

CERTIFICATION

I, Stuart Burchill, Chief Executive Officer of Industrial Nanotech, I hereby certify 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 presented, in conformity with principles generally accepted in the United States, consistently applied.

A handwritten signature in black ink, appearing to read 'Stuart Burchill', with a long horizontal flourish extending to the right.

Stuart Burchill

Industrial Nanotech, Inc.
Consolidated Financial Statements
For the Twelve Months Ended December 31, 2018
(Unaudited)

Exhibits Index

Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report.

(1) Financial Statements

Consolidated Balance Sheet as of December 31, 2018 and December 31, 2017

Consolidated Statements of Operations for the Twelve Months Ended December 31, 2018
and December 31, 2017

Statement of Stockholders' Equity for the Twelve Months Ended December 31, 2018

Consolidated Statements of Cash Flows for the Twelve Months Ended December 31, 2018
and December 31, 2017

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)

	As of December 31, 2018	As of December 31, 2017
	<u> </u>	<u> </u>
ASSETS		
Current Assets		
Cash	\$ 12,131	\$ 1,240
Customer Deposits	-	-
Total Current Assets	<u>12,131</u>	<u>1,240</u>
Inventory	-	-
Equipment, Net	<u>14,858</u>	<u>14,858</u>
Total Assets	<u>\$ 26,989</u>	<u>\$ 16,098</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	96,876	124,005
Accrued Payroll Expenses	171,205	150,786
Accrued Expenses	193,080	142,010
Notes Payable	138,814	230,614
Notes Payable - Related Party	<u>505,490</u>	<u>520,114</u>
Total Current Liabilities	<u>1,105,466</u>	<u>1,167,529</u>
Total Liabilities	1,105,466	1,167,529
Stockholders' Equity		
Preferred Stock, Par Value \$0.0001 25,000,000 shares authorized, 5,000,000 issued and outstanding	500	500
Common Stock, Par Value \$0.0001, 2,500,000,000 shares authorized, 2,300,764,752 and 2,232,287,602 issued and outstanding	230,076	223,229
Paid in Capital	17,705,125	17,215,739
Accumulated Deficit	<u>(19,014,178)</u>	<u>(18,590,899)</u>
Total Stockholders' Equity	<u>(1,078,477)</u>	<u>(1,151,431)</u>
Total Liabilities and Stockholders' Equity	<u>\$ 26,989</u>	<u>\$ 16,098</u>

See accompanying Notes to the Consolidated Financial Statements

Industrial Nanotech Inc.
Consolidated Statements of Operations
(Unaudited)

	Twelve Months Ended December 31st	
	2018	2017
INCOME		
Revenue	483,771	305,942
Less: Cost of Goods Sold	125,561	77,290
Gross Profit	358,210	228,653
OPERATING EXPENSES		
Professional and Consulting	36,596	127,544
Payroll Expenses	61,873	71,478
General and Administrative	74,550	76,594
Sales and Marketing	46,338	28,564
Total Expenses	219,357	304,179
Net Income (Loss) From Operations	138,854	(75,526)
Other Income and Expense		
Gain(Loss) on Extinguishment of Debt	119,800	(7,772)
Interest Expense	(681,933)	(3,343)
Net Income (Loss)	(423,279)	(86,641)
Basic and Diluted		
Loss per Common Share	\$ (0.00)	\$ (0.00)
Number of Weighted Average Common Shares Outstanding	2,350,287,602	2,232,287,602

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Stockholder's Deficit

Consolidated Statements of Stockholder's Deficit

(Unaudited)

	Preferred Shares	Amount	Common Shares	Amount	Paid-In Capital	Deficit	Equity
Balance December 31, 2016	5,000,000	\$ 500	1,838,137,602	\$183,814	\$ 17,091,507	\$ (18,504,258)	\$ (1,228,437)
Common Shares Issued for Services			87,500,000	8,750	27,000		35,750
Common shares Issued for Cash			186,000,000	18,600	189,282		207,882
Adjustment for Prior Year Reconciliation					(116,180)		(116,180)
Common Shares Issued for Debt Conversion			120,650,000	12,065	24,130		36,195
Net Income Loss						(86,641)	(86,641)
Balance December 31, 2017	5,000,000	\$ 500	2,232,287,602	\$223,229	\$ 17,215,739	\$ (18,590,899)	\$ (1,151,431)
Common Shares Issued for Debt Conversion			68,477,150	6,848	13,695		20,543
Conversion of Derivative Liability					475,691		475,691
Net Income Loss						(423,279)	(423,279)
Balance December 31, 2018	5,000,000	\$ 500	2,300,764,752	\$230,076	\$ 17,705,125	\$ (19,014,178)	\$ (1,078,477)

See accompanying Notes to the Consolidated Financial Statements

Industrial Nanotech, Inc.
Consolidated Statement of Cash Flows
(Unaudited)

	Twelve Months Ended December 31,	
	2018	2017
OPERATING ACTIVITIES		
Net Loss	\$ (423,279)	\$ (86,641)
Non-Cash Effects on Profit and Loss		
Shares Issued for Services	-	35,750
Derivative Expense	489,586	-
Adjustment to Reconcile Prior Year		(116,180)
Changes in Operating Accounts		
Change in Accounts Receivable	21,008	91,485
Change in Prepaid Expenses	-	270,891
Change in Customer Deposits	126,612	(97,916)
Change in Inventory	-	18,024
Change in Accounts Payable	(27,129)	(189,277)
Change in Accrued Expenses	(16,626)	(66,271)
Change in Accrued Payroll	9,320	11,343
Net Cash Used in Operations	179,493	(128,792)
INVESTING ACTIVITIES		
Proceeds from Notes Receivable	-	56,579
Net Proceeds from Investing Activities	-	56,579
FINANCING ACTIVITIES		
Payments on Loans	(91,800)	42,295
Proceeds from Sale of Common Stock	6,923	207,882
Payment on Notes Payable - Related Party	(83,725)	(176,724)
Net Cash Provided by (Used In) Financing Activities	(168,602)	73,453
Net Increase/(Decrease) in Cash	10,891	1,240
Cash, Beginning of Period	1,240	-
Cash, End of Period	\$ 12,131	\$ 1,240
Non-Cash Activities		
Shares issued on the conversion of debt	\$ 13,695	\$ 36,195
Cash Paid for:		
Interest	\$ -	\$ -
Income Taxes	\$ -	\$ -

See accompanying Notes to the Consolidated Financial Statements

Industrial Nanotech Inc.
Notes to Consolidated Financial Statements
December 31, 2018

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 financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

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, 2018 and December 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with CAAP 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, 2018
Computer Equipment	\$ 43,208
Equipment	16,195
Furniture and Fixtures	6,528
Less: Accumulated Depreciation	(51,074)
Property and Equipment, Net	<u>\$ 14,858</u>

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, 2018 and December 31, 2017, the Company determined that an allowance for doubtful accounts is not necessary.

Shipping and Handling Fees

All amounts billed to a customer in 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.

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.

Note 3 - 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 4 - Note Payable - Related Party

In March 2005, the Company entered into 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 is at a 50% discount to the previous 10-day average closing price.

Note 5 - Stockholders' Deficit

The Company has authorized 2,500,000,000 shares of common stock, par value of \$0.0001 per share and 25,000,000 shares of preferred stock, 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.

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 the greater of \$0.10 per share or 1,000 times the aggregate declared dividend per common share. As of December 31, 2017, and December 31, 2018, 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.

During the year ended December 31 2017, the Company had the following common stock transactions:

- 87,500,000 shares were issued for services valued at \$35,600 on the date of issuance
- 186,000,000 shares were issued for cash proceeds of \$207,882
- 120,650,000 shares were issued on the conversion of \$36,195 in debt principle and interest

During the year ended December 31, 2018, the Company had the following common stock transactions:

- 68,477,150 shares were issued on the conversion of \$13,695 in debt principle and interest

Note 6 - Subsequent Events

In accordance with FASB ASC 855, Subsequent Events, the Company evaluated subsequent events through the date of this report, which is the date the consolidated financial statements were available for issue. No material subsequent events were noted.