US Highland, Inc.
Form 10-Q
May 14, 2010

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

FORM 10-Q

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

For Quarterly Period Ended March 31, 2010
Commission File Number 333-139685

US Highland, Inc.
(Exact name of registrant as specified in its charter)

OKLAHOMA	73-1556790
State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

17424 South Union Avenue, Mounds, OK	74047
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 918-827-5254

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

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 post6ed pursuant to Rule 405 of Regulation S-T (Section 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 [x] 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 as defined by Rule 12b-2 of the Exchange Act:

Large accelerated filer [ ]	Non-accelerated filer [ ]
Accelerated filer [ ]	Smaller reporting company [x]

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

The number of shares outstanding of the registrant's common stock, par value $0.01 per share, as of April 30, 2010: 21,462,500 shares.

2

US Highland, Inc.
FORM 10-Q
For the quarterly period ended March 31, 2010

INDEX

		Page
PART I - FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited)	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosure About Market Risk	17
Item 4T.	Controls and Procedures	17
PART II - OTHER INFORMATION		
Item 1.	Legal Proceedings	19
Item 1A.	Risk Factors	19
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	19
Item 3.	Defaults upon Senior Securities	19
Item 4.	Submission of Matters to a Vote of Security Holders	19
Item 5.	Other Information	19
Item 6.	Exhibits	20
SIGNATURES		

3

PART I

Item I - FINANCIAL STATEMENTS

US Highland, Inc.
Balance Sheets
March 31, 2010 and December 31, 2009

	(Unaudited) 3/31/10	(Audited) 12/31/09
Assets		
Current Assets:		
Cash	$ 54,777	$ 392,766
Accounts Receivable	370,561	116,043
Inventory	5,842,381	4,254,582
	6,267,719	4,763,391
Property and Equipment:		
Vehicle	20,750	20,750
Furniture and Fixtures	66,483	43,297
Tooling	316,971	300,000
Production Equipment	4,806	-
Leasehold Improvements	42,299	-
Accumulated Depreciation	(5,168)	(5,168)
	446,141	358,879
Other Assets:		
Intellectual Property	13,000,000	-
Long-term Notes Receivable	230,000	-

Goodwill	164,820	143,820
Deposits	2,127	1,102
	13,396,947	144,922
Total Assets	$20,110,807	$ 5,267,192
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts Payable	204,260	264,097
Current Portion of Long-Term Debt	8,400	8,400
Accrued Liabilities	84,186	2,754
	296,846	275,251

4

Long-term Liabilities:		
Notes Payable	32,654	34,707
Current Portion of Long-Term Debt	(8,400)	(8,400)
	24,254	26,307
Deferred Income Taxes	8,386	8,386
	32,640	34,693
Stockholders' Equity:		
Common Stock, 100 million shares authorized, par $0.01, 10 million shares issued and outstanding	214,625	100,000
Paid in Capital	19,369,757	4,810,149
Retained Earnings	196,939	47,099
Total Stockholders' Equity	19,781,321	4,957,248
Total Liabilities and Stockholders' Equity	$20,110,807	$ 5,267,192

The accompanying notes are an integral part
of the interim financial statements

5

US Highland, Inc.
Statements of Operations
For the Three Months Ended March 31, 2010 and March 31, 2009

	(Unaudited) 3/31/10	(Unaudited) 3/31/09
Revenue:		
Sales	$ 655,497	$ 82,756
Cost of Goods Sold	(181,426)	(34,688)
Gross Profit	474,071	48,068
Operating Expenses:		
General and Administrative	150,775	73,208

Racing	-	-
Research and Development	-	-
Selling	91,547	-
Depreciation	-	-
Total Operating Expenses	242,322	73,208
Operating Income	231,749	(25,140)
Other Income (Expense):		
Interest Income	103	-
Interest Expense	(580)	(3,217)
	(477)	(3,217)
Income before Provision for Income Taxes	231,272	(28,357)
Provision for Income Taxes	81,432	-
Net Income	149,840	(28,357)
Retained Earnings, Beginning of Year	47,099	-
Retained Earnings, End of Year	$ 196,939	$ (28,357)
Earnings Per Share, Average	$ 0.01	$ (0.02)

The accompanying notes are an integral part
of the interim financial statements

US Highland, Inc.
Statements of Cash Flows
For the Three Months Ended March 31, 2010 and March 31, 2009

	(Unaudited) 3/31/10	(Unaudited) 3/31/09
Operating Activities		
Net Income	$ 229,802	$ (28,357)
Adjustments to reconcile Net Income (Loss) to net cash		
Accounts Receivables	(253,918)	5,215
Amortization	-	4,137
Leasehold Improvements	(42,299)	-
Office Equipment	(1,686)	-
Inventory Asset	(1,187,799)	-
RSGA Inventory	(400,000)	-
Equipment & Tooling	(16,928)	-
Rental & Utility Deposits	(1,025)	-
Accounts Payable	(52,018)	(2,419)
Escrow Account	(8,500)	-
Payroll Liabilities	81	-
Prepaid Expenses	-	(802)
Security Bank - Principal	(2,053)	-
Net Cash Used Operating Activities	(1,736,342)	(22,226)
Investing Activities	-	-

Production Equipment	(4,806)	-
Furniture and Equipment	(21,500)	-
Long Term Notes: Highland Group AB	(230,000)	-
Goodwill (HARCOM)	(21,000)	-
Intellectual Property	(13,000,000)	-
Net Cash Used by Investing Activities	(13,277,306)	-
Financing Activities		
Proceeds from Related Party Loans	-	22,164
Proceeds from Issuance of Common Stock	14,675,475	-
Net cash provided by Financing Activities	14,675,475	22,164
Net cash increase for period	(338,173)	(62)
Cash at beginning of period	392,951	8,337
Cash at end of period	$ 54,777	$ 8,275

7

US Highland, Inc.
Notes to Financial Statements
For The Three Months Ended March 31, 2010
(Unaudited)

Note 1 - Summary of Significant Accounting Policies

Organization and Nature of Operations
US Highland, Inc. was originally formed as a Limited Liability Company on February 5, 1999 under the name The Powerhouse, L.L.C. pursuant to the laws of the State of Oklahoma. On November 9, 2006, Powerhouse Productions, L.L.C. filed Articles of Conversion changing the entity from a limited liability company to a corporation under the name Harcom Productions, Inc. On January 25, 2010, Articles of Merger were filed with the state of Oklahoma merging U.S. Highland, Inc., an Oklahoma corporation into Harcom Productions, Inc. and the name of the corporation was changed to US Highland, Inc. US Highland, Inc. is a recreational powersports OEM, developing motorcycles, quads, single cylinder engines, and v-twin engines under its own brand and for other OEMs.

Cash and Cash Equivalents
The Company considers highly liquid investments (those readily convertible to cash) purchased with original maturity dates of three months or less to be cash equivalents.

Income Taxes
In 2007 The Company had completed its conversion to a C-Corporation under the laws of the state of Oklahoma. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. Income taxes are accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under SFAS No. 109 income taxes are recognized for the following: i) amount of taxes payable for the current year, and ii) deferred tax assets and liabilities for the future tax consequences of events that have been recognized differently in the financial

statements than for tax purposes. Deferred tax assets and liabilities are established using statutory tax rates and are adjusted for tax rate changes. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Allowance for Doubtful Accounts
It is the Company's policy to provide an allowance for doubtful accounts when it believes there is a potential for non-collectability. At present US Highland, Inc. management does not feel that there are any doubtful accounts.

Revenue Recognition
Costs of Goods Sold costs include all direct equipment, amortization, material, shipping costs and those indirect costs related to contract performance, such as indirect labor. Selling, general and administrative costs are charged to expenses as incurred. Changes in contract performance, contract conditions, and estimated profitability that may result in revisions to costs and income are recognized in the period in which the revisions are determined.

8

For revenue from product sales, the Company recognizes revenue in accordance with Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," which superseded SAB No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required. SAB No. 104 incorporates Emerging Issues Task Force ("EITF") No. 00-21, "Multiple-Deliverable Revenue Arrangements." EITF No. 00-21 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing EITF No. 00-21 on the Company's financial position and results of operations was not significant. This issue addresses determination of whether an arrangement involving more than one deliverable contains more than one unit of accounting and how the arrangement consideration should be measured and allocated to the separate units of accounting. EITF No. 00-21 became effective for revenue arrangements entered into in periods beginning after September 15, 2003.

For those contracts which contain multiple deliverables, management must first determine whether each service, or deliverable, meets the separation criteria of EITF No. 00-21. In general, a deliverable (or a group of deliverables) meets the separation criteria if the deliverable has standalone value to the customer and if there is objective and reliable evidence of the fair value of the remaining deliverables in the arrangement. Each deliverable that meets the separation criteria is considered a "separate unit of accounting." Management allocates the total arrangement consideration to each separate unit of accounting based on the relative fair value of each separate unit of accounting.

The amount of arrangement consideration that is allocated to a unit of accounting that has already been delivered is limited to the amount that is not contingent upon the delivery of another separate unit of accounting. After the arrangement consideration has been allocated to each separate unit of accounting, management applies the appropriate revenue recognition method for each separate unit of accounting as described previously based on the nature of the arrangement. All deliverables that do not meet the separation criteria of EITF No. 00-21 are combined into one unit of accounting, and the appropriate revenue recognition method is applied.

Basis of Presentation

In the opinion of management, the accompanying balance sheets and related interim statements of income, cash flows, and stockholders' equity include all adjustments, consisting only of normal recurring

9

items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Actual results and outcomes may differ significantly from management's estimates and assumptions.

Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with information included in the Form 10-K.

Use of Estimates

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

Long-Lived Assets

Equipment is stated at cost and depreciated over a useful life of 7 years. Expenditures for maintenance and repairs are charged to operating expenses as incurred. When equipment is retired or otherwise disposed of, the cost of the asset and the related accumulated depreciation are removed from the accounts with the resulting gain or loss being reflected in results of operations.

Intangible assets include intellectual property rights which were valued at the date of acquisition by management and amortized over 10 years.

Management assesses the recoverability of equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from its future undiscounted cash flows. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

New Accounting Standards

Recent Accounting Pronouncements

In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability

Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP FAS 157-4"). FSP FAS 157-4 provides guidance on estimating fair value when market activity has decreased and on identifying transactions that are not orderly. Additionally, entities are required to disclose in interim and annual periods the inputs and valuation techniques used to measure fair value. This FSP is effective for interim and annual periods ending after June 15, 2009. The Company does not expect the adoption of FSP FAS 157-4 will have a material impact on its financial condition or results of operation.

10

In October 2008, the FASB issued FSP No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active," ("FSP FAS 157-3"), which clarifies application of SFAS 157 in a market that is not active. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of FSP FAS 157-3 had no impact on the Company's results of operations, financial condition or cash flows.
In December 2008, the FASB issued FSP No. FAS 140-4 and FIN 46(R)-8, "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities." This disclosure-only FSP improves the transparency of transfers of financial assets and an enterprise's involvement with variable interest entities, including qualifying special-purpose entities. This FSP is effective for the first reporting period (interim or annual) ending after December 15, 2008, with earlier application encouraged. The Company adopted this FSP effective January 1, 2009. The adoption of the FSP had no impact on the Company's results of operations, financial condition or cash flows.

In December 2008, the FASB issued FSP No. FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP FAS 132(R)-1"). FSP FAS 132(R)-1 requires additional fair value disclosures about employers' pension and postretirement benefit plan assets consistent with guidance contained in SFAS 157. Specifically, employers will be required to disclose information about how investment allocation decisions are made, the fair value of each major category of plan assets and information about the inputs and valuation techniques used to develop the fair value measurements of plan assets. This FSP is effective for fiscal years ending after December 15, 2009. The Company does not expect the adoption of FSP FAS 132(R)-1 will have a material impact on its financial condition or results of operation.

In September 2008, the FASB issued exposure drafts that eliminate qualifying special purpose entities from the guidance of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," and FASB Interpretation 46 (revised December 2003), "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51," as well as other modifications. While the proposed revised pronouncements have not been finalized and the proposals are subject to further public comment, the Company anticipates the changes will not have a significant impact on the Company's financial statements. The changes would be effective March 1, 2010, on a prospective basis.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities, ("FSP EITF 03-6-1"). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore need to be included in the computation of earnings per share under the two-class method as described in FASB Statement of Financial Accounting Standards No. 128, "Earnings per Share." FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008 and earlier adoption is prohibited. We are

11

not required to adopt FSP EITF 03-6-1; neither do we believe that FSP EITF 03-6-1 would have material effect on our consolidated financial position and results of operations if adopted.

In May 2008, the Financial Accounting Standards Board ("FASB") issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts-and interpretation of FASB Statement No. 60". SFAS No. 163 clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement of premium revenue and claims liabilities. This statement also requires expanded disclosures about financial guarantee insurance contracts. SFAS No. 163 is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those years. SFAS No. 163 has no effect on the Company's financial position, statements of operations, or cash flows at this time.

In May 2008, the Financial Accounting Standards Board ("FASB") issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles". SFAS No. 162 sets forth the level of authority to a given accounting pronouncement or document by category. Where there might be conflicting guidance between two categories, the more authoritative category will prevail. SFAS No. 162 will become effective 60 days after the SEC approves the PCAOB's amendments to AU Section 411 of the AICPA Professional Standards. SFAS No. 162 has no effect on the Company's financial position, statements of operations, or cash flows at this time.

In March 2008, the Financial Accounting Standards Board, or FASB, issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133. This standard requires companies to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company has not yet adopted the provisions of SFAS No. 161, but does not expect it to have a material impact on its consolidated financial position, results of operations or cash flows.

In December 2007, the SEC issued Staff Accounting Bulletin (SAB) No. 110 regarding the use of a "simplified" method, as discussed in SAB No. 107 (SAB 107), in developing an estimate of expected term of "plain vanilla" share options in accordance with SFAS No. 123 (R), Share-Based Payment. In particular, the staff indicated in SAB 107 that it will accept a company's election to use the simplified method, regardless of whether the company has sufficient information to make more refined estimates of expected term. At the time SAB 107 was issued, the staff believed that more detailed external information about employee exercise behavior (e.g., employee exercise patterns by industry and/or other categories of companies) would, over time, become readily available to companies. Therefore, the staff stated in SAB 107 that it

12

would not expect a company to use the simplified method for share option grants after December 31, 2007. The staff understands that such detailed information about employee exercise behavior may not be widely available by December 31, 2007. Accordingly, the staff will continue to accept, under certain circumstances, the use of the simplified method beyond December 31, 2007. The Company currently uses the simplified method for "plain vanilla" share options and warrants, and will assess the impact of SAB 110 for fiscal year 2009. It is not believed that this will have an impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements-an amendment of ARB No. 51. This statement amends ARB 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Before this statement was issued, limited guidance existed for reporting non-controlling interests. As a result, considerable diversity in practice existed. So-called minority interests were reported in the consolidated statement of financial position as liabilities or in the mezzanine section between liabilities and equity. This statement improves comparability by eliminating that diversity. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Earlier adoption is prohibited. The effective date of this statement is the same as that of the related Statement 141 (revised 2007). The Company will adopt this Statement beginning March 1, 2009. It is not believed that this will have an impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2007, the FASB, issued FAS No. 141 (revised 2007), Business Combinations'. This Statement replaces FASB Statement No. 141, Business Combinations, but retains the fundamental requirements in Statement 141. This Statement establishes principles and requirements for how the acquirer: (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The effective date of this statement is the same as that of the related FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements. The Company will adopt this statement beginning March 1, 2009. It is not believed that this will have an impact on the Company's consolidated financial position, results of operations or cash flows.

13

In February 2007, the FASB, issued SFAS No. 159, The Fair Value Option for Financial Assets and Liabilities-Including an Amendment of FASB

Statement No. 115. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. This option is available to all entities. Most of the provisions in FAS 159 are elective; however, an amendment to FAS 115 Accounting for Certain Investments in Debt and Equity Securities applies to all entities with available for sale or trading securities. Some requirements apply differently to entities that do not report net income. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS No. 157 Fair Value Measurements. The Company will adopt SFAS No. 159 beginning March 1, 2008 and is currently evaluating the potential impact the adoption of this pronouncement will have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. However, for some entities, the application of this statement will change current practice. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year. The Company will adopt this statement March 1, 2008, and it is not believed that this will have an impact on the Company's consolidated financial position, results of operations or cash flows.

Reclassification
Certain reclassifications may have been made in prior years' financial statements to conform to classifications used in the current year.

Note 2 - Intangible Assets

The cost to acquire intangible assets in 2010 has been allocated to the assets acquired according to the estimated fair values and amortized over a 10 year life using the straight line method. The Company has adopted SFAS No. 142, Goodwill and Other Intangible Assets, whereby the Company periodically tests its intangible assets for impairment. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, these assets are tested for impairment, and write-downs will be included in results from operations.

14

The identifiable intangible assets acquired and their carrying values at March 31, 2010:

	2010
Intellectual Property Acquired from Highland Group AB	$13,000,000

Less: Accumulated Amortization	(0)
Net Intangible Asset	$13,000,000

Note 3 -Long-term Debt

The Company does not have any long-term debt.

Note 4 - Other Commitments and Contingencies

Lease Agreement
Current manufacturing operations include 18,000 square feet for general manufacturing, CNC and manual machining, and final assembly, 5,000 square feet for welding, painting, and fabrication operations, and 10,000 square feet for administration (lease purchase at $8,500 per month).

Note 5 - Significant Cash and/or Stock Based Acquisitions of Assets

In three separate transactions involving cash and/or stock, the Company acquired $400,000 in finished goods inventory from RSGA International, Inc., $1 million in components and finished goods inventory from ATK of Oklahoma, Inc., and $13 million in intellectual property from the Highland Group AB (the Swedish company which caused US Highland, Inc. to be formed and from which US Highland, Inc. acquired most of its assets, its brand name, some of the members of the US Highland management team, and the US Highland product line).

Note 6 - Subsequent Event

The Company completed a series of stock purchase agreements during April of 2010 in which the Company received approximately $762,404 in paid in capital from the sale of common restricted stock at $1.25 per share in a private offering with a commitment to register the common restricted shares in a near term registration statement and the option to repurchase the shares within 60 days at $2.50 per share.

15

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General Overview

The following Management's Discussion and Analysis is intended to help the reader understand our company. It is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes.

Forward-Looking Statements

Historical results and trends should not be taken as an indication of future operations. Management's statements contained in this report that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Actual results may differ materially from those included in the forward-looking statements. The Company intends such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation

Reform Act of 1995, and is including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "may," "should," "could," "believe," "expect," "anticipate," "estimate," "project," "prospects," or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on the operations and future prospects of the Company include, but are not limited to: changes in economic conditions, legislative/regulatory changes, the availability of capital, interest rates, and the competitive environment. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business; including additional factors that could materially affect the Company's financial results, are included herein and in the Company's other filings with the Securities and Exchange Commission.

The following discussion and analysis should be read in conjunction with the financial statements and notes to financial statements included elsewhere in this quarterly report on Form 10-Q. This report and the financial statements and notes to financial statements contain forward-looking statements, which generally include the plans and objectives of management for future operations, including plans and objectives relating to future economic performance and our current beliefs regarding revenues we might earn if we are successful in implementing our business strategies. The Company does not undertake to update, revise or correct any forward-looking statements.

16

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

Our principal sources of liquidity are existing cash, cash generated by our operations, and our ability to borrow cash or obtain equity investment when needed from a number of related parties.

Our principal uses of liquidity are funding growth opportunities and paying the costs and expenses associated with our operations.

The Company experienced significant growth in assets during the first quarter of 2010, in a combination of components inventory, finished goods inventory, and intellectual property.

In April 2010, the Company received approximately $762,404 in a private offering, substantially increasing the Company's cash reserves.

The credit of the officers and directors for guaranteeing any loan necessary is extremely strong. The company has not established any lines of credit with any banks. In the event a supplier or lender requires additional credit to obtain small equipment or other business supplies, our officers and directors are willing to extend their credit to accomplish the purchase.

OPERATING ACTIVITIES

During the first quarter of 2010, the Company used $1,736,342 of cash equivalent (including various acquisitions of assets in partial cash and partial stock transactions) in operating activities.

In the opinion of management, it is not useful to provide an analysis or comparison of the results of prior years as the Company has materially changed its business plan and operations from prior years to recreational powersports from operations unrelated to recreational powersports, resulting in entirely new financial performance characteristics. The Company's first quarter revenues are much better than management expectations, primarily derived from engineering development and business development activities. The Company will continue to develop revenue from similar activities and plans on supplementing engineering development and business development revenues with revenues from manufacturing operations later this year.

Results of Operations for the three months ended March 31, 2010

Revenues:
During this quarter the Company has total revenues of $655,497, including approximately $256,000 in engineering development and $400,000 from business development activities.

Historically through its roots with the Swedish company the Highland Group AB, the Company has generated substantial revenues from engineering development and business development activities. These activities are likely to continue to remain a significant source of revenues for the Company, in addition to revenues generated from

17

manufacturing and sales of the Company's motorcycles, quads, and engines, planned for formal production startup later this year after the production ramp up is complete.

Cost of Goods Sold:
Cost of goods sold for the period was $181,426. As the Company completes its production ramp activities and commences selling its manufactured products, cost of goods sold are projected to increase substantially, primarily proportionately to revenues from manufacturing operations.

Net Income:
Net income for the period is $196,939, which is higher than expected for the period. The Company expects to generate most of its 2010 revenues near year end after production startup.

Operating Expenses:
Operating expenses for the period total $242,322. Operating expenses are anticipated to increase at a much slower rate than cost of goods sold proportional to revenues from manufacturing operations.
Comparison of Balance Sheet for March 31, 2010 and December 31, 2009 as it pertains to Capital and Liquidity.
Cash and Equivalents:
At the end of the period, the Company had $54,777 in cash; however, immediately after the period ended the Company received $762,404 in cash from the sale of restricted stock in a private offering. The Company also has approximately $5.8 million in inventory.

Accounts Receivable:
The Company has total receivables of $370,561.

Total Current Liabilities:
The Company has total current liabilities of $296,846.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, as defined by 229.10(f) (1), we are not required to provide the information required by this item.

ITEM 4T: CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Report on Form 10-Q, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was carried out by the Company under the supervision and with the participation of our Chief Financial Officer and Chief Operating Officer. Based on that evaluation, these officers concluded that the Company's disclosure controls and procedures have been designed and are being operated in a manner that provides reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities

18

Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. A system of controls, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in Internal Control over Financial Reporting.

During the quarter ended March 31, 2010, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

19

PART II

ITEM 1. Legal Proceedings:

We are currently not involved in any litigation that we believe could have a materially adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our company's or our company's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

$762,404 in a private offering of common restricted shares at $1.25 per share with a commitment to register the shares in a near term registration statement and the option to repurchase the shares at $2.50 per share within 60 days.

ITEM 3. Defaults Upon Senior Securities:

None.

ITEM 4. Submission of Matters to a Vote of Security Holders:

No matters were submitted to shareholders for the period ended March 31, 2010.

ITEM 5. Other Information:

On March 31, 2010, the registrant entered into an IP Assignment agreement pursuant to which Highland Group AB agreed to assign 950 Desert Crosser intellectual property, adding $13 million to intellectual property, $12,885,375 to owner equity, and $114,625 to paid in capital of the registrant. No new shares of stock were assigned from the registrant to the Highland Group AB in this transaction. This transaction finalizes the intellectual property transfers which occurred prior to and summarized in the December 31, 2009 audit, based on 1) completion of mutual valuation determinations between US Highland, Inc. and Highland Group AB for the total intellectual property transferred from Highland Group AB to US Highland, now finalized with this transfer for all Highland Group AB intellectual property developed and finalized to date, 2) the 950 Desert Crosser intellectual property development was still being finalized after December 31, 2009 (development completed during the first quarter of 2010), and 3) no new shares were issued as shares were previously issued in US Highland, Inc. to the shareholders of Highland Group AB at the time that they surrendered their shares in Highland Group AB to become shareholders in US Highland, Inc.

20

On March 31, 2010, the registrant entered into an asset purchase agreement with ATK of Oklahoma, Inc. Pursuant to the agreement, the registrant purchased all of the assets of ATK of Oklahoma, Inc. for the purchase price of $171,700 in cash and 207,075 restricted common shares of the registrant.

On March 31, 2010, the registrant entered into an asset purchase with Black Widow ATV Works, Inc. Pursuant to the agreement, the registrant purchased certain assets including inventory, equipment and the rights to the Black Widow ATV name, domain name, email address and phone numbers for the consideration of $10,000 in cash and 110,000 restricted common shares.

On March 31, 2010, the registrant entered into an asset purchase agreement with RSGA International, Inc. Pursuant to the agreement the registrant purchased all of the inventory and intellectual property assets of RSGA, including exclusive rights to the Omega Light IP, excluding goodwill or RSGA's existing consulting business. The registrant paid $60,000 in cash and 100,000 restricted common shares.

Item 6.

Exhibits:

Exhibit No.	Description
10-1	Highland Group AB and US Highland, Inc. IP Assignment Agreement
10-2	ATK of Oklahoma and US Highland Asset Purchase Agreement
10-3	Black Widow ATV Works and US Highland Asset Purchase Agreement
10-4	RSGA and US Highland Asset Purchase Agreement
31	302 certifications
32	906 certifications

21

SIGNATURES

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

Signature	Title	Date
/s/ Damian Riddoch	Chief Financial Officer	May 14, 2010