PACIFIC ECOSOLUTIONS, INC.
FINANCIAL STATEMENTS
September 30, 2006

CONTENTS

Williams & Webster, P.S.

Certified Public Accountants & Business Consultants

Board of Directors
Pacific EcoSolutions, Inc.
Richland, WA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying balance sheets of Pacific EcoSolutions, Inc. as of September 30, 2006 and 2005, and the related statements of income, stockholder's equity and cash flows for the years ended September 30, 2006 and 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific EcoSolutions, Inc. as of September 30, 2006 and 2005, and the results of its operations, stockholder's equity and its cash flows for the years ended September 30, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America.

Williams & Webster, P.S.

Williams & Webster, P.S.
Certified Public Accountants
Spokane, Washington
December 28, 2006

PACIFIC ECOSOLUTIONS, INC.
BALANCE SHEETS

	September 30, 2006	September 30, 2005
ASSETS		
CURRENT ASSETS		
Cash	$ 19,891	$ 19,194
Accounts receivable, net	2,088,972	697,496
Accounts receivable, related party	93,161	-
Prepaid expenses	114,031	242,413
Accrued customer legacy waste revenue, net	257,194	1,408,827
Unbilled revenue earned	830,238	1,319,802
Deferred financing costs	330,149	-
Deferred tax asset	189,040	60,409
Other current assets	74,422	84,531
TOTAL CURRENT ASSETS	3,997,098	3,832,672
PROPERTY AND EQUIPMENT		
Property, plant and equipment, net	4,954,395	4,534,227
Land	50,000	50,000
TOTAL PROPERTY AND EQUIPMENT	5,004,395	4,584,227
OTHER ASSETS		
Intangibles, net	3,866,809	4,190,166
Investments	-	4,200
TOTAL OTHER ASSETS	3,866,809	4,194,366
TOTAL ASSETS	$ 12,868,302	$ 12,611,265
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 345,180	$ 1,023,993
Related party payable	-	36,371
Line of credit	-	1,500,000
Accrued contract labor	344,919	308,304
Legacy waste contracts	197,781	423,588
Unearned revenue	48,770	44,695
Other current liabilities	379,135	113,997
Current portion of long-term debt	297,675	13,101
Income tax payable	394,137	691,166
TOTAL CURRENT LIABILITIES	2,007,597	4,155,215
LONG-TERM LIABILITIES		
Notes payable, net of current portion	3,467,424	2,365,099
Legacy waste contracts	1,108,661	1,813,812
Deferred tax liability, net of current portion	1,391,818	977,717
Accrued asset retirement obligation	776,431	214,844
TOTAL LONG-TERM LIABILITIES	6,744,334	5,371,472
TOTAL LIABILITIES	8,751,931	9,526,687
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDER'S EQUITY		
Common stock, $0.0001 par value, 10,000,000 shares authorized; 3,806,540 shares issued and outstanding	381	381
Additional paid-in capital	1,657,356	1,253,459
Retained earnings	2,458,634	1,830,738
TOTAL STOCKHOLDER'S EQUITY	4,116,371	3,084,578
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 12,868,302	$ 12,611,265

The accompanying notes are an integral part of these financial statements.

PACIFIC ECOSOLUTIONS, INC.
STATEMENTS OF INCOME

	Fiscal Year Ended September 30, 2006	Fiscal Year Ended September 30, 2005
REVENUES		
Waste processing	$ 13,038,849	$ 12,615,926
COST OF REVENUES	8,477,881	7,432,955
GROSS PROFIT	4,560,968	5,182,971
EXPENSES		
Marketing and related labor expenses	247,754	183,198
Bad debt expenses	553,648	172,433
Depreciation and amortization	639,183	546,442
Wages and contract labor	693,979	506,905
Other operating expenses	1,107,952	1,495,637
TOTAL OPERATING EXPENSES	3,242,516	2,904,615
INCOME FROM OPERATIONS	1,318,452	2,278,356
OTHER INCOME (EXPENSE)		
Interest income	-	628
Interest expense	(339,853)	(245,372)
Other income	41,634	84,582
TOTAL OTHER INCOME (EXPENSE)	(298,219)	(160,162)
INCOME BEFORE INCOME TAXES	1,020,233	2,118,194
INCOME TAX EXPENSE		
Current	(392,337)	(691,166)
Deferred	-	(192,857)
	(392,337)	(884,023)
NET INCOME	$ 627,896	$ 1,234,171
BASIC AND DILUTED NET INCOME PER SHARE	$ 0.16	$ 0.32
WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING BASIC AND DILUTED	3,806,540	3,806,540

The accompanying notes are an integral part of these financial statements.

PACIFIC ECOSOLUTIONS, INC.
STATEMENT OF STOCKHOLDER'S EQUITY

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
Issuance of common stock less $21,057 in financing costs on formation of the corporation	3,806,540	$ 381	$ 1,253,459	$ -	$ 1,253,840
Net income for the two months ended September 30, 2004	-	-	-	596,567	596,567
Balances, September 30, 2004	3,806,540	381	1,253,459	596,567	1,850,407
Net income for the year ended September 30, 2005	-	-	-	1,234,171	1,234,171
Balances, September 30, 2005	3,806,540	381	1,253,459	1,830,738	3,084,578
Contribution of capital by parent	-	-	403,897	-	403,897
Net income for the year ended September 30, 2006	-	-	-	627,896	627,896
Balances, September 30, 2006	3,806,540	$ 381	$ 1,657,356	$ 2,458,634	$ 4,116,371

The accompanying notes are an integral part of these financial statements.

PACIFIC ECOSOLUTIONS, INC.
STATEMENTS OF CASH FLOWS

	Fiscal Year Ended September 30, 2006	Fiscal Year Ended September 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 627,896	$ 1,234,171
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	639,183	546,442
Bad debt expense	553,648	172,433
Contribution of capital by parent	403,897	-
Deferred liabilities	285,470	192,857
Changes in assets and liabilities:		
Accounts receivable	(1,391,476)	665,747
Related party receivable	(93,161)	(220,091)
Accrued customer legacy waste revenues	597,985	(1,535,399)
Prepaid expenses	128,382	(42,795)
Unbilled revenue earned	489,564	(961,273)
Other current assets	10,109	(84,316)
Accounts payable	(678,813)	507,391
Unearned revenue	4,075	44,695
Accrued contract labor	36,615	131,209
Accrued customer legacy waste expenses	(225,807)	423,588
Income tax payable	(297,029)	396,445
Legacy waste contracts	(705,151)	(188,188)
Other current liabilities	252,037	(169,653)
Net cash provided by operating activities	637,424	1,113,263
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(174,407)	(2,921,058)
Reduction in investments	4,200	-
Net cash used by investing activities	(170,207)	(2,921,058)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(100,000)	(113,399)
Related party payable	(36,371)	294,721
Proceeds from line of credit	-	1,500,000
Deferred financing costs	(330,149)	-
Net cash provided (used) by financing activities	(466,520)	1,681,322
Net increase in cash	697	(126,473)
Cash at beginning of period	19,194	145,667
Cash at end of period	$ 19,891	$ 19,194
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 339,853	$ 245,372
Income taxes paid	$ -	$ -
NON-CASH TRANSACTIONS:		
Recordation of equipment via accrued asset retirement obligation	$ 561,587	$ 214,844
Payable to parent for income tax benefit	$ -	$ 294,721

The accompanying notes are an integral part of these financial statements.

NOTE 1 – BUSINESS ORGANIZATION

Pacific EcoSolutions, Inc. (hereinafter "the Company") was formed as a Delaware corporation on and reincorporated in the State of Washington effective October 1, 2005. The Company, from its facilities in Richland, Washington, processes low-level radioactive waste (LLRW) and mixed hazardous and radioactive waste (MW) utilizing both non-thermal and thermal treatment methods. The Company is principally headquartered in Richland, Washington. See Note 11.

Pacific EcoSolutions, LLC (hereinafter "The LLC") was formed in July of 2003. In August of 2004, The LLC incorporated as Pacific EcoSolutions, Inc. Simultaneous to its incorporation, the Company exchanged all of its outstanding member interests for the common stock of Nuvotec USA, Inc. The Company is a wholly-owned subsidiary of Nuvotec USA, Inc. See Note 12.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting Method
The Company's financial statements are prepared using the accrual method of accounting.

Accounts Receivable
The Company carries its accounts receivable at cost. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current credit conditions. At September 30, 2006 and 2005, the Company had reserved $37,056 and $45,861, respectively, as an estimate of uncollectible accounts.

Advertising
Advertising costs are charged to operations in the year incurred. The Company incurred $42 and $3,356 in advertising expenses during the years ended September 30, 2006 and 2005, respectively.

Asset Retirement Obligations
The Company recognizes the fair value of liabilities for asset retirement obligations under the provisions of Statement of Financial Accounting Standards No. 143 ("SFAS 143"). In accordance with SFAS 143, a liability is recognized for estimated future retirement costs of long-lived assets.

At September 30, 2006, the Company has recognized a liability of $776,431 for its estimated asset retirement obligations.

Cash and Cash Equivalents
The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

Change in Accounting Estimate
During the year ended September 30, 2005, the Company increased the estimated useful life of certain equipment and facility improvements. This change had the effect of increasing income before taxes by $96,011, or $0.025 per share.

Compensated Absences
Nuvotec USA, Inc., the Company's parent, and all of its subsidiaries are part of a multi-employer plan which is administered by Human Resources Novations, Inc. Accrued compensated absences at September 30, 2006 and 2005 of $117,063 and $79,431, respectively, are reflected on the Company's balance sheet and included in the captioned liability "accrued contract labor." Leased employees are entitled to paid personal time dependent upon the length of service. Personal time is allowed to be carried into the next year. The Company accrues vacation expense throughout the year. Accordingly, an allowance for accrued vacations has been made in the financial statements.

Derivative Instruments
The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

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

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

At September 30, 2006, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

Earnings Per Share
The Company has adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity.

Fair Value of Financial Instruments
The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," include cash, trade accounts and notes receivable, investments, accounts payable, accrued expenses and notes payable. All instruments are accounted for on an historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at September 30, 2006.

Guarantees of Note Payable
In November 2002, the Financial Accounting Standards Board issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others" (hereinafter "FIN 45" or the "Interpretation"). FIN 45 expands the disclosure requirements to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. The Interpretation also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Certain guarantees, including (i) an original lessee's guarantee of the lease payments when the lessee remains secondarily liable in conjunction with being relieved from being the primary obligor and (ii) a parent's guarantee of a subsidiary's debt to a third party, and (iii) a subsidiary's guarantee of debt owed to a third party by either its parent or another subsidiary of that parent, are excluded from the provisions related to liability recognition. These guarantees, however, are subject to the disclosure requirements of the Interpretation. Contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an obligating agreement must be recognized in the financials statements of the guarantor. The Company has adopted the requirements of FIN 45 effective for fiscal year ended December 31, 2002. Although there is a note in place which was executed by certain LLC members prior to the LLC's incorporation as a subsidiary of Nuvotec USA, PEcoS as an entity guaranteeing this debt which is owed to a third party is required to recognize a liability for the guarantee. See Note 7.

Impaired Asset Policy
In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (hereinafter "SFAS No. 144"). SFAS No. 144 replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This new standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. Statement of Financial Accounting Standards No. 144 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations.

In complying with this standard, the Company reviews its long-lived assets quarterly to determine if any events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by its assets to their respective carrying amounts.

The Company does not believe any adjustments are needed to the carrying value of its assets at September 30, 2006.

Intangible Assets
Intangible assets, which are principally licenses and permits, are stated at acquisition cost and are amortized on a straight-line basis over the estimated useful lives of the assets, which is fifteen years. See Note 10.

Investments
The Company's investments consist of non-marketable equity securities. These investments, for which the Company does not have the ability to exercise significant influence in the underlying company, are accounted for under the cost method of accounting. Dividends and other distributions of earnings, if any, are included in income when declared. The Company periodically evaluates the carrying value of its investments, which are recorded at the lower of cost or estimated net realizable value. See Note 3.

Prepaid Expenses
The Company records prepayments made to secure the use of assets or the receipt of services at a future date as a current asset on its balance sheet. The balance in the prepaid expense account is amortized to expense on a ratable basis over the period in which the benefits (services) are received. As of September 30, 2006 and 2005, the Company had capitalized prepaid expenses of $114,031 and $242,413 respectively, which principally consisted of insurance prepayments.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost and depreciated utilizing the straight-line method over estimated useful lives of three to thirty years. Major additions and betterments are capitalized. Costs of maintenance and repairs which do not improve or extend the lives of the respective assets are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized in the appropriate period.

Depreciation expense for the fiscal years ending September 30, 2006 and 2005 was $315,826 and $223,085, respectively. Property, plant and equipment consisted of the following at September 30, 2006 and 2005, respectively:

	2006	2005
Furniture and fixtures	$ 93,683	$ 92,927
Computer equipment	164,926	160,342
Equipment and facilities	4,547,104	3,894,066
Buildings and improvements	790,699	713,083
Land	50,000	50,000
	5,646,412	4,910,418
Less: Accumulated depreciation	(642,017)	(326,191)
	$ 5,004,395	$ 4,584,227

Accumulated depreciation includes depreciation from The LLC of $77,634.

Recent Accounting Pronouncements
In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (hereinafter "SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. Where applicable, SFAS No. 157 simplifies and codifies related guidance within GAAP and does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier adoption is encouraged. The Company does not expect the adoption of SFAS No. 157 to have a significant effect on its financial position or results of operations.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (hereinafter "FIN 48"), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have an immediate material impact on its financial reporting, and the Company is currently evaluating the impact, if any, the adoption of FIN 48 will have on its disclosure requirements.

In March 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140." This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the following situations: a transfer of the servicer's financial assets that meets the requirements for sale accounting; a transfer of the servicer's financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities; or an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. The statement also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable and permits an entity to choose either the amortization or fair value method for subsequent measurement of each class of servicing assets and liabilities. The statement further permits, at its initial adoption, a one-time reclassification of available for sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available for sale securities under Statement 115, provided that the available for sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value and requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations.

In February 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Standards No. 133 and 140" (hereinafter "SFAS No. 155"). This statement established the accounting for certain derivatives embedded in other instruments. It simplifies accounting for certain hybrid financial instruments by permitting fair value remeasurement for any hybrid instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133 as well as eliminating a restriction on the passive derivative instruments that a qualifying special-purpose entity ("SPE") may hold under SFAS No. 140. This statement allows a public entity to irrevocably elect to initially and subsequently measure a hybrid instrument that would be required to be separated into a host contract and derivative in its entirety at fair value (with changes in fair value recognized in earnings) so long as that instrument is not designated as a hedging instrument pursuant to the statement. SFAS No. 140 previously prohibited a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations.

In May 2005, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 154 ("SFAS No. 154"), "Accounting Changes and Error Corrections." This statement requires entities that voluntarily make a change in accounting principle to apply that change retrospectively to prior periods' financial statements, unless this would be impracticable. SFAS No. 154 supersedes APB Opinion No. 20, "Accounting Changes," which previously required that most voluntary changes in accounting principle be recognized by including in the current period's net income the cumulative effect of changing to the new accounting principle. SFAS No. 154 also makes a distinction between "retrospective application" of an accounting principle and the "restatement" of financial statements to reflect the correction of an error. SFAS No. 154 applies to accounting changes and error corrections that are made in fiscal years beginning after December 15, 2005. Management believes the adoption of this statement will not have an immediate material impact on the financial statements of the Company.

In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations." FIN 47 clarifies that the term "conditional asset retirement obligation," which as used in SFAS No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The entity must record a liability for a "conditional" asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Management has adopted FIN 47 and has accrued an asset retirement obligation at September 30, 2006.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 153. This Statement addresses the measurement of exchanges of nonmonetary assets. The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions," is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges incurred during fiscal years beginning after the date of this statement is issued. Management believes the adoption of this statement will not have an immediate material impact on the financial statements of the Company.

Revenue Recognition

The Company recognizes revenue when there is a mutually executed contract, the contract price is fixed and determinable, delivery of the service has occurred, and collectibility of the contract price is considered probable.

The Company generates revenues from waste receipt, storage, processing and disposal. Waste receipt, processing and disposal operations typically involve contractual arrangements with commercial companies and governmental entities. Contractual arrangements with these entities vary depending upon the specifically negotiated terms. The Company recognizes revenue as related costs are incurred.

Unbilled Revenue Earned
Unbilled revenue earned represents amounts recognized as revenue that have not been billed. Contracts typically provide for the billing of costs incurred and estimated earnings on a monthly basis or based on contract milestone. Unbilled revenue is expected to be collected within twelve months from the balance sheet date. At September 30, 2006 and 2005, the Company had unbilled revenue earned of $830,238 and $1,319,802 respectively.

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

Year-end
The Company's fiscal year-end is September 30.

NOTE 3 – INVESTMENTS

FFTF Restoration Company
At September 30, 2005, the Company owned 70 units (7%) of FFTF Restoration Company LLC. The Company contributed $4,200 in consideration for its membership interest. See Note 2 for related accounting policy. As of September 30, 2006, the Company transferred its membership interest to Nuvotec USA, Inc.

NOTE 4 – CUSTOMER LEGACY WASTE

Accrued Customer Legacy Waste Revenue
The Company is required by regulators to dispose of customer waste that existed on-site at the date of acquisition. These customers have the underlying obligation, as owners of the waste, to pay for the treatment and disposal of their waste. Certain customers have balances owing on original contracts related to the treatment and disposal of their waste. Balances due and costs incurred in excess of the amounts owing have been accrued at the balance sheet date. The effective assignment of these contracts by the predecessor owners to the Company, because the Company is the licensed facility to treat and dispose of the waste on its site, creates an arrangement between the customers and the Company with a determinable price based upon the amounts owed. The Company has substantially completed the terms of the arrangements with these customers for the disposal of their waste on the Company's site.

The obligations of these customers related to their waste, as per industry practice, and the Company's historical experience on such arrangements, provides reasonable assurance as to the collectibility of substantially all of the remaining balances owing on these contractual arrangements. For the fiscal years ending September 30, 2006 and 2005 the Company has accrued an estimate for uncollectibility related to these contracts in the amounts of $29,463 and $126,572, respectively.

Accrued Customer Legacy Waste Expenses

The Company has paid and incurred significant costs exceeding the balances owing on the aforementioned customer legacy waste contract arrangements. Substantial completion of the terms specified in the contract arrangements has occurred. The remaining costs of completion, primarily disposal costs, have been estimated and accrued at the balance sheet date.

NOTE 5 – RELATED PARTY TRANSACTIONS

At September 30, 2006 and 2005, the Company has recorded related party receivables and/or payables from transaction with its parent company, Nuvotec USA, Inc. In addition, the Company has recorded a related party capital contribution in 2006. See Note 8.

At September 30, 2006 and 2005, related party balances are summarized as follows:

		2006		2005
Related party receivable	$	93,161	$	258,350
Related party payable		-		294,721
Net related party receivable (payable)	$	93,161	$	(36,371)

NOTE 6 – ECONOMIC CONCENTRATIONS

The Company provides services for commercial and governmental entities. For the year ended September 30, 2006 and 2005, the Company had two customers which together represented 71% and 37% of its revenues, respectively, and had two customers which represented 18% and 25%, and 41% and 42%, respectively, of accounts receivable at September 30, 2006 and 2005.

NOTE 7 – NOTES AND LOANS PAYABLE

The Company's long-term liabilities at September 30, 2006 and 2005 are as follows:

	2006	2005
Note payable to bank, due October 1, 2008, payable monthly on the basis of a seven year loan amortization schedule payable at prime, uncollateralized, guaranteed by shareholders	$ 3,765,099	$ 2,365,099
Term loan, due in monthly installment payments maturing December 31, 2005. Monthly payments of $8,333.33 plus interest at prime plus 2.0%, Uncollateralized	-	13,101
	3,765,099	2,378,200
Less: Current portion	297,675	(13,101)
	$ 3,467,424	$ 2,365,099

Line of Credit
The Company had a line of credit with a commercial bank through the individual original owners of the Company. The line had a maturity date of December 15, 2005 and was subject to a long-term renewal via a debt restructuring which occurred, in conjunction with the Company's sole shareholder. The maximum credit facility was $1,500,000 and was fully utilized as of September 30, 2005. The annual interest rate was 7.25%. The rate was a variable rate tied to the bank's prime rate. The Company and its sole shareholder provided unlimited guarantees for the amount owing on the line of credit and offered their assets as collateral as described in an executed commercial security agreement. The amounts of interest paid related to this line of credit are contained in the Company's statement of cash flows for the fiscal year ending September 30, 2005. The line of credit was refinanced as part of the long term note to the commercial bank effective December 15, 2005.

Standby Letter of Credit
The Company has a standby letter of credit with Key Bank. The letter of credit is dated September 15, 2006 and is subject to quarterly and/or annual renewal. The letter of credit is collateral, not a debt facility, in the amount of $1,250,000. The letter of credit provides collateral to the insurer for a fraction of the coverage required for plant closure insurance of the Company's facilities. The quarterly and/or annual fee for this collateral instrument is 2.25% of the face amount of the letter of credit.

Legacy Waste Liability
Upon its acquisition of ATG, Inc.'s assets from a Chapter 11 trustee in July of 2003, The LLC assumed the responsibility for treatment and processing of hazardous waste, which was delivered months earlier to the Washington State facility previously owned by ATG, Inc. and had not been treated or processed. The LLC recorded a liability for the unprocessed waste of $2,002,000, which is the estimated cost to dispose of the legacy waste materials. The State of Washington gave The LLC a schedule to remove (process) the legacy waste from the site, with the final phase of processing to be completed no later than September 1, 2008. Upon The LLC's incorporation, this liability was transferred from The LLC to Pacific EcoSolutions, Inc. The balance of this liability is $1,108,661 as of September 30, 2006.

NOTE 8 – STOCKHOLDER'S EQUITY

Common Stock
The Company has 10,000,000 shares of $0.0001 par value authorized common stock. As of September 30, 2005 and 2004, 3,806,540 shares were issued and outstanding.

The predecessor entity was Pacific EcoSolutions, LLC whose assets were transferred in August of 2004 to a newly formed successor entity, Pacific EcoSolutions, Inc.

During the year ended September 30, 2006, the Company received net capital contributions of $403,897 from its parent company, Nuvotec USA, Inc.

NOTE 9 – LEASE COMMITMENTS

The Company has various equipment-related operating lease agreements. The future rental payments under the Company's lease agreements are as follows:

Years Ending:		
September 30, 2007	$	25,740
September 30, 2008		25,740
September 30, 2009		12,600
Total minimum lease payments	$	64,080

NOTE 10 – INTANGIBLE ASSETS

Radioactive Materials Licenses and Permits
The State of Washington has issued the Company licenses and permits to accept and dispose of radioactive and mixed waste materials. The Company has recorded an intangible asset for approximately $2,202,000 related to these licenses and permits. The recorded cost of these licenses and permits is supported by the offsetting contracted liability assumed by the Company for the disposal of legacy waste at the time of licenses and permits acquisition.

Additionally, the Company purchased licenses and permits from the following federal and state agencies: United States Environmental Protection Agency, State of Washington Department of Health, State of Washington Department of Ecology, and the United States Department of Transportation. The purchase price of these licenses was $2,650,000. The Company's business plan assumes the licenses and permits will be renewed for at least fifteen years. Licenses and permits are being amortized over fifteen years.

Intangible asset costs consist of the following at September 30, 2006 and 2005:

		2006		2005
Radioactive materials licenses and permits	$	4,850,353	$	4,850,353
Less: accumulated amortization		(983,544)		(660,187)
	$	3,866,809	$	4,190,166

NOTE 11 – ENVIRONMENTAL AND REGULATORY RISK

The Company operates in an environmentally sensitive industry and is subject to extensive federal, state and local laws and regulations adopted for the protection of the environment. These laws and regulations, pertaining to the Company's processing of hazardous waste, have extensive and complicated requirements relating to obtaining permits, monitoring, record keeping and reporting. Management believes that the Company is in material compliance with applicable laws, permits and other applicable environmental regulations. See Note 14.

NOTE 12 – ACQUISITION

In July of 2003, Pacific EcoSolutions, LLC (hereinafter, "The LLC") purchased assets of the Richland, Washington facility of ATG, Inc. from the Chapter 11 trustee of ATG, Inc. Under the terms of the agreement, The LLC paid $3,150,000 in cash and assumed liabilities of $2,202,000.

The purchase price was allocated as follows:

Office furniture	$	60,000
Computers		40,000
Equipment		150,000
Buildings		200,000
Land		50,000
Radioactive materials licenses and permits		4,852,000
	$	5,352,000

Following the aforementioned asset purchase, The LLC incorporated in the State of Delaware as Pacific EcoSolutions, Inc. in August of 2004. Effective October 1, 2005, Pacific EcoSolutions, Inc. reincorporated in the State of Washington. Upon incorporation, Pacific EcoSolutions, Inc. ("the Company") exchanged all of its issued and outstanding common stock for the common stock of Nuvotec USA, Inc. at a ratio of 1:1. The Company then became and continues to be a wholly-owned subsidiary of Nuvotec USA, Inc.

The allocation of the assets and liabilities of The LLC to PEcoS at August 1, 2004 was as follows:

Cash	$	32,600
Accounts receivable		1,760,134
Other assets		114,087
Property, plant and equipment, net		1,167,453
Radioactive materials licenses and permits, net		4,568,416
Total Assets	$	7,642,690
Various current liabilities	$	1,183,448
Notes payable		2,500,640
Legacy waste contracts		2,002,000
Deferred tax liability		732,769
Total liabilities	$	6,418,857

NOTE 13 – INCOME TAXES

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

The current tax provision represents the federal income tax the Company would have incurred on a separate, stand-alone basis. The Company receives the benefit of losses resulting from the federal income tax returns filed on a consolidated basis by its parent, Nuvotec USA, Inc.

The components of income tax expense consist of the following for the years ended September 30, 2006 and 2005:

	2006	2005
Current:		
Federal	$ 392,337	$ 691,166
State	-	-
	392,337	691,166
Deferred:		
Federal	-	192,857
State	-	-
	392,337	192,857
Total income tax expense	$ 392,337	$ 884,023

The significant differences between the current provision for federal income taxes and the income taxes computed using the U.S. Federal income tax rates were as follows for the years ended September 30, 2006 and 2005:

	2006	2005
Using federal statutory rate (34%)	$ 346,879	$ 720,186
Increase (reduction) in tax resulting from:		
Depreciation expense	(194,394)	(139,520)
Amortization expense	49,912	49,912
Bad debt expense	188,240	58,627
Other expenses, net	1,700	1,961
Deferred federal tax provision	$ 392,337	$ 691,166

The components of deferred tax assets and liabilities as of September 30, 2006 and 2005 are comprised of the following:

	2006	2005
Deferred tax assets:		
Bad debt expense	$ 188,240	$ 58,627
Other expenses	1,700	4,895
Total deferred tax asset	189,940	63,522
Deferred tax liabilities:		
Depreciable assets	$ (790,795)	$ (334,054)
Legacy waste amortization	(601,024)	(646,776)
Total deferred tax liability	$ (1,391,819)	$ (980,830)
Current portion of deferred tax asset	$ 189,940	$ 60,409
Current portion of deferred tax liability	-	-
Net deferred tax asset (liability), current	$ 189,940	$ 60,409
Noncurrent portion of deferred tax asset	$ -	$ 3,113
Noncurrent portion of deferred tax liability	(1,391,819)	(980,830)
Net deferred tax liability, noncurrent	$ (1,391,819)	$ (977,717)

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

The Company handles hazardous waste, which is transported to and from its facilities for treatment and disposal. As a result of treating and disposing hazardous waste, in the event any cleanup is required, the Company could be a potentially responsible party for the costs of the cleanup notwithstanding any absence of fault. In addition to the Company's exposure to claims for causing damage to property, injuries to persons and claims alleging negligence or omissions in the performance of its services could be substantial. The Company believes that its insurance coverage is adequate to protect against the various types of risks encountered. The Company has various policies and operational procedures in place to mitigate and minimize the potential for fines or penalties levied by governing regulatory agencies.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent to the date of these financial statements, the Company obtained a finance agreement enabling the refinance of its bank note payable. Accordingly, the current maturity of the Company's bank note has been classified as a long-term liability at September 30, 2006.

On October 6, 2006 the Company's parent and sole shareholder has entered into a letter of intent with Perma-Fix Environmental Services, Inc. (PESI) for the acquisition by PESI through a merger of all of the outstanding shares of capital stock of the parent, which includes all of the capital stock and related assets and liabilities of the Company. The letter of intent is to be perfected by a definitive agreement and plan of merger. Upon the completion of all conditions precedent to closing, which is expected to occur on or before January 31, 2007, the ownership of the Company will be conveyed to PESI.

PACIFIC ECOSOLUTIONS, INC.
BALANCE SHEETS

	March 31, 2007 (unaudited)	September 30, 2006
ASSETS		
CURRENT ASSETS		
Cash	$ 249,776	$ 19,891
Accounts receivable, net	618,602	2,088,972
Related party receivable	95,096	93,161
Prepaid expenses	264,350	114,031
Accrued customer legacy waste revenue, net	286,656	257,194
Unbilled revenue earned	648,210	830,238
Deferred financing costs	-	330,149
Deferred tax asset	189,040	189,040
Other current assets	74,422	74,422
TOTAL CURRENT ASSETS	2,426,152	3,997,098
PROPERTY AND EQUIPMENT		
Property, plant and equipment, net	4,833,167	4,954,395
Land	50,000	50,000
TOTAL PROPERTY AND EQUIPMENT	4,883,167	5,004,395
OTHER ASSETS		
Intangibles, net	3,705,131	3,866,809
TOTAL OTHER ASSETS	3,705,131	3,866,809
TOTAL ASSETS	$ 11,014,450	$ 12,868,302
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 499,713	$ 345,180
Accrued contract labor	330,819	344,919
Accrued customer legacy waste	197,781	197,781
Unearned revenue	48,770	48,770
Other current liabilities	147,601	379,135
Current portion of long-term debt	197,675	297,675
Income tax payable	-	394,137
TOTAL CURRENT LIABILITIES	1,422,359	2,007,597
LONG-TERM LIABILITIES		
Notes payable, net of current portion	3,467,424	3,467,424
Legacy waste contracts	1,108,661	1,108,661
Deferred tax liability, net of current portion	1,072,741	1,391,818
Accrued asset retirement obligation	776,431	776,431
TOTAL LONG-TERM LIABILITIES	6,425,257	6,744,334
TOTAL LIABILITIES	7,847,616	8,751,931
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock, $0.0001 par value, 10,000,000 shares authorized; 3,806,540 shares issued and outstanding	381	381
Additional paid-in capital	1,327,206	1,657,356
Retained earnings	1,839,247	2,458,634
TOTAL STOCKHOLDERS ' EQUITY	3,166,834	4,116,371
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 11,014,450	$ 12,868,302

The accompanying notes are an intergral part of these financial statements.

PACIFIC ECOSOLUTIONS, INC.
STATEMENT OF INCOME

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)
REVENUES				
Waste processing	$ 2,895,470	$ 2,306,816	$ 5,054,519	$ 5,036,698
	2,895,470	2,306,816	5,054,519	5,036,698
COST OF REVENUES	2,072,766	2,601,461	4,441,757	4,673,721
GROSS PROFIT	822,704	(294,645)	612,762	362,977
EXPENSES				
Marketing and related labor expenses	41,372	60,960	81,328	116,182
Depreciation and amortization	164,835	164,508	328,986	323,187
Wages and contract labor	196,674	183,801	396,560	369,620
Other operating expenses	284,134	380,052	586,374	616,235
TOTAL OPERATING EXPENSES	687,015	789,321	1,393,248	1,425,224
INCOME <LOSS> FROM OPERATIONS	135,689	(1,083,966)	(780,486)	(1,062,247)
OTHER INCOME (EXPENSE)				
Interest income	19	-	22	-
Interest expense	(79,499)	(67,168)	(157,999)	(129,245)
Other income <expense>	-	(63)	-	-
TOTAL OTHER INCOME (EXPENSE)	(79,480)	(67,231)	(157,977)	(129,245)
INCOME <LOSS> BEFORE INCOME TAXES	56,209	(1,151,197)	(938,463)	(1,191,492)
INCOME TAX BENEFIT <EXPENSE>				
Current	-	-	-	-
Deferred	(19,113)	405,107	319,077	405,107
	(19,113)	405,107	319,077	405,107
NET INCOME <LOSS>	$ 37,096	$ (746,090)	(619,386)	$ (786,385)
BASIC AND DILUTED NET INCOME PER SHARE	$ 0.01	$ (0.20)	(0.16)	$ (0.21)
WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING:				
BASIC AND DILUTED	3,806,540	3,806,540	3,806,540	3,806,540

The accompanying notes are an intergral part of these financial statements.

PACIFIC ECOSOLUTIONS, INC

STATEMENT OF CASH FLOWS

	For the Six Months Ended March 31, 2007 (unaudited)	2006 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ (619,386)	$ (786,385)
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation and amortization	328,986	323,187
Deferred tax assets and liabilities	(319,077)	(405,107)
Changes in assets and liabilities:		
Accounts receivable	1,470,370	(139,353)
Related party receivable	(1,935)	(28,488)
Prepaid expenses	(150,319)	3,705
Unbilled revenue earned	182,028	1,120,377
Accrued legacy waste revenues	(29,462)	-
Accounts payable	154,533	135,493
Related party payable	-	(36,371)
Unearned revenue	-	34,319
Accrued contract labor	(14,100)	(22,671)
Income tax payable	(394,137)	-
Other current liabilities	(231,534)	44,642
Net cash provided by operating activities	375,967	243,348
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(46,082)	(161,538)
Net cash used by investing activities	(46,082)	(161,538)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(100,000)	(13,101)
Net cash provided (used) by financing activities	(100,000)	(13,101)
Net increase in cash	229,885	68,709
Cash at beginning of period	19,891	19,194
Cash at end of period	$ 249,776	$ 87,903
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 157,999	$ 129,245
Income taxes paid	$ -	$ -

The accompanying notes are an intergral part of these financial statements.

NOTE 1 – BUSINESS ORGANIZATION

Pacific EcoSolutions, Inc. (hereinafter "the Company") was formed as a Delaware corporation on and reincorporated in the State of Washington effective October 1, 2005. The Company, from its facilities in Richland, Washington, processes low-level radioactive waste (LLRW) and mixed hazardous and radioactive waste (MW) utilizing both non-thermal and thermal treatment methods. The Company is principally headquartered in Richland, Washington.

Pacific EcoSolutions, LLC (hereinafter "The LLC") was formed in July of 2003. In August of 2004, The LLC incorporated as Pacific EcoSolutions, Inc. Simultaneous to its incorporation, the Company exchanged all of its outstanding member interests for the common stock of Nuvotec USA, Inc. The Company is a wholly-owned subsidiary of Nuvotec USA, Inc.

Basis of Presentation
The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements for the period ended September 30, 2006. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of interim results have been included. Operating results for the six months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2007. For further information, refer to the Company's consolidated audited financial statements at September 30, 2006 and footnotes thereto.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting Method
The Company's financial statements are prepared using the accrual method of accounting.

Asset Retirement Obligations
The Company recognizes the fair value of liabilities for asset retirement obligations under the provisions of Statement of Financial Accounting Standards No. 143 ("SFAS 143"). In accordance with SFAS 143, a liability is recognized for estimated future retirement costs of long-lived assets.

At March 31, 2007, the Company has recognized a liability of $776,431 for its estimated asset retirement obligations.

Earnings Per Share
The Company has adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. Basic and diluted earnings per share are the same, as there are no common stock equivalents outstanding.

Impaired Asset Policy
In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (hereinafter "SFAS No. 144"). SFAS No. 144 replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This new standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. Statement of Financial Accounting Standards No. 144 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations.

In complying with this standard, the Company reviews its long-lived assets quarterly to determine if any events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by its assets to their respective carrying amounts.

The Company does not believe any adjustments are needed to the carrying value of its assets at March 31, 2007.

Intangible Assets
Intangible assets, which are principally licenses and permits, are stated at acquisition cost and are amortized on a straight-line basis over the estimated useful lives of the assets, which is fifteen years. See Note 8.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost and depreciated utilizing the straight-line method over estimated useful lives of three to thirty years. Major additions and betterments are capitalized. Costs of maintenance and repairs which do not improve or extend the lives of the respective assets are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized in the appropriate period.

Depreciation and amortization expense for the six months ending March 31, 2007 and 2006 was $328,986 and $323,188, respectively. Property, plant and equipment consisted of the following at March 31, 2007 and September 30, 2006 respectively:

		3/31/07		9/30/06
Furniture and fixtures	$	93,683	$	93,683
Computer equipment		220,062		164,926
Equipment and facilities		4,569,123		4,547,104
Buildings and improvements		794,277		790,699
Land		50,000		50,000
		5,727,145		5,646,412
Less: Accumulated depreciation		(843,978)		(642,017)
	$	4,883,167	$	5,004,395

Revenue Recognition
The Company recognizes revenue when there is a mutually executed contract, the contract price is fixed and determinable, delivery of the service has occurred, and collectibility of the contract price is considered probable.

The Company generates revenues from waste receipt, storage, processing and disposal. Waste receipt, processing and disposal operations typically involve contractual arrangements with commercial companies and governmental entities. Contractual arrangements with these entities vary depending upon the specifically negotiated terms. The Company recognizes revenue as related costs are incurred.

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

Year-end
The Company's fiscal year-end is September 30.

NOTE 3 – CUSTOMER LEGACY WASTE

Accrued Customer Legacy Waste Revenue
The Company is required by regulators to dispose of customer waste that existed on-site at the date of acquisition. These customers have the underlying obligation, as owners of the waste, to pay for the treatment and disposal of their waste. Certain customers have balances owing on original contracts related to the treatment and disposal of their waste. Balances due and costs incurred in excess of the amounts owing have been accrued at the balance sheet date. The effective assignment of these contracts by the predecessor owners to the Company, because the Company is the licensed facility to treat and dispose of the waste on its site, creates an arrangement between the customers and the Company with a determinable price based upon the

amounts owed. The Company has substantially completed the terms of the arrangements with these customers for the disposal of their waste on the Company's site.

The obligations of these customers related to their waste, as per industry practice, and the Company's historical experience on such arrangements, provides reasonable assurance as to the collectibility of substantially all of the remaining balances owing on these contractual arrangements. At March 31, 2007 and September 30, 2006 the Company has accrued an estimate for uncollectibility related to these contracts in the amounts of $29,463 and $29,463, respectively.

Accrued Customer Legacy Waste Expenses

The Company has paid and incurred significant costs exceeding the balances owing on the aforementioned customer legacy waste contract arrangements. Substantial completion of the terms specified in the contract arrangements has occurred. The remaining costs of completion, primarily disposal costs, have been estimated and accrued at the balance sheet date.

NOTE 4 – RELATED PARTY TRANSACTIONS

At March 31, 2007 and September 30, 2006 the Company has recorded related party receivables and/or payables from transactions with its parent company, Nuvotec USA, Inc. In addition, the Company has recorded a related party capital contribution in 2006. See Note 7.

At March 31, 2007 and September 30, 2006 related party balances are summarized as follows:

	3/31/07	9/30/06
Related party receivable	$ 95,096	$ 93,161
Related party payable	-	-
Net related party receivable	$ 95,096	$ 93,161

NOTE 5 – ECONOMIC CONCENTRATIONS

The Company provides services for commercial and governmental entities. For the six months ended March 31, 2007 and 2006, the Company had two customers which together represented 50% and 50% of its revenues, respectively, and had two customers which represented 18% and 33%, and 37% and 23%, respectively, of accounts receivable at March 31, 2007 and 2006.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Standby Letter of Credit

The Company has a standby letter of credit with Key Bank. The letter of credit is dated September 15, 2006 and is subject to quarterly and/or annual renewal. The letter of credit is collateral, not a debt facility, in the amount of $1,250,000. The letter of credit provides collateral to the insurer for a fraction of the coverage required for plant closure insurance of the Company's facilities. The quarterly and/or annual fee for this collateral instrument is 2.25% of the face amount of the letter of credit.

Legacy Waste Liability

Upon its acquisition of ATG, Inc.'s assets from a Chapter 11 trustee in July of 2003, The LLC assumed the responsibility for treatment and processing of hazardous waste, which was delivered months earlier to the Washington State facility previously owned by ATG, Inc. and had not been treated or processed. The LLC recorded a liability for the unprocessed waste of $2,002,000, which is the estimated cost to dispose of the legacy waste materials. The State of Washington gave The LLC a schedule to remove (process) the legacy waste from the site, with the final phase of processing to be completed no later than September 1, 2008. Upon The LLC's incorporation, this liability was transferred from The LLC to Pacific EcoSolutions, Inc. The balance of this liability is $1,108,661 as of March 31, 2007.

NOTE 7 – STOCKHOLDER'S EQUITY

Common Stock

The Company has 10,000,000 shares of $0.0001 par value authorized common stock. As of March 31, 2007 and September 30, 2006, 3,806,540 shares were issued and outstanding.

The predecessor entity was Pacific EcoSolutions, LLC whose assets were transferred in August of 2004 to a newly formed successor entity, Pacific EcoSolutions, Inc.

During the year ended September 30, 2006, the Company received net capital contributions of $403,897 from its parent company, Nuvotec USA, Inc.

NOTE 8 – INTANGIBLE ASSETS

Radioactive Materials Licenses and Permits

The State of Washington has issued the Company licenses and permits to accept and dispose of radioactive and mixed waste materials. The Company has recorded an intangible asset for approximately $2,202,000 related to these licenses and permits. The recorded cost of these licenses and permits is supported by the offsetting contracted liability assumed by the Company for the disposal of legacy waste at the time of licenses and permits acquisition.

Additionally, the Company purchased licenses and permits from the following federal and state agencies: United States Environmental Protection Agency, State of Washington Department of Health, State of Washington Department of Ecology, and the United States Department of Transportation. The purchase price of these licenses was $2,650,000. The Company's business plan assumes the licenses and permits will be renewed for at least fifteen years. Licenses and permits are being amortized over fifteen years.

Intangible asset costs consist of the following at March 31, 2007 and September 30, 2006:

		3/31/07		9/30/06
Radioactive materials licenses and permits	$	4,850,353	$	4,850,353
Less: accumulated amortization		(1,145,222)		(983,544)

	\$ 3,705,131	\$ 3,866,809

NOTE 9 – ENVIRONMENTAL AND REGULATORY RISK

The Company operates in an environmentally sensitive industry and is subject to extensive federal, state and local laws and regulations adopted for the protection of the environment. These laws and regulations, pertaining to the Company's processing of hazardous waste, have extensive and complicated requirements relating to obtaining permits, monitoring, record keeping and reporting. Management believes that the Company is in material compliance with applicable laws, permits and other applicable environmental regulations. See Note 11.

NOTE 10 – INCOME TAXES

During the six months ended March 31, 2007, the Company realized a loss before income taxes of \$938,463. As a result, the Company has recognized \$319,077 of federal income tax benefit, calculated at a rate of approximately 34%, and a decrease in its current and deferred tax liabilities for this same amount.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

The Company handles hazardous waste, which is transported to and from its facilities for treatment and disposal. As a result of treating and disposing hazardous waste, in the event any cleanup is required, the Company could be a potentially responsible party for the costs of the cleanup notwithstanding any absence of fault. In addition to the Company's exposure to claims for causing damage to property, injuries to persons and claims alleging negligence or omissions in the performance of its services could be substantial. The Company believes that its insurance coverage is adequate to protect against the various types of risks encountered. The Company has various policies and operational procedures in place to mitigate and minimize the potential for fines or penalties levied by governing regulatory agencies.

NOTE 12 – SUBSEQUENT EVENTS

On June 13, 2007 the Company's parent, Nuvotec USA, Inc. (Nuvotec) and the Company were acquired for \$11.2 million by Perma-Fix Environtmental Services, Inc. (Perma-Fix). In connection with the transaction, Perma-Fix issued \$2.0 million in shares of Perma-Fix common stock and \$2.5 million in debt instruments payable over a four year period to those Nuvotec shareholders that qualify as accredited investors, \$2.3 million in cash to both non-accredited and accredited Nuvotec shareholders, and up to \$4.4 million of cash earn-out to both non-accredited and accredited Nuvotec shareholders, which could vary dependent on meeting or exceeding certain future revenue thresholds over a four year period. Perma-Fix assumed \$9.4 million of debt, plus the debts and obligations of the Company incurred in the ordinary course of the Company's business.

PACIFIC ECOSOLUTIONS, INC.
BALANCE SHEETS

		unaudited December 31, 2006		September 30, 2006
ASSETS				
CURRENT ASSETS				
Cash	$	694,123	$	19,891
Accounts receivable, net		704,973		2,088,972
Accounts receivable, related party		262,753		93,161
Prepaid expenses		274,618		114,031
Accrued customer legacy waste revenue, net		257,194		257,194
Unbilled revenue earned		226,400		830,238
Deferred financing costs		330,149		330,149
Deferred tax asset		189,040		189,040
Other current assets		74,422		74,422
TOTAL CURRENT ASSETS		3,013,672		3,997,098
PROPERTY AND EQUIPMENT				
Property, plant and equipment, net		4,903,757		4,954,395
Land		50,000		50,000
TOTAL PROPERTY AND EQUIPMENT		4,953,757		5,004,395
OTHER ASSETS				
Intangibles, net		3,785,970		3,866,809
TOTAL OTHER ASSETS		3,785,970		3,866,809
TOTAL ASSETS	$	11,753,399	$	12,868,302
LIABILITIES AND STOCKHOLDER'S EQUITY				
CURRENT LIABILITIES				
Accounts payable	$	580,866	$	345,180
Accrued contract labor		251,285		344,919
Legacy waste contracts		197,781		197,781
Unearned revenue		122,168		48,770
Other current liabilities		143,457		379,135
Current portion of long-term debt		197,675		297,675
Income tax payable		-		394,137
TOTAL CURRENT LIABILITIES		1,493,232		2,007,597
LONG-TERM LIABILITIES				
Notes payable, net of current portion		3,467,424		3,467,424
Legacy waste contracts		1,108,661		1,108,661
Deferred tax liability, net of current portion		1,447,765		1,391,818
Accrued asset retirement obligation		776,431		776,431
TOTAL LONG-TERM LIABILITIES		6,800,281		6,744,334
TOTAL LIABILITIES		8,293,513		8,751,931
COMMITMENTS AND CONTINGENCIES		-		-
STOCKHOLDER'S EQUITY				
Common stock, $0.0001 par value, 10,000,000 shares authorized; 3,806,540 shares issued and outstanding		381		381
Additional paid-in capital		1,657,356		1,657,356
Retained earnings		1,802,149		2,458,634
TOTAL STOCKHOLDER'S EQUITY		3,459,886		4,116,371
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$	11,753,399	$	12,868,302

The accompanying notes are an intergral part of these financial statements

PACIFIC ECOSOLUTIONS, INC.
STATEMENTS OF INCOME

	unaudited **Three Months Ended December 31, 2006**	unaudited **Three Months Ended December 31, 2005**
REVENUES		
Waste processing	$ 2,159,049	$ 2,729,882
COST OF REVENUES	2,368,995	2,072,263
GROSS PROFIT	(209,946)	657,619
EXPENSES		
Marketing and related labor expenses	39,955	55,221
Depreciation and amortization	164,150	158,679
Wages and contract labor	199,886	185,820
Other operating expenses	302,242	236,180
TOTAL OPERATING EXPENSES	706,233	635,900
INCOME FROM OPERATIONS	(916,179)	21,719
OTHER INCOME (EXPENSE)		
Interest income	3	-
Interest expense	(78,499)	(62,077)
Other income	-	63
TOTAL OTHER INCOME (EXPENSE)	(78,496)	(62,014)
INCOME BEFORE INCOME TAXES	(994,675)	(40,295)
INCOME TAX BENEFIT <EXPENSE>		
Current	-	-
Deferred	338,190	
	338,190	-
NET INCOME	$ (656,485)	$ (40,295)
BASIC AND DILUTED NET INCOME PER SHARE	$ (0.17)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING BASIC AND DILUTED	3,806,540	3,806,540

The accompanying notes are an intergral part of these financial statements.

PACIFIC ECOSOLUTIONS, INC.
STATEMENTS OF CASH FLOWS

		unaudited Three Months Ended December 31, 2006		unaudited Three Months Ended December 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	$	(656,485)	$	(40,295)
Adjustments to reconcile net income				
to net cash provided by operating activities:				
Depreciation and amortization		164,150		158,679
Deferred tax assets and liabilities		55,947		-
Changes in assets and liabilities:				
Accounts receivable		1,383,999		(352,364)
Related party receivable, net		(169,592)		(96,293)
Prepaid expenses		(160,587)		(99,947)
Unbilled revenue earned		603,838		485,085
Accounts payable		235,686		(68,811)
Unearned revenue		73,398		34,319
Accrued contract labor		(93,634)		54,297
Income tax payable		(394,137)		-
Other current liabilities		(235,678)		56,363
Net cash provided by operating activities		806,905		131,033
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property and equipment		(32,673)		(140,089)
Net cash used by investing activities		(32,673)		(140,089)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on notes payable		(100,000)		(8,333)
Net cash provided (used) by financing activities		(100,000)		(8,333)
Net increase in cash		674,232		(17,389)
Cash at beginning of period		19,891		19,194
Cash at end of period	$	694,123	$	1,805
SUPPLEMENTAL CASH FLOW INFORMATION:				
Interest paid	$	78,499	$	62,077
Income taxes paid	$	-	$	-

NOTE 1 – BUSINESS ORGANIZATION

Pacific EcoSolutions, Inc. (hereinafter "the Company") was formed as a Delaware corporation on and reincorporated in the State of Washington effective October 1, 2005. The Company, from its facilities in Richland, Washington, processes low-level radioactive waste (LLRW) and mixed hazardous and radioactive waste (MW) utilizing both non-thermal and thermal treatment methods. The Company is principally headquartered in Richland, Washington.

Pacific EcoSolutions, LLC (hereinafter "The LLC") was formed in July of 2003. In August of 2004, The LLC incorporated as Pacific EcoSolutions, Inc. Simultaneous to its incorporation, the Company exchanged all of its outstanding member interests for the common stock of Nuvotec USA, Inc. The Company is a wholly-owned subsidiary of Nuvotec USA, Inc.

Basis of Presentation
The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements for the period ended September 30, 2006. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of interim results have been included. Operating results for the three months ended December 31, 2006 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2007. For further information, refer to the Company's consolidated audited financial statements at September 30, 2006 and footnotes thereto.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting Method
The Company's financial statements are prepared using the accrual method of accounting.

Asset Retirement Obligations
The Company recognizes the fair value of liabilities for asset retirement obligations under the provisions of Statement of Financial Accounting Standards No. 143 ("SFAS 143"). In accordance with SFAS 143, a liability is recognized for estimated future retirement costs of long-lived assets.

At December 31, 2006, the Company has recognized a liability of $776,431 for its estimated asset retirement obligations.

Earnings Per Share
The Company has adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. Basic and diluted earnings per share are the same, as the Company has no common stock equivalents outstanding.

Impaired Asset Policy
In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (hereinafter "SFAS No. 144"). SFAS No. 144 replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This new standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. Statement of Financial Accounting Standards No. 144 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations.

In complying with this standard, the Company reviews its long-lived assets quarterly to determine if any events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by its assets to their respective carrying amounts.

The Company does not believe any adjustments are needed to the carrying value of its assets at December 31, 2006.

Intangible Assets
Intangible assets, which are principally licenses and permits, are stated at acquisition cost and are amortized on a straight-line basis over the estimated useful lives of the assets, which is fifteen years. See Note 8.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost and depreciated utilizing the straight-line method over estimated useful lives of three to thirty years. Major additions and betterments are capitalized. Costs of maintenance and repairs which do not improve or extend the lives of the respective assets are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized in the appropriate period.

Depreciation and amortization expense for the three months ending December 31, 2006 and 2005 was $164,150 and $158,679, respectively. Property, plant and equipment consisted of the following at December 31 and September 30, 2006 respectively:

	12/31/06	9/30/06
Furniture and fixtures	$ 93,683	$ 93,683
Computer equipment	207,084	164,926
Equipment and facilities	4,568,693	4,547,104
Buildings and improvements	794,277	790,699
Land	50,000	50,000
	5,713,737	5,646,412
Less: Accumulated depreciation	(759,980)	(642,017)
	$ 4,953,757	$ 5,004,395

Revenue Recognition
The Company recognizes revenue when there is a mutually executed contract, the contract price is fixed and determinable, delivery of the service has occurred, and collectibility of the contract price is considered probable.

The Company generates revenues from waste receipt, storage, processing and disposal. Waste receipt, processing and disposal operations typically involve contractual arrangements with commercial companies and governmental entities. Contractual arrangements with these entities vary depending upon the specifically negotiated terms. The Company recognizes revenue as related costs are incurred.

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

Year-end
The Company's fiscal year-end is September 30.

NOTE 3 – CUSTOMER LEGACY WASTE

Accrued Customer Legacy Waste Revenue
The Company is required by regulators to dispose of customer waste that existed on-site at the date of acquisition. These customers have the underlying obligation, as owners of the waste, to pay for the treatment and disposal of their waste. Certain customers have balances owing on original contracts related to the treatment and disposal of their waste. Balances due and costs incurred in excess of the amounts owing have been accrued at the balance sheet date. The effective assignment of these contracts by the predecessor owners to the Company, because the Company is the licensed facility to treat and dispose of the waste on its site, creates an arrangement between the customers and the Company with a determinable price based upon the

amounts owed. The Company has substantially completed the terms of the arrangements with these customers for the disposal of their waste on the Company's site.

The obligations of these customers related to their waste, as per industry practice, and the Company's historical experience on such arrangements, provides reasonable assurance as to the collectibility of substantially all of the remaining balances owing on these contractual arrangements. At December 31, 2006 and September 30, 2006 the Company has accrued an estimate for uncollectibility related to these contracts in the amounts of $29,463 and $29,463, respectively.

Accrued Customer Legacy Waste Expenses
The Company has paid and incurred significant costs exceeding the balances owing on the aforementioned customer legacy waste contract arrangements. Substantial completion of the terms specified in the contract arrangements has occurred. The remaining costs of completion, primarily disposal costs, have been estimated and accrued at the balance sheet date.

NOTE 4 – RELATED PARTY TRANSACTIONS

At December 31, 2006 and September 30, 2006 the Company has recorded related party receivables and/or payables from transactions with its parent company, Nuvotec USA, Inc. In addition, the Company has recorded a related party capital contribution in 2006.

At December 31, and September 30, 2006 related party balances are summarized as follows:

	12/31/06	9/30/06
Related party receivable	$ 262,753	$ 93,161
Related party payable	-	-
Net related party receivable	$ 262,753	$ 93,161

NOTE 5 – ECONOMIC CONCENTRATIONS

The Company provides services for commercial and governmental entities. For the three months ended December 31, 2006 and 2005, the Company had two customers which together represented 63% and 35% of its revenues, respectively, and had two customers which represented 28% and 31%, and 31% and 6%, respectively, of accounts receivable at December 31, 2006 and 2005.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Standby Letter of Credit
The Company has a standby letter of credit with Key Bank. The letter of credit is dated September 15, 2006 and is subject to quarterly and/or annual renewal. The letter of credit is collateral, not a debt facility, in the amount of $1,250,000. The letter of credit provides collateral to the insurer for a fraction of the coverage required for plant closure insurance of the Company's facilities. The quarterly and/or annual fee for this collateral instrument is 2.25% of the face amount of the letter of credit.

Legacy Waste Liability
Upon its acquisition of ATG, Inc.'s assets from a Chapter 11 trustee in July of 2003, The LLC assumed the responsibility for treatment and processing of hazardous waste, which was delivered months earlier to the Washington State facility previously owned by ATG, Inc. and had not been treated or processed. The LLC recorded a liability for the unprocessed waste of $2,002,000, which is the estimated cost to dispose of the legacy waste materials. The State of Washington gave The LLC a schedule to remove (process) the legacy waste from the site, with the final phase of processing to be completed no later than September 1, 2008. Upon The LLC's incorporation, this liability was transferred from The LLC to Pacific EcoSolutions, Inc. The balance of this liability is $1,108,661 as of December 31, 2006.

NOTE 7 – STOCKHOLDER'S EQUITY

Common Stock
The Company has 10,000,000 shares of $0.0001 par value authorized common stock. As of December 31, and September 30, 2006, 3,806,540 shares were issued and outstanding.

The predecessor entity was Pacific EcoSolutions, LLC whose assets were transferred in August of 2004 to a newly formed successor entity, Pacific EcoSolutions, Inc.

During the year ended September 30, 2006, the Company received net capital contributions of $403,897 from its parent company, Nuvotec USA, Inc.

NOTE 8 – INTANGIBLE ASSETS

Radioactive Materials Licenses and Permits
The State of Washington has issued the Company licenses and permits to accept and dispose of radioactive and mixed waste materials. The Company has recorded an intangible asset for approximately $2,202,000 related to these licenses and permits. The recorded cost of these licenses and permits is supported by the offsetting contracted liability assumed by the Company for the disposal of legacy waste at the time of licenses and permits acquisition.

Additionally, the Company purchased licenses and permits from the following federal and state agencies: United States Environmental Protection Agency, State of Washington Department of Health, State of Washington Department of Ecology, and the United States Department of Transportation. The purchase price of these licenses was $2,650,000. The Company's business plan assumes the licenses and permits will be renewed for at least fifteen years. Licenses and permits are being amortized over fifteen years.

Intangible asset costs consist of the following at December 31, and September 30, 2006:

	12/31/06	9/30/06
Radioactive materials licenses and permits	$ 4,850,353	$ 4,850,353
Less: accumulated amortization	(1,064,383)	(983,544)
	$ 3,785,970	$ 3,866,809

NOTE 9 – ENVIRONMENTAL AND REGULATORY RISK

The Company operates in an environmentally sensitive industry and is subject to extensive federal, state and local laws and regulations adopted for the protection of the environment. These laws and regulations, pertaining to the Company's processing of hazardous waste, have extensive and complicated requirements relating to obtaining permits, monitoring, record keeping and reporting. Management believes that the Company is in material compliance with applicable laws, permits and other applicable environmental regulations.

NOTE 10 – INCOME TAXES

During the three months ended December 31, 2006, the Company realized a loss before income taxes of $994,675. As a result, the Company has recognized $338,190 of federal income tax benefit, calculated at a rate of approximately 34%, and a decrease in its current and deferred tax liabilities for this same amount.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

The Company handles hazardous waste, which is transported to and from its facilities for treatment and disposal. As a result of treating and disposing hazardous waste, in the event any cleanup is required, the Company could be a potentially responsible party for the costs of the cleanup notwithstanding any absence of fault. In addition to the Company's exposure to claims for causing damage to property, injuries to persons and claims alleging negligence or omissions in the performance of its services could be substantial. The Company believes that its insurance coverage is adequate to protect against the various types of risks encountered. The Company has various policies and operational procedures in place to mitigate and minimize the potential for fines or penalties levied by governing regulatory agencies.

NOTE 12 – SUBSEQUENT EVENTS

On June 13, 2007 the Company's parent, Nuvotec USA, Inc. (Nuvotec) and the Company were acquired for $11.2 million by Perma-Fix Environtmental Services, Inc. (Perma-Fix). In connection with the transaction, Perma-Fix issued $2.0 million in shares of Perma-Fix common stock and $2.5 million in debt instruments payable over a four year period to those Nuvotec shareholders that qualify as accredited investors, $2.3 million in cash to both non-accredited and accredited Nuvotec shareholders, and up to $4.4 million of cash earn-out to both non-accredited and accredited Nuvotec shareholders, which could vary dependent on meeting or exceeding certain future revenue thresholds over a four year period. Perma-Fix assumed $9.4 million of debt, plus the debts and obligations of the Company incurred in the ordinary course of the Company's business.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
(Amendment No.1)

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) June 13, 2007

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware	1-11596	58-1954497
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

8302 Dunwoody Place, Suite 250, Atlanta, Georgia 30350

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (770) 587-9898

Not applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

|_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 9 - Financial Statements and Exhibits.

Item 9.01 Financial Statements and Exhibits

Pursuant to Item 9.01 of Form 8-K filed on June 19, 2007, the Company indicated it would file certain financial information no later than the date required by Item 9.01 of Form 8-K. This Amendment No. 1 is being filed to provide such financial information.

(a) Financial Statement of Business Acquired. The following audited financial statements of Pacific EcoSolutions, Inc. ("PEcoS") are filed as required by Rule 3.05(b) of Regulation S-X, as promulgated pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are attached hereto as Exhibit 99.1

Report of Independent Certified Public Accountants: Williams & Webster, P.S.

Audited Financial Statements:

A. Balance Sheet as of September 30, 2006 and 2005.
B. Statements of Income for the Fiscal Years Ended September 30, 2006 and 2005.
C. Statements of Stockholder's Equity for the Years Ended September 30, 2006, 2005, and 2004.
D. Statements of Cash Flow for the Fiscal Years Ended September 31, 2006 and 2005.
E. Notes to Financial Statements.

Unaudited Financial Statements:

A. Unaudited Balance Sheet as of March 31, 2007 and Audited Balance Sheet as of September 30, 2006.
B. Unaudited Statements of Income for the Three and Six Months Period ended March 31, 2007, and March 31, 2006.
C. Unaudited Statements of Cash Flow for the Six Months Period Ended March 31, 2007 and March 31, 2006.
D. Condensed Notes to Unaudited Financial Statements.

Unaudited Financial Statements:

A. Unaudited Balance Sheet as of December 31, 2006, and Audited Balance Sheet as of September 30, 2006.
B. Unaudited Statements of Income for the Three Months Period ended December 31, 2006 and 2005.
C. Unaudited Statements of Cash Flow for the Three Months Period Ended December 31, 2006 and 2005.
D. Condensed Notes to Unaudited Financial Statements.

(b) Pro Forma Financial Information
The following unaudited pro forma financial is filed as required by Article 11 of Regulation S-X, as promulgated pursuant to the Securities Act and the Exchange Act, and is attached hereto as Exhibit 99.2.

Unaudited Pro Forma Condensed Combined Financial Statements of the Company, PEcoS and its holding Company, Nuvotec USA, Inc. ("Nuvotec").

A. Unaudited Pro Forma Condensed Combined Financial Information.
B. Unaudited Pro Forma Condensed Combined Balance Sheet as of March 31, 2007.
C. Unaudited Pro Forma Condensed Combined Statement of Operations for the Three Months ended March 31, 2007.
D. Unaudited Pro Forma Condensed Combined Statement of Operations for the Year Ended December 31, 2006.
E. Notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

(c) Exhibit

2.1 Agreement and Plan of Merger, dated April 27, 2007, by and among Perm-Fix Environmental Services, Inc., Nuvotec USA, Inc., Pacific EcoSolutions, Inc., and PESI Transitory, Inc.

The Registrant will furnish a copy of any omitted exhibit or schedule to the Commission upon request. *

2.2 First Amendment to Agreement and Plan of Merger, dated June 13, 2007, by and among Perma-Fix Environmental Services, Inc., Nuvotec USA, Inc. Pacific EcoSolutions, Inc., and PESI Transitory, Inc. The Registrant will furnish a copy of any omitted exhibit or schedule to the Commission upon request. **

23.1 Consent of Williams & Webster, P.S.

99.1 Audited financial statements of Pacific EcoSolutions, Inc. (PEcoS).

99.2 Pro forma financial information.

*Incorporated by reference to the same-named exhibit to the Company's Form 8-K (date of event April 27, 2007), originally filed with the Securities and Exchange Commission on May 3, 2007.

** Incorporated by reference to the same-named exhibit to the Company's Form 8-K (date of event June 13, 2007), originally filed with the Securities and Exchange Commission on June 19, 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Dated: August 29, 2007

By: /s/ Steven Baughman

Steven Baughman
Vice President and
Chief Financial Officer

Exhibit 23.1

August 29, 2007

Perma-Fix Environmental Services, Inc
8302 Dunwoody Place, Suite 250
Atlanta, Georgia 30350

Re: Perma-Fix Environmental Services Inc.
Commission File Number 1-11596

Dear Sirs:

We are in agreement with the statements made by the above registrant in its Form 8-K/A dated August 29, 2007.

Our independent auditor's report on the financial statements of Pacific EcoSolutions, Inc. for the years ended September 30, 2005 & 2006, included in the registrant's Form 8-K/A referenced above, has contained no adverse opinion or disclaimer of opinion, nor was it modified as uncertainty, audit scope, or accounting principles.

Sincerely,

/s/ Williams & Webster, P.S.

Williams & Webster, P.S.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On June 13, 2007, Perma-Fix Environmental Services, Inc. ("Perma-Fix", "we," "our" or the "Company") purchased 100% of the voting shares of Nuvotec USA, Inc. ("Nuvotec") and Nuvotec's wholly owned subsidiary, Pacific EcoSolutions PecoS, Inc. ("PEcoS"). Nuvotec serves primarily as a holding Company for its investment in PEcoS. PEcoS is a permitted hazardous, low level radioactive and mixed waste treatment, storage and disposal facility located in the Hanford U.S. Department of Energy site in the eastern part of the state of Washington. We acquired Nuvotec/PEcoS for total consideration of approximately $16.9 million which included 709,207 shares of our common stock (valued at $2.2 million, which was determined by the average closing price of the common stock four days prior to and following the completion date of the acquisition), $2.3 million of cash, an installment note of $2.5 million payable over four years which bears interest at 8.25%, assumption of total debt of $9.4 million, and approximately $0.5 million of transaction costs. In addition, we may be required to make earn-out payments up to $4.4 million in cash dependent on the achievement of defined revenue targets. We expect that such earn-out payments, if made, will be accounted for as additional consideration.

The following unaudited pro forma condensed combined balance sheet as of March 31, 2007 and unaudited pro forma condensed combined statements of operations for the year ended December 31, 2006 (September 30, 2006 in the case of Nuvotec/PEcoS) and the three months ended March 31, 2007 (collectively, the "Pro Forma Statements") are based on the historical consolidated financial statements of Perma-Fix and Nuvotec/PEcoS. The Company's historical financial statements referred to above as of and for the year ended December 31, 2006 are included in our Annual Report on Form 10-K for the year ended December 31, 2006 and the historical financial statements as of and for the three months ended March 31, 2007 are included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007. The audited balance sheet of PEcoS as of September 30, 2006 and the related statements of income and changes in stockholder's equity and cash flows for the year ended September 30, 2006 and the unaudited balance sheet of PEcoS as of March 31, 2007 and the related unaudited statements of income and stockholder's equity for the three and six months ended March 31, 2007 are included in this Current Report on Form 8-K as Exhibit 99.1. The Pro Forma Statements were adjusted to give effect to the acquisition of PEcoS/Nuotec pursuant to the Asset Purchase Agreement by and among Perma-Fix, Perma-Fix's wholly owned subsidiary, Transitory, Nuvotec, and PEcoS, dated April 27, 2007, which was subsequently amended on June 13, 2007. The acquisition was accounted for in the Pro Forma Statements using the purchase method of accounting based on the assumptions and adjustments in the accompanying Notes to the Unaudited Pro Forma Combined Financial Statements. The estimated purchase price allocation is preliminary and is subject to further revision. The unaudited pro forma condensed combined balance sheet gives effect to the transaction as if it occurred on March 31, 2007 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2006 and for the three months ended March 31, 2007 give effect to the transaction as if it occurred on January 1, 2006.

The pro forma adjustments are based upon available information and certain assumptions that the Company believes are (1) directly attributable to the transaction and (2) factually supportable. The Pro Forma Statements are provided for informational purposes only and do not purport to represent what our financial position and results of operations would actually have been had the Nuvotec/PEcoS acquisition occurred on such dates or to project our financial position or results of operations for any future period.

The Pro Forma Statements and the Notes thereto should be read in conjunction with the historical Consolidated Financial Statements of Perma-Fix and the Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2006, Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, and the historical Financial Statements of PEcoS and the Notes thereto included in this Form 8-K.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF MARCH 31, 2007

<TABLE>
<CAPTION>

(Amounts in Thousands, Except for Share Amounts)	Historical Perma-Fix	Historical PEcoS	Incremental Nuvotec	Pro Forma Adjustments	Pro Forma
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Current assets:					
Cash	$ 1,312	$ 249		$ (1,561)(a)	$ --
Investment			77		77
Restricted cash	35				35
Net receivables	22,416	1,554			23,970
Inventories	309				309
Prepaid and other expenses	2,554	623			3,177
Current assets included in assets for sale, net of allowance for doubtful accounts	6,514				6,514
Total current assets	$ 33,140	$ 2,426	$ 77	$ (1,561)	$ 34,082

Property and equipment:					
Property and equipment, net of accumulated depreciation	33,910	4,883	34	9,061 (c)	47,888
Property and equipment included in assets for sale, net of accumulated depreciation	13,417				13,417
Intangibles and other assets:					
Goodwill	11,075	3,705	453	7,225 (d)	22,458
Permit	1,330				1,330
Unbilled receivable - non-current	3,821				3,821
Finite Risk Sinking Fund	5,566				5,566
Other assets	1,825		2,189	(2,189)(b)	1,825
Intangibles and other assets included in					--
asset held for sale	2,369				2,369
Total assets	$ 106,453	$ 11,014	$ 2,753	$ 12,536	$ 132,756

</TABLE>

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF MARCH 31, 2007

<TABLE>
<CAPTION>

(Amounts in Thousands, Except for Share Amounts)	Historical Perma-Fix	Historical PEcoS	Incremental Nuvotec	Pro Forma Adjustments	Pro Forma
<S>	<C>	<C>	<C>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 2,879	$ 500			$ 3,379
Current environmental accrual	461				461
Accrued expenses	9,996	1,785	167	4,110 (f)	16,058
Unearned revenue	3,637	49		573 (f)	4,259
Current liabilities related to assets held for sale	4,984				4,984
Current portion of long-term debt	2,124	198		1,802 (g)	4,124
Total current liabilities	24,081	2,532	167	6,485	33,265
Environmental accruals	328				328
Accrued closure costs	4,861	776		2,992 (f)	8,629
Other long-term liabilities	3,128	1,073		(1,073)(b)	3,128
Long-term liabilities related to assets held for sale	3,901				3,901
Long-term debt, less current portion	5,339	3,467	5,418	2,300 (e)	16,524
Total long-term liabilities	17,557	5,316	5,418	4,219	32,510
Total liabilities	41,638	7,848	5,585	10,704	65,775
Preferred Stock of subsidiary	1,285				1,285
Stockholders' equity:					
Common Stock	52				52
Additional paid-in capital	93,128	1,327		838 (h)	95,293
Stock subscription receivable	(66)				(66)
Accumulated deficit	(29,584)	1,839	(2,832)	994 (h)	(29,583)
Total stockholders' equity	63,530	3,166	(2,832)	1,832	65,696
Total liabilities and stockholders' equity	$ 106,453	$ 11,014	$ 2,753	$ 12,536	$ 132,756

</TABLE>

See Notes to Unaudited Pro Forma Condensed Combined Fiancial Statements

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Three Months Ended March 31, 2007

<TABLE>
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(Amounts in Thousands, Except for Per Share Amounts)	Historical Perma-Fix Three Months Ended March 31, 2007	Historical PEcoS Three Months Ended March 31, 2007	Pro Forma Adjustments	ProForma
<S>	<C>	<C>	<C>	
Net revenues	$ 12,921	$ 2,895	$	$ 15,816
Cost of goods sold	8,321	2,073	273 (k)	10,667
Gross profit	4,600	822	(273)	5,149

Selling, general and administrative expenses	3,715	687	(165)(k)	4,237
Loss on disposal of property and equipment	--	--		--
Income from operations	885	135	(108)	912
Other income (expense):				
Interest income	88	--		88
Interest expense	(201)	(79)	(203)(i),(j)	(483)
Interest expense-financing fees	(48)	--		(48)
Other	(15)	--		(15)
Income from continuing operations before taxes	709	56	(311)	454
Income tax expense	126	19	(19)(l)	126
Income from continuing operations	$ 583	$ 37	$ (292)	$ 328
Net income per common share - basic				
Continuing operations	$ .01			$ .01
Net income per common share - diluted				
Continuing operations	$ .01			$ .01
Number of common shares used in computing net income (loss) per share:				
Basic	52,063		709	52,772
Diluted	52,063		709	52,772

</TABLE>

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2006

<TABLE>
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(Amounts in Thousands, Except for Per Share Amounts)	Historical Perma-Fix Year Ended December 31, 2006 Perma-Fix	Historical PEcoS Year Ended September 30, 2006 PEcoS	Pro Forma Adjustments	ProForma
<S>	<C>	<C>	<C>	
Net revenues	$ 52,781	$ 13,039	$	$ 65,820
Cost of goods sold	31,054	8,478	1,092 (k)	40,624
Gross profit	21,727	4,561	(1,092)	25,196
Selling, general and administrative expenses	14,321	3,243	(553)(k)	17,011
Loss on disposal of property and equipment	48	--		48
Income from operations	7,358	1,318	(539)	8,137
Other income (expense):				
Interest income	280	--		280
Interest expense	(1,241)	(339)	(812)(i),(j)	(2,392)
Interest expense-financing fees	(192)	--		(192)
Other	(54)	41		(13)
Income from continuing operations before taxes	6,151	1,020	(1,351)	5,820
Income tax expense	507	392	(392)(l)	507
Income from continuing operations	$ 5,644	$ 628	$ (959)	$ 5,313
Net income (loss) per common share - basic				
Continuing operations	$ .12			$ .11
Net income (loss) per common share - diluted				
Continuing operations	$ .12			$ .11
Number of common shares used in computing net income (loss) per share:				
Basic	48,157		709	48,866
Diluted	48,768		709	49,477

</TABLE>

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

On June 13, 2007, Perma-Fix Environmental Services, Inc. ("Perma-Fix", "we," "our" or the "Company") purchased 100% of the voting shares of Nuvotec USA, Inc. ("Nuvotec") and Nuvotec's wholly owned subsidiary, Pacific EcoSolutions, Inc. ("PEcoS"). Nuvotec serves primarily as a holding Company for its investment in PEcoS. PEcoS is a permitted hazardous, low level radioactive and mixed waste treatment, storage and disposal facility located in the Hanford U.S. Department of Energy site in the eastern part of the state of Washington. We acquired Nuvotec/PEcoS for total consideration of approximately $16.9 million which consisted of 709,207 shares of our common stock (valued at $2.2 million, which was determined by the average closing price of the common stock four days prior to and following the completion date of the acquisition), $2.3 million of cash, an installment note of $2.5 million payable over four years which bears interest at 8.25%, assumed debt of $9.4 million, and approximately $0.5 million of transaction costs. In addition, we may be required to make earn-out payments up to $4.4 million in cash dependent on the achievement of defined revenue targets. We expect that such earn-out payments, if made, will be accounted for as additional consideration.

2. PRELIMINARY PURCHASE PRICE ALLOCATION

This acquisition will be recorded using the purchase method of accounting, which includes an evaluation of the existence of any identifiable intangibles at the date of acquisition, such as permits and customer relationships. Due to the strategic nature of the acquisition goodwill of approximately $11.4 million is expected to be recorded in connection with the acquisition. However, final allocation of purchase price has not been finalized. See pro forma adjustment (d). The following table summarizes the preliminary purchase price allocation of the fair values of the assets acquired and liabilities assumed, as though the acquisition had occurred on March 31, 2007:

(Amounts in thousands)	
Current assets	$ 2,503
Property, plant and equipment	13,978
Goodwill/intangibles	11,383
Total assets acquired	27,864
Current liabilities	(7,185)
Non-current liabilities	(3,768)
Total liabilities assumed	(10,953)
Total Consideration	$ 16,911

3. PRO FORMA ADJUSTMENTS

(a) Reflects cash outlay at closing of $8.2 million, consisting of $2.3 million cash portion of the purchase price, $5.4 million of assumed debt paid/refinanced at closing, and estimated acquisition costs of $0.5 million. The cash outlay was funded from cash on hand of $1.6 million and borrowings of $6.6 million (see (e) below).

(b) Reflects the decrease of net deferred tax assets to reflect amount more likely than not to be recognized.

(c) Reflects increase to record property and equipment to estimated fair value of $14.0 million.

(d) Reflects the estimated goodwill of $11.4 million resulting from the business combination. See Note 2. The Company has not yet finalized the allocation of purchase price; thus this is subject to revision. However, it is not expected that any further revision will result in a material allocation to finite-lived intangibles.

(e) Reflects long-term portion of borrowings by the Company as follows: $6.6 million borrowed on the revolver including interest accrued to acquisition date of June 13, 2007 of $0.4 million; $2.0 million of long-term debt from Key Bank; $2.5 million shareholder loan; net of $8.8 million of debt assumed.

(f) Reflects adjustment to reflect assumed liabilities for disposal of waste on-hand, deferred revenue, and facility closure on a basis constant with the Company's policy.

(g) Reflect current portion by the Company for the refinancing of $2.0 million, offset by the payment of existing short-term debt of $0.2 million.

(h) Reflects the elimination of Nuvotec/PEcoS equity accounts. Also, this reflects the issuance of 709,207 shares of our Common Stock, valued at approximately $2.2 million based on the closing price of our Common Stock for four trading days preceding through the four trading days following the completion date of the acquisition.

(i) Reflects interest expense on the reduced cash balance of $1.6 million at an assumed interest rate of 3.5% and on incremental borrowing under the line of credit of $6.6 million at an assumed interest rate of 8.75%.

(j) Reflects interest expense on the note to the seller at a rate of 8.25% per year. The note requires three equal payments of $833,333 commencing June 30, 2009.

(k) Reflects reclassification of depreciation and amortization to cost of good sold to be consistent with Perma-Fix's historical presentation. Also reflects adjustment to increase depreciation on fixed assets which have been increased to fair value. The increase amounted to $108,000 for the three months ended March 31, 2007 and $539,000 for the year ended December 31, 2006 based on a assumed average life of ten years on incremental depreciable assets of $9.1 million.

(l) Reflects the expectation that there would have been no incremental income tax expense should this transaction have taken place on January 1, 2006.