

Edgar Filing: ABLE ENERGY INC - Form 10-Q

ABLE ENERGY INC  
Form 10-Q  
February 17, 2004

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
-----

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2003

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-15035

ABLE ENERGY, INC.

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

22-3520840  
(I.R.S. employer  
identification No.)

198 GREEN POND ROAD  
ROCKAWAY, NJ  
(Address of principal executive offices)

07866  
(Zip code)

Registrant's telephone number, including area code: (973) 625-1012

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last  
report)

Indicate by check X whether 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 registrant was required  
to file such reports), and (2) has been subject to such filing requirements for  
the past 90 days. Yes  No

As of February 9, 2004, 2,013,250 shares, \$.001 Par value per share, of  
Able Energy, Inc. were issued and outstanding.

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ABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

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	December 31,	June 30,
	2003	2003
	(Unaudited)	(Audited)
	-----	-----
Current Assets:		
Cash	\$ 391,534	\$ 400,033
Accounts Receivable (Less Allowance for Doubtful Accounts of \$90,472 (December 31) and \$279,913 (June 30))	3,221,559	2,661,808
Inventory	1,293,138	789,422
Notes Receivable - Current Portion	63,133	57,577
Miscellaneous Receivables	89,798	70,503
Prepaid Expenses	475,433	395,982
Insurance Claim Receivable	-	349,526
Deferred Costs - Insurance Claims	828,786	703,675
Prepaid Expense - Income Taxes	2,063	2,063
Deferred Income Tax	33,047	73,777
	-----	-----
Total Current Assets	6,398,491	5,504,366
	-----	-----
Property and Equipment:		
Land	479,346	451,925
Buildings	946,046	946,046
Trucks	3,551,189	3,125,453
Fuel Tanks	1,567,615	1,455,501

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Machinery and Equipment	784,057	769,817
Leasehold Improvements	612,935	597,759
Cylinders	755,496	755,496
Office Furniture and Equipment	200,640	200,640
Website Development Costs	2,317,994	2,274,575
	-----	-----
	11,215,318	10,577,212
Less: Accumulated Depreciation and Amortization	4,918,731	4,331,055
	-----	-----
Net Property and Equipment	6,296,587	6,246,157
	-----	-----
Other Assets:		
Deferred Income Taxes	45,091	45,091
Deposits	132,720	165,541
Notes Receivable - Less Current Portion	170,237	177,793
Customer List, Less Accumulated Amortization of (\$188,122) December 31 and June 30.	422,728	422,728
Covenant Not to Compete, Less Accumulated Amortization of \$86,667 (December 31) and \$76,667 (June 30).	13,333	23,333
Development Costs - Franchising	22,977	27,573
	-----	-----
Total Other Assets	807,086	862,059
	-----	-----
Total Assets	\$13,502,164	\$12,612,582
	=====	=====

See Accompanying Notes

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ABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Cont'd)

LIABILITIES & STOCKHOLDERS' EQUITY

	DECEMBER 31,	JUNE 30,
	2003	2003
	(UNAUDITED)	(AUDITED)
	-----	-----
CURRENT LIABILITIES:		
Accounts Payable	\$ 2,951,094	\$ 1,420,911
Note Payable - Bank	700,000	-
Note Payable - Other	335,000	335,000
Current Portion of Long-Term Debt	357,367	1,238,982
Accrued Expenses	634,597	735,370
Accrued Taxes	27,640	98,612
Customer Pre-Purchase Payments	1,254,228	936,680
Customer Credit Balances	673,060	416,644
Escrow Deposits	5,000	5,000
Note Payable - Officer	320,188	321,630

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	9,333	-
	-----	-----
TOTAL CURRENT LIABILITIES	7,267,507	5,508,829
DEFERRED INCOME	79,679	79,679
DEFERRED INCOME TAXES	76,980	70,310
SHORT-TERM DEBT REFINANCED	-	3,170,000
LONG-TERM DEBT: less current portion	4,694,198	296,472
	-----	-----
TOTAL LIABILITIES	12,118,364	9,125,290
	-----	-----
STOCKHOLDERS' EQUITY:		
Preferred Stock		
Authorized 10,000,000 Shares Par Value \$.001 per share		
Issued - None		
Common Stock		
Authorized 10,000,000 Par Value \$.001 per share Issued		
and Outstanding Shares 2,013,250 (2003) and 2,007,250 (2002)	2,014	2,014
Paid in Surplus	5,711,224	5,711,224
Retained Earnings (Deficit)	(4,329,438)	(2,225,946)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	1,383,800	3,487,292
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$13,502,164	\$12,612,582
	=====	=====

See Accompanying Notes

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ABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

(UNAUDITED)

	THREE MONTHS DECEMBER 31,		SIX MON
	-----		-----
	2003	2002	200
	----	----	----
NET SALES	\$12,427,350	\$12,453,732	\$19,2
COST OF SALES	10,876,794	9,934,503	16,8
GROSS PROFIT	1,550,556	2,519,229	2,4
EXPENSES			
Selling, General and Administrative Expenses	1,543,776	1,218,992	3,1
Depreciation and Amortization Expense	319,981	297,265	6
Total Expenses	1,863,757	1,516,257	3,8

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INCOME (LOSS) FROM OPERATIONS	(313,201)	1,002,972	(1,3
OTHER INCOME (EXPENSES):			
Interest and Other Income	35,452	33,279	
Interest Expense	(111,776)	(107,963)	(4
Legal and Professional Fees relating to Other Expense	(173,042)	-	(3
TOTAL OTHER INCOME (EXPENSES)	(249,366)	(74,684)	(6
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(562,567)	928,288	(2,0
PROVISION (REDUCTION) FOR INCOME TAXES	29,635	3,880	
NET INCOME (LOSS)	\$ (592,202)	\$ 924,408	\$ (2,1
BASIC INCOME (LOSS) PER COMMON SHARE	\$ (.29)	\$ .46	\$
DILUTED INCOME (LOSS) PER COMMON SHARE	\$ (.29)	\$ .45	\$
WIGHTED AVERAGE NUMBER OF COMMON SHARES			
OUTSTANDING - USED IN BASIC	2,013,250	2,006,855	2,0
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
OUTSTANDING - USED IN DILUTED	2,013,250	2,057,512	2,0

See Accompanying Notes

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### ABLE ENERGY, INC. AND SUBSIDIARIES

#### CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

SIX MONTHS ENDED DECEMBER 31, 2003

(UNAUDITED)

COMMON STOCK .001 PAR VALUE -----		ADDITIONAL PAID-IN SURPLUS -----	RETAINED EARNINGS -----	TOTAL STOCKHOLDERS' EQUITY -----
SHARES -----	AMOUNT -----			
Balance - July 1, 2003	2,013,250	\$ 2,014	\$5,711,224	\$ (2,225,946)
Net (Loss)			(2,103,492)	(2,103,492)

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Balance - December 31, 2003	----- 2,013,250 =====	----- \$2,014 =====	----- \$5,711,224 =====	----- \$(4,329,438) =====	----- \$1,383,800 =====
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See Accompanying Notes

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ABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW

(UNAUDITED)

	SIX MONTHS ENDED DECEMBER 31 UNAUDITED -----	
	2003 ----	2002 ----
CASH FLOW FROM OPERATING ACTIVITIES -----		
Net Income (Loss) - Continuing Operations	\$ (2,103,492)	\$ 194,582
Adjustments to Reconcile Net Income to Net Cash used by Operating Activities:		
Depreciation and Amortization	633,047	594,671
Directors' Fees	-	24,000

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Loss on Disposal of Equipment	-	842
(Increase) Decrease in:		
Accounts Receivable	(559,751)	(1,626,729)
Inventory	(503,716)	(250,243)
Prepaid Expenses	(79,451)	(31,646)
Deposits	32,821	-
Insurance Claims	349,526	-
Deferred Costs Insurance Claims	(125,111)	-
Deferred Income Tax - Asset	40,730	-
Increase (Decrease) in:		
Accounts Payable	1,530,183	942,526
Accrued Expenses	(100,773)	(65,064)
Customer Advance Payments	317,548	4,005
Taxes Payable	(70,972)	4,011
Customer Credit Balance	256,416	(134,769)
Deferred Income Taxes	6,770	7,000
Deferred Income	9,333	-
Escrow Deposits	-	(12,400)
	-----	-----
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(366,892)	(349,214)
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(699,322)	(383,731)
Web Site Development Costs	(43,419)	-
Disposition of Equipment	73,860	-
Increase in Deposits	-	(32,500)
Payment on Notes Receivable - Sale of Equipment	2,000	8,965
Note Receivable - Montgomery	-	655
Other Receivables	(19,395)	(12,800)
	-----	-----
Net Cash (Used) Provided By Investing Activities	\$ (686,276)	\$ (419,411)
	=====	=====

See Accompanying Notes

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ABLE ENERGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)  
(UNAUDITED)

	SIX MONTHS ENDED DECEMBER 31 UNAUDITED -----	
	2003 ----	2002 ----
CASH FLOW FROM FINANCING ACTIVITIES		
(Decrease) in Notes Payable - Bank	\$ (1,270,000)	\$ (200,000)
Increase in Notes Payable - Other	(1,250,000)	750,000
Note Payable - Bank	700,000	-
Decrease in Long-Term Debt	(1,939,112)	(288,067)
Increase in Long-Term Debt	4,805,223	331,163

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Note Payable - Officer	(1,442)	50,000
	-----	-----
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	1,044,669	643,096
	-----	-----
NET (DECREASE) INCREASE IN CASH		
Cash - Beginning of Year	(8,499)	(125,529)
Cash - End of Year	400,033	258,560
	-----	-----
	\$ 391,534	\$ 133,031
	=====	=====
The Company had Interest Cash Expenditures of:	\$ 424,598	\$ 195,099
The Company had Tax Cash Expenditures of:	\$ 54,508	\$ 7,017

See Accompanying Notes

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ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003 AND DECEMBER 31, 2003

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Able Energy, Inc. and its subsidiaries. The minority interest of 1% in Able Propane, LLC is immaterial and has not been shown separately. All material inter-company balances and transactions were eliminated in consolidation.

MAJORITY OWNERSHIP



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The Company is the majority owner, owning 70.6% of the issued shares of a subsidiary, PriceEnergy.Com, Inc. in which their capital investment is \$25,000. The subsidiary has established a E-Commerce Operating System for the sale of products through a network of suppliers originally on the East Coast of the United States. The Web Site became active in October 2000 (See Notes 8 and 13)

### MINORITY INTEREST

The minority interest in PriceEnergy.Com, Inc. is a deficit and, in accordance with Accounting Research Bulletin No. 51, subsidiary losses should not be charged against the minority interest to the extent of reducing it to a negative amount. As such, the losses have been charged against the Company, the majority owner. The loss for six months ended December 31, 2003 is \$348,033 (See Notes 8 and 13).

The consolidated interim financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report for the year ended June 30, 2003. The Company follows the same accounting policies in preparation of interim reports.

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### ABLE ENERGY, INC. AND SUBSIDIARIES

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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JUNE 30, 2003 AND DECEMBER 31, 2003

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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Results of operations for the interim periods are not indicative of annual results.

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### NATURE OF OPERATIONS

Able Oil Company, Able Melbourne and Able Energy New York, Inc. are full service oil companies that market and distribute home heating oil, diesel fuel and kerosene to residential and commercial customers operating in the northern New Jersey, Melbourne, Florida, and Warrensburg, New York respectively. Able Propane, installs propane tanks which it owns and sells propane for heating and cooking, along with other residential and commercial uses.

The Company's operations are subject to seasonal fluctuations with a majority of the Company's business occurring in the late fall and winter months. Approximately 70% of the Company's revenues are earned and received from October through March, and the overwhelming majority of such revenues are derived from the sale of HVAC products and services and home heating fuel. However, the seasonality of the Company's business is offset, in part, by the increase in revenues from the sale of diesel and gasoline fuels during the spring and summer months due to the increased use of automobiles and construction apparatus.

### INVENTORIES

Inventories are valued at the lower of cost (first in, first out method) or market.

### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided by using the straight-line method based upon the estimated useful lives of the assets (5 to 40 years). Depreciation expense for the six months ended December 31, 2003 and 2002 amounted to \$388,970 and \$360,025, respectively.

For income tax basis, depreciation is calculated by a combination of the straight-line and modified accelerated cost recovery systems established by the Tax Reform Act of 1986.

Expenditures for maintenance and repairs are charged to expense as incurred whereas expenditures for renewals and betterments are capitalized.

The cost and related accumulated depreciation of assets sold or otherwise disposed of during the period are removed from the accounts. Any gain or loss is reflected in the year of disposal.

ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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JUNE 30, 2003 AND DECEMBER 31, 2003  
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)  
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## E-COMMERCE OPERATING SYSTEM DEVELOPMENT COSTS

Costs of \$2,317,944 incurred in the developmental stage and thereafter for computer hardware and software have been capitalized in accordance with accounting pronouncement SOP98-1. The costs are included in Property and Equipment and will be amortized on a straight line basis during the estimated useful life, 5 years. Operations commenced in October 2000. Amortization for the six months ended December 31, 2003 and 2002 amounted to \$229,481 and \$220,050, respectively.

## INTANGIBLE ASSETS

Intangibles are stated at cost and amortized as follows: Customer Lists of \$571,000 related to the Connell's Fuel Oil Company acquisition on October 28, 1996, by Able Oil Company was being amortized over a straight-line period of 15 years. The current period amortization also includes a customer list of \$39,850 and Covenant Not To Compete of \$100,000 relating to the acquisition from B & B Fuels on August 27, 1999, is being amortized over a straight-line period of 10 and 5 years, respectively. The amortization for the six months ended December 31, 2003 and 2002 are \$10,000 and \$10,000, respectively.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 requires goodwill and other intangible assets to be tested for impairment under certain circumstances, and written off when impaired, rather than being amortized as previous standards required, as such, effective July 1, 2001, the Customer List will no longer be amortized for financial statement purposes.

For income tax basis, the Customer Lists and the Covenant Not To Compete are being amortized over a straight-line method of 15 years as per the Tax Reform Act of 1993.

## USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

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ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

JUNE 30, 2003 AND DECEMBER 31, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

## INCOME TAXES

Effective January 1, 1997, all the subsidiaries, which were S-Corporations, terminated their S-Corporation elections. The subsidiaries are filing a consolidated tax return with Able Energy, Inc.

Effective January 1, 1997, the Company has elected to provide for income taxes based on the provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements and tax returns in different years. Under this method, deferred income tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

## CONCENTRATIONS OF CREDIT RISK

The Company performs on-going credit evaluations of its customers' financial conditions and requires no collateral from its customers.

Financial instruments which potentially subject the Company to concentrations of credit risk consists of checking and savings accounts with several financial institutions in excess of insured limits. The excess above insured limits is approximately \$268,363. The Company does not anticipate non-performance by the financial institutions.

## CASH

For the purpose of the statement of cash flows, cash is defined as balances held in corporate checking accounts and money market accounts.

## ADVERTISING EXPENSE

Advertising costs are expensed at the time the advertisement appears in various publications and other media. The expense was \$348,095 and \$232,593 for the six months ended December 31, 2003 and 2002, respectively.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accrued

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compensation, and other accrued liabilities, approximate fair value because of their short maturities.

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### ABLE ENERGY, INC. AND SUBSIDIARIES

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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JUNE 30, 2003 AND DECEMBER 31, 2003

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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##### REVENUE RECOGNITION

Sales of fuel and heating equipment are recognized at the time of delivery to the customer, and sales of equipment are recognized at the time of installation. Revenue from repairs and maintenance service is recognized upon completion of the service. Payments received from customers for heating equipment service contracts are deferred and amortized into income over the term of the respective service contracts, on a straight line basis, which generally do not exceed one year.

##### COMPUTATION OF NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common and dilutive potential common shares outstanding during the period. Diluted net loss per share is computed using the weighted-average number of common shares and excludes dilutive potential common shares outstanding, as their effect is anti-dilutive. Dilutive potential common shares primarily consist of employee stock options.

##### IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

##### RECENT ACCOUNTING PRONOUNCEMENTS

FASB Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect

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Guarantees of Indebtedness of Others." In November 2002, the FASB issued FIN 45 which requires a guarantor to recognize a liability for the fair value of the obligation it assumes under certain guarantees. Additionally, FIN 45 requires a guarantor to disclose certain aspects of each guarantee, or each group of similar guarantees, including the nature of the guarantee, the maximum exposure under the guarantee, the current carrying amount of any liability for the guarantee, and any recourse provisions allowing the guarantor to recover from third parties any amounts paid under the guarantee. The disclosure provisions of FIN 45 are effective for financial statements for both interim and annual periods ending after December 15, 2002. The fair value measurement provisions of FIN 45 are to be adopted as of July 1, 2003. The Company has no obligation effected by this pronouncement.

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### ABLE ENERGY, INC. AND SUBSIDIARIES

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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JUNE 30, 2003 AND DECEMBER 31, 2003

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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##### RECENT ACCOUNTING PRONOUNCEMENTS (Cont'd)

SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure (an amendment of FASB Statement No. 123)." In December 2002, the FASB issued SFAS No. 148, which amends SFAS No. 123, "Accounting for Stock-Based Compensation," and provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation; SFAS No. 148 also amends the disclosure requirements of SFAS No. 123 and APB Opinion No. 28, "Interim Financial Reporting," to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements for periods ending after December 15, 2002. The Company will adopt SFAS No. 148 effective July 1, 2003. It currently has no effect on the Company.

##### DEBT EXTINGUISHMENT

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements Nos. 4, 44 and 64, Amendment of FASB Statement

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No. 13, and technical Corrections." Among other things, this statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt" (SFAS No. 4), which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. As a result, the criteria in Accounting Principles Board Opinion No. 30, "reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," which requires gains and losses on extinguishment of debts to be classified as income or loss from continuing operations, will now be applied. We adopted the provisions of this statement as of July 1, 2002, as it was effective for years beginning after June 15, 2002.

### EXIT COSTS AND DISPOSAL ACTIVITIES

In June 2002, FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS NO. 146), which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" (EITF 94-3). The principal difference between SFAS No. 146 and EITF 94-3 relates to SFAS No. 146's requirements for recognition of a liability for a cost associated with an exit or disposal activity. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3, a liability for an exit cost as generally defined in EITF 94-3 was recognized at the date of an entity's commitment to an exit plan. We will adopt the new standard effective July 1, 2003. This currently has no effect on the Company's operations.

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### ABLE ENERGY, INC. AND SUBSIDIARIES

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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JUNE 30, 2003 AND DECEMBER 31, 2003

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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#### ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2003, the Company has adopted SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). This statement provides the accounting for the cost of

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legal obligations associated with the retirement of long-lived assets. SFAS No. 143 requires that companies recognize the fair value of a liability for asset retirement obligations in the period in which the obligations are incurred and capitalize that amount as part of the book value of the long-lived asset. SFAS No. 143 also precludes companies from accruing removal costs that exceed gross salvage in their depreciation rates and accumulated depreciation balances if there is no legal obligation to remove the long-lived assets. The adoption had no current effect on the financial records.

NOTE 2                      NOTES RECEIVABLE  
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- A.            The Company has a Receivable from Able Montgomery, Inc. and Andrew W. Schmidt related to the sale of Able Montgomery, Inc. to Schmidt, and truck financed by Able Energy, Inc. No payments of principal or interest had been received for more than one year. A new note was drawn dated June 15, 2000 for \$170,000, including the prior balance, plus accrued interest. The Note bears interest at 9.5% per annum and payments commence October 1, 2000. The payments will be monthly in varying amount each year with a final payment of \$55,981.07 due September 1, 2010. No payments were received in the year ended December 31, 2000. In February 2001, two (2) payments were received in the amount \$2,691.66, interest only. In September 2001, \$15,124.97 was received covering payments from December 2000 through October 2001, representing interest of \$14,804.13 and principal of \$320.84. Payments were received in November and December 2002, representing December 2001 and January 2002, a total of \$3,333.34; interest of \$2,678.88, and principal of \$654.46.

The note is secured by a pledge and security agreement and stock purchase agreement (Stock of Able Montgomery, Inc.), dated December 31, 1998, and the assets of Andrew W. Schmidt with the note dated June 15, 2000. The income on the sale of the company in December 1998 and the accrued interest on the drawing of the new note are shown as deferred income in the amount of \$79,679.18 to be realized on collection of the notes.

Maturities of the Note Receivable are as follows:

For the 12 Months Ending December 31, -----	Principal Amount -----
2004	\$ 25,781
2005	11,933
2006	13,118
2007	14,420
2008	15,850
Balance	87,599
	-----
Total	\$ 168,701 =====



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## ABLE ENERGY, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

JUNE 30, 2003 AND DECEMBER 31, 2003

#### NOTE 2                      NOTES RECEIVABLE (CONT'D)

B.            Able Oil Company has four (4) Notes Receivable for the sale of oil delivery trucks to independent drivers who also deliver oil for the Company. The Notes bear interest at the rate of 12% per annum. Two notes began December 1998, one began February 1999 and one will begin in January 2004. The Notes are payable eight (8) months per year September through April, the oil delivery season.

Maturities of these Notes Receivable are as follows:

For the 12 Months Ended December 31,	Principal Amount
-----	-----
2004	\$43,637
2005	21,764
2006	15,910
2007	16,358
Total	----- \$97,669 =====

#### NOTE 3                      INVENTORIES

Items	December 31, 2003
-----	-----
Heating Oil	\$ 578,954
Diesel Fuel	24,724
Kerosene	11,945
Propane	13,194
Parts, Supplies and Equipment	664,321
Total	----- \$1,293,138 =====

#### NOTE 4                      NOTES PAYABLE BANK

A.            On September 22, 2003, the Company closed a new loan facility with UPS Capital Business Credit. The facility is a \$4,300,000 term loan, payable over fifteen (15) years with interest at the prime rate, plus 1.75%, and a line of credit of \$700,000 with interest at prime plus 1.00%. The payments on the term

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loan, due the first of each month, include principal, interest of \$35,900.04, and real estate tax escrow of \$2,576.63, totaling \$38,476.67. Real estate tax escrow of \$7,745.03 was paid at closing. December 31, 2003 was the first payment and included nine (9) days of interest plus principal totaling \$20,382.02. Any payment received more than five (5) days after the due date is subject to a late charge of 5% of such payment. Upon the occurrence of an event of default, the loan shall bear interest at five percentage points (5%) above the rate otherwise in effect under the loan.

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### ABLE ENERGY, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

JUNE 30, 2003 AND DECEMBER 31, 2003

#### NOTE 4

#### NOTES PAYABLE BANK (cont'd)

- A. The collateral will be as follows for the term loan:
1. A first mortgage on properties located at 344 Route 46, Rockaway, NJ and 38 Diller Avenue, Newton, NJ
  2. A first security interest in equipment and fleet vehicles
  3. A first security interest in the customer list

#### Terms and Collateral related to the Revolving Line of Credit

Interest is payable monthly on the first day of each month, in arrears. This loan shall be paid down annually for a minimum of thirty (30) days at the borrower's discretion, but prior to renewal. The maturity is annually renewing from the closing date. This part of the loan is secured by a first priority lien on accounts receivable and inventory.

The Revolving Line of Credit will have rates supported by 75% on accounts receivable less than 90 days outstanding, plus 50% on inventory. The outstanding balance at December 31, 2003 is \$700,000.

The loan facility is guaranteed by Able Energy, Inc. Officers loans are subordinated to the lender and will remain standstill until all debt due to the lender is paid in full.

The agreement contains certain financial covenants:

1. Limit of unfinanced capital expenditures not to exceed \$350,000 for fiscal year 2004.

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The Company paid the following loans on September 22, 2003:

Fleet Bank	\$ 1,340,644	(including int
KMA Associates	750,000	
Jeff Will	505,000	(including int
Estate of Birdsal	657,895	(including int
Long-term Debt	1,084,866	
	-----	
Total Refinance	4,338,405	
Other Fees and Costs Paid at Closing	123,198	
	-----	
Total	\$ 4,461,603	=====

The loan advanced was \$4,300,000, the balance of \$161,603 was paid by the Compa

The balance of the term loan at December 31, is	\$ 4,241,891
Included in current portion of long-term debt	173,697
	-----
Included in long-term debt - less current portion	\$ 4,068,194
	=====

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ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

JUNE 30, 2003 AND DECEMBER 31, 2003

NOTE 4 NOTES PAYABLE BANK (cont'd)

- B. On October 22, 2001, the Company and its subsidiaries, either as Borrower or Guarantor, entered into a loan and security Agreement with Fleet National Bank. The bank is providing the following credit facility.

A borrowing base of 75% of Eligible Accounts Receivable, as defined in the Agreement, plus \$500,000 against the value of the Company's customer list, for a total amount of \$1,500,000. The revolving credit may also be used for Letters of Credit, with the lender's approval.

The Letters of Credit will have an annual fee of 1.25% of the face value of each Letter of Credit. The applicable interest rate on the revolving credit advances will be the bank's prime rate or Libor interest rate, plus 2.75%, see below increase in interest rate. Interest is to be paid on the amount advanced

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on the last day of each month.

The Agreement had an expiration date of November 30, 2002. Fleet Bank did not renew the credit facility upon expiration of the Agreement on November 30, 2002. Effective December 1, 2002, the bank is charging an additional annual interest of 4% as the Note is in default. The total current interest rate charged is currently 8.25% per annum. The Company and Lender have entered into a Forbearance Agreement, where the Lender is willing to forbear until May 31, 2003 from exercising its rights and remedies. The Lender will receive a forbearance fee of \$50,000 at May 31, 2003, reduced by \$2,500 for each week prior to May 31, 2003, that the credit facility and all charges are paid in full, with a minimum forbearance fee of \$15,000. The interest charged is at 8.25% per annum. The principal amount outstanding is \$1,270,000. Interest for the three months ended December 31, 2003 was \$18,062. The loan and the \$50,000 forbearance fee were not paid at May 31, 2003. The note payable plus forbearance fee, accrued interest and other costs were paid in full on September 22, 2003, in the amount of \$1,340,644 (See Note 4 A). The bank released all the collateral securing the Company debt.

NOTE 5

NOTES PAYABLE

- 
- A. The Company has borrowed \$500,000 from an unrelated individual. The Note was dated June 26, 2001 with interest at 12% per annum. The interest will be paid monthly at \$5,000 per month commencing on August 1, 2001. The Note will mature on June 26, 2002 unless the borrower (the Company), at its option, elects to extend the maturity date to December 26, 2002. The Company has exercised its option and has extended the Note to December 26, 2002. The lender has granted the Company an additional extension at the same terms to June 26, 2003. The Lender has granted the Company an extension to July 26, 2003. The Note may be prepaid in whole or part from time-to-time without penalty. No principal payments have been made on the Note. At the maturity date, a final payment of the unpaid principal and interest shall be due and payable. In connection with this Note, the Company has issued the lender warrants to purchase 40,000 shares of its common stock at \$4 per share. The warrants vest immediately and must be exercised no later than June 26, 2004. The warrants have not been registered under the Securities Act of 1933. The Note was paid in full on September 22, 2003 (See Note 4 A).

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ABLE ENERGY, INC. AND SUBSIDIARIES

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

-----

JUNE 30, 2003 AND DECEMBER 31, 2003

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NOTE 5

NOTES PAYABLE

- B. The Company has borrowed \$750,000 from an unrelated company. The mortgage and note are dated September 13, 2002. The term of the note is for one (1) year. Payments of interest only on the outstanding principal balance shall be paid monthly at a rate of 10%. The first payment was paid on November 1, 2002 and on the first day of each month thereafter until October 1, 2003, when the Note shall mature and all principal and accrued interest shall be due and payable in full. The Note was paid in full on September 22, 2003 (See Note 4 A).
- C. The Company has borrowed \$335,000 from an unrelated Company. The mortgage and Note are dated April 16, 2003. The loan is to Able Energy New York, Inc., a wholly owned subsidiary. The loan is collateralized by a mortgage on property in Lake George, New York owned by the subsidiary and a second mortgage on property in Bolton, New York, owned by the Company's CEO who is also a guarantor on the loan. Payments of interest only on the outstanding principal balance at a rate of 14% per annum, are payable monthly. The first payment was paid June 1, 2003. The entire amount, both principal and accrued interest shall be due and payable on May 1, 2004.

NOTE 6

LONG-TERM DEBT

Mortgage note payable dated, August 27, 1999, related to the purchase of B & B Fuels facility and equipment. The total note is \$145,000. The note is payable in the monthly amount of principal and interest of \$1,721.18 with an interest rate of 7.5% per annum. The initial payment was made on September 27, 1999, and continues monthly until August 27, 2009 which is the final payment. The note is secured by a mortgage made by Able Energy New York, Inc. on property at 2 and 4 Green Terrace and 4 Horican Avenue, Town of Warrensburg, Warren County, New York. The balance due on this Note at December 31, 2003 and June 30, 2003 was \$95,109 and \$101,724, respectively.

Mortgage note payable dated, August 31, 1999, related to the purchase of the facility and equipment in Rockaway, New Jersey by Able Energy Terminal, LLC ("Terminal"). The note is in the amount of \$650,000.

Pursuant to Section 4.4 of the Agreement of Sale to purchase the Terminal, , the Principal Sum of the \$650,000 Note shall be reduced by an amount equal to one-half of all sums expended by Borrower on the investigation and remediation of the property provided, however, that the amount of said reduction shall not exceed \$250,000 (the "Remediation Amount").

The Note is collateralized by the property and equipment purchased and assignment of the leases. The Note was paid in full on September 22, 2003 in the amount of \$650,000 plus interest of \$7,895 (See Note 4 A).

The Company has long-term debt represented by Notes Payable and capitalized leases collateralized by trucks, vans, office and computer equipment. The total outstanding at June 30, 2003

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was \$1,433,731. On September 22, 2003, \$1,084,866 of these Notes, then outstanding, were paid in full (See Note 4 A).

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ABLE ENERGY, INC. AND SUBSIDIARIES  
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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENT (Cont'd)  
-----

JUNE 30, 2003 AND DECEMBER 31, 2003  
-----

NOTE 7 INCOME TAXES

Effective January 1, 1997, the Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes.

The differences between the statutory Federal Income Tax and Income Taxes Continuing Operation is accounted for as follows:

	2003
	AMOUNT
	-----
Statutory Federal Income Tax	\$ 33,180
State Income Tax	14,220
	-----
Income Taxes	\$ 47,400
	=====
Income Taxes consist of:	
Current	\$ -
Deferred	47,400
	-----
Total	\$ 47,400
	=====

	2002
	AMOUNT
	-----
Statutory Federal Income Tax	\$ 60,410
Federal Income Tax Reduction due to Carryforward Loss	(55,510)
State Income Tax (Note X)	18,100
State Income Tax Reduction due to Carryforward Loss	(16,000)
	-----

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Income Taxes	\$ 7,000 =====
Income Taxes consists of:	
Current	\$ -
Deferred	7,000 -----
Total	\$ 7,000 =====

(Note X) The State of New Jersey has suspended the use of carryforward losses for the years 2002 and 2003. As such, state income taxes of \$45,091 have been shown as a deferred asset and as income taxes payable for the year ended June 30, 2003. New Jersey carryforward is treated separately by the Company. Able Oil Company has a New Jersey Operating Loss of \$501,010 which could not be utilized in the current year ended June 30, 2003. Under current New Jersey law, the carryforward will be available after 2003, the Company's fiscal year ending June 30, 2005.

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ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

JUNE 30, 2003 AND DECEMBER 31, 2003

NOTE 7 INCOME TAXES (cont'd)

The types of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts that give rise to a significant portion of the deferred tax liability and deferred tax asset and their approximate tax effects are as follows at:

		DECEMBER 31, 2003 -----
	TEMPORARY DIFFERENCE -----	TAX EFFECT -----
Depreciation and Amortization	\$ (273,019)	\$ (76,980)
Allowance for Doubtful Accounts	90,472	29,012
Gain on Sale of Subsidiary	18,766	4,035
New Jersey Net Operating Loss Carryforward (See Note X, Prior Page)	501,010	45,091

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	TEMPORARY DIFFERENCE	TAX EFFECT
	-----	-----
		JUNE 30, 2003
		-----
Depreciation and Amortization	\$ (241,993)	\$ (70,310)
Allowance for Doubtful Accounts	279,913	69,742
Gain on Sale of Subsidiary	18,766	4,035
New Jersey Net Operating Loss Carryforward	501,010	45,091
(See Note X, prior page)		

Able Energy, Inc., et al, open years are December 31, 2000 and June 30, 2001, 2002 and 2003. The Company has a net operating loss carryforward of approximately \$2,070,000. The net operating loss expires between June 30, 2019 and 2021.

These carryforward losses are available to offset future taxable income, if any. The Company's utilization of this carryforward against future taxable income is subject to the Company having profitable operations or sale of Company assets which create taxable income. At this time, the Company believes that a full valuation allowance should be provided. The component of the deferred tax asset as of December 31, 2003 are as follows:

Net Operating Loss Carryforward - Tax Effect	\$ 728,205
Valuation Allowance	(728,205)
	-----
Net Deferred Tax based upon Net Operating Loss Carryforward	\$ - 0 -
	=====

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ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

JUNE 30, 2003 AND DECEMBER 31, 2003

NOTE 8 NOTE RECEIVABLE - SUBSIDIARY

The Company has a Note Receivable from PriceEnergy.Com, Inc. for advances made in the development of the business, including hardware and software costs. All of PriceEnergy.Com, Inc.'s assets are pledged as collateral to Able Energy, Inc. The amount of the note is \$1,350,000 dated November 1, 2000 with interest at 8% per annum payable quarterly. Principal payments to begin two years after the date of the Note,



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November 1, 2002. Through December 31, 2003, no principal has been paid. No interest was accrued for the six months ended December 31, 2003 or the six months ended June 30, 2003 as the note is non performing. Unpaid accrued interest due through June 30, 2003 is \$234,000. The Note and accrued interest have been eliminated in the consolidated financial statements (See Notes 1 and 13). Able Oil Company has a Note Receivable originally dated September 30, 2002 in the amount of \$1,510,372.73 from PriceEnergy.Com, Inc. The Note has been updated for transactions resulting in a balance of \$2,140,121 with interest at 8% per annum, to be paid quarterly. Principal payments to begin one year after date of Note, October 1, 2003, and continue monthly thereafter. The Note is the result of the transference of the unpaid accounts receivable which resulted from the sale of heating oil through PriceEnergy.Com, Inc. Able Oil Company has a second position as collateral in all of the assets of PriceEnergy.Com, Inc. to Able Energy, Inc. No interest has been recorded for the six months ended December 31, 2003. Any payments will go to pay principal. The note receivable and accrued interest have been eliminated in consolidation against the amounts on PriceEnergy.Com, Inc.

### NOTE 9 PROFIT SHARING PLAN

-----

Effective January 1, 1997, Able Oil Company established a Qualified Profit Sharing Plan under Internal Revenue Code Section 401-K. The Company matches 25% of qualified employee contributions. The expense was \$12,657 (2003) and \$11,512 (2002), for the six months ended December 31.

### NOTE 10 COMMITMENTS AND CONTINGENCIES

-----

The Company is subject to laws and regulations relating to the protection of the environment. While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, in the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial condition, competitive position, or capital expenditures of the Company.

In accordance with the agreement on the purchase of the property on Route 46, Rockaway, New Jersey by Able Energy Terminal, LLC, the purchaser shall commence after the closing, the investigation and remediation of the property and any hazardous substances emanating from the property in order to obtain a No Further Action letter from the New Jersey Department of Environmental Protection (NJDEP). The purchaser will also pursue recovery of all costs and damages related thereto in the lawsuit by the seller against a former tenant on the purchased property. Purchaser will assume all responsibility and direction for the lawsuit, subject to the sharing of any recoveries from the lawsuit with the seller, 50-50.

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ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

JUNE 30, 2003 AND DECEMBER 31, 2003

NOTE 10 COMMITMENTS AND CONTINGENCIES (cont'd)

The seller by reduction of its mortgage will pay costs related to the above up to \$250,000 (see Note 6). A settlement has been achieved by the Company with regard to the lawsuit. The settlement provides for a lump sum payment of \$397,500 from the defendants to the Company. In return, the defendants received a release from the Estate (the Seller) and a release and indemnification from the Company. The defendants provided a release to Able Energy and the Estate. Pursuant to the original agreement, the Estate receives 50% of the settlement amount, net of attorney fees.

This has been amended by an agreement dated November 5, 2001. The entire settlement, net of attorney fees, was collected and placed in an attorney's escrow account for payment of all investigation and remediation costs. Able Energy Terminal, LLC has incurred costs of \$102,956 to December 31, 2003, which are included in Prepaid Expenses and must be presented to the attorney for reimbursement. Per management, certain items such as a performance bond are being finalized, then reimbursement can be made.

The costs of the cleanup pursuant to the Agreement of Sale must be shared equally (50/50) by the seller and purchaser up to Seller's cap of \$250,000. Seller's contribution to the cleanup is in the form of a reduction to the Note and not by direct payments. In the opinion of management, the Company will not sustain costs in this matter which will have a material adverse effect on its financial condition.

Able Oil Company is under contract to purchase #2 oil as follows:

Company	Period	Total Gallons
Total Energy Solutions, LLC	10/1/03 - 4/30/04	588,000
Conectiv Energy	11/1/03 - 3/31/04	1,008,000
Center Oil	12/1/03 - 2/28/04	252,000
Petrocom	11/1/03 - 3/31/04	462,000
Sunoco (1)	12/1/03 - 2/28/04	210,000
Petrocom (1)	11/1/03 - 3/31/04	336,000
Total		2,856,000

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(1) Product for two franchisees, contracts with Able Oil Company

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ABLE ENERGY, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)  
 JUNE 30, 2003 AND DECEMBER 31, 2003

NOTE 10 COMMITMENTS AND CONTINGENCIES (cont'd)

Able Energy New York, Inc. is under contract to purchase #2 oil as follows:

Company -----	Period -----	Total Gallons -----	Gallons Open Commitment at 12/31/03 -----
Sprague	11/1/03 - 2/28/04	126,000 -----	84,000 -----
Total		126,000 =====	84,000 =====

Following an explosion and fire that occurred at the Able Energy Facility in Newton, NJ on March 14, 2003, and through the subsequent clean up efforts, Able Energy has cooperated fully with all local, state and federal agencies in their investigations into the cause of this accident.

On April 2, 2003, Able Energy received a Notice Of Violation from the New Jersey Department of Community Affairs ("DCA") citing a total of 13 violations to the New Jersey Administrative Code, Liquefied Petroleum Gas. Twelve of the violations were assessed a penalty of \$500 each. One of the violations, regarding the liquid transfer from one truck to another truck, was assessed a penalty of \$408,000, a second notice was received on April 29, 2003, for an alleged violation on April 12, 2003, and a fine of \$5,500 was assessed for a total of \$419,500. This amount is included in accrued expenses at June 30, and December 31, 2003.

The DCA document is currently under review by counsel. Based upon initial review, the company disagrees with many of the findings of the report and disputes many of the allegations. The company has contested the DCA Notice of Violation and the assessed penalties. Counsel and the DCA have had several meetings and hearings are currently docketed in the Office of Administrative Law (See Note 22).

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Other violations have been cited by the NJ DCA. The penalties assessed amount to \$4,000. The Company has appealed the assessments to the Office of Administrative Law.

Company personnel met with personnel of the United States Occupational Safety and Health Administration ("OSHA") on September 12, 2003. OSHA has conducted an investigation relating to the safety practices of the Company, including such practices relating to the March 14, 2003 explosion and fire. OSHA has informed the Company it will be assessed a penalty of \$16,000 based upon violations cited. This amount is included in Accrued Expenses at June 30, and December 31, 2003.

The Sussex County, New Jersey, Prosecutor's Office is conducting an investigation as a result of the March 14, 2003 explosion and fire. No determination has been made with respect to its investigation.

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### ABLE ENERGY, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

JUNE 30, 2003 AND DECEMBER 31, 2003

#### NOTE 10 COMMITMENTS AND CONTINGENCIES (cont'd)

---

In a complaint dated October 6, 2003, the New Jersey Department of Community Affairs commenced a civil action against the Company seeking injunctive relief enjoining the Company, its subsidiaries, affiliated companies, agents, employees and corporate officers, from engaging in the distribution, sale, purchase or receipt of liquified petroleum gas. Pursuant to an order dated October 15, 2003, the Superior Court of New Jersey ordered a hearing to be held on November 12, 2003, at which time the Company shall show cause why a preliminary injunction shall not be ordered preliminarily enjoining the Company, its subsidiaries, affiliate companies, agents, employees and corporate officers, from engaging in the distribution, sale, purchase or receipt of liquified petroleum gas and from engaging in any form of business operations for the distribution and sale of liquified petroleum gas.

Certain temporary restraints were also ordered upon the Company which are still imposed as the result of a November 12 hearing. The order requires the Company to retain the assistance of Boyer Safety Services, experts in the propane industry, to assume responsibility and authority of Able Propane's daily operational, compliance an/or safety issues relating to its propane business.

The order prohibits Able Propane from entering into any new delivery or installation contracts for the delivery of propane other than those customers existing on the date of the order. Able Propane may, however, honor contracts, commitments or

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arrangements entered into prior to the date of the order.

The Company is vigorously disputing that it is a proper party to the action and is contesting any administrative and equitable remedies sought by the Department of Community Affairs.

A lawsuit has been filed against the Company by property owners who allegedly suffered property damages as a result of the March 14, 2003 explosion and fire. The Company's insurance carrier is defending as related to compensatory damages. Legal counsel is defending on the punitive damage claim. Per legal counsel, it is too early in the process to assess the outcome, in their opinion, the matter will not be certified as a Class Action.

As a result of the March 14, 2003 explosion and fire, various claims for property damage have been submitted to the Company's insurance carrier. These claims are presently being handled and, in many cases, settled by the insurance carrier's adjuster. There are approximately 200 claims being handled and adjusted with reserves for losses established as deemed appropriate by the insurance carrier.

The Company in the normal course of business has been involved in law suits. Current suits are being defended by the insurance carrier and should be covered by insurance.

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### ABLE ENERGY, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

JUNE 30, 2003 AND December 31, 2003

#### NOTE 11 OPERATING LEASE

Able Energy Terminal, LLC, has acquired the following lease on the property it purchased on Route 46 in Rockaway, New Jersey.

The lease with Able Oil Company, a wholly owned subsidiary of Able Energy, Inc., has an expiration date of July 31, 2004. The lease provides for a monthly payment of \$1,200 plus a one cent per gallon through put, as per a monthly rack meter reading.

Estimated future rents are \$14,400 per year, plus the one cent per gallon through put charges per the monthly rack meter readings.

The Company leased 9,800 square feet in the Rockaway Business Centre on Green Pond Road in Rockaway, New Jersey. The

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facility will be used as a call center and will combine the administrative operations in New Jersey in one facility. The lease has a term of five (5) years from August 1, 2000 through July 31, 2005.

The rent for the first year is \$7,145.83 per month and the second through fifth year is \$7,431.67 per month, plus 20.5% of the building's annual operational costs and it's portion of utilities. The current monthly rent, including Common Area Charges, is \$9,799.04 per month.

The lease does not contain any option for renewal. The rent expense was \$29,237 for the three months ended December 31, 2003. The estimated future rents are as follows:

YEAR ENDED JUNE 30,	
-----	
2004	\$ 117,588
2005	117,588
July 2005	9,799
	-----
Total	\$ 244,975
	=====

The following summarizes the month to month operating leases for the other subsidiaries:

Able Oil Melbourne	\$500.00, per month
	Total rent expense, \$3,000
Able Energy New York	\$600.00, per month
	Total rent expense, \$3,600

ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

JUNE 30, 2003 AND DECEMBER 31, 2003

NOTE 12                      FRANCHISING

-----

The Company sells franchises permitting the operation of a franchised business specializing in residential and commercial sales of fuel oil, diesel fuel, gasoline, propane and related services. The Company will provide training, advertising and use of Able credit for the purchase of product, among other things, as specified in the Agreement. The franchisee has an option to sell the business back to the Company after two (2) years of operations for a price calculated per the Agreement.

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The Company signed its first franchise agreement in September 2000. On June 29, 2001, PriceEnergy.Com Franchising, LLC, a subsidiary, signed its first franchise agreement. The franchisee will operate a B-franchised business, using the proprietary marks and a license from PriceEnergy.Com, Inc. and will establish the presence of the franchisee's company on the PriceEnergy Internet Website. The franchisee will have the exclusive territory of Fairfield County, Connecticut as designated in the agreement. No new franchise agreements have been signed.

### NOTE 13 RELATED PARTY TRANSACTIONS

-----

\$44,690 is due from the major Shareholder/Officer of the Company. This amount is evidenced by a Note bearing interest at a rate of 6% between the Shareholder and the Company. This Shareholder has loaned the Company a total of \$380,000 as of June 30, 2003 and December 31, 2003, as evidenced by a Demand Note with interest at 6% per annum, which can be paid all or in part at any time without penalty. The balance of the new note is \$364,878 at December 31, 2003. Interest expense has been accrued in the amount of \$9,606 for the six months ending December 31, 2003.

The following officers of this Company own stock in the subsidiary, PriceEnergy.Com, Inc., which they incorporated in November 1999.

Chief Executive Officer	23.5%
President	3.6%

No capital contributions have been made by these officers (See Notes 1 and 8).

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### ABLE ENERGY, INC. AND SUBSIDIARIES

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

-----

JUNE 30, 2003 AND DECEMBER 31, 2003

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### NOTE 14 EARNINGS PER SHARE

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The shares used in the computation of the Company's basic and diluted Earnings Per Common Share are as follows:

DECEMBER 31,

DECEMBER 31

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	2003	2002
	-----	-----
Weighted Average of Common Shares Outstanding Used in Basic Earnings Per Share	2,013,250	2,006,8
Dilutive Effect of:		
Employee Stock Options	-	50,6
Stock Warrants	-	
	-----	-----
Weighted Average Common Shares Outstanding Used in Diluted Earnings Per Share	2,013,250	2,057,5
	=====	=====

Weighted average common shares outstanding, assuming dilution, includes the incremental shares that would be issued upon the assumed exercise of stock options, and stock warrants. For 2003, approximately 389,000 of the company's stock options and stock warrants were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-diluted, 335,183 (2002). These options and warrants could be dilutive in the future. The numerator for the calculation of both basic and diluted earnings per share is the earnings or loss available for common stockholders. The above table shows the denominator for basic and diluted earnings per share.

NOTE 15                      STOCK OPTION PLANS

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The Company has stock option plans under which stock options may be issued to officers, key employees, and non-employee directors to purchase shares of the Company's authorized but unissued common stock. The Company also has a stock option plan under which stock options may be granted to employees and officers.

Options granted currently expire no later than 3 to 5 years from the grant and have vesting periods from none to 25% at grant and 25% each anniversary.

ABLE ENERGY, INC. AND SUBSIDIARIES

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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JUNE 30, 2003 AND DECEMBER 31, 2003

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NOTE 15                      STOCK OPTION PLANS  
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	NUMBER OF SHARES	EXERCISE PRICE	OUTSTANDING OPTIONS TERM
	-----	-----	-----
January 6, 2000			
Grants	56,000	\$5.00	5 years
Exercises	0		
December 21, 2000			
Grants	60,000	\$1.80	5 years
Exercises	0		
Grants	23,000	\$2.25	5 years
Exercises	0		
October 22, 2002			
Grants	50,000	\$3.00	5 years
Exercises	0		

NOTE 16                      STOCK WARRANTS  
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The Company has issued stock warrants as follows:

- D.        60,000 Common Stock Purchase Warrants at \$4.81 per share, effective August 31, 2000, and expiring August 31, 2005, to Andrew Alexander Wise & Company in connection with an investment banking advisory agreement with the Company, dated July 1, 2000.
- E.        40,000 Common Stock Purchase Warrants at \$4.00 per share, effective June 26, 2001 and expiring June 26, 2004, in connection with a \$500,000 Note Payable (See Note 5). These warrants have not been registered under the Securities Act of 1933.
- F.        100,000 Common Stock Purchase Warrants at \$4.00 per share, effective September 13, 2002, and expiring September 13, 2004, in connection with a \$750,000 Note Payable (see Note 5).

The 200,000 warrants to purchase shares of common stock were outstanding during the third quarter of 2003 and were not included in the computation of diluted EPS as the warrants' were all higher than the average stock price of \$3.36 and would have been anti-diluted (See Note 14). These warrants have not been registered under the Securities Act of 1933.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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JUNE 30, 2003 AND DECEMBER 31, 2003

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NOTE 17                    COMPENSATED ABSENCES

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There has been no liability accrued for compensated absences; as in accordance with Company policy, all compensated absences, accrued vacation and sick payment must be used by December 31st.

NOTE 18                    CASH FLOW INFORMATION

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The Directors received Common Stock as payment of Directors' Fees, \$24,000, in the quarter ended September 30, 2002. No cash was received or paid.

NOTE 19                    INSURANCE CLAIM

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The Company suffered a loss on March 14, 2003 of a building, trucks, leasehold improvements, product inventory and equipment as well as cost of cleanup and restoration. The Company has filed an insurance claim. The insurance adjusters are in the process of finalizing the amounts to be paid to the Company. The estimated costs not reimbursed are \$828,786.47 and is currently shown as deferred costs insurance claims on the balance sheet. Management anticipates the insurance recovery will cover the company costs. The following is a summary of insurance claims filed:

Building (commercial property)	\$349,526	
Paid by December 31, 2003	349,526	
	-----	
Contents		\$387,984
Vehicles	\$302,674	
Paid by December 31, 2003	247,409	55,265
	-----	-----
Total		\$443,249
		=====

The above amounts were submitted as claims but do not represent a settlement with the insurance carriers.

NOTE 20                    BUSINESS SEGMENT INFORMATION

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The Company does not have separate operating financial segments. The financial information is evaluated on a company wide basis. As such, no segment reporting is prepared for internal use.

NOTE 21                    RECLASSIFICATION

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The Company has entered into a financing agreement with UPS

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Capital Business Credit, that permits the Company to borrow a \$4,300,000 term loan, payable over fifteen (15) years. The loan closed on September 22, 2003 (see Note 4). The Company used the funds in part to repay short-term debt of \$3,170,000, a bank loan of \$1,270,000 and other notes totaling \$1,900,000. In accordance with Financial Accounting Standards Board FAS6, the refinanced short-term debt at June 30, 2003, has been reclassified to long-term as "Short-Term Debt Refinanced".

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### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### ABLE ENERGY, INC. AND SUBSIDIARIES

Statements in this Quarterly Report on Form 10-Q concerning the Company's outlook or future economic performance, anticipated profitability, gross billings, expenses or other financial items, and statements concerning assumptions made or exceptions to any future events, conditions, performance or other matters are "forward looking statements," as that term is defined under the Federal Securities Laws. Forward-looking statements are subject to risks, uncertainties, and other factors that would cause actual results to differ materially from those stated in such statements. Such risks, and uncertainties and factors include, but are not limited to: (i) changes in external competitive market factors or trends in the Company's results of operation; (ii) unanticipated working capital or other cash requirements and (iii) changes in the Company's business strategy or an inability to execute its competitive factors that may prevent the Company from competing successfully in the marketplace.

#### REVENUE RECOGNITION

Sales of fuel and heating equipment are recognized at the time of delivery to the customer, and sales of equipment are recognized at the time of installation. Revenue from repairs and maintenance service is recognized upon completion of the service. Payments received from customers for heating equipment service contracts are deferred and amortized into income over the term of the respective service contracts, on a straight-line basis, which generally do not exceed one year.

#### RESULTS OF OPERATIONS

SIX MONTHS ENDED DECEMBER 31, 2003, COMPARED TO THE SIX MONTHS ENDED DECEMBER 31, 2002.

The Company reported revenues of \$19,277,562 for the six months ended December 31, 2003, an increase of 3.16% over the prior year's revenues for the same six-month period. This increase can be attributed primarily to the Company's continued aggressive sales activities, which resulted in a growing customer base as well as an increase in commercial sales as well as #2 heating oil and propane gas. In fiscal year 2002, management instituted a business plan to market and sell other liquid products, specifically propane gas and diesel fuel during the warmer months. These changes were initiated to help even out the seasonality of the Company's business when heating related sales are generally down. Management has committed to a reasonable gross margin percentage to allow for profitability

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on the sale of these products.

Gross profit margin, as a percentage of revenues, for the six months ended December 31, 2003, vs. 2002 was a decrease of 5.28% or \$912,437. The decrease in margin was the result of the dramatically rising product costs during the months of October, November and December. Retail pricing was adjusted appropriately to cover most of the increases while continuing to maintain the company's competitive position in the marketplace.

Selling, General, and Administrative expenses, as a percent of sales, increased by 3.52% from 13.01% in the six months ending December 31, 2002 to 16.53% during the same period in 2003. There were increases in payroll, advertising, vehicle repair and maintenance, bank charges, interest expense, a write-off of uncollectible accounts and an increase in insurance costs due to the unsettled insurance market. Management will continue to monitor the fiscal budget against actual results on an ongoing basis and strengthen its efforts to reduce SG&A as a percentage of sales.

Operating loss for the six months ended December 31, 2003 was \$(1,382,562), an increase of 100+% over the Company's operating income of \$324,554 for the six months ended December 31, 2002. This increased operating loss for the six months was directly related to the increased operating costs and lower gross profit.

Net loss for the six months ended December 31, 2003 increased by \$2,298,074 to \$2,103,492 as compared to the same period for the previous year income of \$194,582. This net loss was the result of a lower gross profit margin due to higher product costs and higher operating costs during this six-month period as well as additional interest on refinancing and legal costs. The company has experienced higher operating costs related to professional fees and other expenses related to the March 14, 2003 explosion at its Newton facility.

### OPERATIONAL EFFICIENCIES

The Company is evaluating several alternatives to increase the utilization of existing personnel and equipment, to reduce expenses and increasing profitability, within its current business configuration. Currently, since the March 14th 2003 explosion at its Newton, New Jersey location, the company is operating the business of its main subsidiary, Able Oil Co. out of the Rockaway, New Jersey facility. This has caused an increase in operating costs due to increased travel distances for service and delivery vehicles. The company is currently seeking approval to rebuild at the Newton location or a similar suitable location in the Sussex County New Jersey area to reduce expenses and increase efficiency.

The Company believes that there is value to the products and services that it provides to its consumers in varying levels based upon the specific needs of the consumer and the products provided. While gross margins for the period October to December 2003 were temporarily lower due to a dramatic rise in the cost of distillates, the company believes that its margin management program is working and has been expanded to include equipment sales and services.

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On October 1st The Company began billing for its in home heating repairs utilizing a methodology known as "Flat Rate Pricing", an approach similar to that used in the automobile repair field. Flat rate pricing will be introduced in stages with the first phase having commenced in October. This system gives sales and service personnel the ability to offer the customer an easy to understand, "package approach" to repairs and equipment installations with one or two line billings per invoice. This system will interface with the Company's automated dispatch communications program that was introduced last year. It is anticipated that this system will be fully implemented by the end of the current fiscal year.

### OPERATING SUBSIDIARY

The company's operating subsidiary, PriceEnergy with its modern order-processing platform is now in its third full year of operation. The revolutionary proprietary technology is fully automated and allows for the removal of the inefficiencies associated with traditional heating oil companies within this industry. PriceEnergy has generated over 2 million gallons in new business last year, which were delivered by PriceEnergy's dealer network. In December 2002, PriceEnergy began sales of Home Heating Oil in the initial BJ's Wholesale Club. Since then, gallons sold through this venue have been increasing with each week. The Company is excited about the new sales opportunity with its new "Channel Partner", BJ's. The Company believes that this is the first of many prime retail opportunities to utilize the PriceEnergy operating platform to open new markets for the sales of heating oil, diesel fuel, and propane gas.

### EXPLOSION AND FIRE

On March 14, 2003, Able Energy experienced an explosion and fire at its Newton, New Jersey facility which resulted in the destruction of an office building on the site, as well as damage to 18 company vehicles and neighboring properties. Fortunately, due to the immediate response by employees at the site, a quick evacuation of all personnel occurred prior to the explosion, preventing any serious injuries.

The results of the company's investigation indicate that the explosion was an accident that occurred as a result of a combination of human error, mechanical malfunction, as well as the failure to follow prescribed state standards and company policy for propane delivery truck loading. On April 3, 2003, Able Energy received a Notice of Violation from the New Jersey Department of Community Affairs. The dollar amount of the assessed penalty totaled \$414,000. Able Energy has contested the notice of Violation as well as the assessed penalties with the State of New Jersey and is currently working with the Department of Community Affairs to negotiate a settlement.

The Company has taken the lessons learned from this event very seriously. Able Energy has worked closely, and cooperated fully with all local and state officials in clean-up phase, tank testing process, and subsequent investigations. Strict and clear employee communications have taken place to reinforce compliance with all

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governmental regulations as well as all company policies regarding the safe and proper handling of propane. The Company has retained the assistance of Boyer Safety Services, experts in the propane industry; to hold safety-training sessions for all propane related employees. This training will be ongoing and will upgrade employee training to the most modern and up-to-date levels as well as reinforce Able Energy's commitment to operate all aspects of the company in a professional, responsible, and safe manner.

The Company is currently not processing deliveries from the Newton, New Jersey facility while it appeals the Newton Board of Adjustment's decision to deny operations at this location. The company is also contesting the adoption of the zoning ordinance, which changed the zoning to a non-permitted use. In the meantime, company operations have continued throughout the aftermath of the incident using its main distribution facility in Rockaway, New Jersey along with temporary 'through-put' agreements with other area marketers. While these arrangements permit the company to continue to operate, greater efficiency and customer service will be achieved by a location in the Sussex County area, as the Company believes that its Newton facility is crucial to its future operations, especially during the winter heating season. The company will continue to work diligently to obtain approval to resume its core heating oil operations at the Newton site.

### RECENTLY IMPLEMENTED TECHNOLOGICAL PROCEDURES

The Company has established goals, which will be accomplished through the implementation of some modern technologies that are currently being installed into the Company's existing infrastructure.

The Company began introducing additional customer service technology to its Rockaway call and administrative center during the second fiscal quarter of 2002/2003. Management believes that by providing enhancements to existing telephony hardware and in-house management, the Company's call center environment will be provided with the ability to respond to changing call patterns, both higher and lower, without the expense of clerical over-staffing to meet unrealized needs. New software will provide customers with the option of placing an order via a voice activated technology. This will enable customers who simply wish to refill their fuel tank, the opportunity to quickly place an order 24 hours a day without the help of a live customer service representative.

The Company is now beginning full implementation of the recently announced automated dispatch technology, which provides management with the ability to communicate with service technicians instantaneously. This system also is now performing billing functions at the customer's location as well as documenting payment data instantaneously. Additionally, management is now aware of the status of every on-duty worker and obtains real time reporting for stand-by, en-route, and service work time. This enables the Company to maximize scheduling opportunities and eliminating service technician down time.

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### LIQUIDITY AND CAPITAL RESOURCES

For the six months ended December 31, 2003, compared to the six months ended December 31, 2002, the Company's cash position increased by \$258,503 from \$133,031 to \$391,534. For the year ended June 30, 2003, cash was generated through loans, one from a private company of \$750,000 and officer loan in excess of \$300,000. In the quarter ending December 31, 2003, the Company entered into an agreement and closed a new loan facility. The facility provided a term loan of \$4,300,000, payable over 15 years. These funds were used to pay existing debt. There is also a line of credit of \$700,000. This will enable the Company to continue to grow while strengthening its infrastructures. The Company also generated funds from customer advance payments. The Company is in negotiations to sell certain product lines, which should generate substantial cash, which will be used as working capital and also debt reduction.

### SEASONALITY

The Company's operations are subject to seasonal fluctuations, with a majority of the Company's business occurring in the late fall and winter months. Approximately 70% of the Company's revenues are earned and received from October through March, most of such revenues are derived from the sale of home heating products including propane gas and home heating oil. However the seasonality of the Company's business is offset, in part, by an increase in revenues from the sale of HVAC products and services, diesel and gasoline fuels during the spring and summer months, due to the increased use of automobiles and construction apparatus

From May through September, Able Oil can experience considerable reduction of retail heating oil sales. Similarly, Able Propane can experience up to an 80% decrease in heating related propane sales during the months of April to September, this is offset somewhat by increased sales of propane gas used for pool heating, heating of domestic hot water in homes and fuel for outdoor cooking equipment.

Over 90% of Able Melbourne's revenues are derived from the sale of diesel fuel for construction vehicles, and commercial and recreational sea-going vessels during Florida's fishing season, which begins in April and ends in November. Only a small percentage of Able Melbourne's revenues are derived from the sale of home heating fuel. Most of these sales occur from December through March, Florida's cooler months.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

### ITEM 4. CONTROLS AND PROCEDURES

As of December 31, 2003, an evaluation was performed under the supervision and with the participation of the Company's management, including the Principal Executive Officer and the Principal Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Principal Executive Officer and the Principal Accounting Officer, concluded that the Company's disclosure controls and procedures were effective as of December 31, 2003. There have been no significant changes in the Company's internal controls or in other factors that could significantly

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affect internal controls subsequent to December 31, 2003.

### PART II OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

In a complaint dated October 6, 2003, the New Jersey Department of Community Affairs commenced a civil action against the Company seeking injunctive relief enjoining the Company, its subsidiaries, affiliated companies, agents, employees and corporate officers, from engaging in the distribution, sale, purchase or receipt of liquified petroleum gas. Pursuant to an order dated October 15, 2003, the Superior Court of New Jersey ordered a hearing to be held on November 12, 2003, at which time the Company shall show cause why a preliminary injunction shall not be ordered preliminarily enjoining the Company, its subsidiaries, affiliate companies, agents, employees and corporate officers, from engaging in the distribution, sale, purchase or receipt of liquified petroleum gas and from engaging in any form of business operations for the distribution and sale of liquified petroleum gas.

Certain temporary restraints were also ordered upon the Company which will be imposed until the conclusion of the November 12 hearing. The order requires the Company to retain the assistance of Boyer Safety Services, experts in the propane industry, to assume responsibility and authority of Able Propane's daily operational, compliance an/or safety issues relating to its propane business.

The order prohibits Able Propane from entering into any new delivery or installation contracts for the delivery of propane other than those customers existing on the date of the order. Able Propane may, however, honor contracts, commitments or arrangements entered into prior to the date of the order.

The Company is vigorously disputing that it is a proper party to the action and is contesting any administrative and equitable remedies sought by the Department of Community Affairs.

#### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

#### ITEM 5. OTHER INFORMATION

None.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits



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- 31.1 Certification by Chief Executive Officer pursuant to Sarbanes-Oxley Section 302
- 31.2 Certification by Chief Financial Officer pursuant to Sarbanes-Oxley Section 302
- 32.1 Certification by Chief Executive Officer pursuant to 18 U.S. C. Section 1350
- 32.2 Certification by Chief Financial Officer pursuant to 18 U.S. C. Section 1350

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the six months ended December 31, 2003.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 17th day of February 2004.

ABLE ENERGY, INC.

/s/ Timothy Harrington

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Timothy Harrington, Chief Executive Officer, Secretary, and Chairman

/s/ Christopher P. Westad

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Christopher P. Westad, President, Chief Financial Officer, and Director