BALTIA AIR LINES INC
Form 10-Q
May 23, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2011

BALTIA AIR LINES, INC.
(Exact name of registrant as specified in its charter)

STATE of NEW YORK	11-2989648
(State of Incorporation)	(IRS Employer Identification No.)

63-25 SAUNDERS STREET, SUITE 7I, REGO PARK, NY 11374
(Address of principal executive offices)

Registrant's telephone number, including area code: (718) 275 5205

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

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

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

Large accelerated filer [ ]
Accelerated filer [ ]
Non-accelerated filer [ ] (do not check if smaller reporting company)
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]

Number of shares of the registrant's common stock outstanding as of May 12, 2011: 1,330,970,915 shares of Common Stock

PART ONE - FINANCIAL INFORMATION

Item 1. Financial Statements.

BALTIA AIR LINES, INC.

(A Development Stage Company)
BALANCE SHEETS

ASSETS	3/31/2011 (Unaudited)	12/31/2010
Current Assets		
Cash	$ 35,000	$ 52,840
Prepaid Expenses	50,160	50,160
Total Current Assets	85,160	103,000
Property and Equipment		
Equipment	3,088,731	3,011,308
Less Accumulated Depreciation	(95,282)	(92,782)
Net Property and Equipment	2,993,449	2,918,526
Other Assets		
Security Deposit Airplane Engines	240,000	240,000
TOTAL ASSETS	$ 3,318,609	$ 3,261,526

LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts Payable	$ 210,627	$ 100,000
Accrued Expenses	34,500	8,625
Current portion of long-term debt	0	0
Total current liabilities	245,127	108,625
Long-term debt	898,018	865,948
Equity		
Preferred Stock	665	665
Common Stock	118,363	111,881
Paid-in-Capital	54,401,027	51,747,347
Deficit Accumulated During Development Stage	(52,344,591)	(49,572,940)
Total Equity	2,175,464	2,286,953
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 3,318,609	$ 3,261,526

See notes to unaudited interim financial statements.

BALTIA AIR LINES, INC.
(A Development Stage Company)
STATEMENT OF OPERATIONS

	Three Months Ended March 31, 2011 (Unaudited)	Three Months Ended March 31, 2010 (Unaudited)	August 24, 1989 (Inception) to March 31, 2011 (Unaudited)

Revenues	0	0	0
Costs & Expenses			
General and Administrative	$ 2,610,324	$ 6,775,278	$ 47,935,316
FAA Certification	100,882	390,100	2,134,178
Training Expense	0	0	225,637
Depreciation	2,500	3,500	342,103
Other	0	0	568,245
Interest	57,945	0	1,127,670
Total expenses	2,771,651	7,168,878	52,333,149
Loss before income taxes	(2,771,651)	(7,168,878)	(52,333,149)
Income Taxes	0	1,100	11,442
Deficit Accumulated During Development Stage:	$ (2,771,651)	$(7,169,978)	$ (52,344,591)
Per share amounts:			
Loss	Nil	Nil	
Weighted Average Shares Outstanding	1,150,504,772	790,640,603	

See notes to unaudited interim financial statements.

BALTIA AIR LINES, INC.
(A Development Stage Company)
STATEMENT OF CASH FLOWS

	Three Months Ended March 31, 2011 (Unaudited)	2010 (Unaudited)	Aug 24, 1989 (inception) to March 31, 2011 (Unaudited)
Cash flows from Operating Activities:			
Deficit Accumulated During Development Stage	$(2,771,651)	$ (7,169,978)	$(52,344,592)
Adjustments to reconcile net loss to net cash provided by operations:			
Depreciation	2,500	3,500	340,954
Amortization of loan discount	32,070	0	42,995
Expenses paid by issuance of common stock	1,253,850	5,948,387	33,278,115
(Increase) decrease in prepaid expenses	0	(47,433)	350,141
Change in payables & accrued expenses	136,502	0	3,396,608
Cash used by operating activities:	(1,346,729)	(1,265,524)	(14,935,779)
Cash flows from investing activities:			
Purchase of Equipment	(77,422)	0	(3,271,788)
Security Deposits	0	0	(240,000)
Cash used in investing activities:	(77,422)	(240,000)	(3,511,788)
Cash flows from financing activities:			
Issuance of Common Stock	1,406,311	850,484	16,888,048
Issuance of Preferred Stock	0	0	2,753

Loans from related parties	0	0	1,351,573
Repayment of related party loans	0	0	(368,890)
Proceeds of long-term debt	0	0	1,109,183
Acquisition of Treasury Stock	0	0	(500,100)
Cash generated by financing:	1,406,311	850,484	18,482,567
Change in cash	(17,840)	(655,040)	35,000
Cash-beginning of period	52,840	1,439,897	0
Cash -end of period	$ 35,000	$ 784,857	$ 35,000

See notes to unaudited interim financial statements.

BALTIA AIR LINES, INC.
(A Development Stage Company)

UNAUDITED STATEMENT OF SHAREHOLDERS' EQUITY

	Preferred		Common			
	Shares	Par Value	Shares	Common Stock Amount	Additional Paid-In Capital	De Ac Du De St
Balance at December 31, 2010	66,500	665	1,118,814,994	111,881	51,747,348	
Shares issued for cash			39,743,000	3,974	1,402,337	
Shares issued for services			25,077,000	2,508	1,251,342	
Net Loss						
Balance at March 31, 2011	66,500	665	1,183,634,994	118,363	54,401,027	

See notes to unaudited interim financial statements.

BALTIA AIR LINES, INC.
(A Development Stage Company)

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2011

1. Basis of Presentation

The Financial Statements presented herein have been prepared by us in accordance with the accounting policies described in our December 31, 2010 Annual Report on Form 10-K and should be read in conjunction with the notes to financial statements which appear in that report.

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on going basis, we evaluate our estimates, including those related to intangible assets, income taxes, insurance obligations and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates under different assumptions or conditions.

In the opinion of management, the information furnished in this Form 10-Q reflects all adjustments necessary for a fair statement of the financial position and results of operations and cash flows as of and for the three-month periods ended March 31, 2011 and 2010. All such adjustments are of a normal recurring nature. The Financial Statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include some information and notes necessary to conform to annual reporting requirements.

The financial statements have been presented in a "development stage" format. Since inception, our primary activities have been raising of capital, obtaining financing and obtaining route authority and approval from the U.S. Department of Transportation. We have not commenced our principal revenue producing activities.

2. Earnings/Loss Per Share

Basic earnings per share is computed by dividing income available to common shareholders (the numerator) by the weighted-average number of common shares outstanding (the denominator) for the period. Diluted earnings per share assumes that any dilutive convertible securities outstanding were converted, with related preferred stock dividend requirements and outstanding common shares adjusted accordingly. It also assumes that outstanding common shares were increased by shares issuable upon exercise of those stock options for which market price exceeds the exercise price, less shares which could have been purchased by us with the related proceeds. In periods of losses, diluted loss per share is computed on the same basis as basic loss per share as the inclusion of any other potential shares outstanding would be anti-dilutive. Due to the net losses reported, dilutive common equivalent shares were excluded from the computation of diluted loss per share, as inclusion would be anti-dilutive for the periods presented.

3. Stockholders' Equity

Stock Issued for Services

During the three months ended March 31, 2011 we issued 25,077,000 shares of our common stock in exchange for services. The shares were valued at $ 1.254 million or about $0.05 per share and reflected the share market value at the time of issuance. The shares are not registered and are subject to restrictions as to transferability.

During the three months ended March 31, 2010 we issued 74,347,250 shares of our common stock in exchange for services. The shares were valued at $ 5,948,387 or about $0.08 per share and reflected the share market value at the time of issuance. The shares are not registered and are subject to restrictions as to transferability

Stock Issued for Cash

During the three months ended March 31, 2011 we issued 39.7 million shares of our common stock in exchange for cash. The shares sold for cash were subscribed at $ 1.406 million or about $0.035 weighted average per share.

During the three months ended March 31, 2010 we issued 19.8 million and 44 million shares of our common stock in exchange for cash. The shares sold for cash were subscribed at $ 850,000 or about $0.043 weighted average per share. The options were exercised at par value.

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

The following discussion includes certain forward-looking statements within the meaning of the safe harbor protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that include words such as "believe," "expect," "should," intend," "may," "anticipate," "likely," "contingent," "could," "may," or other future-oriented statements, are forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding our business plans, strategies and objectives, and, in particular, statements referring to our expectations regarding our ability to continue as a going concern, generate increased market awareness of, and demand for, our service, realize profitability and positive cash flow, and timely obtain required financing. These forward-looking statements involve risks and uncertainties that could cause actual results to differ from anticipated results. The forward-looking statements are based on our current expectations and what we believe are reasonable assumptions given our knowledge of the markets; however, our actual performance, results and achievements could differ materially from those expressed in, or implied by, these forward-looking statements.

Our fiscal year ends on December 31. References to a fiscal year refer to the calendar year in which such fiscal year ends.

OVERVIEW

Baltia Air Lines, Inc. the "Company" or "Baltia" or "Baltia Air Lines") is the only Part 121 (heavy jet operator) start-up airline in the United States today that has received Government fitness approval. Baltia is currently conducting the FAA Air Carrier Certification. Baltia Air Lines, Inc. is a New York State corporation.

On December 19, 2008, the U.S. Department of Transportation (DOT) issued its Order to Show Cause, finding that Baltia Air Lines is fit, willing and able to engage in international air transport of persons, property and mail. Baltia was awarded the non-stop route from JFK to St. Petersburg Russia. Baltia was also authorized for worldwide charter services. Baltia had filed its application with the DOT in October 2007.

On March 7, 2009, following the regulatory public comment period and the Presidential Review, the DOT issued the Final Order, making its findings of the Show Cause Order final.

On March 20, 2009 the DOT awarded Baltia Air Lines its initial frequencies for flights from JFK to St. Petersburg

On August 18, 2009, the Company executed the Aircraft Purchase Agreement for the purchase of its first Boeing 747 aircraft.

In the first quarter of 2011, we leased engines on a power by the hour basis from Logistic Air, Inc. The Engines have been delivered and installed.

In the first quarter of 2010, Baltia entered into a line maintenance agreement with Evergreen at JFK.

In the first quarter of 2010, Baltia leased its station facilities from Pulkovo Airport, entered into a fuelling agreement with SOVEX (the exclusive fueling company at Pulkovo Airport), entered into agreement with Pulkovo Caro facility and customs for cargo processing, and entered into a ground servicing agreement with Pulkovo Airport.

In the last quarter of 2010, we purchased our second Boeing 747 aircraft from Kalitta Air.

Baltia currently carries $500,000,000 aircraft liability insurance, and has placed $1.2 billion airline liability insurance through JLT Aerospace meeting the regulatory requirement in preparation for the commencement of revenue service.

Baltia is currently conducting the FAA Air Carrier Certification process under Part 121.

Upon completion of the Air Carrier Certification, Baltia intends to commence scheduled non-stop service from its Base of Operations at Terminal 4, JFK Int'l Airport in New York to Pulkovo II Int'l Airport of St. Petersburg.

Baltia Air Lines, Inc. was organized in the State of New York on August 24, 1989.

Following the commencement of service on the JFK-St. Petersburg route, Baltia's objective is to develop its route network to Russia, Latvia, Ukraine, and Belarus.

Baltia intends to provide full service, i.e. passenger, cargo and mail, and will not be dependent upon one or a few major customers. Baltia has two registered trademarks "BALTIA" and "VOYAGER CLASS" and five trademarks are subject to registration.

There is currently no non-stop service from JFK to St. Petersburg. Connecting service is provided mainly by foreign carriers. Finnair, Lufthansa and SAS are the leading competitors in the US-Russia market. KLM, British Airways, Air France, Austrian Airlines, and Swissair also provide service. However, foreign carriers are required to have intermediate stops at transit airports in their respective countries (Helsinki, Frankfurt, Stockholm, Copenhagen, etc.) because they are "third nation" airlines and as such cannot fly directly between the US and Russia (only a US airline as well as a reciprocating Russian airline is eligible to fly nonstop).
Delta and two Russian airlines, Aeroflot and Transaero, currently operate between JFK and Moscow. With the exception of the JFK-Moscow route, there exists no non-stop competitive air transportation service on the routes for which Baltia can reapply.

Baltia's objective is to establish itself as the leading non-stop carrier in the market niche over the North Atlantic with operations that are profitable and growing over time. In order to accomplish this objective, we intend to establish and maintain high quality service standards which we believe will be competitive with the European airlines currently providing connecting flights. Baltia does not expect to be in direct competition with deep discount airlines, including several East European airlines and the offspring of the former Soviet airline Aeroflot, which provide connecting flights.

Baltia intends to provide First, Business, and Voyager Class accommodations. Baltia's passenger market strategy is tailored to particular preferences of the various segments of its customer base, with marketing attention particularly focused on American business travelers with interests in Russia who require high quality, non-stop service from the US to Russia.

Baltia's initial marketing strategy is based on existing agencies specializing in the market, selected travel and business publications, supplemented by direct mailings to corporate travel planners, and individual American businesses that are currently involved in Russia. Soon after the inauguration of flight service, Baltia plans to implement its frequent flyer program. As the marketing matures, Baltia plans to advertise to the general public throughout the US, and in Russia. Baltia also plans to sponsor selected industry and trade events in the US and in St. Petersburg.

Baltia intends to provide customer service and reservations centers in New York and in St. Petersburg, to list Baltia's schedules and tariffs in the Official Airline Guide, and provide world-wide access to reservations on Baltia's flights through a major Computer Reservations and Ticketing System ("CRS").

The Company intends to activate its reservations service when the DOT issues its order authorizing Baltia to sell tickets (expected to be approximately 30 to 45 days before the inaugural flight).

Baltia has identified the following market segments in the U.S.-Russia market: (i) Business Travelers, (ii) General Tourism, (iii) Ethnic Travelers, (iv) Special Interest Groups, (v) Professional Exchanges, and (vi) Government and Diplomatic Travel.

Baltia believes that the direct non-stop service to be offered by it will be superior to the stop-over service currently offered by foreign airlines. A comparison between the two services with respect to passenger convenience and cargo transport efficiency is set forth below.

BALTIA - US flag, non-stop service:

With non-stop service, a passenger can fly from JFK to St. Petersburg in about 8 hours in a Boeing B747 wide body airplane. Cargo arrives containerized, palletized, and secure.

Foreign, stop-over journeys:

With stop-over service, it would take a passenger 10 to 18 hours to fly through Helsinki, Copenhagen, Moscow, or Frankfurt on a foreign carrier. In addition, passengers must change to narrow-body aircraft at a layover airport. Cargo is "broken up" and manually loaded onto narrow-body aircraft, or trucked from Helsinki.

Baltia plans to operate efficiently and provide consistent high quality service to passengers and cargo shippers alike in order to establish the Company as the preferred airline in the market. The Company also plans to use targeted marketing of its service to maintain and grow its market share.

Because of the increased reliability and comfort of a non-stop flight, Baltia expects to capture a portion of the existing traffic. Further, US government traffic is required by law (Fly America Act) to fly on a US Flag carrier when service is available.

With the Boeing 747 true wide-body aircraft Baltia intends to provide cargo service from JFK to St. Petersburg, offering containers, pallets, and block space arrangements. Baltia expects to carry contract cargo for express shippers. Baltia also plans to market its own "Baltia Courier", "Baltia Express", and "Baltia Priority" express service for letters and packages. Baltia also expects revenues from diplomatic mail and cargo, under the Fly America Act.

Baltia has passenger service and ground service arrangements at JFK and at Pulkovo II Airport in St. Petersburg. As a US carrier flying into a foreign country, Baltia will be eligible to the same degree of priority that a foreign carrier receives when arriving in the US.

Baltia intends to start the JFK-St. Petersburg service with one round-trip flight per week, then increase the frequency to three round trips, and then to five round trips, within a four-month period.

Baltia has been preparing standards for service. The care taken in establishing high standards has implications beyond the launching of the JFK-St. Petersburg flight. Baltia plans to build operating modules and apply that know-how to develop new markets. Once established, Baltia plans to duplicate its JFK-St. Petersburg standards on flights on other transatlantic routes. By the end of year one, Baltia plans to introduce three additional aircraft.

Additional revenues from charter flying. In conjunction with its Part 121 air carrier certification ("Part 121"), (referring to a Federal Aviation Regulations' number, is an industry acronym used to describe a US airline operating heavy jet aircraft) for scheduled service, Baltia intends to seek certification for world wide charter service. Following certification, Baltia plans to utilize aircraft time available between scheduled service, to earn additional revenues from charters. We are also considering qualifying our aircraft for military contracts.

In order to start revenue flight operations, the Company has to complete FAA Air Carrier Certification. During the past two years the Company has been participating in air carrier certification. The Company will carry airline liability insurance as required for a US airline by DOT regulation.

As of March 31, 2011, Baltia had twenty full-time employees and fifteen part-time employees. Baltia's staff includes professionals who have extensive major US airline experience in aircraft maintenance, airline operations, airline regulatory compliance, reservation, info technology, passenger service, and administration.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of our financial statements requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates, judgments and assumptions are continually re-evaluated based upon available information and experience.

Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Areas in which significant judgment and estimates are used include, but are not limited to valuation of long-lived assets and deferred income taxes.

Valuation of Long-Lived Assets: We review the recoverability of our long-lived assets, including buildings, equipment and intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of the asset from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. Our primary measure of fair value is based on discounted cash flows. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

We amortize the costs of other intangibles (excluding goodwill) over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested for impairment, at least annually, and written down to fair value as required.

The Company complies with FASB ASC Topic 718 "Compensation - Stock Compensation," which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. FASB ASC Topic 718 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. FASB ASC Topic 718 requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award the requisite service period (usually the vesting period). No compensation costs are recognized for equity instruments for which employees do not render the requisite service. The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

Our primary type of share-based compensation consists of stock options. We use the Black-Scholes option pricing model in valuing options. The inputs for the valuation analysis of the options include the market value of the Company's common stock, the estimated volatility of the Company's common stock, the exercise price of the warrants and the risk free interest rate.

As of March 31, 2011, there was no unrecognized compensation cost related to non-vested options granted under the plan. The total fair value of shares vested during the three-month period ended March 31, 2011 was $0 (also none during the three-month period ended March 31, 2010).

Income taxes:
The Company accounts for income taxes in accordance with FASB ASC Topic 740 "Income Taxes," which requires accounting for deferred income taxes under the asset and liability method. Deferred income tax asset and liabilities are computed for difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized. The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from tax authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the financial statements as appropriate.

In accordance with GAAP, the Company is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce stockholders equity. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. Management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. Generally, the tax filings are no longer subject to income tax examinations by major taxing authorities for years before 2007. Any potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, state and local tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

RESULTS OF OPERATIONS

We had no revenues during the three months ended March 31, 2011 and 2010 because we do not fly any aircraft and cannot sell tickets.

Our general and administrative expenses decreased $4,164,954 to $2,610,324 in the three months ended March 31, 2010 as compared to $6,775,278 in the three months ended March 31, 2010.

Primarily as a result of the foregoing, we incurred a net loss of $2,771,651 in the three months ended March 31, 2011 as compared to a net loss of $7,168,878 in the three months ended March 31, 2010.

Our future ability to achieve profitability in any given future fiscal period remains highly contingent upon us beginning flight operations. The management believes that the company has the necessary funding to commence revenue flight operations, subject to completion of the FAA Air Carrier Certification. If commenced, there can be no assurance that such operations would be profitable.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have incurred substantial operating and net losses, as well as negative operating cash flows. As of March 31, 2011, our working capital was $(159,967), a decrease of $154,342 from the $(5,625) reported for the comparable period in 2010. Stockholders' equity was $2,175,464 and $2,286,953 at March 31, 2011 and 2010, respectively, a decrease of $111,789 (5%). We had unrestricted cash balance of $35,000 at March 31, 2011, as compared to $52,840 at March 31, 2010.

Our operating activities utilized $1,346,729 in cash during the three months ended March 31, 2011, an increase of $81,205 from the $1,265,524 in cash utilized during the three months ended March 31, 2010.

Our financing activities, from issuance of common stock, provided $1,406,311 and $850,484 in cash during the three months ended March 31, 2011 and 2010, respectively.

As a result of the foregoing, our unrestricted cash decreased by 749,857 to $35,000 at March 31, 2011, as compared to $784,857 at March 31, 2010.

We had no significant planned capital expenditures, budgeted or otherwise, as of March 31, 2011.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

None

Item 4T. Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer, based on evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) required by paragraph (b) of Rule 13a-15 or Rule

15d-15, as of March 31, 2010, have concluded that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Our Chief Executive Officer and Chief Financial Officer also concluded that, as of March 31, 2011 our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There was no change in our internal controls or in other factors that could affect these controls during the three months ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. While existing controls may be adequate at present, upon the commencement of flight revenue service we intend to implement controls appropriate for airline operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

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

During the three months ended March 31, 2011 we issued 25,077,000 shares of our common stock in exchange for services. The shares were valued at $1.254 million or about $0.05 per share and reflected the share market value at the time of issuance. The shares are not registered and are subject to restrictions as to transferability

During the three months ended March 31, 2011 we issued 39.7 million shares of our common stock in exchange for cash. The shares sold for cash were subscribed at $1.406 million or about $0.035 weighted average per share. The options were exercised at par value.

All of the above issuances were deemed to be exempt under rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to a limited number of persons, all of whom were accredited investors, business associates of Baltia or executive officers of Baltia, and transfer was restricted by Baltia in accordance with the requirements of the Securities Act of 1933, as amended. In addition to representations by the above-referenced persons, we have made independent determinations that all of the above-referenced persons were accredited or sophisticated investors, and that they were capable of analyzing the merits and risks of their investment, and that they understood the speculative nature of their investment. Furthermore, all of the above-referenced persons were provided with access to our Securities and Exchange Commission filings.

Item 3. Default Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to Sarbanes-Oxley Section 302, provided herewith.

32.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S. C. Section 1350, provided herewith.

SIGNATURES

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

DATED THIS 20th DAY OF MAY 2011

BALTIA AIR LINES, INC.

/s/ Igor Dmitrowsky

Igor Dmitrowsky
Chief Executive Officer and Chief Financial Officer(principal accounting officer)

EXHIBIT 31.1

BALTIA AIR LINES, INC.
OFFICER'S CERTIFICATE PURSUANT TO SECTION 302

I, Igor Dmitrowsky, the Chief Executive Officer and Chief Financial Officer of Baltia Air Lines, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Baltia Air Lines, Inc.;

2. Based on my knowledge, this 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 small business issuer as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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(s) 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 the 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.

Date: May 20, 2011

/s/ Igor Dmitrowsky

Igor Dmitrowsky
Chief Executive Officer and Chief Financial Officer (principal accounting officer)

EXHIBIT 32.1

BALTIA AIR LINES, INC.
CERTIFICATION 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 Baltia Air Lines, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Igor Dmitrowsky, Chief Executive Officer and Chief

Financial Officer (principal accounting officer) of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Baltia Air Lines, Inc. and will be retained by Baltia Air Lines, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 20, 2011

/s/ Igor Dmitrowsky

Igor Dmitrowsky

Chief Executive Officer and Chief Financial Officer (principal accounting officer)