
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **June 30, 2013**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number **000-33173**

Moller International, Inc.

California
(State or other jurisdiction of incorporation or organization)

68-0006075
(I.R.S. Employer Identification No.)

1222 Research Park Drive, Davis, CA 95618
(Address of Principal Executive Office)

Registrant's telephone number, including area code: **(530) 756-5086**

Securities registered under Section 12(b) of the Exchange Act: **None**

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, No Par Value

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for 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 No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The issuer's revenues for its most recent fiscal year ended June 30, 2013 are \$0.

The aggregate market value of the voting and non-voting common equity held by non-affiliates is \$3,472,361 with a total of 23,149,071 shares owned by non-affiliates as of October 7, 2013 and the closing price of such common equity of \$0.15 per share on the OTC Bulletin Board on such date.

As of October 14, 2013 the Company had 49,624,063 common shares issued and outstanding.

Transitional Small Business Disclosure Format: Yes No

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PART I

Item 1. BUSINESS

OUR COMPANY

Moller International, Inc. was incorporated April 19, 1983 in California for the purpose of designing, developing, manufacturing and marketing a line of Vertical Take-off and Landing ("VTOL") aircraft. Our flagship model, the M400 Skycar® is currently under development and testing and is projected to be a 4-passenger aircraft that will combine the cruise performance of an airplane with the vertical-flight capabilities of a helicopter. It is designated the "M400 Skycar®." A related product we are developing is the Aerobot® line of unmanned aerial vehicles. While certain engineering problems remain to be solved before we can deliver a production aircraft meeting our design performance specifications, we have been able to conduct flight tests on a production prototype since 2002, including approximately 30 unmanned, tethered tests of the vehicle's vertical takeoff and landing capabilities.

The M200X, a vehicle that was developed in the 1970s and demonstrated in approximately 150 manned flights up until the early 1990s, is now being readied for market. Funding constraints have forced us to reduce the number of vehicles being worked on this calendar year and reschedule completion into next year's adjusted goal of 6 to 12 units. In addition the Company continues to move forward with other designs and has two new concepts for aircraft designated as "Light Sport" or "LS" series VTOL aircraft. We now anticipate that the M200-based products, now referred to as the "Neuera" (pronounced "new era"), and these LS series aircraft will be the first vehicles that the company brings to market.

Since our inception, we have not been subject to a receivership, bankruptcy or similar proceeding, nor have we been involved in any material reclassification, merger, acquisition, or purchase or sale of a significant amount of our assets.

OUR PRODUCTS

We currently have no products that are ready to go to market. Last year we anticipated the arrival of sufficient capital to begin production of our M200-based products. This did not occur, but we continue to believe that the required capital will be obtained through the licensing Moller rotary engine technology. While it is not possible to predict the exact timing for the conclusion of talks we have underway, we remain confident that these talks will be fruitful and they will result in the Company obtaining the necessary initial funds to undertake the construction and preliminary testing of its M200-based products, and be sufficient to take us into initial, low rate of production for these products. While the timing of this event is subject to the availability of funds we continue to anticipate that this will occur within the next 12-to-18 months.

We are in the latter stages of development of a number of other innovative aviation products that we hope to launch in the coming years. Our founder, Dr. Paul S. Moller, has for more than thirty-five years been engaged in research and development activities aimed at designing and producing an aircraft that combines the speed and efficiency advantages of the fixed-wing airplane with the vertical take-off and landing and hovering capabilities of the helicopter. We believe that such an innovation will deliver to a wide range of conventional aircraft operators a new level of utility and economy for a variety of aerial applications. By-products of our aircraft development activities, in particular the Moller Rotary Engine and the Aerobot remotely-flown air-borne vehicle, should become important products in their own right and could account for an important segment of our overall sales once production commences. Except as noted above it remains uncertain when, if ever, we will enter commercial production of any of our other products.

The Skycar, Neuera and Aerobot are products we plan to offer in the future. They are based upon fundamental research and on earlier prototypes developed by Moller International. The Skycar concept is through the detail design stage and we have a prototype undergoing testing at this point. There are significant technical issues that remain unproven and may preclude us from meeting the design objectives for the Skycar. The Aerobot is a limited-production vehicle, with twelve prototypes built, tested and delivered to end-users. Neither vehicle is ready for volume production at this time, nor is there any guarantee that they will ever reach a point where they are viable products.

M400 Skycar

Our principal product will be the M400 Skycar vertical take-off and landing (“VTOL”) aircraft. The concept of the Skycar as a personal transportation vehicle is that it would be so practical and affordable that it could become a preferred mode of transport, replacing at once the automobile and the private or commercial airplane for many trips. Should we succeed in achieving a production aircraft design meeting our target specifications, we believe the M400 will support such a degree of usefulness.



Moller M400 “Skycar” prototype

Following are our current target design and performance specifications for the M400 4-passenger (including pilot) aircraft:

Passengers	4	Dimensions (LxWxH)	19.5'x 8.5'x 7.5'
Cruise speed @ 20,000'	275 mph	Takeoff and landing area	35-ft dia
Top speed @ 13,200'	375 mph	Noise level at 500 ft (goal)	65 dba
Maximum rate of climb	6,000 fpm	Critical failure components	none
Maximum range	750 mi	Complex moving parts	few
Payload excluding fuel	750 lbs	Piloting difficulty	low
Fuel consumption	20 mpg	Vertical takeoff and landing	yes
Operational ceiling	36,000 ft	Garage parking/roadability	yes
Gross weight	2,400 lbs	Uses non-fossil fuel (ethanol)	yes
Engine power (2 min rating)	1200 hp	Emergency parachutes	yes

Earlier performance numbers vary somewhat from the number shown above. We continuously revise the performance projections to reflect the results of ongoing analysis and changes to the design characteristics of various components. Recent decreases in projected range were the result of a change to ethanol fuel. Installed horsepower has changed due the projected use of a multi-stage, compound rotary engines of our design, and the on-board stabilization electronics have been redesigned to be faster and more reliable.

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We believe that if we succeed in achieving the above cruising speeds, altitudes, payloads, and fuel economy per passenger mile in a production model aircraft, the Skycar will compare favorably with today's light twin-engine and turbo-prop airplanes. But the M400 should offer the additional advantage of needing no runway for take-off and landing, since it will be able to hover and take-off vertically like a helicopter. But because the M400's VTOL capability will be provided by our proprietary "ducted fan" technology rather than a helicopter-type system of main and anti-torque rotors, maintenance and repair costs should be significantly less and safety should be considerably enhanced.

It is important to recognize that the above design specifications are theoretical, based on research, engineering, and flight- and wind tunnel testing of various components. They have not yet been demonstrated to be achievable in a production model aircraft.

The following table compares certain of the target performance specifications of the M400 to a current production model helicopter and fixed-wing airplane that we believe might be potential competitors for production model M400 customers:

	Powered-Lift	Helicopter	Airplane
	Moller International	McDonnell Douglas	Socata TMB S.A.
	M400 Skycar®	MD 520 N	TBM 700
<i>Performance</i>			
High Speed Cruise	330 mph	155 mph	335 mph
Maximum Speed	375 mph	175 mph	345 mph
Operational Ceiling (ft)	35,000	16,300	30,000
Maximum range	750 mi	267 mi	1,796 mi
Rate of Climb	4,900 fpm	2,069 fpm	2,380 fpm
Vertical takeoff and landing	yes	yes	no
<i>Payload and Capacity</i>			
Passengers	4	3 to 4	6
Gross Weight	2,400 lbs	1,591 lbs	4,685 lbs
Maximum Net Payload	750 lbs	1,106 lbs	805 lbs
<i>Safety</i>			
Critical failure components	None Few	Several Many	One Few
Complex moving components			
Other			
Maintenance costs	Low	Very high	Moderate
Piloting difficulty	Low	Very high	High
Garage parking / roadability	Yes	No	No
<i>Price</i>	\$995,000	\$1,010,000	\$2,697,000

The above figures represent the actual manufacturers' performance specifications for the helicopter and airplane models listed, and our theoretical specifications for the Skycar M400. They are presented here to illustrate the comparative utility of the three types of aircraft. However, it is not yet certain that we will indeed achieve our target specifications, nor will we know the actual values for the Skycar until we have completed further development. Also, the \$995,000 selling price for the Skycar is estimated, based on numerous assumptions that may or may not bear out over time. The actual selling price may be more or less than \$995,000.

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We believe that certain specific design features of the Skycar® will further facilitate its eventual acceptance as an alternative vehicle of mass transportation. These features will include:

- Computer-augmented flight stabilization system
- Fly-by-wire control systems (electrical wires take the place of mechanical cables) and on-board computers which can interface with and be controlled by remote ATC system computer and navigation resources
- High-speed capability, which maximizes the benefits of personalized air travel.
- Hover or low speed capability, which provides the ability to cue up for entry to or exit from highly controlled air planes.
- Ability to climb, descend, accelerate and decelerate rapidly to enter and exit air-lanes quickly
- Relative insensitivity to gusts and wind shear that makes tightly constrained flight possible
- VTOL ability to land anywhere which allows emergency exit from air-lanes
- Small size which reduces required vertiport infrastructure dimensions

Notwithstanding these design features, the utility of the Skycar in mass transportation will be limited by existing laws and regulations. For example, Federal Aviation Regulations (“FARs”) prohibit operation of civil aircraft within certain airspace, and require minimum altitudes above, and horizontal separation from, obstacles on the ground and in other airspace. In addition, much of the airspace in and around major metropolitan areas requires that pilots operating in such areas hold special qualifications. And although we intend that the Skycar have the capability to travel from “garage to garage,” in urban and suburban areas existing laws and regulations will preclude most such “off-airport” operations.

Moreover, mass transportation using the Skycar would likely have to rely on some future navigation system such as NASA’s (National Aeronautics and Space Administration, an agency of the federal government) proposed Small Aircraft Transportation System (“SATS”), which is funded with public funds. Demonstrations of a “Highway in the Sky” technologies have been emerging for the past several years and the Company continues to believe it can rely on these technologies for many of the navigational requirements of the Skycar.

Environmental Noise Issues

The theoretically achievable noise level of the M400 Skycar with conventional muffling and noise abatement technologies would allow it to fly with somewhat lower noise levels than present fixed-wing aircraft. It should be considerably quieter than a helicopter because of the enclosed fans instead of the open rotor blades. Use of urban area vertiports is unlikely due to city noise abatement laws unless the Skycar were to employ some degree of mutual noise cancellation. Tests to date by other researchers suggest that a 15-decibel drop in noise is achievable with mutual noise cancellation. If so, it would be possible for the Skycar to operate from most locations except the user’s home, where a 30-decibel drop in noise may be required by noise abatement laws. To achieve this reduction in noise level as needed for such a flight originating from a residence, three-dimensional mutual noise cancellation would be required. There is no assurance that such a reduced level of noise can be achieved for the noise spectrum generated by the Skycar.

Further Skycar Development Stages

The company is currently preparing the M400 Skycar prototype, now designated the M400X, for an anticipated manned, untethered flight test. The current configuration of the M400X is equipped with experimental single-rotor rotary engines. These single-rotor engines are being replaced with more powerful engines of either single or twin-rotor configuration.

Since July 12, 2002, MI has been successfully conducting demonstration hover flights with this Skycar prototype. The aircraft has flown several times and at altitudes up to forty feet above ground level in stable, controlled flight. While an overhead safety line is used during the flights, it has remained slack during the majority of the flight and never used to support or stabilize the vehicle. The aircraft has been flown by remote control from the ground and has flown without an onboard pilot through this stage of the testing. Success at this stage has depended upon demonstration of a controlled hovering flight, which has now been achieved and documented for the four-passenger M400 Skycar model as it was on several occasions for an earlier 2-passenger model. Success at the next stage will be to demonstrate the same level of controlled flight while the aircraft is under the control of an on-board pilot. In addition, payload objectives will be tested with an increasing payload weight, up to the full payload of 750 pounds if possible.

The previous unmanned hover tests are complete, and many of the required components for the engine upgrade are already fabricated. The purpose of the engine change is to allow the M400 Skycar to undertake “maneuvering” tests at low speed with the safety of significantly higher reserve power. (“Maneuvering” in this context, means lateral and vertical movement at a modest speed where lift remains entirely dependent upon the thrust from the engines (non-aerodynamic lift.)) The cost for these extended tests is expected to be between \$1.5 and \$2 million. The risk at this stage centers almost entirely around the reliability of the various aircraft systems. These flights are to be carried out over water at altitudes up to 50 feet to lessen the damage to the Skycar should a system fail and to reduce the risk of fire to the aircraft and injury to the pilot.

The third phase of the Skycar test program involves flight speeds sufficiently high so that direct lift from the ducts is replaced by aerodynamic lift generated on the wing surfaces, referred to as “transition” testing. This segment of the flight where the aircraft transitions from one mode of flight to the other is considered the most technically challenging, and historically is the most dangerous. Wind-tunnel tests indicate that the Skycar is capable of completing this transition, however a number of factors are present in free flight that cannot be accounted for in a wind tunnel. Therefore there is no assurance that these tests will be successful without incidents that risk both the aircraft and the pilot. Achieving even one successful transitioning flight would establish the overall viability of the Skycar approach to this historically difficult aspect of VTOL aircraft design.

Near-term Objectives

With over 150 manned and unmanned flight demonstrations of the M200X volantor since 1989 we recognize that these successful and extensive test flights of the Neuera may provide the Company with a more easily achieved, nearer term product. We also see an opportunity to offer derivatives of this basic aircraft design for various utilitarian and recreational applications. While the Skycar is designed for much higher speed it is also expected to require a lengthy and expensive FAA certification program. The M200-based products may provide a less expensive and shorter time to market opportunity. Since the Company is experiencing shortfalls in available funding which have slowed production plans for the Skycar, we are now looking to other potential Moller products and their potential ability to generate near-term revenue.

The Company feels that the initial market for M200-based products will be for derivatives that appear exempt from FAA certification requirements. FAA certification is a detailed analysis, documentation and test process that applies to most aircraft that operate in the US National air space. It can require over two years to complete. However there are a number of exceptions to this requirement. For example, if the user completes 50% of the construction, the aircraft falls into a category of a “home built” and other rules apply. The Company estimates there are presently over 35,000 aircraft under construction nationwide in this category.

Building aircraft for the “home built” market has been a milestone on the path to a manufacturer’s FAA certified aircraft production while mitigating some of the legal liabilities to the manufacturer during this startup period. In the case of the M200E Neuera volantor we anticipate that the builder will not be required to participate in the construction of the vehicle’s powerplants or computer controls, and since the airframe is composed of two halves bolted together, the user’s assembly time is estimated at less than 50 hours and will require only rudimentary technical skills. From the Company’s perspective the lower product liability and minimal assembly labor requirements make the M200E Neuera an attractive and achievable product to bring to market.

Another variation to the basic M200 series is the M200G. The M200G Neuera is intended to operate within ground effect, and thereby may also be exempt from FAA certification requirements. This low-level of flight allows the craft to operate below what is commonly considered to be the National Air Space and therefore appears to not fall under the jurisdiction of the FAA.

The following is a list of potential models that could be derived from the M200-class volantor:

- As demonstrators for marketing purposes and use over one's own property (M200D)
- For operation within ground effect (up to 10 ft altitude) (M200G)
- As a rescue vehicle from side of skyscrapers (Firefly)
- As a military aircraft (M200M, M200R)
- Under the EAA category (home built) (M200E)

The Company has extensive hard tooling in place to rapidly produce the airframe and engines for M200-class vehicles. We intend to replace the analog artificial stability system used in the original M200X with the latest digital system originally developed for the M400 Skycar. The most significant differences between various models involve engine horsepower and seating arrangement.

The various models will emphasize safety as the number one design criteria. The following design elements will be incorporated in the vehicles to achieve this:

- Fueled by a mixture of 70% ethanol – 30% water. This combination will barely ignite outside the engine. It then burns very slowly for a short time before extinguishing itself as the ethanol reduces and the water remains.
- Air-bags will be used extensively throughout the cockpit.
- The artificial stability system will be highly redundant with at least four identical computers providing stability control.
- Able to tolerate one engine failure during hover. A second failure will lead to a survivable hard landing.
- Racecar impact-resistant fuel tanks will be used.
- Redundant fuel level warning system will be incorporated.
- Vehicle parachutes will be available on all models.
- Damage resistant composite fan blades will be used based on the Company's proven experience.

Vehicle prices will vary depending on the model and use. The goal is to take orders for a sufficient number that economy of scale can apply. The minimum quantity sought is 1,000 vehicles to be delivered over a three-year period. Beyond the first 40 M200G models sold, the Company believes the prices will vary from approximately \$95,000 for a single passenger M200G model to approximately \$350,000 for the Firefly 3, a high-performance model intended for missions requiring a payload of three people or less.

Our goal is to complete the construction of a minimum of a up to 6 demonstrators, followed by 40 vehicles in the first year of production, 270 in the second year, and 650 in the third year. The plan requires that sufficient capital be raised and the foregoing projections are dependent on this funding being available, demand for the product develops as expected and that the anticipated production schedule can be kept.

The Company has not sought a legal opinion nor obtained a preliminary ruling from the FAA regarding the feasibility of any exemption from the FAA certification requirements for the M200G. Therefore, the ability to successfully market the M200 and any variants may or may not be achieved due to such uncertainty.

There is a continuing potential market for other products that have been designed, developed and tested by the Company but these are not being immediately pursued due to the focus on the M200 Neuera volantor and variations on that design.

The Company believes the M400 Skycar and their derivative are capable of much higher speed and range and anticipates that they will enter the civilian market following a successful FAA certification effort. As stated earlier, the funding required for this effort is significant and while it remains the long-term objective of the Company, at this point we do not expect to enter into this program before 2013 at the earliest.

Aerobot Remotely-operated Aerial Vehicles

Aerobot® is our design for a line of remotely piloted VTOL vehicles. The principal advantage of these craft is the ability to hover at a fixed point in space, which we believe makes them suitable for payloads such as video cameras and other sensors for data acquisition and inspection. The Aerobot is intended to carry a wide variety of customer supplied mission specific payload packages. Payload requirements are model-specific and there are restrictions on weight, size and location. We have incorporated video camera technology, and believe other technologies such as sensors and transmitters are within the Aerobot's payload capabilities, although we cannot guarantee that any payload within weight and size limitations will perform as desired or allow the Aerobot to function properly. Moller has developed and demonstrated both electric- and fuel-powered Aerobots® for commercial and military applications, although we have not commenced commercial marketing of them.

The electric-powered Aerobot®, which employs an umbilical cord to transmit power, data and control signals, can stay aloft for extended periods (8-12 hours or to the limitation of ground-supplied electrical power) at heights of up to 250 feet. The fuel-powered Aerobot® utilizes Moller's rotary engines, which produce greater than 2 horsepower per pound of engine weight. A high power-to-weight ratio, a lightweight airframe, and a patented system for automatic stabilization and control are key design elements of both types of Aerobot®.

The demonstrated performance specifications for the two Aerobot models are set forth in the following table:

	Electric-Powered ES20-9	Fuel-Powered FS24-50
Payload (including fuel)	15 lbs	65 lbs
Empty weight	40 lbs	90 lbs
Hover time	8-12 hours*	1.5 hrs
Hover ceiling	250 ft	2,500 ft
Forward speed	—	50 mph
Size	26"L x 26" W x 14" H	30"L x 30"W x 16"H

* Flight duration is calculated based on estimated run-time of ground-based electrical generator.

We expect to continue to solicit and execute contracts for government use of our Aerobots. As in the past and for the next 18 months, these contracts are expected to be for one-off demonstration vehicles. The \$200,000 to \$300,000 price of these one-off Aerobots will remain 200-to-300% higher than the desired target price of approximately \$100,000 as long as volume is insufficient to establish quantity discounts for its components. This may restrict initial sales to those clients, if any, to whom price is less important than the functional characteristics of the Aerobot. However, if expressed interest translates into increased sales, the production price could reduce to a point where civilian, paramilitary and military use could be broadened, resulting in increased sales. However at this time there is no assurance that volume sales of the company's Aerobots can be achieved.

Moller Rotary Engine

Moller has acquired and developed proprietary technology enabling the Company to manufacture a high performance, low-cost rotary engine that produces more than 2 horsepower per pound of engine weight. Key design characteristics and the resulting attributes of Moller's engines are outlined below and are applied to its intended use as a ducted fan power plant:

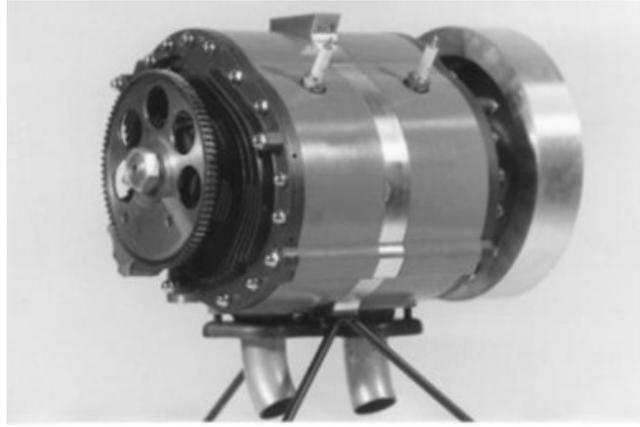
<u>Design Feature</u>	<u>Attributes</u>
Air-cooled or charge-cooled rotor Aluminum housings Simplified Lubrication System	Light Weight
Few moving parts	Low cost + Reliability
Perfect dynamic balance Low vibration Solid engine mounts Small fan tip clearance	High propulsive efficiency
Four-stroke combustion cycle	Good fuel economy + Low emissions + Low noise

We believe that Moller's rotary engine, called the Rotapower® engine, will be advantageous for ducted fan VTOL applications such as those required by the Skycar® and Aerobot® product lines. The engine's round shape and small size will allow it to be hidden in the center of the duct behind the fan hub. Furthermore, the engine's power-to-weight ratio should enhance performance in VTOL applications, where all of the required lift must be provided by the engine/fan unit without benefit of a wing surface as in a rolling take-off or landing.

Moller International granted Freedom Motors a license to manufacture, market and distribute the Rotapower engine for all applications except for aviation and use in ducted fans. In return for this license, Freedom Motors agreed to pay Moller International a 5% royalty on all sales of the Rotapower engine.

Moller's unique engine design is based on a rotary engine that was mass-produced by Outboard Marine Corporation ("OMC") from 1972 to 1976. In 1985, Moller purchased the OMC drawings, production routing sheets and engineering support man-hours. The Company subsequently hired the key OMC engineers who had developed the engine, participated in the production engineering process and contributed to the establishment of the service organization.

Using the OMC single-rotor engine as a starting point, Moller created a high-performance, modular design engine. The Company added electronic fuel injection and thermal barrier coatings, and introduced unique seal, lubrication and cooling systems. In all, Moller has made more than 25 major engine design improvements, of which eight are deemed patentable and two are patented and one is patent pending. Prior to entering production, Moller expects to have applied for patents on all key elements.

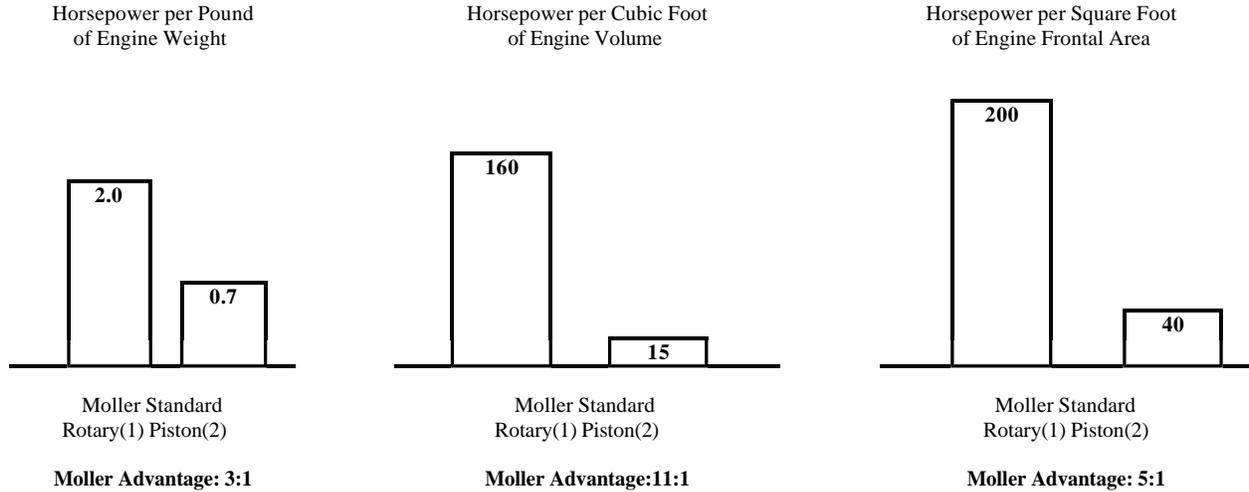


Specifications of Moller's high-performance engines are as follows:

	High Performance	
	Single-Rotor	Two-Rotor
Specifications		
Weight	55 lb	85 lb
Dimensions (L, Diameter)	14 in, 11 in	19 in, 11 in
Displacement	530cc	1060cc
Performance		
Rated Power	80 hp	160 hp
Rated Speed	7000 RPM	7000 RPM
Maximum Speed	7500 RPM	7500 RPM
Idle Speed	1800 RPM	1800 RPM
Porting	Radial	Radial
General	All engines can operate on regular grade gasoline	

To demonstrate the significance of Moller's rotary engine technology for aircraft applications, the following table and graphs compare the high performance two-rotor engine to a standard piston engine of similar horsepower.

	MOLLER ROTARY(1)	STANDARD PISTON(2)
POWER	160 hp	180 hp
WEIGHT	85 lbs	260 lbs
VOLUME	1.0 ft ³	8.6 ft ³
FRONTAL AREA	0.8 ft ²	3 ft ²



(1) Two rotor, 530cc/rotor
(2) Avco Lycoming 0-360-A

Comparison of Moller rotary and Standard Piston Engines

Our Rotapower engine is in very limited production. It has been installed in a number of non-aircraft products for field-testing. To date the company has demonstrated the ability to operate its engine on diesel fuel at about 60% of the power it can generate on gasoline.

Because of the military's interest in lightweight engine running on diesel or jet fuel the company has previously received government support to achieve its present level of success. Presently the company is testing its engine for long-term durability that means establishing a time between overhauls of at least 1000 hours. It has successfully completed an FAA-type engine durability test of running the engine on gasoline for 150 hours at maximum power. If a 1000-hour-plus test can be achieved with diesel fuel the potential for military and civilian sales of an aircraft Rotapower engine is likely to increase. There is no assurance at this time that this endurance test will be successful. The company intends to license the production of the engines to a firm with the resources it believes will be adequate for the task. As part of these negotiations, the company hopes to retain a favorable position for the procurement of these engines for its own incorporation into potential products as well as continued testing and development.

Regulation of Aerobots and Engines

The Aerobot's use is controlled by the FAA if it is untethered, except for military use. No federal, state or local approval is required at this time regarding the design or construction of either the engine or the Aerobot. However there is no assurance that such regulations will not come into existence in the future.

PATENTS

The current Moller International’s U.S. and Foreign Patents and Trademarks are listed below:

Moller International Intellectual Property

Patent No.	Description
5,413,877	Combination thermal barrier and wear coating for internal combustion engines
6,164,942	Rotary engine having enhanced charge cooling and lubrication
6,325,603	Charged cooled rotary engine
6,450,445	Stabilizing control apparatus for robotic or remotely controlled flying platform
D498,201	Vertical takeoff and landing aircraft

OUR MARKETS

Due to the innovative nature of the Moller Skycar, we cannot be certain of any level of market acceptance for the product. The following discussion of potential markets for our Skycar, Neuera and Aerobot products is based upon: 1) our observations and understanding of the ways various owners and operators of conventional fixed-wing and rotary-wing aircraft have used those vehicles; 2) our assumptions as to how the proposed design capabilities of our products may prove more efficient, utilitarian, or cost-effective features in those same or similar applications; and 3) anecdotal data from a small number of potential customers who have visited our facilities and expressed interest in the Skycar. However, until we can manufacture and deliver production model aircraft, we cannot be certain that operators will indeed realize benefits by employing our products in place of conventional aircraft employing significantly dissimilar technologies. Our ability to successfully market our Skycar and Aerobot products will depend in large part on the ability of those products to deliver a realizable benefit to users.

Skycar

Prior to full FAA certification (See “Regulation – Airworthiness Certificate Requirements” below), we hope to be able to sell our products to certain operators who are exempt from the civil aviation certification requirements. These may include:

- military and para-military (rescue, drug enforcement, and border patrol)
- wealthy individuals, for use within their own property in the U.S., Australia, Canada, etc.
- foreign countries where FAA certification is not mandatory

No such customers have made any binding commitments with regard to our products.

Market Segments

Although there is no assurance we will be successful, we will attempt to develop markets for the Skycar® within the following aircraft operator segments:

General Aviation	Military
Private Individuals	Surveillance
Corporations	Air utility vehicle
Charter and Rental Services	Rescue
Aviation Schools	Medical Evacuation
Utilities	
News Gathering	
Police/Fire/Rescue/Ambulance	
Drug Enforcement	
Express Delivery	
Border Patrol	

We have relied upon our own research and anecdotal data from a small number of potential customers who have visited our facilities and expressed interest in the Skycar to support our belief that operators in the above categories will be interested in purchasing Skycars. Individual fixed- and winged-aircraft owners, charter and rental service owners, corporate officers, and a variety of other interested parties have given us their input on the suitability and desirability of the aircraft within these fields of use. However, such subjective input does not necessarily indicate that an economically viable market exists for the Skycar. Further, the above listing of potential market segments does not imply that Moller has contacted or received an expression of interest from each such market segment.

Competition

Today, there is no company that we are aware of offering a vehicle that is substantially similar to the Skycar®. Companies periodically emerge with preliminary designs, but to date none has succeeded in demonstrating a working model, owing presumably to the high cost of developing the required technologies. Moller has test-flown an experimental vehicle and is completing the construction of a production prototype. Moreover, we have applied for and obtained patents on many key aspects of the Skycar, which we expect will stave off direct competition to some extent, although there can be no assurance of our ability to successfully defend our patents against infringement. The nearest competition, insofar as we are aware, appears to be the six to nine passenger tilt-rotor BA 609 (Bell-Augusta) which is in development. Its announced price of \$10 million, however, will likely constrain it to a different market than the target market for the Skycar®.

If we are able to successfully demonstrate the Skycar's flight characteristics, we expect that such success will generate renewed competitive interest. Primary competition is expected to come from large aircraft manufacturers because they have the resources necessary to enter the personal VTOL market. Given adequate financing, however, any of a number of existing small and large aircraft manufacturers could develop competitive products. We believe we have one advantage that will prove difficult for potential competitors to overcome, however, and that is our rotary engine and ducted fan propulsion technology. The advantage, however, may depend upon our future ability to successfully defend our intellectual property rights against infringement, of which we cannot be certain.

It is difficult for us to predict the precise sources of competition for our products, or our competitive position in the marketplace, owing to the fundamental dissimilarities between our products and the products that historically have been used in the roles for which our products are intended. Although we may surmise significant benefits to customers in switching to our products, because they represent a unique and innovative technology there is no historical basis for believing that customers will in fact switch.

In marketing the Skycar as a vehicle for personal transportation, we will have to compete against the sundry existing forms of transportation with which people are already familiar and comfortable. These include the automobile, railroads, buses, commercial aviation, and general aviation, among others. Each mode of transportation offers a unique set of advantages and disadvantages, relating to cost, convenience, comfort, safety, and perhaps other considerations. In order for the Skycar to gain acceptance as a mode of personal transportation, prospective users will have to conclude that its particular advantages justify its cost. There is no assurance that sufficient numbers of people will perceive such advantages as to create a viable market for Skycar.

NEUERA™

Based on the M200X, the Neuera is both old and new. Originally conceived as a stepping-stone on the path to the development of the M400 Skycar®, the Neuera™ is now seen as a potential product that can stand on its own merits. Potentially a low cost, easy to operate and uniquely agile aircraft, the Company views the Neuera as a product that it can produce in the near-term that might gain wide acceptance as a recreational and/or utility vehicle. With the anticipated software and computer hardware implementations the Company also believes it can constrain specific versions of the M200-class vehicle to operational speeds and altitudes that would exclude it from the necessity of obtaining FAA approvals and inspections as well as allow it to be operated by persons with little to no formal flight training. The Company feels that under these conditions, the cost to produce and operate a Neuera would be significantly less than other types of aircraft, and make it even more attractive to own.

SKYCAR LS

Skycar LS Series are volants with a gross weight of 1,320 pounds or less and may be able to operate under a subcategory of the Powered Lift category similar to the FAA's Light Sport Aircraft (LSA) category.

These volants have the following characteristics:

- A traditional pilot's license is not required
- Limited to operating no higher than 8,500 ft altitude
- Gross weight restriction limits design to two passengers
- Maximum speed presently allowed is 138 mph (FAA's appears amenable to higher speed and multiple engines following testing).
- Low cost (similar to LSA airplane)
- Limited hover capability (sufficient to take off vertically and transition)

The Skycar LS models use technology generated for the M400X Skycar® and Neuera® volants.

AEROBOTS®

Many of the potential markets for air-borne remotely flown vehicles (Aerobot®) are currently addressed by manned helicopters and airplanes, both of which in our opinion represent significantly less economical solutions. In addition, the unmanned Aerobot® can operate in areas that are prohibitively dangerous for manned aircraft. Furthermore, the Aerobot®'s ducted fan design is well suited for operation in confined quarters where the exposed propeller or rotor blades of alternative solutions (both manned and unmanned) pose significant risks to people nearby and to the aircraft itself.

Market Segments

We believe the Aerobot® is suitable for a variety of commercial and military applications:

Commercial	Military
Bridge and utility line inspection	Battle damage assessment
Building heat loss detection	Electronic counter measures
Smoke stack air quality testing	Target acquisition
Electronic news gathering	Surveillance
Sports event reporting	Communications relay
Hazardous waste detection	Decoy operations
Natural disaster damage assessment	
Law enforcement	
Fire surveillance	

COMPETITION

To date there are three fundamentally different aircraft design approaches to providing this vertical takeoff and landing (VTOL) capability:

- Helicopters
- Tilt-rotor aircraft
- Ducted fan aircraft

Helicopters

Capable of lifting heavy loads with modest horsepower, the helicopter is capable of hovering for extended periods and its top speed is low, but adequate in most paramilitary roles. However, the helicopter is very complicated with over 100 critical drive train moving parts and over 40 engine moving parts even when powered by a single engine. Failure of any one of the critical drive train or engine's moving parts while hovering below 200 feet of altitude above the ground is likely to be fatal for all aboard. Above 200 feet the failure of any one of these moving components could be fatal. As a result of the helicopter's complexity and potential consequences of a component failure the operating maintenance and insurance costs are very high.

Tilt-rotor Aircraft

The tilt-rotor configuration is in reality a helicopter with added capability, which makes it more complicated and expensive to operate. By rotating the helicopter's rotors into a vertical rotating plane, the tilt-rotor aircraft is able to translate at approximately twice the speed of the high performance light helicopter. The purchase price of the Bell Augusta BA-609 tilt-rotor is approximately \$1 million per passenger seat versus \$200,000 for a high performance light helicopter like those made by Hughes.



Bell Augusta BA-609

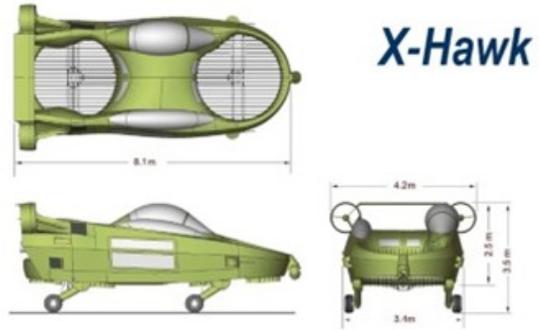
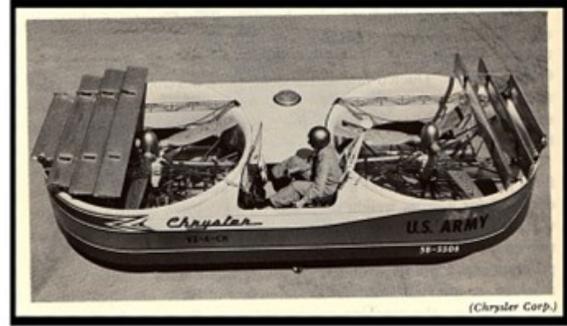
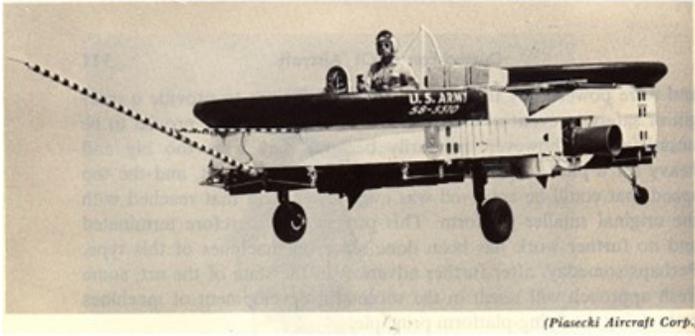
Ducted Fan Aircraft

There are two design directions to duct fan aircraft:

- Enclose the twin rotors of a helicopter-like aircraft within protective ducts. The aircraft is often referred to as an "aerial jeep."
- Use many ducted fans with each fan driven directly by an engine, generally referred to as a volantor.

Aerial Jeep Approach

There have been a number of vehicles developed beginning in the 1950's that attempted to use two large ducted fans driven by a central powerplant. A few of these are shown below along with the date of their introduction.



Upper left: Piasecki VZ-8 (1958), Upper right: Chrysler VZ-6 (1959), Lower left: Piasecki 59H (1962); Lower right: X-Hawk (2006)

The limitations of this design (and that ultimately led to its termination after one or two prototypes) are as follows:

- The design involved a large number of critical components in which the failure of any one and at any altitude was likely to be fatal.
- Large ducted fans have inherently adverse reactions to airflow over the duct's leading edge as they begin to translate. The instabilities created greatly limit the forward speed since the airflow can stall at the leading edge of the duct. Once this occurs the aircraft is lost. The Chrysler VZ-6 and Piasecki VZ-8 never attempted to exceed 50 mph in forward speed.
- The large fans made it difficult to locate a significant and/or bulky payload in a practical location.
- Their complex drive train with many of the elements of the helicopter meant that the vehicle's initial cost would be high, and it would have result in maintenance and insurance costs.

Clearly if this approach had any merit further development would have occurred. It would seem that the recent X-Hawk, which is very similar to the previous "aerial jeep" concepts is relying on the adage "we repeat what we choose to forget."

Volantors

The volantor uses enough ducted fans driven directly by individual engines to ensure that it can continue to hover on a hot day at altitude following the failure of an engine. This requires a minimum of five engines with eight chosen to minimize installed power.

Since hover stability and control are achieved only through engine control no added mechanical complexity is needed. This reduces cost and does not compromise the inherent statistical reliability of the volantor. Since the engines directly drive the fans a drive train is also eliminated.

The Company believes the volantor's simplicity will allow it to achieve the lowest cost per seat for an aircraft with both VTOL-capability and a reasonably fail-safe design.

REGULATION

Airworthiness Certification Requirements

The Federal Aviation Act of 1958, as amended, vests in the Federal Aviation Administration (commonly, the “FAA”) the authority to regulate virtually all aspects of civil (i.e., non-military) aviation within the United States, including pilot certification, airspace usage, and the certification of aircraft. The FAA exercises its authority primarily through the issue and enforcement of regulations, known as the Federal Aviation Regulations (or “FAR”s), which are codified in Title 14 of the Code of Federal Regulations. Among other things, the FARs set forth the type certification requirements (known as “airworthiness standards”) for aircraft designs, the requirements for manufacturers’ production quality control systems, the requirements for airworthiness certification of individual aircraft, and the operations and maintenance rules for air carriers and repair facilities.

The Aircraft Certification Service (designated “AIR” by FAA) is the department within the FAA that develops and administers safety standards for aircraft and related products that are manufactured in the United States or are used by operators of aircraft registered in the United States. Related products include engines, propellers, equipment, and replacement parts. As a regulatory function, AIR’s mission priorities are:

1. Continued airworthiness and other activities related to continued operational safety;
2. Rulemaking and policy development; and
3. Certification.

Continued airworthiness is given the highest priority because these activities have the greatest impact on the safety of operating aircraft and because they promote the continued satisfactory performance of approved systems, such as manufacturers’ approved quality control systems. Rulemaking and policy development are considered to be a higher priority than issuing new certificates because the integrity of the certification program depends on the currency of applicable rules and policies.

One of the key goals of the certification and continued airworthiness standards is that each safety-critical system have a reliability of at least 0.999999999 per flight hour, which is another way of saying that a particular safety-critical component or system should have no more than a one-in-one-billion chance of failure for each flight hour. In pursuit of this goal, the regulations address a combination of requirements for design, analysis, test, inspection, maintenance, and operations. To permit design innovation, the regulations for the most part avoid specifying details such as materials, structural concepts, etc.; instead, designers are given a free hand as long as they accept the responsibility for showing that systems with innovative design features meet the FAA’s stringent reliability standards.

The cornerstone of AIR’s certification process is the “airworthiness certificate,” issued for each individual aircraft. Generally, regulations prohibit operating an aircraft without an airworthiness certificate, or in violation of any limitation or restriction of its airworthiness certificate. Certificates may be issued as either “standard” or “special.” Aircraft certificated in the Standard category are subject only to the same operating restrictions as most other production aircraft, that is, that they be operated within the manufacturers’ approved design limitations for the particular type. “Special” category aircraft might include experimental designs or homebuilt aircraft, for example, and may be subject to various operational restrictions, such as a prohibition against carrying non-crewmember passengers, or operating over densely populated areas.

For a civil aircraft to receive an airworthiness certificate, the FAA must determine that the aircraft conforms in detail to an FAA-approved type design and is in safe operating condition. Similar requirements exist for engines, propellers, and certain materials, parts and equipment installed on certificated aircraft. The first step in the certification of a new design is to establish which body of standards will apply. Because the original aircraft classifications of “airplane,” “airship,” “rotorcraft,” etc. would not accommodate the radical design of the Moller 400 Skycar® (and a couple of other VTOL designs in development by other companies), the FAA in the early 1990s established a new category and class of aircraft: “Powered-lift -- Normal Category,” and set about developing an airworthiness criteria manual that would serve as the basis for certification. As of this filing, the manual has not been finalized, but we expect that the draft will suffice for us to proceed with initial testing toward certification. In fact, the FAA has indicated to us that because of the uniqueness of the Skycar®, they expect to develop the final airworthiness criteria as we progress through the test program.

Once the company has been issued a “Type Certificate” for a particular design, each production aircraft we manufacture to those same specifications will be entitled to a “standard” airworthiness certificate. Even after the Type Certificate is issued, however, AIR has the authority to order us to make design changes if it determines that safety so requires.

Effect of Certification Requirements On Our Operations

An aircraft’s airworthiness certification bears on its usefulness to its owner or operator. In particular, the value to a prospective purchaser of an un-certificated or “special” certificated aircraft may be affected to some extent by the corresponding operational restrictions, which can prevent them from taking full advantage of the aircraft’s design capabilities. Certain operators, however, are exempt from the airworthiness requirements to varying degrees, and we expect that such operators may provide a market for our products prior to final FAA certification. See “Marketing Strategy” below.

Certification testing will be a recurring expense for us as we bring our products to market, and incorporate design improvements into previously certificated models. The initial type certification testing on each aircraft design will encompass design approvals for materials, spare parts, and other equipment to be installed. Therefore, if we or any of our potential strategic partners should choose to make a major modification in a model, such as an airframe re-design or changing a safety-related onboard system, the change may have to undergo additional testing to prove the new system’s reliability.

As a future aircraft manufacturer, we will undertake an ongoing obligation to monitor the serviceability and safety of the aircraft we expect to build and sell. We intend to establish and maintain, at our expense, a system of feedback and reporting whereby maintenance mechanics and inspectors can report back to us any and all failures, excessive or unpredicted wear, malfunctions, and flight safety issues of any kind that arise or are detected during maintenance and repair activities. Where appropriate, we will issue “service bulletins” to owners and operators of the affected model, detailing the problem and our recommendation for correction. Where the problem may potentially affect the safety of flight operations, we may recommend to the FAA that they issue an Airworthiness Directive (commonly called an “AD”) making the correction mandatory for every operator.

It is impossible to predict the future costs to us of ongoing compliance with federal airworthiness regulations; however, we expect that the costs will be manageable and that we will be able to absorb them in our pricing structure.

Pre-production Test Flight Program

Tethered flight tests have been conducted with the M200X aircraft using the same number of rotary engines (eight) and a forerunner of the type of electronic control and stabilization system as is employed on the M400 Skycar®. We have conducted extensive ground tests of all of the M400’s systems and have now completed the initial tethered flight tests and hover demonstration.

We began test flying the pre-production model of the M400 in late 2002. The aircraft was flown tethered so we could test and de-bug the stabilization and control electronics. These flight tests first explored systems functions in the safest portions of the flight envelope then expanded the envelope. We expect the entire test program, involving many hours of powered tests on the ground and in tethered flight, and several hundred hours of free flight tests, to extend until we achieve FAA “Experimental” certification, hopefully within the next 12 months. However, this forecast is based upon the assumptions that (a) the Company will succeed in raising sufficient capital to cover the costs of flight testing, (b) a number of remaining engineering problems will be resolved through further development, and (c) that the FAA will establish certification criteria for the Skycar that are within our technical capabilities. All of these assumptions remain highly uncertain as of the date of filing of this annual report.

Pilot Requirements

Initially, a private pilot's license will be required to pilot the Skycar®, primarily to ensure adequate flight management and navigational skills. To obtain a license, the prospective pilot must pass a flight test administered by a licensed flight instructor in order to demonstrate familiarity with its simplified controls. The Skycar® is not piloted like a traditional fixed-wing airplane and has only two hand control sticks that the pilot uses to inform the redundant computer control systems of his or her desired flight maneuvers. The Company plans to have its own pilot training program until the Skycar® is FAA certified. Once the Skycar® is certified, it is expected that all training programs will be provided by private and/or military aircraft flight training schools. The FAA has begun awarding "Powered Lift" pilot's licenses.

MARKETING STRATEGY

In the early stages of sales development, we plan to market primarily through direct selling by Company sales specialists to individual customers within our target markets. Brand exposure may be accomplished through displays at trade shows and industry exhibitions, direct mail, advertisements in aviation publications, and cooperation with the news media. For at least three decades the news media has followed the progress of Paul Moller's VTOL research and experimentation, underscoring the public's perennial fascination with the promise of convenient and affordable air travel made as personal and individualized as automobile travel has been. We expect, but cannot be certain, that the Skycar and our other vehicles will continue to receive periodic media coverage as we approach our first delivery schedules.

M400 Skycar®

Although sales of the Skycar® into most civilian markets will require that we be able to deliver an FAA certificated aircraft, the regulations permit certain types of operations by certain defined operators to be conducted without the standard airworthiness certification requirement. These markets include:

Government -- domestic and foreign agencies including:

- Police departments
- Border Patrol
- Forest Service
- Drug Enforcement agencies
- Medical services

Initially, we anticipate that most sales to this segment will consist of Skycars® for test and evaluation. The craft's capabilities should make drug enforcement agencies and Border Patrol viable candidates for early purchases. However, we have not received any commitments from those agencies to make any such purchases.

Military -- Initial sales to domestic and foreign military organizations will likely be for test and evaluation purposes. We anticipate that military organizations will utilize the Skycar® in critical applications for which competing aircraft are ill suited. For example, the Skycar® is expected to have superior speed, range and VTOL capability for the rescue of crews of downed aircraft with minimal risks. In addition, military subcontractors may wish to use the Skycar® as a platform for autonomous aircraft programs, one of the fastest growing areas of military spending. Autonomous aircraft applications currently utilize unmanned aircraft piloted by infrequent remote control commands or under the control of a monitoring computer. Such aircraft are currently in use by the military as remote data gathering platforms that feed information via radio or other communication links back to a flight control center. Moller expects that military organizations will wish to use Skycars® in a broader range of applications if volume production reduces manufacturing costs and overall pricing. Eventually, we believe the Skycar® has the potential to become the aerial counterpart of the "HMMWV," the military's current ground utility vehicle.

Corporations — Moller intends to sell the M400 Skycar® to corporations for use in the airspace above their property and we plan to specifically target companies in industries such as timber and oil that have survey and exploration needs. The Company also expects that it will be able to address a broader range of commercial applications in some foreign markets due to fewer legal restrictions than in the United States.

Assuming that the Skycar eventually receives full airworthiness certification, we will consider augmenting our sales efforts with retail dealerships, either existing or newly-franchised. Further, we intend to establish a network of regional maintenance and repair facilities, either Company-owned or partnered with existing service facilities, to handle routine maintenance and repair services for non-military Skycars.

Neuera™

The Neuera is a directed-thrust vertical takeoff and landing aircraft in the late stages of production design. The design relies on thrust generated by the eight ducted fans to lift the vehicle, as well as provide for forward movement up to about 100 miles per hour. The eight ducted fans are located in a circular pattern around the vehicle and embedded into the saucer-like fuselage. Four of the ducted fans have moving vanes at the exit of the duct, which are designed to deflect the thrust to provide forward movement and directional control. Each of the individual engines directly drives a fan, with engine speed being the determining factor for the amount of thrust produced. The Company has developed a flight control system that maintains stability through the use of precise throttle commands to each engine. Any un-commanded change in the attitude of the aircraft will be detected and the system will issue multiple commands per second until it is corrected.

The Neuera volators are intended for use "off-road" somewhat like an ATV or hovercraft would be used. The Neuera is meant as an alternative to a trail bike, boat, jeep, airboat or other off-road vehicle to access remote areas that would otherwise not be open for travel. It is not intended for use above roads, trails, walkways, etc. and especially not within an urban area where there are lots of other alternatives. The exception to this would be for emergency services like fire fighting, search and rescue, and emergency medical evacuation from high-rise buildings and such.

It is the Company's intent to directly market the Neuera to end-users initially, and then if demand is sufficient, solicit distributors from the among existing high-end recreational product distributors such as boat, snowmobile and ATV dealers.

To date, due to lack of funding, we have not taken any significant steps to implement any of the marketing strategies cited above.

MANUFACTURING

Skycars®

We believe that the long-term success of any aircraft manufacturer is dependent on the quality of the vehicle produced. The quality of both the design and manufacturing processes is important. Moller expects to purchase or contract out the major Skycar® components that require capital intensive equipment, subject to Moller's rigid specifications and stringent quality assurances and testing requirements. We expect that some components and parts will be finish-machined in Moller's facilities when they have proprietary technological content, require special finishing, or are small custom parts with little tooling required. Moller plans to perform quality control, assembly and final test work at its own facilities. During 2011 and 2012 any manufacturing work will necessarily be executed using low volume techniques. Special tooling and manufacturing processes are expected to be developed for higher volume production in the future.

Airframe manufacture encompasses the assembly of the major airframe components (fuselage, wing and nacelles) and installation of fuel and oil tanks, parachutes, seats, canopy, landing gear, and the vertical thrust vane system. Moller anticipates that a key strategic partner will be required in order to complete composite airframe construction. Moller will require a complete test of all systems through an extensive flight test program before final release.

Important electronic systems include computer stabilization, pilot controls, display, power regulation and engine controls. Electronics manufacture will include the following activities:

- Assembly of electronic sub-systems
- Burn-in of electronic components
- Mounting of printed circuit boards
- Fabrication of electronic enclosures
- Interconnection of components and wiring
- Installation of equipment in airframe

While no specific firm has been identified at this point, we expect to work with one or two key strategic partners to provide electronics and avionics systems for the Skycar®.

The quality control department will be an autonomous organization carefully integrated into every aspect of the production operation. Every employee will play a part in assuring the highest possible level of quality and performance.

Neuera™

The Neuera is remarkably simple to manufacture. The complete airframe is composed of two halves with tooling in place for their manufacture. This allows the production of approximately one airframe per workday with the existing molds. The Company believes this is sufficient to address the near-term production requirements through our third year of production. With present facilities of only 35,000 square feet, high-volume airframe production would have to occur elsewhere and we have not evaluated the cost associated with expanding production capacity. All electronics will be subcontracted, as will the engines and their support structure. Assembly of the first year's production is projected to be accomplished within the present facility but lower cost facilities may be available or, if necessary, our operations might be cost-effectively expanded (space available for additional 50,000 square feet). Alternatively assembly could be moved to facilities nearby. Engine components may be subcontracted with assembly and inspection occurring within the present facility, but the simplicity of the Rotapower engine makes its assembly and test operations elsewhere feasible.

In the simplest of terms, the volantor is basically made up of a number of computers coupled through algorithms to a number of engines. Both of these components lend themselves to volume production in which economy of scale can have a dramatic effect on cost.

Aerobots®

Both electric-powered and fuel-powered Aerobots can be produced in the present Moller facility in volumes of up to four per week, which is sufficient for currently projected production. The electric-powered Aerobots consists of off-the-shelf components and high performance motors, electronic control boards, and a composite frame manufactured by Moller. Both individual components and final assembly are inspected to assure product quality. The fuel-powered Aerobots utilizes the Moller rotary engine (single-rotor) and thus requires more extensive facilities. The frame of the fuel-powered Aerobots is of welded construction; the fuel tank, duct and cowling are composites. Some component and subassembly tests will supplement the basic assembly quality control. Costs of manufacture are expected to decrease for both Aerobots as production volumes increase. However, no specific amount or rate of decrease can be projected at this time.

In most cases, customers require a complete operating system, not just a vehicle. Moller plans to supply the radio control system and, in some cases, install the interface for the payload sensor system.

Engines

We expect that our Freedom Motors affiliate or its sub-licensee will supply most of the primary engine components necessary to generate a FAA certified Rotapower® engine. For that reason various elements are already incorporated into the basic engine design to satisfy future requirement for FAA certification. For example, dual spark plugs and an appropriate thrust load carrying bearing are already part of the basic design. Moller will inspect, assemble, and test completed engines prior to their sale or incorporation in Skycars® and Aerobots®.

EMPLOYEES

We currently have 2 full-time management and executive management personnel and 5 part-time employees. We have no specific plans for a significant increase or decrease in the number of our employees. Future staffing needs will depend in large part on any partnering or out-sourcing arrangements we may make for manufacturing of components and sub-systems.

NEED TO RAISE ADDITIONAL CAPITAL TO COMPLETE DEVELOPMENT AND FLIGHT TESTING

We estimate a cost of \$26 million to demonstrate a flight worthy pre-production model of the M400 Skycar. Likewise, \$24 million is the estimated start up cost for the production of the Neuera volantor. The Company's current plan assumes that the required funds will be raised through the sale of equity, although no offer has been made, nor are talks underway with any potential purchasers.

RISK FACTORS

Business Viability

We are still in the process of developing our products, and have yet to produce any meaningful level of sales or any profits from these products. There is no clear basis for judging our viability as a business enterprise, or our management's ability to develop the company to profitability.

Limited Experience

Our management has limited experience in aircraft manufacturing. While our management has considerable general business and management experience, and some specialized knowledge and experience in the in the aircraft industry, none of our current management has significant experience managing a business that manufactures and markets aircraft. Accordingly, our success will depend in large part on our ability to recruit or to contract individuals with specialized skills and knowledge relating to aircraft manufacturing and marketing without adversely impacting the overall budget for employee compensation. There is no assurance that we will be successful in retaining such specialists.

Need for Additional Capital

We will have to raise substantial amounts of capital before we can produce meaningful revenues from sales of our products with no assurance as to when or at what level revenues will commence. We estimate that we will need \$26 million to demonstrate a fully functional, pre-production prototype Skycar, and an additional \$40 - \$90 million to complete FAA certification and begin initial production of certified aircraft. Alternatively we believe we would require \$24 million to fund the production startup of the Neuera. Should we be unsuccessful in raising the needed capital, we may never develop into a viable business enterprise. At this time, we have no specific arrangements with any underwriters for the placement of our shares, nor any binding commitments from any person to invest in the Company.

Dilution of Share Value

We will likely sell shares of our stock to raise capital needed to fund future operations. Any such sales will have the effect of reducing the proportionate ownership of existing shareholders.

Impact of Emerging Technologies

Evolving technologies may force us to alter or even abandon our product designs, or may render our proprietary technologies obsolete or non-competitive. Although we believe strongly in the existence of a substantial market for our products, new technologies are being developed and deployed at a rapid rate. It is possible that as time goes on, technological advances in such areas as power plants, propulsion systems, airframe materials, manufacturing systems, and perhaps others, will require us to make costly changes in our strategy or additional investments in equipment and in research and development in order to become or remain competitive.

Impact of Potential Product Liability Claims

The Company may expend an inordinate amount of its resources in litigating product liability claims. Historically, manufacturers of aircraft have been held by the courts to be liable for injuries suffered by crewmembers, passengers, and others where some design deficiency or manufacturing defect was found to have contributed to the injury. Although we intend to take all reasonable precautions in the design and manufacture of our products to ensure that they can be operated safely and without undue risk to life, health, or property, and we intend to purchase insurance against potential product liability claims, it is nevertheless possible that our operations could be adversely affected by the costs and disruptions of answering such claims.

Impacts related to Sarbanes-Oxley Act of 2002

We may be exposed to potential risks relating to our disclosure controls including our internal controls over financial reporting. Section 404a of the Sarbanes-Oxley Act of 2002 ("SOX 404") requires public companies to include a report of management on the company's internal controls over financial reporting in their annual reports, including Form 10-K.

Effective with this annual report for the fiscal year ended June 30, 2009, we have evaluated our internal control systems in order to allow our management to report on our internal controls.

We continue to work with a limited staff and therefore our most significant deficiency, separation of duties, continues to be a material weakness over our internal controls that we cannot correct in a timely manner due to our current financial status. This may result in a loss of confidence in the reliability of our financial statements and our ability to obtain equity or debt financing could suffer.

Impacts related to M200 sales projections

The Company's ability to obtain an exemption from the FAA for the use of the M200G without a pilot's license may impact its potential marketability and/or use and therefore has an undetermined impact on potential sales.

Impact related to majority shareholder's financial status

Moller International's President and majority shareholder, Paul S. Moller ("Dr. Moller"), has filed for protection under the Chapter 11 reorganization provisions of the federal bankruptcy law. This chapter 11 case was initiated on July 31, 2009. An administrator was appointed as chapter 11 trustee on March 26, 2010. On July 7, 2011, the court entered an order that confirmed the Trustee's and Debtors' Joint Plan of Reorganization (the "Plan"). Generally speaking, the Plan calls for a continuing bankruptcy estate post-confirmation, and the liquidation of certain assets, a major asset being receivables owed by Moller International, to fund distributions to claim holders. Also, the trustee has authority to sell shares in Moller International held by the continuing bankruptcy estate. The amount of such sales will depend on the amounts he is able to collect from Moller International on the receivables, and on the Dr. Moller's performance under the Plan. To the extent funds from the liquidation of these assets are not sufficient, the trustee will sell additional shares in Moller International, to the extent permitted by law. The Effective Date of the Plan was July 22, 2011.

The impact of the Plan on the Company's ability to raise needed capital and the possibility that Dr. Moller could lose some or all of his holdings in the Company to third party creditors has not been determined.

Item 2. PROPERTY

We currently lease and occupy a 34,500 square foot building located in Davis, California, which is owned by Dr. Paul S. Moller, the majority shareholder of Moller International. (see Note I to the financial statements)

Item 3. LEGAL PROCEEDINGS

Moller International (MI) is named as a defendant in a lawsuit pending in Yolo County, California Superior Court - J.F. Wilson & Associates Ltd. v. Estate of Percy Symens, et al. The complaint, filed in April 2005, alleges that MI unlawfully discharged solvents into the environment while doing business at 203 J Street and 920 Third Street in Davis, California during 1968 to 1980. The Company denied these allegations in its Answer. A number of the claims and cross-claims filed in this lawsuit have been settled, while for the remaining claims and cross-claims the parties have reached settlement and are in the process of finalizing the settlement agreement documents.

In a related administrative proceeding initiated on September 26, 2006, the California Central Valley Regional Water Quality Control Board (RWQCB) issued a draft Cleanup and Abatement Order (CAO) in connection with the property at 920 Third Street. The draft CAO has not been finalized, and the property owner is proceeding with work to investigate, characterize and remediate the soil and groundwater contamination at this property, with RWQCB oversight.

MI's loss is estimated at this time in the range of \$350,000 to \$400,000.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the 2012 Annual shareholders' meeting of Moller International, Inc., on Saturday, November 17, 2012, at 1632 Da Vinci Ct., Davis, California, the following individuals were elected to the MI Board of Directors by unanimous vote of shareholders present: Paul S. Moller, Faulkner White, Jim Toreson, Mike Shanley, Hugh Power and Stephen P. Smith.

PART II**Item 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

Moller International common stock is being publicly traded on the OTC-BB stock market. According to NASDAQ Financial data, the average adjusted closing price has ranged from a low of \$0.05 to a high of \$0.49 per share during this reporting period with an average trading volume of 20,937 shares per trading day.

The following table is a summary of Moller International stock performance by calendar quarter since being listed by the OTC market in August 2002.

	High	Low
2002-Q3 (28 Aug to 30 Sep 2002)	\$ 7.50	\$ 4.15
2002-Q4 (1 Oct 2002 to 31 Dec, 2002)	\$ 6.50	\$ 2.00
2003-Q1 (1 Jan 2003 to 31 Mar 2003)	\$ 2.20	\$ 0.70
2003-Q2 (1 Apr 2003 to 27 Jun 2003)	\$ 1.00	\$ 0.34
2003-Q3 (1 Jul 2003 to 30 Sep 2003)	\$ 0.90	\$ 0.50
2003-Q4 (1 Oct 2003 to 30 Dec 2003)	\$ 2.30	\$ 0.65
2004-Q1 (1 Jan 2004 to 31 Mar 2004)	\$ 1.50	\$ 0.95
2004-Q2 (1 Apr 2004 to 30 Jun 2004)	\$ 1.45	\$ 1.30
2004-Q3 (1 July 2004 to 30 Sep 2004)	\$ 2.12	\$ 0.95
2004-Q4 (1 Oct 2004 to 31 Dec 2004)	\$ 1.50	\$ 1.25
2005-Q1 (1 Jan 2005 to 31 Mar 2005)	\$ 1.30	\$ 0.78
2005-Q2 (1 Apr 2005 to 30 Jun 2005)	\$ 1.20	\$ 0.82
2005-Q3 (1 July 2005 to 30 Sep 2005)	\$ 1.15	\$ 0.93
2005-Q4 (1 Oct 2005 to 30 Dec 2005)	\$ 1.40	\$ 0.60
2006-Q1 (1 Jan 2006 to 31 Mar 2006)	\$ 1.01	\$ 0.75
2006-Q2 (1 Apr 2006 to 30 Jun 2006)	\$ 1.00	\$ 0.53
2006-Q3 (1 Jul 2006 to 30 Sep 2006)	\$ 0.75	\$ 0.38
2006-Q4 (1 Oct 2006 to 31 Dec 2006)	\$ 0.65	\$ 0.32
2007-Q1 (1 Jan 2007 to 31 Mar 2007)	\$ 0.48	\$ 0.31
2007-Q2 (1 Apr 2007 to 30 Jun 2007)	\$ 1.01	\$ 0.37
2007-Q3 (1 Jul 2007 to 30 Sep 2007)	\$ 1.25	\$ 0.40
2007-Q4 (1 Oct 2007 to 30 Dec 2007)	\$ 1.05	\$ 0.51
2008-Q1 (1 Jan 2008 to 31 Mar 2008)	\$ 0.80	\$ 0.46
2008-Q2 (1 Apr 2008 to 30 Jun 2008)	\$ 0.76	\$ 0.55
2008-Q3 (1 Jul 2008 to 30 Sep 2008)	\$ 0.54	\$ 0.51
2008-Q4 (1 Oct 2008 to 30 Dec 2008)	\$ 0.35	\$ 0.32
2009-Q1 (1 Jan 2009 to 31 Mar 2009)	\$ 0.21	\$ 0.19
2009-Q2 (1 Apr 2009 to 30 Jun 2009)	\$ 0.18	\$ 0.17
2009-Q3 (1 Jul 2009 to 30 Sep 2009)	\$ 0.38	\$ 0.15
2009-Q4 (1 Oct 2009 to 30 Dec 2009)	\$ 0.31	\$ 0.25
2010-Q1 (1 Jan 2010 to 31 Mar 2010)	\$ 0.33	\$ 0.21
2010-Q2 (1 Apr 2010 to 30 Jun 2010)	\$ 0.30	\$ 0.18
2010-Q3 (1 July 2010 to 30 Sep 2010)	\$ 0.23	\$ 0.15
2010-Q4 (1 Oct 2010 to 30 Dec 2010)	\$ 0.19	\$ 0.11
2011-Q1 (1 Jan 2011 to 31 Mar 2011)	\$ 0.16	\$ 0.11
2011-Q2 (1 Apr 2011 to 30 Jun 2011)	\$ 0.25	\$ 0.10
2011-Q3 (1 July 2010 to 30 Sep 2010)	\$ 0.38	\$ 0.15
2011-Q4 (1 Oct 2010 to 30 Dec 2010)	\$ 0.30	\$ 0.15
2012-Q1 (1 Jan 2011 to 31 Mar 2011)	\$ 0.30	\$ 0.17
2012-Q2 (1 Apr 2011 to 30 Jun 2011)	\$ 0.20	\$ 0.12
2012-Q3 (1 July 2012 to 30 Sep 2013)	\$ 0.05	\$ 0.13
2012-Q4 (1 Oct 2012 to 30 Dec 2012)	\$ 0.05	\$ 0.12
2013-Q1 (1 Jan 2013 to 31 Mar 2013)	\$ 0.07	\$ 0.49
2013-Q2 (1 Apr 2013 to 30 Jun 2013)	\$ 0.18	\$ 0.29

Shareholders of Record

As of October 8, 2013, there are 603 shareholders of record for common shares of Moller International.

Dividends

The holders of our common stock have equal ratable rights to dividends from funds legally available for dividend payments when, as and if declared by the Board of Directors of the Company.

To date we have not paid or declared any dividends and we have no intention of declaring or paying any dividends in the foreseeable future.

If we decide to pay dividends, that decision will be made by our Board of Directors, which will likely consider, among other things, our earnings, our capital requirements and our financial condition, as well as other relevant factors. Our Board of Directors may declare and pay dividends to the Company's shareholders in the form of bonus shares. The shareholders would receive bonus shares in lieu of cash dividends, if any, declared and paid by the Company.

Item 6. SELECTED FINANCIAL DATA

Not applicable

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2013

Moller International continues its research and development activities on the Skycar project primarily in the area of its flight control system (FCS) and the performance advantages of introducing a hybrid approach to generating the high power required to take off and land. These efforts are an extension of successful flights throughout the previous years and extensive ongoing engine tests, which we believe, will result in incremental improvements to the existing prototype, future prototypes and/or production aircraft, should we continue to operate. Staffing levels declined as the company continues to cut labor costs in an effort to conserve available operating funds. Management was successful in keeping administrative salaries and wages below last year's level. Seeking additional funding remains a top priority for the company. The Company continues with its initial stages of low-volume production for a variation of its M200X that would allow it to operate without a pilot's license and a rescue version capable of extracting three people at a time from the side of a skyscraper. Although there is no assurance that this vehicle will meet with success in the market place, the Company is actively seeking support for the program and, if found, may choose to move more rapidly into the production of these vehicles.

Fiscal 2013 compared to 2012

Results of operations for the 2013 fiscal year varied from 2012. We incurred net losses of \$1,876,446 and \$1,731,785 in fiscal 2013 and 2012 respectively.

Loss per share was (\$0.04) and (\$0.04) for the 2013 and 2012 fiscal years, respectively. We are currently conserving our cash by deferring many of our operating expenses including the deferral of certain executive salaries at an annual rate of \$250,000, the deferral of building rent of \$496,800 per year and the recognition of compensation expense related to the fair market value of stock issued for services and stock options granted to our employees and consultants of \$21,087 and \$123,573 in fiscal 2013 and 2012, respectively.

Our total expenses decreased to \$1,027,678 in 2013 from \$1,089,086 in 2012. The decrease relates in large part to a decrease in compensation costs. With the company continuing to conserve cash on hand, the company has decreased full-time staff and have reduced the hours worked for some part-time employees.

Going Concern

We have incurred net losses \$1,876,446 and \$1,731,785 for the years ended June 30, 2013 and 2012, respectively. In addition, at June 30, 2013, we have an accumulated deficit of \$52,482,247 and a working capital deficit of \$13,377,038. Furthermore, MI is currently in the development stage of the Skycar and Rotapower engine programs, and has no revenue producing products. Successful completion of product development activities for either or both of these programs will require significant additional sources of capital. Historically, funding was provided by certain creditors and shareholders, including the majority shareholder, in the form of short-term notes payable. In addition, the majority shareholder granted us a deferral on the payment of rent for our building. There is no assurance that we will continue to receive funding from shareholders, particularly our major shareholder given he has filed for protection under the federal Chapter 11 reorganization provisions of the federal bankruptcy law. Consequently, we are evaluating several alternatives to raise the additional capital through debt or equity transactions. There is no guarantee that our efforts will be successful, however, and the financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Liquidity and Capital Resources

Management is currently pursuing additional sources of capital in quantities sufficient to fund product development and manufacturing and sales activities.

Historically, certain shareholders, including the majority shareholder provided funding in the form of short-term notes payable. In addition, the majority shareholder granted us a deferral on the payment of rent for our building. There is no assurance that we will continue to receive funding from shareholders, particularly our major shareholder given he recently filed for protection under the federal Chapter 11 reorganization provisions. Consequently, we are evaluating several alternatives to raise the additional capital through debt or equity transactions. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Historically, the majority shareholder of MI is providing funds received from the refinance of both real property owned by him personally and real property owned by a limited partnership of which he is the general partner, in the form of short-term, interest-bearing demand loans to MI. Due to Dr. Moller Chapter 11 filing, short-term loan terms may require the approval of the bankruptcy court. As of June 30, 2013, a total of \$2,476,382 is outstanding to Dr. Moller from these transactions. In addition, he has deferred payment of current year building rent owed by MI of approximately \$496,800. The total deferred rent owing to Dr. Moller at June 30, 2013 is \$3,494,390. As of June 30, 2013 MI owed Dr. Moller \$1,073,080 and \$778,123, respectively, in deferred salaries and accrued interest on those salaries.

There can be no assurance that this majority shareholder will continue to have the ability to continue to make such short-term loans to MI in the future. Dr. Moller is under no legal obligation to provide additional loans to the company. In the event that he cannot continue to make such loans, or that MI does not receive funds from other sources, MI may be unable to continue to operate as a going concern. The impact of Dr. Moller's filing for protection under Chapter 11 reorganization provisions may also adversely affect his ability to provide loans to the Company.

There is no assurance that the funds generated from these activities or other sources will be sufficient to provide MI with the capital needed to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of any contingent assets and liabilities. On an on-going basis, we evaluate our estimates. We base our estimates on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements:

Revenue Recognition

We recognize revenue based on the four principles established in GAAP. Those principles state that revenue generally is realized or realizable and earned when all of the following criteria are met:

1. Persuasive evidence of an arrangement exists,
2. Delivery has occurred or services have been rendered,
3. The seller's price to the buyer is fixed or determinable, and,
4. Collectability is reasonably assured.

Billings generated from our former subsidiary, Freedom Motors, under the 1998 Technology Development and License Agreement is only recognized to the extent amounts are collected due to collectability concerns. Amounts recognized related to this agreement are treated as a reduction of operating expense and are not shown as revenue.

Stock Based Compensation

MI recognizes stock based compensation issued to employees and non-employees in accordance with the guidance on share-based payments which require measurement of all stock-based awards at fair value on date of grant and recognition of compensation over the requisite service period, usually the vesting period, using the straight-line method. MI estimates the fair market value of the awards issued to employees using a Black Scholes pricing model. The model is based on assumptions including (1) exercise price of \$0.085; (2) volatility of its common stock of 212.85% (3) discount rate of 0.63% and (4) expected dividend of zero. Share issued for services are valued using the closing price of the common stock at the dates the services were provided or at grant date when the shares are fully vested and non-forfeitable. As a result of these assumptions, MI recognized total stock based compensation of \$21,087 and \$136,573 during the fiscal years ended June 30, 2013 and 2012, respectively.

Intangible Asset and Impairment

Costs to develop and perfect patents are capitalized and amortized over the lesser of the patent's economic life or legal life. The carrying value of patents is reviewed periodically to determine whether the patents have continuing value. Based on our evaluations of the fair value of our intangible assets related to patents and based on that analysis, we did not record an impairment charge for 2013 or 2012.

Item 8. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Moller International, Inc.
Davis, California

We have audited the accompanying balance sheets of Moller International, Inc. and its subsidiaries (collectively, the "Company") as of June 30, 2013 and 2012, and the related statements of operations, stockholders' deficit, and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moller International, Inc. and its subsidiaries as of June 30, 2013 and 2012, and the results of their operations and their cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note B to the financial statements, the Company suffered losses from operations and has a working capital deficit, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MALONEBAILEY, LLP
www.malonebailey.com
Houston, Texas

October 15, 2013

MOLLER INTERNATIONAL, INC.
BALANCE SHEET
AS OF JUNE 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,015	\$ 2,123
Advances to employees	1,038	-
Total current assets	<u>6,053</u>	<u>2,123</u>
PROPERTY AND EQUIPMENT, net	7,846	8,776
OTHER NON-CURRENT ASSETS		
Total other assets	-	319
	<u>-</u>	<u>319</u>
	<u>\$ 13,899</u>	<u>\$ 11,218</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable, trade	\$ 701,798	\$ 710,417
Accrued liabilities	805,528	668,499
Accrued liabilities-majority shareholder	5,860,191	5,098,484
Notes payable-other	1,333,682	981,182
Note payable - majority shareholder	2,476,382	2,767,662
Convertible notes payable, net of discount of \$46,575 and \$68,347	234,805	163,033
Notes payable - minority shareholders	208,591	178,603
Derivative Liability	492,461	142,327
Deferred wages – employees	881,886	720,034
Customer deposits	387,767	389,767
Total current liabilities	<u>13,383,091</u>	<u>11,820,008</u>
LONG TERM LIABILITIES		
Deferred wages and interest-majority shareholder	1,073,080	778,123
Total liabilities	<u>14,456,171</u>	<u>12,598,131</u>
DEFICIT IN STOCKHOLDERS' DEFICIT		
Common stock, authorized, 150,000,000 shares, no par value 49,094,675 and 48,990,896 issued and outstanding respectively	38,039,975	38,018,888
Accumulated deficit	<u>(52,482,247)</u>	<u>(50,605,801)</u>
Total stockholders' deficit	<u>(14,442,272)</u>	<u>(12,586,913)</u>
	<u>\$ 13,899</u>	<u>\$ 11,218</u>

See summary of significant accounting policies and notes to financial statements.

**MOLLER INTERNATIONAL, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,**

	<u>2013</u>	<u>2012</u>
REVENUE		
Other revenue	\$ -	\$ 10,182
OPERATING EXPENSES		
Selling, general and administrative	663,998	769,037
Rent expense to majority shareholder	362,750	319,143
Depreciation and amortization	930	906
Total expenses	<u>1,027,678</u>	<u>1,089,086</u>
Operating Loss	(1,027,678)	(1,078,904)
OTHER INCOME (EXPENSE)		
Interest expense	(341,780)	(282,079)
Interest expense- majority shareholder	(311,863)	(311,687)
Derivative (Loss) Gain	(195,125)	90,885
Litigation Settlement Costs (Note I)	-	(150,000)
Total other income (expense)	<u>(848,768)</u>	<u>(652,881)</u>
NET LOSS	<u>\$ (1,876,446)</u>	<u>\$ (1,731,785)</u>
Loss per common share - Basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
Weighted average common shares outstanding		
- Basic and diluted	<u>48,933,070</u>	<u>48,712,275</u>

See summary of significant accounting policies and notes to financial statements.

MOLLER INTERNATIONAL, INC.
STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>Common Stock</u>		<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	
Balance at June 30, 2011	48,404,062	\$ 37,880,275	\$ (48,874,016)	\$ (10,993,741)
Shares issued for services	504,098	123,573	-	123,573
Shares issued for customer deposits	23,913	5,500	-	5,500
Shares issued to convert promissory note	58,823	7,500	-	7,500
Reclassification of warrants to liabilities (Note F)	-	(7,960)	-	(7,960)
Debt forgiven by related party	-	10,000	-	10,000
Net loss for the year	-	-	\$ (1,731,785)	\$ (1,731,785)
Balance at June 30, 2012	<u>48,990,896</u>	<u>\$ 38,018,888</u>	<u>\$ (50,605,801)</u>	<u>\$ (12,586,913)</u>
Shares issued for services	103,779	11,244	-	11,244
Common stock options issued for services	-	9,843	-	9,843
Net loss for the year	-	-	\$ (1,876,446)	\$ (1,876,446)
Balance at June 30, 2013	<u>49,094,675</u>	<u>\$ 38,039,975</u>	<u>\$ (52,482,247)</u>	<u>\$ (14,442,272)</u>

See summary of significant accounting policies and notes to financial statements.

**MOLLER INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Net loss	\$ (1,876,446)	\$ (1,731,785)
Adjustments to reconcile net loss to net cash		
Provided by (used in) operating activities:		
Depreciation expense	930	906
Bad debt expense	59,581	59,449
Derivative (gain)/loss	195,125	(90,885)
Stock based compensation	21,087	123,573
Debt discount amortization	176,781	156,906
Change in assets and liabilities:		
Accounts receivable	(1,038)	2,459
Prepaid expenses	-	8,403
Other assets	(59,262)	(51,949)
Accounts payable	(26,733)	28,967
Accrued liabilities - majority shareholder	1,056,664	1,058,486
Accrued liabilities and deferred wages	314,995	452,280
Net Cash Provided By (Used in) Operating Activities	<u>\$ (138,316)</u>	<u>\$ 16,810</u>
Cash Used in Investing Activities		
Repayment of advances to employees	\$ -	\$ 1,900
Net Cash Provided by (Used in) Investing Activities	<u>\$ -</u>	<u>\$ 1,900</u>
Cash Flows Provided from Financing Activities		
Principal borrowing on debt	402,500	268,380
Principal borrowing on debt – related party	35,037	-
Payments on related party note payable	(296,329)	(305,184)
Payments on note payable	-	(4,000)
Net Cash Provided by (Used in) Financing Activities	<u>\$ 141,208</u>	<u>\$ (40,804)</u>
Net Increase (Decrease) In Cash	\$ 2,892	\$ (22,094)
Cash, Beginning of Year	\$ 2,123	\$ 24,217
Cash, End of Year	<u>\$ 5,015</u>	<u>\$ 2,123</u>
Supplemental Cash Flow Information:		
Interest paid	\$ -	\$ -
Income taxes paid	-	-
Supplemental Disclosure of Non-Cash Financing Activities:		
Discount on notes payable from derivative liability	155,009	225,252
Reclassification of derivatives from equity	-	7,960
Shares issued as repayment customer deposit	-	5,500
Conversion of debt to equity	-	7,500
Options issued as repayment of debt	-	-
Debt forgiven by related party	-	10,000

See summary of significant accounting policies and notes to financial statements.

**MOLLER INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Since incorporation in 1983, Moller International, Inc. (“we”, “our”, “MI”, or “the Company”) has devoted most of its efforts to the design and development of a Vertical Takeoff and Landing (VTOL) vehicle known as the Skycar. One of the enabling technologies for the Skycar is the Rotapower® rotary engine, which has been the focus of our attention for over ten years. The Company is now attempting to attract a suitable manufacturer for its engine technology, although there is no assurance at this stage that the Company will be successful in these efforts.

Dr. Paul S. Moller is the majority shareholder of MI.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents

For the purposes of the statements of cash flows, cash equivalents include all highly liquid investments with original maturities of three months or less.

Property and Equipment

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is recorded utilizing the straight-line method over the estimated useful lives, ranging from five to fifteen years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Long-Lived Assets

In accordance with the guidance in FASB ASC 360-10, *Property, Plant and Equipment*, we periodically assess the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value may not be recoverable. The guidance requires impairment losses to be recorded on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. As of June 30, 2013 and 2012, there were no impairments to our long-lived assets.

Fair Value of Financial Instruments

Financial instruments are recorded at fair value in accordance with the standard for “Fair Value Measurements codified within ASC 820”, which defines fair values, establishes a three level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measurements:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical asset or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include closing prices for similar assets and liabilities in active markets, and inputs that are observable for the assets and liabilities, either directly, for substantially the full term of the financial instruments.
- Level 3 – inputs to the valuation methodology are observable and significant to the fair value.

The following table sets forth the Company’s financial assets and liabilities measured at fair value by level within the fair value hierarchy as of June 30, 2013. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Derivative Liabilities	\$ 492,461	-	-	\$ 492,461

The carrying value of short-term financial instruments, including cash, accounts receivables, accounts payable and accrued expenses and notes payable approximate fair value due to the relatively short period to maturity for these instruments.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured.

Pursuant to the 1998 Technology Development and License Agreement, the Company bills for services provided to Freedom Motors, an affiliated entity and former subsidiary, which shares common ownership with some of the existing shareholders of MI. Under this agreement, we provide engineering services related to the scientific and engineering technical support for the rotary engine. Specifically, we provide personnel and facilities as required to adapt the Rotapower engine to applications where the potential exists for high volume production. In addition, we also provide bookkeeping and other administrative services.

Delivery is considered complete when a specific defined task or milestone is completed, as demonstrated by the issuance of engineering documents (procedures, drawings, models, prototypes, etc.) and provided to Freedom Motors or its assigns. The date the information or material is provided to Freedom Motors is considered the delivery date.

Because it is an affiliated entity, we offset our operating expense by the amounts invoiced to Freedom Motors. In addition, because Freedom Motors is a startup company, and has not been in a position to pay our invoices in the normal course of business, collection is not reasonably assured until Freedom Motors actually makes the payment. As a result, the final criterion is met when we receive the payment for services. At that point, we record a reduction in expense equal to the collections. Until collection is received we maintain a full allowance against any outstanding invoices. For years ended June 30, 2013 and 2012, total collections from Freedom Motors, which offset our operating expenses, amounted to \$183,808 and \$233,250, respectively.

Other revenue derived from the sale of memorabilia, information packets and other items is recognized at the time of sale, which is when the merchandise is delivered.

Stock-based Compensation

We recognize stock-based compensation issued to employees in accordance with guidance on share-based payments which require measurement of all stock-based awards at fair value on the date of grant and recognition of compensation over the requisite service period, usually the vesting period, using the straight-line method. Share-based awards issued to non-employees are valued using the closing price of common stock at the performance commitment date or when services are complete when there is not a significant disincentive for nonperformance.

Embedded conversion features

The Company evaluates embedded conversion features within convertible debt and convertible preferred stock under ASC 815 “Derivatives and Hedging” to determine whether the embedded conversion feature should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 “Debt with Conversion and Other Options” for consideration of any beneficial conversion feature.

Income Taxes

We recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized.

We also recognize tax benefits only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for “unrecognized tax benefits” is recorded for any tax benefits claimed in our tax returns that do not meet these recognition and measurement standards. To date, we do not have any unrecognized tax benefits.

Loss Per Share (LPS)

Basic LPS excludes dilution and is computed by dividing the loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted LPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in the earnings of the entity. Diluted LPS is the same as basic LPS for all periods presented because all potentially dilutive securities have an anti-dilutive effect on LPS due to the net losses incurred. At June 30, 2013, the total number of shares of common stock relating to outstanding stock options and other potentially dilutive securities that have been excluded from the LPS calculation because their effect would be anti-dilutive approximated 32,695,500

Recent Accounting Pronouncements

We do not expect the adoption of any recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flows.

NOTE B – GOING CONCERN

As shown in the accompanying financial statements, we have incurred net losses \$1,876,446 and \$1,731,785 for the years ended June 30, 2013 and 2012, respectively. In addition, at June 30, 2013, we have an accumulated deficit of \$52,482,247 and a working capital deficit of \$13,377,038. Furthermore, MI is currently in the development stage of the Skycar and Rotapower engine programs, and has no revenue producing products. Successful completion of product development activities for either or both of these programs will require significant additional sources of capital. Historically, funding was provided by certain creditors and shareholders, including the majority shareholder, in the form of short-term notes payable. In addition, the majority shareholder granted us a deferral on the payment of rent for our building. There is no assurance that we will continue to receive funding from shareholders, particularly our major shareholder given he has filed for protection under the federal Chapter 11 reorganization provisions of the federal bankruptcy law. Consequently, we are evaluating several alternatives to raise the additional capital through debt or equity transactions. There is no guarantee that our efforts will be successful, however, and the financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

NOTE C - Property and Equipment

Property and equipment consist of:

	June 30, 2013	June 30, 2012
Production and R&D Equipment	\$ 317,496	\$ 317,496
Computer equipment and software	399,985	399,985
Furniture and fixtures	75,650	75,650
	793,131	793,131
Less accumulated depreciation	(785,285)	(784,355)
	<u>\$ 7,846</u>	<u>\$ 8,776</u>

NOTE D – CUSTOMER DEPOSITS

From time to time, we received advances from customers related to our Skycars product for the purpose of reserving specific delivery positions for Skycars when they become available for sale to the public. Deposits are refundable at any time upon request. At June 30, 2013 and 2012, we have received aggregate customer deposits of \$387,767 and \$389,767, respectively.

NOTE E – DEFERRED WAGES

Due to our cash flow constraints, the President, members of management and other employees have agreed to defer all or a portion of their annual salaries. At June 30, 2013 and 2012, members of management and other employees have deferred \$646,233 and \$544,173, respectively, of wages along with accrued interest of \$235,633 and \$175,861 respectively. These amounts are reflected as deferred wages, which is reported as a component of current liabilities.

However, the President's annual salary of \$250,000 is being deferred until we reach a consistent level of profitability, which is not expected to occur during the next twelve months. As a result, deferred wages related to the President's salary is recorded as a component of long-term liabilities. As of June 30, 2013 and 2012, a liability of \$575,000 and \$325,000, respectively, along with the accrued interest of \$498,080 and 453,123, respectively, were recorded as a component of non-current liabilities.

NOTE F – NOTES PAYABLE AND DERIVATIVE LIABILITIES**Majority Shareholder**

At June 30, 2013 and 2012, the outstanding debt owed to our majority shareholder totaled \$2,476,382 and \$2,767,662 respectively. This debt is evidenced by two notes, one of which is non-interest bearing. Interest is imputed at 10% on this non-interest bearing note. The stated interest rate on the other note is also 10%. Both notes are unsecured and payable upon demand. Aggregate accrued interest on these notes was \$2,365,801 and \$2,098,894 at June 30, 2013 and 2012, respectively.

During the 12 months ended June 30, 2013, the Company borrowed \$5,037 and repaid \$296,329 of majority shareholder notes. The borrowings are unsecured, carry an interest rate of 10%, and are payable upon demand.

During the year ended June 30, 2012, the Company borrowed \$10,000 from Milk Farm Associates, a limited partnership and related entity. Dr. Moller is the general partner in Milk Farm and has a 32% ownership interest. Milk Farm Associates has dissolved and these amounts are no longer owed. Due to the entity being a related party, the debt was written off to Additional Paid-in Capital as of June 30, 2012.

Minority Shareholder

At June 30, 2013 and 2012, the outstanding debt owed to minority shareholders totaled \$208,591 and \$178,603, respectively. This debt is unsecured, payable upon demand and bears an annual interest rate of 10%. Aggregate accrued interest on these notes was \$104,868 and \$87,235 at June 30, 2013 and 2012, respectively

During the 12 months ended June 30, 2013, the Company borrowed \$30,000 of minority shareholder notes. The borrowing is unsecured, carries an interest rate of 10%, and is due on October 2, 2013.

Non-Related Party

At June 30, 2013 and 2012, the outstanding debt owed to other parties totaled \$1,333,682 and \$981,182, respectively.

During the 12 months ended June 30, 2013, the Company borrowed \$352,500 of non-related party notes. The borrowings are unsecured, carry an interest rate of 6% to 10%, and are due on demand. 400,000 options and 60,000 warrants were issued to two note holders in consideration for the notes payable. A debt discount of \$99,454 was recorded as a result of these option and warrant issuances. Two notes are convertible 180 days after the effective date of the note at 53%-58% of the lowest 3 prices during the last 10 days prior to the conversion date. These notes are not yet convertible as of June 30, 2013.

Convertible Notes Payable and Derivative Liability

At June 30, 2013 and 2012, the Company owes \$281,380 and \$231,380, respectively, related to convertible notes payable, net of debt discount of \$46,575 and \$68,347, respectively. During the 12 months ended June 30, 2013, the Company borrowed \$50,000 of convertible notes payable. The borrowing is unsecured, carries an interest rate of 0% for the first 90 days, then increases to 12%, and is due on May 2, 2014. The notes are convertible at the lesser of \$0.24/share or 60% of the lowest trading price in the last 25 trading days prior to conversion. A debt discount of \$55,555 was recorded as a result of this convertible note. During the year ended June 30, 2013 and 2012, the Company amortized \$176,781 and \$156,906, respectively, of this discount to interest expense

The Company analyzed the conversion options for derivative accounting consideration under ASC 815-15 "Derivatives and Hedging" and determined that the embedded conversion features should be classified as liabilities due to their being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options. The embedded conversion features were measured at fair value at inception with the change in fair value recorded to earnings. Additionally, because there is no explicit limit to the number of shares to be issued upon conversion of the above instruments, the Company cannot determine if it will have sufficient authorized shares to settle all other share-settleable instruments, including the warrants granted above. As a result, all other share-settable instruments have also been classified as liabilities.

Derivative Liabilities	
June 30, 2012	\$ 142,327
Debt discount due to derivative liability	155,009
Loss on derivative liability over debt discount	23,826
Change in fair value	171,299
June 30, 2013	<u>\$ 492,461</u>

The fair value of the stock options granted were estimated using the Black Scholes method based on assumptions including (1) risk-free interest rates ranging from 0.11 % to 0.79%, (2) exercise prices ranging from \$0.102 to \$0.24, (3) an estimated expected term ranging from 0.07 to 4 years, (4) no dividend rate and (5) computed volatility rates ranging from 198.55% to 287.68% on the underlying stock.

NOTE G – STOCK BASED COMPENSATION

Shares of stock

During the year ended June 30, 2012, MI issued 504,098 shares of common stock to consultants in recognition of various services provided. MI recorded compensation expense of \$123,573 in 2012 based on a fair market value per share, determined by taking the closing price for the stock at the dates the services were provided and whether the shares were fully vested and non-forfeitable.

During the year ended June 30, 2012, MI issued 23,913 shares of common stock to refund \$5,500 of customer deposits.

During the year ended June 30, 2012, MI issued 58,823 shares of common stock to an individual as compensation for advances made to a related party. These shares were valued at \$7,500.

During the year ended June 30, 2013, the Company issued 103,779 shares of common stock valued at \$11,244 for services.

Stock options

On February 26, 2009, MI adopted its 2009 Stock Option and Restricted Stock Benefit Plan. The total shares available for grant under the plan aggregate 7,500,000.

Non-employee directors are entitled to standardized stock option grants on the first day of a directorship year, which begins on the date of election to the board. It is pro-rated for a new director appointed after a board year has begun. Non-employee directors receive a grant of 5,000 options to purchase common stock at an exercise price equal to the closing price on the date of appointment.

During the years ended June 30, 2012 and 2011, we issued the following stock options:

Fiscal year 2013

- 100,000 options to directors vesting immediately, with an exercise price of \$0.085 per share, and expiring on November 29, 2017.

Fiscal year 2012

- No stock options granted, exercised or forfeited.

Compensation expense of \$9,843 and \$0 was recognized during the years ended June 30, 2013 and 2012, respectively. There were no unamortized compensation amounts at June 30, 2013 and 2012.

The fair value of the stock options granted were estimated using the Black Scholes method based on assumptions including (1) risk-free interest rates ranging of 0.63%, (2) exercise prices of \$0.085, (3) an estimated expected term ranging from one to two years based on the “plain vanilla” method allowed under SAB 107, (4) no dividend rate and (5) computed volatility rates ranging of 212.85% on the underlying stock.

Option activity for the years ended June 30, 2013 and 2012 is as follows:

	<u>Options</u>	<u>Range of Exercise Price</u>	<u>Total Vested</u>	<u>Weighted Average Exercise Price</u>
Balance at June 30, 2011	32,097,740		32,097,740	\$ 0.13
Granted				
Exercised				
Forfeited				
Balance at June 30, 2012	32,097,740		32,097,740	\$ 0.13
Granted	100,000	\$ 0.085	100,000	\$ 0.085
Exercised	-	-	-	-
Forfeited	-	-	-	-
Balance at June 30, 2013	32,197,740		32,197,740	\$ 0.13

Additional option information for the year ended June 30, 2013, is as follows:

Exercise Price Range	Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Exercisable
\$ 3.82	6,000	\$ 3.82	0.56	6,000
\$ 0.19 - 0.20	6,566,740	\$ 0.19	0.72	6,566,740
\$ 1.50	200,000	1.50	0.99	200,000
\$ 0.21	300,000	\$ 0.21	0.66	300,000
\$ 0.12	25,000	\$ 0.12	0.66	25,000
\$ 0.10	25,000,000	\$ 0.10	3.05	25,000,000
\$ 0.085	100,000	\$ 0.085	4.42	100,000
	32,197,740	\$ 0.13		32,197,740

The outstanding options have an intrinsic value of \$4,119,512 at June 30, 2013.

Warrants

For the year ended June 30, 2013 and 2012, the Company issued 60,000 and 397,760 warrants with debt, respectively. See Note F. These warrants had an exercise price between \$.102 and \$.24 and a term of 4 to 5 years. For the year ended June 30, 2013 and 2012, the Company issued 0 and 40,000 warrants for services, respectively. The fair value of these warrants were estimated using the Black Scholes method based on assumptions including (1) risk free interest rates ranging from 0.24% to 0.28%, (2) exercise price ranging from \$0.15 to \$0.25, (3) an estimated expected term ranging from 2.03 to 2.23 years, (4) no dividend rate and (5) computed volatility rates ranging from 174.72% to 177.23% on the underlying stock.

Warrant activity for the years ended June 30, 2013 and 2012 is as follows:

	Warrants	Weighted Average	
		Ex Price	Remaining Life
Balance at June 30, 2012	437,760	0.13	2.67
Granted	60,000	0.10	4.00
Exercised	-	-	-
Forfeited	-	-	-
Balance at June 30, 2013	497,760	0.13	2.78

NOTE H – INCOME TAXES

At June 30, 2013, MI had \$20,594,885 in federal net operating loss (NOL) carryforwards to offset future taxable income, resulting in a deferred tax asset of \$7,208,210. MI also had \$15,367,118 in state net operating loss (NOL) carryforwards to offset future state taxable income, resulting in a deferred tax asset of \$1,358,453. MI also had federal and state research credits of \$238,234 and \$293,799, respectively.

The combined federal and state deferred tax asset is \$8,034,630. In view of the uncertainty over MI's ability to generate sufficient taxable income in future years to utilize the NOLs, a full valuation allowance of \$8,034,630 has been recorded to offset the deferred tax asset, resulting in no net deferred tax asset or liability. The valuation allowance also results in a difference between the statutory rate of 35% and the effective rate of 0%. The cumulative federal and state net operating losses are scheduled to expire through 2033.

NOTE I – COMMITMENTS AND CONTINGENCIES

Lease commitment

MI's operations are housed in one 34,500 square foot building, which is leased from Dr. Moller. The term of the current lease, which expires June 30, 2019 requires monthly payments of \$41,400 per month. MI remains liable for all property taxes and insurance on the leased property. The minimum rental commitment remaining on the leased property is \$496,800 per year. As of June 30, 2013, unpaid rent for the above lease, including related interest, amounted to \$3,494,390.

The office operating lease agreements require that the Company pays certain operating expenses applicable for the leased premises. Future minimum rental payments required under these operating leases are as follows:

Years Ending June 30,	Amount
2014	496,800
2015	496,800
2016	496,800
2017	496,800
2018	496,800
Thereafter	\$ 248,400
Total	2,732,400

Rent expense charged to operations under this lease aggregated \$496,800 and \$496,800 for fiscal 2013 and 2012, respectively.

Moller International receives reimbursements for rent from Freedom Motors. Total reimbursements received for the years ended June 30, 2013 and 2012 amounted to \$167,857 and \$209,925, respectively.

Contingencies

J.F. Wilson & Associates Ltd. v. Estate of Percy Symens, et al.

Moller International (MI) is named as a defendant in a lawsuit pending in Yolo County, California Superior Court - J.F. Wilson & Associates Ltd. v. Estate of Percy Symens, et al. The complaint, filed in April 2005, alleges that MI unlawfully discharged solvents into the environment while doing business at 203 J Street and 920 Third Street in Davis, California during 1968 to 1980. The Company denied these allegations in its Answer. A number of the claims and cross-claims filed in this lawsuit have been settled, while for the remaining claims and cross-claims the parties have reached settlement and are in the process of finalizing the settlement agreement documents.

In a related administrative proceeding initiated on September 26, 2006, the California Central Valley Regional Water Quality Control Board (RWQCB) issued a draft Cleanup and Abatement Order (CAO) in connection with the property at 920 Third Street. The draft CAO has not been finalized, and the property owner is proceeding with work to investigate, characterize and remediate the soil and groundwater contamination at this property, with RWQCB oversight.

MI's loss is estimated at this time in the range of \$345,000 to \$400,000. It is reasonably possible that these estimates may be significantly revised as the site investigation and other research and analysis proceeds. As of June 30, 2013, there is \$345,000 of liabilities accrued related to this estimate.

NOTE J – SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2013:

- a) The Company has issued 305,818 shares of common stock in accordance with an agreement for services to a consultant of the Company.
- b) The Company has issued 58,916 shares of common stock to employees as payment to wages.
- c) The Company has issued 164,654 shares of common stock to convert \$15,000 of convertible notes payable.
- d) The Company entered into a new lease agreement with Paul Moller (See Note I)

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

Item 9A(T). Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Financial Officer (the "Certifying Officer"), is responsible for establishing and maintaining disclosure controls and procedures for the Company. The Certifying Officer has designed such disclosure controls and procedures to ensure that material information is made known to him, particularly during the period in which this report was prepared. The Certifying Officer has evaluated the effectiveness of our disclosure controls and procedures as of the date of this report and believes that the disclosure controls and procedures are not effective based on the required evaluation. Our auditors discovered disclosure controls contained deficiencies related to our footnote disclosures and identified various accounting adjustments during their audit of these financial statements. We believe this is due to the limited resources devoted to accounting and financial reporting during this reporting period and the Company will continue to remedy the shortfall by hiring additional personnel and outside subject matter experts to address its accounting and financial reporting functions.

Management's Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the CEO, carried out an assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2013. Based on this assessment, management concluded that our internal control over financial reporting was not effective as of June 30, 2013. This conclusion results from the continued existence of material weaknesses in our internal control over financial reporting including a lack of segregation of duties in financial reporting, a lack of accounting expertise at the Chief Executive Officer level, a general lack of entity level controls, a lack of information technology general computing control, an over reliance on consultants in the financial reporting process, and a continued existence of one or more of the above stated material weaknesses without effective remediation. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

These weaknesses stem primarily from the lack of working capital to hire additional accounting staff during the period covered by this annual report.

In light of the foregoing, and as we move forward with the development of our aircraft and engine product lines, we intend to implement a number of measures to remediate such ineffectiveness and strengthen our internal controls environment. Planned action includes our retention of an outside consulting firm to assist us in the evaluation and testing of our internal control system and the identification of opportunities to improve the efficacy of our accounting and financial reporting processes. Additional anticipated remedial action will involve organizational and process changes to address the identified deficiencies, including (i) hiring additional personnel to assist with financial reporting and business operations as soon as our finances will allow, (ii) establishing and complying with delegation of authority guidelines to be prepared for approval by the Board of Directors, (iii) modifying analytical procedures to ensure the accurate, timely and complete reconciliation of all major accounts; (iv) ensuring proper segregation of duty controls throughout the Company, and (v) implementing formal processes requiring periodic self-assessments and independent tests, (vi) implementing formal documentation and review procedures across processes including approval controls for equity and debt transactions.

At this time, our management recognizes that many of the intended actions and enhancements will require continual monitoring and evaluation for effectiveness, and will necessarily evolve as we continue to evaluate and improve our internal controls over financial reporting. Management will accordingly review progress on activities taken on a consistent and ongoing basis at the CEO and senior management level in conjunction with our Board of Directors.

This Transition Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting pursuant to the Frank-Dodd Act of 2010, which eliminates the need for non-accelerated filers to have an attestation report from the Company's registered public accounting firm.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal controls over financial reporting as defined in Rule 13a-15(f) of the Act, for the year ended June 30, 2013, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART III**Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The following information is provided for current members of the Board of Directors who served during this reporting period:

Director	Age	Current Term of Office	Director/Officer in any other SEC-reporting Company
Paul Moller	75	11/2012 - 12/2013	No
Faulkner White	61	11/2012 - 12/2013	No
Jim Toreson	70	11/2012 - 12/2013	No
Mike Shanley	63	11/2012 - 12/2013	No
Hugh Power	57	11/2012 - 12/2013	No

Resumes of Board of Directors

Paul Moller, Chairman of the Board--Dr. Moller founded the Company and has served as the company's President since its formation. He holds a Masters in Engineering and Ph.D. from McGill University. Dr. Moller was a professor of Mechanical and Aeronautical Engineering at the University of California, Davis, from 1963 to 1975, where he developed the Aeronautical Engineering program. In 1972 he founded SuperTrapp Industries and was Chief Executive Officer as SuperTrapp became the most recognized international name in high-performance engine silencing systems. SuperTrapp Industries was sold in 1988. In 1983 he founded Moller International to develop powered lift aircraft. Under his direction Moller International completed contracts with NASA, NOSC, DARPA, NRL, Harry Diamond Labs, Hughes Aircraft Company, California Department of Transportation and the U.S. Army, Navy, and Air force. These contracts included the development and deployment of numerous unmanned aerial vehicles and Wankel based engines. Dr. Moller has received 43 patents including the first U.S. patent on a fundamentally new form of powered lift aircraft. In 1980 he developed the Davis Research Park, a 38-acre industrial-research complex within the city of Davis, CA in which Moller International is located.

Faulkner White, Director--Mr. White received his B.A. in Psychology (Distinction) with a minor in Computer Science from Dartmouth College in 1972. He has consulted for Apple Computer, Motorola and McDonnell Douglas. In 1995 Mr. White collaborated in the development of a new type of breast biopsy gun for Biopsys Medical Inc., developing software to track the efficacy of the new design for the FDA, and subsequently for the customers themselves. He is currently developing Customer Relationship Management software for the laser eye surgery and cosmetic surgery markets. Mr. White is also a certified DBA in Oracle database technology.

Jim Toreson, Director--Dr. Toreson has over 16 years experience as a chief executive, and over 20 years experience in manufacturing, including quality control, materials management, JIT production, process control, and manufacturing engineering. Eight years of experience in flexible automation, statistical process control (SPC), and quality system including ISO 9000 and Six Sigma programs. More recently as the founder of ONSHORE, a management consulting firm specializing in technology-intensive products and services he has acted as the CEO of Chineseinvestors.com, an Internet portal serving the world-wide ethnic Chinese marketplace for financial services; VP of Marketing and Sales of APPIANT Technology, Inc., a NASDAQ company providing ASP services for speech recognition; and VP of Business Development for eSpaces, a company providing physically secure and cyber-secure work spaces. Dr. Toreson has a BSEE and MSEE from the University of Michigan, a Dr. of Science from the University of Nevada, and has completed coursework for his PhD EE at the University of Pennsylvania.

Mike Shanley, Director—Mr. Shanley has been a pilot since 1969, serving with the Royal Australian Air Force in Vietnam in 1971 and has been an enthusiastic supporter of the Skycar project since 1987. Mr. Shanley has a BA in English Literature from the University of Queensland, Australia, is the author of the novel "Strela" and was a magazine publisher and editor from 1987 to 1996. He is presently co-director of a security company based in the United Kingdom providing security at Heathrow, Gatwick, Manchester and Stansted airports. Mr. Shanley is also Chairman of Shanley International Ltd., a company set up specifically to facilitate trade with China.

Hugh M. Power, Director-Mr. Power earned his A.S. degree in Biology at Sierra Junior College, Rocklin, California and studied at the College of Oceanering in Long Beach, California becoming a certified hard-hat diver. His 10-year underwater career took him to Manihi, Tahiti to manage the daily operations at the Societe de Manihi pearl farm for 3 years. Mr. Power is internationally renown and recognized in the high-end jewelry and pearl industry, receiving numerous awards worldwide saluting his success as a jewelry designer. As president of Hugh Power Designs, from 1993 until present, Mr. Power can take credit for pioneering and introducing the infamous Black Pearls of Tahiti into the U.S. marketplace, as well as opening the first black pearl store in the U.S. As of 2006, Mr. Power has been CEO of CliC Venezuela and CliC South America, distributing CliC eyewear throughout Central and South America.

Item 11. EXECUTIVE COMPENSATION

The following table sets forth a summary of compensation received by each of our officers and directors who received compensation from the Company during the past fiscal year.

Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Paul Moller, President	2013	\$ 250,000(1)	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 250,000(1)
	2012	\$ 250,000(1)	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 250,000(1)
	2011	\$ 250,000(1)	\$ 0	\$ 0	\$ 927,239(3)	\$ 0		\$ 0	\$ 1,177,239(1)(3)
Faulkner White	2013	\$ 0	\$ 0	\$ 0	\$ 2,461	\$ 0		\$ 0	\$ 0
	2012	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
	2011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
Jim Toreson	2013	\$ 0	\$ 0	\$ 0	\$ 2,461	\$ 0		\$ 0	\$ 0
	2012	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
	2011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
Mike Shanley	2013	\$ 0	\$ 0	\$ 0	\$ 2,461	\$ 0		\$ 0	\$ 0
	2012	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
	2011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
Stephen Smith	2013	\$ 0	\$ 0	\$ 0	\$ 2,461	\$ 0		\$ 0	\$ 0
	2012	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
	2011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
Hugh Power	2013	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
	2012	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
	2011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0

(1)\$250,000 of this amount shown is deferred at the election of the Executive, not as part of any plan.

(2) Each member of the Board of Directors (with the exclusion of Paul Moller and Hugh Power) was issued options for 25,000 shares of Moller International stock as compensation for service on the Board for the 12-month term of office.

(3) The total value of options granted to Dr. Moller during the 2011 was \$2,227,239, however \$1,300,000 of that amount was granted in settlement of outstanding deferred salary.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following are all of the individuals or groups known by the company to be the beneficial owner of more than five (5) percent of any class of the issuer's securities as of October 11, 2012:

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount & Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Common Stock:	Paul S. Moller 9350 Currey Rd Dixon, CA 95620	22,414,728 shares	46.1% (1) (3)

- (1) Excludes options to purchase 25,000,000 shares.
 (2) 58.6% of class if all outstanding options are exercised.

The following are all of our officers and directors who held office during the fiscal year ending June 30, 2013 and who are beneficial owners of our securities:

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount & Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Common Stock	Paul S. Moller (1) 9350 Currey Rd Dixon, CA 95620	47,414,728(D)	64.4%
Common Stock	Faulkner White 51 Pinewood Irvine, CA 92604	187,280(D)	00.003%
Common Stock	Jim Toreson HCR61 Box 51 Alamo, NV 89001	25,000(D)	00.00%
Common Stock	Mike Shanley Bradfield Close Working Surrey GU22 7RE, UK	7,583(D)	00.00%
Common Stock	Stephen Smith 724 Vallombrosa Drive Pasadena, CA 91107	58,823(D)	00.001%

- (1) Total include options to purchase 25,000,000 shares.
 (2) Percentage of class based on 73,107,751 potential shares outstanding.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We currently lease and occupy a 34,500 square foot building located in Davis, California, which is owned by Dr. Paul S. Moller, the majority shareholder of Moller International. (see Note I to the financial statements)

Notes payable to the majority shareholder, Dr. Paul S. Moller (Moller) are unsecured, and due on demand. There are two separate notes amounting to \$2,476,382, and bear interest at \$10%. (see Note F to the financial statements)

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

	Year ended June 30,	
	2013	2012
Audit and Quarterly Review Fees	\$ 32,000	\$ 66,038
Tax Fees	-	-
All Other Fees	-	-
Total Fees	<u>\$ 32,000</u>	<u>\$ 66,038</u>

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a.) Exhibits

Exhibit No.	Description
31.1	Certification of CEO
31.2	Certification of CFO
32.1	Certification of CEO
32.2	Certification of CFO
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(b.) Reports on Form 8-K

The following reports were filed on Form 8-K during the period ending 30 June 2011:

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

MOLLER INTERNATIONAL, INC.

Date: 10/15/2013

By: /s/ Dr. Paul S. Moller
President, Director

Pursuant to the requirements of the Securities Exchange Act of 1934 this report is signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Dr. Paul S. Moller</u>	CEO, President, Director	10/15/2013
<u>/s/ Faulkner White</u>	Director	10/15/2013
<u>/s/ Jim Toreson</u>	Director	10/15/2013
<u>/s/ Mike Shanley</u>	Director	10/15/2013
<u>/s/ Hugh Power</u>	Director	10/15/2013

CERTIFICATION OF CEO PURSUANT TO RULES 13A-14 AND 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul S. Moller, certify that:

1. I have reviewed this annual report on Form 10-K of Moller International;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: 10/15/2013

/s/ Paul S. Moller
CEO and President

CERTIFICATION OF CFO PURSUANT TO RULES 13A-14 AND 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul S. Moller, certify that:

1. I have reviewed this annual report on Form 10-K of Moller International;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: 10/15/2013

/s/ Paul S. Moller
Chief Financial Officer

CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Moller International (the "Company") on Form 10-K for the year ended June 30, 2013 as filed with the Securities and Exchange commission on the date hereof (the "Report"), Paul S. Moller, as Chief Executive Officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the Best of his knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: 10/15/2012

Signed:

/s/ Paul S. Moller
CEO and President

CERTIFICATION OF CFO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Moller International (the "Company") on Form 10-K for the year ended June 30, 2013 as filed with the Securities and Exchange commission on the date hereof (the "Report"), Paul S. Moller, as Chief Financial Officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the Best of his knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: 10/15/2012

Signed:

/s/ Paul S. Moller
Chief Financial Officer