Quasar Aerospace Industries Inc.
Notes to financial reports for the year
ended December 31, 2014.

The attached financial statement have not been audited nor reviewed by a third party accounting firm. These statements have been produced in conjunction with an ongoing forensic audit of the books and records of Quasar Aerospace Industries Inc. and its subsidiaries. This audit is incomplete at this time but much progress has been made.

In the course of this review, the current management has determined that the previous management's accounting practices 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 to management, for "back wages". This was done retrospectively. To our knowledge, the justification or legality binding said agreements for these entries and the amounts in question were for both services provided and the acquisitions of companies, which management is currently in the process of validating their authenticity. 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 to 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 due to the transactions being conducted through a former CEO's personal account.

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 to them for past services.

In addition, it appears that the individuals charged with entering transactions into the accounting software program were not trained properly. Many entries reviewed in the course of the review were incorrect. Documents, such as bank statements, have disappeared from the company office. We believe these may have been intentionally destroyed in an effort to destroy the audit trail or make verification more difficult. However, we cannot prove this. We have ordered duplicate statement from the banks that were involved going back as far as four years although we continue to struggle to obtain some records as the transaction were through a former CEO's personal account.

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

All debt conversions are required to go through validation of authenticity by the company, convertible notes are not honored without sufficient evidence of funding.

Additional notes To Unaudited Financial Statements

Note 1. Significant Accounting Policies

Use of Estimates

Preparation of the Company's financial statements, in accordance with generally accepted accounting principles, requires the use of management's estimates and assumptions that affect the financial statements and related notes. Actual results could differ from those estimates.

Revenue Recognition

The Company earns revenue from the sale of flight training, computer assisted service testing, aircraft accessories, and educational material related to flight training. In addition, the company earns revenue from the retail sale of hydroponic equipment, supplies and nutrients. Revenue from these products and services is recognized when received.

Financial Instruments

The carrying amounts reported in the balance sheet for cash, accounts receivable, and accounts payable approximate fair value based on the short-term maturity of these accounts.

Equipment

Office equipment, aircraft, goodwill, and related assets are carried at historical cost and depreciated/amortized using straight-line methods over their estimated useful lives. Goodwill associated with the acquisition of A-Cent Aviation is amortized over a 36 month period. Depreciation and amortization expense for the year ended December 31, 2014 was $15,487, after adjustment for asset disposals.

Liabilities Subordinated To The Claims of General Creditors

At December 31, 2014 the Company had no liabilities subordinated to the claims of general creditors.

Earnings Per Share

The Company has adopted SFAS, No. 128, Earnings per Share. Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share would reflect the per share amount that would result if dilutive common stock equivalents were converted to common stock, as prescribed by SFAS No. 128. The company has convertible notes which, if converted, would be anti-dilutive since the company operates at a loss. However, due to the fluctuation in expense due to the derivative liability associated with the convertible notes, the company may experience period of income and the fully dilutive effect of the convertible notes would be recognized.

Stock Based Compensation

The Company has adopted Statement of Financial Accounting Standards 123(R), which requires compensation costs related to share-based payment transactions to be recognized in the financial statements. Generally, the compensation expense is based upon the grant date fair value of the stock issued.

Note 2. Equipment

At December 31, 2014 equipment consisted of the following:

	Useful Life	
Aircraft and equipment	3-5 Years	$ 224,824
Accumulated Depreciation		$ (215,061)
		$ 9,763

Note 3. Commitments and Contingencies

The company has no material long term leases.

The company rents offices, a hangar, and aircraft tie downs from the Jacksonville Aviation Authority. The leases are month to month. The payments due under the leases combined are approximately $2,220.00 per month.

The company rents a retail location from KC Enterprises and Investments. The lease expires in the second quarter of 2015. The payments due under the lease are approximately $1,900.00 per month.

The company rents a warehouse from the Ford Group. The lease expires is month to month. The payments due under the lease are approximately $500.00 per month.

The company has received an invoice in the amount of $19,124.65 from The Griggs Group, CPA's, Ponte Verda Beach, Florida for services provided prior to 2011. The exact nature of this claim is unknown to the current management and we intend to dispute the invoice. During our audit, previously discussed, we found financial statements on the letterhead of the Griggs Group which were apparently prepared by the firm. These statements were subsequently found to be materially deficient and documents supported entries made to the general ledger were missing. Accordingly, we will not recognize this invoice and the related services until the matter has been investigated fully.

Note 4. Shareholders' Equity

The Company has not adopted a stock option plan for officers or employees.

For the twelve months ended December 31, 2014 the Company has issued 3,836,532,992 shares of common stock. This included 1,685,348,402 shares in conjunction with the conversion of long term notes payable, 372,000,000 shares as additional new working capital and 938,835,670 shares in conjunction with conversions of Series A Preferred shares.

Note 5 Other matters

The company had several loans receivable on the books which we have been written off. We attempted to collect these amounts but are having little success. Documentation of the original transactions is poor or absent, making the task of collection more difficult.

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 going back to 2007. Income tax returns for all years through 2011 have been filed. The company has no federal income tax liability but believe we owe approximately $66,475 in payroll tax for 2012, 2013, and 2014. We have not finalized these amounts nor do we know the amount of any penalties or interest due.

The Company previously reported that it owned a portion of Corporate Air Repair, LLC. A former employee has disputed this claim, and, the business operated at a loss, and no substantial assets, and was effectively shut down, due to termination of its lease. Accordingly, we do not intend to pursue any additional claims regarding this company, other than recovery of tax liability due from third parties whom claimed partial ownership.

The Company has issued convertible notes in the past. These notes have a derivative liability which we have not recorded because we cannot calculate or estimate the amount. We have no reliable history of the trading price of the Quasar stock which is needed to compute the derivative liability amount. If the Company were operating at a profit the conversion of these notes into the common stock of the Company would have a dilutive effect on earnings per share. But because we are operating at a loss, the amount of dilution created by the convertible nature of the notes would be antidilutive requiring only footnote disclosure. The conversion of the notes into stock is a non-cash transaction.