

Appendix A

Quasar Aerospace Industries, Inc. Footnotes to Quarterly Report

The attached financial statements have not been audited nor fully verified by the current management. 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. These audits are incomplete 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.

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 were 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.

However, much progress to correct the financial statements has been made. It is a work in progress. We have adjusted numerous accounts for entries made in prior years for which there is no documentation or reasonable tangible support.

As previously disclosed, the company has completed and filed over 30 delinquent tax returns for payroll, unemployment, and income taxes. These returns cover the years 2006 through 2010 and include our subsidiary companies. We have no liability for income tax for these periods. We are currently working with the Internal Revenue Service to determine our liability for payroll taxes. This amount is not finalized but we believe it is less than \$15,000.

On March 01, 2012 the issued a convertible note payable to J.N. Carter in the amount of \$25,000 for services rendered. Mr. Carter has assumed the duties of Chief Financial Officer for the companies and is conducting the review and correct of the financial records. He has previously not been compensated for these services.

During the quarter the company also issued a convertible note payable to Joseph C. Canouse in the amount of \$45,000. Mr. Canouse is the Chief Executive Officer of the companies. This note was for monies advanced by Mr. Canouse to the company and for services rendered.

Also, during the quarter Mr. Canouse contributed 442,500,000 shares of the common stock of NHS Health Solutions, Inc., Las Vegas, NV., to Quasar Aerospace Industries Inc. These shares are currently the subject of a legal dispute and have market value in excess of \$20 million. The company has not recorded the ownership of the shares subject to the outcome of the dispute.

Additional Notes To Unaudited Financial Statements

Note 1. Significant Accounting Policies

Use of Estimates

Since June, 2011 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 lessons and certain merchandise associated with flight training. Revenue from these services and products 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.

Property and Equipment

Equipment includes aircraft, office equipment, telephones and computers. These assets are carried at cost and depreciated using straight-line methods over their estimated useful lives. The company also recorded goodwill in conjunction with the acquisition of A-Cent Aviation, Inc.. This assets is being amortized over a thirty six month period. Depreciation and amortization expense for the three months ended March 31, 2012 was \$27,947.

Liabilities Subordinated To The Claims of General Creditors

At March 31, 2012 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 (derivatives) were

converted to common stock, as prescribed by SFAS No. 128. Current management believes notes payable were previously issued by the company and these notes are convertible into common stock. However, we have no record of the owners, dates, amounts, or conversion features of these notes and therefore cannot determine the derivative liability

Note 2. Furniture and Equipment

At March 31, 2012 equipment consisted of the following:

	<u>Useful Life</u>	
Office Equipment	3 Years	96,100
Aircraft & related eqt.	2-3 Years	<u>223,293</u>
Equipment total		319,393
Accumulated depreciation		<u>(216,968)</u>
Equipment, net		<u>\$102,425</u>

	<u>Useful Life</u>	
Goodwill	3 Years	\$61,875
Accumulated amortization		<u>(12,031)</u>
Goodwill, net		\$49,488

Note 3. Commitments and Contingencies

The company has no long term leases or contingent liabilities excluding the long term notes payable, discussed previously. The company also has rental/lease arrangements for the use of aircraft. The supporting documents for these arrangements have not yet been located. The amount of these notes cannot be determined at this time.

Note 4. Shareholders' Equity

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

Note 5. Share Information Correction

On July 12, the Company resubmitted the Quarterly Statement to reflect a correction in the number of shares outstanding and the public float. The number of shares outstanding was changed from 1,709,786,263 to 8,710,352 and the public float was changed from 1,514,284,850 to 3,514,510.