

## Quasar Aerospace Industries Inc.

### Statement of Financial Position

December 31

|  | 2011                | 2010                |
|--|---------------------|---------------------|
| Assets   |                     |                     |
| Cash   | \$ 51,340           | \$ 652              |
| Accounts receivable related parties  | -                   | 15,221              |
| Loans receivable   | <u>823,765</u>      | <u>822,542</u>      |
| Total current assets   | 875,105             | 838,415             |
| Notes receivable   | 13,798              |                     |
| Inventory  |                     | 81,247              |
| Fixed Assets   |                     |                     |
| Equipment  | 315,309             | 669,547             |
| Accumulated depreciation   | <u>(200,284)</u>    | <u>(267,959)</u>    |
| Fixed assets, net  | 115,025             | 401,588             |
| Other assets   |                     |                     |
| Goodwill, net of amortization  | 105,342             | 43,380              |
| Deposit on aircraft  | 5,000               | 5,000               |
| Investment in subsidiaries   | 716,224             | 716,728             |
| Other assets   | <u>20,426</u>       | <u>9,500</u>        |
| Total other assets   | 846,992             | 774,608             |
| Total assets   | <u>\$ 1,850,920</u> | <u>\$ 2,095,858</u> |
| Liabilities and capital  |                     |                     |
| Accounts payable   | \$ 2,613            | \$ 6,974            |
| Payroll liabilities  | 21,239              | 10,794              |
| Prepaid revenue  | 8,507               | -                   |
| Other current liabilities  | <u>5,372</u>        | <u>67,149</u>       |
| Total current liabilities  | 37,731              | 84,917              |
| Long term liabilities  |                     |                     |
| Notes payable  | 775,022             | 525,383             |
| Amounts due related parties  | 127,847             | 639,971             |
| Owners' Equity   |                     |                     |
| <b>Common stock</b> , Par value \$.00001,<br>Authorized 1,500,000,000 shares, issued<br>and outstanding 1,709,786,263. | 17,098              | 14,998              |
| <b>Preferred stock - par value \$.01</b>   |                     |                     |
| Series A Authorized 1,000,000 shares,<br>930 shares issued and outstanding   | 9                   | 9                   |
| Series B Authorized 150,000 shares,<br>129,508 shares issued and outstanding   | 1,295               | 1,295               |
| Series C Authorized 1,000,000 shares,<br>no shares issued  | -                   | -                   |
| Treasury stock   | (390,885)           | (390,885)           |
| Paid in capital  | 4,086,766           | 3,912,702           |
| Accumulated deficit  | (2,680,186)         | (1,358,017)         |
| Net income (loss)  | <u>(123,777)</u>    | <u>(1,334,515)</u>  |
| Total shareholders equity  | 910,320             | 845,587             |
| Total liabilities and capital  | <u>\$ 1,850,920</u> | <u>\$ 2,095,858</u> |

See accompanying notes to financial statements

## Quasar Aerospace Industries Inc.

### Statement of Operations

Year Ended December 31, 2011 (1)

|   |    |                         |
|---|----|-------------------------|
| Revenue                                     | \$ | 471,905                 |
| Cost of service                             |    | (39,104)                |
| Gross Profit                                |    | <u>432,801</u>          |
| Payroll and related                         |    | 109,615                 |
| Depreciation & amortization                 |    | 70,145                  |
| Aircraft fuel and maintenance               |    | 68,061                  |
| Insurance                                   |    | 53,742                  |
| Facilities rent                             |    | 39,648                  |
| Contracted labor                            |    | 35,801                  |
| Professional fees                           |    | 34,247                  |
| Legal and accounting services               |    | 32,409                  |
| Other expenses                              |    | 29,481                  |
| Interest                                    |    | 15,910                  |
| Bank and credit card services               |    | 10,600                  |
| Communications                              |    | 9,394                   |
| Shareholder related expenses                |    | 8,800                   |
| Advertising                                 |    | 7,638                   |
| Leased and rented equipment                 |    | 6,400                   |
| Utilities                                   |    | 5,780                   |
| Discounts and allowances                    |    | 3,898                   |
| Travel and entertainment                    |    | 2,188                   |
| Automobile expenses                         |    | 1,971                   |
| State and local taxes                       |    | 1,562                   |
| License and permits                         |    | 50                      |
| Total expenses                              |    | <u>547,340</u>          |
| Net loss from operations                    | \$ | <u>(114,539)</u>        |
| Other comprehensive income                  |    |                         |
| Loss on disposal<br>of assets, net of gains |    | (9,239)                 |
| Comprehensive loss                          | \$ | <u><u>(123,778)</u></u> |

See accompanying notes to financial statements

**1) Information to prepare the consolidated statement of operations for the year ended December 31, 2010 is not available.**

**Quasar Aerospace Industries Inc.**  
**Statement of Cashflows (1)**  
**Year Ended December 31, 2011**

|  | 2011                 |
|--|----------------------|
| <b>OPERATING ACTIVITIES</b>                      |                      |
| Net loss from comprehensive income               | \$ (123,778)         |
| Depreciation & Amortization                      | 70,145               |
| Changes in working capital items                 |                      |
| Accounts payable                                 | (4,361)              |
| Accounts receivable                              | (6,869)              |
| Increase in prepaid services                     | 9,832                |
| Reduction in inventory                           | 81,247               |
| Reduction in other current liabilities           | (61,777)             |
| Payroll liabilities                              | 10,445               |
| Reduction to related parties accounts receivable | 2,898                |
| Cashflow from operating activities               | <u>(22,218)</u>      |
| <b>INVESTING ACTIVITIES</b>                      |                      |
| Additions to other assets                        | (20,426)             |
| Net increase in Goodwill                         | (59,918)             |
| Disposal of equipment                            | 239,571              |
| Cashflow from Investing                          | <u>159,227</u>       |
| <b>FINANCING ACTIVITIES</b>                      |                      |
| Adjustments to liabilities due related parties   | (512,124)            |
| Additions to long term debt                      | 249,639              |
| Prior period adjustments to Paid in Capital      | 131,164              |
| Stock issued                                     | 45,000               |
| Cashflow from financing                          | <u>(86,321)</u>      |
| Net change in cash                               | 50,688               |
| Beginning cash                                   | <u>652</u>           |
| Ending Cash                                      | <u><u>51,340</u></u> |

See accompanying notes to financial statements

**1) Information to prepare the consolidated statement of cashflows for the year ended December 31, 2010 is not available.**

Annual Report  
 Quasar Aerospace Industries Inc.  
 Statement of Changes In Shareholders Equity  
 Unaudited

|                              | Common Stock         |                  | Preferred A Stock |             | Preferred B Stock |                 | Treasury Stock   | Paid In Capital  | Accumulated (Deficit) | Shareholders' Equity |
|------------------------------|----------------------|------------------|-------------------|-------------|-------------------|-----------------|------------------|------------------|-----------------------|----------------------|
|                              | Shares               | Amount           | Shares            | Amount      | Shares            | Amount          |                  |                  |                       |                      |
| Balance 12/31/2009           | <u>939,835,028</u>   | <u>\$ 9,398</u>  | <u>930</u>        | <u>\$ 9</u> | <u>129,508</u>    | <u>\$ 1,295</u> | <u>(390,885)</u> | <u>1,046,890</u> | <u>\$ (238,161)</u>   | <u>\$ 818,137</u>    |
| Net Operating Loss           |                      |                  |                   |             |                   |                 |                  |                  | (1,197,189)           | (1,197,189)          |
| Common Stock Issued          | 750,654,857          | 7,507            |                   |             |                   |                 |                  | 248,058          |                       | 255,565              |
| Adjustments to prior periods |                      | (1,907)          |                   |             |                   |                 |                  | 2,617,754        |                       |                      |
| Balance 12/31/2010           | <u>1,690,489,885</u> | <u>14,998</u>    | <u>930</u>        | <u>9</u>    | <u>129,508</u>    | <u>1,295</u>    | <u>(390,885)</u> | <u>3,912,702</u> | <u>(2,692,532)</u>    | <u>845,587</u>       |
| Adjustments to prior periods |                      |                  |                   |             |                   |                 |                  | 131,164          | 12,347                | 143,511              |
| Net Operating Loss           |                      |                  |                   |             |                   |                 |                  |                  | (123,778)             | (123,778)            |
| Common Stock Issued          | 210,000,000          | 2,100            |                   |             |                   |                 |                  | 42,900           |                       | 45,000               |
| Balance 12/31/2011           | <u>1,900,489,885</u> | <u>\$ 17,098</u> | <u>930</u>        | <u>\$ 9</u> | <u>129,508</u>    | <u>\$ 1,295</u> | <u>(390,885)</u> | <u>4,086,766</u> | <u>\$ (2,803,963)</u> | <u>\$ 910,320</u>    |

See accompanying notes to financial statements

(1) Series C Preferred Stock Authorized 1,000,000 shares, no shares issued.