

**Quarterly Report**  
**Quasar Aerospace Industries Inc. & Consolidated Subsidiaries**  
**Consolidated Balance Sheet**  
**Periods Ended March 31, 2014 and December 31, 2013**  
**Unaudited**

	March 31, 2014	December 31, 2013
<b>Assets</b>		
Cash	\$ 22,276	\$ 26,950
Accounts receivable	5,072	4,077
Inventory	-	1,587
Short Term Loans and notes receivable	81,100	53,600
Total current assets	<u>108,448</u>	<u>86,214</u>
<b>Fixed Assets</b>		
Equipment	284,824	320,017
Accumulated depreciation	<u>(275,061)</u>	<u>(303,667)</u>
Fixed assets, net	9,763	16,350
<b>Other assets</b>		
Goodwill, net of amortization	17,799	53,397
Investment in subsidiaries	767,184	766,788
Other assets	27	-
Total other assets	<u>785,010</u>	<u>820,185</u>
Total assets	<u>\$ 903,221</u>	<u>\$ 922,749</u>
<b>Liabilities and capital</b>		
Accounts payable	\$ 79,224	84,477
Payroll liabilities	42,674	42,674
Prepaid revenue	-	10,088
Other current liabilities	92,865	70,630
Total current liabilities	<u>214,763</u>	<u>207,869</u>
<b>Long term liabilities</b>		
Notes payable third parties	235,627	299,044
Deferred compensation	228,465	207,571
Notes payable to officers	74,674	74,674
Amounts due related parties	201,897	73,518
Total long term liabilities	<u>740,663</u>	<u>654,807</u>
Total liabilities	<u>955,426</u>	<u>862,676</u>
<b>Equity</b>		
Common stock, Par value \$.00001, Authorized 2,500,000,000 shares, 1,951,333,920 and 840,348,920 issued and outstanding respectively.	19,514	8,404
Preferred stock - par value \$.001 Series A Authorized 1,000,000 shares, 2,890 issued and outstanding respectively.	29	29
Series B Authorized 150,000 shares, 129,508 issued and outstanding respectively.	1,295	1,295
Series C Authorized 1,000,000 shares, no shares issued.	-	-
Paid in capital	4,264,592	4,320,500
Accumulated deficit	<u>(4,337,635)</u>	<u>(4,270,155)</u>
Total shareholders (deficit) equity	<u>(52,205)</u>	<u>60,073</u>
Total liabilities and capital	<u>\$ 903,221</u>	<u>\$ 922,749</u>

See accompanying notes to financial statements

**Quasar Aerospace Industries & Consolidated Subsidiaries**  
**Statement of Operations**  
**Three Month Periods Ended March 31,**  
**Unaudited**

	2014	2013
Revenue	\$ <u>\$28,473</u>	\$ <u>\$112,551</u>
Total revenue	\$28,473	\$112,551
Expenses		
Aircraft fuel, supplies & maint.	\$8,806	\$50,278
Bank and credit card services	\$1,268	\$2,987
Communications	\$1,519	\$2,257
Depreciation and amortization	\$15,487	\$24,494
Facilities rent & office expense	\$12,704	\$17,636
Insurance	\$4,812	\$6,777
Interest	\$1,731	\$5,088
Leased and rented equipment	\$6,440	\$6,440
License and permits	\$105	\$127
Office expenses	-	\$5,667
Payroll and related	\$38,270	\$95,490
Professional fees	\$891	\$6,639
Shareholder related expenses	\$3,305	\$1,775
State and local taxes	-	\$108
Travel and entertainment	\$615	\$50
Utilities	-	\$698
Total expenses	\$ <u>\$95,953</u>	\$ <u>\$226,511</u>
Net loss	\$ <u><u>(\$67,480)</u></u>	\$ <u><u>(\$113,960)</u></u>
Net loss per share	(\$0.00)	(\$0.00)
Weighted average common shares outstanding	76,133,463	57,544,606

See accompanying notes to financial statements

**Quasar Aerospace Industries Inc.**  
**Statement of Changes In Shareholders Equity (Deficit)**  
**Unaudited**

	<b>Common Stock</b>		<b>Preferred A Stock</b>		<b>Preferred B Stock</b>		<b>Treasury Stock</b>	<b>Paid In Capital</b>	<b>Accumulated (Deficit)</b>	<b>Shareholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>				
Balance December 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>(391)</u>	<u>4,320,500</u>	<u>(4,270,155)</u>	<u>60,073</u>
Shares issued for new equity	372,000,000	3,720						23,780		27,500
Shares issued for debt conversions	738,985,000	7,390						(79,297)		(71,907)
Impair lost shares							391	(391)		(391)
Net loss									(67,480)	(67,480)
Balance March 31, 2014	<u>1,951,333,920</u>	<u>\$ 19,514</u>	<u>2,092</u>	<u>\$ 29</u>	<u>129,508</u>	<u>\$ 1,295</u>	<u>0</u>	<u>4,264,592</u>	<u>(4,337,635)</u>	<u>(52,205)</u>

**See accompanying notes to financial statements**

**Quasar Aerospace Industries Inc. & Consolidated Subsidiaries**  
**Statements of Cashflows**  
**Three Month Periods Ended March 31,**  
**Unaudited**

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (67,480)	(113,960)
Depreciation & Amortization	15,487	24,494
Changes in working capital items		
Accounts payable	(5,253)	10,412
Accounts receivable third parties		
Other current liabilities	22,235	4,331
Payroll liabilities		(4,286)
Deferred compensation	20,894	48,001
Reduction in inventory	1,587	23
Adjustment in Accum. Depreciation due to asset disposal		(11,865)
Prepaid services	<u>(10,088)</u>	<u>(8,353)</u>
Cashflow from operating activities	<u>(22,618)</u>	<u>(51,203)</u>
<b>INVESTING ACTIVITIES</b>		
(Additions) and Disposal of equipment	6,587	11,864
Investment in subsidiaries	(396)	(27)
Disposal of (increases in) other assets	<u>(27)</u>	<u>19,304</u>
Cashflow from Investing	6,164	31,141
<b>FINANCING ACTIVITIES</b>		
Short term notes receivable	(27,500)	(10,506)
Advances from related parties		3,150
Convertible notes due related parties	128,379	(84,000)
Notes payable to officers		251,726
Common stock issued	11,110	317
Adjustment to paid in capital and accumulated deficit for prior periods	(29,445)	(112,531)
Convertible notes due third parties	<u>(63,417)</u>	<u>(23,000)</u>
Cashflow from financing	19,127	25,156
Net change in cash	2,673	5,094
Beginning cash	<u>20,103</u>	<u>15,009</u>
Ending Cash	<u>\$ 22,776</u>	<u>\$ 20,103</u>

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