

ENERGY AND ENVIRONMENTAL SERVICES, INC.

FINANCIAL STATEMENTS

June 30, 2017

Together With Accountant's Compilation Report

C O N T E N T S

	Page
ACCOUNTANT'S COMPILATION REPORT	1
FINANCIAL STATEMENTS	
Consolidated Balance Sheets	2
Consolidated Statements of Income	3
Consolidated Statements of Cash Flows	4

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Accountants' Compilation Report

ENERGY AND ENVIRONMENTAL SERVICES, INC.
Board of Directors:

Management is responsible for the accompanying financial statements of Energy and Environmental, Inc., which comprise the consolidated balance sheets as of June 30, 2017 and December 31, 2016 and the related consolidated statements of income for the three and six months ended June 30, 2017 and 2016 and the consolidated statements of changes in cash flows for the six months ended June 30, 2017 and 2016, in accordance with principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles in the United States. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and changes in cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Leslie G. Pettitt, PC

ENERGY AND ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, <u>2017</u>	December 31, <u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,859,100	\$ 2,679,700
Accounts receivable - trade	589,800	380,500
Accounts receivable - related parties	-	-
Accounts receivable - other	34,600	30,900
Inventory	1,748,400	1,720,700
Income taxes receivable	<u>1,642,300</u>	<u>1,762,400</u>
Total current assets	<u>5,874,200</u>	<u>6,574,200</u>
Property, plant and equipment (net of accumulated depreciation of \$1,265,500 and \$553,400 at June 30, 2017 and December 31, 2016, respectively)	4,705,700	4,815,000
Goodwill	<u>149,900</u>	<u>149,900</u>
Total assets	<u><u>\$ 10,729,800</u></u>	<u><u>\$ 11,539,100</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 85,400	\$ 1,500
Payroll liabilities	48,900	44,400
Deferred tax liabilities	215,500	215,500
Current portion of long-term debt	75,000	75,000
Other taxes	<u>1,200</u>	<u>800</u>
Total current liabilities	426,000	337,200
Long-Term Notes - less current portion	215,100	254,100
Stockholders' Equity		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized, no shares issued and outstanding June 30, 2017 and December 31, 2016, respectively	-	-
Common stock, \$0.001 par value, 100,000,000 shares authorized 47,999,944 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	48,000	48,000
Additional paid in capital	437,500	437,500
Retained earnings	<u>9,603,200</u>	<u>10,462,300</u>
Total Stockholder's Equity	<u>10,088,700</u>	<u>10,947,800</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 10,729,800</u></u>	<u><u>\$ 11,539,100</u></u>

See Accountants' Compilation Report

ENERGY AND ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	Three Months Ended		Six Months Ended	
	June 30, <u>2017</u>	June 30, <u>2016</u>	June 30, <u>2017</u>	June 30, <u>2016</u>
Sales revenues	\$ 906,900	\$ 327,400	\$ 1,662,100	\$ 886,100
Cost of goods sold	<u>207,300</u>	<u>145,000</u>	<u>378,000</u>	<u>330,800</u>
Gross profit	<u>699,600</u>	<u>182,400</u>	<u>1,284,100</u>	<u>555,300</u>
Operating expenses				
Selling, general and administrative	1,110,300	927,500	1,993,600	2,067,500
Depreciation and amortization	<u>10,200</u>	<u>65,600</u>	<u>157,700</u>	<u>131,100</u>
Total operating expenses	<u>1,120,500</u>	<u>993,100</u>	<u>2,151,300</u>	<u>2,198,600</u>
(Loss) from operations	<u>(420,900)</u>	<u>(810,700)</u>	<u>(867,200)</u>	<u>(1,643,300)</u>
Other income (expense)				
Other revenues	7,300	-	8,100	2,900
Interest and finance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss) from operations before income tax	(413,600)	(810,700)	(859,100)	(1,640,400)
Benefit (provision) for income tax				
Current income tax	-	-	-	-
Deferred income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net (loss)	<u>\$ (413,600)</u>	<u>\$ (810,700)</u>	<u>\$ (859,100)</u>	<u>\$ (1,640,400)</u>
Earnings per share	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>
Weighted average shares outstanding	<u>47,999,944</u>	<u>47,999,944</u>	<u>47,999,944</u>	<u>47,999,944</u>

See Accountants' Compilation Report

ENERGY AND ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	June 30, <u>2017</u>	June 30, <u>2016</u>
Cash flows from operating activities		
Net loss	\$ (859,100)	\$ (1,640,400)
Adjustments to reconcile net (loss) to net cash provided by operating activities		
Depreciation and amortization	157,700	131,100
Net changes in current assets and liabilities		
Accounts Receivable	(209,300)	723,400
Accounts receivable - related parties	-	(110,100)
Accounts receivable - other	(3,700)	600
Inventory	(27,700)	87,900
Income tax receivable	120,100	-
Accounts payable	83,900	(72,600)
Payroll liabilities	4,500	(5,600)
Other taxes	400	-
Net cash (used in)/provided by operations	(733,200)	(885,700)
Cash flows from investing activities		
Purchases of property, plant and equipment	(48,400)	(47,100)
Net cash (used in) investing activities	(48,400)	(47,100)
Cash flows from financing activities		
Payments on notes payable	(39,000)	-
Net cash provided by financing activities	(39,000)	-
Net increase/(decrease) in cash	(820,600)	(932,800)
Cash and cash equivalents, beginning of period	2,679,700	3,819,100
Cash and cash equivalents, end of period	\$ 1,859,100	\$ 2,886,300
Supplemental disclosures of cash flow informations:		
Cash paid during the period for:		
Interst	\$ -	\$ -
Taxes	\$ -	\$ -

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