



and Subsidiary

Unaudited Interim Consolidated Financial Statements

March 31, 2012

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(CUSIP)

TRADING SYMBOL: ASCO

CERTIFICATION

The accompanying unaudited interim consolidated financial statements of AirScooter Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. They do not include all information and footnotes required by generally accepted accounting principles. In the opinion of management, the accompanying unaudited financial statements, and the notes thereto, include all adjustments necessary for a fair presentation, in all material respects, of the financial position of the Company at March 31, 2012 and the results of operations for the six-month periods ended March 31, 2012 and 2011 in conformity with accounting principles generally accepted in the United States for interim financial information, consistently applied. The interim financial statements and notes thereto should be read in conjunction with the Company's unaudited financial statements and notes thereto for the year ended September 30, 2011.

/s/ JAMES A. BARNES

James A. Barnes

Secretary

May 15, 2012

AirScooter Corporation
Consolidated Balance Sheets
Unaudited

	March 31, 2012	September 30, 2011
ASSETS		
Current assets		
Cash	\$2,411	\$ 196
Inventories	87,000	267,000
Accounts receivable	5,500	5,500
Prepaid expenses	8,372	7,997
	103,283	280,693
	\$103,283	\$ 280,693
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$148,615	\$ 124,848
Accrued expenses	22,393	22,393
Demand notes payable, stockholders	432,335	284,539
	603,343	431,780
Stockholders' equity (deficit)		
Preferred stock, \$.001 par value; 5,000,000 shares authorized, none issued and outstanding		
Common stock, \$.001 par value; 25,000,000 shares authorized, 20,570,517 shares issued and outstanding, each period	20,571	20,571
Additional paid-in capital	15,574,082	15,574,082
Accumulated deficit	(16,094,713)	(15,745,740)
	(500,060)	(151,087)
	\$103,283	\$280,693

See notes to interim consolidated financial statements.

AirScooter Corporation
Consolidated Statements of Operations
Unaudited

	Six Months	
	Ended March 31,	
	2012	2011
Revenues, product sales	\$ -	\$ -
Cost of revenues	-	-
Gross income	-	-
Operating expenses		
Selling, general and administrative	113,153	135,038
Research and development	42,326	21,353
Impairment of technology sale receivable	180,000	-
	<u>335,479</u>	<u>156,391</u>
Operating loss	(335,479)	(156,391)
Other income (expense)		
Other income	2	5,627
Interest expense	(13,496)	(2,823)
	<u>(13,494)</u>	<u>2,804</u>
Net loss	<u>\$ (348,973)</u>	<u>\$ (153,587)</u>
Basic loss per share	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average shares outstanding	<u>20,570,517</u>	<u>20,570,517</u>

See notes to interim consolidated financial statements.

AirScooter Corporation
Consolidated Statement of Stockholders' Equity
Six Months Ended March 31, 2012
Unaudited

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Deficit</u>
	<u>Shares</u>	<u>Dollars</u>			
Balances, September 30, 2011	20,570,517	\$20,571	\$15,574,082	\$(15,745,740)	\$(151,087)
Net loss	-	-	-	(348,973)	(348,973)
Balances, March 31, 2012	<u>20,570,517</u>	<u>\$20,571</u>	<u>\$15,574,082</u>	<u>\$(16,094,713)</u>	<u>\$(500,060)</u>

See notes to interim consolidated financial statements.

AirScooter Corporation
Consolidated Statements of Cash Flows
Unaudited

	Six Months	
	Ended March 31,	
	2012	2011
	<u> </u>	<u> </u>
Operating activities		
Net loss	\$(348,973)	\$(153,587)
Adjustments to reconcile loss from continuing operations to net cash used by operating activities:		
Depreciation	-	108
Impairment of technology sale receivable	180,000	-
Non-cash interest expense	13,496	2,464
Decrease (increase) in operating assets:		
Prepaid expenses and deposits	(375)	(1,650)
Accounts payable	23,767	7,802
Net cash used by operating activities	<u>(132,085)</u>	<u>(144,863)</u>
 Financing activities		
Proceeds from demand notes	134,300	139,000
Net cash provided by financing activities	<u>134,300</u>	<u>139,000</u>
 Net decrease in cash	2,215	(5,863)
Cash, beginning of period	196	9,543
Cash, end of period	<u>\$2,411</u>	<u>\$3,680</u>
 SUPPLEMENTAL CASH-FLOW INFORMATION		
Non-cash financing and investing activities:		
Technology and inventory sold for net receivable	\$ 180,000	\$ -
Rent expense paid by deferred settlement credit	-	5,625

See notes to interim consolidated financial statements.

AirScooter Corporation
Notes to Interim Consolidated Financial Statements
March 31, 2012

1. OPERATIONS

AirScooter Corporation (“AirScooter” or the “Company”) and its wholly-owned subsidiary AeroTwin Motors Corporation, (“AeroTwin”) is engaged in developing, producing and marketing products targeted primarily for the aviation market. The Company’s operations are primarily focused on its AeroTwin sport aircraft engine.

The Company continues to be subject to certain risks, including history of net losses and expectation to continue to incur net losses; need for additional capital; reliance on third party suppliers and manufacturers; competition; the uncertainty of the market for new products; limited manufacturing, marketing and sales experience; uncertainty regarding future warranty and product liability costs; and the uncertainty of future profitability and positive cash flow.

2. STATEMENT OF PRESENTATION AND MANAGEMENT’S PLAN

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature necessary for a fair presentation of the results for the interim period. Operating results for the six-month period are not necessarily indicative of the results that may be expected for the year. The interim financial statements and notes thereto should be read in conjunction with the Company's unaudited financial statements and notes thereto for the year ended September 30, 2011.

The Company's consolidated financial statements have been presented on the basis that it is able to continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. While the Company expects its product sales to increase in future periods, its ability to satisfy its obligations when due is dependent upon arranging adequate debt and/or equity financing until sufficient profitability and positive cash flows from operations can be achieved. Management’s plans are to raise the necessary working capital through private placements of equity and/or debt, but there is no assurance that sufficient financing can be arranged at acceptable terms. The Company is also evaluating various options related to future engine production. The Company has financed recent operations through shareholder demand notes, and any demand for repayment of such obligations could impair the Company’s ability to continue operations. The accompanying consolidated financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to liquidate its assets and discharge its liabilities in other than the normal course of business.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

AirScooter Corporation
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March 31, 2012

3. BALANCE SHEET DETAIL

Inventories are stated at the lower of cost, or market. Inventories, net of market adjustments, consist of the finished goods of \$87,000 at March 31, 2012. Raw materials retained after the sale (Note 7) have been reduced by a full obsolescence reserve. The total aggregate obsolescence and lower-of-cost-or-market inventory adjustment was \$96,217 at March 31, 2012.

Details of the estimated warranty liability included in accrued expenses are as follows:

Balance, October 1, 2011	\$470
Warranty provision	-
Warranty costs	-
Balance, March 31, 2012	\$470

4. DEMAND NOTES PAYABLE, PRINCIPAL STOCKHOLDERS

During the six months ended March 31, 2012 three principal stockholders advanced \$134,300 pursuant to 8% demand notes. The Company accrued interest expense of \$13,496 related to demand notes for the six months ended March 31, 2012.

5. RELATED PARTY TRANSACTIONS

The Company pays \$1,500 per month to a company owned by a shareholder for shared corporate offices and for the part-time services of the Company's treasurer who performs accounting and other administrative services for the Company.

6. INCOME TAXES

At March 31, 2012, a valuation allowance has been effectively provided to offset the net deferred tax assets arising from available net operating loss carryforwards as management believes it is not more likely than not that the deferred tax asset will be realized. The net operating loss carryforwards aggregate approximately \$12 million and expire through 2031, and possibly may be subject to limitations under the Internal Revenue Code, as amended.

7. ASSET SALE

By agreement dated November 28, 2011 the Company's wholly-owned subsidiary entered into a license, royalty, sale and settlement agreement related to its AeroTwin engine assets and business. This agreement:

1. Terminated the license agreement with Pearson Motor Company Limited (New Zealand) and any and all related obligations among the parties including cancellation of debentures and royalty advances owed by Pearson to AeroTwin with a carrying value of -0-.
2. AeroTwin licensed to Aeromotors Ltd., a New Zealand company ("Aeromotors") controlled by former AeroTwin engine consultant W.L. White, its rights arising from improvements to the engine technology licensed from Pearson in exchange for future royalties of \$300 per engine, \$50 per engine drive unit and 10% of parts and other accessory sales related to AeroTwin 972 engines or derivatives thereof. The term of the royalty is ten years.
3. AeroTwin sold to Aeromotors its engine and accessory tooling, certain New Zealand infrastructure and equipment owned by AeroTwin, certain raw material and work-in-process

AirScooter Corporation
Notes to Interim Consolidated Financial Statements
March 31, 2012

inventory. The consideration was settlement of any and all obligations owed by AeroTwin to Mr. White or his affiliated entities and a fixed price of \$200,000 USD payable without interest at the rate of \$1,000 per AeroTwin or derivative engine sold by Aeromotors.

The Company recorded no gain or loss on the transaction as (a) the debentures and royalty advances cancelled were previously impaired with a carrying value of -0-, (b) the engine and accessory tooling and infrastructure and equipment sold was fully depreciated with a carrying value of -0-, and (c) the inventory sold was previously subject to substantial lower-of-cost-or-market inventory adjustments. However, the Company determined that the \$200,000 receivable should not be recorded as an asset until realizable and recorded a current period impairment loss of \$180,000 (reflecting an estimate of the discounted value of the receivable). Any amounts collected on this receivable will be recorded as income when received.

AeroTwin retained certain completed engines and related parts valued at \$87,000 and retained the right to serve as exclusive sales agent for future engines produced by Aeromotors on terms to be negotiated, but no less favorable than any other agent, and for a minimum term of 15 years.