ECOLOCLEAN INDUSTRIES INC
Form 10QSB
November 22, 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 September 30, 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 September 30, 2005, there were 51,600,085 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

	September 30, 2005 (Unaudited)	December 31, 2004
Current Assets:		
Cash	$ 61,147	$ 5,929
Accounts Receivable	87,675	153,987
Note Receivable	75,000	0
Inventory	214,247	0
Prepaid Expenses	28,290	72,294
Total Current Assets	466,359	232,210
Property Plant and Equipment, Net	507,732	516,479
Other Assets:		
Assets Held For Sale	0	342,213
Deposits	80,889	12,970
License, Net	70,036	80,434
Goodwill	387,035	33,585
Total Other Assets	537,960	469,202
Total Assets	$ 1,512,051	$1,217,891

See Accompanying Notes to Condensed Consolidated Financial Statements

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

LIABILITIES AND STOCKHOLDERS' (DEFICIT)

	September 30, 2005 (Unaudited)	December 31, 2004

Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 1,308,057	$ 1,055,720
Note Payable - Current Maturities	194,523	260,461
Total Current Liabilities	1,502,580	1,316,181
Long-Term Debt	4,640	9,661
Due to Related Parties	1,246,808	1,941,808
Total Liabilities	2,754,028	3,267,650
Commitments and Contingencies	--	--
Stockholders' (Deficit):		
Preferred Stock, $0.01 par value 10,000,000 shares authorized, none issued	--	--
Common Stock, $.001 par value per share, 100,000,000 shares authorized; 37,900,664 shares issued and outstanding December 31, 2004 51,600,085 shares issued and outstanding September 30, 2005	5,160	3,790
Additional Paid-in Capital	3,728,908	1,591,731
Accumulated (Deficit)	(4,976,045)	(3,645,280)
Total Stockholders' (Deficit)	(1,241,977)	(2,049,759)
Total Liabilities and Stockholders' (Deficit)	$ 1,512,051	$ 1,217,891

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004
Revenues:	$ 86,044	$ 0
Expenses:		
Cost of Sales	51,502	264
Operating Expenses	54,344	101,701

Depreciation & Amortization	24,790	18,405
Interest	20,558	20,932
Officer's Salary	30,000	30,000
Selling, General and Administrative	449,988	475,818
Total Expenses	631,182	647,120
Net (Loss) From Continuing Operations	(545,138)	(647,120)
Net Income (Loss) From Discontinued Operations	(4,428)	(224,453)
Net (Loss)	$ (549,566)	$ (871,573)
Net (Loss) Per Common Share Basic and Diluted		
Net (Loss) From Continuing Operations	$ (0.01)	$ (0.02)
Net (Loss) From Discontinued Operations	(0.00)	(0.00)
Total	$ (0.01)	$ (0.02)
Weighted Average Number of Common Shares Outstanding	47,259,375	36,813,164

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Revenues:	$ 94,933	$ 71,117
Expenses:		
Cost of Sales	54,006	34,479
Operating Expenses	130,526	236,716
Depreciation & Amortization	72,385	53,414
Interest	83,373	53,921
Officer's Salary	90,000	90,000
Selling, General and Administrative	904,772	1,389,016
Total Expenses	1,335,062	1,857,546

Net (Loss) From Continuing Operations	(1,240,129)	(1,786,429)
Net Income (Loss) From Discontinued Operations	(90,636)	(356,771)
Net (Loss)	$ (1,330,765)	$ (2,143,200)
Net (Loss) Per Common Share Basic and Diluted		
Net (Loss) From Continuing Operations	$ (0.03)	$ (0.05)
Net (Loss) From Discontinued Operations	(0.00)	(0.01)
Total	$ (0.03)	$ (0.06)
Weighted Average Number of Common Shares Outstanding	44,750,375	35,038,164

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Cash Flows Provided (Required) By Operating Activities:		
Net (Loss)		
From Continuing Operations	$ (1,240,129)	$ (1,786,429)
From Discontinued Operations	(90,636)	(356,771)
Adjustments To Reconcile Net (Loss) To Net Cash Provided (Required) By Operating Activities:		
Depreciation and Amortization		
From Continuing Operations	72,385	53,414
From Discontinued Operations	35,008	43,489
Issuance Of Common Stock For Services Provided	262,546	783,838
(Gain) On Sale of Assets	(55,169)	0
Officer's Salary	90,000	90,000

Changes In:		
Accounts Receivable	154,901	(107,813)
Inventory	(29,167)	0
Prepaid Expenses	44,004	(69,149)
Accounts Payable and Accrued Expenses	(52,252)	378,198
Net Cash (Required) By Operating Activities	(808,509)	(971,223)
Cash Flows Provided (Required) By Investing Activities:		
Note Receivable Sale of Assets	(75,000)	0
Proceeds - Sale of Assets	391,618	0
Acquisitions of Machinery & Equipment	(31,936)	(605,697)
Deposits and Other Non-Current Accounts	(67,919)	(12,770)
Net Cash (Required) By Investing Activities	(216,763)	(618,467)

See Accompanying Notes to Condensed Consolidated Financial Statements

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

(CONTINUED)

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Cash Flows Provided (Required) By Financing Activities:		
Payment Of Short-Term Loans	(281,769)	0
Payments Of Long-Term Loans	(5,021)	0
Proceeds Of Notes Payable	0	90,666
Proceeds From Issuance Of Common Stock	364,001	500,000
Proceeds Of Loans From Related Parties	555,000	1,011,188
Net Cash Provided By Financing Activities	632,211	1,601,854
Net Increase In Cash	40,465	12,164

Cash at Beginning Of Period	20,682	2,532
Cash at End Of Period	$ 61,147	$ 14,696
Supplemental Disclosures Of Cash Flow Information		
Cash Payments For Interest	$ 28,225	$ 2,693
Cash Payments For Income Taxes	$ 0	$ 0
Non-Cash Investing And Financing Activities:		
Issuance Of Common Stock:		
Repayment Of Loan From Related Party	$ 1,250,000	$ 0
Operating Activities	262,546	783,838
Acquisition Of Aquatronics Industries, Inc.	250,000	71,500
Payment Of Accounts Payable	12,000	0
Total Non-Cash Investment And Financing Activities	$ 1,774,546	$ 855,338

See Accompanying Notes to Condensed Consolidated Financial Statements

ECOLOCLEAN INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements for the nine month periods ended September 30, 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 nine-month period ended September 30, 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., Reliant Drilling Systems, Inc. and Aquatronics Industries, Inc. (See Note 3). 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 nine-month period ended September 30, 2005, incurred a net loss from continuing operations of $1,240,129 and a net loss from discontinued operations of $90,636. In addition, as at September 30, 2005, the Company's total liabilities exceeded its total assets by $1,241,977. The Company has experienced significant recurring operational losses and negative cash flows from operations and at September 30, 2005 has an accumulated deficit of $4,976,045 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 nine months 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.

NOTE 3 - ACQUISITON

On September 14, 2005, the Company completed the acquisition of 100% of the issued and outstanding stock of Aquatronics Industries, Inc. for 2.5 million shares of restricted common stock valued at $250,000. The closing agreement provided for an effective date of August 1, 2005. "Aquatronics" is located in Riverside, Rhode Island and has eight employees. "Aquatronics" has provided effective solutions to a diverse base of commercial and industrial customers with remediation equipment and services for the removal of impurities and waste by-products for the past 20 years. "Aquatronics" waste water treatment system equipment can be custom designed to remediate most liquid or solids waste management problem necessary to comply with state and federal mandates.

The Company's unaudited proforma statements of operations for the nine months ended September 30, 2005 gives effect to the acquisition of "Aquatronics" as if it had occurred on January 1, 2005. The columns headed Aquatronics Ind., Inc. in the table below give effect to the revenues and expenses related to the acquired company for the periods indicated and were not included in our historical financial statements. The purchase was accounted for by using the purchase method of accounting.

ECOLOCLEAN INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Ecoloclean Industries, Inc. Nine Months Ended September 30, 2005	Aquatronics Industries, Inc. Period From 01/01/05 to 07/31/05	Aquat Industr Peri 08/01/05
Revenues	$ 31,145	$ 257,354	$
Cost of Goods Sold	4,000	145,384	
Gross Profit	27,145	111,970	
Operating Expenses	1,219,385	161,419	
Net (Loss) from Continuing Operations	(1,192,240)	(49,449)	
Net (Loss) from Discontinuing Operations	(90,636)	--	
Net (Loss) - Total	$ (1,282,876)	$ (49,449)	$

The total paid for "Aquatronics" was $250,000 in restricted common stock. The goodwill recognized from the acquisition was $353,450, which is the difference

between the purchase price and the net deficit of Aquatronics" of $103,450.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Board of Directors has approved a salary for services provided. As of September 30, 2005, the cumulative amount of unpaid officer's salary was $355,000 and is included in accounts payable and accrued expenses.

At September 30, 2005, cumulative advances bearing interest at 5% per annum due to an officer and a former officer of the Company amounted to $1,246,808 plus $165,048 accrued interest after reducing the balance of $2,496,808 by $1,250,000 as a result of the issuance of 7,352,941 shares of restricted common stock to Royis Ward, the Company's President. The accrued interest is included in accounts payable and accrued expenses. The advances are due October 31, 2006 with the right of prepayment.

NOTE 5 - DISCONTINUED OPERATIONS

During the first and second quarters 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 nine months of 2005 were in excess of $270,000 with a resulting loss of $14,307.

Following these sales, "RDS" had equipment remaining with a book value approximating $30,000 which is expected to 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, sold certain of its equipment with a book value of $41,574, job materials and supplies and its customer contracts for $120,000 in order to implement its decision to no longer offer these services. For the year ended December 31, 2004, this wholly-owned subsidiary had revenues of $132,668 with a reported loss of $285,651.

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.

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.

ECOLOCLEAN INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 5 - DISCONTINUED OPERATIONS (CONTINUED)

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

SELECTED FINANCIAL DATA FOR DISCONTINUED OPERATIONS

	Nine Months Ended	
	September 30, 2005	September 30, 2004
Revenue	$ 75,863	$ 500,621
Cost of Sales	49,066	322,606
Gross Profit	26,797	178,015
Expenses (Net of Gains on Sales Of Assets)	117,433	534,786
(Loss) From Discontinued Operations	$ (90,636)	$ (356,771)

NOTE 6 - COMMON STOCK TRANSACTIONS

On September 6, 2005 through September 9, 2005, the company issued 2,020,000 shares of its restricted common stock for $364,001 net of costs.

On September 14, 2005, the Company issued 2,500,000 shares of its restricted common stock valued at $250,000 for 100% of the outstanding stock of Aquatronics Industries, Inc.

On September 16, 2005, the Company issued 425,000 shares of its restricted common stock valued at $85,000 to two recipients for consulting services.

On September 18, 2005, the Company issued 500,000 shares of its restricted common stock valued at $100,000 for consulting services.

On September 18, 2005, the Company issued 25,000 shares of its restricted common stock valued at $5,000 to an employee of a subsidiary as compensation.

As of September 30, 2005, the Company issued 126,480 shares of its restricted common stock valued at $25,296 for consulting services

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

Overview and Plan of Operation

Background

During the quarter ended September 30, 2005, Ecoloclean Industries, Inc. ("ECCI"), had gross operating revenues of $86,044 from continuing operations and $0 from discontinued operations which included its Louisiana subsidiary, Reliant Drilling Systems, Inc. ("RDS"), and its Texas Subsidiary, Ecoloclean of Texas, Inc. ("ECOT"), whose operations were discontinued during the quarter ending March 31, 2005.

Current Operations

A. Industrial and Exploration Liquid Waste Remediation Services

World Environmental Technologies, Inc. ("WET"), a wholly owned subsidiary of Ecoloclean, Inc., had reached an agreement to utilize its Louisiana State-Wide Water Discharge Permit as the basis to establish a permanent wastewater treatment facility at AB Dock's receiving and serving station, located in Cameron Parrish, Louisiana. Due to hurricane damage at the AB Dock, we are unable to continue this operation.

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, and for the period ended August 2, 2005, the Company performed additional demonstrations 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. These tests were concluded on August 2, 2005 and the Company was notified that sufficient samples had been taken by the various agencies and no further evaluation was necessary. The Company's equipment has been removed and taken back to its facility for storage. The Company has been informed that Texas A&M will prepare a technical paper upon approval by the EPA, American Dairy Association, Texas Farm Bureau and other interested agencies, which will be published in all of the various agencies for public information.

Based on the test results from these further demonstrations, 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. However, the Company does not expect any revenue producing activities from the agricultural business until the middle of 2006 at the earliest.

C. Coale Separator aka "Diesel Pure"

During the third quarter, the Company signed an exclusive marketing agreement with an experienced organization in the truck and auto after market and to the industrial marketplace. In order to sell our "Diesel Pure" product line in these market places, the Company will be required to complete additional product information and instructions which will be time consuming and costly.

D. New Developments

On September 14, 2005, the Company completed the acquisition of 100% of the outstanding stock of Aquatronics Industries, Inc. located in Riverside, Rhode Island by issuance of 2,500,000 shares of its restricted common stock and providing working capital of $300,000.

"Aquatronics" is engaged in providing creative and cost effective solutions to a wide range of industrial pure water, wastewater and solid waste problems.

Discussions have ended regarding a possible acquisition or joint venture with a water processing company.

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. During the third quarter, the Company completed a $404,000 private placement of its restricted common stock.

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 three 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 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 substantially liquidated during the nine months ended September 30, 2005.

As stated herein, future activities of the Company will be partially dependent on its ability to obtain additional funding in the near future and the success of its newly acquired subsidiary, Aquatronics Industries, Inc.

RESULTS OF OPERATIONS

REVENUES: The Company reported revenues of $86,044 from continuing operations for the three months ended September 30, 2005 as compared to $0 revenues for the three months ended September 30, 2004. The increased revenues of $86,044 were due to $63,788 of revenues from our newly acquired subsidiary, Aquatronics Industries, Inc., and $22,256 of revenues from our World Environmental Technologies, Inc., subsidiary.

TOTAL COSTS AND EXPENSES: Total costs and expenses decreased from $647,120 for the three months ended September 30, 2004 to $631,182 for the three months ended September 30, 2005 of which $111,677 was incurred at "Aquatronics." The decrease of $127,615 (exclusive of "Aquatronics") was primarily due to the Company's cost

reduction program. Non-cash costs and expenses totaled $215,296 of the $631,182 of expenses.

OPERATING EXPENSES: Operating expenses decreased from $101,701 for the three

months ended September 30, 2004 to $54,004 from continuing operations for the three months ended September 30, 2005 of which $6,007 was incurred at "Aquatronics." The decrease of $53,704 (exclusive of "Aquatronics") was primarily due to the Company's cost reduction program.

SELLING, GENERAL AND ADMINSTRATIVE EXPENSES: Selling, general and administrative expenses decreased from $475,818 for the three months ended September 30, 2004 to $449,988 for the three months ended September 30, 2005 of which $61,671 was incurred at "Aquatronics." The decrease of $87,501 (exclusive of "Aquatronics") was primarily due the Company's cost reduction program.

INCOME TAX: The pretax loss decreased from $871,573 for the three months ended September 30, 2004 to $549,566 for the three months ended September 30, 2005, a decrease of $369,896(exclusive of the $47,889 loss at "Aquatronics").

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES: Capital expenditures during the nine months ended September 30, 2005 totaled $31,936 as compared with $605,697 for the nine months ended September 30, 2004. The expenditures of $31,936 primarily consist of equipment purchased for the "Coale Separator" manufacturing efforts; whereas, the $605,697 of capital expenditures for the nine months ended September 30, 2004 primarily consisted of equipment purchased for the Company's solid control subsidiary which has now been discontinued.

Sales of assets, including equipment, customer lists and contracts for the nine months ended September 30, 2005 were $391,618 including a $6,685 cost adjustment as compared to $0 for the nine months ended September 30, 2005. The increase of $391,618 was due to sales of assets by the Company's Reliant Drilling Systems, Inc., and Ecoloclean of Texas, Inc., subsidiaries after discontinuance of their operations.

Total debt decreased from $3,267,650 at December 31, 2004 to $2,754,028 at September 30, 2005, a decrease of $513,622 inclusive of $218,842 of "Aquatronics" debt. The decrease of debt was substantially attributable to a conversion of $1,250,000 debt due the President to 7,352,941 shares of restricted common stock offset by $555,000 additional loans from the President and a former officer of the Company. These additional funds advanced allowed the Company to continue operations. Total debt as of September 30, 2005 and December 31, 2004 expressed as a percentage of the sum of total debt and shareholders' equity was 182.1% and 268.3% respectively.

Net loss for the nine months ended September 30, 2005 was $1,330,765, a decrease of 61.5% from the net loss of $2,143,200 for the nine months ended September 30, 2004. Diluted net loss per common share decreased 50% to $0.03. The net loss per

share calculation for the nine months ended September 30, 2005, included an increase in actual and equivalent shares outstanding.

DISCONTINUED OPERATIONS: The loss from discontinued operations for the nine months ended September 30, 2005, includes losses of $79,615 incurred by Reliant Drilling Systems, Inc., and $11,021 incurred by Ecoloclean of Texas, Inc. These losses of each subsidiary, which total $90,636, 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 $356,771 for the nine months ended September 30, 2004, which was the first nine months of operations for Reliant Drilling Systems, Inc., the pre-operating period, and the first three months of operations 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 are 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 acquisitions 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

The Company and its subsidiaries are parties to various legal proceedings and claims incidental to our normal business operations for which no material liability is expected beyond that which has been recorded in our financial statements. While the ultimate resolution of the above matters is not known, management does not expect that the resolution of these matters will have a material adverse effect on the Company's financial statements and results of operation.

We are not aware of any material legal proceedings to which, any director, officer or affiliate of the Company, any owner of record or beneficial owner of more than 5% of our Company common stock, is a party to a legal proceeding adverse to our Company.

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

All unregistered sales of equity securities were disclosed on Current Reports filed on Form 8-K during the quarter covered by this report.

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

Royis Ward will be acting in the additional officer capacity of Chief Financial Officer of the Company until a replacement officer is nominated for that position.

Item 6. 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: November 22, 2005

By: /s/ Royis Ward

Royis Ward
Title: President, CEO, CFO