there can be no assurance that the revenue will be sufficient to enable the Company to develop business to a level where it will generate profits and cash flows from operations.

Note 5. Note Payable - Related Party

In March 2005, the Company entered into a convertible promissory note with a related party. The note has no stated amount and accrues interest compounded monthly at 10% per annum. The principal and interest are due on demand. The note may be converted into common stock at a conversion rate to be negotiated at the time of conversion. The conversion rate shall not be less than a 50% discount to the previous 10 day average closing price.

As of December 31, 2014 and 2013, the related party note payable totaled $981,480 and $1,046,833, respectively. Of the total amount outstanding, approximately $426,000 and $380,000 related to accrued interest as of December 31, 2014 and 2013, respectively.

Note 6. Notes Payable

As of December 31, 2014 and 2013, the Company has notes payable to six and seven individuals, respectively. The notes bear interest ranging from 8% to 18% and have total principal balances ranging from $5,000 to $190,000. The notes have maturity dates ranging from May 2013 through November 2014, at which time all principal and accrued interest was due. As of December 31, 2014 and 2013, there were unamortized discounts on one note payable of $0 and $29,167, respectively.

During 2014, the Company settled 3 notes and converted the the outstanding principal and accrued interest to common stock. The notes were converted into 33,374,333 shares of common stock for a total value of $451,228. The total amount of principal converted was approximately $180,000 and the Company recognized a loss on extinguishment of debt of $283,743.

As of December 31, 2014, all notes were in default and are classified as a current liability on the consolidated balance sheets (see Note 11).

Note 7. Stockholders' Deficit

Upon formation, the Company authorized 250,000,000 shares of common stock having a par value of $0.0001 per share and 25,000,000 shares of preferred stock having a par value of $0.0001 per share. Of the 25,000,000 shares of preferred stock, 5,000,000 shares are designated as Series A. On November 17, 2014 the Company filed its fourth amendment to the articles of incorporation and increased the authorized shares of common stock to 1,500,000,000.

The holders of Series A preferred stock ("Series A") are entitled to 1,000 votes per share and the holders of common stock are entitled to one vote. Series A holders are entitled to receive quarterly dividends payable in cash if dividends are declared on common stock. Series A dividends shall be $0.10 per share of 1,000 times the aggregate declared dividend per common share. As of December 31, 2014 and 2013, there were no dividends declared.

In case of voluntary or involuntary liquidation or dissolution of the Company, subject to assets being available, holders of Series A will receive $1,000 per share plus accrued dividends. Once liquidation of Series A is complete, holders of common stock will receive $1.00 per share and all remaining available assets shall be distributed proportionally by number of shares outstanding.

Note 8. Income Tax

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes as of December 31, 2014 and 2013 are as follows:

Income tax at federal statutory rate	34.00%
State tax, net of federal effect	3.96%
	37.96%
Valuation allowance	(37.96)%
Effective rate	0.00 %

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

As of December 31, 2014 and 2013, the Company's only significant deferred income tax asset was a cumulative estimated net tax operating loss of approximately $15,379,678 and $12,809,571, respectively, that is available to offset future taxable income, if any, in future periods, subject to expiration which will begin in 2024 and other limitations imposed by the Internal Revenue Service. Management has considered the Company's operating losses incurred to date and believes that a full valuation allowance against the deferred tax assets is required as of December 31, 2014 and 2013.

Note 9. Supplemental Cash Flow Information

Interest and Taxes Paid

Cash paid for interest for 2014 and 2013 were $408 and $1,250, respectively.

Common Stock Issued for Notes Payable

During 2014, 33,374,333 shares of common stock were issued in 2014 pursuant to the conversion of approximately $180,000 notes payable and $32,000 in accrued interest.

Note 10. Commitments and Contingencies

Lease Commitments

The Company leases its office under a one year operating lease that expires on June 30, 2015, with an option of an additional year at the end of the term. The lease calls for monthly payments of $3,200. Future minimum lease payments under the operating lease total $19,200 for the year ending December 31, 2015. Rent expense for the years ending December 31, 2014 and 2013 was approximately $41,000 and $38,000, respectively. The Company is currently on a month-to-month basis as they have not exercised their option to extend an additional year.

Litigation

From time-to-time, the Company is subject to various litigation and other claims in the normal course of business. The Company establishes liabilities in connection with legal actions that management deems to be probable and estimable. No amounts have been accrued in the consolidated financial statements with respect to any matters.

Consulting Agreement

In July 2013, the Company entered into a consulting agreement with a third party for three years for services including to aid in the reformulation of nansulate crystal. The agreement states compensation to be $1.00 per gallon of nansulate crystal sold, not to exceed $100,000 each year. For the years ended December 31, 2014 and 2013, the Company has incurred $377 and $1,264, respectively, in relation to this agreement, which is included within professional and consulting expense on the consolidated statements of operations.

Note 11. Subsequent Events

During 2015, the Company entered into settlement agreements with four holders of notes payable to convert the outstanding principal and accrued interest to common stock (see Note 6). The notes were converted into 86,425,543 shares of common stock for a total value of $933,272. The total amount of principal converted was $295,000 and the Company recognized a loss on extinguishment of debt of $602,356.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Industrial Nanotech, Inc.

We have audited the accompanying consolidated balance sheets of Industrial Nanotech, Inc. (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the years then ended. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company has included management fee income within revenues and management fee expense within cost of revenues in the accompanying 2014 consolidated statement of operations. These items, in our opinion, should have been eliminated in consolidation in order to conform with accounting principles generally accepted in the United States of America (GAAP). If the consolidated financial statements were corrected for that departure from GAAP, revenues and cost of revenues would be decreased by $400,000 for the year ended December 31, 2014. The inclusion of the management fee income and management fee expense in 2014 had no effect on the consolidated balance sheet, gross profit or net loss.

In our opinion, except for the effects on the 2014 consolidated financial statements of not eliminating the management fee income and management fee expense as described in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Industrial Nanotech, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accell Audit & Compliance, PA

Tampa, Florida
August 19, 2015