UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2022

Commission file number **000-33067**

MIDWEST ENERGY EMISSIONS CORP.

(Exact name of Registrant as Specified in its Charter)

Delaware	**87-0398271**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1810 Jester Drive Corsicana, Texas	**75109**
(Address of principal Executive offices)	(Zip Code)

(614) 505-6115
(Registrant's Telephone Number, Including Area Code)

Not applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated Filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes☐ No ☒

State the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date: Common, $.001 par value per share, 92,871,132 outstanding as of November 14, 2022.

MIDWEST ENERGY EMISSIONS CORP.

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PART I – FINANCIAL INFOMATION

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements," as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and reflect our current expectations regarding our future growth, results of operations, cash flows, performance and business prospects, and opportunities, as well as assumptions made by, and information currently available to, our management. Forward-looking statements are generally identified by using words such as "anticipate," "believe," "plan," "expect," "intend," "will," and similar expressions, but these words are not the exclusive means of identifying forward-looking statements. Forward-looking statements in this report are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. These statements are based on information currently available to us and are subject to various risks, uncertainties, and other factors, including, but not limited to, those discussed under the caption "Risk Factors" in the Company's 2021 Form 10-K. In addition, matters that may cause actual results to differ materially from those in the forward-looking statements include, among other factors, the gain or loss of a major customer, change in environmental regulations, disruption in supply of materials, capacity factor fluctuations of power plant operations and power demands, a significant change in general economic conditions in any of the regions where our customer utilities might experience significant changes in electric demand, a significant disruption in the supply of coal to our customer units, the loss of key management personnel, availability of capital and any major litigation regarding the Company.

Except as expressly required by the federal securities laws, we undertake no obligation to update such factors or to publicly announce the results of any of the forward-looking statements contained herein to reflect future events, developments, or changed circumstances or for any other reason. Investors are cautioned that all forward-looking statements involve risks and uncertainties, including those detailed in the Company's filings and with the Securities and Exchange Commission.

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Item 1. Financial Statements.

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
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MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Current assets		
Cash	$ 1,257,148	$ 1,388,307
Accounts receivable	3,298,449	1,015,053
Inventory	959,589	1,075,401
Prepaid expenses and other current assets (related party of $0 and $70,000)	562,805	312,008
Total current assets	6,077,991	3,790,769
Security deposits	10,175	10,175
Property and equipment, net	1,829,067	1,829,544
Right of use asset - operating lease	108,577	390,098
Intellectual property, net	1,960,747	2,114,197
Total assets	$ 9,986,557	$ 8,134,783
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses (related party of $145,833 and $206,554)	$ 3,086,097	$ 2,267,711
Current portion of equipment notes payable	-	2,677
Current portion of operating lease liability	78,494	340,207
Customer credits	189,500	167,000
Accrued salaries	287,341	562,430
Short term debt – related party	250,000	-
Secured note payable – related party	-	271,686
Unsecured note payable, net of discount and issuance costs – related party	-	11,871,254
Total current liabilities	3,891,432	15,482,965
Operating lease liability	33,190	54,551
Secured note payable – related party	271,686	-
Unsecured note payable, net of discount and issuance costs – related party	12,666,657	-
Profit share liability – related party	3,312,896	2,836,743
Total liabilities	20,175,861	18,374,259
COMMITMENTS AND CONTINGENCIES		
Stockholders' deficit		
Preferred stock, $0.001 par value: 2,000,000 shares authorized, no shares issued	-	-
Common stock; $0.001 par value; 150,000,000 shares authorized; 89,871,132 and 89,115,951 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	89,871	89,116
Additional paid-in capital	57,773,207	56,788,321
Accumulated deficit	(68,052,382)	(67,116,913)
Total stockholders' deficit	(10,189,304)	(10,239,476)
Total liabilities and stockholders' deficit	$ 9,986,557	$ 8,134,783

See accompanying notes to these condensed consolidated financial statements.

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(UNAUDITED)

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Revenues	$ 7,485,972	$ 5,019,717	$ 15,956,439	$ 10,317,051
Costs and expenses:				
Cost of sales	5,104,887	3,240,507	10,810,365	6,221,073
Selling, general and administrative expenses (related party of $75,000, $75,000, $225,385, and $250,373)	1,325,460	1,342,140	4,285,638	4,060,294
Interest expense (related party of $317,510, $503,189, $1,319,752, and $1,504,152)	317,510	506,592	1,319,752	2,302,298
Gain on extinguishment of debt	-	-	-	(299,300)
Loss on change in fair value of profit share	168,736	137,126	476,153	386,951
Total costs and expenses	6,916,593	5,226,365	16,891,908	12,671,316
Income (Loss) before provision for income taxes	569,379	(206,648)	(935,469)	(2,354,265)
Benefit (Provision) for income taxes	-	-	-	-
Net income (loss)	$ 569,379	$ (206,648)	$ (935,469)	$ (2,354,265)
Net income (loss) per common share - basic:	$ 0.01	$ (0.00)	$ (0.01)	$ (0.03)
Weighted average common shares outstanding - basic	89,871,132	89,255,299	89,456,920	84,666,319
Net income (loss) per common share - diluted	$ 0.01	$ (0.00)	$ (0.01)	$ (0.03)
Weighted average common shares outstanding - dilutive	93,530,946	89,255,299	89,456,920	84,666,319

See accompanying notes to these condensed consolidated financial statements.

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(UNAUDITED)

Three and Nine Months Ended September 30, 2022

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Par Value			
Balance - January 1, 2022	89,115,951	$ 89,116	$ 56,788,321	$ (67,116,913)	$ (10,239,476)
Share based compensation expense	-	-	138,622	-	138,622
Stock issued for cashless exercise of options	5,181	5	(5)	-	-
Net loss	-	-	-	(1,148,181)	(1,148,181)
Balance - March 31, 2022	89,121,132	89,121	56,926,938	(68,265,094)	(11,249,035)
Stock issued for consulting services	500,000	500	159,500	-	160,000
Issuance of stock for compensation	250,000	250	54,750	-	55,000
Share based compensation expense	-	-	143,745	-	143,745
Net loss	-	-	-	(356,667)	(356,667)
Balance – June 30, 2022	89,871,132	89,871	57,284,933	(68,621,761)	(11,246,957)
Capital contribution for gain on extinguishment of unsecured note payable – related party	-	-	488,274	-	488,274
Net income	-	-	-	569,379	569,379
Balance – September 30, 2022	89,871,132	$ 89,871	$ 57,773,207	$ (68,052,382)	$ (10,189,304)

Three and Nine Months Ended September 30, 2021

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Par Value	Capital	Deficit	Total
Balance - January 1, 2021	78,096,326	$ 78,096	$ 50,202,478	$ (63,484,106)	$ (13,203,532)
Stock issued for interest payable on convertible notes	494,400	494	246,706	-	247,200
Stock issued for conversion of convertible notes	3,700,000	3,700	1,846,300	-	1,850,000
Stock issued for exercise of warrants	705,166	705	246,103	-	246,808
Stock issued for cashless exercise of warrants	194,690	195	(195)	-	-
Stock issued for services	525,000	525	643,725	-	644,250
Share based compensation expense	-	-	5,878	-	5,878
Net loss	-	-	-	(417,934)	(417,934)
Balance - March 31, 2021	83,715,582	83,715	53,190,995	(63,902,040)	(10,627,330)
Stock issued for interest payable on convertible notes	229,500	230	367,909	-	368,139
Stock issued for conversion of convertible notes	5,160,000	5,160	2,574,840	-	2,580,000
Stock issued for exercise of stock options	125,000	125	101,125	-	101,250
Stock issued for cashless exercise of stock options	15,869	16	(16)	-	-
Share based compensation expense	-	-	67	-	67
Net loss	-	-	-	(1,729,683)	(1,729,683)
Balance - June 30, 2021	89,245,951	89,246	56,234,920	(65,631,723)	(9,307,557)
Issuance of stock for conversion of convertible notes	20,000	20	9,980	-	10,000
Net loss	-	-	-	(206,648)	(206,648)
Balance - September 30, 2021	89,265,951	$ 89,266	$ 56,244,900	$ (65,838,371)	$ (9,504,205)

See accompanying notes to these condensed consolidated financial statements.

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(UNAUDITED)

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Cash flows from operating activities		
Net loss	$ (935,469)	$ (2,354,265)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock-based compensation – amortization of prepaid services	196,042	447,107
Stock-based compensation	337,367	5,945
Amortization of discount of notes payable	1,204,488	1,777,243
Amortization of debt issuance costs	79,188	90,883
Amortization of right to use assets	281,521	302,503
Amortization of patent rights	153,450	153,450
Depreciation expense	11,204	56,824
Gain on forgiveness of debt	-	(299,300)
Loss on change in fair value of profit share	476,153	386,951
Changes in operating assets and liabilities		
Increase in accounts receivable	(2,283,396)	(1,950,439)
Decrease (Increase) in inventory	115,813	(149,591)
Increase in deferred revenue and customer credits	22,500	-
Increase in prepaid expenses and other assets	(286,838)	(37,154)
Decrease in security deposits	-	2,080
Decrease in accrued salaries	(275,089)	-
Increase in accounts payable and accrued liabilities	818,386	1,565,786
Decrease in operating lease liability	(283,074)	(304,056)
Net cash used in operating activities	(367,755)	(306,033)
Cash flows from investing activities		
Purchase of property and equipment	(10,727)	-
Net cash used in investing activities	(10,727)	-
Cash flows from financing activities		
Payment of convertible note	-	(10,000)
Payments of notes payable	-	(34,661)
Payments of equipment notes payable	(2,677)	(21,750)
Proceeds from the issuance of short term debt – related party	250,000	-
Proceeds from exercise of warrants	-	246,808
Proceeds from exercise of stock options	-	101,250
Proceeds from the issuance of notes payable	-	299,380
Net cash provided by financing activities	247,323	581,027
Net (decrease) increase in cash and cash equivalents	(131,159)	274,994
Cash and cash equivalents - beginning of period	1,388,307	591,019
Cash and cash equivalents - end of period	$ 1,257,148	$ 866,013
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ -	$ 41,082
Taxes	$ 13,213	$ 4,518
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS		
Stock issued for prepaid services	$ 160,000	$ 644,250
Stock issued for conversion of convertible notes	$ -	$ 4,440,000
Stock issued for interest payable	$ -	$ 615,339

See accompanying notes to these condensed consolidated financial statements.

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
NOTES TO CONDENSEDCONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization

Midwest Energy Emissions Corp.

Midwest Energy Emissions Corp. is organized under the laws of the State of Delaware.

MES, Inc.

MES, Inc. is incorporated in the State of North Dakota. MES, Inc. is a wholly owned subsidiary of Midwest Energy Emissions Corp. and is engaged in the business of developing and commercializing state of the art control technologies relating to the capture and control of mercury emissions from coal fired boilers in the United States and Canada.

ME2C Sponsor LLC and ME2C Acquisition Corp.

ME2C Sponsor LLC is a limited liability company formed in the State of Delaware and is a wholly owned subsidiary of Midwest Energy Emissions Corp. and owns 85% of ME2C Acquisition Corp.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of Rule 8-03 of Regulation S-X promulgated by the United States Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, these financial statements do not include all of the information and footnotes required for complete financial statements and should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on April 5, 2022, from which the accompanying condensed consolidated balance sheet dated December 31, 2021 was derived.

In management's opinion, the unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly the financial position as of September 30, 2022, and results of operations, changes in stockholders' deficit and cash flows for all periods presented. The interim results presented are not necessarily indicative of results that can be expected for a full year.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Midwest Energy Emissions Corp. and its wholly-owned subsidiaries, MES, Inc. and ME2C Sponsor LLC, and ME2C Acquisition Corp. which is 85% owned by ME2C Sponsor LLC (collectively, the "Company"). Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, valuation of equity issuances and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company uses estimates in accounting for, among other items, profit share liability, revenue recognition, allowance for doubtful accounts, stock-based compensation, income tax provisions, excess and obsolete inventory reserve and impairment of intellectual property. Actual results could differ from those estimates.

Recoverability of Long-Lived and Intangible Assets

Long-lived assets and certain identifiable intangibles held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of the long-lived and/or intangible assets would be adjusted, based on estimates of future discounted cash flows. The Company evaluated the recoverability of the carrying value of the Company's property and equipment, right of use asset and intellectual property. No impairment charges were recognized for the three and nine months ended September 30, 2022 and 2021.

Fair Value of Financial Instruments

The fair value hierarchy has three levels based on the inputs used to determine fair value, which are as follows:

- ☐ *Level 1* — Unadjusted quoted prices available in active markets for the identical assets or liabilities at the measurement date.
- ☐ *Level 2* — Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- ☐ *Level 3* — Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Cash was the only asset measured at fair value on a recurring basis by the Company at September 30, 2022 and December 31, 2021 and is considered to be Level 1.

Financial instruments include cash, accounts receivable, accounts payable, and short-term debt. The carrying amounts of these financial instruments approximated fair value at September 30, 2022 and December 31, 2021 due to their short-term maturities.

The fair value of the promissory notes payable at September 30, 2022 and December 31, 2021 approximated the carrying amount as the notes were recently issued at interest rates prevailing in the market and interest rates have not significantly changed as of September 30, 2022 and December 31, 2021. The fair value of the promissory notes payable was determined on a Level 2 measurement. Discounts on issued debt, as well as debt issuance costs, are amortized over the term of the individual promissory notes.

The fair value of the profit share liability at September 30, 2022 and December 31, 2021 was calculated using a discounted cash flow model based on estimated future cash payments. The fair value of the profit share liability was determined on a Level 3 measurement. These values are determined using pricing models for which the assumptions utilized management's estimates.

The following tables present the Company's liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

		Fair Value Measurement as of September 30, 2022		
	Total	**Level 1**	**Level 2**	**Level 3**
Liabilities:				
Profit share liability – related party	$ 3,312,896	$ -	$ -	$ 3,312,896
Total Liabilities	$ 3,312,896	$ -	$ -	$ 3,312,896

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	Total	Fair Value Measurement as of December 31, 2021 Level 1	Level 2	Level 3
Liabilities:				
Profit share liability – related party	$ 2,836,743	$ -	$ -	$ 2,836,743
Total Liabilities	$ 2,836,743	$ -	$ -	$ 2,836,743

Revenue Recognition

The Company records revenue in accordance with ASC 606, *Revenue from Contracts with Customers.* The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized when the Company satisfies its performance obligation under the contract by transferring the promised product to its customer that obtains control of the product. A performance obligation is a promise in a contract to transfer a distinct product to a customer. Most of the Company's contracts have a single performance obligation, as the promise to transfer products or services is not separately identifiable from other promises in the contract and, therefore, not distinct.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products. As such, revenue is recorded net of returns, allowances, customer discounts, and incentives. Sales and other taxes are excluded from revenues. Invoiced shipping and handling costs are included in revenue.

Disaggregation of Revenue

The Company generated revenue for the three and nine months ended September 30, 2022 and 2021 by (i) delivering product to its commercial customers, (ii) completing and commissioning equipment projects at commercial customer sites and (iii) performing demonstrations of its technology at customers with the intent of entering into long term supply agreements based on the performance of the Company's products during the demonstrations and (iv) licensing its technology to customers.

Revenue for product sales is recognized at the point of time in which the customer obtains control of the product, at the time title passes to the customer upon shipment or delivery of the product based on the applicable shipping terms.

Revenue for equipment sales is recognized upon commissioning and customer acceptance of the installed equipment per the terms of the purchase contract.

Revenue for demonstrations and consulting services is recognized when performance obligations contained in the contract have been completed, typically the completion of necessary field work and the delivery of any required analysis per the terms of the agreement.

The following table presents sales by operating segment disaggregated based on the type of product and geographic region for the three and nine months ended September 30, 2022 and 2021.

	Three months ended September 30, 2022		Three months ended September 30, 2021	
	United States	**Total**	**United States**	**Total**
Product revenue	$ 7,382,800	$ 7,382,800	$ 4,687,595	$ 4,687,595
License revenue	52,530	52,530	195,547	195,547
Demonstrations & Consulting revenue	27,000	27,000	78,870	78,870
Equipment revenue	23,643	23,643	57,705	57,705
	$ 7,485,973	$ 7,485,973	$ 5,019,717	$ 5,019,717

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	United States	**Total**	**United States**	**Total**
Product revenue	$ 15,372,155	$ 15,372,155	$ 8,779,645	$ 8,779,645
License revenue	285,938	285,938	1,286,641	1,286,641
Demonstrations & Consulting revenue	81,000	81,000	140,180	140,180
Equipment revenue	217,346	217,346	110,585	110,585
	$ 15,956,439	$ 15,956,439	$ 10,317,051	$ 10,317,051

Income Taxes

Income tax expense for the three and nine months ended September 30, 2022 is for gross receipts tax in certain states in which the Company conducts business.

The Company recorded no income tax expense for the three and nine months ended September 30, 2022 and 2021 because the estimated effective tax rate was zero. In determining the estimated annual effective income tax rate, the Company analyses various factors, including projections of the Company's annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the ability to use tax credits and net operating loss carry forwards, and available tax planning alternatives.

As of September 30, 2022, the Company continues to provide a 100% valuation allowance against its net deferred tax assets since the Company believes it is more likely than not that its deferred tax assets will not be realized.

Basic and Diluted Loss Per Common Share

Basic net loss per common share is computed using the weighted average number of common shares outstanding. Diluted loss per share reflects the potential dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Based on a market price of $0.24 per share on September 30, 2022, there are 3,659,814 dilutive stock options and no dilutive warrants for the three months ended September 30, 2022 as the Company reported net income for the period. There were no dilutive potential common shares for the nine months ended September 30, 2022, because the Company incurred a net loss and basic and diluted losses per common share are the same. There were no dilutive potential common shares as of September 30, 2021, because the Company incurred net losses and basic and diluted losses per common share are the same.

	September 30, 2022	September 30, 2021
Stock Options	19,108,576	16,068,326
Warrants	4,285,000	4,285,000
Total common stock equivalents outstanding	23,393,576	20,395,326

	Three Months Ended September 30, 2022
Weighted average common stock outstanding	89,871,132
Dilutive stock options (exercise price less than market price) at September 30, 2022	3,659,814
Total dilutive common stock equivalents outstanding	93,530,946

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk consist of cash and equivalents on deposit with financial institutions and accounts receivable. The Company's cash as of September 30, 2022 and December 31, 2021 is maintained at high-quality financial institutions and has not incurred any losses to date.

Customer and Supplier Concentration

For the nine months ended September 30, 2022, four customers represented19%, 15%, 13% and 12% of the Company's revenues, and for the nine months ended September 30, 2021, four customers represented 17%, 15%, 13% and 11% of the Company's revenues.

For the nine months ended September 30, 2022, six customers represented20%, 18%, 16%, 11%, 11%, and 10% of the Company's accounts receivable, and for the nine months ended September 30, 2021, six customers represented 18%, 15%, 14%, 14%, 14%, and 12% of the Company's accounts receivable.

For the nine months ended September 30, 2022,84% of the Company's purchases related to three suppliers. For the nine months ended September 30, 2021,86% of the Company's purchases related to two suppliers. At September 30, 2022 and 2021, 68% and 66% of the Company's accounts payable and accrued expenses related to two vendors, respectively. The Company believes there are numerous other suppliers that could be substituted should a supplier become unavailable or non-competitive.

Contingencies

Certain conditions may exist which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they arise from guarantees, in which case the guarantees would be disclosed.

Recently Issued Accounting Standards

Issued in June 2021, FASB Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments* adds to U.S. GAAP an impairment model known as the current expected credit loss (CECL) model, which is based on expected losses rather than incurred losses. This guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application of the amendments is permitted.

Management does not believe that any recently issued, but not yet effective accounting standards, when adopted, will have a material effect on the accompanying consolidated financial statements.

Note 3 – Liquidity and Financial Condition

Under ASC 205-40, *Presentation of Financial Statements—Going Concern*, the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. As required by ASC 205-40, this evaluation shall initially not take into consideration the potential mitigating effects of plans that have not been fully implemented as of the date the financial statements are issued. Management has assessed the Company's ability to continue as a going concern in accordance with the requirement of ASC 205-40.

As reflected in the condensed consolidated financial statements, the Company had approximately $1.3 million in cash at September 30, 2022. In addition, the Company had cash used in operating activities of $0.4 million for the nine months ended September 30, 2022, had working capital of $2.2 million and an accumulated deficit of $68.1 million at September 30, 2022, and had a net loss in the amount of approximately $0.9 million for the nine months ended September 30, 2022. At September 30, 2022, all existing secured and unsecured debt held by its principal lender, excluding the profit share liability, in the principal amount of approximately $ 12.9 million was scheduled to mature on October 31, 2022.

The accompanying condensed consolidated financial statements as of September 30, 2022 have been prepared assuming the Company will continue as a going concern. On October 28, 2022, the Company's principal lender agreed to extend the maturity date of all of its existing secured and unsecured debt in the principal amount of approximately $12.9 million from October 31, 2022 to August 25, 2025. As a result, such liabilities have been reclassified as long-term liabilities in the accompanying condensed consolidated financial statements as of September 30, 2022. Based upon such extension of the maturity date of such secured and unsecured debt, the Company's current cash position and the Company's recent revenue growth, management believes substantial doubt regarding the Company's ability to continue as a going concern has been mitigated. The Company believes it will have sufficient working capital to fund operations for at least the next twelve months from the date of issuance of these financial statements.

Note 4 - Inventory

Inventory was comprised of the following at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Raw Materials	$ 576,632	$ 637,084
Spare Parts	83,357	86,118
Finished Goods	299,600	352,199
	$ 959,589	$ 1,075,401

Note 5 - Property and Equipment, Net

Property and equipment at September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022	December 31, 2021
Equipment & installation	$ 1,976,634	$ 1,976,634
Trucking equipment	845,102	834,375
Office equipment, computer equipment and software	20,295	20,295
Total equipment	2,842,031	2,831,304
Less: accumulated depreciation	(2,820,671)	(2,809,467)
Construction in process	1,807,707	1,807,707
Property and equipment, net	$ 1,829,067	$ 1,829,544

The Company uses the straight-line method of depreciation over estimated useful lives of 2 to 5 years During the three months ended September 30, 2022 and 2021 depreciation expense was $342, and $12,445, respectively. During the nine months ended September 30, 2022 and 2021 depreciation expense was $11,204, and $56,824, respectively.

Note 6 - Intellectual Property

On January 15, 2009, the Company entered into an "Exclusive Patent and Know-How License Agreement Including Transfer of Ownership" with the Energy and Environmental Research Center Foundation, a non-profit entity. Under the terms of the Agreement, the Company has been granted an exclusive license by the Energy and Environmental Research Center Foundation for the technology to develop, make, have made, use, sell, offer to sell, lease, and import the technology in any coal-fired combustion systems (power plant) worldwide and to develop and perform the technology in any coal-fired power plant in the world.

On April 24, 2017, the Company closed on the acquisition of all patent rights from the Energy and Environmental Research Center Foundation including all patents and patents pending, domestic and foreign, relating to the foregoing technology. A total of 42 domestic and foreign patents and patent applications were included in the acquisition. In accordance with the terms of the License Agreement, the patent rights were acquired for the purchase price of (i) 2,500,000 in cash, and (ii) 925,000 shares of common stock of which 628,998 shares were issued to the Energy and Environmental Research Center Foundation and296,002 were issued to the inventors who had been designated by the Energy and Environmental Research Center Foundation. The shares issued were valued at $518,000 ($0.56 per share), representing the value as of the closing date.

License and patent costs capitalized as of September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022	December 31, 2021
Licenses and patents	$ 3,068,995	$ 3,068,995
Less: Accumulated amortization	(1,108,248)	(954,798)
Intellectual property, net	$ 1,960,747	$ 2,114,197

Amortization expense for the three months ended September 30, 2022 and 2021 was $51,150 and $51,150, respectively. Amortization expense for the nine months ended September 30, 2022 and 2021 was $153,450 and $153,450, respectively. Estimated annual amortization for each of the next five years is $204,600.

Note 7 - Notes Payable

On February 25, 2020, and pursuant to a Business Loan Agreement entered into with a banking institution, the Company's wholly owned subsidiary, MES, Inc. closed on a one-year secured loan in the principal amount of $200,000 bearing interest at 8.75% per annum. Principal and interest is to be paid in equal monthly installments until the loan was paid in full on February 26, 2021. The note is secured by substantially all of the assets of MES, Inc. In February 2021, the loan was repaid in full.

On April 14, 2020, the Company received loan proceeds in the amount of $299,300 from First International Bank & Trust pursuant to the Paycheck Protection Program (the "PPP Loan") under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was enacted on March 27, 2020. In January 2021, the PPP Loan was forgiven, and the Company recorded a gain in the first quarter of 2021 on extinguishment of debt of $299,300.

In February 2021, the Company received second draw loan proceeds in the amount of $299,380 from First International Bank & Trust pursuant to the Paycheck Protection Program (the "Second PPP Loan") under the CARES Act. In October 2021, the Second PPP Loan was forgiven and the Company recorded a gain on extinguishment of debt of $301,377.

Note 8 - Convertible Notes Payable

From July 30, 2013 through December 24, 2013, the Company sold convertible notes and warrants to unaffiliated accredited investors totaling $1,902,500 (the "2013 Notes"). From February 8, 2021 to February 15, 2021, the Company issued 1,880,000 shares of common stock to certain holders of the 2013 Notes for the conversion of the outstanding principal of such notes in the aggregate amount of $940,000, based upon a conversion rate of $0.50 per share. On April 9, 2021, the Company issued 60,000 shares of common stock to another holder of such notes for the conversion of outstanding principal in the amount of $30,000, and on August 18, 2021, the Company issued 20,000 shares of common stock to another holder of such notes for the conversion of outstanding principal in the amount of $10,000, each based upon a conversion rate of $0.50 per share. On August 24, 2021, the Company prepaid the outstanding principal balance of another of such notes in the principal amount of $10,000. As of September 30, 2022 and December 31, 2021, total principal of $0, was outstanding on the 2013 Notes.

On June 15, 2018, the Company issued 2018 Unsecured Convertible Notes (the "2018 Unsecured Notes") totaling $560,000 and warrants to certain then holders of the 2013 Notes in exchange for their secured 2013 Notes, and from August 31, 2018 through October 30, 2018, the Company issued additional 2018 Unsecured Notes totaling $300,000 and warrants to unaffiliated investors. Pursuant to the terms of the 2018 Unsecured Notes, if at any time after six months from the issuance of the 2018 Notes, the closing price of the Company's common stock exceeds $1.00 per share for 10 consecutive trading days, the Company shall have the right to force conversion of all of the outstanding principal of such Notes. Pursuant to notice dated February 17, 2021, the Company notified all such holders that as a result closing price of the Company's common stock having exceeded $1.00 per share for 10 consecutive trading days, the Company was electing to force conversion of all such outstanding principal. Between February 26, 2021 and March 8, 2021, the Company issued 690,000 shares of common stock to certain holders of the 2018 Unsecured Notes for conversion of the outstanding principal of such Notes in the aggregate amount of $345,000, and on March 17, 2021, the Company issued 1,030,000 shares of common stock to the remaining holders of the 2018 Unsecured Notes for the conversion of the remaining outstanding principal in the aggregate amount of $515,000, all based upon a conversion rate of $0.50 per share. As of September 30, 2022 and December 31, 2021, total principal of $0, was outstanding on the 2018 Unsecured Notes.

From June 18, 2019 through October 23, 2019, the Company sold 2019 Unsecured Convertible Notes (the "2019 Unsecured Notes") totaling $2,600,000 and warrants to unaffiliated accredited investors. On February 26, 2021, the Company issued 100,000 shares of common stock to a certain holder of the 2019 Unsecured Notes for the conversion of outstanding principal in the amount of $50,000, based upon a conversion rate of $0.50 per share. Pursuant to a letter dated June 14, 2021, the Company offered each of the holders of the 2019 Unsecured Notes the opportunity to voluntarily convert the outstanding principal into shares of common stock at conversion ratio of 0.50 per share and, if converted prior to June 30, 2021, still be paid interest through September 30, 2021. With such offer, all accrued and unpaid interest, and additional interest through September 30, 2021, would be paid in shares of common stock at a rate of $1.00 per share, in lieu of payment in cash. As a result thereof, and between June 17, 2021 and June 23, 2021, (i) the outstanding principal totaling $2,550,000 was voluntarily converted by the holders thereof into an aggregate of 5,100,000 shares of common stock of the Company at a conversion price of $0.50 per share, and (ii) all accrued and unpaid interest thereon, together with additional interest through September 30, 2021, which together totaled $229,500, was converted into an aggregate of 229,500 shares of common stock of the Company. The Company recognized a conversion inducement cost of $98,515 related to the conversion. As of September 30, 2022 and December 31, 2021, total principal of $0, was outstanding on the 2019 Unsecured Notes. There is no further liability related to the profit share due to the voluntary conversion of all of the 2019 Unsecured Notes.

Note 9 - Related Party

Secured Note Payable

On November 29, 2016, pursuant to a new restated financing agreement entered with AC Midwest Energy, LLC ("AC Midwest") on November 1, 2016, the Company closed on a new secured note with AC Midwest (the "AC Midwest Secured Note") in the original principal amount of $9,646,686, which was to mature on December 15, 2018. AC Midwest is wholly-owned by a stockholder of the Company. The AC Midwest Secured Note is guaranteed by MES, is non-convertible and bears interest at a rate of 15.0% per annum, payable quarterly in arrears on or before the last day of each fiscal quarter. Interest expense for the years ended December 31, 2021 and 2020 was $41,319 and $41,432 respectively. On February 25, 2019, per Amendment No. 3 to the Amended and Restated Financing Agreement, AC Midwest agreed to waive compliance with a certain financial covenant of the Restated Financing Agreement and strike this covenant in its entirety as of the effective date of the amendment. Also, pursuant to Amendment No. 3, the parties agreed that the maturity date for the remaining principal balance due under the AC Midwest Secured Note would be extended from December 15, 2018 to August 25, 2022. The amendment was accounted for as an extinguishment in accordance with ASC 470-50 with no gain or loss recorded. As of both September 30, 2022 and December 31, 2021, total principal of $271,686 was outstanding on this note.

On October 28, 2022, the Company, along with MES, and AC Midwest, executed Amendment No. 4 to the Amended and Restated Financing Agreement pursuant to which the maturity date of the AC Midwest Secured Note was extended to August 25, 2025. In addition, the interest rate on the remaining principal balance was reduced from 15.0% to 9.0% per annum.

Unsecured Note Payable

The Company has the following unsecured note payable - related party outstanding as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Unsecured note payable	$ 13,154,931	$ 13,154,931
Less fair value adjustment on extinguishment	(488,274)	-
Less discounts and debt issuance costs	-	(1,283,677)
Total unsecured note payable	12,666,657	11,871,254
Less current portion	-	(11,871,254)
Unsecured note payable, net of current portion	$ 12,666,657	$ -

On November 29, 2016, pursuant to a new restated financing agreement entered with AC Midwest on November 1, 2016, the Company closed on an unsecured note with AC Midwest (the "AC Midwest Subordinated Note") in the principal amount of $13,000,000, which was to mature on December 15, 2020. On February 25, 2019, the Company, entered into an Unsecured Note Financing Agreement (the "Unsecured Note Financing Agreement") with AC Midwest, pursuant to which AC Midwest issued an unsecured note in the principal amount of $13,154,931 (the "AC Midwest Unsecured Note"), which represented the outstanding principal and accrued and unpaid interest at closing.

In accordance with ASC 470-60-15-5, since the present value of the cash flows under the new debt instrument was at least ten percent different from the present value of the remaining cash flows under the terms of the original debt instrument, the Company accounted for the amendment to note as a debt extinguishment. Accordingly, the Company wrote off the remaining debt discount on the original debentures of $1,070,819. Since the amendment was with a related party defined in ASC 470-50-40-2 the Company recorded a Capital contribution of $3,412,204 on this exchange which is primarily related to the difference in fair value of the note on the date of the exchange. The Company determined that the rate of interest on the AC Midwest Subordinated Note was a below market rate of interest and determined that a discount of $6,916,687 should be recorded. This discount is based on an applicable market rate for unsecured debt for the Company of 21% and will be amortized as interested expense over the life of the loan. Amortized discount recorded as interest expense for the nine months ended September 30, 2022 and 2021 was $1,204,488 and $1,382,366, respectively. As of September 30, 2022, the unamortized balance of the discount was $0 and the unamortized balance of the debt issuance costs was $0.

The AC Midwest Unsecured Note, which has been issued in exchange for the AC Midwest Subordinated Note which has now been cancelled, was to mature on August 25, 2022. It bears a zero cash interest rate.

In accordance with the Unsecured Note Financing Agreement, AC Midwest shall be entitled to a profit participation preference equal to 1.0 times the original principal amount (the "Profit Share"). If the original principal amount had been paid in full on or prior to August 25, 2020, AC Midwest would have been entitled to a profit participation preference equal to 0.5 times the original principal amount.

The Profit Share is "non-recourse" and shall only be derived from and computed on the basis of, and paid from, Net Litigation Proceeds from claims relating to the Company's intellectual property, Net Revenue Share and Adjusted Free Cash Flow (as such terms are defined in the Unsecured Note Financing Agreement), and Equity Offering Net Proceeds as described below.

On August 30, 2022, AC Midwest agreed to an extension of the maturity date of the AC Midwest Unsecured Note (and AC Midwest Secured Note) from August 25, 2022 to September 30, 2022. Such extension was expected to provide the Company sufficient time in which to conclude the process of negotiating certain changes and modifications to such financing arrangements. On September 28, 2022, AC Midwest agreed to an additional short-term extension of such maturity date from September 30, 2022 to October 31, 2022. The Company has accounted for the extension as debt extinguishment with a related party. As such the Company recorded a capital contribution of $488,274 on this exchange which is related to the difference in fair value of the note on the date of the exchange.

On October 28, 2022, the Company, along with MES, and AC Midwest, executed Amendment No. 1 to Unsecured Note Financing Agreement ("Amendment No. 1") pursuant to which the maturity date of the AC Midwest Unsecured Note was extended to August 25, 2025. In addition, the parties agreed that the Profit Share be increased by $4,500,000 from $13,154,931 (representing 1.0 times the original principal amount) to $17,654,931.

Principal Payments and the Profit Share

In connection with the New AC Midwest Unsecured Note the Company shall pay the principal outstanding, as well as the Profit Share, in an amount equal to 60.0% of Net Litigation Proceeds until such time as any litigation funder has been paid in full and, thereafter, in an amount equal to 75.0% of such Net Litigation Proceeds until the Unsecured Note and Profit Share have been paid in full. In addition, and within 30 days following the end of each fiscal quarter, the Company shall pay the principal outstanding and Profit Share in an aggregate amount equal to the Net Revenue Share (which means 60.0% of Net Licensing Revenue (as defined) from licensing the Company's intellectual property) plus Adjusted Free Cash Flow until the Unsecured Note and Profit Share have been paid in full, provided, however, that such payments shall exclude the first $3,500,000 of Net Licensing Revenue and Adjusted Free Cash Flow achieved commencing with the fiscal quarter ending March 31, 2019. In addition, and pursuant to Amendment No. 1, the Company shall pay the principal outstanding and Profit Share in an aggregate amount equal to 75.0% of any Equity Offering Net Proceeds (as defined) until the Unsecured Note and Profit Share have been paid in full. Any remaining principal balance due on the Unsecured Note shall be due and payable in full on the maturity date. The Profit Share, however, if not paid in full on or before the maturity date, shall remain subject to Unsecured Note Financing Agreement until full and final payment.

The Company is utilizing the methodology behind the ASC 815, *Derivatives and Hedging* and ASC 480, *Distinguishing Liabilities from Equity* to determine how to account for the profit-sharing portion of the note payable. Although the transaction is not indexed to MEEC's common stock the profit sharing has the characteristics of a freestanding financial instrument because the profit sharing is not callable by the lender, it will be paid out past the maturity of the Unsecured Note Payable and, the fair value will fluctuate over time based on payment predictions. The Profit Share was determined to have a fair value of $1,954,383 upon grant. The discounted cash flow model assumptions used at September 30, 2022 to calculate the Profit Share liability included: estimated term of sixteen years with between $100,000 to $350,000 paid quarterly starting in February 2024, and an annual market interest rate of 21%. The profit share liability will be marked to market every quarter utilizing management's estimates.

The following are the changes in the profit share liabilities during the nine months ended September 30, 2022 and 2021.

Profit Share as of January 1, 2022	$	2,836,743
Addition		-
Loss on change in fair value of profit share		476,153
Profit Share as of September 30, 2022	$	3,312,896
Profit Share as of January 1, 2021	$	2,305,308
Addition		-
Loss on change in fair value of profit share		386,951
Profit Share as of September 30, 2021	$	2,692,259

Debt Repayment and Exchange Agreement

On June 1, 2021, the Company, along with MES, entered into a Debt Repayment and Exchange Agreement with AC Midwest, which was expected to repay all existing secured and unsecured debt obligations presently held by AC Midwest (the "Debt Repayment Agreement").

Pursuant to the Debt Repayment Agreement, the Company was at closing to repay the principal balance outstanding on the AC Midwest Secured Note in cash, together with any other amounts due and owing under such note and repay the outstanding debt under the New AC Midwest Unsecured Note by paying and issuing a combination of cash and shares of common stock which AC Midwest had agreed to accept in full and complete repayment of the obligations thereunder.

At closing, and with regard to the New AC Midwest Unsecured Note, the Company was to pay AC Midwest $6,577,465 in cash representing 50.0% of the aggregate outstanding principal balance of such note, and issue shares of common stock to AC Midwest in exchange for the remaining 50.0% of the aggregate outstanding principal balance at an exchange price equal to 100% of the offering price of common stock in the Qualifying Offering (as defined below). With regard to the Profit Share, at closing the Company was to pay AC Midwest $2,305,308 in cash representing the Profit Share Valuation, and issue shares of common stock for $4,026,568 representing the Adjusted Profit Share Valuation (as such terms are defined in the Debt Repayment Agreement) at the same exchange price indicated above. The Company agreed to provide certain registration rights with respect to the shares issued thereunder.

The closing was subject to various conditions including but not limited to the completion of an offering of equity securities resulting in net proceeds of at least $2.0 million by December 31, 2021, which was extended to June 30, 2022 (the "Qualifying Offering"). Such closing conditions were not met by June 30, 2022.

On October 28, 2022, the parties entered into a Termination Agreement pursuant to which the parties agreed to terminate the Debt Repayment Agreement with immediate effect and that none of the parties shall have any further responsibility or liability thereunder.

Short term debt

On June 13, 2022, the Company entered into a promissory note in the amount of $250,000 with the Company's Chairman of the Board of Directors. The note bears interest at 6% and is due on the earlier of 90 days or the Company having cash of $1,200,000. $250,000 was outstanding as of September 30, 2022.

Related Party Transactions

Kaye Cooper Kay & Rosenberg, LLP provides certain legal services to the Company and was paid $286,105 and $212,873 for the nine months ended September 30, 2022 and 2021, respectively, for legal services rendered and disbursement incurred. David M. Kaye, a Director and Secretary of the Company, is a partner of the law firm. At September 30, 2022 and December 31, 2021, $145,833 and $206,554, respectively, was owed to the firm for services rendered.

In September 2022, the Company acquired a pickup truck from the Company's Chief Financial Officer for the purchase price of $10,000 which the parties determined to be its fair market value.

Note 10 - Operating Leases

In 2016, the Company entered into a six-year agreement to lease trailers used in the delivery of its products. Monthly payments currently total $24,760.

On July 1, 2015, the Company entered into a five-year lease for warehouse space in Corsicana, Texas. Rent is $3,750 monthly throughout the term of the lease. The Company is also responsible for the pro rata share of the projected monthly expenses for the property taxes. The current pro rata share is $882. The lease was extended on June 1, 2019 for five years. The Company recorded a right of use asset and an operating lease liability of $145,267. This amount represents the difference between the value from the remaining lease and the extended lease.

Future remaining minimum lease payments under these non-cancelable leases are as follows:

For the twelve months ended September 30,		
2023	$	92,040
2024		22,500
Total		114,540
Less discount		(2,856)
Total lease liabilities		111,684
Less current portion		(78,494)
Operating lease obligation, net of current portion	$	33,190

The weighted average remaining lease term for operating leases is 1.0 years and the weighted average discount rate used in calculating the operating lease asset and liability is 5.0%. For the nine months ended September 30, 2022, payments on lease obligations were $202,070 and amortization on the right of use assets was $283,074.

For the nine months ended September 30, 2022 and 2021, the Company's lease cost consists of the following components, each of which is included in costs and expenses within the Company's consolidated statements of operations:

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Operating lease cost	$ 283,074	$ 304,056
Short term lease costs	-	5,310
Total lease costs	$ 283,074	$ 309,366

Note 11 - Commitments and Contingencies

Fixed Price Contract

The Company's multi-year contracts with its commercial customers contain fixed prices for product.These contracts expire between 2022 and 2025 and expose the Company to the potential risks associated with rising material costs during that same period.

Legal proceedings

On July 17, 2019, the Company initiated patent litigation against certain defendants in the U.S. District Court for the District of Delaware for infringement of United States Patent Nos. 10,343,114 (the "'114 Patent") and 8,168,147 (the "'147 Patent") owned by the Company. These patents relate to the Company's two-part Sorbent Enhancement Additive (SEA®) process for mercury removal from coal-fired power plants. Named as defendants in the lawsuit are (i) Vistra Energy Corp., AEP Generation Resources Inc., NRG Energy, Inc., Talen Energy Corporation, and certain of their respective affiliated entities, all of which are owners and/or operators of coal-fired power plants in the United States, and (ii) Arthur J. Gallagher & Co., DTE REF Holdings, LLC, CERT Coal Holdings LLC, Chem-Mod LLC, and certain of their respective affiliated entities, and additional named and unnamed defendants, all of which operate or are involved in operations of coal facilities in the United States. In the lawsuit, the Company alleges that each of the defendants has willfully infringed the Company's '114 Patent and '147 Patent and seeks a permanent injunction from further acts of infringement and monetary damages.

During 2020, each of the four major utility defendants in the above action filed petitions for Inter Partes Review with the United States Patent and Trademark Office, seeking to invalidate certain claims to the patents which are subject to the litigation.

Between July 2020 and January 2021, we entered into agreements with each of the four major utility defendants in such action which included certain monetary arrangements and pursuant to which we have dismissed all claims brought against each of them and their affiliates, and such parties have withdrawn from petitions for Inter Partes Review with the United States Patent and Trademark Office. Such agreements entered into with such parties provide each of them and their affiliates with a non-exclusive license to certain Company patents (related to the Company's two-part Sorbent Enhancement Additive (SEA®) process) for use in connection with such parties' coal-fired power plants.

The above described proceedings are continuing with respect to the other parties involved. On May 20, 2021, a U.S. District Court Magistrate Judge issued a report and recommendation that the above action should be permitted to proceed against 16 refined coal defendants named in the action directly involved in the refined coal program and operations, and be dismissed against 12 other defendants, primarily affiliated entities of the refined coal operators. Such report was issued in connection with certain motions to dismiss filed by the refined coal defendants. In September 2021, the Company received approval from the District Judge of the U.S. District Court in Delaware of the adoption of this report and recommendation of the Magistrate Judge to allow the Company to proceed with litigation claims against certain refined coal entities.

As a result of an application made by the Company to the Court in March 2022 to add additional parties to the action (all affiliated entities of the already named defendants), there are now 24 refined coal defendants named in the action. In connection with such application, the District Court Magistrate Judge ruled in April 2022 that certain parties could be added but denied the application with respect to certain others. The fact discovery portion of the litigation has concluded. A jury trial date has been scheduled for September 2023.

Except for the foregoing disclosures, the Company is not presently aware of any other material pending legal proceedings to which the Company is a party or of which any of its property is the subject.

Litigation, including patent litigation, is inherently subject to uncertainties. As such, there can be no assurance that the Company will be successful in litigating and/or settling any of these claims.

Note 12 - Stock Based Compensation

Stock Based Compensation

Stock based compensation consists of the amortization of common stock, stock options and warrants issued to employees, directors and consultants. For the three months ended September 30, 2022 and 2021, stock based compensation expense amounted to $83,126 and $197,143, respectively. For the nine months ended September 30, 2022 and 2021, stock based compensation expense amounted to $533,409 and $453,052, respectively. Such expense is classified in selling, general and administrative expenses.

Common Stock

On March 23, 2021, and pursuant to a consulting agreement dated November 1, 2020, as amended on March 19, 2021, with a nonaffiliated third party, the Company issued 500,000 shares of common stock to such party as part of its compensation thereunder. These shares of common stock were valued at $615,000 in accordance with FASB ASC Topic 718. The fair value of the shares is being amortized to selling, general and administrative expenses within the Company's consolidated statements of operations over ten months. Pursuant to an amendment dated March 15, 2022 and effective as of December 31, 2021, the nonaffiliated party agreed to forfeit all of such shares which shares were cancelled effective as of December 31, 2021. As such, the previously recorded expense of $615,000 was reversed in December 2021.

On March 30, 2021, and pursuant to a business development agreement dated March 30, 2021 with a nonaffiliated third party, the Company issued 25,000 shares of common stock to such party for its compensation thereunder. These shares of common stock were valued at $29,250 in accordance with FASB ASC Topic 718. The fair value of the shares is being amortized to selling, general and administrative expenses within the Company's consolidated statements of operations over three months.

On December 1, 2021, and pursuant to a consulting agreement dated December 1, 2021 with a nonaffiliated third party, the Company issued 250,000 shares of common stock to such party as part of its compensation thereunder. These shares of common stock were valued at $171,250 in accordance with FASB ASC Topic 718. The fair value of the shares is being amortized to selling, general and administrative expenses within the Company's consolidated statements of operations over 12 months.

On May 31, 2022, and pursuant to a consulting agreement dated May 31, 2022 with a nonaffiliated third party, the Company issued 500,000 shares of common stock to such party as part of its compensation thereunder. These shares of common stock were valued at $160,000 in accordance with FASB ASC Topic 718. The fair value of the shares is being amortized to selling, general and administrative expenses within the Company's consolidated statements of operations over 12 months.

On May 31, 2022, the Company issued a total of 250,000 shares of common stock to two Directors. These shares of common stock were valued at $85,000 in accordance with FASB ASC Topic 718. The fair value of the shares was expensed in full on the issuance date.

Stock Options

The Company accounts for stock-based compensation awards in accordance with the provisions of ASC 718, which addresses the accounting for employee stock options which requires that the cost of all employee stock options, as well as other equity-based compensation arrangements, be reflected in the condensed consolidated financial statements over the vesting period based on the estimated fair value of the awards.

On May 1, 2021, the Company issued 15,869 shares of common stock to a certain option holder upon the cashless exercise of an option to purchase 25,000 shares of common stock at an exercise price off $0.42 based upon a market price of $1.15 per share as determined under the terms of the option. On June 30, 2021, the Company issued 125,000 shares of common stock to a certain option holder upon a cash exercise of an option to purchase 125,000 shares of common stock at an exercise price of $0.81 or $101,250 in the aggregate.

On January 24, 2022, the Company extended the expiration dates of certain fully expensed previously granted nonqualified stock options (which were due to expire in February 2022) which were granted to five individuals to acquire an aggregate of 700,000 shares of the Company's common stock under the Company's 2014 Equity Incentive Plan and the 2017 Equity Incentive Plan (the "2017 Plan"). Such extended options are exercisable at prices ranging from $1.15 to $1.20 per share, representing the original fair market value of the common stock on the dates of grant as determined under the applicable Equity Plan. The options are fully vested and exercisable and will now expire five years from their original expiration dates. Based on a Black-Scholes valuation model, these modified options were valued at $138,623, in accordance with FASB ASC Topic 718, which was expensed on the amendment date in selling, general and administrative expenses within the Company's condensed consolidated statements of operations.

On February 2, 2022, the Company issued 5,181 shares of common stock to a certain option holder upon the cashless exercise of options to purchase an aggregate of 9,750 shares of common stock at exercise prices ranging from $0.20 to $0.33 per share based upon a market price of $0.54 per share as determined under the terms of the options.

On May 31, 2022, the Company granted nonqualified stock options to the following executive officers: John Pavlish (Senior Vice President and Chief Technology Officer) and James Trettel (Vice President of Operations) – nonqualified stock options to each acquire 500,000 shares of the Company's common stock; and Jami Satterthwaite (Chief Financial Officer) – nonqualified stock options to acquire 100,000 shares of the Company's common stock. On such date, two other employees were also granted nonqualified stock options to each acquire 50,000 shares of the Company's common stock. All of such options were granted under the 2017 Plan and are exercisable at $0.21 per share, representing the fair market value of the common stock on the date of grant as determined under the 2017 Plan. The options are fully vested and exercisable and expire five years from their issuance date. Based on a Black-Scholes valuation model, these options were valued at $143,745, in accordance with FASB ASC Topic 718, which was expensed on the issuance date in selling, general and administrative expenses within the Company's condensed consolidated statements of operations. The valuation assumptions included an expected duration of 2.5 years, volatility of 96.83%, discount rate of 2.62% and dividends of $0.

A summary of stock option activity is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
December 31, 2021	18,318,326	$ 0.53	2.89	$ 2,961,965
Grants	1,200,000	0.21		$ -
Expirations	(400,000)	$ 1.03		
Exercised	(9,750)	$ 0.25		-
September 30, 2022	19,108,576	$ 0.50	2.54	$ 158,428
Options exercisable at:				
September 30, 2022	19,108,576	$ 0.50	2.54	$ 158,428

The aggregate intrinsic value in the table above represents the total intrinsic value, based on the Company's closing stock price of $0.24 as of September 30, 2022, which would have been received by the option holders had all option holders exercised their options as of that date.

Note 13 - Warrants

The Company utilized a Black-Scholes options pricing model to value warrants at the issuance date. This model requires the input of highly subjective assumptions such as the expected stock price volatility and the expected period until the warrants are exercised. When calculating the value of warrants issued, the Company uses a volatility factor, a risk-free interest rate and the life of the warrant for the exercise period.

From January 23, 2021 to February 16, 2021, the Company issued705,166 shares of common stock to certain warrant holders upon the cash exercise of warrants to purchase an aggregate of 705,166 shares of common stock at an exercise price of $0.35 per share or $246,808 in the aggregate.

On February 17, 2021, the Company issued97,675 shares of common stock to a certain warrant holder upon the cashless exercise of a warrant to purchase150,000 shares of common stock at an exercise price of $0.45 per share based upon a market value of $1.29 per share as determined under the terms of the warrant.

On March 8, 2021, the Company issued an aggregate of97,015 shares of common stock to certain warrant holders upon the cashless exercise of warrants to purchase an aggregate of 175,000 shares of common stock at an exercise price of $0.70 per share based upon market values from $1.44 to $1.63 per share as determined under the terms of the warrants.

The following is a summary of the Company's warrant activity:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
December 31, 2021	4,285,000	$ 0.63	2.47	$ -
Grants	-	-	-	-
Expirations	-	-	-	-
Exercised	-	-	-	-
September 30, 2022	4,285,000	$ 0.70	1.72	$ -
Warrants exercisable at:				
September 30, 2022	4,285,000	$ 0.70	1.72	$ -

The following table summarizes information about common stock warrants outstanding at September 30, 2022:

Outstanding and Exercisable			
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$ 0.70	4,285,000	1.72	$ 0.70
$ 0.70	4,285,000	1.72	$ 0.70

Note 14 - Subsequent Events

See Note 9 for information on (i) the short term extension executed on September 28, 2022, which extended the maturity date of the AC Midwest Unsecured Note and AC Midwest Secured Note from September 30, 2022 to October 31, 2022, and (ii) the execution of Amendment No. 1 to Unsecured Note Financing Agreement and Amendment No. 4 to Secured Note Financing Agreement, both of which were executed on October 28, 2022, which, among other things, extended the maturity date of the AC Midwest Unsecured Note and AC Midwest Secured Note to August 25, 2025.

In addition, see Note 9 for information on the execution of a Termination Agreement on October 28, 2022 which terminated the Debt Repayment Agreement among the Company, MES and AC Midwest.

On October 28, 2022, the Company and AC Midwest also entered into a Repurchase Option Agreement pursuant to which the Company shall have the option to repurchase a portion of the shares of common stock of the Company owned by AC Midwest at a purchase price of $0.50 per share until the earlier of (i) the date AC Midwest's beneficial ownership reaches 5.0% of the Company's issued and outstanding common stock, or (ii) August 25, 2025.

See Note 9 for information on a $250,000 short-term loan provided by the Company's Chairman of the Board of Directors in June 2022. On October 11, 2022, such loan, together with all accrued interest, was repaid in full by the Company.

On November 8, 2022, the Company granted a retention stock bonus award to the Company's Chief Executive Officer in the amount of3,000,000 shares of common stock. So long as the Chief Executive Officer remains in the continuous employ of the Company, the shares shall vest according to the following: 25.0% shall vest six months from the date of grant, and another 25.0% shall vest on each subsequent six-month anniversary of the date of grant so that the stock award is fully vested two years from the date of grant. Any unvested shares shall be forfeited immediately when the Chief Executive Officer is no longer in the continuous employ of the Company, unless due to death, disability or a change in control.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes that appear elsewhere within this report. Certain statements we make under this Item 2 constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. See "Forward-Looking Statements" in "Part I" preceding "Item 1 – Financial Statements." You should consider our forward-looking statements in light of the risks discussed under the heading "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2021, as well as our unaudited condensed consolidated financial statements, related notes and other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission.

Overview

Midwest Energy Emissions Corp. (the "Company", "we", "us" and "our") is an environmental services and technologies company developing and delivering patented and proprietary solutions to the global power industry. Our leading-edge services have been shown to achieve mercury emissions removal at a significantly lower cost and with less operational impact to coal-fired power plants than currently used methods, while maintaining and/or increasing power plant output and preserving the marketability of byproducts for beneficial use.

North America is currently the largest market for our technology. The U.S. EPA MATS (Mercury and Air Toxics Standards) rule requires that all coal and oil-fired power plants in the U.S., larger than 25MWs, must limit mercury in its emissions to below certain specified levels, according to the type of coal burned. Power plants were required to begin complying with MATS on April 16, 2015, unless they were granted a one-year extension to begin to comply. MATS, along with many state and provincial regulations, form the basis for mercury emission capture at coal fired plants across North America. Under the MATS regulation, Electric Generating Units ("EGUs") are required to remove about 90% of the mercury from their emissions. We believe that we continue to meet the requirements of the industry as a whole and our technologies have been shown to achieve mercury removal levels compliant with all state, provincial and federal regulations at a lower cost and with less plant impact than our competition.

As is typical in this market, we are paid by the EGU based on how much of our material is injected to achieve the needed level of mercury removal. Our current clients pay us as material is delivered to their facility. Clients will use our material whenever their EGUs operate, although EGUs are not always in operation. EGUs typically may not be in operation due to maintenance reasons or when the price of power in the market is less than their cost to produce power. Thus, our revenues from EGU clients will not typically be a consistent stream but will fluctuate, especially seasonally as the market demand for power fluctuates.

The MATS regulation has been subject to legal challenge since being enacted. In June 2015, the U.S. Supreme Court held that the EPA unreasonably failed to consider costs in determining whether it is "appropriate and necessary" to regulate hazardous air pollutants, including mercury, from power plants, but left the rule in place. On remand, following the Supreme Court's instructions to consider costs, the EPA in April 2016 issued a final supplemental finding reaffirming the MATS rule on the ground that it is supported by the cost analysis the Supreme Court required. That supplemental finding remains under review by the D.C. Circuit. In April 2017, the EPA asked the court to place that litigation in abeyance, stating that the Agency then under the Trump Administration was reviewing the supplemental finding to determine whether it should be reconsidered in whole or in part. The court granted the EPA's abeyance request which has remained in place. In April 2020, the EPA concluded that the 2016 supplemental finding was flawed in part due to its reliance on co-benefits to justify MATS and withdrew EPA's 2016 "appropriate-and-necessary" determination as erroneous, but left the 2011 MATS rule in place pursuant to D.C. Circuit case law holding that a source category may only be removed from the list of categories to be regulated through a rigorous delisting process that cannot currently be satisfied by the EPA. Upon taking office, the Biden Administration in January 2021 directed the EPA to review the previous Administration's actions on various environmental matters including the withdrawal of the "appropriate and necessary" determination, for conformity with Biden Administration environmental policy. In February 2021, the Biden Administration requested that the judicial review of the supplemental finding withdrawal be held in abeyance which was granted by the court and remains in place. On January 31, 2022, the EPA issued a proposal to revoke the reconsideration step made by the EPA in April 2020 and affirm that it is appropriate and necessary to regulate hazardous pollutants for coal and oil-fired EGUs.

Nevertheless, legal challenges may continue with respect to the MATS regulation which could extend uncertainty over the status of MATS for a number of years. Investors should note that any changes to the MATS rule could have a negative impact on our business.

We remain focused on positioning the Company for short and long-term growth, including focusing on execution at our customer sites and on continual operation improvement. We continue to make refinements to all of our key products, as we continue to focus on the customer and its operations. As part of our overall strategy, we have a number of initiatives which we believe will be able to drive our short and long-term growth.

We continue to seek new utility customers for our technology in order for them to meet the MATS requirements as well as maintaining our contractual arrangements with our current customers. We also seek license agreements with utilities while allowing them to use our SEA® technologies without our supply of products. During 2021 and early 2022, we have announced various supply contract extensions, new supply business and license agreements. We expect additional supply business and license agreements during the remainder of 2022 and thereafter, including converting certain licensees to supply customers.

On February 25, 2019, we were able to complete the restructuring of our unsecured and secured debt obligations held by AC Midwest Energy LLC extending the maturity dates of these debts until August 2022 which was recently extended to August 2025 (see below) and eliminating quarterly principal payment requirements. Pursuant thereto, AC Midwest was issued an unsecured note with a principal amount outstanding of $13.2 million which was issued on February 25, 2019 pursuant to an Unsecured Note Financing Agreement entered into on such date with AC Midwest, pursuant to which AC Midwest exchanged a previously issued subordinated unsecured note in the principal amount of $13.0 million, together with all accrued and unpaid interest thereon, for a new unsecured note in the principal amount of $13.2 million. The unsecured note, which is now scheduled to mature on August 25, 2025, bears a zero cash interest rate. Pursuant to the Unsecured Note Financing Agreement, AC Midwest shall also be entitled to a profit participation preference which was equal to 1.0 times the original principal amount but has recently been adjusted (see below). The profit share is "non-recourse" and shall only be derived from and computed on the basis of, and paid from, Net Litigation Proceeds from claims relating to the Company's intellectual property, Net Revenue Share, Adjusted Free Cash Flow and Equity Offering Net Proceeds (as such terms are defined in the Unsecured Note Financing Agreement, as amended). In addition, there remains outstanding to AC Midwest a principal balance of approximately $272,000 due under a secured note issued on November 29, 2016, in the original principal amount of approximately $9.6 million which also has a maturity date of August 25, 2022 and recently extended to August 2025. The secured note bears interest at a rate of 15.0% per annum, payable quarterly, although the interest rate was recently reduced to 9.0% per annum.

On October 28, 2022, we executed Amendment No. 1 to Unsecured Note Financing Agreement with AC Midwest pursuant to which the maturity date of the AC Midwest Unsecured Note was extended to August 25, 2025. In addition, the parties agreed that the Profit Share be increased by $4,500,000 from $13,154,931 (representing 1.0 times the original principal amount) to $17,654,931. In addition, on October 28, 2022, we executed Amendment No. 4 to the Amended and Restated Financing Agreement with AC Midwest pursuant to which the maturity date of the AC Midwest Secured Note was extended to August 25, 2025. In addition, the interest rate on the remaining principal balance was reduced from 15.0% to 9.0% per annum.

In June 2021, we announced that we had entered into a Debt Repayment and Exchange Agreement (the "Debt Repayment Agreement") with AC Midwest which was expected to repay all existing secured and unsecured debt obligations held by AC Midwest. Pursuant to such agreement, we were to repay the existing $272,000 principal amount outstanding under the secured note in cash as well as the existing $13.2 million principal amount outstanding under the unsecured note held by AC Midwest through a combination of cash and stock. The non-recourse profit share under the unsecured note was to have been satisfied through a combination of cash and stock. The closing was subject to various conditions including but not limited to the completion of an offering of equity securities resulting in net proceeds of at least $12.0 million by December 31, 2021, which was extended to June 30, 2022. Such closing conditions were not met by June 30, 2022. On October 28, 2022, the parties agreed to terminate the Debt Repayment Agreement with immediate effect pursuant to which none of the parties shall have any further responsibility or liability thereunder.

From June through October 2019, we raised $2,600,000 in a private placement offering of 12.0% unsecured convertible promissory notes and warrants sold and issued to certain accredited investors. In February 2021, $50,000 of such principal was voluntarily converted into shares of common stock, and in June 2021, the remaining principal balance of $2,550,000 was voluntarily converted by the holders thereof into shares of common stock of the Company.

In July 2019, we announced that we had initiated patent litigation against defendants in the U.S. District Court for the District of Delaware for infringement of certain patents which relate to our two-part Sorbent Enhancement Additive (SEA®) process for mercury removal from coal-fired power plants. Between July 2020 and January 2021, we entered into agreements with each of the four major utility defendants in the patent litigation commenced in 2019 which agreements included certain monetary arrangements and pursuant to which we have dismissed all claims brought against each of them and their affiliates, and such parties have withdrawn from petitions for Inter Partes Review with the U.S. Patent and Trademark Office. Such agreements entered into with such parties provide each of them and their affiliates with a non-exclusive license to certain Company patents (related to our two-part Sorbent Enhancement Additive (SEA®) process) for use in connection with such parties' coal-fired power plants. One of the agreements has facilitated an ongoing business relationship with that party. The above-described proceedings are continuing with respect to the other parties involved. In May 2021, a U.S. District Court Magistrate Judge issued a report and recommendation that such litigation should be permitted to proceed against 16 refined coal defendants named in the action directly involved in the refined coal program and operations, and be dismissed against 12 other defendants, primarily affiliated entities of the refined coal operators. In September 2021, such report and recommendation was approved by the District Judge for the United States District Court for the District of Delaware which will allow us to proceed against certain refined coal entities named in the lawsuit. As a result of an application made by the Company to the Court in March 2022 to add additional parties to the action (all affiliated entities of the already named defendants), there are now 24 refined coal defendants named in the action. In connection with such application, the District Court Magistrate Judge ruled in April 2022 that certain parties could be added but denied the application with respect to certain others. The fact discovery portion of the litigation has concluded. A jury trial date has been scheduled for September 2023.

During the first quarter of 2021, we announced new technologies under development intended to improve the processing of rare earth elements (REEs) in North America. Such technologies were under development in conjunction with our collaboration with an Alabama third party entity and its affiliates and pursuant to a license and development agreement entered into in October 2019. In October 2022, such license and development agreement expired and has not been extended or renewed. Prior to expiration, such technologies were being evaluated and tested but had not yet been commercialized. We plan to evaluate and test other related technologies for the extracting of REEs from their solvent state which we have developed and do not involve any of the technologies subject to the expired license and development agreement.

In addition to the $2.6 million in convertible notes which were converted into shares of common stock in the first and second quarters as described above, during the first quarter of 2021, we eliminated $1,830,000 of other convertible notes originally issued in 2013 and 2018 through conversions to shares of common stock. During the third quarter of 2021, we issued 20,000 shares of common stock to a certain holder of notes issued in 2013 for the conversion of outstanding principal in the amount of $10,000 and prepaid the outstanding principal balance of another of such notes issued in 2013 in the principal amount of $10,000. As a result, there are no convertible notes currently outstanding.

Although we face a host of challenges and risks, we are optimistic about our future and expect our business to grow substantially.

Effects of the COVID-19 Pandemic

It should be noted that the coronavirus (COVID-19) pandemic has impacted various businesses throughout the world since early 2020, including travel restrictions and the extended shutdown of certain businesses in impacted geographic regions. During this time, we have continued to conduct our operations while responding to the pandemic with actions to mitigate adverse consequences to our employees, business, supply chain and customers. Nevertheless, the duration and scope of the COVID-19 pandemic continues to be uncertain. In view of such uncertainty, disruptions to our business could still occur including, but not limited to, the availability of raw materials and equipment, and disruptions to our workforce, or to our business relationships with other third parties.

Results of Operations

Revenues

We generated revenues of approximately $7,486,000 and $5,020,000 for the three months ended September 30, 2022 and 2021, respectively and approximately $15,956,000 and $10,317,000 for the nine months ended September 30, 2022 and 2021, respectively. Such revenues were primarily derived from sorbent product sales which were approximately $7,383,00 and $4,688,000 for the three months ended September 30, 2022 and 2021, respectively and approximately $15,372,000 and $8,780,000 for the nine months ended September 30, 2022 and 2021, respectively. The increase in revenues from prior year period is primarily driven by increased sorbent product sales due to the increased supply demands in the coal-fired market as well as expansion of our customer base.

Costs and Expenses

Total costs and expenses were approximately $6,917,000 and $5,226,000 during the three months ended September 30, 2022 and 2021, respectively and approximately $16,892,000 and $12,671,000 during the nine months ended September 30, 2022 and 2021, respectively. The increase in total costs and expenses from the prior year periods is primarily attributable to the increase in cost of sales due primarily to increased sales, offset by a decrease in interest expense. In addition, there was a gain on extinguishment of debt recognized in the nine months ended September 30, 2021 in the approximate amount of $299,000, for which there was not a comparable item recognized in the current year.

Cost of sales were approximately $5,105,000 and $3,241,000 for the three months ended September 30, 2022 and 2021, respectively and approximately $10,810,000 and $6,221,000 for the nine months ended September 30, 2022 and 2021, respectively. The year to date increase in cost of sales is primarily attributable to increased sales.

Selling, general and administrative expenses were approximately $1,325,000 and $1,342,000 for the three months ended September 30, 2022 and 2021, respectively and approximately $4,286,000 and $4,060,000 for the nine months ended September 30, 2022 and 2021, respectively.

Interest expense related to the financing of capital was approximately $318,000 and $507,000 for the three months ended September 30, 2022 and 2021, respectively and approximately $1,320,000 and $2,302,000 for the nine months ended September 30, 2022 and 2021, respectively. The decrease is due to the 2021 stock conversion incentives provided to certain notes and accelerated interest expense upon conversion of notes, partially offset by the reduced interest on the notes payable as notes were converted to stock as well as the unsecured note reaching its original maturity of August 25, 2022. The breakdown of interest expense for the three and nine months ended September 30, 2022 and 2021 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In thousands)		(In thousands)	
Interest expense on notes payable	$ 15	$ 13	$ 37	$ 265
Accelerated interest expense upon conversion of notes	-	-	-	343
Additional interest upon conversion of notes	-	-	-	221
Amortization of discount of notes payable	285	463	1,204	1,382
Amortization of debt issuance costs	18	31	79	91
	$ 318	$ 507	$ 1,320	$ 2,302

Loss on change in fair value of profit share liability (relating to the restructured unsecured debt obligation held by AC Midwest Energy LLC) were approximately $168,000 and $476,000 for the three and nine months ended September 30, 2022, respectively. The change is primarily attributed to an increase in the fair value of the profit share liability. There were no significant changes to the underlying model during the three and nine months ended September 30, 2022.

Loss on change in fair value of profit share liability (relating to the restructured unsecured debt obligation held by AC Midwest Energy LLC) were approximately $137,000 and $387,000 for the three and nine months ended September 30, 2021, respectively. The change is primarily attributed to an increase in the fair value of the profit share liability. There were no significant changes to the underlying model during the three and nine months ended September 30, 2021.

Gain on forgiveness of debt of $299,300 relates to the loan proceeds we received in April 2020 pursuant to the Paycheck Protection Program ("PPP") under the CARES Act. Such loan was forgiven in January 2021 pursuant to the applicable PPP requirements.

Net Income (Loss)

For the three months ended September 30, 2022 and 2021, we had net income of approximately $569,000 and a net loss $207,000, respectively. Such change was primarily due to an increase in sales and a decrease in interest expense.

For the nine months ended September 30, 2022 and 2021, we had a net loss of approximately $935,000 and $2,354,000, respectively. Such change was primarily due to an increase in sales and a decrease in interest expense.

Liquidity and Capital Resources

We had approximately $1,257,000 in cash on our balance sheet at September 30, 2022 compared to approximately $1,388,000 at December 31, 2021. Total current assets were approximately $6,078,000 and total current liabilities were approximately $3,891,000 at September 30, 2022, resulting in working capital of approximately $2,187,000. This compares to total current assets of approximately $3,791,000 and total current liabilities of approximately $15,483,000 at December 31, 2021, resulting in a working capital deficit of approximately $11,692,000. Our accumulated deficit was approximately $68.1 million at September 30, 2022 compared to $67.1 million at December 31, 2021. Additionally, we had a net loss in the amount of approximately $935,000 and cash used in operating activities of approximately $357,000 for the nine months ended September 30, 2022.

As reflected in the condensed consolidated financial statements, we had approximately $1.3 million in cash at September 30, 2022. In addition, we had cash used in operating activities of $0.4 million for the nine months ended September 30, 2022, had working capital of $2.2 million and an accumulated deficit of $68.1 million at September 30, 2022, and had a net loss in the amount of approximately $0.9 million for the nine months ended September 30, 2022. At September 30, 2022, all existing secured and unsecured debt held by our principal lender, excluding the profit share liability, in the principal amount of approximately $12.9 million was scheduled to mature on October 31, 2022.

The accompanying condensed consolidated financial statements as of September 30, 2022 have been prepared assuming we will continue as a going concern. On October 28, 2022, our principal lender agreed to extend the maturity date of all of its existing secured and unsecured debt in the principal amount of approximately $12.9 million from October 31, 2022 to August 25, 2025. As a result, such liabilities have been reclassified as long-term liabilities in the condensed consolidated financial statements as of September 30, 2022. Based upon such extension of the maturity date of such secured and unsecured debt, our current cash position and our recent revenue growth, management believes substantial doubt regarding our ability to continue as a going concern has been mitigated. We believe the Company will have sufficient working capital to fund operations for at least the next twelve months from the date of issuance of these financial statements.

Total Assets

Total assets were approximately $9,987,000 at September 30, 2022 versus approximately $8,135,000 at December 31, 2021. The change in total assets is primarily attributable to an increase in accounts receivable.

Total Liabilities

Total liabilities were approximately $20,176,000 at September 30, 2022 versus approximately $18,374,000 at December 31, 2021. The increase is primarily due to an increase in accounts payable and accrued expenses, together with an increase in outstanding debt as a result of the amortization of discount and issuance costs and new $250,000 short term loan obtained in the second quarter of 2022 from a related party.

Operating Activities

Net cash used in operating activities consists of net loss, adjusted by certain non-cash items, and changes in operating assets and liabilities.

Net cash used in operating activities was approximately $368,000 for the nine months ended September 30, 2022 compared to net cash used in operating activities of approximately $306,000 for the nine months ended September 30, 2021.

Investing Activities

Net cash used in investing activities was approximately $11,000 for the nine months ended September 30, 2022 due to the purchase of property and equipment. There was no net cash provided or used in investing activities for the nine months ended September 30, 2021.

Financing Activities

Net cash provided by financing activities was approximately $247,000 for the nine months ended September 30, 2022 compared to net cash provided by financing activities of approximately $581,000 for the nine months ended September 30, 2021. During the nine months ended September 30, 2022, we received a $250,000 short term loan from a related party. During the nine months ended September 30, 2021, we received $299,000 from the issuance of a note pursuant to a Second PPP Loan we received under the CARES Act and $247,000 from the exercise of warrants.

Critical Accounting Policies and Estimates

For detailed information regarding our critical accounting policies and estimates, see our financial statements and notes thereto included in this Report and in our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes to our critical accounting policies and estimates from those disclosed in our most recent Annual Report on Form 10-K.

Non-GAAP Financial Measures

Adjusted EBITDA

To supplement our consolidated financial statements presented in accordance with GAAP and to provide investors with additional information regarding our financial results, we consider and are including herein Adjusted EBITDA, a Non-GAAP financial measure. We view Adjusted EBITDA as an operating performance measure and, as such, we believe that the GAAP financial measure most directly comparable to it is net income (loss). We define Adjusted EBITDA as net income adjusted for interest and financing fees, income taxes, depreciation, amortization, stock based compensation, and other non-cash income and expenses. We believe that Adjusted EBITDA provides us an important measure of operating performance because it allows management, investors, debtholders and others to evaluate and compare ongoing operating results from period to period by removing the impact of our asset base, any asset disposals or impairments, stock based compensation and other non-cash income and expense items associated with our reliance on issuing equity-linked debt securities to fund our working capital.

Our use of Adjusted EBITDA has limitations as an analytical tool, and this measure should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP, as the excluded items may have significant effects on our operating results and financial condition. Additionally, our measure of Adjusted EBITDA may differ from other companies' measure of Adjusted EBITDA. When evaluating our performance, Adjusted EBITDA should be considered with other financial performance measures, including various cash flow metrics, net income and other GAAP results. In the future, we may disclose different non-GAAP financial measures in order to help our investors and others more meaningfully evaluate and compare our future results of operations to our previously reported results of operations.

The following table shows our reconciliation of net loss to adjusted EBITDA for the three and nine months ended September 30, 2022 and 2021, respectively:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(In thousands)		(In thousands)	
Net income (loss)	$ 569	$ (207)	$ (935)	$ (2,354)
Non-GAAP adjustments:				
Depreciation and amortization	62	63	175	210
Interest	318	507	1,320	2,302
Change in fair value of profit share	169	137	476	387
Gain on extinguishment of debt	-	-	-	(299)
Stock based compensation	47	197	497	453
Adjusted EBITDA	$ 1,165	$ 697	$ 1,533	$ 698

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive officer and principal financial officer concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures were not effective as a result of material weaknesses in our internal control over financial reporting. The ineffectiveness of our disclosure controls and procedures was due to the following material weaknesses in our internal control over financial reporting: (i) lack of a sufficient complement of personnel commensurate with the Company's reporting requirements; and (ii) insufficient written documentation or training of our internal control policies and procedures which provide staff with guidance or framework for accounting and disclosing financial transactions.

Despite the existence of the material weaknesses above, we believe that the consolidated financial statements contained in this Form 10-Q fairly present our financial position, results of operations and cash flows as of and for the periods presented in all material respects.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15 (f) under the Exchange Act) during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 11 "Commitments and Contingencies" to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this report for a summary of our legal proceedings, which is incorporated by reference herein.

Item 1A. Risk Factors.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

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

None.

Item 3. Default Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On November 8, 2022, the Company granted a retention stock bonus award to Richard MacPherson (Chief Executive Officer) in the amount of 3,000,000 shares of common stock. So long as Mr. MacPherson remains in the continuous employ of the Company, the shares shall vest according to the following: 25.0% shall vest six months from the date of grant, and another 25.0% shall vest on each subsequent six-month anniversary of the date of grant so that the stock award is fully vested two years from the date of grant. Any unvested shares shall be forfeited immediately when Mr. MacPherson is no longer in the continuous employ of the Company, unless due to death, disability or a change in control. Such securities have been issued in reliance upon the exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 6. Exhibits.

Exhibit Number	Description
31.1*	Certification by Principal Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act
31.2*	Certification by Principal Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act
32.1*	Certification by Principal Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code
32.2*	Certification by Principal Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

SIGNATURES

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

MIDWEST ENERGY EMISSIONS CORP.

Dated: November 14, 2022

By: */s/ Richard MacPherson*
Richard MacPherson
President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 14, 2022

By: */s/ Jami L. Satterthwaite*
Jami L. Satterthwaite
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION

I, Richard MacPherson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Midwest Energy Emissions Corp.;

2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2022

By: */s/ Richard MacPherson*
Richard MacPherson,
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Jami L. Satterthwaite, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Midwest Energy Emissions Corp.;

2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2022

By: */s/ Jami L. Satterthwaite*
Jami L. Satterthwaite
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Midwest Energy Emissions Corp. (the “Company”) on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission (the “Report”), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned’s knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2022

By: */s/ Richard MacPherson*
Richard MacPherson,
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Midwest Energy Emissions Corp. (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2022

By: *_/s/ Jami L. Satterthwaite_*
Jami L. Satterthwaite
Chief Financial Officer
(Principal Financial Officer)