

Quasar Aerospace Industries Inc. & Consolidated Subsidiaries
Consolidated Balance Sheet
Periods Ended December 31
Unaudited

| | | 2013 | 2012 |
|---|----|-------------------------|--------------------------|
| Assets | | | |
| Cash | \$ | 26,950 | \$ 25,260 |
| Accounts receivable | | 4,077 | 5,656 |
| Inventory | | 1,587 | 1,606 |
| Short Term Loans and notes receivable | | 53,600 | 23,978 |
| Total current assets | | <u>86,214</u> | <u>56,500</u> |
| Fixed Assets | | | |
| Equipment | | 320,017 | 323,017 |
| Accumulated depreciation | | (303,667) | (273,863) |
| Fixed assets, net | | <u>16,350</u> | <u>49,154</u> |
| Other assets | | | |
| Goodwill, net of amortization | | 53,397 | 62,296 |
| Investment in subsidiaries | | 766,788 | 725,864 |
| Other assets | | - | 15,150 |
| Total other assets | | <u>820,185</u> | <u>803,310</u> |
| Total assets | \$ | <u><u>922,749</u></u> | \$ <u><u>908,964</u></u> |
| Liabilities and capital | | | |
| Accounts payable | \$ | 84,477 | 64,934 |
| Payroll liabilities | | 42,674 | 35,571 |
| Prepaid revenue | | 9,635 | 10,088 |
| Other current liabilities | | 59,886 | 48,155 |
| Total current liabilities | | <u>196,672</u> | <u>158,748</u> |
| Long term liabilities | | | |
| Notes payable third parties | | 247,935 | 351,312 |
| Deferred compensation | | 207,571 | 138,571 |
| Notes payable to officers | | 74,674 | 73,174 |
| Amounts due related parties | | 73,037 | 168,379 |
| Total long term liabilities | | <u>603,217</u> | <u>731,436</u> |
| Total liabilities | | <u>799,889</u> | <u>890,184</u> |
| Equity | | | |
| Common stock, Par value \$.00001, | | 8,404 | 410 |
| Authorized 2,500,000,000 and 475,000,000 shares, issued and outstanding 840,348,920 and 40,960,352, respectively. | | | |
| Preferred stock - par value \$.001 | | 29 | 29 |
| Series A Authorized 1,000,000 shares, 2,092 shares issued and outstanding | | | |
| Series B Authorized 150,000 shares, 129,508 shares issued and outstanding | | 1,295 | 1,295 |
| Series C Authorized 1,000,000 shares, no shares issued | | - | - |
| Treasury stock | | | (391) |
| Paid in capital | | 2,537,789 | 3,923,102 |
| Accumulated deficit | | (3,905,665) | (3,245,076) |
| Net income (loss) | | (364,490) | (660,589) |
| Total shareholders equity | | <u>(1,722,638)</u> | <u>18,780</u> |
| Total liabilities and capital | \$ | <u><u>(922,749)</u></u> | \$ <u><u>908,964</u></u> |

See accompanying notes to financial statements

Quasar Aerospace Industries & Consolidated Subsidiaries
Statement of Operations
Twelve Month Periods Ended
Unaudited

| | 2013 | 2012 |
|--|------------------------------|------------------------------|
| Revenue | \$ <u>\$347,593</u> | \$ <u>\$476,677</u> |
| Total revenue | \$347,593 | \$476,677 |
| Expenses | | |
| Advertising | | \$1,846 |
| Aircraft fuel, supplies & maint. | \$169,778 | \$125,873 |
| Automobile expenses | | - |
| Bank and credit card services | \$6,923 | \$9,304 |
| Communications | \$12,231 | \$10,313 |
| Contracted labor | | \$68,805 |
| Depreciation and amortization | \$41,705 | \$106,388 |
| Discounts and allowances | | \$28,915 |
| Dues and subscriptions | \$2,100 | \$5,990 |
| Facilities rent & office expense | \$51,767 | \$37,906 |
| Impaired asset expense | \$16,700 | |
| Insurance | \$29,409 | \$22,975 |
| Interest | \$25,873 | \$16,510 |
| Leased and rented equipment | | \$26,657 |
| Legal and accounting fees | \$52,862 | |
| License and permits | \$6,870 | \$105 |
| Office expenses | \$6,715 | \$9,543 |
| Other expenses | \$808 | \$30,495 |
| Payroll and related | \$279,978 | \$528,159 |
| Professional fees | | \$83,865 |
| Shareholder related expenses | \$3,645 | \$16,120 |
| State and local taxes | \$2,486 | \$251 |
| Travel and entertainment | \$454 | \$4,177 |
| Utilities | \$1,779 | \$3,069 |
| Total expenses | \$ <u>\$712,083</u> | \$ <u>\$1,137,266</u> |
| Net (loss) from operations | \$ <u><u>(\$364,490)</u></u> | \$ <u><u>(\$660,589)</u></u> |
| Other comprehensive income | | |
| Loss on disposal of assets | - | - |
| Authorized 2,500,000,000 and 475,00 shares, issued & outstanding 840,348,920 | \$ <u><u>(\$364,490)</u></u> | \$ <u><u>(\$660,589)</u></u> |
| Net loss per share | (\$0.00) | (\$0.04) |
| Weighted average primary and fully diluted common shares outstanding | | |
| | 246,766,031 | 15,331,861 |

Annual Report
Quasar Aerospace Industries Inc. & Consolidated Subsidiaries
Statements of Cashflows
Twelve Months Ended
Unaudited

| | 2013 | 2012 |
|---|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Comprehensive loss | \$ (364,490) | \$ (660,589) |
| Depreciation & Amortization | 41,705 | 102,234 |
| Changes in working capital items | | |
| Accounts payable | 19,543 | (5,715) |
| Accounts receivable third parties | (1,579) | (4,594) |
| Accounts receivable related parties | | (7,757) |
| Payroll liabilities | 7,103 | 20,606 |
| Deferred compensation | 69,000 | 138,571 |
| Reduction in inventory | 19 | 1,971 |
| Other current liabilities | 11,731 | (2,451) |
| Prepaid services | (453) | 256 |
| Cashflow from operating activities | <u>(217,421)</u> | <u>(417,468)</u> |
| INVESTING ACTIVITIES | | |
| Adjustment in Goodwill due to Asset Disposal | | |
| Disposal of equipment | 3,000 | 4,154 |
| Investment in subsidiaries | (40,924) | (41,880) |
| Disposal of (increases in) other assets | 15,150 | 14,634 |
| Cashflow from Investing | <u>(22,774)</u> | <u>(23,092)</u> |
| FINANCING ACTIVITIES | | |
| Changes in long term liabilities | (103,377) | 192,563 |
| Advances from related parties and officers | (93,842) | (63,908) |
| Adjustment to common stock and paid in capital due to reverse stock split | | (81,959) |
| Adjustment to treasury stock due to reverse stock split | | 390,494 |
| Adjustment to treasury stock | 391 | |
| Common stock issued | 82,690 | |
| Preferred stock retired | 20 | 20 |
| Adjustments to paid in capital for conversion of notes | 356,003 | |
| Adjustments to paid in capital for prior periods | | 896 |
| Cashflow from financing | <u>241,885</u> | <u>438,106</u> |
| Net change in cash | 1,690 | (2,454) |
| Auth Beginning cash | 25,260 | 27,714 |
| share Ending Cash | <u>\$ 26,950</u> | <u>\$ 25,260</u> |

Annual Report
Quasar Aerospace Industries Inc.
Statement of Changes In Shareholders Deficit
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 12/31/2010 | <u>1,499,793</u> | <u>\$ 14,998</u> | <u>930</u> | <u>\$ 9</u> | <u>129,508</u> | <u>\$ 1,295</u> | <u>\$ (390,885)</u> | <u>3,807,009</u> | <u>\$ (3,031,193)</u> | <u>\$ 401,233</u> |
| Net Operating Loss | | | | | | | | | (193,721) | (193,721) |
| Common Stock Issued | 210,000 | 2,100 | | | | | | 181,364 | | 183,464 |
| Non-operating adjustments | | | | | | | | | (21,058) | (21,058) |
| Balance 12/31/2011 | <u>1,709,793</u> | <u>17,098</u> | <u>930</u> | <u>9</u> | <u>129,508</u> | <u>1,295</u> | <u>(390,885)</u> | <u>3,988,373</u> | <u>(3,245,972)</u> | <u>369,918</u> |
| Stock split adjustments | | (17,080) | | | | | 390,494 | | | 373,414 |
| Shares precluded by Management | | | (798) | | | | | | | |
| Non-operating adjustments | | | | | | | | (65,271) | | (65,271) |
| Comprehensive Loss | | | | | | | | | (660,589) | (660,589) |
| Stock Issued | 39,250,559 | 392 | 1,960 | 20 | | | | | | 412 |
| Balance 12/31/2012 | <u>40,960,352</u> | <u>\$ 410</u> | <u>2,092</u> | <u>\$ 29</u> | <u>129,508</u> | <u>\$ 1,295</u> | <u>\$ (391)</u> | <u>3,923,102</u> | <u>\$ (3,906,561)</u> | <u>\$ 17,884</u> |
| Comprehensive Loss | | | | | | | | | (364,490) | (364,490) |
| Stock Issued | 799,388,568 | 7,994 | | | | | 391 | (1,385,313) | | (1,376,928) |
| Non-operating adjustments | | | | | | | | 896 | | 896 |
| Balance 12/31/2013 | <u>840,348,920</u> | <u>\$ 8,404</u> | <u>2,092</u> | <u>\$ 29</u> | <u>129,508</u> | <u>\$ 1,295</u> | <u>\$ 0</u> | <u>2,538,685</u> | <u>\$ (4,271,051)</u> | <u>\$ (1,722,638)</u> |