

AXIAL VECTOR ENGINE CORP  
Form 10QSB  
May 23, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

**FORM 10-QSB**

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: March 31, 2006

Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-49698

**Axial Vector Engine Corporation**

(Exact name of small business issuer as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or  
organization)

**20-3362479**

(IRS Employer Identification No.)

**One World Trade Center  
121 S.W. Salmon Street, Suite 1100  
Portland, Oregon 97204**

(Address of principal executive offices)

**(503) 471-1348**

(Issuer's telephone number)

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:  
34,554,771 common shares as of March 31, 2006.

Transitional Small Business Disclosure Format (check one):  Yes  No



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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Our unaudited financial statements included in this Form 10-QSB are as follows:

- |     |   |
|-----|---|
| F-1 | Condensed Consolidated Balance Sheet at March 31, 2006<br>(Unaudited);  |
| F-2 | Condensed Consolidated Statements of Operations for the nine and<br>three months ended March 31, 2006 and 2005 with Cumulative<br>Totals Since Inception (Unaudited); |
| F-3 | Condensed Consolidated Statements of Cash Flows for the nine<br>months ended March 31, 2006 and 2005 with Cumulative Totals<br>Since Inception (Unaudited);           |
| F-5 | Notes to Condensed Consolidated Financial Statements  |

These unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-QSB. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended March 31, 2006 are not necessarily indicative of the results that can be expected for the full year ending June 30, 2005.

**AXIAL VECTOR ENGINE CORPORATION AND SUBSIDIARY  
(FORMERLY KNOWN AS AERO MARINE ENGINE, INC.)  
(A DEVELOPMENT STAGE COMPANY) CONDENSED  
CONSOLIDATED BALANCE SHEET  
MARCH 31, 2006 (UNAUDITED)  
ASSETS**

	<b>2005</b>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 179
Deposit	22,670
Prepaid expenses	272,710
<b>Total Current Assets</b>	<b>295,559</b>
Property and equipment, net	38,011
<b>Other Assets:</b>	
Deferred financing costs	1,725,000
Intangible assets, net	243,324
<b>Total Other Assets</b>	<b>1,968,324</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,301,894</b>
<b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>	
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable and accrued expenses	\$ 1,141,259
Notes payable	3,245,000
Due to related company	301,339
<b>Total Current Liabilities</b>	<b>4,687,598</b>
<b>Long Term Liabilities:</b>	
Due to shareholders	294,794
<b>Total Long Term Liabilities</b>	<b>294,794</b>
<b>Total Liabilities</b>	<b>4,982,392</b>
<b>STOCKHOLDERS' DEFICIT</b>	
Preferred stock, \$.001 Par Value; 100,000,000 shares authorized no shares issued and outstanding	-
Common stock, \$.001 Par Value; 100,000,000 shares authorized 34,554,771 shares issued and outstanding	34,554
Additional paid-in capital	20,410,846
Deficit accumulated during the development stage	(23,125,898)

<b>Total Stockholders' Deficit</b>	(2,680,498)
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<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	\$ 2,301,894
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The accompanying notes are an integral part of the condensed consolidated financial statements.

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**AXIAL VECTOR ENGINE CORPORATION AND SUBSIDIARY  
(FORMERLY KNOWN AS AERO MARINE ENGINE, INC.)  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE NINE AND THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (UNAUDITED)  
WITH CUMULATIVE TOTALS SINCE INCEPTION**

	NINE MONTHS ENDED		THREE MONTHS ENDED		CUMULATIVE TOTALS
	MARCH 31		MARCH 31		DECEMBER 30, 2002 through MARCH 31, 2006
	2006	2005	2006	2005	2006
<b>OPERATING REVENUES</b>					
Sales	\$ -	\$ -	\$ -	\$ -	-
<b>COST OF SALES</b>					
	-	-	-	-	-
<b>GROSS PROFIT</b>					
	-	-	-	-	-
<b>OPERATING EXPENSES</b>					
Compensation expense	258,149	-	150,129	-	3,004,615
Professional and consulting fees	1,465,526	259,064	806,647	85,014	7,182,657
Advertising and promotions	116,438	16,584	-	16,584	