ECOLOCLEAN INDUSTRIES INC
Form 10QSB
May 19, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-QSB

(Mark one)

[X] Quarterly Report Under Section 13 or 15(d) of The Securities Exchange Act of 1934

For the quarterly period ending March 31, 2005

[_] Transition Report Under Section 13 or 15(d) of The Securities Exchange Act of 1934

For the transition period from ______________ to _____________

ECOLOCLEAN INDUSTRIES, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	98-0420750
(State of incorporation)	(IRS Employer ID Number)

2242 South Hwy #83, Crystal City, TX 78839
(Address of principal executive offices)

(830) 374-9100
(Issuer's telephone number)

Securities registered under Section 12 (b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:
Common Stock - $0.001 par value

Check whether the issuer has (1) filed all reports required to be files by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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 12, 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

As of March 31, 2005, there were 38,150,664 shares of Common Stock issued and outstanding.

Transitional Small Business Disclosure Format : Yes ___ No X___

ECOLOCLEAN INDUSTRIES, INC.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ECOLOCLEAN INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2005 (Unaudited)	December 31, 2004
Current Assets:		
Cash	$ 47,152	$ 5,929
Accounts Receivable	78,985	153,987
Prepaid Expenses	28,622	72,294
Total Current Assets	154,759	232,210
Property Plant and Equipment, Net	497,845	516,479
Other Assets:		
Assets Held For Sale	100,258	342,213
Deposits	101,296	12,970
License, Net	75,935	80,434
Intangible Asset	33,585	33,585
Total Other Assets	311,074	469,202
Total Assets	$ 963,678	$ 1,217,891

See Accompanying Notes to Condensed Consolidated Financial Statements

ECOLOCLEAN INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(CONTINUED)

LIABILITIES AND STOCKHOLDERS' (DEFICIT)

	March 31, 2005 (Unaudited)	December 31, 2004
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 1,100,109	$ 1,055,720
Deposit - Sale of Assets	4,891	0
Note Payable - Current Maturities	222,434	260,461
Total Current Liabilities	1,327,434	1,316,181
Long-Term Debt	8,136	9,661
Due to Related Parties	2,138,967	1,941,808
Total Liabilities	3,474,537	3,267,650
Commitments and Contingencies	--	--
Stockholders' (Deficit):		
Preferred Stock, $0.01 par value 1,000,000 shares authorized, none issued	--	--
Common Stock, $.001 par value per share, 50,000,000 shares authorized; 37,900,664 shares issued and outstanding December 31, 2004 38,150,164 shares issued and outstanding March 31, 2005	3,815	3,790
Additional Paid-in Capital	1,619,706	1,591,731
Accumulated (Deficit)	(4,134,380)	(3,645,280)
Total Stockholders' (Deficit)	(2,510,859)	(2,049,759)
Total Liabilities and Stockholders' (Deficit)	$ 963,678	$ 1,217,891

See Accompanying Notes to Condensed Consolidated Financial Statements

ECOLOCLEAN INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Revenues:	$ 0	$ 71,117
Expenses:		
Cost of Sales	0	31,155
Operating Expenses	54,254	42,749
Depreciation & Amortization	23,256	16,744
Interest	30,335	14,598
Officer's Salary	30,000	30,000
Selling, General and Administrative	222,194	226,815
Total Expenses	360,039	362,061
Net (Loss) From Continuing Operations	(360,039)	(290,944)
Net (Loss) From Discontinued Operations	(129,061)	(18,142)
Net (Loss)	$ (489,100)	$ (309,086)
Net (Loss) Per Common Share		
Basic and Diluted		
Net (Loss) From Continuing Operations	$ (0.01)	$ (0.01)
Net (Loss) From Discontinued Operations	(0.00)	(0.00)
Total	$ (0.01)	$ (0.01)
Weighted Average Number of Common Shares Outstanding	38,025,664	32,550,664

See Accompanying Notes to Condensed Consolidated Financial Statements

ECOLOCLEAN INDUSTRIES, INC.
STATEMENTS OF CONDENSED CONSOLIDATED CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Cash Flows Provided (Required) By Operating Activities:		
Net (Loss)		
From Continuing Operations	$ (360,039)	$ (290,944)
From Discontinued Operations	(129,061)	(18,142)
Adjustments To Reconcile Net (Loss) To Net Cash Provided (Required) By Operating Activities:		
Depreciation And Amortization		
From Continuing Operations	23,256	16,744
From Discontinued Operations	21,078	2,931
Issuance Of Common Stock For Services Provided	16,000	50,000
Loss On Sale Of Equipment	15,090	
Officer's Salary	30,000	30,000
Changes In:		
Accounts Receivable	75,002	36,507
Prepaid Expenses	43,672	8,350
Deposits	11,800	0
Accounts Payable And Accrued Expenses	26,389	40,590
Deposit - Sale Of Assets	4,891	0
Customer Deposits	0	(200)
Net Cash (Required) By Operating Activities	(221,922)	(124,164)
Cash Flows Provided (Required) By Investing Activities:		
Deposits And Advances For Pending Acquisitions	(100,126)	0
Proceeds - Sale of Equipment	211,928	0
Acquisitions of Property, Plant & Equipment	(6,264)	(184,783)
Net Cash Provided (Required) By Investing Activities	105,538	(184,783)

See Accompanying Notes to Condensed Consolidated Financial Statements

ECOLOCLEAN INDUSTRIES, INC.
STATEMENTS OF CONDENSED CONSOLIDATED CASH FLOWS
(UNAUDITED)

(CONTINUED)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Cash Flows Provided (Required) By Financing Activities:		
Payment Of Short-Term Loans	(38,027)	0
Payments Of Long-Term Loans	(1,525)	(544)
Proceeds Of Loans From Related Parties	197,159	343,891
Net Cash Provided By Financing Activities	157,607	343,347
Net Increase In Cash	41,223	34,400
Cash At Beginning Of Period	5,929	2,532
Cash At End Of Period	$ 47,152	$ 36,932
Supplemental Disclosures Of Cash Flow Information		
Cash Payments For Interest	$ 13,335	$ 3,032
Cash Payments For Income Taxes	$ 0	$ 0
Non-Cash Financing Activities:		
Issuance Of Common Stock:		
Operating Activities	$ 16,000	$ 50,000
Payment Of Accounts Payable	12,000	0
Total Non-Cash Financing Activities	$ 28,000	$ 50,000

See Accompanying Notes to Condensed Consolidated Financial Statements

ECOLOCLEAN INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements for the three month periods ended March 31, 2005 and 2004 have been prepared in conformity with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Regulation S-B. The financial information as of December 31, 2004 is derived from the registrant's Form 10-KSB for the year ended December 31, 2004. Certain information or footnote disclosures normally included in condensed consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, the accompanying consolidated financial statements include all adjustments necessary (which are of a normal and recurring nature) for the fair presentation of the results of the interim periods presented. While the registrant believes that the disclosures presented are adequate to keep the information from being misleading, it is suggested that these accompanying financial statements be read in conjunction with the registrant's audited consolidated financial statements and notes for the year ended December 31, 2004, included in the registrant's Form 10-KSB for the year ended December 31, 2004.

Operating results for the three-month period ended March 31, 2005 are not necessarily indicative of the results that may be expected for the remainder of the fiscal year ending December 31, 2005. The accompanying unaudited condensed consolidated financial statements include the accounts of the registrant and its wholly-owned subsidiaries, Ecoloclean, Inc., World Environmental Technologies, Inc., Ecoloclean of Texas, Inc. and Reliant Drilling Systems, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation.

NOTE 2 - GOING CONCERN

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which anticipates the realization of assets and the liquidation of liabilities during the normal course of operations. However, as shown in these condensed consolidated financial statements, the Company during the three-month period ended March 31, 2005, incurred a net loss from continuing operations of $360,039 and a net loss from discontinued operations of $129,061. In addition, as at March 31, 2005, the Company's total liabilities exceeded its total assets by $2,510,859. The Company has experienced significant recurring operational losses and negative cash flows from operations and at March 31, 2005 has an accumulated deficit of $4,134,380. These factors raise doubt about the Company's ability to continue as a going concern if changes in operations are not forthcoming. Management, in the first quarter of 2005 has taken a position that by discontinuing operations in certain of its wholly-owned subsidiaries, and concentrating its efforts on more productive resources, the Company will achieve more favorable operating results. The Company's ability to continue as a going concern will depend on management's ability to successfully implement a business plan which will increase revenues, control costs, and obtain additional forms of debt and/or equity financing. These financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

ECOLOCLEAN INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 3 - LICENSE AND TRADE MARK COSTS

The Company acquired an industry exclusive, perpetual worldwide license to commercialize the inventions on patents and market, manufacture, sell, lease and, or utilize, for processing electrocoagulation units for the treatment of effluent water. Royalties are $3,000 per unit manufactured and 2% of gross processing revenues. License costs are being amortized over 5 years.

During 2004, the Company obtained the worldwide exclusive rights for the patented Coale Separator which supercedes a previously announced general revenue sharing agreement with the licensors.

The new license agreement and international marketing rights will allow the Company the opportunity to market, manufacture, install and commercialize the inventions and to operate and use such process apparatus, machinery and devices to remove contaminants from fuels used in combustion engines, using fewer than five (5) gallons of fuel per minute. The exclusive rights granted under this superceding agreement will apply to industries that use combustion engines and are inclusive of two patents currently in place and any future related patents, improvements or applications. This acquisition will be developed and marketed under the Company's subsidiary, World Environmental Technologies, Inc.

The license agreement and a related consulting agreement require a $50,000 one-time license fee and the issuance of 50,000 shares of restricted common stock of Ecoloclean Industries, Inc. which was valued at $12,000 and issued on January 24, 2005. This license fee is also being amortized over a 5-year life.

The Company incurred trademark application costs of $3,505 regarding various product names for the Coale Separator during 2004.

A summary of license and trademark costs at March 31, 2005 and December 31, 2004 net of applicable amortization is as follows:

	March 31, 2005	December 31, 2004
License Costs Electro Coagulation Technology (Net)	$ 13,530	$ 14,929
License Costs - Coale Separator (Net)	58,900	62,000
Trademark Costs - Coale	3,505	3,505
	$ 75,935	$ 80,434

ECOLOCLEAN INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at March 31, 2005 and December 31, 2004 is as follows:

	March 31,	December 31,	Economic

	2005	2004	Life
Land	$ 80,000	$ 80,000	N/A
Warehouse	34,120	34,120	40 Years
Electro Coagulation Units	239,237	239,237	5 Years
Machinery & Equipment	235,845	229,829	5 Years
Office Equipment	8,789	8,789	5 Years
Computers & Related Equipment	12,939	12,691	5 Years
Transportation Equipment	42,448	42,448	5 Years
Total	653,378	647,114	
Less Accumulated Depreciation	155,533	130,635	
Net Property, Plant & Equipment	$ 497,845	$ 516,479	
Assets Held For Sale	$ 100,258	$ 342,213	

Depreciation expense for the three months ended March 31, 2005 and March 31, 2004 amounted to $38,835 and $18,276 respectively.

NOTE 5 - LONG-TERM DEBT

A summary of notes and loans payable at March 31, 2005 and December 31, 2004 are as follows:

	March 31, 2005	December 31, 2004
Note Payable, Unsecured, 10% Interest Bearing, Maturing October 6, 2005	$ 150,000	$ 150,000
Loan Payable, Unsecured, Non Interest Bearing Payable on Demand	15,195	15,108
Notes Payable, Secured Interest Bearing Factoring Line of Credit (See Note Below)	50,693	89,252
Note Payable, Secured by a Truck, 14% Interest Bearing, Maturing July 22, 2007	14,682	15,762
	230,570	270,122
Less Current Maturities	222,434	260,461
Total Long-Term Debt	$ 8,136	$ 9,661

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Note: The Company has entered into an agreement to factor certain accounts receivable. Under this agreement, the Company may receive up to seventy percent of the account balance at an interest rate of 2% the first month and 1% per month on the outstanding factored invoice thereafter until payment is received. On May 5, 2005, the Company completed payment of all outstanding accounts due.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Board of Directors has approved a salary for services provided. As of March 31, 2005, the cumulative amount of unpaid officer's salary was $310,000 and is included in accounts payable and accrued expenses.

At March 31, 2005, cumulative advances bearing interest at 5% per annum due to officers of the Company amounted to $2,138,967 plus $122,724 accrued interest. The accrued interest is included in accounts payable and accrued expenses. The advances are due July 10, 2006 with the right of prepayment.

NOTE 7 - DISCONTINUED OPERATIONS

During the first quarter of 2005, Reliant Drilling Systems, Inc. ("RDS"), a wholly-owned subsidiary of the Company, which had been engaged in providing solids control services for oil and gas drillers and producers, began to sell certain of its equipment assets in order to implement its decision to no longer offer these services. For the year ended December 31, 2004, RDS had revenues of $718,025 with a reported loss of $280,091.

Sales of equipment recorded by "RDS" during the first quarter of 2005 were in excess of $200,000 with a resulting loss of $15,090. During April 2005, "RDS" recorded approximately $38,000 of equipment sales resulting in a gain in excess of $6,500.

Following this sale, "RDS" has equipment remaining with a book value approximating $55,000. "RDS" expects to receive an additional $ 35,000 on the sale of certain equipment which will result in a minimal gain. The balance of the equipment (approximately $20,000) will be utilized by another subsidiary.

Also during the first quarter of 2005, Ecoloclean of Texas, Inc., ("ECOT") a wholly-owned subsidiary of the Company, which had been engaged in providing enviro cleanup services to industrial customers, executed a Letter of Intent to sell certain of its equipment with a book value of $41,574, job materials and supplies and its customer contracts for $120,000 (see Note 9). For the year ended December 31, 2004, this wholly-owned subsidiary had revenues of $132,668 with a reported loss of $285,651.

NOTE 7 - DISCONTINUED OPERATIONS (CONTINUED)

As a result of the Company discontinuing the operations of "RDS" and "ECOT", the condensed consolidated financial statements and the related notes contained herein have been restated to reflect the financial position, results of operations and cash flows of "RDS" and "ECOT" as discontinued operations.

The following table sets forth, for the periods indicated, selected financial data of the Company's discontinued operations.

SELECTED FINANCIAL DATA FOR DISCONTINUED OPERATIONS

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Revenue	$ 76,007	$ 67,610
Cost of Sales	48,628	17,398
Gross Profit	27,379	50,212
Expenses	156,440	68,354
(Loss) From Discontinued Operations	$ (129,061)	$ (18,142)

NOTE 8 - COMMON STOCK TRANSACTIONS

On January 24, 2005, the Company issued 200,000 shares of its restricted common stock for 2005 investor public relations services valued at $16,000.

On January 24, 2005, the Company issued 50,000 shares of its restricted common stock valued at $12,000 in partial payment of obligations regarding the acquisition of the Coale Separator license.

NOTE 9 - SUBSEQUENT EVENTS

On April 18, 2005, Ecoloclean of Texas, Inc. ("ECOT") completed the transaction to sell its equipment assets and customer contracts for $120,000 payable over a one-year period. The effective date of the transaction was April 1, 2005 and resulted in a gain of approximately $75,000.

On May 13, 2005, the Company executed a non-binding Letter of Intent to acquire 100% ownership of a company engaged in providing creative and cost effective solutions to a wide range of industrial pure water, waste water and solid waste management problems. In order to complete the proposed transaction, the Company is required to provide $300,000 of working capital and other considerations including 2,500,000 shares of its restricted common stock. Prior to the execution of the Letter of Intent, the Company provided $51,000 of deposits/advances of which $31,000 was advanced as of March 31, 2005.

The Company has also been in discussions and negotiations with a water-processing company for possible acquisition. The company has advanced funds and incurred expenses in excess of $70,000 as of March 31, 2005. The Company is continuing its efforts to complete the acquisition of the entity.

Item 2. Management's Discussion and Analysis or Plan of Operation

Overview and Plan of Operation

Background

During the quarter ended March 31, 2005, Ecoloclean Industries, Inc. ("ECCI"), had gross operating revenues of $0 from continuing operations and $76,007 from discontinued operations which were generated by its Louisiana subsidiary, Reliant Drilling Systems, Inc. ("RDS"), and its Texas Subsidiary, Ecoloclean of Texas, Inc. ("ECOT"), whose operations were discontinued during this quarter.

Current Operations

A. Industrial and Exploration Liquid Waste Remediation Services

World Environmental Technologies, Inc. ("WET"), a wholly owned subsidiary, has utilized its Louisiana statewide Water Discharge Permit and its patented Electro Coagulation ("EC") treatment systems to aggressively market it services for oil field and industrial liquid waste remediation. These efforts have resulted in WET acquiring Master Service Agreements from several Refinery Groups and Petroleum Operators, which it is waiting to implement. At this time there are no pending contracts or orders to provide services for oil field and industrial liquid waste remediation.

WET has reached a tentative agreement to utilize its Louisiana State Wide Water Discharge Permit as the basis to install a waste water treatment facility at the AB Dock, located in Cameron Parrish, Louisiana. This opportunity developed because the present owners do not have the authority to treat and discharge the waste water being brought ashore for treatment, disposal and/or reuse. Under the proposed arrangement, the AB Dock owners anticipate an increase in the amount of waste water being brought ashore which will cause an immediate need for additional storage and treatment facilities.

WET has agreed to install and operate such facilities on a revenue-sharing basis whereby WET would receive the greatest majority of the generated revenue. The contract would be for a one-year term with optional renewal periods.

B. Agricultural Clean Up

Ecoloclean, Inc. ("ECI"), a wholly owned subsidiary of the Company, continues to devote efforts to the Dairy Industries as it pertains to the animal waste created by cows, swine and chickens. Recently during the first quarter of 2005, ECI formed an alliance with another company in this field. By combining the EC Unit technology with that of the new partner, the Company was successfully able to demonstrate a ninety-nine percent plus (99% +) phosphate removal from dairy waste.

During the second quarter of 2005, the Company will be performing another demonstration for approximately two hundred (200) dairy farmers, representatives from Texas A&M University, American Dairy Association, Texas Farm Bureau, the EPA and other interested parties.

Based on the test results from the initial demonstration, the Company expects to be able to offer the dairy industry along with swine and chicken producers a much needed solution to their waste disposal problems.

C. Coale Separator aka "Diesel Pure"

ECCI has obtained the Worldwide Exclusive Rights for the patented Coale Separator through an agreement with Coale's Environmental Systems, Inc. ("Coale"). As previously announced on June 2, 2004, ECCI entered into a General Revenue Sharing Agreement with Coale. The new license agreement and international marketing rights will allow ECCI the opportunity to market, manufacture, install and commercialize the inventions and to operate and use such process apparatus, machinery and devices to remove contaminants from fuels used in combustion engines using fewer than five (5) gallons of fuel per minute. The exclusive rights are inclusive of two patents currently in place and any future related patents, improved or applications. This acquisition will be developed and marketed under ECCI's WET subsidiary.

The Coale Separator (a.k.a. "Diesel Pure Unit") decreases and substantially eliminates contaminants in diesel fuel. It is designed to operate as a mobile fuel-scrubbing unit that reduces abrasive sediments and corrosive degradation by removing contaminants such as water, oxidation, dirt, sand and sludge. The Coale

Separator effectively separates these liquid and solid particles from diesel fuel, thereby allowing only purified fuel to reach combustions engines. This device is easily installed without any modifications to the existing engine.

This process increases horsepower and engine efficiency by burning a cleaner fuel. The Coale Separator is effective for use with diesel fuel, gasoline, kerosene, hydraulic oil transmission fluid and JP8 jet fuel. In addition, it extends filter life resulting in measurable cost savings. Other benefits include a reduction of fuel system problems, broken injector tips, excessive engine wear and power losses, thereby improving overall engine performance. The Company anticipates the potential customer base will include owner/operators of combustion engines, including, but not limited to, offshore/onshore drilling rigs, tugboats and transportation departments of government agencies.

During the first quarter, production, marketing and sales efforts were initiated for the Diesel Pure Unit. In addition, a website has been established explaining the capabilities of the Diesel Pure Unit.

The Company has placed several units with potential end-users for testing periods varying between one week and one month. Initial reports have been favorable. The Company expects to be in contact with potential distributors in addition to end-users during the second quarter of 2005.

D. New Developments

On April 18, 2005, Ecoloclean of Texas, Inc. ("ECOT") completed the transaction to sell its equipment assets and customer contracts for $120,000 payable over a one-year period. The effective date of the transaction was April 1, 2005 and resulted in a gain of approximately $75,000.

On May 13, 2005, the Company executed a non-binding Letter of Intent to acquire 100% ownership of a company engaged in providing creative and cost effective solutions to a wide range of industrial pure water, waste water and solid waste management problems. In order to complete the proposed transaction, the Company is required to provide the $300,000 of working capital and other considerations including 2,500,000 shares of its restricted common stock. Prior to the execution of the Letter of Intent, the Company provided $51,000 of deposits/advances of which $31,000 was advanced as of March 31, 2005.

The Company has also been in discussions and negotiations with a water-processing company for possible acquisition. The Company has advanced funds and incurred expenses in excess of $70,000 as of March 31, 2005. The Company is continuing its efforts to complete the acquisition of the entity.

Financial Considerations

Currently, there are insufficient revenues and resources to offset annual operating overhead, which is now projected to be approximately $750,000, after taking into consideration the sales of equipment assets and customer contracts of the discontinued operations of Reliant Drilling Systems, Inc. and Ecoloclean of Texas, Inc. subsidiaries. Until the Company obtains the amount of working capital required to meet its continuing operating overhead, it will be necessary to call upon the investment community and/or the Company's officers and directors for financial assistance. In addition, the Company will also be attempting to obtain the capital necessary to complete to the two acquisitions discussed above in the "New Development" section.

During the first quarter, the Company's President provided $197,159 in loans to the Company. All of the funds advanced during the first quarter were utilized to offset operating overhead expenses and provide advances also described in the "New Development" section above. The officers have not indicated a willingness to continue providing funds during the remaining nine months of 2005 in amounts, commensurate to the $1,166,439 advanced during 2004. Efforts are ongoing to obtain funding from sources outside of the Company. At this time, the Company has not received any financing commitments although certain initiatives are ongoing.

Going Concern

The Independent auditors' report contains language indicating that the financial statements have been prepared on a going concern basis, which contemplates realization of assets and liquidation of liabilities in the ordinary course of business. The Company has continuously incurred losses from operations and has a significant accumulated deficit. The appropriateness of using the going concern basis is dependent upon the Company's ability to obtain additional financing or equity capital and, ultimately, to achieve profitable operations. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

It is the Company's belief that it will continue to incur losses for at least the next six months, and as a result will require additional funds from debt or equity investments to meet such needs. Without realization of additional capital, it would be unlikely for the Company to continue as going concern. The Company anticipates that its officers will contribute a portion of the funds needed to satisfy the cash needs of the Company for the next six months. However, there can be no assurances to that effect, as the Company has limited revenues and the Company's need for capital may change dramatically if it is successful in acquiring a new business. If the Company cannot obtain needed funds, it may be forced to curtail or cease its activities. To meet these objectives, management's plans are to (i) raise capital by obtaining financing through private placement efforts; (ii) issue common stock for services rendered in lieu of cash payments and (iii) obtain loans from officers to the extent possible.

The Company's future ability to achieve these objectives cannot be determined at this time. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty and should not be regarded as typical for normal operating periods.

Conclusion

Although the Company expended substantial financial resources to establish all three of its field service operations, the expected results were not achieved. Accordingly, as indicated above, two of the Company's subsidiaries discontinued operations during the first quarter of 2005 and their assets have been, or are being, liquidated.

The Company is concentrating its efforts on the marketing and sales of its Coale Separator and liquid waste remediation services along with the development of its Agricultural Clean-Up Program. In addition, the Company is expending its full efforts to be in position to complete one of or both of the acquisition opportunities described above.

As stated herein, all future activities of the Company will be dependent on its ability to obtain additional funding in the near future.

RESULTS OF OPERATIONS

REVENUES: The Company reported revenues of $0 from continuing operations for the three months ended March 31, 2005 as compared with $71,117 revenues for the three months ended March 31, 2004. The decreased revenues of $71,117 were due to the reduction of revenues at World Environmental Technologies, Inc., the Company's water processing subsidiary.

TOTAL COSTS AND EXPENSES: Total costs and expenses decreased from $362,061 for the three months ended March 31, 2004 to $360,039 from continuing operations for the three months ended March 31, 2005.

OPERATING EXPENSES: Operating expenses increased from $42,749 for the three months ended March 31, 2004 to $54,254 from continuing operations for the three months ended March 31, 2005. The increase of $11,505 was primarily due to the increased costs connected with Dairy Industry initiatives and with preparing to manufacture the Coale Separator.

SELLING, GENERAL AND ADMINSTRATIVE EXPENSES: Selling, general and administrative expenses decreased from $226,815 for the three months ended March 31, 2004 to $222,194 for the three months ended March 31, 2005. The decrease of $4,621 was due to increases of various administrative expenses.

INCOME TAX: The pretax loss increased from $309,086 for the three months ended March 31, 2004 to $489,100 for the three months ended March 31, 2005, an increase of $180,014.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES: Capital expenditures during the three months ended March 31, 2005 totaled $6,265 as compared with $184,783 for the three months ended March 31, 2004. The expenditures of $6,265 primarily consist of equipment purchased for the Coale Separator manufacturing efforts; whereas, the $184,783 of capital expenditures for the three months ended March 31, 2004, primarily consisted of equipment purchased for the Company's water processing subsidiary.

Sales of capital assets for the three months ended March 31, 2005 were $211,928 including a $6,685 cost adjustment as compared to $0 for the three months ended March 31, 2005. The increase of $211,928 was due to sales of equipment by the Company's Reliant Drilling Systems, Inc., subsidiary after discontinuing its operations.

Total debt increased from $3,267,650 at December 31, 2004 to $3,474,537 at March 31, 2005, an increase of $206,882. The increased debt was primarily attributable due to an increase of $197,159 in monies due to the President which he advanced during the quarter. These funds advanced by the President allowed us to continue operations. Total debt as of March 31, 2005 and December 31, 2004 expressed as a percentage of the sum of total debt and shareholders' equity was 360.5% and 268.3% respectively.

Net loss for the three months ended March 31, 2005 was $489,100, an increase of 158.2% from the net loss of $309,086 for the three months ended March 31, 2004. Diluted net loss per common share remained at $0.01. The net loss per share calculation for the three months ended March 31, 2005 included an increase in actual and equivalent shares outstanding.

DISCONTINUED OPERATIONS: The loss from discontinued operations for the three months ended March 31, 2005, includes losses of $53,229 incurred by Reliant Drilling Systems, Inc., and $75,832 incurred by Ecoloclean of Texas, Inc. These losses of each subsidiary, which total $129,061, are primarily attributable to their inability to obtain gross revenue levels and margins in sufficient enough amounts to cover operating support costs and other overhead of each company. Losses of these two subsidiaries were $18,142 for the three months ended March 31, 2004, which was the first full quarter of operations for Reliant Drilling Systems, Inc., and the pre-operating period of Ecoloclean of Texas, Inc.

GOING CONCERN: While the Company's unaudited condensed consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, certain adverse conditions and events cast substantial doubt upon the validity of this assumption. Factors contributing to this substantial doubt include recurring losses from operations and net working capital deficiencies. As mentioned in the Financial Condition, Liquidity and Capital Resources section above, we are currently dependent on funding from the President to continue the Company's operations. The discontinuance of such funding and the unavailability of outside financing to replace such funding could result in the Company ceasing operations.

FORWARD-LOOKING STATEMENTS:

We have included forward-looking statements in this report. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward looking statements. Without limiting the foregoing, words such as "may", "will", "expect", "believe", "anticipate", "estimate", "plan" or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors. Factors that might cause forward-looking statements to differ materially from actual results include, among other things, overall economic and business conditions, demand for the Company's products, competitive factors in the industries in which we compete or intend to compete, impact and other uncertainties of our future acquisition plans.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

The Company does not issue or invest in financial instruments or their derivatives for trading or speculative purposes. The operations of the Company are conducted primarily in the United States, and, are not subject to material foreign currency exchange risk. Although the Company has outstanding debt and related interest expense, market risk of interest rate exposure in the United States is currently not material.

Item 3. Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that material information related to our company is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

(a) Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded, as of the date of such evaluation, that the design and operation of such disclosure controls and procedures were effective.

(b) Changes in Internal Control.

Subsequent to the date of such evaluation as described in subparagraph (a)above, there were no changes in our internal controls or other factors that could significantly affect these controls, including any corrective action with regard to significant deficiencies and material weaknesses.

(c) Limitations.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain

assumptions about the likelihood of future events, and any design may not succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

No material legal proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We reported unregistered equity securities sales on a current report filed on Form 8-K on January 28, 2005.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of the security holders, through the solicitation of proxies or otherwise, during the quarter of the fiscal year covered by this report.

Item 5. Other Information

None.

Item 6. Exhibits

a) Exhibits

Exhibit No.	Exhibit Name
31.1	Chief Executive Officer-Section 302 Certification pursuant to Sarbanes-Oxley Act.
31.2	Chief Financial Officer- Section 302 Certification pursuant to Sarbanes-Oxley Act.
32	Chief Executive and Financial Officer-Section 906 Certification pursuant to Sarbanes-Oxley Act.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ECOLOCLEAN INDUSTRIES, INC.

Dated: May 18, 2005

/s/ Royis Ward

By: Royis Ward
Title: President, CEO

Dated: May 18, 2005

/s/ Michael Ward

By: Michael Ward
Title: Secretary, CFO