ABLE ENERGY INC
Form 10-K
September 28, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from to

COMMISSION FILE NUMBER: 001-15035

ABLE ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	22-3520840
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification No.)
198 Greenpond Road Rockaway, NJ	07866
(Address of principal executive offices)	(Zip code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK, PAR VALUE $.001 PER SHARE
(Title of class)

Indicate by check mark 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[X] No[ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained

herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ]

The Issuer's Revenues for the Most Recent Fiscal Year, June 30, 2004, was $44,700,229.

The aggregate market of the voting stock held by non-affiliates of the registrant was approximately $2,002,500 as of the close of business on September 13, 2004.

The number of shares of Common Stock, $.001 par value, issued and outstanding as of September 13, 2004 was 2,013,250.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

HISTORY

Able Energy was incorporated on March 13, 1997 in the state of Delaware, to act as a holding company for five operating subsidiaries: Able Oil; Able Propane; Able Melbourne; Able Montgomery and A&O.

In August 1999, the company formed a wholly-owned subsidiary, Able Energy Terminal, LLC for the sole purpose of purchasing property located at 344 Route 46 in Rockaway, New Jersey for the Company's operations.

In August 1999, the company formed a wholly-owned subsidiary, Able Energy New York, Inc. for the sole purpose of purchasing B&B Fuels, an acquisition in Warrensburg, New York. This acquisition sold heating oil, diesel fuel, and kerosene and the Company added propane gas as an additional product shortly after the acquisition.

On December 29, 1998, the Company sold all of its outstanding shares of Able Montgomery, its Pennsylvania retail heating oil distributor, to an unaffiliated third party in exchange for monetary consideration and a ten-year franchise agreement with the buyer.

On December 31, 1998, the Company sold all of its outstanding shares of common stock of A&O, its environmental consulting and engineering subsidiary, to Owl Environmental, Inc., one of A&O's subcontractors, for nominal consideration. The Company decided to sell A&O in light of A&O's continuing operating losses.

In October 2000, the Company began operations of a majority-owned subsidiary, PriceEnergy.com, Inc. PriceEnergy was developed in order to bring about efficient transactions in the liquid fuels market by streamlining the ordering and delivery process utilizing Internet technology.

OVERVIEW

The Company is engaged in the retail distribution of, and the provision of services relating to, home heating oil, propane gas and diesel fuels. In addition to selling liquid energy products, the Company offers complete HVAC (heating, ventilation and air conditioning) installation and repair and also markets other petroleum products to commercial customers, including on-road and off-road diesel fuel, gasoline, and lubricants.

In fiscal year 2004, sales of home heating oil accounted for approximately 55%

of the Company's revenues. The remaining 45% of revenues were from sales of gasoline, diesel fuel, kerosene, propane, home heating equipment services, and related sales. The Company now serves approximately 29,000 home heating oil customers from four locations, of which one is located in Rockaway, New Jersey, one in Easton, Pennsylvania, one in New York and the final is in Florida.

The Company also provides installation and repair of heating equipment as a service to its customers. The Company considers service and installation services to be an integral part of its business. Accordingly, the Company regularly provides service incentives to obtain and retain customers. The Company provides home heating equipment repair service on a 24 hours-a-day, seven days-a-week basis, generally within four hours of request. Except in isolated instances, the Company does not provide service to any person who is not a customer.

The Company believes that it obtains new customers and maintains existing customers by offering full service home energy products at discount prices, providing quick response refueling and repair operations, providing automatic deliveries to customers by monitoring historical use and weather patterns, and by providing customers a variety of payment options. The Company also regularly provides service incentives to obtain and retain customers. The Company aggressively promotes its service through a variety of direct marketing media, including mail and telemarketing campaigns, by providing discounts to customers who refer new customers to the Company, and through an array of advertising, including television advertisements and billboards, which aim to increase brand

name recognition. The Company believes that this focused marketing strategy has been key to its success.

The Company intends to expand its operations by acquiring select operators in the Company's present markets as well as other markets, capturing market share from competitors through increased advertising and other means, diversifying its products, diversifying its customer base, and replicating its marketing and service formula in new geographic areas either directly or through franchise arrangements. The Company may also enter into marketing alliances with other entities in product areas different than the Company's current product mix.

RETAIL FUEL OIL

The Company's retail fuel oil distribution business is conducted through its subsidiaries Able Oil, Able Energy New York, Inc., and Able Melbourne. The Company serves both residential and commercial fuel oil accounts. The Company sells premium quality home heating oil to its residential customers offering delivery seven days-a-week. To its commercial customers, in addition to selling home heating oil, the Company sells diesel fuels, gasoline and kerosene. The Company also provides an oil burner service that is available 24 hours-a-day for the maintenance, repair, and installation of oil burners. These services are performed on an as needed basis. Customers are not required to enter into service contracts to utilize the Company's service department, however the Company does offer such service contracts if desired.

Approximately 50% of the Company's customers receive their home heating oil pursuant to an automatic delivery system without the customer having to make an affirmative purchase decision. These deliveries are scheduled by computer, based on each customer's historical consumption patterns and prevailing weather conditions. Customers can also order deliveries of home heating oil through the Company's Web site located at WWW.ABLEENERGY.COM, or the Company's Subsidiary PriceEnergy.com's Web site at www.priceenergy.com. The Company delivers home heating oil approximately six times each year to the average customer. The

Company bills customers promptly upon delivery or receives payment upon delivery. The Company's customers can pay for fuel deliveries with cash, check or credit card.

In addition, approximately 9% of the Company's total sales are made to customers pursuant to an agreement which pre-establishes the maximum annual sales price of fuel oil and is paid by customers over a ten month period in equal monthly installments. Such prices are renegotiated in April of each year and the Company has historically purchased fuel oil for these customers in advance and at a fixed cost.

The Company delivers fuel with its own fleet of 28 custom fuel oil trucks and four owner-operator fuel oil delivery trucks. The Company's fuel trucks have fuel capacities ranging from 3,000 to 8,000 gallons. Each vehicle is assigned to a specific delivery route, and services between 4 and 40 customer locations per day depending on market density and customers' fuel requirements. The Company also operates 17 Company owned service vans and one owner-operated service vans, which are equipped with state of the art diagnostic equipment necessary to repair and/or install heating equipment. The number of customers each van serves mostly depends upon the number of service calls received on any given day.

ABLE OIL

Able Oil was established in 1989 and is the Company's largest subsidiary, accounting for approximately 80% of the Company's total revenues in fiscal 2004. Able Oil is headquartered in Rockaway, New Jersey, and serves just under 29,000 oil customer accounts throughout northern New Jersey, mostly in Morris, Sussex, Warren, Passaic and Essex counties, from its distribution locations in Rockaway, New Jersey and Easton, Pennsylvania. Of these accounts, approximately 83% are residential customers and 17% are commercial customers.

Generally, 31 of the Company's fuel oil trucks are reserved for use by Able Oil, of which 28 trucks operate from the Rockaway facility and 3 trucks operate from the Easton, Pennsylvania, facility. In addition, Able Oil utilizes the services of four owner-operated trucks. Each owner operator is under contract; they are responsible for all of the vehicle operating expenses including insurance coverage. All of the trucks have the Company's logo on them.

Able Oil's 28 fuel oil delivery trucks, and the four owner-operator trucks, acquire fuel inventory at the Company's

facilities in Rockaway and Newton. Dispatch of fuel oil trucks is conducted at both the Rockaway. Billing is conducted from Able Energy's corporate headquarters in Rockaway.

The Rockaway and Newton (which is currently out of service) facilities have the capacity to store 1.5 million gallons and 200,000 gallons of fuel, respectively. During seasons where demand for heating oil is higher, or when wholesale oil prices are favorable, a slightly larger inventory is kept on hand. However, Management generally believes that short inventory life and high inventory turnover enables the Company to rapidly respond to changes in market prices. Thus, Management employs "just in time" inventory practices and rarely stores fuel to capacity levels. Additional fuel oil purchases are made daily on the spot market using electronic funds transfers. Able Oil carts its fuel purchases from wholesale purchase sites to the Rockaway and Newton facilities with two tractor-trailer tankers owned by the Company, and by two owner-operated tractor-trailer tankers that are used on an as needed basis. These two owner-operated tankers are under contract and bear the Able logo or name.

Able Oil's oil burner service operates out of the Rockaway and Newton facility. Able Oil dispatches a total of 16 service vans, one of which is subcontracted from an owner-operator.

ABLE MELBOURNE

Able Melbourne was established in July 1996, and is located in Cape Canaveral Florida. Presently, revenues from Able Melbourne account for approximately 4% of the Company's total revenues. Able Melbourne is engaged primarily in the sale of diesel fuel for commercial fleet fueling and other on-road vehicles, and dyed diesel fuel, which is used for off-road vehicles and purposes, including commercial and recreational fishing vessels, heating oil, and generator fuel. Additionally, a small portion of Able Melbourne's revenues is generated from the sale of home heating oil, lubricants and lubricant products. Able Melbourne serves approximately 400 customer accounts in Brevard County, Florida, primarily in the Cape Canaveral Area.

Able Melbourne delivers fuel with two fuel delivery trucks, which are capable of storing 6,000 gallons of fuel in aggregate. Because Able Melbourne's peak season is at the opposite time of the year than the rest of the Company, during this season, Able Melbourne uses one of Able Oil's trucks to meet its demand. Currently, Able Melbourne does not have facilities to store fuel oil beyond what is held on its trucks, and thus, purchases fuel inventory from local refineries. However, since Able Melbourne is located only three miles from port storage, the lack of inventory capacity is not material to the Company's operations or revenue.

RETAIL PROPANE DISTRIBUTION

The Company is engaged in the retail distribution of propane gas and propane equipment, and provides services related thereto through its subsidiaries Able Energy New York, Inc. ("Able Energy") and Able Propane Co., LLC, which was established 1996 and was sold in March of 2004 to Liberty Propane of Overland Park, Kansas.

Propane can be used for virtually all household and business utility applications. Although burned as a gas, propane is transported as a liquid and stored in tanks that vaporize the liquid for use. Able Energy provides its propane customers with such tanks at no charge, and by doing so, remains such customer's exclusive supplier of propane. Able Energy employs a delivery system similar to the Company's retail oil distribution business, whereby customers receive propane deliveries pursuant to an automatic delivery system without the customer having to make an affirmative purchase decision. These deliveries are scheduled by computer, based on each customer's historical consumption patterns and prevailing weather conditions.

Able Energy conducts its propane operations from its new storage facility in Warrensburg, New York. Able Energy has 60,000 gallons of propane storage capacity at its Warrensburg, New York facility which was completed in March 2004. The delivery trucks have the capacity to deliver 3,000 gallons of propane, and can service approximately 30 customers per day. Able Energy purchases wholesale propane on the spot market at local facilities.

PRICEENERGY

PriceEnergy started business in October 2000 and is a majority-owned subsidiary of Able Energy, Inc. PriceEnergy was developed in order to bring about efficient transactions in the liquid fuels market by streamlining the ordering and

delivery process utilizing Internet technology. PriceEnergy has developed a business technology platform that enables the company to sell and deliver liquid fuels and related energy products. This has been possible by utilizing a branded distribution channel of dealers and Able Energy's own delivery network. By leveraging its proprietary web technology and wireless dispatch platform, PriceEnergy intends to achieve cost leadership and create a competitive advantage in the industry.

PriceEnergy currently has a network of approximately 70 dealers in 10 states in the Northeast from Maine to Virginia. Products and services are ordered over the Internet and forwarded to the local dealer to schedule delivery. PriceEnergy receives payment and retains a four-cent per gallon override on all oil ordered through the system.

Once the proper dealer network is in place, the company expects that about 20 million gallons will be ordered in the following fiscal year. This will result in a minimum gross revenue stream of $800,000, which is approximately the break-even point of the enterprise.

EFFECT OF CHANGES IN GENERAL ECONOMY

The Company's business is relatively unaffected by business cycles. Because fuel oil, propane and gasoline are such basic necessities, variations in the amount purchased as a result of general economic conditions are limited.

CUSTOMER STABILITY

The Company has a relatively stable customer base due to the tendency of homeowners to remain with their traditional distributors. In addition, a majority of the homebuyers tend to remain with the previous owner's distributor. As a result, the Company's customer base each year includes most customers retained from the prior year, or homebuyers who have purchased from such customers. Like many other companies in the industry, the Company delivers fuel oil and propane to each of its customers an average of approximately six times during the year, depending upon weather conditions and historical consumption patterns. Most of the Company's customers receive their deliveries pursuant to an automatic delivery system, without the customer having to make an affirmative purchase decision each time home heating oil or propane is needed. In addition, the Company provides home heating equipment repair service on a seven-days-a-week basis.

No single customer accounts for 10% or more of the Company's consolidated revenues.

CONVERSION TO NATURAL GAS

The rate of conversion from the use of home heating oil to natural gas is primarily affected by the relative prices of the two products, and the cost of replacing oil fired heating systems with one that uses natural gas. The Company believes that approximately 1% of its customer base annually converts from home heating oil to natural gas. Even when natural gas had a significant price advantage over home heating oil, such as in 1980 and 1981 when there were government controls on natural gas prices or during the Persian Gulf Crisis in 1990 and 1991, the Company's customers converted to natural gas at only a 2% annual rate. During the latter part of 1991 and through 1995, natural gas conversions have returned to their 1% historical annual rate as the prices for the two products have been at parity.

OIL PRICE VOLATILITY

Although prices of energy sources have been volatile, historically, this has not affected the performance of the Company because it has been able to pass

substantially all wholesale cost increases along to its customers. While fluctuations in wholesale prices have not significantly affected demand to date, it is possible that significant wholesale price increase could have the effect of encouraging conservation of energy resources. If demand was reduced and the Company was unable to increase its gross profit margin or reduce its operating expenses, the effect

of such decrease in demand would be a reduction of net income.

SEASONALITY

The Company's business is directly related to the heating needs of its customers. Accordingly, the weather can have a material effect on the Company's sales in any particular year. Generally, however, the temperatures in the past thirty years have been relatively stable, and as a result, have not had a significant impact on the Company's performance, except on a short-term basis. In the years 1997 and 2001, "El Nino" caused two of the warmest winters on record, which impacted home heating oil sales during the 1997-1998 and 2001-2002 winter seasons. The winter of 2003-2004 recorded temperatures for the season which were normal for New Jersey.

Approximately 65% 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 home heating oil. During the spring and summer months, revenues from the sale of diesel and gasoline fuels increase due to the increased use of automobiles and construction apparatus.

Each of the Company's divisions are seasonal. From May through September, Able Oil experiences considerable reduction of retail heating oil sales.

Able Propane can experience up to 80% decrease in heating related propane sales during the months of April to September, which is offset somewhat by an increase of pool heating and cooking fuel.

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 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.

WHOLESALE SUPPLIERS

The Company has three supply contracts for the purchase of Number 2 Heating Oil, representing 10% of the Company's annual heating fuel purchases. The Company purchases its remaining fuel supplies on the spot market. The Company satisfies its inventory requirements with seven different suppliers, the majority of which have significant domestic fuel sources, and many of which have been suppliers to the Company for over 5 years. The Company's current suppliers are Ameranda Hess Corporation, Motiva Enterprises, Petron Oil Corporation, Star Enterprises, Sprague Energy, Petrocom Energy Group Ltd., and Sun Co., Inc. (R&M). The Company monitors the market each day and determines when to purchase its oil inventory and from whom.

Three of these suppliers provided Able Oil with approximately 60% of its heating oil requirements for the year ended June 30, 2004.

Coastal Refining & Marketing, Inc., provided Able Melbourne with approximately 99% of its diesel fuel product requirements for the year ended June 30, 2004.

Two major suppliers provided Able Melbourne with approximately 67% and 33%, respectively, of its lubricant and related product requirements for the year ended June 30, 2004.

Management believes that if the Company's supply of any of the foregoing products was interrupted, the Company would be able to secure adequate supplies from other sources without a material disruption in its operations. However, there can be no assurance that adequate supplies of such products will be readily available in the future.

TRUCK PURCHASES AND MAINTENANCE

The Company presently orders and purchases its fuel oil trucks from two companies that manufacture trucks suitable for the Company's operations. The Company has the option to purchase or lease standard equipment fuel trucks. The typical configuration of the Company's fuel trucks is a Kenworth with a 3,000 gallon multi-compartment aluminum tank, a vapor recovery system and a device that records fuel flow from the storage compartments. Each truck carries the Company's registered logo emblazoned on its side.

Service vehicles are standard commercial vans, which are obtained from a number of sources. These vehicles also carry the Company logo.

Generally, the Company relies upon equipment warranties, fixed fee service contracts and on-site repairs for the maintenance of the Company's fleet of vehicles. To date, the Company has not experienced significant downtime on the any of its fuel trucks.

FRANCHISE DEVELOPMENT

On December 29, 1999, the Company sold its Able Montgomery subsidiary as a franchise operation. Able Montgomery located in Horsham, Pennsylvania, was established in 1996 and is engaged in the retail sale and delivery of home heating oil. Pursuant to a Stock Purchase Agreement, the Company sold all of the outstanding shares of Able Montgomery held by the Company to an unaffiliated third party for a purchase price of $140,000, and the purchaser agreed to enter into a ten-year franchise agreement with the Company. As an incentive for the purchaser to enter into the Stock Purchase Agreement and operate Able Montgomery as a franchise, the Company agreed to waive the $25,000 franchise fee and the $15,000 grand opening fee the Company typically charges new franchisees. At the time of the sale, Able Montgomery represented approximately 1.52% of the total assets of the Company and approximately 1.82% of the total revenues of the Company.

The purchaser of Able Montgomery issued to the Company a promissory note for the purchase price of Able Montgomery. On June 15, 2000, the promissory note was restructured to include the amount still due, plus an additional amount for purchases of oil and advertising, for a total principal amount of $175,000. Pursuant to the Stock Purchase Agreement, the Company agreed to indemnify the purchaser in certain circumstances, which include, any personal injury or property damage claims, or any environmental violation, caused by the Company prior to the closing of the sale of Able Montgomery. The purchaser agreed to indemnify the Company in certain circumstances, which include, the breach of any representation or warranty made by purchaser in the Stock Purchase Agreement or any of the other agreements executed by the purchaser in connection with the sale of Able Montgomery. Additionally, pursuant to the Stock Purchase Agreement, the purchaser agreed to enter into a Pledge and Security Agreement whereby the purchaser agreed to pledge to the Company all of the assets and outstanding shares of Able Montgomery, and grant to the Company a security interest in all

of the assets of Able Montgomery, pending the satisfaction of the promissory note. The promissory note is payable 60 months from the date of the note and accrues interest at a rate of 9.5% per annum, payable to the Company in monthly installments.

On June 27, 2000, the Company issued a franchise to an independent third party for exclusive rights to operate our franchised business in the Pocono Mountains, Pennsylvania. This franchise commenced business operations in September 2000. In conjunction with issuance of the franchise, the franchisee paid the company a non-refundable fee of $25,000, an advertising deposit of $15,000 and a $5,000 escrow deposit. 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 pursuant to the agreement.

1998 SALE OF A&O SUBSIDIARY

A&O was established in 1995 and was engaged in the business of environmental consulting and engineering. After assessing the potential profitability of A&O versus its potential liabilities, Management determined that it was in the Company's best interest to sell A&O. During the year ended December 31, 1999, A&O experienced a loss from operations of approximately $152,000 on revenues of $734,032. At December 31, 1999, A&O's liabilities were approximately $374,712 as compared to assets of $221,000. From its inception through year ended December 31, 1998, the Company, through Able Oil, advanced to A&O approximately $128,442. Pursuant to a Stock Purchase Agreement dated December 31, 1998, the Company sold all of the outstanding shares of common stock of A&O held by the Company to Owl Environmental, Inc. ("Owl"), one of A&O's subcontractors, for nominal consideration. Owl purchased such shares "as is" without recourse or express or implied warranty from the Company.

PRODUCT LINES

In fiscal year 2004, sales of home heating oil accounted for approximately 55% of the Company's revenues. The remaining 45% of revenues were from sales of gasoline, diesel fuel, kerosene, propane, equipment sales and service, and related sales. The Company also installs heating equipment and repairs such equipment on a 24 hours-a-day, seven days-a-week basis, generally within four hours of request.

INDUSTRY OVERVIEW

The Company's business is highly competitive. In addition to competition from alternative energy sources, the Company competes with distributors offering a broad range of services and prices, from full service distributors similar to the Company, to those offering delivery only. Competition with other companies in the propane industry is based primarily on customer service and price. Longstanding customer relationships are typical in the retail home heating oil and propane industry. Many companies in the industry, including the Company, deliver fuel oil or propane to their customers based upon weather conditions and historical consumption patterns without the customers having to make an affirmative purchase decision each time fuel oil or propane is needed. In addition, most companies, including the Company, provide equipment repair service on a 24 hour-a-day basis, which tends to build customer loyalty. As a result, the Company may experience difficulty in acquiring new retail customers due to existing relationships between potential customers and other fuel oil or propane distributors.

MARKETING, SALES & STRATEGIC PARTNERSHIPS

The Company employs a dynamic marketing strategy that the Company believes has been the key to its success. The Company believes that it obtains new customers and maintains existing customers by offering its full service home energy products at discount prices, providing quick response refueling and repair operations, providing automatic deliveries to customers by monitoring historical use and weather patterns, and by providing customers a variety of payment options. To expand its customer base and aggressively promote its service, the Company engages in direct marketing campaigns, advertises regularly, offers employee incentives, and encourages referrals.

The Company has successfully expanded its customer base by employing a variety of direct marketing tactics, including telemarketing campaigns, billboards, mass and direct mailings, and by distributing hand-bills and promotional items, such as refrigerator magnets, sweatshirts and hats. Additionally, the Company's delivery personnel are an integral part of the Company's direct marketing activities. While in the field, drivers isolate potential new customers by taking note of where the Company is not servicing accounts, and act as salespersons for the Company. The Company offers its drivers and customer care representatives an incentive payment of $20 for each new automatic delivery customer and $10 for each conversion of an existing customer to automatic delivery.

The Company uses advertising campaigns to increase brand recognition and expand its customer base, including radio and television advertisements, billboards, and newsprint and telephone directory advertisements. Additionally, the Company utilizes its fleet of fuel delivery trucks and service vans as moving advertisements by emblazoning them with the Company's logo.

Historically, referrals have been an important part of the Company's efforts to expand its business and the Company offers incentives to customers who refer business. Customers who refer business receive either $30 or 25 gallons of heating oil at no charge for each new customer referred. The Company also offers other special limited time promotional offers to customers, designed to increase business in specific targeted business segments. The Company also encourages civic and religious organizations to refer business to the Company. As an incentive, the Company pays such organizations a donation for each of its members who become customers and a stipend based upon the members' fuel consumption.

PATENTS AND TRADEMARKS

Able Oil owns the exclusive right and license to use, and to license others to use, the proprietary marks, including the service mark "Able Oil- -Registered Trademark-" (and design) ("Proprietary Marks"). The "Able Oil- -Registered Trademark-" service mark and design was registered under Classes 37 and 39 of the Principal Register of

the U.S. Patent & Trademark Office ("USPTO") on April 30, 1996 (registration No. 1,971,758). In addition, Able Oil established certain common law rights to the Proprietary Marks through its continuous, exclusive and extensive public use and advertising. The Proprietary Marks are not registered in any state.

Presently there is no effective determination by the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state, or court regarding the Proprietary Marks, nor is there any pending interference, opposition or cancellation proceeding or any pending litigation involving the Proprietary Marks or the trade names, logotypes, or other commercial symbols of Able Oil. There are no agreements currently in effect that significantly limit the rights

of Able Oil to use or license the use of the Proprietary Marks.

In December 2000, the Company was advised by the United States Patent and Trademark Office that its applications for registration for the "PriceEnergy.com" mark was assigned Serial No. 76/172083 and the "PriceEnergy.com The Energy Hotspot" mark was assigned Serial No. 76/171829, as of November 28, 2000.

ENVIRONMENTAL CONSIDERATIONS AND REGULATION

The Company has implemented environmental programs and policies designed to avoid potential liability under applicable environmental laws. The Company has not incurred any significant environmental compliance cost, and compliance with environmental regulations has not had a material effect on the Company's operating or financial condition. This is primarily due to the Company's general policies of closely monitoring its compliance with all environmental laws. In the future, the Company does not expect environmental compliance to have a material effect on its operations and financial condition. The Company's policy for determining the timing and amount of any environmental cost is to reflect an expense as and when the cost becomes probable and reasonably capable of estimation.

On September 15, 2003, Able Oil received approval from the New Jersey Department of Environmental Protection a revised Discharge Prevention Containment and Countermeasure plan ("DPCC") and Discharge, Cleanup and Removal plan ("DCR") for the facility at 344 Route 46 East in Rockaway, New Jersey. This plan has received approval and will be in effect for three years. The State of New Jersey requires companies which operate major fuel storage facilities to prepare such plans, as proof that such companies are capable of, and have planned for, an event that might be deemed by the State to be hazardous to the environment. In addition to these plans, Able Oil has this facility monitored on an ongoing basis to ensure that the facility meets or exceeds all standards required by the State.

The Company experienced no spill events that would warrant investigation by state or other environmental regulatory agencies. All locations are prepared to deal with such an event should one occur.

GOVERNMENT REGULATIONS

Numerous federal, state and local laws, including those relating to protection of the environment and worker safety, effect the Company's operations. The transportation of fuel oil, diesel fuel, propane and gasoline is subject to regulation by various federal, state and local agencies including the U.S. Department of Transportation ("DOT"). These regulatory authorities have broad powers, and the Company is subject to regulatory and legislative changes that can effect the economies of the industry by requiring changes in operating practices or influencing demand for, and the cost of providing, its services.

The regulations provide that, among other things, the Company's drivers must possess a commercial driver's licence with a hazardous materials endorsement. The Company is also subject to the rules and regulations concerning Hazardous Materials Transportation Act. For example, the Company's drivers and their equipment must comply with the DOT's pre-trip inspection rules, documentation regulations concerning hazardous materials (i.e. certificates of shipments which describe the type, and amount of product transported), and limitations on the amount of fuel transported, as well as driver "hours of service" limitations. Additionally, the Company is subject to DOT inspections that occur at random intervals. Any material violation of DOT rules or the Hazardous Materials Transportation Act may result in citations and/or fines upon the Company. In addition, the Company depends upon the supply of petroleum products from the oil and gas industry and, therefore, is affected by changing taxes, price controls

and other laws and regulations relating to the oil and gas industry generally. The Company cannot

determine the extent to which future operations and earnings may be affected by new legislation, new regulations and changes in existing regulations.

The technical requirements of these laws and regulations are becoming increasingly expensive, complex and stringent. These laws may impose penalties or sanctions for damages to natural resources or threats to public health and safety. Such laws and regulations may also expose the Company to liability for the conduct or conditions caused by others, or for acts of the Company that were in compliance with all applicable laws at the time such acts were performed. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for joint and several liabilities for remediation of spills and releases of hazardous substances. In addition, companies may be subject to claims alleging personal injury or property damages as a result of alleged exposure to hazardous substances, as well as damage to natural resources.

Although the Company believes that it is in compliance with existing laws and regulations and carries adequate insurance coverage for environmental and other liabilities, there can be no assurance that substantial costs for compliance will not be incurred in the future or that the insurance coverage in place will be adequate to cover future liabilities. There could be an adverse affect upon the Company's operations if there were any substantial violations of these rules and regulations. Moreover, it is possible that other developments, such as more stringent environmental laws, regulations and enforcement policies thereunder, could result in additional, presently unquantifiable, costs or liabilities to the Company.

EMPLOYEES

As of June 30, 2004, the Company employed approximately 87 individuals. From October through March, the Company's peak season, the Company employs approximately 100 persons. From April through September, the Company employs approximately 75 persons. Currently, there are no organized labor unions representing any of the employees of Company or any of its related companies.

ITEM 2. DESCRIPTION OF PROPERTY

The Company's corporate headquarters are located in a 9,800 square foot facility in Rockaway, New Jersey. This facility accommodates the Company's corporate, administrative, marketing and sales personnel. The lease expires July 31, 2005 and carries an annual rent increasing from $109,000 to $290,000 over the term of the lease. The Company owns the property located at 344 Route 46 in Rockaway, New Jersey. This facility accomodates the Company's fuel terminal, including fuel storage tanks, truck yard space and dispatch operations. The Company purchased the property in August 1999, through a newly formed wholly-owned subsidiary, Able Energy Terminal, LLC, at a purchase price of $1,150,000. The Company also owns buildings, totaling 1,000 square feet, consisting of wood frame facilities located at 38 Diller Avenue, Newton, New Jersey that serves as a supply depot, storage area administrative offices and service facility.

Able Melbourne leases a 3,000 square foot concrete and aluminum facility that serves as a storage facility, a service facility and administrative offices, located at 79 Dover Avenue, Merritt Island, Florida and is governed by an oral, month-to-month lease with annual rent of $5,000. The Company does not store fuel oil at this location with the exception of that which is kept in the delivery

trucks. This facility is conveniently located within three miles of its wholesale supplier. The Company is responsible for maintaining the facilities in compliance with all environmental rules and laws.

ITEM 3. LEGAL PROCEEDINGS

In accordance with the purchase of the property on Route 46, Rockaway, New Jersey by Able Energy Terminal, LLC, the Company intends to pursue recovery of all costs and damages related to a lawsuit by the seller against a former tenant of the property, based on environmental cleanup costs on the property. Purchaser will assume all responsibility and direction for the lawsuit, subject to the sharing of half of any recoveries from the lawsuit with the seller. The seller by reduction of its mortgage will pay costs related to the above up to $250,000. In December of 2000, the Company reached an agreement with the former tenants whereby the former tenants agreed to pay Able

Energy, Inc. the sum of $397,500 in order to pay for the environmental cleanup costs on the Company's Route 46 property.

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

A lawsuit (known as Hicks vs. Able Energy, Inc.) 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. A hearing was held on March 11, 2004 on an application on certain matters by the Plaintiffs, which were denied. The Court presently has before it a motion by Plaintiffs for Class Action Certification. Per legal counsel, whether this matter is certified a Class Action will greatly influence the Company's potential exposure. Legal counsel is guardedly optimistic that Class Action will be denied.

After the March 14, 2003, fire and explosion, the town of Newton changed its zoning requirements and made fuel oil and propane distribution prohibited uses. The Company is appealing a denial of a request for building permits to reconstruct damaged and destroyed buildings and sought a Non-Conforming Use Certificate to permit the fuel oil distribution use only. On August 20, 2004, the Superior Court of New Jersey ruled that the Company may continue to use the site as a non-conforming use, but stayed its decision subject to Newton's appellate rights.

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 were approximately 200 claims being handled and adjusted with reserves for losses established as deemed appropriate by the insurance carrier. The majority of these claims have been settled.

In addition, the following lawsuits were also filed against the Company by property owners who allegedly suffered property damage as a result of the March 14, 2003 explosion and fire: (A) Merriam Gateway v. Able Energy, Inc. which was filed on November 17, 2003 in the Superior Court of New Jersey Law Division, County of Sussex in which the plaintiff seeks unspecified compensatory and punitive damages; (B) Courtright v. Able Energy, Inc. which was filed on April 6, 2003 in the Superior Court of New Jersey Law Division, County of Sussex in which the plaintiff seeks unspecified compensatory and punitive damages; and (C) Scholz v. Able Energy, Inc. which was filed on June 23, 2004 in the Superior

Court of New Jersey Law Division, County of Sussex in which the plaintiff seeks unspecified compensatory and punitive damages.

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.

The Company is not currently involved in any legal proceeding that could have a material adverse effect on the results of operations or the financial condition of the Company. From time to time, the Company may become a party to litigation incidental to its business. There can be no assurance that any future legal proceedings will not have a material adverse affect on the Company.

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

The following matters were submitted to a vote and ratified at our annual meeting held in Rockaway, New Jersey on June 30, 2004.

(1) Elected a board of five directors to hold office until the 2005 Annual Meeting of Shareholders and until their successors are elected and qualified;

	FOR	AGAINST	ABSTAIN
Timothy Harrington	1,039,402	0	14,900
Christopher P. Westad	1,039,402	0	14,900
James Pucaro	1,040,002	0	14,300
Patrick O'Neill	1,040,002	0	14,300
Edward C. Miller, Jr.	1,040,002	0	14,300

(2) Ratified the selection of Simontacchi & Company, LLP as our auditors for the fiscal year ending June 30, 2005.

FOR	AGAINST	ABSTAIN
1,040,002	0	14,300

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET FOR SECURITIES

The Company's Common Stock commenced trading on the Nasdaq SmallCap Market under the symbol "ABLE" on June 29, 1999. The following table sets forth the high and low sale price of the Common Stock on a quarterly basis, as reported by Nasdaq:

QUARTER ENDED	HIGH PRICE ($)	LOW PRICE ($)
June 30, 2000	6	4 1/4
September 30, 2000	5 1/4	3
December 31, 2000	4	1 5/8
March 31, 2001	3 9/16	2

June 30, 2001	6.75	2.35
September 30, 2001	5.89	3.70
December 31, 2001	4.58	3.55
March 31, 2002	4.72	3.34
June 30, 2002	4.55	3.30
September 2002	4.50	3.40
December 2002	4.82	2.81
March 2003	4.80	2.80
June 2003	4.15	2.41
March 31, 2004	2.65	2.50
June 30, 2004	2.65	2.28

At June 30, 2004, there were approximately 700 holders of record of the Company's Common Stock. The Company has not paid dividends on its shares of Common Stock outstanding in the past. There are no restrictions that limit the ability of the Company to pay dividends or are likely to do so in the future.

RECENT SALE OF UNREGISTERED SECURITIES

None.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the Consolidated Financial Statements, including the related notes, and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations".

	FOR THE YEAR ENDED JUNE 30,		
	2004	2003	2002
RESULTS OF OPERATION DATA - CONTINUING OPERATIONS			
Sales	$42,882,327	$43,409,488	$24,851,039
Gross Profit	5,614,858	6,504,093	4,273,819
Operating Income (Loss)	(1,971,745)	328,463	(1,852,533)
Net Income (Loss)	(2,700,102)	53,322	(1,947,539)
Net Income (Loss) Per Share	(1.34)	.03	(.97)
Depreciation and Amortization	1,152,906	1,070,046	1,027,144
Interest Expense	576,578	435,992	281,994
Weighted Average Number of Shares Outstanding	2,013,250	2,012,702	2,001,332
BALANCE SHEET DATA			

Cash	$1,309,848	$ 400,033	$ 258,560
Current Assets	5,577,508	5,504,366	3,086,136
Current Liabilities	5,320,953	5,508,829	5,559,680
Total Assets	12,443,695	12,612,582	10,477,891
Long-Term Liabilities	3,724,691	3,616,461	1,657,071
Total Stockholders' Equity	3,398,051	3,487,292	3,261,140

Note: The results of operation data for the years ended June 30, 2003 and June 30, 2002 have been adjusted to reflect the discontinued operations of Able Propane, LLC (see financial statement Note 23).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements in this Annual Report on Form 10-K 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

Year ended June 30, 2004; Compared to the Year ended June 30, 2003.

The Company reported revenues of $42,882,327 for the year ended June 30, 2004, which was a small decrease of $527,161 from the prior year's revenues of $43,409,488 for the same period. This decrease can be attributed primarily to somewhat lower gallons sales during the period as a result of a decline in heating degree days from last season and the initial impact of marketing changes in the way the company sells to its discount customers. The Company did not have the use of its facility in Newton, New Jersey, due to the explosion in March 2003, which negatively affected service levels to some of the customers in the Sussex County, New Jersey delivery area.

Gross profit margin, as a percentage of revenues, for the year ended June 30, 2004, decreased by 1.89% from $6,504,093 to $5,614,858. 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 3.24% from 11.76% in year ending June 30, 2003 to 15.00% during the same period in 2004. The Company attributes this increase to higher insurance rates due to an unsettled insurance market; payroll costs, advertising, outside consulting and legal fees. Management will continue to monitor its expenditures against a new comprehensive fiscal budget prepared in June of 2004, against actual results on a continuing basis in an effort to reduce SG&A as a percentage of sales.

Operating loss for the year ended June 30, 2004 was $(1,971,745) as compared to the Company's income of $328,463 for the year ended June 30, 2003. This operating loss for the year was directly related to the volatile market pricing and increased costs related to the explosion and fire in Newton, New Jersey on March 14, 2003, and increased operating costs (such as insurance) in the current economic environment.

Net loss for the year ended June 30, 2004 was $(2,700,102) as compared to the same period for the previous year's income of $53,322. This loss was directly related to an increase in operating costs, warmer temperature for the season, and a lower gross margin.

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Volume in gallons is the true gauge by which increases or decreases can be measured on a year-to-year basis as the volatility in the cost of the commodity can present an inexact picture of real growth. Gallons for the period ending June 30th, 2004 vs. period ending June 30th 2003 were down by 15.9%. This is primarily the result of lower heating degree-days in the 2003/04 season vs. the 2002/03 season. Heating degree-days are the industry measurement used to relate each day's temperatures during the heating season to the demand for fuel used for heat. While heating degree-days for the period ending June 2004 were in the normal range, as compared to the prior year, which was much colder than normal, the variance was minus 15.9%. Other reasons for the year-to-year gallons decline were the fact that the March 2003 explosion, which affected our Newton fuel depot, has left this facility still in an "out of service" condition. We are currently working diligently to get this location back in service, at least on a limited basis, before the end of the current fiscal year. The ability to use this location will greatly improve our service level to the Sussex County delivery area. We are also enhancing our communications to our `will call' customers by offering Able Oil Express. We believe that by focusing our efforts on each specific segment of customer, we can build overall sales.

Year ended June 30, 2003; Compared to the Year ended June 30, 2002.

The Company reported revenues of $46,297,662 for the year ended June 30, 2003, an increase of 73.25% over the prior year's revenues for the same period. The sales increased by $19,574,180. This increase can be attributed primarily to the Company's continued aggressive sales activities, which resulted in a larger customer base as well as an increase in the sales of commercial diesel fuels and gasoline. The Company's primary delivery territory also experienced much colder weather and higher margins via a more favorable pricing structure. A higher commodity cost during this past season due to economic unrest, and the fear that war could disrupt the world's oil supply also impacted revenues. The Company experienced a sales increase in its two main commodities during the year ended

June 30, 2003. Sales of #2 heating oil, the Company's main product line, grew in revenue dollars by 79.09%. Propane gas sales, in dollars, grew by 53.61% for the year over the prior year. In addition, the Company increased its sales of new equipment and HVAC services for the year by 35.92%. In addition, sales of gasoline and on-road diesel also experienced strong revenue growth. Sustained growth in these non-heating related products and services in the off-season, will also help even out the seasonality of the Company's business when heating related sales are generally down. Management has also been dedicated to a realistic gross margin percentage on these off-season products to allow for greatest profitability.

Gross profit margin, as a percentage of revenues, for the year ended June 30, 2003, decreased by 2.69%, but gross profit in dollars increased $2,470,952 above the prior year's results. Gross profit margin as a percentage of revenues was lower due to the increased cost of the main commodities during this past heating season. Typically, margin dollars per gallon remain relatively constant in a given marketing area regardless of the changes in commodity pricing. The overall increase in gross profit reflects the Company's margin managment policy along with the increase in gross sales revenue. This margin program is designed to promote product pricing that is in line with the specific type and extent of service that is provided.

Selling, general, and administrative expenses, as a percent of sales, decreased by 8.33% from 19.98% in the year ending June 30, 2002 to 11.65% during the same period in 2003. The Company attributes this decrease to its continued dedication to controlling expense line items as a percentage of sales, including advertising, and outside consulting fees. Management will continue to monitor the fiscal budget against actual results on a continuing basis in an effort to further reduce SG&A as a percentage of sales.

Operating income for the year ended June 30, 2003 was $927,627, as compared to the Company's operting loss of ($1,426,268) for the year ended June 30, 2002. This operating profit for the year was directly related to the increase in sales and lower percentage of operating costs in comparison to sales.

Net income for the year ended June 30, 2003 was $202,152 as compared to the same period for the previous year loss of ($1,522,255), a year over year increase of $1,724,407. The overall performance in net income was primarily affected by the dramatic increase in sales during the year. Primarily, the Able Oil subsidiary experienced the greatest increase in year-to-year net profit of $1,378,655 this year compared to prior year. This net income while being a significant improvement over the prior year was severely effected by the explosion and fire on March 14, 2003, and regulatory penalties of $435,000, discussed on a subsequent page.

OPERATIONAL EFFICIENCIES

The Company believes that it will continue to increase the utilization of existing personnel and equipment, thus continuing to reduce expenses as a percent of sales, and increasing profitability, within its current business configuration. The redefining of the Company's organizational chart and associated position descriptions (by assigning duties to best suit the organizations growth) will further enhance this increased utilization. Moreover, the Company is in the process of implementing a new Versyss operating system to further streamline operations and information processing.

The Company understands the importance of controlling expenses at every level and as such, has enlisted the support of an outside consultant to assist in the

integration of a new comprehensive operating budget that will interface with the new Versyss operating system. The Company believes that these changes will enable management to be in an improved position of being able to quickly respond to changing trends in sales and expenses. The combination of the new operating system and the detailed budget program and reporting will provide all levels of management with real time results not previously available.

The Company's margin strategy will be strengthened as it plans to continue to use the PriceEnergy subsidiary to handle highly discounted non-service related home heating oil sales previously sold through the Able Oil subsidiary. This change will permit Able Oil Co. to grow its automatic delivery customer base using its moniker of "Full Service at Discount Prices", while the PriceEnergy entity will cater to those customers looking for the lowest possible retail price either "on-line" or over the phone. The Company believes that this further segmentation of its customer base will be successful in increasing overall profitability while enhancing customer appeal. The Company has identified several discreet customer segments that prefer varying levels of service from the Company. By better aligning the Company's product offerings to match the desires of these customer segments, the Company believes that it will be able to capture a larger market share.

The Company has implemented a service billing methodology known as "Flat Rate Pricing", an approach similar to that used in the automobile repair industry. This system provides the Company's sales and service personnel a "package approach" to selling service, and provides the customer with an easy to understand invoice. This policy is consistent with the Company's customer segmentation strategy, permitting different retail prices for different customer segments, based upon their choice of service level desired. This system will interface with the Company's automated dispatch communications program that was introduced last year. Flat rate pricing has now been fully rolled out and has proven so far to be successful in streamlining the service billing process.

WARRENSBURG, NEW YORK OPERATIONAL ENHANCEMENTS

The Company is in the process of making operational changes to its Warrensburg, New York business, which will permit the consolidation of all daily operations on to one modern facility located in the newly developed Warrensburg Industrial Park. The Company's current operations on its Lake George property have been moved to the new site and the Lake George location has a firm sales contract in place. Once the sale has been completed, the proceeds will provide funding for the new operations at the industrial park. When completed, the new fuel depot and sales office will house the local sales and administrative support personnel as well as operations and fuel storage for #2 heating oil, kerosene, propane gas, and diesel fuel. When a new modular office and tank farm is completed on the new property, the Company will terminate its leased office space and fuel operations on Horicon Avenue and have all operations combined in the new location with the ability to grow the business more effectively as well as handle a greater volume of all products.

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 has introduced additional customer service technology to its Rockaway call and administrative center during the past year. Able Energy management believes that the improvements to its existing telephone 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 now provides customers with the option of placing an order via a voice activated technology. This enables 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 will soon be aware of the status of every on-duty worker and be able to obtain real time reporting for stand-by, en route, and service work time. This system enables the Company to maximize scheduling opportunities and eliminates service technician down time.

OPERATING SUBSIDIARY

The company's operating subsidiary, PriceEnergy with it modern order-processing platform is now in full operation. This 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 4.4 million gallons in new business this year, which were delivered by PriceEnergy's dealer network. In December of 2002, PriceEnergy began sales of Home Heating Oil in the initial BJ's Wholesale Club. Gallons sold through this new venue have been increasing with each week. The Company is excited about this 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 and diesel fuel.

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 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.

The Company is currently not processing deliveries from the Newton, New Jersey facility as the Newton Board of Adjustment originally denied the Company's application to repair and rebuild the facility on the grounds that the zoning laws covering the Newton, New Jersey property had been changed following the accident. The Company appealed the Board's decision in August of 2004, was granted immediate permission to make some building repairs and restore power to the underground cathodic protection system. The Company is currently effectuating these repairs and will continue to move the legal process forward in order to regain use of the facility.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended June 30, 2004, compared to the year ended June 30, 2003, the Company's cash position increased by $909,815 from $400,033 to $1,309,848. For the year ended June 30, 2003, cash was generated from the Company entering into agreements and receiving loans of $750,000 and $335,000 from private companies and a loan in excess of $300,000 from the C.E.O. In the year ended June 30 2004, The Company closed a credit facility on September 22, 2003, with UPS Business Capital Credit and obtained a term loan of $4.3 million to consolidate a large portion of its existing debt and has also obtained a working capital line of credit of $700,000. This new debt restructuring will in future years save in excess of $200,000 per year in interest payments and eliminate previous

administrative efforts in the managing of over two-dozen individual leases and loans. The Company also sold the operating assets of a subsidiary, which yielded cash of $1,255,000 and reduced debt in excess of $1.4 million. The Company also had increased collections of customer advance payments. The new facility will assist the Company to continue to grow while strengthening its infrastructure.

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, primarily #2 home heating fuel 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 Energy's New York propane operations 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 8. FINANCIAL STATEMENTS

All financial information required by this Item is attached hereto beginning on Page F-1.

ABLE ENERGY, INC.

JUNE 30, 2004 AND 2003

C O N T E N T S

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To The Board of Directors
Able Energy, Inc.
Rockaway, New Jersey 07866

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheets of Able Energy, Inc. and subsidiaries as of June 30, 2004 and 2003 and the related consolidated statements of operations, Stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Able Energy, Inc. and subsidiaries as of June 30, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2004 in conformity with accounting principles generally accepted in the

United States of America.

Simontacchi & Company, LLP
Rockaway, New Jersey
September 13, 2004

ABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	JUNE 30,	
	2004	
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,309,848	$ 4
Accounts Receivable (Less Allowance for Doubtful Accounts of $192,222 (2004) and $279,913 (2003)	2,436,554	2,6
Inventory	559,325	7
Notes Receivable - Current Portion	51,851	
Other Receivable - Non-Compete - Current Portion	225,000	
Miscellaneous Receivables	127,422	
Prepaid Expenses	310,142	3
Insurance Claim Receivable	-	3
Deferred Costs - Insurance Claims	424,547	7
Prepaid Expense - Income Taxes	2,063	
Deferred Income Tax	54,923	
Due From Officer	75,833	-
TOTAL CURRENT ASSETS	5,577,508	5,5
PROPERTY AND EQUIPMENT:		
Land	479,346	4
Buildings	1,000,268	9
Trucks	3,217,443	3,1
Fuel Tanks	674,765	1,4
Machinery and Equipment	911,177	7
Leasehold Improvements	607,484	5
Cylinders	183,773	7
Office Furniture and Equipment	200,640	2
Website Development Costs	2,330,794	2,2
	9,605,690	10,5
Less: Accumulated Depreciation and Amortization	4,819,707	4,3
NET PROPERTY AND EQUIPMENT	4,785,983	6,2
OTHER ASSETS:		

Deferred Income Taxes	45,091	
Deposits	137,015	1
Other Receivable - Non-Compete - Less Current Portion	675,000	
Notes Receivable - Less Current Portion	675,295	1
Customer List, Less Accumulated Amortization of ($188,122) 2004 and 2003	422,728	4
Covenant Not to Compete, Less Accumulated Amortization of $96,667 (2004) and $76,667 (2003)	3,333	
Development Costs - Franchising	18,382	
Deferred Closing Costs - Financing	103,360	
TOTAL OTHER ASSETS	2,080,204	8
TOTAL ASSETS	$12,443,695	$12,6

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

ABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (CONT'D)

LIABILITIES & STOCKHOLDERS' EQUITY

	JUNE 30,	
	2004	
CURRENT LIABILITIES:		
Accounts Payable	$ 1,703,005	$ 1,4
Note Payable - Bank	699,236	
Note Payable - Other	-	3
Current Portion of Long-Term Debt	371,838	1,2
Accrued Expenses	318,154	7
Accrued Taxes	31,582	
Deferred Income	2,333	
Customer Pre-Purchase Payments	1,495,906	9
Customer Credit Balances	698,899	4
Escrow Deposits	-	
Note Payable - Officer	-	3
TOTAL CURRENT LIABILITIES	5,320,953	5,5
Deferred Income	79,679	
Deferred Income Taxes	91,176	
Short Term Debt Refinanced	-	3,1
Long Term Debt: less current portion	3,553,836	2
TOTAL LIABILITIES	9,045,644	9,1

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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 (2004) and		
2,013,250 (2003)		
Paid in Surplus		
Retained Earnings (Deficit)	2,014	
TOTAL STOCKHOLDERS' EQUITY	5,711,224	5,7
	(2,315,187)	(2,2
	----------	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	3,398,051	3,4
	----------	-----
	$12,443,695	$12,6
	==========	=====

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

ABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	JUNE 30	
	2004	2003
	----------	----------
Net Sales	$42,882,327	$43,409,48
Cost of Sales	37,267,469	36,905,39
	----------	----------
Gross Profit	5,614,858	6,504,09
	----------	----------
Expenses		
Selling, General and Administrative Expenses	6,433,697	5,105,58
Depreciation and Amortization Expense	1,152,906	1,070,04
	----------	----------
Total Expenses	7,586,603	6,175,63
	----------	----------
Income (Loss) From Operations	(1,971,745)	328,46
	----------	----------
Other Income (Expenses):		
Interest and Other Income	149,803	112,54
Interest Expense	(576,578)	(435,99
Directors' Fees	-	(24,00

Gain on Insurance Recovery (Note 24)	-	215,14
Other Income (Expense) (Note 22)	-	
Legal Fees Relating to Other Expense	(261,862)	(90,05
Total Other Income (Expense)	(688,637)	(222,35
Income (Loss) from Continuing Operations Before Provision for Income Taxes (Credit)	(2,660,382)	106,10
Provision for Income Taxes (Credit)	39,720	52,78
Net Income (Loss) From Continuing Operations	(2,700,102)	53,32
Discontinued Operations:		
Income (Loss) from Discontinued Operations	(57,630)	148,83
Gain on Sale of Subsidiary Operating Assets	2,668,490	
Income (Loss) from Discontinued Operations	2,610,860	148,83
Net Income (Loss)	$ (89,242)	$ 202,15
Basic Earnings (Loss) per Common Share		
Income (Loss) from Continuing Operations	$ (1.34)	$ .0
Income (Loss) from Discontinued Operations	$ 1.30	$ .0
Diluted Earnings (Loss) per Common Share		
Income (Loss) from Continuing Operations	$ (1.34)	$ .0
Income (Loss) from Discontinued Operations	$ 1.30	$ .0
Weighted Average number of Common Shares Outstanding	2,013,250	2,051,70
Weighted Average number of Common Shares Outstanding Assuming Dilution	2,013,250	2,012,70

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

ABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED JUNE 30, 2004, 2003 AND 2002

Common Stock .001 PAR VALUE

	SHARES	AMOUNT	ADDITIONAL PAID-IN SURPLUS	RET EAR
Balance - June 30, 2001	2,000,000	$ 2,000	$5,662,775	$(90
Sale of Common Stock	1,250	2	4,061	
Issuance of Common Stock for Payment of Directors' Fees	6,000	6	20,394	
Net Loss				(1,52
Balance - June 30, 2002	2,007,250	$ 2,008	$5,687,230	(2,42
Issuance of Common Stock for Payment of Directors' Fees	6,000	6	23,994	
Net Income				20
Balance - June 30, 2003	2,013,250	2,014	$5,711,224	(2,22
Net Loss				(8
Balance - June 30, 2004	2,013,250	2,014	$5,711,224	(2,31

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

ABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEARS ENDED JUN	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net Income (Loss)	$ (89,242)	$ 202,152
(Loss) Income from Discontinued Operations	(57,630)	148,830
Gain on Sale of Subsidiary	(2,668,490	
Gain on Sale of Subsidiary - Non-Cash	1,400,000	-
INCOME (LOSS) - CONTINUING OPERATIONS	(2,700,102)	$ 53,322
Adjustments to Reconcile Net Income to Net Cash used by Operating Activities:		
Depreciation and Amortization	1,152,906	1,070,046
Gain on Disposal of Equipment	-	(215,272)
Directors' Fees	-	24,000
(Increase) Decrease in:		

Accounts Receivable	225,254	(728,282)
Inventory	230,097	(383,998)
Prepaid Expenses	85,840	(167,143)
Prepaid Income Taxes	-	670
Deposits	28,526	(87,000)
Deferred Income Tax - Asset	18,854	(8,074)
Insurance Claim Receivable	349,526	-
Deferred Costs - Insurance Claims	279,128	(614,816)
Increase (Decrease) in:		
Accounts Payable	282,094	261,570
Accrued Expenses	(484,246)	19,355
Customer Advance Payments	559,226	56,569
Customer Credit Balance	282,255	(131,692)
Deferred Income Taxes	20,866	15,598
Escrow Deposits	(5,000)	(23,472)
Deferred Income	2,333	-
NET CASH (USED) PROVIDED BY OPERATING	327,557	(858,619)
ACTIVITIES CONTINUING OPERATIONS		
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,216,540)	(1,102,589)
Web Site Development Costs	(56,219)	(74,064)
Increase in Deposits	-	(7,971)
Disposition of Equipment	73,860	118,258
Payment on Notes Receivable - Sale of Equipment	8,224	13,359
Note Receivable - Montgomery	-	655
Receivable - Officer	(75,833)	-
Miscellaneous Receivables	(56,919)	43,402
	(1,323,427)	(1,008,950)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES CONTINUING OPERATIONS		

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

ABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

CASH FLOW FROM FINANCING ACTIVITIES		
Note Payable - Bank	$ 700,000	$ -
(Decrease) Increase in Notes Payable - Bank	(1,270,764)	(200,000)
Note Payable - Other	(1,585,000)	1,085,000
Note Payable - Officer	(321,630)	311,320
(Decrease) in Notes Payable - Bank	-	-
Decrease in Long-Term Debt	(3,377,095)	(766,479)
Increase in Long-Term Debt	5,117,315	844,869
Sale of Common Stock	-	-
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES		

CONTINUING OPERATIONS	(737,174)	1,274,710
DISCONTINUED OPERATIONS:		
Net Cash (Used) Provided by Discontinued Operations	1,055,720	734,332
Proceeds from Sale of Equipment and Inventory	3,000,000	-
Cost of Sale	(1,412,861)	-
NET CASH (USED) PROVIDED BY DISCONTINUED OPERATIONS	2,642,859	734,332
NET (DECREASE) INCREASE IN CASH	909,815	141,473
Cash - Beginning of Year	400,033	258,560
Cash - End of Year	$ 1,309,848	$ 400,033
The Company had Interest Cash Expenditures of:	$ 665,032	$ 416,049
The Company had Tax Cash Expenditures of:	$ 9,638	$ 34,567

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 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. All material inter-company balances and transactions were eliminated in consolidation.

MAJORITY OWNERSHIP

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 an E-Commerce Operating System for the sale of products through a network of suppliers originally on the East Coast of the United States. The business 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 year ended June 30, 2004 is $597,982 (See Notes 8 and 13).

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 operations of Able Propane were sold March 1, 2004 and the Company is no longer selling propane in New Jersey (See Note 22).

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 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 year ended June 30, 2004 and 2003 amounted to $769,742 and $745,015, 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, and accelerated special depreciation per the Tax Acts of 2002 and 2003.

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.

E-COMMERCE OPERATING SYSTEM DEVELOPMENT COSTS

Costs of $2,330,794 incurred in the developmental stage 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 years ended June 30, 2004 and 2003 amounted to $461,823 and $445,842, 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 are 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 years ended June 30, 2004 and 2003 amounted to $29,191, each year.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 $1,093,621. 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 $651,302 and $416,712 for the years ended June 30, 2004 and 2003, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accrued compensation, and other accrued liabilities, approximate fair value because of their short maturities.

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 antidilutive. 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.

GOODWILL AND INTANGIBLE ASSETS

In June 2001, FASB approved two new pronouncements: SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 applies to all business combinations with a closing date after June 30, 2001. This Statement eliminates the pooling-of-interests method of accounting and further clarifies the criteria for recognition of intangible assets separately from goodwill.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

SFAS No. 142 eliminates the amortization of goodwill and indefinite-lived intangible assets and initiates an annual review for impairment. Identifiable intangible assets with a determinable useful life will continue to be amortized. The amortization provisions apply to goodwill and other intangible assets acquired after June 30, 2001. Goodwill and other intangible assets acquired prior to June 30, 2001 will be affected upon adoption. The Company has adopted SFAS No. 142 effective July 1, 2001, which will require the Company to cease amortization of its remaining net customer lists balance and to perform an impairment test of its existing customer lists and any other intangible assets based on a fair value concept.

The Company has reviewed the provisions of these Statements. Based upon an assessment of the customer lists, there has been no impairment. As of June 30, 2001, the Company has net unamortized customer lists of $422,728.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued FASB Interpretation ("FIN") No. 46-R, "Consolidation of Variable Interest Entities". FIN No. 46-R, which modifies certain provisions and effective dates of FIN No. 46, sets forth criteria to be used in determining whether an investment in a variable interest entity should be consolidated, and is based on the general premise that companies that control another entity through interests other than voting interests should consolidate the controlled entity. The provisions of FIN No. 46 became effective for the Company during the third quarter of Fiscal 2004. The adoption of this new standard did not have any impact on the Company's financial position, results of operations or cash flows.

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.

ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2004 AND 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

RECENT ACCOUNTING PRONOUNCEMENTS (CONT'D)

DEBT EXTINGUISHMENTS

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

In December, 2003, the Financial Accounting Standards Board ("FASB") issued a revision to SFAS No. 132, "Employers' Disclosures about Pensions and Other Post retirement Benefits." This revised statement requires additional annual disclosures regarding types of pension plan assets, investment strategy, future plan contributions, expected benefit payments and other items. The statement also requires quarterly disclosure of the components of net periodic benefit cost and plan contributions. This currently has no effect on the Company.

In May 2003, the FASB issued SFAS No,. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This statement affects the classification, measurement and disclosure requirements of certain freestanding financial instruments including mandatorily redeemable shares. This currently has no effect on the Company's operations.

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 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.

ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2004 AND 2003

NOTE 2 NOTES RECEIVABLE

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. No payments have been received in more than 18 months.

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.

Management has informed us they are in negotiations with Andrew Schmidt. The amount due will be paid to bring the note current, plus interest, or the Company will foreclose and take the stock of Able Montgomery, Inc. and assume the operations of the Company as a distributor of #2 oil. Andrew Schmidt will inform the Company by approximately September 30, 2004, of his decision. Management has stated that the value of the collateral will cover the amount due.

Maturities of the Note Receivable are as follows:

For the 12 Months Ending

June 30,	Principal Amount
2005	$ 31,607
2006	12,511
2007	13,753
2008	15,118
2009	16,619
Balance	79,093
Total	$168,701

ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2004 AND 2003

NOTE 2 NOTES RECEIVABLE (CONT'D)

B. Able Oil Company has three (3) Notes Receivable for the sale of oil delivery trucks to independent drivers who also deliver oil for the Company. Two notes bear interest at the rate of 12% per annum and one Note 9% annum. One note began December 1998, one began February 1999 and one began 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

June 30,	Principal Amount
2005	$20,244
2006	14,836
2007	6,843
2008	5,922
2009	6,287
2010	4,313
Total	$58,445

Note 3 Inventories

Heating Oil	$ 232,364	$ 241,107
Diesel Fuel	19,998	18,921
Kerosene	4,906	2,534
Propane	13,461	8,851
Parts, Supplies and Equipment	288,596	518,009
TOTAL	$ 559,325	$ 789,422

NOTE 4 NOTES PAYABLE BANK

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 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. September 30, 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.

On March 3, 2004, the Company repaid $1,100,000 of the term loan principal balance. The monthly payments of principal and interest were reduced to $26,672.65, commencing with the payment due April 1, 2004 which was paid by the Company in March 2004. All other terms of the loan will remain the same (See Note 22)

ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2004 AND 2003

NOTE 4 NOTES PAYABLE BANK (CONT'D)

1. The collateral will be as follows for the term loan:

   i. A first mortgage on properties located at 344 Route 46, Rockaway, NJ and 38 Diller Avenue, Newton, NJ

   ii. A first security interest in equipment and fleet vehicles

   iii. 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 June 30, 2004 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 as enumerated in the Agreement

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

Fleet Bank	$ 1,340,644	(including interest and fees of
KMA Associates	750,000	
Jeff Will	505,000	(including interest of $5,000)
Estate of Birdsal	657,895	(including interest of $7,895)
Long-term Debt	1,084,866	
Total Refinance	4,338,405	
Other Fees and Costs Paid at Closing	123,198	
Total	$ 4,461,603	

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

The balance of the term loan at June 30, is	$3,064,523
Included in current portion of long-term debt	144,422
Included in long-term debt - less current portion	$2,920,101

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 provided 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 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 was 8.25% per annum. The Company and Lender 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 was $1,270,000. 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). The same individual loaned the Company $300,000 on February 12, 2004, to be paid $100,000 per month plus interest, at 6% per annum on March, April and May 15, 2004. The balance at June 30, 2004 was $ -0-.

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. The loan was paid in full on March 11, 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 and 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 June 30, 2004 and June 30, 2003 was $88,242 and $91,708, 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).

ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2004 AND 2003

NOTE 6 LONG-TERM DEBT (CONT'D)

	INTEREST RATE AT JUNE 30, 2004 AND 2003	MATURITIES	OUTSTAND 6/30
NOTES PAYABLE COLLATERALIZED BY TRUCKS AND VANS	0.00 - 9.147%	11/17/03-10/1/07	$ 26
CAPITALIZE LEASES PAYABLE COLLATERALIZED BY TRUCKS AND VANS PURCHASED	5.689 - 12.506%	12/1/03-5/10/08	708
CAPITALIZE LEASES PAYABLE COLLATERALIZED BY PROPANE TANKS (SEE BELOW)	8.450 - 16.500%	11/1/05-6/1/06	
NOTES PAYABLE COLLATERALIZED BY OFFICE AND COMPUTER EQUIPMENT	4.699 - 16.196%	9/1/04-5/27/08	3
LEASE PAYABLE COLLATERALIZED BY COMPUTER EQUIPMENT AND SOFTWARE	9.56%	SEPT 1, 2003	
			$ 77

The above notes are all collateralized by the equipment and/or furniture purchased. The capitalized leases payable are lease/purchase agreements with a small purchase price at the end of the lease. The above notes are represented by Notes Payable to Payees. Long-term debt at June 30, 2003, in the amount of $1,178,184 and reduced by subsequent payments to $1,084,866 was paid in full on September 22, 2003 (See Note 4A).

Maturities on the Notes Payable subsequent to June 30, 2004 are as follows:

FOR THE YEAR ENDING JUNE 30,	PRINCIPAL AMOUNT
2005	$ 371,839
2006	362,507
2007	334,567
2008	325,318
2009	279,587
BALANCE	2,251,856
TOTAL	$ 3,925,674

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 is accounted for as follows:

	2004 AMOUNT	2004 PERCENT
Statutory Federal Income Tax	$ 27,804	15.0%
State Income Tax	11,916	7.6
Income Taxes	$ 39,720	22.6%
Income Taxes consist of:		
Current	$ -	
Deferred	39,720	

TOTAL	$ 39,720

(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. New Jersey carryforward is treated separately by the Company. Able Oil Company has a New Jersey Operating Loss of $501,010 which can not be utilized in the year ended June 30, 2003, the State Income Tax on income in excess of the NOL $45,258 is shown as state income tax. Under current New Jersey law, the carryforward will be available after 2003, the Company's fiscal year ending June 30, 2005.

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:

	AMOUNT	PERCENT	AM
Statutory Federal Income Tax	$ 204,432	34.0%	$ (
Federal Income Tax Reduction due to Carryforward loss	(199,165)		
State Income Tax	45,258	5.9	(
State Income Tax (Note X)	45,091		
State Income Tax Reduction due to Carryforward loss	(42,834)		
Income Taxes	$ 52,782	39.9%	$ (
Income Taxes consist of:			
Current	$ 45,258		$
Deferred	7,524		(
TOTAL	$ 52,782		$ (

	JUNE 30, 2004	
	TEMPORARY DIFFERENCE	TAX EFFECT

Depreciation and Amortization	$ (339,045)	$(91,176)
Allowance for Doubtful Accounts	192,222	50,888
Gain on Sale of Subsidiary	18,766	4,035
New Jersey Net Operating Loss Carryforward (See Note X, Prior Page)	501,010	45,091

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

ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2004 AND 2003

NOTE 7 INCOME TAXES (CONT'D)

Able Energy, Inc., et al, open years are December 31, 2000 and June 30, 2001 and 2002 and 2003. The Company has a Federal net operating loss carryforward of approximately $2,302,315. The net operating loss expires between June 30, 2019 and 2021. Able Energy, Inc. and Price Energy.Com, Inc. has a New Jersey Net Operating Loss Carryforward of approximately $489,374 and $2,217,251, respectively, which can be utilized in the year ending June 30, 2005.

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. For the year ended June 30, 2004, $-0- of net income has been utilized against the net operating loss carry forward. At this time, the Company believes that a full valuation allowance should be provided. The component of the deferred tax asset as of June 30, 2004 are as follows:

Net Operating Loss Carryforward - Tax Effect	$ -0-
Valuation Allowance	-
Net Deferred Tax based upon Net Operating Loss Carryforward	$ -0-

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, November 1, 2002. Through June 30, 2004, no principal has been paid. Interest, in the amount of $54,000 has been accrued for the six months ended December 31, 2002. No interest was accrued for the six months ended June 30, 2003 and the year ended June 30, 2004 as the note is non performing. Unpaid accrued interest due through June 30, 2003 and 2004 is $234,000. The Note, accrued interest and interest expense 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 through June 30, 2004, resulting in a balance of $2,070,082.46 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. Interest in the amount of $30,000 has been recorded at June 30, 2003. No interest has been recorded for the six months ended June 30, 2003, or for the year ended June 30, 2004. Any payments will go to pay principal. The note receivable accrued interest and interest income 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 $26,579 (2004) and $24,213 (2003), for the year ended June 30.

NOTE 10 COMMITMENTS AND CONTINGENCIES

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

COMPANY	PERIOD	TOTAL GALLONS	GALLONS OPEN COMMITMENT AT 6/30/04	OPEN DOLL COMMITMENT 6/30/04
PETROCOM	11/1/04-3/31/05	126,000	126,000	$130,272
CONECTIV ENERGY	10/1/04 - 4/30/05	336,000	336,000	342,762
TOTAL		462,000	462,000	$473,034

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.

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.

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONT'D)

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 June 30, 2004 which are included in Prepaid Expenses and must be presented to the attorney for reimbursement. Per management, the New Jersey Department of Environental Protection (NJDEP) must issue an approval for treated water run-off. When approval is received, reimbursement can be made upon approval of the attorney and the Estate.

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. The note has been paid in full. As such, any payment by the Estate must be direct payments. Payments will begin when and if costs exceed $397,500. 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.

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, 2003. (See below)

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 were held in the Office of Administrative Law. The Company and DCA have settled the penalties of $419,500 for $25,000, resulting in Other Income of $394,500 (See Note 22). The $25,000 was paid March 10, 2004.

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 March14, 2003 explosion and fire. OSHA has informed the Company it will be assessed a penalty of $16,000 based upon violations sited. This amount is included in Accrued Expenses at June 30, 2003. This amount was paid in October 2003.

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONT'D)

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

A lawsuit (known as Hicks vs. Able Energy, Inc.) 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. A hearing was held on March 11, 2004 on an application on certain matters by the Plaintiffs, which were denied. The Court presently has before it a motion by Plaintiffs for Class Action Certification. Per legal counsel, whether this matter is certified a Class Action will greatly influence the Company's potential exposure. Legal counsel is guardedly optimistic that Class Action will be denied.

After the March 14, 2003, fire and explosion, the town of Newton changed its zoning requirements and made fuel oil and propane distribution prohibited uses. The Company is appealing a denial of a request for building permits to reconstruct damaged and destroyed buildings and sought a Non-Conforming Use Certificate to permit the fuel oil distribution use only. On August 20, 2004,

the Superior Court of New Jersey ruled that the Company may continue to use the site as a non-conforming use, but stayed its decision subject to Newton's appellate rights.

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 were approximately 200 claims being handled and adjusted with reserves for losses established as deemed appropriate by the insurance carrier. The majority of these claims have been settled.

Two lawsuits have been filed by homeowners in Newton, New Jersey 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 the property damage claims.

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.

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 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 total rent expense was $197,765 for the year ended June 30, 2004. The estimated future rents are as follows:

YEAR ENDED JUNE 30,	
2005	$ 117,588

July 2005	9,799
TOTAL	$ 127,387

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

Able Oil Melbourne	$500.00, per month Total rent expense, $6,000
Able Energy New York	$600.00, per month Total rent expense, $7,200

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. 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 busi back to the Company after two (2) years of operations for a price calculated per the Agreement.

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 bears 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, 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 Shareholder was repaid $135,000 on March 3, 2004 (See Note 22). The balance of the Note was paid in March 2004. Interest expense has been paid in the amount of $13,033. In relation to the payment of this Note and other transactions, the Shareholder has a liability to the Company of $31,143.

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).

NOTE 14 EARNINGS PER SHARE

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

	JUNE 30, 2004	JUNE 30, 2003	JUNE 30, 2002
Weighted Average of Common Shares Outstanding Used in Basic Earnings Per Share	2,013,250	2,012,708	2,001,332
Dilutive Effect of:			
Employee Stock Options	-	38,992	-
Stock Warrants	-	-	-
Weighted Average Common Shares Outstanding Used in Diluted Earnings Per Share	2,013,250	2,051,700	2,001,332

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 2004, approximately 349,000 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, 389,000 (2003) and 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

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.

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

NOTE 16 STOCK WARRANTS (CONT'D)

The Company has issued stock warrants as follows:

A. 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.

B. 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 160,000 warrants to purchase shares of common stock were outstanding during the second quarter of 2004 and were not included in the computation of diluted EPS as the warrants' were all higher than the average stock price of $2.59 and would have been anti-diluted (See Note 14). These warrants have not been registered under the Securities Act of 1933.

NOTE 17 COMPENSATED ABSENCES

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. At June 30, 2004, any amount for accrual of the above is not material and has not been computed.

NOTE 18 CASH FLOW INFORMATION

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. Upon the sale of the subsidiary on March 1, 2004, $1,400,000 is a receivable and has no effect on cash. In the year ended June 30, 2003, the Company lost fixed assets in an explosion at its Newton, NJ facility. There was no direct effect on cash of $239,497. Penalties were assessed of $435,500; no payment was made.

NOTE 19 INSURANCE CLAIM

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 insurance claims. The insurance adjusters are in the process of finalizing the amounts to be paid to the Company. The estimated costs not reimbursed are $424,547 and is currently shown as deferred costs insurance claims on the balance sheet. Management anticipates the insurance recovery will cover the company costs. A claim for business interruption still has to be filed and a pollution claim is also pending.

NOTE 19 INSURANCE CLAIM (CONT'D)

The following is a summary of insurance claims filed:

Building (commercial property)		$349,526	
Paid by March 31, 2004		349,526	$ -
Contents		$337,617	
Paid by June 30, 2004		337,617	-
Vehicles		$302,674	
Paid by June 30, 2004		247,409	55,265
	Total		$ 55,265

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

NOTE 20 BUSINESS SEGMENT INFORMATION

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

The Company has entered into a financing agreement with UPS 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".

NOTE 22 SALE OF SUBSIDIARY

On March 1, 2004, the Company sold its subsidiary , Able Propane, LLC. The Sale was a sale of inventory and equipment (the operating assets of the subsidiary). The total price of the sale was $4,400,000. Of that, $3,000,000 was received in cash and was used as a reduction of long-term debt in the amount of $1,284,737. There was also payment of $135,000 of Officer Loan and $325,000 of Legal Fees. The Company had a cash increase of $1,255,268.

In conjunction with the sale of the propane business, the New Jersey Dept. of Community Affairs (DCA) reduced the fine that was charged of $419,500 to $25,000 and the reduction of $394,500 is shown as Other Income. The $419,500 had been deducted as an expense in the prior fiscal year ended June 30, 2003 (See Note 10).

The Company received a Note receivable for $500,000, principal balance of this Note payable in full on the fourth anniversary of the closing, March 1, 2008. The Note bears interest at 6% per annum ($30,000 per year), payable quarterly within 45 days of the closing of each fiscal quarter.

The Company also has signed a non-competition agreement and will receive a total payment of $900,000, payable in $225,000 installments due one, two, three and four years from the date of closing.

The Company will receive the accounts receivable due 60 days or less as follows: Current 100%, 30 days 95% and 60 days 85%. Within 30 days following closing, the Company is due approximately $124,586 from the buyer, $208,917 of accounts receivable have been paid by customers for a total of $333,503 to the Company. Accounts 90 days and greater, if collected, go to the buyer, which is approximately $42,000. After 120 days any uncollected amounts revert to the buyer.

NOTE 23 DISCONTINUED OPERATIONS

On March 1, 2004, the Company sold the operating assets of its subsidiary, Able Propane, LLC (see Note 22), and discontinued the sale of propane fuel in the State of New Jersey.

Following the sale, the results of Able Propane, LLC were reported in the Company's Consolidated Statements of Income and Cash Flows, separately, as discontinued operations. In accordance with Generally Accepted Accounting Principals (GAAP), the Consolidated Statement of Financial Position has not been restated. Able Propane, LLC represented the primary vehicle by which the Company engaged in the sale of propane fuel.

Summarized financial information for discontinued operations for the year ended June 30 are as follows:

	2004	2003	
Total Revenues	$1,817,902	$2,888,174	$
Income (Loss) from Discontinued Operations	(57,630)	148,830	
Gain on Sale of Subsidiary	2,668,490	-	
Total Income From Discontinued Operations	$2,610,860	$ 148,830	$
Total Assets	$ - 0 -	$2,940,622	
Total Liabilities	- 0 -	2,603,736	
Net Assets of Discontinued Operations	$ - 0 -	$ 336,886	

Able Propane, LLC is treated as a Partnership for tax purposes and pays no income tax. As such, there is no provision for income taxes. Able Propane, LLC has no assets or liabilities at June 30, 2004. The assets and liabilities after the sale and collection of accounts receivables and payment of accounts payables, which were transferred to the Company were immaterial to the total assets and liabilities of the Company.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. Regulations under the Securities and Exchange Act of 1934 require public companies to maintain "diclosure controls and procedures," which are defined to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Our Chief Executive Officer ("CEO"), President and our Chief Financial Officer ("CFO") carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on those evaluations, as of the Evaluation Date, our CEO, President and CFO believe:

(i) that our disclosure controls and procedures are designed to ensure that information requred to be disclosed by us in the reports we file under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including the CEO, President and CFO, as appropriate to allow timely decisions regarding required disclosure; and

(ii) that our disclosure controls and procedures are effective.

(b) Changes in Internal Controls. There were no significant changes in our internal controls or, to our knowledge, in other factors that could

significantly affect our internal controls subsequent to the evaluation date.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

DIRECTORS AND EXECUTIVE OFFICERS

The directors and executive officers of the Company are as follows:

NAME	Age	Position
Timothy Harrington	37	Chief Executive Officer, Chairman of the Board and Secretary
Christopher P. Westad	50	President, Chief Financial Officer and Director
James Purcaro	42	Director
Patrick O'Neill	44	Director
Edward C. Miller, Jr.	37	Director

Set forth below is a brief background of the executive officers and directors of the Company, based on information supplied by them.

TIMOTHY HARRINGTON, serves as the Company's Chief Executive Officer, Chairman of the Board, and Secretary. In 1989, Mr. Harrington founded Able Oil Company, Inc., and since that time, has served as Able Oil's President, Chief Executive Officer and Chairman of the Board. Mr. Harrington has also served as the Chief Executive Officer and Chairman of the Board of Directors of Able Energy, Able Melbourne and Able Propane since their respective inception.

CHRISTOPHER P. WESTAD, serves as the President, Chief Financial Officer and a Director of the Company. Since September 1996, Mr. Westad has served as the President of Able Propane, and since July of 1998, President of Able Energy, Inc. From 1991 through 1996, Mr. Westad was a Market Manager and Area Manager for Ferrellgas Partners, L.P., a company engaged in the retail distribution of liquefied petroleum gas. From 1977 through 1991, Mr. Westad served in a number of management positions with RJR Nabisco. In 1975, Mr. Westad received a Bachelor of Arts in Business and Public Management from Long Island University--Southampton, New York.

JAMES PURCARO, has served as a director to the Company since September 1999. Since 1986, Mr. Purcaro has served as the president and chief executive officer of Kingsland Trade Print Group, Inc., a commercial printing company.

PATRICK O'NEILL, has served as a director to the Company since August 1999. Mr. O'Neill has served as the President of Fenix Investment and Development, Inc., a real estate company based in Parsippany, New Jersey for the past five years. Prior to this, Mr. O'Neill served as Vice President of Business Development for AvisAmerica, a Pennsylvania based home manufacturer. Mr. O'Neill holds a B.S. from the United States Military Academy, and has been awarded the Army Achievement Medal for his work with the Army Corps of Engineers..

EDWARD C. MILLER, JR., has served as a director to the Company since February

2000. Mr. Miller has served as the Director of Marketing for the law firm of Norris, McLaughlin & Marcus, P.A., located in Somerville, New Jersey since September 1999. Prior to that, Mr. Miller served as Practice Development Coordinator at the law firm of Riker, Danzig, Scherer, Hyland & Perretti, LLP since May 1991. Mr. Miller holds a B.S. in Marketing Management from Syracuse University School of Management.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established a Compensation Committee and an Audit Committee consisting of at least two directors who are not salaried officers of the Company.

The purpose of the Compensation Committee is to review the Company's compensation of its executives, to make determinations relative thereto and to submit recommendations to the Board of Directors with respect thereto. The Compensation Committee also selects the persons to whom options to purchase shares of the Company's Common Stock under the 1999 Stock Option Plan will be granted and to make various other determinations with respect to such Plan.

The purpose of the Audit Committee is to provide general oversight of audit, legal compliance and potential conflict of interest matters.

COMPENSATION OF DIRECTORS

The Company paid compensation to the directors in the amount of 2,000 common shares of common stock in the Company for acting in such capacity during the year ending December 31, 2003.

Directors serve until the next annual meeting of stockholders or until their successors are elected and qualified. Officers serve at the discretion of the Board of Directors. Directors are reimbursed for travel expenses.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of Forms 3, 4 and 5, and amendments thereto, furnished to the Company during fiscal year 2004, the Company is not aware of any director, officer or beneficial owner of more than ten percent of the Company's Common Stock that failed to file reports required by Section 16(a) of the Securities Exchange Act of 1934 on a timely basis during fiscal year 2003.

CODE OF ETHICS

The Company has adopted its Code of Ethics and Business Conduct for Officers, Directors and Employees that applies to all of the officers, directors and employees of the Company.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth certain summary information with respect to the compensation paid to the Company's Chief Executive Officer and President for services rendered in all capacities to the Company for the fiscal years ending 2004, 2003, and 2002. Other than as listed below, the Company had no executive officers whose total annual salary and bonus exceeded $100,000 for that fiscal year:

ANNUAL COMPENSATION					LONG-TERM COMPEN		
					Awards		
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Award	Securities Underlying Options / SARs (#)	LT Pa
Timothy Harrington, Chief Executive Officer	2004	225,000	35,385	13,211 (1)			
	2003	225,000	25,825	9,560 (1)			
	2002	225,000	19,033	7,284	-	-	
Christopher P. Westad, President	2004	100,000	13,877	5,973 (1)			
	2003	100,000	6,064	5,035			
	2002	100,000	6,360	5,035 (1)	-	-	

(1) Represents car allowance and travel expense reimbursements pursuant to his employment agreement with the Company.

OPTION GRANTS

No option grants were made to our executive officers during fiscal year ended June 30, 2004.

The following named executives held unexercised options as of June 30, 2004: (A) Timothy Harrington - 85,000 and (B) Christopher Westad - 55,000.

EMPLOYMENT ARRANGEMENTS

Timothy Harrington Christopher P. Westad and John Vrabel have three year employment agreements with the Company. Timothy Harrington is retained as Chief Executive Officer of the Company at an annual salary of $225,000. Christopher Westad is retained as President of the Company at an annual salary of $100,000. John Vrabel is retained as Chief Operating Officer of the Company at an annual salary of $141,600. Each of the Messrs. Harrington, Westad and John Vrabel are entitled to bonuses pursuant to their employment agreements if the Company meets certain financial targets based on sales, profitability and good management goals as predetermined by the Board of Directors or compensation committee and other subjective criteria as determined by the Board of Directors or compensation committee. Such bonuses, plus all other bonuses payable to the executive management of the Company, shall not exceed in the aggregate, a "bonus pool" which shall equal up to 20% of the Company's earnings before taxes, depreciation and amortization ("EBITDA") for 2005, 2006 and 2007, provided the Company achieves at least $1,000,000 in EBITDA, in each of such years. The employment agreements also provide for reimbursement of reasonable business expenses. Timothy Harrington also receive additional compensation including Company automobile, insurance and retirement savings matched contributions by the Company and such other perquisites as are customary. The employment agreements for each of Messrs. Harrington, Westad and John Vrabel contain a covenant not to compete whereby Messrs. Harrington, Westad and John Vrabel

agree, for the term of the employment agreements and until one year following the termination of the agreements, not to (i) persuade any customer of the Company to cease or reduce the amount of business it does with the Company; (ii) solicit the Company's customers for their own benefit; or (iii) persuade any of the Company's employees to leave the employ of the Company.

In the event that there is a change in control of the Company, through an acquisition where any person acquires more than 50% of the shares of the Company, a consolidation or merger with another corporation resulting in at least 50% of the voting shares of the surviving corporation being controlled by a new acquirer or the sale directly or otherwise of all of the assets of the Company to a third party in a non-distress situation, then the Company shall pay to Timothy Harrington a lump sum payment equal to one year's salary.

EMPLOYEE BONUS POOL

The Company has adopted an Employee Bonus Pool, pursuant to which Management may, at its own discretion, award employees for exemplary performance. The Company has allocated $25,000, $40,000 and $50,000 for the years 1999, 2000 and 2001, respectively, for such purposes. Management may not, however, award employees bonuses from the Employee Bonus Pool (i) if such bonuses would result in negative earning before taxes for the year in which such bonuses are to be granted, or (ii) if the Company does not have net profits in such year.

EMPLOYEE STOCK OPTION PLAN

The Company has adopted a Stock Option Plan (the "1999 Plan"), pursuant to which 300,000 shares of Common Stock are reserved for issuance.

The 1999 Plan is administered by the board of directors, or by a committee with at least two directors as delegated by the board of directors who determine among other things, those individuals who shall receive options, the time period during which the options may be partially or fully exercised, the number of shares of Common Stock issuable upon the exercise of the options and the option exercise price.

The 1999 Plan's duration is for a period of ten years. Options under the 1999 Plan must be issued within ten years from the effective date of the 1999 Plan. Options may be granted to officers, directors, consultants, key employees, advisors and similar parties who provide their skills and expertise to the Company. Options granted under the 1999 Plan may be exercisable for up to ten years, may require vesting, and shall be at an exercise price all as determined by the board. Options will be non-transferable except to an option holder's personal holding company or registered retirement savings plan and except by the laws of descent and distribution or a change in control of the Company, as defined in the 1999 Plan, and are exercisable only by the participant during his or her lifetime. Change in control includes (i) the sale of substantially all of the assets of the Company and merger or consolidation with another, or (ii) a majority of the board changes other than by election by the shareholders pursuant to board solicitation or by vacancies filled by the board caused by death or resignation of such person.

If a participant ceases affiliation with the Company by reason of death, permanent disability or the retirement of an Optionee either pursuant to a pension or retirement plan adopted by the Company or on the normal retirement date prescribed from time to time by the Company, the option remains exercisable for three months from such occurrence but not beyond the option's expiration date. Other termination gives the participant three months to exercise, except for termination for cause which results in immediate termination of the option.

Options granted under the 1999 Plan, at the discretion of the compensation committee or the board, may be exercised either with cash, by certified check or bank cashier's check, Common Stock having a fair market equal to the cash exercise price, the participant's promissory note, or with an assignment to the Company of sufficient proceeds from the sale of the Common Stock acquired upon exercise of the Options with an authorization to the broker or selling agent to pay that amount to the Company, or any combination of the above.

The exercise price of an option may not be less than the fair market value per share of Common Stock on the date that the option is granted in order to receive certain tax benefits under the Income Tax Act of United States (the "ITA"). The exercise price of all future options will be at least 100% of the fair market value of the Common Stock on the date of grant of the options. A benefit equal to the amount by which the fair market value of the shares at the time the employee acquires them exceeds the total of the amount paid for the shares or the amount paid for the right to acquire the shares shall be deemed to be received by the employee in the year the shares are acquired pursuant to paragraph 7(1) of the ITA. Where the exercise price of the option is equal to the fair market value of the shares at the time the option is granted, paragraph 110(1)(d) of the ITA allows a deduction from income equal to one quarter of the benefit as calculated above. If the exercise price of the option is less than the fair market value at the time it is granted, no deduction under paragraph 110(1)(d) is permitted. Options granted to any non-employees, whether directors or consultants or otherwise will confer a tax benefit in contemplation of the person becoming a shareholder pursuant to subsection 15(1) of the ITA.

Any unexercised options that expire or that terminate upon an employee's ceasing to be employed by the Company become available again for issuance under the 1999 Plan.

The 1999 Plan may be terminated or amended at any time by the board of directors, except that the number of shares of Common Stock reserved for issuance upon the exercise of options granted under the 1999 Plan may not be increased without the consent of the shareholders of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of June 30, 2004, certain information concerning beneficial ownership of shares of Common Stock with respect to (i) each person known to the Company to own 5% or more of the outstanding shares of Common Stock, (ii) each director of the Company, (iii) the executive officers of the Company, and (iv) all directors and officers of the Company as a group:

NAME*	NUMBER OF SHARES BENEFICIALLY OWNED	APPROXIMATE PERCENTAGE OF COMMON STOCK**
Timothy Harrington	1,007,300	50.4%
Christopher Westad	2,000	1.0%
All Officers and Directors as a Group (2 persons)	1,009,300	51.4%

* Except as noted above, the address for the above identified officers and directors of the Company is c/o Able Energy, Inc., 198 Green Pond Road,

Rockaway, New Jersey 7866.

** Percentages are based upon the assumption that the shareholder has exercised all of the currently exercisable options he or she owns which are currently exercisable or exercisable within 60 days and that no other shareholder has exercised any options he or she owns.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

From time to time, our majority-owned subsidiary Price Energy has borrowed money from us. As of June 30, 2001, the aggregate indebtedness to us was a promissory note made on November 1, 2000 for $1,350,000. This note bears interest at a rate of 8% per annum payable quarterly with principal payments beginning on November 1, 2002. Able Energy, Inc. own approximately 70.6% of Price Energy, Timothy Harrington, our Chief Executive Officer, owns 23 1/2%, Christopher Westad, our President, owns 3.6% and our Chief Operating Officer owns 2.3%.

On May 10, 2002, we borrowed $55,000 from our Chief Executive Officer, Timothy Harrington. This amount is evidenced by a demand note bearing interest at a rate of 6%. This indebtedness of the Company was paid in full as of October 2003.

ITEM 14. EXHIBITS, LIST AND REPORTS ON FORM 8-K

The Company filed a Form 8-K on March 16, 2004 pursuant to which the Company reported that it had entered into an Asset Purchase Agreement dated March 1, 2004 with respect to the sale of all the assets of Able Propane Co., LLC.

EXHIBITS

The following Exhibits are filed as part of this Report:

Exhibit Number	Description
3.1	Articles of Incorporation of Registrant*
3.2	By-Laws of Registrant*
4.1	Specimen Common Stock Certificate*
10.1	Form of Consulting Agreement with the Walsh Manning Securities, LLC***
10.2	1999 Stock Option Plan***
10.3	Lease of Company's Facility at 344 Route 46, Rockaway, New Jersey*
10.4	Form of employment agreement between the Company and Timothy Harrington, to be executed on or before the Effective Date
10.5	Form of employment agreement between the Company and Christopher P. Wested, to be executed on or before the Effective Date
10.6	Form of employment agreement between the Company and John Vrabel, to be executed on or before the

	Effective Date
10.7	$600,000 Revolving Credit Facility and $350,000 Line of Credit with PNC Bank, National Association dated October 23, 1996, and amendment thereto, dated June 12, 1998, extending the Line of Credit to $500,000*
10.8	$675,000 Term Loan Agreement dated June 11, 1998 by and between the Company and PNC Bank, National Association and exhibits thereto, including Pledge Agreement by and between Timothy Harrington and PNC Bank, Guaranty and Suretyship Agreement by and between the Company and PNC Bank, and Pledge Agreement by and between the Company and PNC Bank*
10.8	Marketing Alliance Agreement, dated March 1, 1998, between the Company and AllEnergy Marketing Company, L.L.C., wherby the Company obtained the exclusive right to market natural gas supplied by AllEnergy in specified areas**
10.9	In tank agreement between the Company and Mieco, Inc., dated May 11, 1998, for the storage of the Mieco's petroleum products in the Company's tank facilities**
10.10	Form of Company's Pre-Purchase Enrollment Form*
10.11	Oil Supply Agreement between the Company and Mieco, Inc., dated May 19, 1998**
10.12	Letter agreement, dated July 3, 1998, between the Company and Mieco, Inc. modifying the Oil Supply Agreement, dated May 19, 1998, whereby the Company agreed to increase the amount of oil purchased from Mieco**
10.13	Oil Supply Agreement between the Company and Amarada Hess Corporation, dated July 30, 1998**
10.14	Oil Supply Agreement between the Company and Bayway (TOSCO) Refining Company, dated March 27, 1998**
10.15	Oil Supply Agreement between the Company and Koch Refining Company, L.P., dated March 17, 1998**
10.16	Fuel Purchase Agreement (Natural Gas) between the Company and Ferrellgas, dated September 3, 1996**
10.17	Fuel Purchase Agreement (Propane) between the Company and Keystone Propane Service, Inc., dated July 28, 1998**
10.18	Lease between the Company and Summit Leasing Corporation ("Summit"), dated December 3, 1997**
10.19	Franchise Agreement, dated December 31, 1998, between the Company and Andrew Schmidt regarding sale of Able Oil Company Montgomery, Inc. as a franchise***

10.20	Stock Purchase Agreement, dated December 31, 1998, between the Company and Andrew Schmidt regarding the sale of stock of Able Oil Company Montgomery, Inc. by the Company to Mr. Schmidt***
10.21	Pledge and Security Agreement, dated December 31, 1998, between the Company and Andrew Schmidt regarding the pledge of stock of Able Oil Company Montgomery, Inc.***
10.22	$140,000 principal amount, 9.5% Promissory Note, dated December 31, 1998, between the Company and Andrew Schmidt regarding the sale of stock of Able Oil Company Montgomery, Inc. by the Company to Mr. Schmidt
10.23	Stock Sale Agreement, dated December 31, 1998, between the Company and Owl Environmental, Inc. regarding the sale of stock of A&O Environmental Services, Inc. by the Company to Owl Environmental, Inc.*
21.1	List of Subsidiaries of Registrant*
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

(*) Reference is made to the Company's Registration Statement, filing Number 333-51909, filed with the SEC on July 15, 1998.

(**) Reference is made to the Company's Registration Statement, filing Number 333-51909, filed with the SEC on November 6, 1998.

(***) Reference is made to the Company's Registration Statement, filing Number 333-51909, filed with the SEC on April 15, 1999.

(****) Reference is made to the Company's Registration Statement, filing Number 333-51909, filed with the SEC on May 17, 1999.

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 28th day of September, 2004.

ABLE ENERGY, INC.

/S/ TIMOTHY HARRINGTON
TIMOTHY HARRINGTON, CHIEF EXECUTIVE OFFICER,
SECRETARY, AND CHAIRMAN

/S/ CHRISTOPHER P. WESTAD
CHRISTOPHER P. WESTAD, PRESIDENT, CHIEF
FINANCIAL OFFICER, AND DIRECTOR

/S/ JAMES PURCARO
JAMES PURCARO, DIRECTOR

/S/ PATRICK O'NEILL
PATRICK O'NEILL, DIRECTOR

/S/ EDWARD C. MILLER, JR.
EDWARD C. MILLER, JR., DIRECTOR