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

FORM 10-QSB

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

For the quarterly period ended September 30, 2004

Commission file number 018958

GROEN BROTHERS AVIATION, INC.
(Exact name of registrant as specified in its charter)

Utah	87-0489865
State or other jurisdiction of Incorporation or organization	I.R.S. Employer Identification No.

2640 W. California Ave., Suite A Salt Lake City, Utah	84104
Address of principal executive offices	Zip Code

Registrant's telephone number, including area code (801) 973-0177

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at September 30, 2004
Common Stock, No Par Value	118,248,368

Transitional Small Business Disclosure Format Yes [ ] No [X]

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

GROEN BROTHERS AVIATION, INC.
Condensed Consolidated Balance Sheet (Unaudited)
September 30, 2004

Assets		
Current assets:		
Cash	$	53,000
Accounts receivable		23,000
Related party notes receivable		133,000
Prepaid expenses		4,000
Inventories		518,000
Total current assets		731,000
Property and equipment, net		301,000
Total assets	$	1,032,000
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$	867,000
Accrued expenses		6,892,000
Deferred revenue		667,000
Short-term notes payable		689,000
Related party notes payable		5,568,000
Current portion of long-term debt		289,000
Total current liabilities		14,972,000
Long-term liabilities:		
Deferred revenue		25,000
Long-term debt		520,000
Deposits		2,145,000
Put option liability		1,477,000
Series B 15% cumulative redeemable non-voting preferred stock, no par value, 50,000,000 shares authorized, 31,452 shares issued and outstanding		26,553,000
Total liabilities		45,692,000
Stockholders' deficit:		
Common stock, no par value, 200,000,000 shares authorized, 118,248,368 shares issued and outstanding		21,232,000
Accumulated deficit		(65,892,000)
Total stockholders' deficit		(44,660,000)
Total liabilities and stockholders' deficit	$	1,032,000

See accompanying notes to condensed consolidated financial statements.

GROEN BROTHERS AVIATION, INC.
Condensed Consolidated Statements of Operations (Unaudited)
Three Months Ended September 30,

	2004	2003
Revenues:	$ 166,000	$ 31,000
Costs and expenses:		
Cost of sales	178,000	38,000
Research and development	467,000	449,000
General and administrative expenses	419,000	385,000
Total costs and expenses	1,064,000	872,000
Loss from operations	(898,000)	(841,000)
Other income (expense):		
Related party interest income	2,000	2,000
Interest and other income	8,000	13,000
Interest expense	(318,000)	(486,000)
Series B preferred stock interest expense	(1,614,000)	(3,008,000)
Total other income (expense)	(1,922,000)	(3,479,000)
Loss before income taxes	(2,820,000)	(4,320,000)
Income tax benefit	-	-
Net loss	$ (2,820,000)	$ (4,320,000)
Net loss per share – basic and diluted	$ (0.02)	$ (0.04)
Weighted average number of common shares outstanding – basic and diluted	117,495,000	99,801,000

See accompanying notes to condensed consolidated financial statements.

GROEN BROTHERS AVIATION, INC.
Condensed Consolidated Statements of Cash Flows (Unaudited)
Three Months Ended September 30,

	2004	2003
Cash flows from operating activities:		
Net loss	$ (2,820,000)	$ (4,320,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	31,000	55,000
Common stock issued for interest expense	-	5,000
Stock options and warrants issued for interest expense	32,000	40,000
Interest expense accrued on Series B preferred stock	1,614,000	3,008,000
Interest expense on put option liability	29,000	-
Interest income accrued on related party notes receivable	(3,000)	(3,000)
Accrued interest expense added to debt principal	14,000	2,000
Gain on disposal of assets	-	(4,000)
(Increase) decrease in:		
Accounts receivable	(6,000)	-
Inventories	(30,000)	(133,000)
Increase (decrease) in:		
Accounts payable	42,000	86,000
Accrued expenses	539,000	726,000
Deferred revenue	55,000	293,000
Net cash used in operating activities	(503,000)	(245,000)
Cash flows from investing activities:		
Purchase of property and equipment	(26,000)	-
Proceeds from the sale of assets	-	4,000
Net cash provided by (used in) investing activities	(26,000)	4,000
Cash flows from financing activities:		
Proceeds from the issuance of debt	245,000	126,000
Repayment of debt	(7,000)	-
Proceeds from the issuance of common stock	320,000	202,000
Payment of finders’ compensation on issuance of common stock	(3,000)	(4,000)
Net cash provided by financing activities	555,000	324,000
Net increase in cash	26,000	83,000
Cash beginning of period	27,000	4,000
Cash, end of period	$ 53,000	$ 87,000

See accompanying notes to condensed consolidated financial statements.

GROEN BROTHERS AVIATION, INC.
Notes to Condensed Consolidated Financial Statements
Three Months Ended September 30, 2004 (Unaudited)

Note 1: Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of Groen Brothers Aviation, Inc. (the "Company") and subsidiaries and include all adjustments (consisting of normal recurring items) which are, in the opinion of management, necessary to present fairly the financial position as of September 30, 2004, and the results of operations and cash flows for the three months ended September 30, 2004 and 2003. The results of operations for the three months ended September 30, 2004 are not necessarily indicative of the results to be expected for the full fiscal year ending June 30, 2005.

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Because of recurring operating losses, the excess of current liabilities over current assets, the stockholders' deficit, and negative cash flows from operations, there is substantial doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on attaining profitable operations, restructuring its financial arrangements, and obtaining additional outside financing. Management anticipates that the Company will be able to obtain additional financing sufficient to fund operations during the next fiscal year; however, there can be no assurance the Company will be successful. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 2: Loss per Share

The computation of basic net loss per common share is computed using the weighted average number of common shares outstanding during each period. The computation of diluted net loss per common share is based on the weighted average number of shares outstanding during the period plus common stock equivalents which would arise from the exercise of stock options and warrants outstanding using the treasury stock method and the average market price per share during the period, as well as common shares issuable upon the conversion of debt and preferred stock to common stock. Common stock equivalents were not included in the diluted loss per share calculation because the effect would have been antidilutive.

Note 3: Reclassifications

Certain amounts in the financial statements for the three months ended September 30, 2003 have been reclassified to conform with the current period presentation.

Note 4: Stock Based Compensation

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation. Accordingly, no compensation cost has been recognized in the financial statements for stock options granted to employees. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date consistent with the provisions of SFAS No. 123, the Company's net loss and loss per share would have been as indicated below:

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
Reported net loss	$ (2,820,000)	$ (4,320,000)
Deduct: Total stock-based employee compensation determined under fair value based method, net of related tax effects	(929,000)	(1,812,000)
Pro forma net loss	$ (3,749,000)	$ (6,132,000)
Basic and diluted loss per share:		
As reported	$ (.02)	$ (0.04)
Pro forma	$ (.03)	$ (0.06)

Note 5: Inventories:

Inventories consisted of the following at September 30, 2004:

Raw materials and parts	$ 311,000
Work-in-process	190,000
Finished goods	17,000
Total	$ 518,000

Note 6: Accrued Expenses:

Accrued expenses consisted of the following at September 30, 2004:

Compensation and related taxes	$ 3,579,000
Interest	3,109,000
Consulting fees	90,000
Finders' compensation	46,000
Other	68,000
Total	$ 6,892,000

The Company has fallen behind on payments of payroll tax obligations, and may be subject to penalties.

Note 7: Series A Convertible Preferred Stock

On October 8, 2004, the Company amended and restated its Articles of Incorporation to change the rights and terms of its Series A Convertible Preferred Stock. On October 8, 2004, the Board of Directors approved the issuance of 1,400,000 shares of Series A Convertible Preferred Stock to the Company's founders: 900,000 shares to David Groen, President and Chief Executive Officer, and 500,000 shares to Jay Groen, Chairman of the Board of Directors, at a purchase price of $0.05 per share, or total consideration of $70,000. The amended rights, terms and preferences of the Series A Convertible Preferred Stock are summarized as follows:

- Each share may cast one hundred (100) votes on all matters submitted to the stockholders for a vote, voting together with the holders of the common stock of the Company as a single class. These rights expire seven years from the date of issue.

- Upon, and only upon, the Company reaching significant revenue milestones, the shares are convertible into common stock of the Company at a conversion price of $0.50 per share of common stock, convertible on a one-for-one hundred (1:100) basis. Conversion is allowed at the rate of 25% of the preferred shares for each $30 million in defined cumulative gross sales, for a total of $120 million in sales. This convertibility is also only available if these significant revenue milestones are met within seven years from the date of issue of the Series A Convertible Preferred Stock.

- The shares, including all voting and conversion rights, to the extent not converted into common shares, will expire seven years from the date of issue, and will be cancelled by the Company.

- Upon the death or permanent incapacity of a holder of Series A Convertible Preferred Stock, all shares held by such holder will be divided between the then existing members of the Company's Board of Directors on a pro-rata basis, based upon the number of months they have served on the Board, with the holder's survivor(s) (if more than one person, treated collectively as one person) being included in the same pro-rata basis, crediting the survivor's "months served" as those of the deceased or permanently mentally incapacitated holder. Upon a temporary mental incapacity of a holder of Series A Convertible Preferred Stock, all shares will be voted by the remaining holders of the Series A Convertible Preferred Stock until the end of the temporary incapacity.

- The shares are non-transferable, non-assignable, and have no dividend or liquidation rights.

Note 8: Subsequent Events - Reorganization

Effective November 1, 2004, the Company merged American Autogyro, Inc. ("AAI"), a wholly owned subsidiary, into Groen Brothers Aviation USA, Inc. ("GBA-USA"), a wholly owned subsidiary. GBA-USA will continue the manufacturing, sales and marketing functions of AAI's SparrowHawk gyroplane. GBA-USA will be doing business as (d.b.a.) American Autogyro, for all of its SparrowHawk operations.

Note 9: Supplemental Statement of Cash Flows Information

During the three months ended September 30, 2004, the Company:

- Decreased related party notes receivable through reduction of accrued expenses payable to related parties of $7,000.
- Issued common stock in payment of accounts payable of $16,000.
- Issued common stock in return of deposits of $13,000.
- Increased accrued expenses and decreased common stock by $5,000.
- Issued a note payable in return of deferred revenue of $28,000.

During the three months ended September 30, 2003, the Company:

- Accrued $31,000 interest on subscription receivable.
- Paid $82,000 accrued liability with 410,000 shares of common stock and stock options.
- Issued 500,000 shares of common stock as collateral on notes payable.
- Paid finders compensation with 17,500 shares of common stock.
- Reduced accrued liabilities by $17,000 related to payment of finders compensation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Background

The Company and its wholly-owned subsidiaries have developed proprietary technology that promises significant advances for rotary-winged aircraft. The initial objective of the Company was to develop and market an easy-to-fly and cost-efficient gyroplane that could compete effectively in the general aviation market.

The Company, doing business as (d.b.a.) American Autogyro, has designed, and now manufactures and sells SparrowHawk gyroplane kits for the home-built market. In addition, the Company developed and sells modification kits designed to improve in-flight stability and safety for another manufacturer's kit gyroplane.

During the year ended June 30, 2004 and the three months ended September 30, 2004, the Company's operating focus has been directed to the final development of the two-seat piston engine powered SparrowHawk. The initial market for this aircraft lies with builders of home-built aircraft from kits; however, management also believes that there are larger, untapped markets for fully assembled SparrowHawk gyroplane aircraft. Important among these emerging markets is the potential use of the SparrowHawk as a patrol aircraft by law enforcement agencies both in the United States and overseas. An intensive marketing program for the SparrowHawk is being developed. Through September 30, 2004, 27 American Autogyro dealerships have been established, 20 in the United States and 7 internationally.

The Company began deliveries of SparrowHawk kits during the third quarter of its fiscal year ended June 30, 2004, recording initial revenues from this aircraft in the fourth quarter of fiscal year 2004. Through September 30, 2004, over 50 initial orders for SparrowHawk gyroplane kits have been received, with 19 complete kits and 9 partial kits delivered. In the three months ended September 30, 2004, the Company reported SparrowHawk sales revenues of $141,000 on 6 delivered kits. The Company has received substantial advance payments from dealers and customers on SparrowHawk gyroplane kit orders, which have been recorded as deferred revenue. Additional revenues have also been received from flight training and from contract manufacturing; however, these revenue sources have not been, and are not projected to be, significant to the Company.

The larger four-seat Hawk 4 gyroplane, powered by a Rolls Royce Model 250 420shp turboprop engine, was developed with the intention that it would become the Company's first major production aircraft, after receiving Federal Aviation Administration certification as a commercial aircraft. The difficult investment climate for technology companies following the stock market collapse in 2000, and more particularly for aerospace companies following the terrorist attack on 9/11, made it impractical for the Company to complete the expensive certification program as planned. Consequently, during the first quarter of fiscal year 2003, the Company suspended the flight testing of its Hawk 4 gyroplane at its Buckeye facility in Arizona due to lack of financial resources. Further development toward commercial certification of the Hawk 4 was deferred pending the receipt of required funding. Prior to the economic downturn, the Company had received significant deposits on aircraft from the Company's authorized dealers in anticipation of full-scale production of the Hawk 4. These dealer deposits are recorded as a long-term liability in the accompanying condensed consolidated balance sheet.

The Company, however, remains confident that the safety, reliability, maneuverability and low operating cost of the Hawk 4 will permit it to perform competitively with helicopters (and airplanes) for many public use and commercial missions requiring low, slow flight, but without the requirement for a runway for take-off or landing. The Company is thus intending to recommence the Hawk 4 certification program as soon as funding permits, and is actively pursuing such funding with certain interested parties. Consistent with this objective and those prospects, the Company has been presenting the case for the Hawk 4's utility in this role to members of Congress, appropriate Federal Agencies, and to State and local agencies across the nation for Public Use applications, particularly Homeland Defense.

The Company's technology is scalable to much larger aircraft and has potential applications for both heavy lift vertical take-off military aircraft and runway independent short-haul airliners. The Company has been actively engaged in discussions with government agencies and potential aerospace strategic partners with respect to those applications.

Going Concern Uncertainty

As discussed in Note 1 to the Consolidated Financial Statements, the accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Because of recurring operating losses, the excess of current liabilities over current assets, the stockholders' deficit, and negative cash flows from operations, there is substantial doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on attaining profitable operations, restructuring its financing arrangements, and obtaining additional outside financing. Management anticipates that the Company will be able to obtain additional financing sufficient to fund operations during the next fiscal year; however, there can be no assurance the Company will be successful in these endeavors. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Results of Operations

Revenues

Total revenues increased from $31,000 in the three months ended September 30, 2003 to $166,000 in the three months ended September 30, 2004. The revenues in the three months ended September 30, 2003 were comprised of $29,000 from the sales of modification kits and $2,000 from flight training. In the three months ended September 30, 2004, revenues were comprised of $141,000 from the sale of 6 SparrowHawk kits, $13,000 from the sales of modification kits and $12,000 from flight training. As discussed above, the Company began delivering SparrowHawk kits in the third quarter of fiscal year 2004.

At September 30, 2004, advance deposits of $667,000, included in deferred revenue, from American Autogyro customers and American Autogyro dealers principally for SparrowHawk kits, have added significantly to overall cash flow. During fiscal year 2005, the Company will be progressively increasing its focus on satisfying a growing demand for SparrowHawk kits, and, to a lesser extent, for modification kits. The Company recognizes revenues on the sale of SparrowHawk kits when a complete kit has been delivered and the collection of the remaining purchase price is reasonably assured. While less in dollar amount, flight training revenue will be an ongoing addition to Company cash flow. The Company historically has reported nominal amounts of subcontract manufacturing revenues, but does not consider this to be a significant future source of ongoing revenue to the Company.

Costs and Expenses

Comparing the three months ended September 30, 2004 to the three months ended September 30, 2003, cost of sales increased to $178,000 from $38,000. The increase in the current fiscal year was primarily due to the cost of sales of the SparrowHawk kits of $171,000. The Company has experienced a negative gross profit on the SparrowHawk kits because of the nonrecurring and "learning curve" costs that are normally experienced in the introductory production of a new product. The Company anticipates that little or no margin will be reported on sales of the SparrowHawk kits for the first few months of fiscal year 2005 as the Company improves its manufacturing capabilities. In addition, only nominal gross margin is realized on the sale of modification kits and on flight training. As a result, the condensed consolidated statement of operations for the three months ended September 30, 2004 reported a negative gross margin on total sales. All costs of incomplete SparrowHawk kits delivered or in process of assembly as of September 30, 2004 have been deferred and included in work-in-process inventories.

Comparing the three months ended September 30, 2004 to the three months ended September 30, 2003, research and development expenses increased slightly to $467,000 from $449,000. Research and development activities have consisted of ongoing modifications to the SparrowHawk, and, to a lesser extent, on the Hawk 4 and applications of gyrodyne technology.

Comparing the three months ended September 30, 2004 to the three months ended September 30, 2003, general and administrative expenses increased to $419,000 from $385,000, a 9% increase. The increase in the current year is due primarily to the addition of personnel and expenses supporting the sales and manufacturing of the SparrowHawk.

Other Income and Expenses

Comparing the three months ended September 30, 2004 to the three months ended September 30, 2003, related party interest income remained constant at $2,000.

Comparing the three months ended September 30, 2004 to the three months ended September 30, 2003, interest and other income decreased to $8,000 from $13,000 due to the gain on sale of assets recorded in the prior year.

Interest expense for the three months ended September 30, 2004 compared to the three months ended September 30, 2003 decreased to $318,000 from $486,000. This decrease in the current year was due primarily to the expense incurred in the prior year on the issuance of stock options and warrants to lenders in connection with new debt or debt extensions, net of the effect of current year additions to debt.

Comparing the three months ended September 30, 2004 to the three months ended September 30, 2003, Series B Preferred Stock interest expense decreased to $1,614,000 from $3,008,000. From February 2002 through October 2003, the original redemption date, substantially more accretion was included in Series B Preferred Stock interest expense, including an anticipated 25% premium over the stated redemption value. The premium was anticipated because the Company assumed payment of the redemption price and all accrued and upaid dividends would be made in unrestricted, registered shares of common stock of the Company, an payment option available to the Company that triggered the 25% premium. In October 2003, the Company and the holders of the shares of Series B Preferred Stock agreed to extend the redemption date to October 31, 2005 and to certain other modifications of the terms of the Series B Preferred Stock, including the elimination of the option to redeem the shares of Series B

Preferred Stock with shares of common stock of the Company. With the elimination of this redemption option, the Company discontinued accretion of the anticipated premium, and recorded a contribution to capital for the amount of the accretion of the premium recorded prior to the extension and modifications. As a result, the Series B Preferred Stock interest expense during the three months ended September 30, 2004 was substantially less than the expense recorded in the three months ended September 30, 2003.

Net Loss

During the three months ended September 30, 2004, the Company continued to record losses as it continued the transition toward full marketing and manufacturing of the SparrowHawk gyroplane series and, to a lesser extent, continued research and development activities on the Hawk 4 and gyrodyne technologies and opportunities. For the three months ended September 30, 2004, the loss from operations was $898,000 compared to the loss from operations of $841,000 for the three months ended September 30, 2003, with the increase in the loss resulting from negative gross margins on revenues and increases in operating costs and expenses as described above. The net loss for the three months ended September 30, 2004 was $2,820,000 compared to $4,320,000 in the three months ended September 30 2003, with the decrease in the net loss resulting primarily from the decrease in interest expense and the Series B Preferred Stock interest expense as described above.

Liquidity and Capital Resources

The Company has entered the home built market with its SparrowHawk two-seat gyroplane. Customers in this market typically make substantial advance down payments on product orders, which has contributed and will continue to contribute to operating cash flows of the Company. Furthermore, the Company is continuing the process of setting up an extensive American Autogyro dealer network for the sale and product support of SparrowHawk kits. Fees from dealership sales and advance customer deposits for future deliveries of SparrowHawk kits are contributing significantly to the Company's cash flow. At September 30, 2004, advance deposits from American Autogyro customers amounted to $667,000, which are included in the condensed consolidated balance sheet as deferred revenue.

Following the economic downturn of 9/11 and its impact on the aerospace industry, the Company's fund-raising activities in the venture capital market were seriously impaired, resulting in active development of its Hawk 4 gyroplane for commercial certification being deferred. The Company, however, continues actively to seek sales and funding for government and public use applications of the Hawk 4 as well as for the SparrowHawk.

In the face of continuing fund-raising difficulties, in fiscal years 2002 and 2003, the Company successfully approached many of its principal vendors requesting that they accept a stretching out of payments beyond their normal terms. As a result, the Company is servicing much of its pre-November 2001 obligations to vendors utilizing a combination of repayment plans, which include monthly payments for smaller vendor liabilities and promissory notes for larger vendor liabilities. Certain of the promissory notes have expired, and are technically in default. In addition, as of September 30, 2004, the Company was delinquent in making payments on substantially all promissory notes to vendors, which totalled $597,000. The Company continues ongoing negotiations with these vendors and has, in most instances, been granted grace periods and extensions without receipt of formal notices of default or threat of legal action. The Company intends to repay in full all vendors, including interest where applicable. The Company is also delinquent in making payments on capital lease obligations of $660,000 and other notes payable totaling $907,000, and has once again fallen behind in payments of payroll tax obligations of approximately $171,000 to Federal and state government agencies. The Company may be subject to penalties on these late payroll taxes.

Net cash used in operating activities was $503,000 for the three months ended September 30, 2004 and $245,000 for the three months ended September 30, 2003. The Company recorded increases in accounts payable and accrued expenses during the first three months of the current fiscal year in amounts less than the increases in these liability accounts recorded during the first three months of last fiscal year, indicating that more cash was used to reduce these liability accounts in the current fiscal year. Also contributing to the increase in cash used in operating activities during first three months of the current fiscal year was a decrease in SparrowHawk customer deposits received, which are recorded as deferred revenue.

The Company has funded losses from operations primarily from the issuance of debt and the sale of common stock. Net cash provided by financing activities for the three months ended September 30, 2003 was $555,000, comprised of a net increase in debt of $238,000 and net proceeds from the issuance of common stock of $317,000. Net cash provided by financing activities for the three months ended September 30, 2003 was $324,000, comprised of a net increase in debt of $126,000 and net proceeds from the issuance of common stock of $198,000. The Company anticipates these two financing sources will continue to fund operating losses in the short-term, or until revenues grow to the point where they are sufficient to cover operating costs and expenses.

At September 30, 2004, the Company had a working capital deficiency of $14,241,000 and a stockholders' deficit of $44,660,000.

Discussions with potential investors are ongoing for sale of restricted common stock, preferred stock or issuance of debt, each of which would allow the Company to meet its current obligations, fund its operations and bring current delinquent debt obligations. The Company's business plan, however, relies heavily on immediate sales and cash flows from SparrowHawk gyroplane kits and, ultimately, sales of the SparrowHawk and Hawk 4 gyroplanes to government and other entities. Significant additional capital will be required to permit a return to the Company's planned Hawk 4 certification program on a stable financial basis.

There can be no guarantee or assurance that the Company will be successful in its ability to generate revenue or to raise capital at favorable rates or at all.

In connection with the extension of the redemption date of the original issuance of the Company's Series B 15% Preferred Stock and the sale of 8,000 shares of the Series B 15% Preferred Stock during the second quarter of fiscal year 2004, the Company's Articles of Incorporation were amended to require that all redemptions of the Series B 15% Preferred Stock be paid in cash. The Articles of Incorporation were also amended to define the maturity date as the first to occur of (a) October 31, 2005, (b) the occurrence of a defined "liquidation event", or (c) the date that is six months following the receipt by the Company or its affiliates of proceeds from one or more financing transactions in excess of $50 million. In addition, the amended Articles of Incorporation require pro rata redemptions of the Series B 15% Preferred Stock with the proceeds of certain financing transactions that exceed $20 million in the aggregate. As a result, if the Company is successful in raising the levels of funding that it requires to bring its obligations current and fund its planned operations, significant portions of this funding will be required to make redemption payments on the Series B 15% Preferred Stock in advance of the original

October 31, 2005 maturity date. At September 30, 2004 the recorded value of the Series B 15% Preferred Stock was $26,553,000.

Management does not anticipate that revenues or expenses will be materially affected by inflation during the next twelve months of operations.

Critical Accounting Policies

The Company's critical accounting policies include the following:

Research and Development - Research and development costs are expensed as incurred. The Company estimates much of its reported research and development expenses through allocations of employee compensation and other costs.

Revenue Recognition - The Company recognizes revenues from goods and services when there is a binding agreement, the product has been completely shipped or service has been delivered, collection is reasonably assured, and the Company has no significant obligations remaining. Therefore, revenues from the sale of SparrowHawk gyroplane kits are not recorded until complete kits have been delivered and collection of remaining amounts due from customers is reasonably assured.

Financial Instruments with Characteristics of Both Liabilities and Equity - In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. The statement was effective on July 1, 2003 for financial instruments entered into or modified after May 31, 2003, and otherwise effective for existing financial instruments entered into before May 31, 2003. The adoption of SFAS No. 150 resulted in the reporting of the Company's Series B 15% Preferred Stock and a put option obligation as long-term liabilities.

Put Option Liability – To comply with SFAS No. 150, the Company estimated the fair value of the put option liability at $1,477,000 at September 30, 2004 using the Black-Scholes option-pricing model. Until the obligation is satisfied, the Company will continue to use this methodology to periodically reassess the fair value of the put option liability to determine if the carrying value of the liability in the consolidated financial statements requires adjustment. Changes in the assumptions used in the option-pricing model, including the market price of the Company's common stock and risk-free interest rates, may result in fluctuations in the estimated fair value and carrying value of the put option liability.

Non-Employee Stock Options and Warrants – In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", the Company estimates the fair value of the consideration recorded for stock options and warrants issued to non-employees using the Black-Scholes option-pricing model. For those stock options and warrants that have variable characteristics, the Company will continue to use this methodology to periodically reassess the fair value of the consideration to determine if the value of the consideration recorded in the consolidated financial statements requires adjustment. Changes in the assumptions used in the option-pricing model, including the market price of the Company's common stock and risk-free interest rates, may result in fluctuations in the estimated fair value and carrying value of the consideration recorded for variable non-employee stock options and warrants.

Forward Outlook and Risks

The Company, from time to time, may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological development, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in any of the Company's forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Company's business include, but are not limited to, the following: (a) the failure to obtain additional borrowed and/or equity capital on favorable terms for acquisitions and expansion; (b) adverse changes in federal and state laws, or other matters affecting the Company's business; (c) the demand for the Company's products and services; and (d) other risks detailed in the Company's Securities and Exchange Commission filings.

This Form 10-QSB contains and incorporates by reference certain "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act with respect to results of operations and businesses of the Company. All statements, other than statements of historical facts, included in this Form 10-QSB, including those regarding market trends, the Company's financial position, business strategy, projected costs, and plans and objectives of management for future operations, are forward-looking statements. In general, such statements are identified by the use of forward-looking words or phrases including, but not limited to, "intended, will, should, may, expect, anticipate, estimates, projects" or the negative thereof or variations thereon or similar terminology.

Forward-looking statements are based on the Company's current expectations. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risk and uncertainty, the Company's actual results could differ materially. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed hereunder and elsewhere in this Form 10-QSB. These forward-looking statements represent the Company's judgment as of the date of this Form 10-QSB. All subsequent written and oral forward-looking statements attributable to the Company are expressly qualified in their entirety by the Cautionary Statements. The Company disclaims, however, any intent or obligation to update its forward-looking statements.

Item 3. Controls and Procedures

(A) Evaluation of disclosure controls and procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Offer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that those disclosure controls and procedures were effective, except as described below, to ensure that material information required to be disclosed by the Company in reports that the Company files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

In connection with the audit of the Company's consolidated financial statements for the year ended June 30, 2004, management and the Company's independent auditors identified certain material weaknesses in the Company's internal control over the financial reporting process pertaining to the timely evaluation and recording of transactions related to the Company's Series B 15% Preferred Stock and the Company's put option liability. As a result, adjusting entries were recorded in the fourth quarter of the year ended June 30, 2004, which, in the aggregate, did not have a material net effect on the consolidated results of operations and net loss applicable to common stockholders either in the applicable quarters or for the entire fiscal year ended June 30, 2004.

During the first quarter of fiscal year 2005, the Company has continued to implement changes to improve its internal controls over financial reporting. These changes include, among other matters, more comprehensive documentation of accounting policies and procedures, implementation of analytical review procedures, schedules and checklists for the preparation of interim and annual financial statements, and executive level review of journal entries.

(B) Changes in internal controls

Other than the matter discussed above, during the quarterly period covered by this report, there were no significant changes in the Company's internal controls over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is plaintiff in connection with four million shares issued for the purposes of obtaining a foreign loan in Luxembourg in 1993. In that suit the Company obtained injunctions in Germany and Luxembourg preventing those shares from being sold or liquidated. The Company prevailed in the case at appellate levels. The Company continues in the process of obtaining a court order from Luxembourg to have the certificates returned to the Company.

Item 2. Changes in Securities and Use of Proceeds

During the three months ended September 30, 2004, the Company issued a total of 1,809,625 shares of its restricted Rule 144 common stock, primarily to accredited investors in transactions exempt from registration. These shares were issued through private placement offerings in reliance upon the exemption from registration contained in Rule 506 of Regulation D at a price of $.20 per share. The shares were issued for the following consideration: 1,600,000 shares for cash of $320,000; 3,750 shares in payment of finders' compensation on the sale of common stock; 80,000 shares in payment of accounts payable of $16,000; 59,500 shares in payment of accrued expenses of $12,000; and 66,375 shares for the return of $13,000 of deposits. In addition, cash finders' compensation on the sale of common stock totaled $3,000. The Company did not use underwriters in the sale or placement of these unregistered shares of common stock.

Item 3. Defaults Upon Senior Securities

The Company is current on its obligations pertaining to the Series B 15% Cumulative Redeemable Non-Voting Preferred Stock. However, as discussed more fully under "Liquidity and Capital Resources" above, the Company is delinquent in scheduled payments on capital lease obligations and notes payable to vendors and other lenders.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 3.1	Amendment to Second Restated Articles of Incorporation of Groen Brothers Aviation, Inc. {1}
Exhibit 3.2	Second Amendment to Second Restated Articles of Incorporation of Groen Brothers Aviation, Inc. {1}
Exhibit 3.3	Third Restated Articles of Incorporation of Groen Brothers Aviation, Inc. {2}
Exhibit 10.1	Amendment to the Common Stock Purchase Agreement Dated November 7, 2000 {2}
Exhibit 11	Statement re computation of per share earnings {3}
Exhibit 31.1	Certification of principal executive officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of principal financial officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

{1} Filed as exhibits to the Company's report on Form 10-QSB for the quarter ended December 31, 2003 and incorporated herein by reference.

{2} Filed as exhibits to the Company's report on Form 10-KSB for the year ended June 3-, 2004 and incorporated herein by reference.

{3} Information included in Notes to Condensed Consolidated Financial Statements filed with this report

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ended September 30, 2004.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GROEN BROTHERS AVIATION, INC.

By: __/s/ David Groen______________
David Groen, President and Chief Executive Officer
(Principal Executive Officer)

Date: November 15, 2004

By: __/s/ Dennis P. Gauger______________
Dennis P. Gauger, Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

Date: November 15, 2004

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a - 14(a) OF THE
SECURITIES EXCHANGE ACT 0F 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Groen certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Groen Brothers Aviation, Inc.

2. Based on my knowledge, this quarterly 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 report.

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a -15(e) and 15d -15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David Groen
David Groen, President and Chief Executive Officer
(Principal Executive Officer)
November 15, 2004

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a - 14(a) OF THE SECURITIES EXCHANGE ACT 0F 1934, AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dennis P. Gauger certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Groen Brothers Aviation, Inc.

2. Based on my knowledge, this quarterly 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 report.

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a -15(e) and 15d -15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Dennis P. Gauger
Dennis P. Gauger, Chief Financial Officer and Secretary
(Principal Accounting Officer)
November 15, 2004

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER 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 Quarterly Report of Groen Brothers Aviation, Inc. (the “Company”) on Form 10-QSB for the quarter ended September 30, 2004, David Groen hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

a. the quarterly report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

b. the information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David Groen
David Groen, President and Chief Executive Officer
(Principal Executive Officer)
November 15, 2004

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
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 Quarterly Report of Groen Brothers Aviation, Inc. (the "Company") on Form 10-QSB for the quarter ended September 30, 2004, Dennis P. Gauger hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

C. the quarterly report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

D. the information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dennis P. Gauger
Dennis P. Gauger, Chief Financial Officer and Secretary
(Principal Accounting Officer)
November 15, 2004