MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP/NY
Form 10QSB
September 20, 2002

U.S. Securities and Exchange Commission

Washington D.C. 20549

Form 10-QSB

(Mark one)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission file number: 000-28679

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(Name of Small Business Issuer in Its Charter)

Delaware	Applied For
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

TNO Environmental Technology Valley

Laan van Westenenk 501

7334 DT Apeldoorn, The Netherlands

(Address of Principal Executive Offices)

011 31 55 534 7040

(Company's Telephone Number, Including Area Code)

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section l2, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 7,320,055

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

<page> 1

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

Form 10-QSB

For the quarterly period ended June 30, 2001

TABLE OF CONTENTS

<PAGE> 2

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

Form 10-QSB

For the quarterly period ended June 30, 2001

PART I - FINANCIAL INFORMATION

Item I - Financial Statements

The Board of Directors of Management of Environmental Solutions and Technology Corp. (MEST) as currently constituted, serves as the committee which performs and functions as the audit committee on behalf of the Company. The Company has provided interim financial statements prepared by the Company's accountants, Arenthals Grant Thornton, which have been reviewed by the Company's independent public accountant utilizing Professional Standards of Procedures for conducting such reviews in accordance with generally accepted auditing standards. Please refer to the interim financial statements provided in accordance with 17 CFR {section}228.310(b).

MANAGEMENT OF ENVIRONMENTAL

SOLUTIONS & TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001

WILLIAMS & WEBSTER PS

CERTIFIED PUBLIC ACCOUNTANTS

BANK OF AMERICA FINANCIAL CENTER

W 601 RIVERSIDE, SUITE 1940

SPOKANE, WA 99201

(509) 838-5111

MANAGEMENT OF ENVIRONMENTAL

SOLUTIONS & TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

TABLE OF CONTENTS

<PAGE> 3

To the Board of Directors

Management of Environmental

Solutions & Technology Corp.

APELDOORN, The Netherlands

ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying consolidated balance sheets of Management of Environmental Solutions & Technology Corp. (a development stage company) as of June 30, 2001 and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the three months and six months ended June 30, 2001 and 2000, and for the period from December 10, 1997 (inception) to June 30, 2001. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2000 were audited by us and we expressed an unqualified opinion on them in our report dated June 1, 2001. We have not preformed any auditing procedures since that date.

As discussed in Note 2, the Company has been in the development stage since its inception on December 10, 1997 and has had recurring losses and no revenues. The Company's decision is to perfect its technological application before entering the market. Realization of a major portion of the assets is dependent upon the company's ability to meet its future financing requirements and the success of future operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding those matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 11 to the Financial Statements, certain errors concerning forgiveness of debt by an officer resulting in the understatement of previously reported losses as of June 30, 2001 were discovered by management of the Company in the subsequent period. Accordingly, the June 30, 2001 Financial Statements have been restated to correct these errors, the net effect of which was to increase the company's deficit accumulated during development stage by $62,867.

/s/ Williams & Webster, P.S.

Williams & Webster, P.S.
Certified Public Accountants
Spokane, Washington
October 3, 2001 except for Notes 10 and 11, as to which the date is July 12, 2002.

<page> 4

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED BALANCE SHEET

June 30,

2001 December 31,

	(Unaudited)	2000
ASSETS		
CURRENT ASSETS		
Cash	$ 401,028	$ 666,746
Tax refunds receivable	20,852	44,157
Receivables, related parties	-	158,441
Other receivables	1,921	-
Prepaid expenses	-	19,274
Total Current Assets	423,801	888,618
PROPERTY AND EQUIPMENT (net of depreciation)	4,650	7,182
TOTAL ASSETS	$ 428,451	$ 895,800
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 32,365	$ 63,048
Accrued expenses	15,225	12,738
	-	109,090
Total Current Liabilities	47,590	184,876

COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Preferred stock - Series A; $0.0001 par value, 5,000,000 shares authorized, 535,985 shares issued and outstanding, aggregate liquidation preference of $2,143,940	53	53
Common stock; $0.0001 par value, 30,000,000 shares authorized, 7,320,055 shares issued and outstanding	732	732
Additional paid-in capital	3,212,043	3,149,176
Stock options	2,274,650	2,274,650
Deficit accumulated during development stage	(4,834,023)	(4,530,690)
Accumulated other comprehensive loss	(272,594)	(182,997)
	------------	------------
Total Stockholders' Equity	380,861	710,924
	------------	------------
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 428,451	$ 895,800
	===========	===========

See accompanying notes and accountants review report.

<page> 5

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATION AND COMPREHENSIVE LOSS

<TABLE>

<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,		Period from December 17, 1997 (Inception) to June 30,
	2001	2000	2001	2000	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES	$ -	$ -	$ -	$ -	$ -
EXPENSES					

General and administrative	114,536	425,961	117,877	734,961	3,352,189
Research and development	70,982	60,000	131,871	60,000	667,248
Depreciation	918	1,192	1,901	1,793	8,612
	186,436	487,153	251,649	796,754	4,028,049
LOSS FROM OPERATIONS	(186,436)	(487,153)	(251,649)	(796,754)	(4,028,049)
OTHER INCOME (EXPENSES)					
Interest income	15,573	9,718	26,251	34,438	135,734
Interest expense	-	-	-	-	(793)
Loss from joint venture	(77,935)	(1,855)	(77,935)	(219,099)	(940,915)
Other Income (Expense)	(62,362)	7,863	(51,684)	(184,661)	(805,974)
LOSS BEFORE INCOME TAXES					
INCOME TAXES	(248,798)	(479,290)	(303,333)	(981,415)	(4,834,023)
INCOME TAX EXPENSE	-	-	-	-	-
EXPENSE					
NET LOSS	(248,798)	(479,290)	(303,333)	(981,415)	(4,834,023)

OTHER COMPREHENSIVE LOSS					
Foreign currency translation loss	(11,501)	(4,273)	(89,597)	(27,286)	(272,594)
	$ (260,299)	$ (483,563)	$ (392,930)	$(1,008,701)	$(5,106,617)
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	$ (0.04)	$ (0.07)	$ (0.05)	$ (0.14)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	7,320,055	7,320,055	7,320,055	7,320,055	

</TABLE>

See accompanying notes and accountants review report.

<page> 6

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

<TABLE>

<CAPTION>

	Preferred Stock		Common Stock				Accumulated Deficit During Development Stage	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-in Capital	Stock Options			
<s>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>
Inception, Dec. 10, 1997	-	$ -	-	$ -	$ -	$ -	$ -	$ -	$ -
Issuance of common stock for cash on Dec. 11, 1007 for $1.00 per share	-	-	5,000	1	5,009	-	-	-	5,010
Issuance of common stock to acquire STB corp. on Dec. 26, 1997 at $1.00 per share	-	-	175	-	175	-	-	-	175
Net loss for year ended Dec. 31, 1997	-	-	-	-	-	-	(46,869)	-	(46,869)

Balance, Dec. 31, 1997	-	-	5,175	1	5,184	-	(46,869)	-	(41,684)
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Issuance of common stock as follows:									
For cash on March 10, 1998 at $.017 per share	-	-	5,394,880	539	899,911	-	-	-	900,450
To acquire subsidiary on April 9, 1998 at $0.01 per share	-	-	1,920,000	192	19,808	-	-	-	20,000
Issuance of preferred stock for cash: December 1998 at $3.73 per share	23,900	2	-	-	89,246	-	-	-	89,248
Issuance of stock options for compensation on Aug. 31, 1998 at $2.62 per option	-	-	-	-	-	865,938	-	-	865,938
Net loss for year ended Dec. 31, 1998	-	-	-	-	-	-	(1,263,080)	15,284	(1,278,364)

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Balance, Dec. 31, 1998	23,900	2	7,320,055	732	1,014,149	865,938	(1,325,233)	15,284	570,872
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See accompanying notes and accountants review report.

<page> 7

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

<TABLE>

<CAPTION>

	Preferred Stock		Common Stock				Accumulated Deficit During Development	Accumulated Other Comprehensive	Total
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-in Capital	Stock Options	Stage	Income (Loss)	Stockholders' Equity

<s>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>
Balance carry-forward									
Dec. 31, 1998	23,900	2	7,320,055	732	1,014,149	865,938	(1,325,233)	15,284	570,872
Issuance of									
preferred stock									
for cash:									
Jan. 1999 at									
$3.92 per share	23,350	2	-	-	91,644	-	-	-	91,646
Feb. 1999 at									
$3.96 per share	48,050	4	-	-	190,196	-	-	-	190,200
Mar. 1999 at									
$3.90 per share	10,300	1	-	-	40,199	-	-	-	40,200
April 1999 at									
$4.00 per share	11,300	1	-	-	45,199	-	-	-	45,200
May 1999 at									
$3.85 per share	12,640	1	-	-	48,684	-	-	-	48,685
June 1999 at									
$4.01 per share	82,900	8	-	-	332,237	-	-	-	332,245
July 1999 at									
$4.00 per share	88,700	9	-	-	354,941	-	-	-	354,950
Aug. 1999 at									
$4.02 per share	25,770	3	-	-	103,494	-	-	-	103,497

Sept. 1999 at $3.43 per share	26,500	3	-	-	90,997	-	-	-	91,000
Oct. 1999 at $4.22 per share	6,200	1	-	-	26,174	-	-	-	26,175
Nov. 1999 at $4.05 per share	40,725	4	-	-	165,086	-	-	-	165,090
Dec. 1999 at $4.14 per share	27,150	3	-	-	112,517	-	-	-	112,520
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Total preferred stock issued 1999	403,585	40	-	-	1,601,368	-	-	-	1,601,408
Issuance of stock options for compensation on Aug. 31, 1999 at $3.59 per share	-	-	-	-	-	717,900	-	-	717,900
Net loss for year ended Dec. 31, 1999	-	-	-	-	-	-	(1,810,142)	(100,988)	(1,911,130)
	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------
Balance, Dec. 31, 1999	427,485	42	7,320,055	732	2,615,517	1,583,838	(3,135,375)	(85,704)	979,050
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See accompanying notes and accountants   review report.

<page> 8

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS   EQUITY

<TABLE>

<CAPTION>

Accumulated Accumulated

Preferred Stock Common Stock Deficit Other

----------------------------- ----------------------------- Additional During Comprehensive Total

Number of Number of Paid-in Stock Development Income Stockholders'

Shares Amount Shares Amount Capital Options Stage (Loss) Equity

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<s> <c> <c> <c> <c> <c> <c> <c> <c> <c>

Balance carry-forward

Dec. 31, 1999 427,485 42 7,320,055 732 2,615,517 1,583,838 (3,135,375) (85,704) 979,050

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Issuance of

preferred stock

for cash:									
Jan. 2000 at									
$4.08 per share	8,300	1	-	-	33,891	-	-	-	33,892
Feb. 2000 at									
$4.34 per share	23,750	2	-	-	103,054	-	-	-	103,056
Mar. 2000 at									
$4.37 per share	4,500	1	-	-	19,645	-	-	-	19,646
April 2000 at									
$4.16 per share	61,700	5	-	-	256,425	-	-	-	256,430
May 2000 at									
$4.30 per share	5,250	1	-	-	22,598	-	-	-	22,599
June 2000 at									
$4.19 per share	5,000	1	-	-	20,958	-	-	-	20,959
	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------
Total preferred									
stock issued: 2000	108,500	11	-	-	456,571	-	-	-	456,582
Issuance of stock									
options for									
compensation on									
Aug. 31, 2000 at									
$3.84 per share	-	-	-	-	-	767,900	-	-	767,900
Expiration of									
stock options on									
July 31, 2000	-	-	-	-	77,088	(77,088)	-	-	-
Net loss,									

Dec. 31, 2000 - - - - - - (1,395,315) (97,293)
(1,492,608)

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Balance,

Dec. 31, 2000 535,985 53 7,320,055 732 3,149,176 2,274,650 (4,530,690)
(182,997) 710,924

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</table>

See accompanying notes and accountants review report.

<page> 9

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

<TABLE>

<CAPTION>

	Preferred Stock		Common Stock				Accumulated Deficit During Development Stage	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-in Capital	Stock Options			
<s>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>
Balance carry-forward Dec. 31, 2000	535,985	53	7,320,055	732	3,149,176	2,274,650	(4,530,690)	(182,997)	710,924
Forgiveness of debt by officer	-	-	-	-	62,867	-	-	-	62,867
Net loss for six months ended ended June 30, 2001	-	-	-	-	-	-	(303,333)	(89,597)	(392,930)
Balance, Sept. 30, 2001	535,985	$ 53	7,320,055	$ 732	$ 3,212,043	$ 2,274,650	$ (4,834,023)	$ (272,594)	$ 330,861

</table>

See accompanying notes and accountants review report.

<page> 10

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>

<CAPTION>

	Six Months Ended June 30, 2001 (Unaudited)	Six Months Ended June 30, 2000 (Unaudited)	Period from December 17, 1997 (Inception) to June 30, 2001 (Unaudited)
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (303,333)	$ (981,415)	$ (4,834,023)
Adjustments to reconcile net loss to			
net cash used in operating activities:			
Depreciation	1,901	1,793	8,612
Options granted as compensation	-	383,950	2,351,738
(Increase) decrease in assets:			
Tax refunds receivable	23,305	(3,000)	(20,852)
Other receivables	(1,921)	(2,695)	(1,921)
Prepaid expenses	19,274	(80)	-

Increase (decrease) in liabilities:			
Accounts payable	(30,683)	104,985	27,180
Accrued liabilities	2,487	-	15,225
Net cash used in operating activities	(288,970)	(496,462)	(2,454,041)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	-	-	(13,893)
Loans provided to shareholders	-	-	(933,303)
Payments on loans to shareholders	112,218	48,167	887,080
Net cash provided (used) by investing activities	112,218	48,167	(60,116)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the sale of preferred stock	-	456,582	2,147,238
Proceeds from the sale of common stock	-	-	905,460
Proceeds from related parties loans	-	-	119,470
Payments on related party loans	-	(7,000)	(10,390)
Cash acquired with subsidiary	-	-	20,000
Net cash provided (used) by investing activities	-	449,582	3,181,778

	--------------	--------------	--------------
Foreign currency translation loss	(88,966)	(27,101)	(271,593)
Net increase (decrease) in cash	(265,718)	(25,814)	396,028
Cash, beginning of period	666,746	646,089	5,000
	--------------	--------------	--------------
Cash, end of period	$ 401,028	$ 620,275	$ 401,028
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</table>

See accompanying notes and accountants review report.

<page> 11

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>

<CAPTION>

Six Months Ended June 30,		Period from December 17, 1997 (Inception) to June 30,
2001	2000	2001

	(Unaudited)	(Unaudited)	(Unaudited)
	--------------	--------------	--------------
<S>	<C>	<C>	<C>
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Interest paid	$ -	$ -	$ 793
Income taxes paid	$ -	$ -	$ -
NON-CASH INVESTING AND FINANCING			
TRANSACTIONS:			
Stock options granted for compensation	$ -	$ 383,950	$ 2,351,738
Stock issued for acquisitions	$ -	$ -	$ 20,175
Notes payable, related party netted			
with notes receivable related party	$ 46,233	$ -	$ 46,233
Forgiveness of debt by officer	$ 62,867	$ -	$ 62,867

</TABLE>

See accompanying notes and accountants   review report.

<page> 12

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

NOTE 1 - ORGANIZATION AND HISTORY

Management of Environmental Solutions & Technology Corp. was formed to develop a proprietary technology for drying and treating animal manure and sludge to be used as fertilizer. The "Company" ("MEST") was incorporated in Colorado on December 10, 1997, followed by reorganization as a Delaware corporation on December 18, 1997.

On December 26, 1997, the Company obtained all of the outstanding common stock of STB Corporation, a shell corporation domiciled in Colorado, by issuing 175 shares of the Company's common stock. Because STB Corporation had no assets or operations, the Company recorded the transaction at the initial deemed valued of the stock conveyed ($175), which was consistent with the deemed value of the Company's stock issued in its immediately precedent initial transaction. In the year subsequent to the acquisition, STB Corporation was administratively dissolved.

On April 9, 1998, the Company issued 1,920,000 shares of its common stock to its president in exchange for all of the issued and outstanding shares of MEST, B.V., a Netherlands corporation, owned by the Company's president. Although MEST, B.V. had no recorded assets at the time of the transaction, the Company recorded the acquisition at a nominal value of $0.01 per share. The aggregate acquisition cost of $20,000, originally assigned to intangible assets, was substantially written off by the end of 1998. Currently, MEST, B.V. is used to conduct the Company's business in the Netherlands. MEST, BV was acquired because it had certain data and technical information that the Company plans to use in its business.

The Netherlands Organization for Applied Scientific Research ("TNO"), staffed by 5,000 professionals is one of Europe's leading contract research organizations. Using proprietary technology developed by TNO, the Company and TNO formed a corporation known as Manure and Sludge Technology, B.V. ("MSTec") for the purpose of developing a process for use on a commercial basis that would economically refine manure and sludge into pellets, which could be sold as organic fertilizer and other products. MSTec, a Netherlands corporation, is owned 50 percent by the Company and 50 percent by TNO.

The Company's year end is December 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

ACCOUNTING METHOD

The Company's financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DEVELOPMENT STAGE ACTIVITIES

The Company has been in the development stage since its formation in December of 1997, and has not yet realized any revenues from its planned operations. It is engaged in the business of manufacturing, distributing, and selling fertilizer products.

USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America, requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

FAIR VALUE OF FINANCIAL INSTRUMENTS

MEST's financial instruments consist primarily of cash, receivables, prepaid expenses, accrued expenses and payables, and loans payable, which approximate fair value because of their short maturities.

RESEARCH AND DEVELOPMENT

Research and development expenses are charged to operations as incurred. The cost of intellectual property purchased from others that is immediately marketable or that has an alternative future use is capitalized as intangible assets. The Company periodically reviews its capitalized patent costs to assess recoverability based on the projected undiscounted cash flows from operations. Impairments are recognized in operating results when a permanent diminution in value occurs.

The Company constructed a testing facility during 1999 in Apeldoorn, The Netherlands at a cost of approximately $450,000. These costs were expensed as research and development during the year ended December 31, 1999.

DERIVATIVE INSTRUMENTS

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", which is effective for the Company as of January 1, 2001. This standard establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value.

<page> 14

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE INSTRUMENTS (CONTINUED)

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

From November 1, 1999 to February 17, 2000, the Company entered into a small number of foreign currency purchases for cash management purposes. The results of these short-term transactions, which generated an aggregate loss of $7,124 in 1999 and an aggregate gain of $4,262 in 2000, are included in Other Comprehensive Income (loss) as an element of foreign currency translation earnings. The Company engaged in no similar foreign currency purchases either prior to or subsequent to the aforementioned time frame.

COMPENSATED ABSENCES

Currently, the Company has no employees; therefore, no policy regarding compensated absences has been established. The Company will establish a policy to recognize the costs of compensated absences at the point in time that it has employees.

ADVERTISING EXPENSES

Advertising expenses consist primarily of costs incurred in the design, development, and printing of Company literature and marketing materials. The Company expenses all advertising expenditures as incurred.

PROVISION FOR TAXES

Income taxes are provided based upon the liability method of accounting pursuant to SFAS No. 109 "Accounting for Income Taxes." Under this approach, deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

At June 30, 2001, the Company had net deferred tax assets of approximately $480,000, principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been established at June 30, 2001.

At June 30, 2001, the Company has net operating loss carryforwards of approximately $2,400,000, which expire in the years 2017 through 2021. The Company recognized approximately $2,300,000 of losses for the issuance of common stock options for services, which are not deductible for tax purposes, and are not included in the above calculation of deferred tax asset.

<page> 15

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LOSS PER SHARE

Basic loss per share was computed by dividing the net loss by the weighted average number of shares outstanding during the year. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time they were outstanding. Outstanding options and convertible preferred stock were not included in the computation of diluted loss per share because the exercise price of the outstanding options is higher than the market price of the stock, thereby causing the options to be antidilutive.

GOING CONCERN

The accompanying financial statements have been prepared assuming that the

Company will continue as a going concern.

As shown in the accompanying financial statements, the Company has no revenues, has incurred a net loss of $303,333 for the six months ended June 30, 2001, has an accumulated deficit of $4,834,023 and has had no sales. The future of the Company is dependent upon successful and profitable operations from manufacturing, distributing, and selling its fertilizer products. The financial statements do not include any adjustments related to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Management has established plans designed to promote the sales of the Company's product. Management intends to seek additional capital from new equity securities offerings that will provide funds needed to increase liquidity, fund internal growth and fully implement its business plan.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of MEST and its wholly owned subsidiary, MEST, BV. All material intercompany transactions and balances have been eliminated. Manure and Sludge Technology, BV ("MSTec"), a 50 per cent owned corporation is reflected in the financial statements on the equity method of accounting, and not included in the financial statements as an entity subject to consolidation.

Accounting for Stock Options Granted to Employees and Nonemployees

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

<page> 16

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTERIM FINANCIAL STATEMENTS

The interim financial statements for the period ended June 30, 2001 included herein have not been audited, at the request of the Company. They reflect all adjustments, which are, in the opinion of management, necessary to present fairly the results of operations for the period. All such adjustments are normal recurring adjustments. The results of operations for the period presented is not necessarily indicative of the results to be expected for the full fiscal year.

IMPAIRED ASSET POLICY

In March 1995, the Financial Accounting Standards Board issued a statement, SFAS No. 121, titled "Accounting for Impairment of Long-lived Assets," which has been replaced by SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." In complying with this standard, the Company reviews its long-lived assets quarterly to determine if any events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by its assets to their respective carrying amounts.

The Company does not believe any adjustments are needed to the carrying value of its assets at June 30, 2001.

COMPREHENSIVE INCOME

Effective January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income" (SFAS 130), which was issued in June 1997. SFAS 130 establishes rules for the reporting and display of comprehensive income and its components. The effect of the adoption of SFAS 130 is reflected in the accompanying financial statements and included under the headings "Other Comprehensive Loss."

FOREIGN CURRENCY TRANSLATION GAINS/LOSSES

The Company has adopted Financial Accounting Standard No. 52. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at rates of exchange in effect at the balance sheet date. Gains or losses are included in income for the year, except gains or losses related to long-term debt, which are deferred and amortized over the remaining term of the debt. Non-montary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. See Note 4.

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONCENTRATION OF CREDIT RISK

The Company maintains its cash in several Netherlands financial institutions. These financial institutions are considered credit worthy and have not experienced any losses on deposits at June 30, 2001. The funds are valued in U.S. dollars and are fully insured.

RECENT ACCOUNTING PRONOUNCEMENTS

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). SFAS 144 replaces SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This new standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. Statement 144 required that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. This statement is effective beginning for fiscal years after December 15, 2001, with earlier application encouraged. The Company adopted SFAS 144 and does not believe that the adoption will have a material impact on the financial statements of the Company at June 30, 2001.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). SFAS No. 143 establishes guidelines related to the retirement of tangible long-lived assets of the Company and the associated retirement costs. This statement required that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets. This statement is effective for financial statements issued for the fiscal years beginning after June 15, 2002 and with earlier application encouraged. The Company adopted SFAS No. 143 and does not believe that the adoption will have a material impact on the financial statements of the Company at June 30, 2001.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 provides for the elimination of the pooling-of-interest method of accounting for business combinations with an acquisition date of July 1, 2001 or later. SFAS No. 142 prohibits the amortization of goodwill and other intangible assets with indefinite lives and requires periodic reassessment of the underlying value of such assets for impairment. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. An early adoption provision exists for companies with fiscal years beginning after March 15, 2001. The Company does not have assets with indeterminate lives.

<page> 18

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In September 2000, the FASB issued SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." This statement provides accounting and reporting standard for transfers and servicing of financial assets and extinguishment of liabilities and also provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. SFAS No. 140 is effective for recognition and reclassification of collateral and for disclosures related to securitization transactions and collateral for fiscal years ending after December 15, 2000, and is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The Company believes that the adoptions of this standard will not have a material effect on the Company's results of operations or financial positions.

NOTE 3 - RELATED PARTY TRANSACTIONS

LOANS FROM RELATED PARTIES

At December 31, 2000, loans from related parties consisted of the following:

	2000
Maurice Schelvis, (a shareholder of the Company), unsecured, interest at 5%, due on demand.	$ 5,590
Maurice Schelvis, (a shareholder of the Company), unsecured, interest at 6%, due on demand.	103,500
Total	$ 109,090

==============

The Company had no outstanding loans from related parties at June 30, 2001.

RECEIVABLE FROM RELATED PARTIES

At December 31, 2000 the following amounts were receivable from shareholders or related parties:

	2000
IJ-Beeher, interest at 5%, unsecured.	$ 48,917
Jan Luiken, B.V., interest at 7%, unsecured	109,524
	$ 158,441

The Company had no receivables from related parties at June 30, 2001.

<page> 19

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

NOTE 3 - RELATED PARTY TRANSACTIONS (continued)

OTHER RELATED PARTY TRANSACTIONS

The president of the Company conveyed all outstanding shares of MEST, B.V. to the Company in exchange for 1,920,000 shares of common stock of the Company during the year ended December 31, 1998.

NOTE 4 - PLANT, PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Major additions and improvements are capitalized. Minor replacements, maintenance and repairs that do not increase the useful lives of the assets are expensed as incurred. Depreciation of property and equipment is being calculated using the straight-line method over the expected useful lives of the assets. Depreciation expense for the periods ended June 30, 2001 and 2000 was $1,901 and $1,793, respectively.

NOTE 5 - PREFERRED STOCK

The Company is authorized to issue 5,000,000 shares of $0.0001 par value preferred stock; 535,985 Series A preferred shares were issued and outstanding at December 31, 2001 and 2000. Each share of Series A preferred stock is entitled to a dividend at the rate of $0.30 per share if the board of directors declares a dividend, although no dividends have been declared. Upon liquidation or dissolution of the Company, each outstanding share of Series A preferred stock is entitled to a distribution of $4.00 per share prior to any distribution to common stock shareholders. Series A preferred stock is non-voting, and each share is convertible into one share of the Company's common stock at any time after June 1, 1999.

During the year ended December 31, 1998, the Company sold 23,900 shares of its preferred stock at an average price of $3.73 per share. During the year ended December 31, 1999, the Company sold 403,585 shares of its preferred stock at an average price of $3.93 per share. During the year ended December 31, 2000, the Company sold 108,500 shares of its preferred stock at an average price of $4.21 per share.

NOTE 6 - COMMON STOCK

The Company is authorized to issue 30,000,000 shares of $0.0001 par value common stock; 7,320,055 shares were issued and outstanding at June 30, 2001 and December 31, 2000. Each holder of common stock has one, non-cumulative vote per share on all matters voted upon by the shareholders. There are no preemptive rights or other rights of subscription.

During the period ended December 31, 1997, the Company issued 5,000 shares of its common stock for cash at $1.00 per share and 175 shares of its common stock valued at $1.00 per share to acquire STB Corp. The stock was valued at its fair market value on the date of issuance.

During the year ended December 31, 1998, the Company sold 5,394,880 shares of its common stock for cash at $0.17 per share and issued 1,920,000 shares of its common stock at $0.01 per share to acquire a subsidiary. The stock was valued at the fair market value on the date of issuance.

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

NOTE 7 - JOINT VENTURE INVESTMENT IN MANURE AND SLUDGE TECHNOLOGY, B.V.

Manure and Sludge Technology, B.V. (hereinafter "MSTec") is a Netherlands corporation that was formed for the purpose of developing a process for use on a commercial basis that would economically dry and pasteurize manure and sludge into pellets that could be sold as organic fertilizer and other products.
Since its inception, MSTec has refined its technological process for use with other waste products such as bio-solids, fish and food waste, and paper pulp.

MEST owns 50 percent of the common stock of MSTec, and accounts for MSTec on the equity method. The other 50 percent of MSTec's common stock is owned by

The Netherlands Organization for Applied Scientific Research ("TNO"), the largest single research facility in Europe employing over five thousand professionals.

MEST's investment in the joint venture is recorded as $0 on MEST's balance sheet because MSTec's debt and losses exceeds MEST's share of investment in the joint venture. MEST's investment in the joint venture totaled $816,000 at June 30, 2001 and December 31, 2000. In forming the joint venture of MSTec, the Company committed to an investment in the form of a loan to MSTec of approximately $800,000, which funds were in fact advanced to MSTec in 1999 and 2000. This loan is treated as an equity investment under the Company's understanding of the conditions of the joint venture. The investment is subject to the terms of the related loan agreement dated January 22, 1999, the Company agreed in the event of bankruptcy or termination of MSTec's to forego repayment of the funds advanced until such time as all other creditors are paid in full. At the date of these financial statements, no funds advanced by the Company to MSTec have been repaid.

The joint venture s primary asset, as the result of the aforementioned investment, is a worldwide licensing agreement for the application of the aforementioned technological process from TNO.

TNO controls the research and activities of the joint venture while MEST Corp's participation consists of investment with rights to products developed by the joint venture.

<page> 21

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

NOTE 7 - JOINT VENTURE INVESTMENT IN MANURE AND SLUDGE TECHNOLOGY, B.V.

(continued)

The following is a summary of the financial positions and results of operations of MSTec.

	June 30, 2001	December 31, 2000
Current assets	$ 114,680	$ 123,809
Property, plant, and equipment	-	-
Other assets (net)	49,824	50,624
Total assets	$ 164,504	$ 174,433
Current liabilities	$ 324,819	$ 210,753
Long-term debt - related parties	1,705,515	1,673,640
Total liabilities	2,030,334	1,984,393
Stockholders' equity	(1,865,830)	(1,709,960)
Total liabilities and equity	$ 164,504	$ 174,433
Net sales	$ -	$ -
Gross profit	$ -	$ -
Loss from continuing operations	$ (155,870)	$ (789,544)
Net loss	$ (155,870)	$ (789,544)

JOINT VENTURE ROYALTY AGREEMENT

In connection with the formation of the MSTec joint venture, a sub-license agreement was executed wherein M.E.S.T. agreed to pay to MSTec "sub-license" fees, which are effectively royalty fees, for manure conversion factories constructed by M.E.S.T. over a period of fifteen years. The fifteen-year period begins when M.E.S.T. constructs its first such factory. Royalty fees due to MSTec are computed on a sliding scale, based upon actual factory construction costs, and range from 15% to 10%. At the date of these financial statements, no royalty fees were owed under the aforementioned agreement.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

OFFICE LEASE

The Company leases office space in Apeldoorn under a written agreement, which provides for lease payments of approximately $2,000 per month through June 2006. Formerly the Company leased office space in Amsterdam under a written agreement, which ran from July 1999 through January 2002 and provided for lease payments of approximately $1,500 per month. In 2001, the lease agreement was renegotiated and the lease expiration date was changed to July 31, 2001 with other lease provisions remaining unchanged.

Future minimum rental commitments under the operating lease are as follows at June 30, 2001:

Year Ending:

December 31, 2001	$ 20,500
December 31, 2002	$ 24,000
December 31, 2003	$ 24,000
December 31, 2004	$ 24,000
December 31, 2005	$ 24,000

<page> 22

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

NOTE 9 - STOCK OPTIONS

The Company has granted its officers options to purchase a total of 700,000 shares of the Company's common stock at an exercise price of $0.50 per share. Following is a summary of the status of these performance-based options during the periods ended June 30, 2001 and December 31, 2000.

	Number of Shares	Weighted Average Price per Share
Outstanding at December 31, 1999	530,000	$ 0.50
Granted	200,000	0.50
Expired	(30,000)	0.50
Exercised or forfeited	-	-

Outstanding and exercisable at		
December 31, 2000	700,000	$ 0.50
	==============	================
Weighted average fair value of		
options granted during 2000		$ 3.59
		================
Outstanding at December 31, 2000	700,000	$ 0.50
Granted	-	-
Exercised, expired or forfeited	-	-
	--------------	----------------
Outstanding and exercisable at		
June 30, 2001	700,000	$ 0.50
	==============	================

The Company estimated the fair value of each stock option at the grant date by using the Black-Scholes option pricing model with the following weighted-average assumptions used: Dividend yield of zero percent; strike price of $0.50; expected volatility of 24.83%; risk-free interest rate of six percent and expected lives of five years. The weighted average fair value at date of grant for options granted to officers in the year ended December 31, 2000 was $3.59 per option.

Compensation cost charged to operations was $767,900 during the year ended December 31, 2000.

NOTE 10 - SUBSEQUENT EVENTS

In January 2002, the Company loaned $200,000 to an officer. In April 2002, $150,000 was repaid and the Company also received a mortgage on real estate as collateral for this loan.

NOTE 11 - RESTATEMENT AND CORRECTION OF AN ERROR

The Company's financial statements for the period ended June 30, 2001 have been restated to reflect the correction of forgiveness of debt by an officer as a capital contribution, which increased additional paid-in capital by $62,867. The effect of this correction was the reclassification of extraordinary gain on debt forgiveness of $62,867 to additional paid-in capital for the six months ended June 30, 2001.

<page> 23

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

Form 10-QSB

For the quarterly period ended June 30, 2001

Item II - Management's Discussion and Analysis or Plan of Operation

The Company provides the information required by 17 CFR {section}228.303(a) and provides a discussion regarding the Company's plan of operation for the next 12 months.

Summary of Product Research

The Company recently concluded preliminary testing of the Company's proprietary dewatering device. Utilizing the Zeolite Dewatering System has provided meaningful insight into actual production constraints and operations. Management will concentrate on developing conveyors and airlock valves in the turbid reactor which do not harm the Zeolite. This additional research is anticipated to cost less than $20,000.00.

Marketing Plan

Management has engaged in the exercise of identifying financially productive applications for the Company's proprietary dewatering device. The Company has tested various bio-solids and sludges in the past to determine the ability of the Company's proprietary dewatering process to handle certain materials. This kind of research is ongoing and the Company actively solicits different varieties of bio-waste which may have value added in its dehydrated state. The Company plans to utilize this information to develop a more precise marketing plan which will concentrate on processes which offer financial return and which are amenable to the current status of MEST's dewatering technology.

In that regard, the Company has plans to assemble pilot plants in locations which provide constant sources of biological waste. In order to address processing requirements when the Company has finally identified site and product specific waste stream processing, Management has deemed it necessary to solicit bids from potential manufacturers in Europe and in the United States. As a preliminary matter, the Company estimates that a production facility will cost between $500,000.00 and $700,000.00 U.S. dollars to fabricate in limited quantities. Specific engineering figures will be required in order for the Company to more accurately develop cost estimates for processing bio-solids, sludges or biological waste materials. The Company has previously engaged TNO to determine processing costs on the Company's pilot plan. The Company believes that it has certain useful information regarding the dewatering processing costs in a test format, more precise information should be developed by the financing production and employment of functional dewatering plants.

The Company has pursued an opportunity to locate and operate a Zeolite dewatering facility in Cordova, Alaska for purposes of processing fish waste. The Company intends to fully explore fish waste processing and make decisions regarding the Company's initial production application. The issue is whether the Company should sell dewatering devices to third parties and derive profits from the sale of equipment and machinery. The Company is entertaining the prospect of royalty or production based fees. Management has also considered retaining all vestiges of ownership in the Zeolite dewatering systems and deriving profits from processing bio-solids or biological waste products.