

AERO MARINE ENGINE INC
Form 10QSB
February 14, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended – December 31, 2004

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from _____ to _____

AERO MARINE TECHNOLOGIES, INC.
(Exact name of registrant as it appears in its charter)

000-49698
Commission File Number)

NEVADA
(State of incorporation)

000-49698
(Commission
File Number)

98-0353007
(IRS Employer
Identification No.)

One World Trade Center, 121 S.W. Salmon Street, Suite 1100, Portland, Oregon

(Address of principal executive office)

(503) 471-1348

(Registrant's telephone number, including area code)

97204
(Zip Code)

199 Trade Zone Drive, Ronkonkoma, New York 11779
(Former name, former address and former fiscal year, if changed since last report)

With Copy To:
Patrick C. Clary, Esq.
Patrick C. Clary, Chartered
7201 West Lake Mead Boulevard
Suite 503
Las Vegas, Nevada 89128
(702) 382-0813

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (b) of the Act: Class A Common Stock \$0.001 Par Value

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No

At the end of the quarter ending December 31, 2004 there were 28,299,166 issued and outstanding shares of the registrant's common stock.

<Page>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE COMPANY) CONDENSED
CONDENSED CONSOLIDATED FINANCIALS
DECEMBER 31, 2004 AND 2003**

<Page>

**AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE COMPANY) CONDENSED
INDEX TO CONDENSED CONSOLIDATED FINANCIALS**

(UNAUDITED)

	PAGE(S)
Condensed Consolidated Financial Statements:	
Balance Sheet at December 31, 2004	1
Statements of Operations for the six and three months ended December 31, 2004 and 2003 (With Cumulative totals since Inception)	2
Statements of Cash Flows for the six months ended December 31, 2004 and 2003 (With Cumulative totals since Inception)	3
Notice to the Condensed Consolidated Financial Statements	4-11

<Page>

**AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 (UNAUDITED)**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 2,418
Prepaid expenses and other current assets	22,670
 Total Current Assets	 25,088
 Property and equipment, net of depreciation	 11,456
 Intangible assets, net of impairment and amortization	 3,050,000
 TOTAL ASSETS	 \$ 3,086,544

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)**LIABILITIES**

Current Liabilities:

Accounts payable and accrued expenses	\$ 3,055,311
Due to shareholders	624,499
Due to related company	314,339
 Total Current Liabilities	 3,994,149
 Total Liabilities	 3,994,149

STOCKHOLDERS' EQUITY (DEFICIT)Preferred stock, \$.001 Par Value; 100,000,000 shares authorized
no shares issued and outstandingCommon stock, \$.001 Par Value; 100,000,000 shares authorized
28,299,166 shares issued and outstanding

Additional paid-in capital

Deficit accumulated during the development stage

Total Stockholders' Equity (Deficit)**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** \$ 3,086,544

The accompanying notes are an integral part of the condensed consolidated financial statements.

<Page>1

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX AND THREE MONTHS ENDED DECEMBER 31, 2004 AND 2003 (UNAUDITED)
(WITH CUMULATIVE TOTALS SINCE INCEPTION)

	SIX MONTHS ENDED		THREE MONTHS ENDED		CUMULATIVE TOTALS
	DECEMBER 31		DECEMBER 31		DECEMBER 30, 2002 through
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>DECEMBER 31, 2004</u>
OPERATING REVENUES					
Sales	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ -	-		
COST OF SALES	-	-	-	-	-
GROSS PROFIT	-	-	-	-	-
OPERATING EXPENSES					
Compensation expense	-	170,407	78,833	-	432,969
Professional and consulting fees	174,500	132,885	38,836	-	3,838,526

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

Advertising and promotions	-	82,000 955	955	44,891
Rent	-	26,683	26,683	42,783
General and administrative expenses	40,062	- 66,672 24,562	45,787	155,505
Depreciation and amortization	287	24,888	12,444	39,127
Total Operating Expenses	214,849	287 422,490 106,849	203,538	4,553,801
NET LOSS BEFORE OTHER (EXPENSES) AND PROVISION FOR INCOME TAXES	(214,849)	(422,490) (106,849)	(203,538)	(4,553,801)
OTHE (EXPENSES)				
Interest expense	(3,351)	- (1,851)	-	(20,481)
Impairment of property and equipment	-	-	-	(107,964)
Impairment of goodwill and intangibles	(812,500)	-	-	(1,513,847)
Impairment of inventory	-	-	-	(266,519)
Total Other Expenses	(815,851)	- (1,851)	-	(1,908,811)
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(1,030,700)	(422,490) (108,700)	(203,538)	(6,462,612)
Provision for income taxes	-	-	-	-
NET LOSS	\$ (1,030,700)	\$ (422,490) \$ (108,700)	\$ (203,538)	\$ (6,462,612)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	19,764,859	49,994,922 28,234,413	49,994,922	
NET LOSS PER COMMON SHARE OUTSTANDING	\$ (0.0521)	\$ (0.0085) \$ (0.0038)	\$ (0.0041)	

The accompanying notes are an integral part of the condensed consolidated financial statements.

<Page> 2

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2004 AND 2003 (UNAUDITED)
(WITH CUMULATIVE TOTALS SINCE INCEPTION)

	<u>2004</u>	<u>2003</u>	<u>Cumulative Totals</u> <u>December 30, 2002 through</u> <u>December 31, 2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (1,030,700)	\$ (203,538)	\$ (6,462,612)
Adjustments to reconcile net loss to net cash used in operating activities			

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

Prior period adjustment		(137,283)	(137,283)
Common stock issued for services	109,000	-	3,459,000
Depreciation and amortization	287	12,444	39,127
Impairment of property and equipment	-	-	107,964
Impairment of goodwill and intangibles	812,500	-	1,513,847
Impairment of inventory	-	-	266,519
Changes in assets and liabilities			
(Increase) in inventory	-	(266,519)	(266,519)
Decrease in prepaid expenses and other current assets	-	-	599
Increase in accounts payable and accrued expenses	2,998,351	49,159	3,515,419
Total adjustments	3,920,138	(342,199)	8,498,673
Net cash (used in) operating activities	2,889,438	(545,737)	2,036,061
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of business	-	-	(1,018,814)
Acquisitions of fixed assets	(3,011,743)	(870,821)	(3,038,510)
Net cash (used in) investing activities	(3,011,743)	(870,821)	(4,057,324)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the sale of stock	-	1,196,977	1,084,843
Advances from shareholders, net	124,723	425,859	624,499
Advances from related company, net	-	28,875	314,339
Net cash provided by financing activities	124,723	1,651,711	2,023,681
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,418	235,153	2,418
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,418	\$ 235,153	\$ 2,418
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year for interest	\$ -	\$ -	\$ 190
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION			
Common stock issued for services	\$ 109,000	\$ -	\$ 3,459,000
Impairment of property and equipment	\$ -	\$ -	\$ 107,964
Impairment of goodwill and intangibles	\$ 812,500	\$ -	\$ 1,513,847
Impairment of inventory	\$ -	\$ -	\$ 266,519
Conversion of payables to equity	\$ -	\$ -	\$ 170,285

The accompanying notes are an integral part of the condensed consolidated financial statements.

<Page> 3

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements have been prepared without audit pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted, pursuant to such rules and regulations. These unaudited financial statements should be read in conjunction with the audited financial statements and notes thereto of the Company included in the Company's Annual Report on Form 10-KSB for the year ended June 30, 2004. In the opinion of Management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods presented have been included. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the respective full year.

Princeton Ventures, Inc. (the "Company") was incorporated in the State of Nevada on May 10, 2001. The Company had not commenced operations. On May 30, 2003, the Company exchanged 37,944,922 shares of its common stock for all of the issued and outstanding shares of

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

Aero Marine Engine Corp. ("Aero"). Aero was formed on December 30, 2002. Aero had no operations and was formed to acquire the assets of Dyna-Cam Engine Corporation. The Company changed its name from Princeton Ventures, Inc. to Aero Marine Engine, Inc.

At the time that the transaction was agreed to, the Company had 20,337,860 common shares issued and outstanding. In contemplation of the transaction with Aero, the Company's two primary shareholders cancelled 9,337,860 shares of the Company's common stock held by them, leaving 11,000,000 shares issued and outstanding. As a result of the acquisition of Aero, there were 48,944,922 common shares outstanding, and the former Aero stockholders held approximately 78% of the Company's voting stock. For financial accounting purposes, the acquisition was a reverse acquisition of the Company by Aero, under the purchase method of accounting, and was treated as a recapitalization with Aero as the acquirer. Accordingly, the historical financial statements have been restated after giving effect to the May 30, 2003, acquisition of the Company. The financial statements have been prepared to give retroactive effect to December 30, 2002, the date of inception of Aero, of the reverse acquisition completed on May 30, 2003, and represent the operations of Aero. Consistent with reverse acquisition accounting: (i) all of Aero's assets, liabilities, and accumulated deficit, are reflected at their combined historical cost (as the accounting acquirer) and (ii) the preexisting outstanding shares of the Company (the accounting acquiree) are reflected at their net asset value as if issued on May 30, 2003.

<Page> 4

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003 (Continued)

Additionally, on June 30, 2003, the Company acquired the operating assets of Dyna-Cam Engine Corp. ("Dyna-Cam"). Dyna-Cam was a development stage enterprise developing a unique, axial cam-drive, free piston, internal combustion engine. Dyna-Cam intended to produce and sell the engine primarily for aircraft and marine applications. Dyna-Cam had not generated significant revenues at the time of the Company's acquisition.

The accompanying financial statements represent the consolidated financial position and results of operations of the Company and include the accounts and results of operations of the Company and Aero, its wholly owned subsidiary. The purchase of the operating assets of Dyna-Cam occurred on June 30, 2003, and the effect of that purchase is included in the accompanying balance sheet at September 30, 2004 and 2003. The consolidated entity is considered a development stage enterprise as of September 30, 2004.

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company faces many operating and industry challenges. The Company intends to do business in a highly competitive industry. Future operating losses for the Company are anticipated and the proposed plan of operations, even if successful, may not result in cash flow sufficient to finance the initiation and continued expansion of its business. These factors raise substantial doubt about the Company's ability to continue as a going concern. Realization of assets is dependent upon continued operations of the Company, which in turn is dependent upon management's plans to meet its financing requirements, as discussed below, and the success of its future operations. The condensed consolidated financial statements do not include any adjustments that might result from this uncertainty.

The Company, under its new management, has raised over \$1,200,000 in cash to effect the acquisition of Dyna-Cam. Management believes that significant capital is required to adequately develop the Dyna-Cam engine and begin operations. In the six months ended December 31, 2004, shareholders of the Company have advanced a net of \$124,723 to assist in funding the operations.

The Company will require additional capital. Although the current majority stockholders of the Company, as well as an affiliate, have made verbal commitments, with no guarantees, to continue to fund the development and sales and marketing efforts of the Company, if alternate financing cannot be obtained, there can be no assurance that any new capital would be available to the Company or that adequate funds for the Company's operations, whether from the Company's revenues, financial markets, or other arrangements will be available when needed or on terms satisfactory to the Company. The failure of the Company to obtain adequate additional financing will require the Company to delay, curtail or scale back some or all of its research and development programs, sales, marketing efforts and manufacturing operations.

<Page> 5

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash includes all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Principles of Consolidation: The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Aero Marine Engine Corp. All significant inter-company accounts and transactions are eliminated.

Inventories consisted of raw materials and purchased parts used in the manufacturing of engines. The Company records its inventory at the lower of cost (first-in, first-out) or market. The Company has determined that all of the inventory is obsolete and has been written off.

Property and equipment is stated at cost less accumulated depreciation.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from three to seven years. The depreciation expense was \$287 and \$24,888 for the six months ended December 31, 2004 and 2003. All remaining amounts had been written off as of June 30, 2004. Depreciation for the six months ended December 31, 2004 is attributed to the new acquisitions made during the period.

Income taxes: The Company provides for income taxes based on the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which, among other things, requires that recognition of deferred income taxes be measured by the provisions of enacted tax laws in effect at the date of financial statements.

Financial Instruments: Financial instruments consist primarily of cash and obligations under accounts payable and accrued expenses. The carrying amounts of cash, accounts payable and accrued expenses approximate fair value because of the short maturity of those instruments. The Company has applied certain assumptions in estimating these fair values. The use of different assumptions or methodologies may have a material effect on the estimates of fair values.

Net loss per share is calculated using the weighted average number of shares of common stock outstanding during the year as prescribed by the provisions of SFAS No. 128 Earnings Per Share.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

<Page> 6

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003 (Continued)

Intangible Assets: Intangible assets are comprised of goodwill, certain finite life intangible assets purchased in the acquisition of the Dyna-Cam operating assets, and intellectual property. These assets represent the value of the difference between the purchase price of the acquired business and the fair value of the identifiable tangible net assets. The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 142, Goodwill and Other Intangible Assets. The Company does not amortize goodwill but rather annually evaluates the carrying value of goodwill for impairment, in accordance with the provisions of SFAS No. 142. The finite life of the intangibles will be amortized over 7 to 10 years.

Recently Issued Accounting Pronouncements:

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated With Exit or Disposal Activities". This Standard requires costs associated with exit or disposal activities to be recognized when they are incurred. The requirements of SFAS No. 146 apply prospectively after June 30, 2003, and as such, the Company cannot reasonably estimate the impact of adopting these new rules.

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions". SFAS No. 147 is effective October 1, 2002. The adoption of SFAS No. 147 did not have a material effect on the Company's financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," effective for contracts entered into or modified after June 30, 2003. This amendment clarifies when a contract meets the characteristics of a derivative, clarifies when a derivative contains a financing component and amends certain other existing pronouncements. The Company believes the adoption of SFAS No. 149 will not have a material effect on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 requires the classification as a liability of any financial instruments with a mandatory redemption feature, an obligation to repurchase equity shares, or a conditional obligation based on the issuance of a variable number of its equity shares. The Company does not have any authorized preferred shares or other financial instruments with a mandatory redemption feature. The Company believes the adoption of SFAS No. 150 will not have a material effect on the Company's financial statements.

<Page> 7

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003 (Continued)

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 clarifies the requirements for a guarantor's accounting for and disclosure of certain guarantees issued and outstanding. The initial recognition and initial measurement provisions of FIN 45 are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements for periods ending after December 15, 2002. The adoption of FIN 45 did not impact the Company's financial statements.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities" (FIN 46). FIN No. 46 states that companies that have exposure to the economic risks and potential rewards from another entity's assets and activities have a controlling financial interest in a variable interest entity and should consolidate the entity, despite the absence of clear control through a voting equity interest. The consolidation requirements apply to all variable interest entities created after January 31, 2003. For variable interest entities that existed prior to February 1, 2003, the consolidation requirements are effective for annual or interim periods beginning after June 15, 2003. Disclosure of significant variable interest entities is required in all financial statements issued after January 31, 2003, regardless of when the variable interest was created. The adoption of FIN No. 46 did not have a material impact on the Company's financial statements.

Impairment of long-lived assets are assessed by the Company for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows generated by those assets to the assets' net carrying value. The amount of impairment loss, if any, is measured as the difference between the net book value of the assets and the estimated fair value of the related assets. The Company revalued its long-term assets at September 30, 2004 and charged earnings \$812,500.

3. STOCKHOLDERS' EQUITY (DEFICIT)

The Company has 100,000,000 shares of common stock authorized, par value \$.001. As of December 31, 2004, the Company has 28,299,166 shares of common stock issued and outstanding.

The Company issued 37,944,922 shares of its common stock in connection with the acquisition of Aero Marine Engine Corp. Under reverse acquisition accounting, these shares are reflected as issued on the date of inception and valued at the book value of the net assets of as of the date of the transaction.

<Page> 8

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003 (Continued)

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

Aero was incorporated in contemplation of the reverse acquisition of the Company as well as the Dyna-Cam acquisition. A total of 38,944,922 common shares were issued in the reverse merger transaction. However, 1,000,000 of those shares were designated for the Dyna-Cam acquisition. (See Subsequent Event Footnote.) The Company raised \$1,218,598 as part of its initial capitalization. This capital was raised among four individuals in contemplation of their receiving the 37,944,922 shares of the Company's common stock in connection with the acquisition of Aero Marine Engine Corp. The value of the 1,000,000 shares issued in connection with the Dyna-Cam purchase was determined to be \$0.032 per share, which is the price per share paid by the investors that acquired the 37,944,922 shares for cash.

In connection with the reverse acquisition transaction with Aero, the Company's two controlling shareholders at that time cancelled 9,337,860 shares of common stock held by them. Upon completion of this cancellation, the Company had 11,000,000 shares of common stock remaining outstanding prior to the reverse acquisition transaction.

On January 22, 2004, the Company issued 5,000,000 shares of its common stock in exchange for consulting services rendered to the company pursuant to an S-8 registration statement. These shares were valued at \$3,350,000 (\$.67 per share), the fair value of the stock at the date of issuance.

On July 30, 2004 with an effective date of August 9, 2004 the Board of Directors adopted a resolution authorizing and approving a 100 to 1 reverse stock split and the new trading symbol of the company is AOME.

On August 24, 2004 International Equity Partners, SA purchased Transporter, Inc., a company developing video conferencing software allowing the creation of virtual private networks that are PC based, have no need to use servers or special equipment, and operate on any broadband connection. The purchase price was \$3,000,000, \$100,000 of which is payable within 60 days of the date of the Exclusive Purchase Agreement with the balance payable in intervals over 24 months. In addition, the former stockholders of Transporter, Inc. are to be issued 1,000,000 shares of the common stock of the Company. At the end of a two-year period the shares are guaranteed to be worth at least \$2.00 per share, and, if worth less, additional shares of stock will then be issued to make up the difference. The value of the shares is \$50,000 (\$.05 per share).

On August 24, 2004 the Company acquired through an assignment by International Equity Partners, SA all rights, title, and interest in the aforesaid Exclusive Purchase Agreement in exchange for 25,000,000 shares of common stock of the Registrant. All certificates issued will bear the appropriate 2-year restrictive legend. The value of the issuance is \$812,500, which was the fair value of the stock at the date the transaction was negotiated.

<Page> 9

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003 (Continued)

On August 25, 2004 the Company entered into a Consulting Fee Agreement with Carlyle Financial Consulting Group, which will continue to provide consulting services for all of the Company's businesses and will also continue to coordinate prospective acquisitions in European countries and the Arabian Gulf. The consulting fee was negotiated for 1,400,000 shares of common stock, which the Company has registered with the Securities and Exchange Commission on Form S-8 Registration Statement under the Securities Act of 1933.

On September 9, 2004 the Company issued 200,000 shares of common stock of the Company in exchange for legal and professional services rendered and to be rendered.

On November 8, 2004 the Company issued 157,788 shares of common stock of the Company in exchange for consulting services rendered.

The Company, at December 31, 2004, has 100,000,000 shares of preferred stock authorized and no shares issued and outstanding.

4. RELATED PARTY TRANSACTIONS

Certain shareholders of the Company have advanced funds to the Company to cover cash flow deficiencies. During the six months ended December 31, 2004, these shareholders advanced a net of \$124,723 to the Company. The advances have no stated repayment terms. The advances will bear interest at the Federal Reserve prime rate plus 1.25% and interest will be payable annually. In addition, an affiliated entity is providing office space to the Company at no charge, and is providing funds for payroll, moving and other general expenses. As of December 31,

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

2004, the Company incurred and accrued \$314,339 in liabilities to this entity. The advances and funding are based on verbal commitments with no guarantees of future advances or funding.

5. GOING CONCERN UNCERTAINTY

As shown in the accompanying financial statements, as is typical of companies going through the development stage, the Company incurred net loss for the six months ended December 31, 2004 and 2003, and since inception. The Company is currently in the development stage, and there is no guarantee whether the Company will be able to generate enough revenue and/or raise capital to support current operations and generate anticipated sales. This raises substantial doubt about the Company's ability to continue as a going concern.

Management believes that the Company's capital requirements will depend on many factors including the success of the Company's product development efforts.

The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

<Page> 10

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003 (Continued)

6. COMMITMENT

The Company is a party to a lawsuit involving a past due claim. This amount has been included in its accounts payable at September 30, 2004, and the Company plans on making full payment on the outstanding liability.

On August 24 2004 the Company entered into a Joint Venture Agreement with Adaptive Propulsion Systems, LLC ("Adaptive"), a wholly owned subsidiary of Tacronics. Adaptive will provide 100% of the capital and labor to build military grade engines based on the Registrant's Dyna-Cam engine design. Adaptive will pay the Company a 20% gross royalty on all orders of the engines sold to the United States Government. The Company will have the rest of the world military market and all civilian commercial applications, and the Company will pay a five (5%) percent royalty on such orders to Adaptive.

7. PROVISION FOR INCOME TAXES

Deferred income taxes will be determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes will be measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

At December 31, 2004 and 2003, deferred tax assets consist of the following:

	<u>2004</u>	<u>2003</u>	
Deferred Tax Assets	\$2,132,662	\$184,725	
Less: valuation allowance:	<u>(2,132,662)</u>	<u>(184,725)</u>	
	\$ -0-	\$ -0-	
	=====	=====	

At December 31, 2004 and 2003, the Company had federal net operating loss carry forwards in the approximate amounts of \$6,462,612 and \$559,772, respectively available to offset future taxable income through 2021. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

Forward-looking Statements

This Report on Form 10-QSB contains certain forward-looking statements. These forward-looking statements include statements regarding (i) marketing plans, capital and operations expenditures, and results of operations; (ii) potential financing arrangements; (iii) potential utility and acceptance of the Company's existing and proposed services; and (iv) the need for, and availability of, additional financing.

The forward-looking statements included herein are based on current expectations and involve a number of risks and uncertainties. These forward-looking statements are based on assumptions regarding the business of the Company which involve judgments with respect to, among other things, future economic and competitive conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, actual results may differ materially from those set forth in the forward-looking statements. In light of the significant uncertainties inherent in the forward-looking information contained herein, the inclusion of such information should not be regarded as any representation by the Company or any other person that the objectives or plans of the Company will be achieved.

Princeton Ventures, Inc. (the "Company") was incorporated in the State of Nevada on May 10, 2001. The Company had not commenced operations. On May 30, 2003, the Company exchanged 37,944,922 shares of its common stock for all of the issued and outstanding shares of Aero Marine Engine Corp. ("Aero"). Aero was formed on December 30, 2002. Aero had no operations and was formed to acquire the assets of Dyna-Cam Engine Corporation. The Company changed its name from Princeton Ventures, Inc. to Aero Marine Engine, Inc.

At the time that the transaction was agreed to, the Company had 20,337,860 common shares issued and outstanding. In contemplation of the transaction with Aero, the Company's two primary shareholders cancelled 9,337,860 shares of the Company's common stock held by them, leaving 11,000,000 shares issued and outstanding. As a result of the acquisition of Aero, there were 48,944,922 common shares outstanding, and the former Aero stockholders held approximately 78% of the Company's voting stock. For financial accounting purposes, the acquisition was a reverse acquisition of the Company by Aero, under the purchase method of accounting, and was treated as a recapitalization with Aero as the acquirer. Accordingly, the historical financial statements have been restated after giving effect to the May 30, 2003, acquisition of the Company. The financial statements have been prepared to give retroactive effect to December 30, 2002, the date of inception of Aero, of the reverse acquisition completed on May 30, 2003, and represent the operations of Aero. Consistent with reverse acquisition accounting: (i) all of Aero's assets, liabilities, and accumulated deficit, are reflected at their combined historical cost (as the accounting acquirer) and (ii) the preexisting outstanding shares of the Company (the accounting acquiree) are reflected at their net asset value as if issued on May 30, 2003.

Additionally, on June 30, 2003, the Company acquired the operating assets of Dyna-Cam Engine Corp. ("Dyna-Cam"). Dyna-Cam was a development stage enterprise developing a unique, axial cam-drive, free piston, internal combustion engine. Dyna-Cam intended to produce and sell the engine primarily for aircraft and marine applications. Dyna-Cam had not generated significant revenues at the time of the Company's acquisition.

The Company, under its new management, has raised over \$1,200,000 in cash to effect the acquisition of Dyna-Cam. Management believes that significant capital is required to adequately develop the Dyna-Cam engine and begin operations. In the six months ended December 31, 2004, shareholders of the Company have advanced a net of \$124,723 to assist in funding the operations.

The Company will require additional capital. Although the current majority stockholders of the Company, as well as an affiliate, have made verbal commitments, with no guarantees, to continue to fund the development and sales and marketing efforts of the Company, if alternate financing cannot be obtained, there can be no assurance that any new capital would be available to the Company or that adequate funds for the Company's operations, whether from the Company's revenues, financial markets, or other arrangements will be available when needed or on terms satisfactory to the Company. The failure of the Company to obtain adequate additional financing will require the Company to delay, curtail or scale back some or all of its research and development programs, sales, marketing efforts and manufacturing operations.

Item 3. Controls and Procedures

Within 90 days prior to the date of filing of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective for gathering, analyzing and disclosing the information the

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is a party to a lawsuit involving a past due claim. This amount has been included in its accounts payable at December 31, 2004, and the Company plans on making full payment on the outstanding liability.

Item 2. Changes in Securities

None

Item 3. Default Upon Senior Securities

None

Item 4. Submission of matters To a Vote of Security Holders

None

Item 5. Other Events.

On August 24, 2004 International Equity Partners, SA purchased Transporter, Inc., a company developing video conferencing software allowing the creation of virtual private networks that are PC based, have no need to use servers or special equipment, and operate on any broadband connection. The purchase price was \$3,000,000, \$100,000 of which is payable within 60 days of the date of the Exclusive Purchase Agreement with the balance payable in intervals over 24 months. In addition, the former stockholders of Transporter, Inc. are to be issued 1,000,000 shares of the common stock of the Company. At the end of a two-year period the shares are guaranteed to be worth at least \$2.00 per share, and, if worth less, additional shares of stock will then be issued to make up the difference. The value of the shares is \$50,000 (\$.05 per share).

On August 24, 2004 the Company acquired through an assignment by International Equity Partners, SA all rights, title, and interest in the aforesaid Exclusive Purchase Agreement in exchange for 25,000,000 shares of common stock of the Registrant. All certificates issued will bear the appropriate 2-year restrictive legend. The value of the issuance is \$812,500, which was the fair value of the stock at the date the transaction was negotiated.

On August 25, 2004 the Company entered into a Consulting Fee Agreement with Carlyle Financial Consulting Group, which will continue to provide consulting services for all of the Company's businesses and will also continue to coordinate prospective acquisitions in European countries and the Arabian Gulf. The consulting fee was negotiated for 1,400,000 shares of common stock, which the Company has registered with the Securities and Exchange Commission on Form S-8 Registration Statement under the Securities Act of 1933.

On September 9, 2004 the Company issued 200,000 shares of common stock of the Company in exchange for legal and professional services rendered and to be rendered.

On November 8, 2004 the Company issued 157,788 shares of common stock of the Company in exchange for consulting services rendered.

Effective January 6, 2005, Benjamin Langford resigned as President; Donald Whitehead resigned as Secretary-Treasurer and Director; and Jeffrey Floyd resigned as Director of the Registrant

Effective January 6, 2005, Dr. Raymond Brouzes was elected as President, Chief Executive Officer; Samuel J. Higgins was elected as Secretary-Treasurer of the Registrant. Dr. Raymond Brouzes, Samuel J. Higgins and Benjamin Langford were elected to the Board of Directors of the Registrant.

Item 6. Exhibits and Reports.

(a) EXHIBITS.

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

EXHIBIT NUMBER	DESCRIPTION	LOCATION
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
32.2	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Attached

REPORTS ON FORM 8-K.

Form 8-K filed on October 5, 2004, Current Report, Item 4.01 and incorporated herein.

Form 8-K filed on January 26, 2005, Current Report, Item 5.01 and incorporated herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunder duly authorized.

Dated: February 11, 2005

AERO MARINE ENGINE, INC.

By: /s/ Raymond Brouzes

Raymond Brouzes, President