

Notes to financial reports for the year ended December 31, 2011.

The attached financial statements have not been audited nor fully verified by the current management. These statements have been produced in conjunction with a complete forensic audit of the books and records of Quasar Aerospace Industries Inc. and its subsidiaries. This audit has not been completed at this time.

In the course of these audits the current management has come to understand some of the operating and accounting practices used by the previous management. In our opinion these practices are inconsistent with an ethical, open, and honest approach to operating a legitimate business and the financial statements previously submitted by the former management did not conform to generally accepted accounting principles.

For example, it appears the prior management had the accounting staff record liabilities of the company, due the management, for "back wages". This was done retrospectively. To our knowledge there was no justification or legally binding agreement for these entries and the amounts in question are excessive for both the service provided and the size of the companies involved. Subsequently, as management raised funds issuing debt secured by assets of the company, these funds were diverted into bank accounts not carried on the books of the company which were controlled only by the management. The management then had the accounting staff record these payments as reductions in the liabilities due the management by the company. Currently the company is unable to obtain these bank statements to determine exactly the number and size of the transactions processed.

Further, it appears payments were made to numerous individuals which included employees and contractors, and recorded as loans to these parties. Subsequently, before the fiscal year ended, these amounts due from employees (and others) were transferred to the managements' personal loan account and written off (or netted) against the amounts management claimed were due them for past services.

In addition, it appears that the individuals charged with entering transactions into the accounting software program was not trained properly. Many entries reviewed in the course of the audit were incorrect. Documents, such as bank statements, have disappeared from the company office. We believe these were intentionally destroyed in an effort to destroy the audit trail or make verification more difficult, but we cannot however prove this. We have ordered duplicate statements from the banks' involved going back as far as four years.

Records supporting the issuance of debt securities which are secured by assets of the company are not available in the company offices. We do not know what happened to these records and therefore cannot measure the amount or nature of the company's debt or any related derivative liabilities for convertible features imbedded in these securities, which, we believe, is secured by certain assets of the company and its subsidiaries. We believe we will be able to determine these liabilities accurately in the coming months as

the bank records are available, debt holders come forward, and we learn more about the historical operations of the company.

The company has several loans receivable on the books. We are currently pursuing collection of these amounts through counsel and believe we will have some success in retrieving these funds. However, documentation of the original transactions is poor or absent, making the task of collection more difficult. We also believe that some of these loans will not be collected and anticipate discharging them as bad debts.

The company has cooperated with a directive from the Internal Revenue Service to complete and file over 30 delinquent tax returns for payroll, unemployment, and income taxes. Income tax returns for all years through 2010 have been filed. We have requested an extension for 2011. The company has no income tax liability but believe we owe between \$15,000 and \$25,000 in payroll tax. We have not finalized these amounts nor do we know the amount of any penalties or interest due. We will fulfill these obligations as they are finalized. Again, these matters were a direct result of incompetent financial staff and senior management.

In preparation of the 2011 financials presented in this report we have made several adjustments to prior periods. As our audit continues, we anticipate that additional adjustments may be made. However, we believe the enclosed results of operations, cashflows, statement of shareholder's equity, and statement of financial position present fairly the results of 2011 operations.

We have included the financial for the first time the results of A-Cent Aviation, Inc., our 2011 acquisition, in the enclosed financials. Due to technical system issues, we do not yet have access to the records for 2010 and therefore could not present a consolidated statement for the results of operations and statement of cashflows statements in these financials. This is the reason they are omitted.