

PDG ENVIRONMENTAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended July 31,	
	2009	2008
Contract Revenues	\$ 12,757,000	\$ 23,207,000
Direct Job Costs	<u>9,473,000</u>	<u>17,710,000</u>
Field Margin	3,284,000	5,497,000
Other Direct Costs	<u>1,855,000</u>	<u>2,443,000</u>
Gross Margin	1,429,000	3,054,000
Gain (Loss) on Sale of Fixed Assets	18,000	(4,000)
Selling, General and Administrative Expenses	<u>2,349,000</u>	<u>3,614,000</u>
(Loss) from Operations	(902,000)	(564,000)
Other Income (Expense):		
Interest Expense	(215,000)	(202,000)
Non-Cash Interest Expense for Preferred Dividends and Accretion of Discount	(187,000)	(260,000)
Interest and Other Income	29,000	16,000
	<u>(373,000)</u>	<u>(446,000)</u>
(Loss) Before Income Taxes	<u>(1,275,000)</u>	<u>(1,010,000)</u>
Income Tax (Benefit)	<u>-</u>	<u>(278,000)</u>
Net (Loss)	<u>\$ (1,275,000)</u>	<u>\$ (732,000)</u>
(Loss) Per Common Share - Basic:	<u>\$ (0.06)</u>	<u>\$ (0.04)</u>
(Loss) Per Common Share - Diluted:	<u>\$ (0.06)</u>	<u>\$ (0.04)</u>
Average Common Shares Outstanding	20,875,000	20,823,000
Average Dilutive Common Stock Equivalents Outstanding	<u>-</u>	<u>-</u>
Average Common Shares and Dilutive Common Stock Equivalents Outstanding	<u>20,875,000</u>	<u>20,823,000</u>

PDG ENVIRONMENTAL, INC. AND SUBSIDIARIES
RECONCILIATION OF EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION
("EBITDA")
(UNAUDITED)

	For the Three Months Ended July 31,	
	2009	2008
Net (Loss)	(1,275,000)	(732,000)
Interest Expense	215,000	202,000
Non-Cash Interest Expense for Preferred Dividends and Accretion of Discount	187,000	260,000
Income Tax (Benefit)	-	(278,000)
Depreciation and Amortization	<u>408,000</u>	<u>444,000</u>
EBITDA	<u>\$ (465,000)</u>	<u>\$ (104,000)</u>

PDG ENVIRONMENTAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Six Months Ended July 31,	
	2009	2008
Contract Revenues	\$ 25,387,000	\$ 40,922,000
Direct Job Costs	<u>18,420,000</u>	<u>30,712,000</u>
Field Margin	6,967,000	10,210,000
Other Direct Costs	<u>3,685,000</u>	<u>4,923,000</u>
Gross Margin	3,282,000	5,287,000
(Loss) on Sale of Fixed Assets	-	(6,000)
Selling, General and Administrative Expenses	<u>5,174,000</u>	<u>7,075,000</u>
(Loss) from Operations	(1,892,000)	(1,794,000)
Other Income (Expense):		
Interest Expense	(409,000)	(405,000)
Non-Cash Interest Expense for Preferred Dividends and Accretion of Discount	(484,000)	(508,000)
Interest and Other Income	49,000	37,000
	<u>(844,000)</u>	<u>(876,000)</u>
(Loss) Before Income Taxes	<u>(2,736,000)</u>	<u>(2,670,000)</u>
Income Tax (Benefit)	-	(795,000)
Net (Loss)	<u>\$ (2,736,000)</u>	<u>\$ (1,875,000)</u>
(Loss) Per Common Share - Basic:	<u>\$ (0.13)</u>	<u>\$ (0.09)</u>
(Loss) Per Common Share - Diluted:	<u>\$ (0.13)</u>	<u>\$ (0.09)</u>
Average Common Shares Outstanding	20,875,000	20,819,000
Average Dilutive Common Stock Equivalents Outstanding	-	-
Average Common Shares and Dilutive Common Stock Equivalents Outstanding	<u>20,875,000</u>	<u>20,819,000</u>

PDG ENVIRONMENTAL, INC. AND SUBSIDIARIES
RECONCILIATION OF EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION
("EBITDA")
(UNAUDITED)

	For the Six Months Ended July 31,	
	2009	2008
Net (Loss)	(2,736,000)	(1,875,000)
Interest Expense	409,000	405,000
Non-Cash Interest Expense for Preferred Dividends and Accretion of Discount	484,000	508,000
Income Tax (Benefit)	-	(795,000)
Depreciation and Amortization	<u>824,000</u>	<u>894,000</u>
EBITDA	<u>\$ (1,019,000)</u>	<u>\$ (863,000)</u>

PDG ENVIRONMENTAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	July 31, 2009	January 31, 2009
ASSETS	(unaudited)	
Current Assets		
Cash and Cash Equivalents	\$ 875,000	\$ 314,000
Contracts Receivable, Net	13,420,000	20,677,000
Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts	2,352,000	3,180,000
Inventories	594,000	616,000
Income Taxes Receivable	90,000	355,000
Deferred Income Tax Asset	983,000	983,000
Other Current Assets	1,420,000	344,000
	19,734,000	26,469,000
Total Current Assets		
Property, Plant and Equipment	11,888,000	12,431,000
Less: Accumulated Depreciation	(10,567,000)	(10,786,000)
	1,321,000	1,645,000
Intangible Assets, Net		
Goodwill	3,772,000	4,026,000
Deferred Income Tax Asset	2,489,000	2,489,000
Contracts Receivable, Non Current	2,948,000	2,948,000
Costs in Excess of Billings on Uncompleted Contracts, Non Current	1,200,000	1,820,000
Other Assets	750,000	1,630,000
	327,000	345,000
Total Assets		
	\$ 32,541,000	\$ 41,372,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 8,045,000	\$ 9,411,000
Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts	1,244,000	1,125,000
Accrued Income Taxes	-	44,000
Accrued Liabilities	3,845,000	2,742,000
Current Portion of Long-Term Debt	405,000	303,000
Mandatorily Redeemable Cumulative Convertible Series C Preferred Stock	-	137,000
	13,539,000	13,762,000
Total Current Liabilities		
Long-Term Debt	13,432,000	15,045,000
Mandatorily Redeemable Cumulative Convertible Series C Preferred Stock	-	4,372,000
Total Liabilities		
	26,971,000	33,179,000
Stockholders' Equity		
Common Stock	418,000	418,000
Common Stock Warrants	1,628,000	1,628,000
Paid-In Capital	20,224,000	20,111,000
Accumulated Deficit	(16,662,000)	(13,926,000)
Less Treasury Stock, at Cost	(38,000)	(38,000)
	5,570,000	8,193,000
Total Stockholders' Equity		
	\$ 32,541,000	\$ 41,372,000
Total Liabilities and Stockholders' Equity		

PDG ENVIRONMENTAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Six Months Ended July 31,	
	2009	2008
Cash Flows From Operating Activities:		
Net (Loss)	\$ (2,736,000)	\$ (1,875,000)
Adjustments to Reconcile Net Income (Loss) to Cash Provided by (Used in)		
Operating Activities:		
Depreciation and Amortization	825,000	894,000
Deferred Income Taxes	-	(840,000)
Interest Expense for Series C Preferred Stock Dividends and Accretion of Discount	484,000	508,000
Stock Based Compensation	113,000	229,000
Loss on Sale of Fixed Assets	-	6,000
Provision for Receivable Allowance	(87,000)	450,000
	<u>(1,401,000)</u>	<u>(628,000)</u>
Changes in Operating Assets and Liabilities:		
Contracts Receivable	7,964,000	(1,398,000)
Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts	1,708,000	(1,079,000)
Inventories	22,000	39,000
Accrued Income Taxes	(134,000)	(37,000)
Other Current Assets	2,009,000	740,000
Accounts Payable	(1,366,000)	1,512,000
Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts	119,000	242,000
Accrued Liabilities	99,000	629,000
Total Changes	<u>10,421,000</u>	<u>648,000</u>
Net Cash Provided by Operating Activities	<u>9,020,000</u>	<u>20,000</u>
Cash Flows From Investing Activities:		
Purchase of Property, Plant and Equipment	(115,000)	(153,000)
Proceeds from Sale of Fixed Assets	18,000	4,000
Changes in Other Assets	(132,000)	3,000
Net Cash (Used in) Investing Activities	<u>(229,000)</u>	<u>(146,000)</u>
Cash Flows From Financing Activities:		
Proceeds from Debt	-	1,005,000
Proceeds from exercise of stock options	-	2,000
Payment of Premium Financing Liability	(1,726,000)	(759,000)
Principal Payments on Debt	(6,504,000)	(198,000)
Net Cash Provided by (Used in) Financing Activities	<u>(8,230,000)</u>	<u>50,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	561,000	(76,000)
Cash and Cash Equivalents, Beginning of Year	314,000	90,000
Cash and Cash Equivalents, End of Period	<u>\$ 875,000</u>	<u>\$ 14,000</u>
Supplementary Disclosure of Non-Cash Investing and Financing Activity:		
Financing of Annual Insurance Premium	\$ 2,730,000	\$ 1,313,000
Non-Cash Purchase of Fixed Assets Financed Through Capital Leases	<u>\$ -</u>	<u>\$ 27,000</u>