

Quasar Aerospace Industries & Consolidated Subsidiaries
Statement of Operations
Six Month Periods Ended June 30, 2014
Unaudited

| | 2014 | 2013 |
|---|-------------|--------------|
| Revenue | \$ 116,290 | \$ 112,551 |
| Total revenue | \$ 116,290 | \$ 112,551 |
| Expenses | | |
| Aircraft fuel, supplies & maint. | \$14,248 | \$50,278 |
| Bank and credit card services | \$1,971 | \$2,987 |
| Communications | \$4,746 | \$2,257 |
| Depreciation and amortization | \$15,487 | \$24,494 |
| Facilities rent & office expense | \$18,598 | \$17,636 |
| Insurance | \$9,558 | \$6,777 |
| Interest | \$11 | \$5,088 |
| Leased and rented equipment | \$6,440 | \$6,440 |
| License and permits | \$2,129 | \$127 |
| Office expenses | \$939 | \$5,667 |
| Other expenses | \$2,091 | \$5,667 |
| Payroll and related | \$38,270 | \$95,490 |
| Professional fees | \$44,178 | \$6,639 |
| Shareholder related expenses | \$7,777 | \$1,775 |
| State and local taxes | - | \$108 |
| Travel and entertainment | \$4,552 | \$50 |
| Utilities | - | \$698 |
| Total expenses | \$ 170,995 | \$232,178 |
| Net loss | \$ (54,705) | \$ (119,627) |
| Net loss per share | (\$0.00) | (\$0.00) |
| Weighted average common shares outstanding | 738,946,589 | 57,544,606 |

See accompanying notes to financial statements

Quarterly Report
Quasar Aerospace Industries Inc. & Consolidated Subsidiaries
Consolidated Balance Sheet
Periods Ended June 30, 2014 and December 31, 2013
Unaudited

| | June 30, 2014 | December 31, 2013 |
|---|---------------------|--------------------|
| Assets | | |
| Cash | \$ 26,703 | \$ 26,950 |
| Accounts receivable | 63,072 | 4,077 |
| Inventory | - | 1,587 |
| Short Term Loans and notes receivable | 241,923 | 53,600 |
| Total current assets | <u>331,698</u> | <u>86,214</u> |
| Fixed Assets | | |
| Equipment | 224,824 | 320,017 |
| Accumulated depreciation | <u>(215,061)</u> | <u>(303,667)</u> |
| Fixed assets, net | 9,763 | 16,350 |
| Other assets | | |
| Goodwill, net of amortization | 17,799 | 53,397 |
| Investment in subsidiaries | 767,184 | 766,788 |
| Other assets | <u>27</u> | <u>-</u> |
| Total other assets | 785,010 | 820,185 |
| Total assets | <u>\$ 1,126,471</u> | <u>\$ 922,749</u> |
| Liabilities and capital | | |
| Accounts payable | \$ 79,224 | 84,477 |
| Payroll liabilities | 16,475 | 42,674 |
| Prepaid revenue | (4,417) | 10,088 |
| Other current liabilities | 92,865 | 70,630 |
| Total current liabilities | <u>184,147</u> | <u>207,869</u> |
| Long term liabilities | | |
| Notes payable third parties | 290,970 | 299,044 |
| Deferred compensation | 251,565 | 207,571 |
| Notes payable to officers | 74,674 | 74,674 |
| Amounts due related parties | <u>402,345</u> | <u>73,518</u> |
| Total long term liabilities | 1,019,554 | 654,807 |
| Total liabilities | <u>1,203,701</u> | <u>862,676</u> |
| Equity | | |
| Common stock, Par value \$.00001, Authorized 2,500,000,000 shares, 2,318,242,098 issued and outstanding respectively. | 23,183 | 8,404 |
| Preferred stock - par value \$.001 Series A Authorized 1,000,000 shares, 2,062 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 | 4,223,123 | 4,320,500 |
| Accumulated deficit | <u>(4,324,860)</u> | <u>(4,270,155)</u> |
| Total shareholders (deficit)equity | (77,230) | 60,073 |
| Total liabilities and capital | <u>\$ 1,126,471</u> | <u>\$ 922,749</u> |

See accompanying notes to financial statements

Quasar Aerospace Industries Inc. & Consolidated Subsidiaries
Statements of Cashflows
Six Month Periods Ended June 30, 2014
Unaudited

| | 2014 | 2013 |
|---|-------------------|------------------|
| OPERATING ACTIVITIES | | |
| Net loss | \$ (54,705) | (113,960) |
| Depreciation & Amortization | 15,030 | 24,494 |
| Changes in working capital items | | |
| Accounts payable | (5,253) | 10,412 |
| Accounts receivable third parties | (58,995) | |
| Other current liabilities | 22,235 | 4,331 |
| Payroll liabilities | | (4,286) |
| Deferred compensation | 43,994 | 48,001 |
| Reduction in inventory | 1,587 | 23 |
| Adjustment in Accum. Depreciation due to asset disposal | | (11,865) |
| Prepaid services | 5,671 | (8,353) |
| Cashflow from operating activities | <u>(30,436)</u> | <u>(51,203)</u> |
| INVESTING ACTIVITIES | | |
| (Additions) and Disposal of equipment | 6,587 | 11,864 |
| Investment in subsidiaries | (396) | (27) |
| Disposal of (increases in) other assets | (27) | 19,304 |
| Cashflow from Investing | <u>6,164</u> | <u>31,141</u> |
| FINANCING ACTIVITIES | | |
| Short term notes receivable | (188,323) | (10,506) |
| Advances from related parties | | 3,150 |
| Convertible notes due related parties | 328,827 | (84,000) |
| Notes payable to officers | | 251,726 |
| Common stock issued | 14,779 | 317 |
| Adjustment to paid in capital and accumulated deficit for prior periods | (35,598) | (112,531) |
| Convertible notes due third parties | (8,074) | (23,000) |
| Cashflow from financing | <u>111,611</u> | <u>25,156</u> |
| Net change in cash | 87,339 | 5,094 |
| Beginning cash | 39,364 | 15,009 |
| Ending Cash | <u>\$ 126,703</u> | <u>\$ 20,103</u> |

See accompanying notes to financial statements

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

| | Common Stock | Preferred A Stock | Preferred B Stock | Treasury | Paid In Capital | Accumulated | Shareholders' |
|-------------------------------------|---------------|-------------------|-------------------|----------|-----------------|-------------|---------------|
| | Shares | Shares | Shares | Stock | | (Deficit) | Equity |
| | Amount | Amount | Amount | | | | |
| Balance December 31, 2013 | 840,348,920 | 2,092 | 129,508 | (391) | 4,320,500 | (4,270,155) | 60,073 |
| Shares issued for new equity | 372,000,000 | | | | | | 22,500 |
| Shares issued for debt conversions | 875,117,125 | | | | 18,780 | | (107,015) |
| Shares issued for share conversions | 230,776,053 | (30) | (0) | | (115,766) | | 2,308 |
| Impair lost shares | | | | 391 | (391) | | 0 |
| Net loss | | | | | | (54,705) | (54,705) |
| Balance June 30, 2014 | 2,318,242,098 | 2,062 | 129,508 | 0 | 4,223,123 | (4,324,860) | (77,230) |

See accompanying notes to financial statements