AIR INDUSTRIES GROUP, INC
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011 and 2010
(Unaudited and Unreviewed)

AIR INDUSTRIES GROUP, INC.
Consolidated Balance Sheets

		March 31, 2011 (Unaudited and Unreviewed)		December 31, 2010 (Audited)
ASSETS				
Current Assets				
Cash and Cash Equivalents	$	1,000	$	262,000
Accounts Receivable, Net of Allowance for Doubtful Accounts of $581,000 and $523,000		5,620,000		4,381,000
Inventory		21,682,000		21,443,000
Prepaid Expenses and Other Current Assets		500,000		414,000
Taxes Receivable		16,000		16,000
Deposits - Customers		29,000		59,000
Total Current Assets		27,848,000		26,575,000
Property and Equipment, net		3,374,000		3,743,000
Capitalized Engineering Costs - net of Accumulated Amortization of $2,584,000 and $2,410,000		1,050,000		1,039,000
Deferred Financing Costs, net, deposit and other assets		708,000		686,000
Intangible Assets, net		1,733,000		1,775,000
Goodwill		291,000		291,000
TOTAL ASSETS	$	35,004,000	$	34,109,000
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Current Portion Notes Payable and Capitalized Lease Obligations	$	12,817,000	$	12,665,000
Accounts Payable and Accrued Expenses		6,517,000		5,866,000
Lease Impairment - Current		93,000		96,000
Deferred Gain on Sale - Current Portion		38,000		38,000
Total Current Liabilities		19,465,000		18,665,000
Long term liabilities				
Notes Payable and Capitalized Lease Obligation - Net of Current Portion		11,035,000		11,536,000
Lease Impairment - Net of Current Portion		237,000		260,000
Deferred Gain on Sale - Net of Current Portion		552,000		561,000
Deferred Rent		848,000		800,000
Total liabilities		32,137,000		31,822,000
Commitments and contingencies				
Stockholders' Equity				
Preferred Stock Par Value $.001-Authorized 8,003,716 shares Designated as Series "A" Convertible Preferred - $.001 par Value, 1,000 Shares Authorized 0 Shares issued and outstanding as of March 31, 2011 and December 31, 2010, respectively.		-		-
Designated as Series "B" Convertible Preferred -$.001 Par Value, 4,000,000 shares authorized, 0 and 0 shares issued and outstanding as of March 31, 2011 and December 31, 2010, respectively; Liquidation Value, $ 0		-		-
Common Stock - $.001 Par, 120,000,000 Shares Authorized, 3,579,114 and 3,579,114 Shares Issued and Outstanding as of March 31, 2011 and December 31, 2010, respectively		4,000		4,000
Additional Paid-In Capital		26,040,000		26,009,000
Accumulated Deficit		(23,177,000)		(23,726,000)
Total Stockholders' Equity		2,867,000		2,287,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	35,004,000	$	34,109,000

AIR INDUSTRIES GROUP, INC.
Consolidated Statement of Operations for the Three months ending March 31,

		2011		2010
		(Unaudited and Unreviewed)		
Net Sales	$	12,600,000	$	12,059,000
Cost of Sales - Operational		10,141,000		9,672,000
Gross Profit		2,459,000		2,387,000
Operating Expenses		1,433,000		2,009,000
Total Operating Expenses		1,433,000		2,009,000
Income from operations		1,026,000		378,000
Interest and financing costs		(482,000)		(1,572,000)
Other expenses		6,000		75,000
Income (Loss) From Continuing Operations		550,000		(1,119,000)
Income From Discontinued Operations		-		443,000
Net Income (Loss)		550,000		(676,000)
Dividend attributable to preferred stockholders		-		630,000
Net loss attributable to common stockholders	$	550,000	$	(1,306,000)
Income (Loss) per share (basic and diluted)				
Continuing Operations	$	0.15	$	(9.78)
Discontinued Operations		-		2.48
Total	$	0.15	$	(7.30)
Weighted average shares outstanding (basic and diluted)		3,579,114		178,810

AIR INDUSTRIES GROUP, INC.
Consolidated Statement of Cash Flows For the Three months Ended March 31,

	2011	2010
	(Unaudited/Unreviewed)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ 550,000	$ (676,000)
Adjustments to Reconcile Net Income (Loss) to Net		
Cash used in Operating Activities		
Depreciation and amortization of property and equipment	412,000	466,000
Amortization of intangible assets	42,000	42,000
Amortization of capitalized engineering costs	174,000	242,000
Bad debt expense	59,000	70,000
Non-cash compenstion expense	31,000	28,000
Non-Cash Interest Expense Including Amortization of Debt Discounts	-	974,000
Amortization of deferred financing costs	44,000	102,000
Gain on Sale of Real Estate	(10,000)	(10,000)
Changes in Assets and Liabilities		
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(1,298,000)	253,000
Assets Held for Sale	-	3,000
Inventory	(239,000)	(1,235,000)
Prepaid Expenses and Other Current Assets	(86,000)	106,000
Deposits	30,000	83,000
Other Assets	(47,000)	(55,000)
Increase (Decrease) in Operating Liabilities		
Accounts payable and accrued expenses	651,000	962,000
Deferred Rent	47,000	48,000
Liabilities Held For Sale	-	(511,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	360,000	892,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for Capitalized Engineering costs	(185,000)	(46,000)
Purchase of property and equipment	(42,000)	(111,000)
NET CASH (USED IN) INVESTING ACTIVITIES	(227,000)	(157,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Notes payable - Sellers	(128,000)	(48,000)
Capital lease obligations	(97,000)	(89,000)
Notes payable-SFFC	-	(60,000)
Notes payable-Revolver	126,000	(672,000)
Notes payable - Term Loan PNC	(250,000)	-
Cash paid for deferred financing costs	(20,000)	(1,000)
Payments related to Lease Impairment	(25,000)	(56,000)
NET CASH USED IN FINANCING ACTIVITIES	(394,000)	(926,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(261,000)	(191,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	262,000	165,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,000	$ (26,000)
Supplemental cash flow information		
Cash paid during the year for interest	$ 470,000	$ 510,000
Supplemental cash flow information		
Cash paid during the year for Income taxes	$ -	$ -
Supplemental schedule of non-cash investing and financing activities		
Non-cash dividends on Series B Preferred Stock	$ -	$ 630,000