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Zacks Small-Cap Research

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Midwest Energy Emissions (MEEC-OTCQB)

Midwest Energy Emissions Pursuing Opportunities in Europe through Licensing Agreement with Cabot Corp

Based on comparative analysis that utilizes the valuation metric of price-to-sales (P/S), an industry average P/S ratio of 3.34 on TTM sales through 4Q-2017 of $27.5 million indicates a share price target of $1.20

Current Price (04/20/18)	$0.41
Valuation	**$1.20**

OUTLOOK

Midwest Energy Emissions is well-positioned to benefit from the reduction of mercury emissions initiatives in the U.S, Canada and Europe. The company holds patents to SEA™ Technology for the reduction of mercury emissions by coal-fired electric generating units. Dozens of domestic EGUs continue to be highly prospective, and Midwest Energy Emissions has expanded into Canada supplying sorbent to four EGUs. Now, Europe is also a significant prospect through a Licensing Agreement with Cabot Corp. Under the Industrial Emissions Directive (IED), almost 1,400 coal fired EGUs in Europe will be required to achieve new mercury emission compliance standards by 2020.

SUMMARY DATA

52-Week High	**$1.18**
52-Week Low	**$0.20**
One-Year Return (%)	**-62.39**
Beta	**-1.19**
Average Daily Volume (shrs.)	**42,368**
Shares Outstanding (million)	**76.246**
Market Capitalization ($ mil.)	**$31.26**
Short Interest Ratio (days)	**0.006**
Institutional Ownership (%)	**15.3**
Insider Ownership (%)	**20.5**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**103.5**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2018 Estimate	**N/M**
P/E using 2019 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Pollution Control**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	3.37 A	9.39 A	11.77 A	7.81 A	32.35 A
2017	5.43 A	7.93 A	8.45 A	5.69 A	27.50 A
2018	5.80 E	8.50 A	9.10 A	6.10 A	29.50 E
2019					34.50 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	$0.02 A	-$0.01 A	$0.01 A	-$0.00 A	-$0.03 A
2017	-$0.02 A	$0.00 A	$0.01 A	-$0.02 A	-$0.04 A
2018	-$0.03 A	$0.00 A	$0.01 A	-$0.01 A	-$0.03 E
2019					-$0.01 E

Zacks Projected EPS Growth Rate - Next 5 Years % **10**

2016 EPS do not reflect non-re-occurring debt restricting charges.

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KEY POINTS

- The U.S. Environmental Protection Agency's Mercury and Air Toxic Standards (MATS) created a multi-billion dollar market for mercury remediation solutions.
- **Canada** signed the UNECE Protocol on Heavy Metals in June 1998 and the Minamata Convention in October 2013. Developed by the Canadian Council of Ministers of the Environment (CCME), nationwide **mercury reduction standards in Canada** has required a 60% reduction from the baseline year of 2003, though by early 2017 a 91% reduction had been attained.
- In **Europe**, under the Industrial Emissions Directive (**IED**) of 2010, a BAT (Best Available Technique) Reference (aka **BREF**) document has been published (the most recent in 2017) to cover the required emission prevention activities on installations rated 50 MW or more.
  - The standards are expected to be fully in force across Europe by mid-2020 with demonstration activity beginning in 2018, installation of equipment & testing starting in 2019 and continuing until full implementation in mid-2020.
- Midwest Energy Emissions is **well-positioned** to benefit from the implementation of MATS, the CCME standards and BREF.
  - The company **owns 42 issued patents and patents-pending** related to mercury removal processes developed by the Energy & Environmental Research Center, including SEA™ Technology.
  - SEA Technology provides an operationally-effective and cost-effective mercury emissions solution that is flexible to accommodate a broad range of configurations of coal-fired power plants fueled by varying coal types.
  - SEA Technology has been **successfully demonstrated over 50 times** at large operating power plants across the United States and Canada.
- Midwest Energy Emissions has won contracts that span **24 Electric Generating Units** (EGUs) across at least ten power plants.
  - a **West Coast utility** with two EGUs
  - a **major U.S. power producer** for 9 EGUs
  - two separate utility **cooperatives in the Southwest**, each with one EGU
  - a large **northern Midwest utility** with two EGUs
  - four additional EGUs contracts awarded in early 2016
  - 3-year contract secured at another electric utility in September 2016
  - 2-year contract (valued at $5 million) with Midwest utility customer was renewed in April 2017
  - 3-year contract for the 9 EGUs with its largest customer was renewed in August 2017
  - $700,000 purchase order for 4 Canadian EGUs that began in January 2018
- Midwest Energy Emissions has international **blue sky market opportunities** for the implementation of SEA Technology in **Europe, Canada** and **China**.
  - The **Minamata Convention** on Mercury should bolster international demand for the company's mercury remediation solutions.
  - Midwest Energy Emissions has entered into a multi□year European licensing agreement with **Cabot Corp**. (NYSE: CBT) to develop and market mercury removal solutions for coal-fired EGUs in Europe.
- Management began holding quarterly conference calls to review financial and operational results in 2016

EXECUTIVE SUMMARY

2017 Achievements:

- As demand for electricity from coal-fired EGUs seasonally increases during the warmer months, Midwest Energy Emissions **operates profitably during the 2nd and 3rd quarters**. The coal-fired fleet still provides about 30% of domestic power production.

- The company's largest customer renewed a 3-year contract in August 2017.
    - **Vistra Energy** (NYSE: VST) awarded its **Nexus Small Business** Award
    - Midwest Energy Emissions estimates that the use of SEA Technology has saved Vistra almost $15 million in operating costs over the past three years.
    - Vistra Energy's merger with Dynegy (NYSE: DYN) is expected to close in early 2018.
        - The merger will add 13 coal-fired plants to Vistra's portfolio.
        - Despite retiring three (3) coal-fired plants, Vistra's coal-fired capacity increases from 28% to 32% of its total portfolio after the merger.
        - The current contract covers only 9 of the Vistra's prospective coal-fired 25 EGUs. For the last three years, Midwest Energy Emissions has been the sole source of mercury capture technology for Vistra Energy.
- In October 10, 2013, 140 nations (including the US, Canada, China, Germany, Netherland and the U.K.) signed the **Minamata Convention** on mercury, an international treaty that recognized mercury is a chemical of global concern and addresses the reduction of emissions of mercury and mercury compounds.
    - Midwest Energy Emissions **expanded into Canada**. An initial purchase order for $700,000 of product was secured for use in supplying the front-end of four EGUs at one of the Canadian customer's plants beginning in early 2018. If proven successful, management expects to enter into a contract for an additional three EGUs at another of the customer's plants.
    - The company has entered into a **licensing agreement with Cabot Corp**. for the development of mercury removal solutions for coal-fired EGUs in **Europe**.
        - The European market 50% larger than in the U.S. (1,384 coal-fired EGUs versus 914 in the U.S.) Poland alone has 538 EGUs with 30 additional coal plants in the planning stage.
        - Cabot has a strong franchise in Europe, which should provide enhanced opportunities for contract wins.
        - **Full compliance is due in mid-2020**.
            - Midwest Energy Emissions should benefit from an increase in demonstration revenue with initial demonstrations scheduled for the summer of 2018.
            - Decisions for the method of capture, installation of equipment and compliance testing should begin in 2019.
- By acquiring EERCF's SEA Technology patent portfolio in April 2017, the company is **expected to save at least $1.0 million in licensing fees and royalty payments annually**.
- Management does not anticipate the raising equity capital at this time, preferring non-equity options if required.

Challenges:

- Despite the pipeline of prospective customer opportunities increasing, the anticipated closing of new contracts this summer did not materialize due to an **unexpected pricing response by incumbent suppliers of sorbent**. The competitive pricing response also impacted pricing in contract renewals.
- Revenue from **product (sorbent) deliveries decreased 9.9% in 2017**.
    - Company-initiated optimization efforts at each EGU have improved operating efficiencies resulting in less-than-expected product (sorbent) usage.
    - In addition, some customers lowered capacity factors, reducing the amount of product needed to achieve MATS compliance.

Despite the challenges of 2017, particularly price competition by chemical companies desperate to retain sorbent sales, Midwest Energy Emissions is well positioned to benefit from the reduction of mercury emissions initiatives in the U.S, Canada and Europe

RECENT NEWS

European Licensing Agreement with Cabot Corporation

On April 17, 2018, Midwest Energy Emissions announced that the company has entered into a multi□year European licensing agreement with **Cabot Corp**. (NYSE: CBT). Under the agreement, Cabot has exclusive access to Midwest Energy's patented SEA™ Technologies for the development of mercury removal solutions for coal-fired EGUs in Europe. Cabot will market and sell Midwest Energy's proven **two□part mercury capture technology** and **proprietary scrubber additive technology** under the licensing agreement. Cabot has a strong presence in Europe and is expected to be a major player in the implementation of mercury emissions solutions that are required to achieve the European standards set forth by the Best Available Techniques (BAT) Reference Document (BREF) under the *Industrial Emissions Directive*.

2017 Financial Results

On April 17, 2018, Midwest Energy Emissions reported results for the fourth quarter and full year ending December 31, 2017. Total **revenues declined 15.0%** to **$27,499,080** from $32,345,540 reported in 2016 as **revenue from product (sorbent) deliveries decreased 9.9%**. Sorbent sales declined primarily from the company's optimization efforts, allowing customers to enjoy improved operating efficiencies (less sorbent usage). Also, some customers lowered capacity factors[i], reducing the amount of product needed to achieve MATS compliance. By acquiring the patent portfolio from EERCF in April 2017, the amount paid in royalty fees decreased by $1.022 million. We estimate that the gross margin on sorbent sales was relatively flat at 29.2% versus 29.4% in 2016.

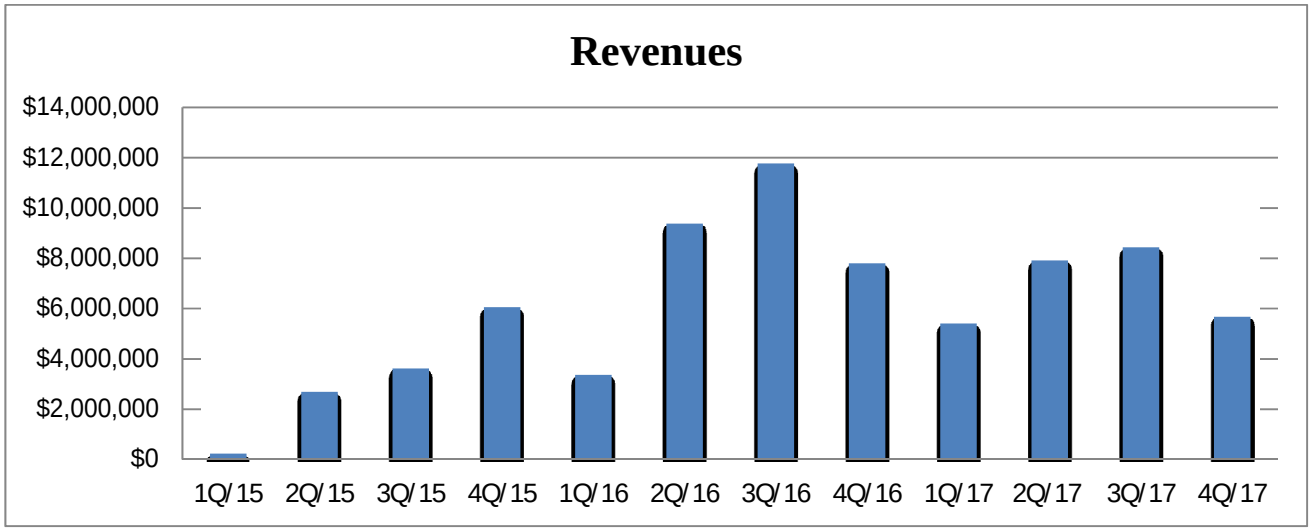
Revenue from equipment sales declined 70.6% to $794,206, primarily due to a tough comparison to 2016 when a customer (who had been granted a one-year extension to comply with MATS) installed both front-end and back-end product injection system. However, the gross margin on equipment sales improved from 2.7% in 2016 to 27.6% in 2017 as the industry has reached a maturity point where equipment sales have an economical margin. **Revenue from demonstration & consulting services** decreased 9.9% to $654,842.

Deferred revenues, which represent unrecognized advance payments, have appeared again on the balance sheet, reflecting the prospective delivery and commissioning of equipment in Canada during 2018. At year end, deferred revenues were **$517,060**, which will be recognized eventually as revenues on the income statement.

Total operating expenses decreased 9.2% to $27.49 million versus $30.29 million in 2016, primarily attributable to **cost of goods sold decreasing 17.4%** to $19.0 million, which is associated with the decrease in revenues during the year. **SG&A expenses increased 16.7%** to $8.47 million versus $7.26 million, primarily due to increases in salaries and wages, fringe benefits, stock based compensation, investor relations and professional fees. **Interest expense declined 43.6%** to $2.15 million versus $3.82, primarily due to the decrease in amortization of debt issuance costs and discount on notes payable.

The company reported a loss of $2.90 million (or $0.04 per diluted share) versus a reported loss of $15.62 million (or $0.31 per diluted share) in 2016. Removing the non-reoccurring debt restructuring charge of $14.1 million that was retroactively restated into 2016 financial results (which incidentally replaced the volatile change in value of warrant liability line item), the comparable 2016 operating loss is $1.51 million (or $0.04 per diluted share). The company's net operating loss carry forward is approximately $3.84 million.

Adjusted EBITDA decreased 29.8% YOY to $2.897 million versus $4.129 million in 2016. As of December 31, 2017, the company had negative working capital of $359,963.



2017 Contract Announcements

On March 7, 2017, Midwest Energy Emissions announced that the company has secured an **order for a $1 million injection system** for a redundant long-term application by an owner of a fleet of EGUs. Management is confident that the installation will lead to additional opportunities throughout this customer's fleet.

On April 4, 2017, Midwest Energy Emissions announced that a current utility customer located in the Midwest renewed its **contract valued at over $5.0 million** over the next two years. The customer has been utilizing Midwest Energy SEA Technology since 2015.

On August 21, 2017, Midwest Energy Emissions announced that the company secured a three-year contract renewal with its largest customer. Initially, the contract was anticipated to generate over $25 million during the three-year term. However, subsequently, the utility announced a major reorganization, which management anticipates will lead to generating less than the previously announced $25 million in revenue from product sales. Afterwards, the largest customer entered into a merger agreement with Dynegy, adding 13 coal-fired plants to its portfolio

On October 10, 2017, the company announced that a **$700,000 purchase order** had been secured with a **Canadian customer for initial use in supplying the front-end of four (4) new EGUs**. The PO represents the first expansion to a utility outside the U.S., growing the company's geographic footprint in North America.

Midwest Energy Emissions acquires SEA Technology patents from EERCF

In a **milestone event**, on April 24, 2017, Midwest Energy Emissions closed on the acquisition of all patents rights and patents pending related to the Sorbent Enhancement Additive (SEA™) Technology from the Energy & Environmental Research Center (EERCF) at University of North Dakota. The purchase price was $2,500,000 and 925,000 shares of MEEC common stock, of which 628,998 shares will be issued directly to EERCF and 296,002 shares will be issued to the inventors within 30 days. The cash payment was funded by cash-on-hand, which includes a portion of the net proceeds from the private placement that closed in November 2016.

Midwest Energy Emissions owns the Technology, and therefore no longer is required to pay monthly license maintenance fees of $$25,000 ($300,000 annually) and annual running royalties of $100 per one megawatt (MW) of electronic nameplate capacity and $100 per three MW per hour at systems utilizing licensed products and/or processes. In 2017, royalty fees paid to EERCF decreased by $1.022 million.

SEA Technology, the company's **core IP**, provides an operationally-effective and cost-effective mercury emissions solution that is flexible to accommodate a broad range of configurations of coal-fired power plants fueled by varying coal types. Developed by researchers at the Energy & Environmental Research Center (EERC), SEA Technology utilizes the application of sorbent enhancement additives to promote the oxidation of elemental mercury in preparation for adsorption by uniquely formulated blends of sorbent products. Utilizing this Technology, Midwest Energy Emissions is able to offer at lower-cost option to utilities so that their coal-fired units can achieve compliance with MATS while maintaining the marketability of the fly ash by-product.

The portfolio of patents rights and patents pending is composed of **42 patents and patents-pending** related to mercury removal processes developed by the EERC. The patents in the United States include:

- Sorbents and Flue Gas Additives for the Oxidation and Removal of Mercury (7,435,286)
- High-Temperature Halogen Dissociation for Mercury Control in Coal-Fired Systems (7,615,101)
- Multifunctional Abatement of Air Pollutants in Flue Gas (7,628,969)
- Sorbents for the Oxidation and Removal of Mercury (8,168,147)
- Process for Regenerating a Spent Sorbent (8,173,566)
- Mercury Control Using Moderate-Temperature Dissociation of Halogen Compounds (8,312,822)
- Process for Regenerating a Spent Sorbent (Continuation) (8,440,585)
- Sorbents for the Oxidation and Removal of Mercury (Continuation) (8,652,235)

The patent and patents pending portfolio also includes international **blue sky market opportunities** with SEA Technology patents in **Europe, Canada** and **China**.

Nexus Small Business Award

Midwest Energy Emissions received the Nexus Small Business Award by Vistra Energy at its Nexus Awards Recognition Reception. The Nexus Small Business Award is given to recognize excellent service and also for utilizing a diverse supply chain and workforce. Every year, Vistra Energy (the largest retailer and generator of electricity in Texas) recognizes companies that provide exceptional service to Vistra Energy and demonstrate a positive commitment to the community.

OVERVIEW

Headquartered Lewis Center, Ohio, Midwest Energy Emissions Corp. (MEEC) provides patented mercury capture solutions for coal-power plants whose mercury emissions exceed the U.S. Environmental Protection Agency's Mercury and Air Toxic Standards (MATS). **The company has successfully commercialized its Sorbent Enhancement Additive (SEA™) Technology**, which can achieve mercury removal levels that are compliant with MATS at a significantly lower cost than other methods while preserving the quality (and hence the marketability) of fly-ash, a by-product from the coal burning process. The company holds **42 issued patents and patents-pending** related to a mercury removal processes developed by the Energy & Environmental Research Center (EERC) and has a close and mutually beneficial relationship with the EERC Foundation, which aids in the commercialization EERC's research efforts. The company's holistic **cost-competitive solution** for mercury emission control is a proven, effective technology that reduces mercury emissions to MATS-compliant levels over a wide range of plant configurations and coal types.

The EPA's **MATS have created a multi-billion dollar market for mercury remediation solutions**. MATS require that all coal-fired Electric Generating Units (EGUs) larger than 25 megawatts (MW) remove approximately 90% of mercury from their emissions beginning April 16, 2015. On a plant-by plant basis, power plant operators must find an economical feasible method to upgrade existing plants in order to comply with MATS; otherwise, non-compliant plants could be forced to be decommissioned, which will affect the capacity, reliability and supply attributes of the associated electric networks.

The process of commercializing any pollution control technology or method within the utility industry is a lengthy and expensive process, which involves the migration of a technology from the laboratory to commercial-scale demonstrations and then to contract signings, installations, testing and finally commercial operations. SEA Technology has been successfully demonstrated over 50 times at large operating power plants across the United States and in Canada.

Midwest Energy Emissions is deploying what appears to be the industry's most cost-effective solution for coal power plants to comply with MATS. Management and the EERC believe that the SEA Technology process with an optimized blend of sorbents is the most efficient, cost-effective manner to capture mercury. **SEA Technology provides an approach that optimizes the mercury capture process while minimizing the cost of injected materials**. As a result, SEA Technology lessens the total amount of sorbent injected, thereby reducing the cost of MATS compliance. **The technology is also flexible**, allowing Midwest Energy's consumable products to be formulated specifically for a coal-fired unit and its coal-fuel-type. Importantly, the process has less operational impact with minimal corrosion to the plant's equipment and preserving the marketability of fly ash, an important ancillary revenue stream for power plants.

Also, Midwest Energy Emissions has **international market opportunities**. The company holds the patents to SEA Technology in Europe, Canada and China. SEA Technology has been successfully demonstrated for a few large utilities in Canada, where raising mercury capture regulations is being contemplated. Since 2012, a nationwide **mercury reduction agreement in Canada** has required a 60% reduction, though by early 2017 a 91% reduction had been attained.

China has promulgated emission regulations, but has yet to implement mercury reductions. In October 10, 2013, 140 nations (including the US, Canada, China, Germany, Netherland and the U.K.) signed the **Minamata Convention** on mercury, an international treaty that recognized mercury is a chemical of global concern and addresses the reduction of emissions of mercury and mercury compounds. Long-term, there is **blue sky potential** for international demand for the company's mercury remediation solutions.

Midwest Energy Emissions has demonstrated a **technical competitive advantage** by bringing EGUs to MATS compliance in a cost-effective manner. As many coal-fired utilities are having difficulties, ranging from encountering prohibitive costs in achieving a 90% reduction in mercury emissions to having to de-rate (lower the capacity of) boilers to attain compliance, management is focused on further penetrating the fleets of existing customers as well as securing new clients (electric utilities) which are challenged and are seeking an economical solution to comply with MATS.

Midwest Energy Emissions is unique in that it has a singular focus (the mercury emissions control market), holds the patents on processes, has achieved market penetration through the commercialization of SEA™ Technology and is positioned to take advantage of further opportunities afforded by the implementation of MATS.

Many coal-fired utilities are having difficulties, ranging from encountering prohibitive costs in achieving a 90% reduction in mercury emissions to having to de-rate (lower the capacity of) a boiler to attain compliance. Electric utilities with challenged EGUs are seeking out alternative solutions in the attempt to achieve compliance with MATS. Midwest Energy is specifically targeting this **sweet spot of prospective customers**.

The benefits of new contract wins can accrue within the timeframe of a quarter. The turn time to implement Midwest Energy's SEA™ Technology is relatively short: 8-to-16 weeks, and in many cases, Midwest Energy's sorbent products can be utilized with existing back-end equipment until the custom-designed front-end system is designed and implemented.

SEA™ TECHNOLOGY

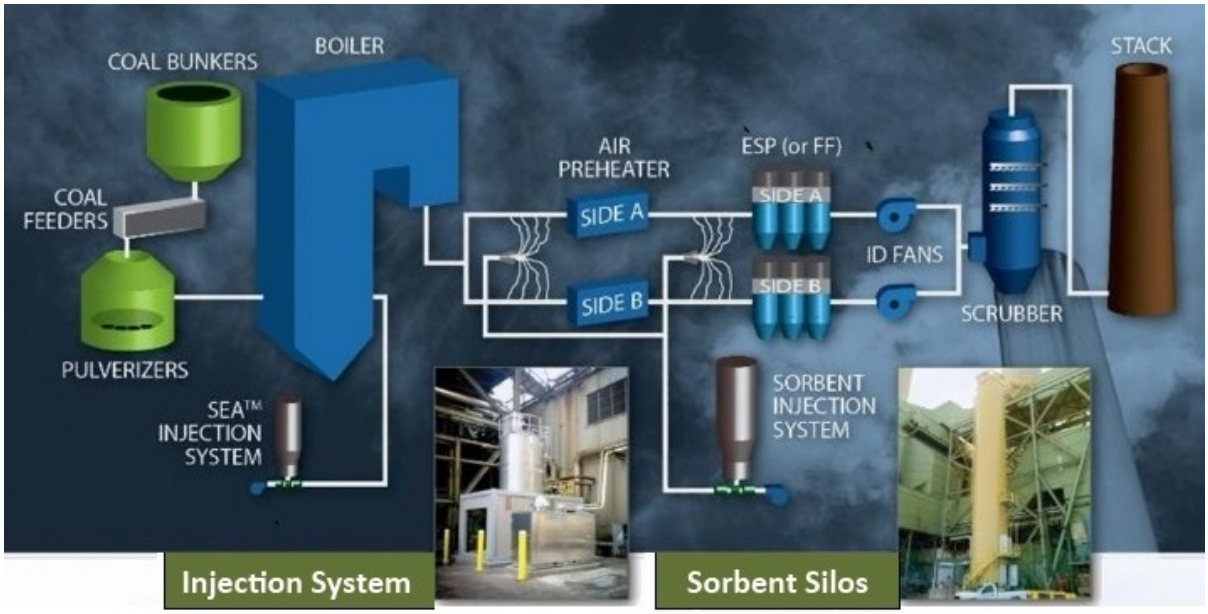
Utilizing a patented Sorbent Enhancement Additive (SEA™) Technology, Midwest Energy Emissions is able to offer at lower-cost option to utilities so that their coal-fired units can achieve compliance with MATS while maintaining the marketability of the fly ash by-product. Developed by researchers at the EERC, the company's SEA Technology utilizes the application of sorbent enhancement additives to promote the oxidation of elemental mercury in preparation for adsorption by uniquely formulated blends of sorbent products.

Mercury is emitted from coal-fired boilers in three basic forms: elemental mercury (Hg^0), oxidized mercury (Hg^{2+}) and particulate-bound mercury (Hg_p). **Compliance with MATS requires that the <u>total</u> of all three forms of mercury be measured and reduced.** The ratio of elemental to the oxidized forms of mercury emitted from combustion is highly dependent on the type of coal that is combusted. By and large, bituminous coal-fired boilers emit primarily oxidized mercury while the majority of mercury produced by low rank coal-fired (subbituminous and lignite) boilers is elemental mercury.[ii] The strongest factor for this generalization is that the relatively high concentrations of halogens, such as chlorine and bromine, in bituminous coals results in the oxidization of elemental mercury to form oxidized mercury, primarily the mercuric halides ($HgCl_2$ and HBr_2). In contrast, both subbituminous and lignite coals not only have lower quantities of halogens, but also higher amounts of alkaline material (such as calcium and sodium) than bituminous coals. The halogens from the combustion of subbituminous coal and lignite have a tendency to react with the alkaline materials with the result that little halogen oxidizes the elemental mercury.[iii] Though in aggregate, roughly 60% of the mercury emitted by coal combustion is elemental mercury and 40% is oxidized mercury.[iv]

Elemental mercury is very difficult to capture and remove because, by definition, it is in its elemental form (a single atom with a neutral charge). Elemental mercury is the most difficult to remove from flue gas since it is practically insoluble in water, and hence, not typically removed by wet processes like flue gas desulfurization (FGD) systems aka scrubbers. However, **oxidized mercury** is reactive in that it more easily deposited and captured by sorbents. Through the chemical reaction by which oxidized mercury is formed, it becomes charged allowing its efficient capture by pollution control devices. It is highly soluble in water, and therefore, readily captured in wet scrubbers. **Particle-bound mercury** is condensed on the fine fly ash particles emitted by coal-fired boilers. With charged components, Hg_p sticks to surfaces and is readily removed by pollution control devices designed to remove particulates (bag houses/fabric filters, electrostatic precipitators and scrubbers) and also by activated carbon.

The use of a Brominated Activated Carbon (BAC) injection system is the most common method used today to oxidize elemental mercury, primarily since BAC is more effective than Standard Powdered Activated Carbon (PAC) for removing mercury from flue gas of boilers burning low chlorine content coal. However, the cost of operation can become uneconomical, since the injection of activated carbon sorbent is only cost-effective at capturing about 60% of the mercury emissions, at which point diminishing effectiveness is achieved by the injection of additional sorbent. For some 1,000 MW coal-fired units, the cost to achieve a 90% reduction in mercury emissions can exceed over $10 million per year.

Midwest Energy Emissions can provide a MATS-compliant process, along with custom-blended halogenated front-end sorbent enhancement additives and back-end sorbents, for an effective and cost-competitive solution for controlling emissions mercury in coal-fired units. The use of SEA Technology, namely the proprietary additives and sorbents, costs around $2.5 million annually, depending on size of the EGU, the coal being combusted and the amount of time the plant is being operated. In addition, the fly ash by-product remains marketable, which may not be the case in a BAC system. Fly ash is fine, powdery matter collected by the fabric filters and electrostatic precipitators, which is mostly utilized by the cement/concrete industry, but also for structural fills (such as embankments), the stabilization of waste materials and road bases. The sale of fly ash represents an opportunity for utilities to both increase revenues and reduce costs.



Midwest Energy Emissions **provides a process** that can be fine-tuned to achieve optimum efficiency, by tweaking not only the **location and method of injection** of products, but especially the **blend and reactivity** of sorbents. The company's solution for 90%+ mercury emissions reduction is a **two-step process** that can be fine-tuned to the unique configuration of the customer's EGU and the coal type being combusted. The **first step** involves the introduction of **flue gas conditioning products** that promote the conversion of elemental mercury to oxidized mercury and particulate-bound mercury, which are more easily captured in downstream devices.

SF-10, Midwest Energy's proprietary and patented sorbent enhancement additive flue gas conditioner, is **injected into the coal-fired boiler** by MEEC's injection system. The SF-10 immediately gasifies and migrates throughout furnace system promoting mercury oxidation. With a keen understanding of the complex interactions among elemental mercury, sorbent enhancement additives and flue gases, along with the role and impact that these various components of flue gas have on chemisorption, EERC designed SEA Technology to maximize the conversion of elemental mercury to oxidized mercury while minimizing the amount of injected sorbent enhancement additives. The location of front-end injection **optimizes the residence time** for these reactive conditioning products to oxidize the elemental mercury. Promoting mercury oxidation through catalytic processes and materials is a key feature of SEA Technology and only requires the use of a relatively small amount of sorbent enhancement additive. In addition, the amount of SF-10 being injected is adjusted to the unique requirements of each client's system to ensure benefit-to-cost performance.

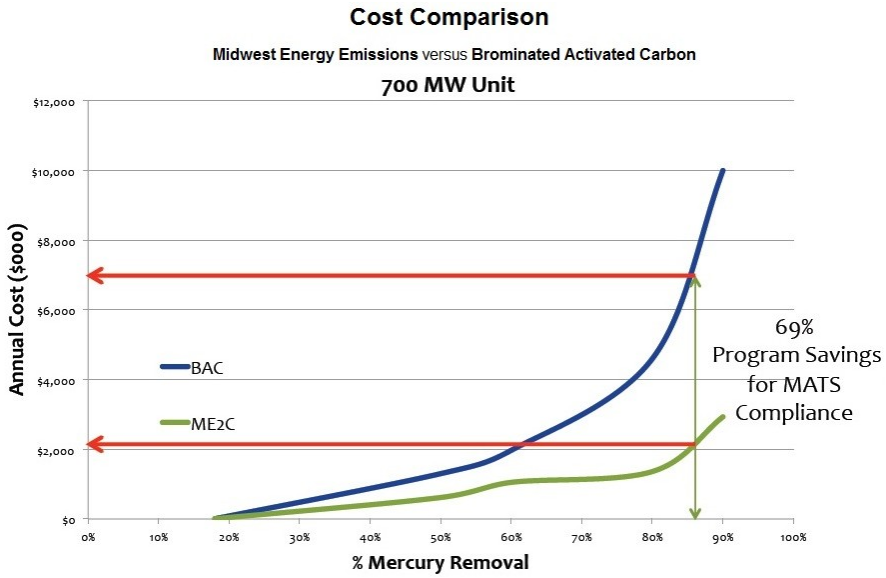
The cost of installing the **front-end injection system** has averaged around $250,000, though high-end, turn-key, automated installations can cost up to $600,000 while low-end, front-end systems can be installed for as low as $175,000. Moreover, the new Canadian purchase order will use test units at no cost. Midwest Energy Emissions sells its front-end and back-end (sorbent) products for the duration of the contract, which are generating annual product revenues for Midwest Energy Emissions in the range of $1.25-to-$1.5 million per EGU. Typically, the lower operating costs can provide a payback of less the one year on the front-end capital equipment when compared to current costs of operating a Brominated Activated Carbon system.

SEA Technology's **back-end injection system** is located up-stream (prior) to the particulate matter (PM) equipment, principally bag-house and electrostatic precipitator. Midwest Energy offers a variety of products for introduction into the mercury-contaminated flue gas stream, with the most-used product being SB-24. The fine sorbent particles of the sorbent are injected through a flue gas duct, where the now more reactive, oxidized mercury contacts the sorbent and attaches to its surface so it can be collected. The pregnant sorbent is removed from the flue gas stream, along with the fly ash, in the bag-

house or electrostatic precipitator. The cost of the back-end system is in the $1.0-$1.5 million range, but an injection silo must be installed in all cases when MATS-compliance cannot be achieved. This back-end injection system is common to almost any mercury collection technology in the industry, and not unique to SEA.

SB-24 is the mainstream sorbent product of Midwest Energy Emissions and designed to provide active capture sites for mercury absorption. The proprietary blend performs well across all known boiler configurations and most coal types without impacting fly ash quality. SB-24 is the company's most effective and least cost-per-pound sorbent.

The SEA Technology process has been proven to be effective over a broad range of coal types and configurations of coal-fired power plants. Midwest Energy provides an approach that optimizes the mercury capture process while minimizing the cost of injected sorbents. The optimal combination is determined through extended parametric testing of various combinations of front- and back-end products to determine the arrangement that exhibits optimum mercury removal rate at the minimal consumption of sorbent material. Depending on the existing air pollution control equipment and the type of coal being burned, the SEA Technology system can also be tailored on-the-fly through adjustable sorbent enhancement additive and sorbent feed rates. As a result, SEA Technology lessens the total amount of sorbent injected thereby reducing the cost of MATS compliance.



A **case study** was performed in which mercury removal and costs were monitored through parametric testing of the use of both SEA Technology proprietary sorbents and Brominated Activated Carbon at the same 700 MW EGU powered by subbituminous coal. The results (depicted in the graph below) clearly indicate that Midwest energy's SEA Technology is vastly superior to BAC in terms of cost and effectiveness.

Attaining 80%+ mercury reduction levels at low-rank-coal EGUs by injecting Powdered Activated Carbon or Brominated Activated Carbon has proven to be challenging and, in most cases, uneconomical. The higher volumes of injectant not only can increase annual injectant costs to the $5 million to $20 million range, but also potentially can creates severe operational issues, including corrosion of the plant's equipment and the degradation of the fly ash by-product, which renders it unsuitable for sale.

COMMERCIALIZATION OF SEA TECHNOLOGY

Lead times for the selection of mercury emissions control solutions are long, with power producers requiring demonstrations in order to evaluate and assess the effectiveness and costs of competing pollution control systems. Since SEA Technology is both operationally effective and cost-effective, management anticipates that demonstrations will often yield commercial contracts.

Midwest Energy's initial client was a **West Coast utility** with the contract being signed in late 2010. The utility had parametrically tested various mercury emission control systems at one of its two 730-MW Electric Generating Units (EGUs) located at a power plant in the Pacific Northwest. Midwest Energy's method of employing SEA Technology achieved a mercury capture rate that exceeded the required MATS compliance limit at the lowest cost. State mercury emissions regulations and grass roots pressure required the early implementation of the reduction of mercury emissions. The company's system was commissioned into operation in September 2011, and compliance operation began in December 2011. The company attained a significant milestone with this **first commercial installation** of SEA Technology. A **second system** was also installed at the utility's other 730-MW EGU. The systems are used when the EGUs are in operation, usually during peak demand periods of the year.

In August 2012, a major **Southwestern U.S. power producer** contracted Midwest Energy Emissions to perform a demonstration of the company's mercury removal technology at one of the power producer's generating units. After the initial demonstration in the fall, the power producer contracted for additional demonstrations on three of the larger generating units at different plant sites for the spring of 2013.

By the spring of 2013, Midwest Energy Emissions had performed 23 demonstrations of the SEA Technology in North America. In April 2013, a major **U.S. electric utility in the Midwest** contracted for a demonstration in early-summer. The Southwestern and Midwestern utilities then requested additional demonstrations, which were completed in late-summer.

By the end of 2013, Midwest Energy Emissions had conducted **31 demonstrations** of its patented SEA Technology on the power generating units of potential customers. The demonstrations were carried out across many coal types and the majority of utility system designs. In addition, management attended trade shows including participation at the EERC Air Quality Conference during October 2013 in Arlington, Virginia. Midwest Energy's CEO Alan Kelley served as Session Chair for "Hg Control – Sorbent Injection" and Marc Sylvester, VP of Sales, made a presentation entitled "MATS Compliance Programs for Mercury with Various PM Equipped Units." The company's participation cultivated interest with potential clients who were planning for compliance with mercury emissions regulations.

As a result of the management's marketing efforts since 2012 and subsequent demonstrations during 2013, 11 coal-fired electricity generation units came under contract during the first quarter of 2014, bringing the total to 13 at that time. The first commitment was from a **major U.S. power producer** for **9 generating units**, which came online in mid-2016.

The second contract announced was for a **single EGU** with a large coal-power **cooperative in the Southwest US** The installation of the SEA system, which included a newly-designed mercury-control feeder system, occurred in 2014. The company originally estimated that the sorbent supply contract should generate $2 million of revenues annually. The third commitment was a contract with a large utility **cooperative in the Southwest US** for a single EGU. The system installation generated revenues of $2.4 million in 2015, and the three-year supply contract began generating revenues in 2016.

In May 2014, the company's initial customer, located on the West Coast, **extended the contract for its two coal-fired electric generating units** for additional three years. The contract extension serves as an indicator of the customer's level of satisfaction with Midwest Energy's Sorbent Enhancement Additive solution. Obviously, the operational performance of SEA Technology has more than met the utility's expectations. The supply contract was originally expected to generate approximately $3 million in

revenues per year. To date, revenues derived by supplying sorbent to the customer has been less than the $3 million potential due to lower reduction rates required by state regulations and the seasonal operation of the two EGUs, which are used to satisfy peak demand periods in the summer and winter.

In November 2014, a large coal-power producing **electric utility in the upper Midwest** contracted for the company's mercury emissions control systems on a **dual-unit power plant**.

In January 2016, an unnamed customer signed **contracts for four systems**, and in September 2016, a three-year contract was signed with an electric utility for new proprietary high sulfur-tolerant SEA™ product, bringing **the total number of systems under contract** to **20 EGUs**.

In April 2017, a current utility customer located in the Midwest renewed a two-year **contract** representing anticipated **revenues over $5.0 million**. The customer has been utilizing Midwest Energy SEA Technology since 2015.

In August 2017, Midwest Energy Emissions' largest customer renewed its three-year contract, which initially was anticipated to generate over $25 million during the three-year term. However, the customer underwent a major reorganization, which has lowered management's expectations. However, the utility is closing a merger with Dynegy (NYSE: DYN), which will add 13 coal-fired plants to the customer's portfolio, bring the total number of prospective coal-fired EGUs to 25.

On October 10, 2017, Midwest Energy Emissions announced that the company had secured a **$700,000 purchase order** from a **Canadian customer** for initial use in supplying the front-end of four (4) new EGUs. The first shipments of product began in January 2018.

VALUATION

The valuation methodology for pollution control/environmental remediation companies usually is based on the use of EV-to-EBITDA (Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization) reflecting the industry's characteristics of profitability and cash flow generation. However, if a company is experiencing negative profitability, either due to adverse fundamental circumstances or being in the early phases of the company's life cycle, **the applicable valuation metric becomes Price-to-Sales (P/S)**.

Finding comparable companies to Midwest Energy Emissions is challenging. The company is unique in that it has a singular focus (the mercury emissions control market), holds the patents to SEA Technology processes, has achieved market penetration through the commercialization of SEA Technology and is positioned to take advantage of further growth opportunities afforded by the implementation of MATS. Many companies involved in the air pollution control industry range from companies that provide commodity chemicals and/or equipment to divisions of large, diversified companies where emission controls is just a small part of total operations. These types of companies are generally valued in the lower-to-middle portions of the valuation continuum rather than in the higher-end of the spectrum where highly-focused companies with patented treatment processes tend to trade.

For example, competing mercury emission control technologies are largely being commercialized by subsidiaries of large, diversified firms where mercury emission remediation is a small part of the total company. For example, TOXECON™ is being brought to market by Hamon Research-Cottrell, a subsidiary of Hamon & Cie International SA (aka Hamon Group), a publicly-traded Belgium-based engineering, procurement and contracting company (HAMO.BR) while Mer-Cure™ is being offered by US Power Plant Laboratories and URS Group, both subsidiaries of Alstom SA (ALO.PA and ALSMY OTC Pink), a publicly-traded France-based power generation, power transmission and rail infrastructure company. Also, the Air Pollution Control business unit of FMC Environmental Solutions, a division of

FMC Corp. (FMC: NYSE), offers methods of mercury emission control as an adjunct to its use of hydrogen peroxide- and sodium bicarbonate-based methods to prevent or remediate contamination of air by power utility and manufacturing industries. FMC Corp. is a diversified chemical company. Mitsubishi Hitachi Power Systems, a merger of thermal power generation businesses of Mitsubishi Heavy Industries, Ltd. (7011) and Hitachi, Ltd. (HTHIF), is dedicated to the engineering, design and service of SCR systems for the control of NOx and SO2, and its SCR system solutions also have mercury oxidation capabilities.

Industry Comparables	**Pr Chg YTD**	**P/E CFY**	**EPS Gr 5Yr Est**	**Gross Margin**	**Price/ Book**	**Price/ Sales**	**Price/ CF**
MIDWEST ENERGY EMISSIONS	64.0	N/M	9.0	30.8	N/M	1.1	21.3
Industry Mean	-2.1	15.9	13.1	29.5	3.1	3.3	12.6
Industry Median	13.7	14.0	13.6	36.2	2.4	3.5	9.5
S&P 500	0.7	17.9	10.8	N/A	12.3	4.2	17.4
ALBEMARLE CORP.	-22.9	19.1	16.2	36.2	2.9	3.5	15.3
ADV. EMISSIONS SOLUTIONS	13.7	5.4	N/M	10.7	3.2	6.6	6.6
CABOT CORP.	-7.9	14.0	10.0	23.0	2.4	1.2	9.5
CECO ENVIRONMENTAL	-3.5	12.7	15.0	32.8	0.9	0.5	5.2
IDEX CORP.	10.0	28.5	11.0	45.0	5.9	4.8	26.5
Recent Industry Acquisition		**Acquiror**					
CALGON CARBON		Kuraray	16.0	30.0	2.7	1.8	17.1
CYTEC INDUSTRIES INC.		Solvay SA	16.0	30.0	3.6	2.6	14.4
PALL CORP.		Danaher	12.5	50.2	8.3	4.8	19.3

We believe that the **valuation comparables** of Midwest Energy Emissions should Albemarle (ALB), Cabot Corp. (CBT), Calgon Carbon (CCC), CECO Environmental (CECE), Cytec Industries (CYT) and IDEX (IEX). For example, Calgon Carbon supplies value-added catalyst chemicals while CECO Environmental provides engineering, manufacturing and construction services and Fuel-Tech offers boiler optimization and air pollution control solutions. Also, comparable pollution control and value-added specialty chemical companies have comparable business models to Midwest Energy Emissions and achieve higher-than-average gross margins, generally in the 30% range, which is management's targeted margin for fully functional contracts.

The appropriate valuation methodology for Midwest Energy Emissions is based on price-to-sales (P/S) due the character of the company's enterprise, namely a small-capitalization company, currently with negative profitability, but with an expected sales profile that should grow and expand as the company's SEA Technology processes are deployed within the coal-fired utility industry and the company's patent-protected sorbent is sold into the operating customer base. Ultimately, the growing revenue stream should manifest itself into positive EBITDA and later, positive earnings when the break-even point is surpassed.

Comparable companies trade in a P/S valuation range between 6.6 and 0.5.

Also, as a reference,

- Cytec Industries was acquired by Solvay SA at 2.6 times TTM revenues (19.7 EV/EBITDA)
- Pall Corp. was acquired by Danaher (DHR) at 4.8 times TTM revenues (20.3 EV/EBITDA) and
- Calgon Carbon was acquired by Kuraray SA at 1.8 times TTM revenues (16.1 EV/EBITDA).

Utilizing an industry average P/S ratio of 3.34 on TTM sales through 4Q-2017 of $27.5 million, our **share price target is $1.20**.

We are optimistic the ultimate success of Midwest Energy Emissions. The company should experience increases in revenues over the next few years as the coal-fired plants utilize Midwest Energy's SEA Technology to control mercury emissions in order to become compliant with the EPA's mercury emissions reduction regulations.

RISKS

- The industry addressing the reduction of mercury emissions is a market driven by governmental regulation. Any reduction in the EPA's regulations concerning mercury emissions or the timing of enforcement would significantly impact the demand for the company's products and services.
- Investors should be aware of the potential dilution from options, warrants and convertible notes as the company becomes profitable. The fully diluted share count is higher than the 76.25 million shares outstanding (as of December 31, 2017) with an additional 6.76 million shares exercisable through warrants and options at a weighted average exercise price of $1.01.

BALANCE SHEET

Midwest Energy Emissions Corp.							
Year ending December 31st	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
ASSETS							
Cash and cash equivalents	99,713	189,367	509,605	7,212,114	1,083,280	7,751,557	2,418,427
Accounts receivable	206,545	274,464	383,859	410,950	1,150,602	3,553,096	2,931,353
Inventory	30,622	37,993	-	5,784,905	2,715,913	609,072	659,57
Prepaid expenses and other assets	33,234	68,59	63,13	140,559	161,81	199,49	210,53
Total Current Assets	**370,114**	**570,422**	**956,596**	**13,548,528**	**5,111,60**	**12,113,220**	**6,219,894**
Property and Equipment, net	1,566,697	343,584	173,07	255,33	1,243,450	2,569,35	2,728,993
Deferred tax asset	-	-	-	-	-	500,000	-
Patents & patent rights, net	82,353	76,47	70,58	64,70	58,825	52,945	2,934,862
Prepaid expenses and other assets	43,019	36,28	23,53	13,79	4,058	-	-
Debt issuance costs, net	-	125,534	700,01	2,285,696	-	-	-
Customer acquisition costs	-	-	-	1,156,521	897,428	642,20	172,33
TOTAL ASSETS	**2,062,183**	**1,152,29**	**1,923,80**	**17,324,58**	**7,315,36**	**15,877,722**	**12,056,08**
Liabilities and Stockholders' Equity							
Accounts payable and accrued expenses	420,360	529,94	275,14	688,73	1,235,162	4,363,55	1,795,703
Accrued legal and consulting fees	656,507	220,15	365,34	86,304	-	-	-
Accrued salaries and benefits			377,213	399,48	-	-	-
Deferred revenue	-	-	-	5,808,301	2,281,760	-	517,060
Convertible notes payable	-	-	-	3,080,376	2,497,114	-	-
Customer credits	-	-	-	936,500	936,50	590,20	167,00
Current portion of equipment notes payable	-	-	-	-	-	39,499	61,17
Other current liabilities	-	-	261,036	250,00	0	0	0
Accrued interest	-	-	247,696	0	0	0	0
Advances payable - related party	951,034	951,03	4,167	0	0	78,750	77,50
Convertible note payable	50,000	50,00	50,00	0	0	0	1,461,417
Notes payable	150,000	150,00	300,00	0	0	1,500,000	2,500,000
Current liabilities of discontinued operations	379,521	262,03	-	0	0	0	0
Note payable - related party of disc. ops.	169,984	169,98	-	0	0	0	0
Total Current Liabilities	**2,777,406**	**2,333,15**	**1,880,60**	**11,249,69**	**6,950,53**	**6,572,00**	**6,579,85**
Notes payable	-	-	-	-	-	11,678,669	9,733,361
Convertible notes payable	-	2,570,199	4,675,673	4,724,598	3,175,085	1,142,15	0
Warrant liability	-	-	-	5,597,011	9,854,400	-	-
Accrued interest	-	134,975	273,87	337,99	169,20	-	-
Equipment note payable	-	-	-	-	111,144	143,13	167,65
TOTAL LIABILITIES	**2,777,406**	**5,038,33**	**6,830,15**	**21,909,30**	**20,260,367**	**19,535,96**	**16,480,86**
Common stock	32,679	33,24	35,29	40,22	47,194	73,510	76,24
Additional paid-in-capital	9,251,529	9,958,202	13,789,473	19,113,724	25,008,016	49,838,469	42,165,620
Accumulated deficit	(9,999,431)	(13,877,480)	(18,731,120)	(23,738,677)	(38,000,208)	(54,883,223)	(46,666,652)
Total Stockholders' Equity	**(715,223)**	**(3,886,038)**	**(4,906,348)**	**(4,584,725)**	**(12,944,998)**	**(4,971,244)**	**(4,424,786)**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**2,062,183**	**1,152,292**	**1,923,807**	**17,324,581**	**7,315,369**	**14,564,722**	**12,056,082**
Shares outstanding	32,678,650	33,239,878	35,299,429	40,228,123	47,194,118	73,509,663	76,246,113

PROJECTED INCOME STATEMENT

Midwest Energy Emissions Corp.							
Income Statement							
	2012	2013	2014	2015	2016	2017	2018 E
Period ending	12/ 31/ 2012	12/ 31/ 2013	12/ 31/ 2014	12/ 31/ 2015	12/ 31/ 2016	12/ 31/ 2017	12/ 31/ 2018
Revenues	**788,072**	**1,668,472**	**2,794,206**	**12,631,919**	**32,345,540**	**27,499,080**	**29,502,000**
Costs and operating expenses:							
Cost of goods sold	233,120	370,635	1,483,379	8,629,570	23,030,404	19,016,932	20,651,400
Operating expenses	263,143	886,949	904,914	1,812,355	-	-	-
License maintenance fees	200,000	1,075,000	300,000	300,000	-	-	-
Marketing and development	413,816	338,379	0	0	-	-	-
Selling, general & administrative exp.	1,655,114	1,622,657	2,208,546	2,967,146	5,185,828	5,585,083	6,015,076
Settlement charges	-	-	-	1,335,394	-	-	-
Depreciation and amortization	417,735	176,394	387,123	390,828	913,000	1,354,000	1,450,000
Professional fees	782,121	565,851	678,725	672,269	-	-	-
Stock-based compensation	N/A	855,256	3,318,759	213,273	1,158,617	1,532,013	1,750,000
Impairment of fixed assets	800,000	-	-	-	-	-	-
Impairment of goodwill	-	-	-	-	-	-	-
Total operating expenses	**4,765,049**	**5,891,121**	**9,281,446**	**16,320,835**	**30,287,849**	**27,488,028**	**29,866,476**
Operating gain (loss)	**(3,976,977)**	**(4,222,649)**	**(6,487,240)**	**(3,688,916)**	**2,057,691**	**11,052**	**(364,476)**
Other income (expense):							
Interest (expense)	(261,534)	(711,647)	(2,724,506)	(6,213,897)	(3,816,855)	(2,154,570)	(1,738,450)
Letter of credit (fees)	-	-	-	-	(226,000)	(219,333)	(210,000)
Gain (loss) on disposal of fixed assets	(19,504)	-	-	-	-	-	0
Gain (loss) on forgiveness of liabilities	280,000	80,656	0	0	-	-	0
Gain (loss) on debt restructuring	-	-	-	-	(14,105,076)	-	0
Change in value of warrant liability	-	-	4,204,189	(3,194,189)	-	0	0
Debt conversion costs	-	-	-	(1,123,380)	0	-	0
Other income (expense)	-	-	-	-	-	-	0
Total other income (expense)	**(1,038)**	**(630,991)**	**1,479,683**	**(10,531,466)**	**(18,147,931)**	**(2,373,903)**	**(1,948,450)**
Net loss before taxes	**(3,978,015)**	**(4,853,640)**	**(5,007,557)**	**(14,220,382)**	**(16,090,240)**	**(2,362,851)**	**(2,312,926)**
Income tax benefit (expense)	-	-	-	(41,149)	472,669	(540,422)	0
Net Gain (Loss) from Continuing Ops.	**(3,978,015)**	**(4,853,640)**	**(5,007,557)**	**(14,261,531)**	**(15,617,571)**	**(2,903,273)**	**(2,312,926)**
Net gain (loss) from discontinued ops.	99,966	-	-	-	-	-	-
Net Income (Loss)	**(3,878,049)**	**(4,853,640)**	**(5,007,557)**	**(14,261,531)**	**(15,617,571)**	**(2,903,273)**	**(2,312,926)**
Net loss per share:							
Basic and diluted loss per share	**(0.12)**	**(0.14)**	**(0.13)**	**(0.32)**	**(0.31)**	**(0.04)**	**(0.03)**
Wgted avg. shares - basic & diluted	33,136,492	34,283,631	39,140,243	44,160,298	50,646,328	75,061,800	75,061,800
Adjusted EBITDA	**N/A**	**N/A**	**N/A**	**(1,200,000)**	**4,129,000**	**2,897,000**	**2,835,524**

Midwest Energy Emissions Corp.						
Income Statement Period ending	2015 12/ 31/ 2015	1Q 2016 3/ 31/ 2016	2Q 2016 6/ 30/ 2016	3Q 2016 9/ 30/ 2016	4Q 2016 12/ 31/ 2016	Year 2016 12/ 31/ 2016
Revenues:						
Product sales	5,028,184	2,837,628	6,872,000	11,453,000	7,757,423	28,920,051
Equipment sales	6,939,412	164,400	2,391,000	143,000	651	2,699,051
Demonstration and consulting services	664,323	371,283	129,000	175,000	51,155	726,438
Total revenues	**12,631,919**	**3,373,311**	**9,392,209**	**11,771,418**	**7,808,602**	**32,345,540**
Costs and operating expenses:						
Cost of goods sold	10,764,835	2,547,187	7,304,197	7,821,028	5,357,992	23,030,404
Selling, general & administrative expenses	4,220,606	1,110,591	1,667,827	2,213,849	2,265,178	7,257,445
Settlement charges	1,335,394	-	-	-	-	-
Total operating expenses	**16,320,835**	**3,657,778**	**8,972,024**	**10,034,877**	**7,623,170**	**30,287,849**
Operating gain (loss)	**(3,688,916)**	**(284,467)**	**420,185**	**1,736,541**	**185,432**	**2,057,691**
Other income (expense):						
Interest (expense)	(6,213,897)	(2,073,144)	(1,032,949)	(972,930)	(833,832)	(4,912,855)
Letter of credit (fees)	-	(42,667)	(60,666)	(61,333)	(61,334)	(226,000)
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-
Gain (loss) on forgiveness of liabilities	0	-	-	-	-	-
Gain (loss) on debt restructuring	-	-	-	-	406,791	406,791
Change in value of warrant liability	(3,194,189)	3,309,400	(7,566,000)	(9,984,541)	(440,170)	(14,681,311)
Debt conversion (costs)	(1,123,380)	-	-	-	-	-
Other income (expense)	-	-	-	-	-	-
Total other income (expense)	**(10,531,466)**	**1,193,589**	**(8,659,615)**	**(11,018,804)**	**(928,545)**	**(19,413,375)**
Net loss before taxes	**(14,220,382)**	**909,122**	**(8,239,430)**	**(9,282,263)**	**(743,113)**	**(17,355,684)**
Income tax benefit (expense)	(41,149)	(828)	(3,383)	(19,561)	496,441	472,669
Net Gain (Loss) from Continuing Ops.	**(14,261,531)**	**908,294**	**(8,242,813)**	**(9,301,824)**	**(246,672)**	**(16,883,015)**
Net gain (loss) from discontinued ops.	-	-	-	-	-	-
Net Income (Loss)	**(14,261,531)**	**908,294**	**(8,242,813)**	**(9,301,824)**	**(246,672)**	**(16,883,015)**
Net loss per share:						
Basic and diluted loss per share	**(0.32)**	**0.02**	**(0.17)**	**(0.19)**	**(0.00)**	**(0.33)**
Wgted avg. shares - basic & diluted	44,160,298	47,358,618	47,358,618	47,918,064	60,125,548	50,646,328
Adjusted EBITDA	**(1,200,000)**	**16,000**	**1,053,000**	**2,310,000**	**750,000**	**4,129,000**

Midwest Energy Emissions Corp.

Income Statement Period ending	2016 12/ 31/ 2016	1Q 2017 3/ 31/ 2017	2Q 2017 6/ 30/ 2017	3Q 2017 9/ 30/ 2017	4Q 2017 12/ 31/ 2017	2017 12/ 31/ 2017
Revenues:						
Product sales	28,920,051	5,284,234	7,112,722	8,075,510	5,577,566	26,050,032
Equipment sales	2,699,051	7,160	776,946	2,975	7,125	794,206
Demonstration and consulting services	726,438	136,000	41,500	369,482	107,860	654,842
Total revenues	**32,345,540**	**5,427,394**	**7,931,168**	**8,447,967**	**5,692,551**	**27,499,080**
Costs and operating expenses:						
Cost of goods sold	23,030,404	3,785,922	4,995,776	5,509,204	4,726,030	19,016,932
Selling, general & administrative expenses	7,257,445	2,694,282	2,313,357	1,910,020	1,553,437	8,471,096
Settlement charges	-	-	-	-	-	-
Total operating expenses	**30,287,849**	**6,480,204**	**7,309,133**	**7,419,224**	**6,279,467**	**27,488,028**
Operating gain (loss)	**2,057,691**	**(1,052,810)**	**622,035**	**1,028,743**	**(586,916)**	**11,052**
Other income (expense):						
Interest (expense)	(3,816,855)	(540,475)	(544,918)	(541,855)	(527,322)	(2,154,570)
Letter of credit fees	(226,000)	(60,000)	(60,667)	(52,667)	(45,999)	(219,333)
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-
Gain (loss) on forgiveness of liabilities	-	-	-	-	-	-
Gain (loss) on debt restructuring	(14,105,076)	-	-	-	-	-
Change in value of warrant liability					0	0
Debt conversion costs	-	-	-	-	-	-
Gain on legal settlements	-	-	-	379,000		
Other income (expense)	-	-	-	-	-	-
Total other income (expense)	**(18,147,931)**	**(600,475)**	**(605,585)**	**(215,522)**	**(573,321)**	**(2,373,903)**
Net loss before taxes	**(16,090,240)**	**(1,653,285)**	**16,450**	**813,221**	**(1,160,237)**	**(2,362,851)**
Income tax benefit (expense)	472,669	0	0	0	(540,422)	(540,422)
Net Gain (Loss) from Continuing Ops.	**(15,617,571)**	**(1,653,285)**	**16,450**	**813,221**	**(1,700,659)**	**(2,903,273)**
Net gain (loss) from discontinued ops.	-	-	-	-	-	-
Net Income (Loss)	**(15,617,571)**	**(1,653,285)**	**16,450**	**813,221**	**(1,700,659)**	**(2,903,273)**
Net loss per share:						
Basic and diluted loss per share	**(0.31)**	**(0.02)**	**0.00**	**0.01**	**(0.02)**	**(0.04)**
Wgted avg. shares - basic & diluted	50,646,328	73,585,727	74,493,909	75,865,678	76,624,335	75,061,800
Adjusted EBITDA	**4,129,000**	**145,000**	**1,293,000**	**1,572,000**	**(113,000)**	**2,897,000**

HISTORICAL STOCK PRICE



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[i] The capacity factor of a generating unit is the ratio between the amount of energy that a plant actually produces and the maximum amount of energy that it could produce for the same period of time. Managing Large-Scale Penetration of Intermittent Renewables, An MIT Energy Initiative Symposium April 20, 2011p. 17.

[ii] Control of Mercury Emissions from Coal-fired Electric Utility Boilers, U.S. Environmental Protection Agency, March 2004.

[iii] Process Optimization Guidance for Reducing Mercury Emissions from Coal Combustion in Power Plants, United Nations Environment Programme, Division of Technology, Industry and Economics, November 2010, page 13.

[iv] Bowen, Brian, Basic Mercury Data & Coal Fired Power Plants, Indiana Center for Coal Technology Research, August 2007, Slide 4.