SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2013-01-14** | Period of Report: **2012-11-30**
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FILER

AURA SYSTEMS INC

CIK:**826253**| IRS No.: **954106894** | State of Incorp.:**DE** | Fiscal Year End: **0228**
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SIC: **3690** Miscellaneous electrical machinery, equipment & supplies

Mailing Address
2335 ALASKA AVE
EL SEGUNDO CA 90245

Business Address
2335 ALASKA AVE
EL SEGUNDO CA 90245
3106435300

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended..November 30, 2012
OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from.........................to............................

AURA SYSTEMS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**95-4106894**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1310 E. Grand Ave.
El Segundo, California 90245
(Address of principal executive offices)

Registrant's telephone number, including area code: **(310) 643-5300**

Former name, former address and former fiscal year, if changed since last report:

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated file, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Act).

Large Accelerated Filer ♦	Accelerated Filer ♦
Non-accelerated filer ♦	Smaller Reporting Company [x]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes♦ No [x]

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yesξ 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 January 7, 2013
Common Stock, par value $0.0001 per share	72,900,206 shares

AURA SYSTEMS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AURA SYSTEMS, INC.
CONDENSED BALANCE SHEETS
(Unaudited)

	November 30, 2012	February 29, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 39,131	$ 6,260
Accounts receivable, net of allowance for doubtful accounts of $50,000 and $60,000 at November 30, 2012 and February 29, 2012, respectively	740,627	794,704
Inventory - current	1,000,000	1,000,000
Other current assets	390,515	535,768
Total current assets	2,170,273	2,336,732
Property, plant, and equipment, net	72,355	198,138
Inventory, non-current, net of allowance for obsolete inventory of $1,369,094 and $1,563,066 at November 30, 2012 and February 29, 2012, respectively	1,440,489	1,604,000
Total assets	$ 3,683,117	$ 4,138,870
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Bank overdraft	$ -	$ 16,068
Accounts payable	984,058	770,507
Accrued expenses	1,473,142	1,019,959
Customer advances	61,737	57,211
Notes payable	721,000	150,000
Convertible notes payable, net of discount	1,138,301	1,064,644
Notes payable and accrued interest- related party	17,017,778	12,562,743
Total current liabilities	21,396,016	15,641,132
Convertible note payable, net of discount	-	96,786
Convertible promissory note Payable, net of discount	1,075,523	-
Total liabilities	22,471,539	15,737,918
Commitments and contingencies		
Stockholders' deficit :		
Common stock, $0.0001par value; 150,000,000 shares authorized 72,900,206 and 71,942,669 issued and outstanding at November 30, 2012 and February 29, 2012	7,290	7,194
Additional paid-in capital	395,194,422	393,801,622
Accumulated deficit	(413,990,134)	(405,407,864)
Total stockholders' deficit	(18,788,422)	(11,599,048)

Total liabilities and stockholders' deficit	$ 3,683,117	$ 4,138,870

See accompanying notes to these unaudited condensed financial statements.

AURA SYSTEMS, INC.
CONDENSED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2012 AND 2011
(Unaudited)

	Three Months		Nine Months	
	2012	**2011**	**2012**	**2011**
Net Revenues	$ 1,215,024	$ 527,185	$ 2,286,496	$ 2,093,955
Cost of goods sold	644,648	341,802	1,104,674	997,948
Gross Profit	570,376	185,383	1,181,822	1,096,007
Expenses				
Engineering, research and development expenses	312,262	337,631	1,008,954	993,411
Selling, general and administrative expenses	3,496,624	2,895,689	8,024,082	10,755,327
Total costs and expenses	3,808,886	3,233,320	9,033,036	11,478,738
Loss from operations	(3,238,510)	(3,047,937)	(7,851,214)	(10,652,731)
Other (income) and expense				
Interest expense, net	1,009,131	672,372	2,834,226	1,176,358
(Gain) loss on settlement of debt	-	(447,585)	-	(714,340)
Other (income) expense, net	(2,095,000)	(85)	(2,103,166)	(15,036)
Total other (income) expense	(1,085,869)	224,702	731,060	446,982
Net Loss	$ (2,152,641)	$ (3,272,639)	$ (8,582,274)	$(11,099,713)
Total basic and diluted loss per share	$ (0.03)	$ (0.05)	$ (0.12)	$ (0.17)
Weighted average shares used to compute basic and diluted income (loss) per share*	72,750,310	70,131,472	72,381,581	66,621,897

*Basic and diluted weighted average number of shares are equivalent since the effect of potential dilutive securities is anti-dilutive.

See accompanying notes to these unaudited condensed financial statements.

AURA SYSTEMS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED NOVEMBER 30, 2012 AND 2011
(Unaudited)

	2012	2011
Cash flow from operating activities:	$ (8,582,274)	$ (11,099,713)
Net Loss		
Adjustments to reconcile Net loss to net cash used in operating activities		
Depreciation Expense	125,783	137,440
Bad debt expense	(4,227)	-
Amortization of debt discount	1,806,354	366,830
(Gain) Loss on settlement of debt	-	(714,340)
Stock issued for services	316,000	510,000
Provision for inventory obsolescence	(193,972)	(154,109)
Amortization of prepaid shares	393,328	266,135
Fair market value of stock options granted	204,961	3,750,513
Beneficial conversion feature on convertible debt	-	70,641
(Increase) decrease in:		
Accounts receivable	58,304	(250,687)
Inventory	357,486	395,143
Other current assets and deposit	(248,075)	(33,326)
Increase (decrease) in:		
Accounts payable, customer deposit and accrued expenses	1,624,993	763,895
Net cash used in operations	(4,141,339)	(5,991,578)
Financing activities:		
Issuance of common stock	152,000	1,453,520
Proceeds from notes payable	2,671,000	3,812,000
Payments on notes payable	(2,143,750)	(207,500)
Proceeds from notes payable-related party, net	3,494,960	975,000
Net cash provided by financing activities:	4,174,210	6,033,020
Net increase(decrease) in cash & cash equivalents	32,871	41,442
Cash and cash equivalents at beginning of period	6,260	104,815
Cash and cash equivalents at end of period	$ 39,131	$ 146,257
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 25,780	$ 60,136
Income taxes	-	-

During the nine months ended November 30, 2012, $259,729 of notes payable and accrued interest were converted into 341,748 shares of common stock and 415,789 shares of common stock were issued for services rendered valued at $316,000.

See accompanying notes to these unaudited condensed financial statements.

AURA SYSTEMS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - ACCOUNTING POLICIES

Accounting principles

In the opinion of management, the accompanying balance sheets and related interim statements of income and comprehensive income, and cash flows include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with information included in the Company's 2012 Form 10-K filed on May 29, 2012 with the U.S. Securities and Exchange Commission.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In December 2011, the FASB issued ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"), to improve reporting and transparency of offsetting (netting) assets and liabilities and the related affects on the financial statements. ASU 2011-11 is effective for fiscal years and interim periods within those years beginning after January 1, 2013. All disclosures provided by those amendments are required to be provided retrospectively for all comparative periods presented. We are currently evaluating the impact of this new ASU.

On June 16, 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." This ASU eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. An entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. ASU No. 2011-05 also requires reclassifications of items out of accumulated other comprehensive income to net income to be measured and presented by income statement line item in both the statement where net income is presented and the statement where other comprehensive income is presented. However, on December 23, 2011, the FASB issued ASU No. 2011-12, "Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05" to defer this new requirement. There was no material impact on our financial statements upon adoption.

Reclassifications

Certain reclassifications have been made to the comparative financial statements to conform to the current period presentation.

NOTE 2 – GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. During the nine months ended November 30, 2012 and November 30, 2011, the Company incurred losses of $8,582,274 and $11,099,713, respectively and had negative cash flows from operating activities of $4,141,339 and $5,991,578, respectively.

If the Company is unable to generate profits and is unable to continue to obtain financing for its working capital requirements, it may have to curtail its business sharply or cease business altogether.

Substantial additional capital resources will be required to fund continuing expenditures related to our research, development, manufacturing and business development activities. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to retain its current financing, to obtain additional financing, and ultimately to attain profitability.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that could result from the outcome of this uncertainty.

During the next twelve months we intend to continue to expand our AuraGen/Viper business both domestically and internationally. There are four major components necessary to execute a significantly expanding business; (i) augmentation of management and staff, (ii) purchase orders, (iii) facilities and equipment, and (iv) working capital. We plan to add senior quality assurance and quality control staff as well as a number of mechanical and electrical engineers, a number of technicians, and a number of test engineers. We had planned to take these steps in the current fiscal year, but a lack of resources prevented us from doing so. We anticipate being able to fund these additions in the upcoming fiscal year.

NOTE 3 – INVENTORIES

Inventories, stated at the lower of cost (first in first out), or market consisted of the following:

	November 30, 2012	February 29, 2012
Raw materials	$ 1,964,797	$ 1,812,523
Finished goods	1,844,786	2,354,543
	3,809,583	4,167,066
Reserve for potential product obsolescence	(1,277,148)	(1,460,683)
Discount on long term inventory	(91,946)	(102,383)
	2,440,489	2,604,000
Non-current portion	(1,440,489)	(1,604,000)
Current portion	$ 1,000,000	$ 1,000,000

We assessed the net realize-ability and the related potential obsolescence of inventory. In accordance with this assessment, management has recorded a reserve of $1,277,148 and $1,460,683 as of November 30, 2012 and February 29, 2012, respectively. Management has also recorded a discount on long term inventory of $91,946 and $102,383 as of November 30, 2012 and February 29, 2012, respectively.

NOTE 4 – OTHER CURRENT ASSETS

Other assets of $390,515 and $535,768 are primarily comprised short term deposits of $90,552 and $353,344 as of November 30, 2012 and February 29, 2012.

NOTE 5 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following:

	November 30, 2012	February 29, 2012
Machinery and equipment	$ 964,111	$ 964,111
Furniture and fixtures	163,302	163,302
Leasehold improvements	485,080	485,080
	1,612,493	1,612,493
Less accumulated depreciation	(1,540,138)	(1,414,355)
Property, plant and equipment, net	$ 72,355	$ 198,138

Depreciation expense was $125,783 and $137,440 for the nine months ended November 30, 2012 and November 30, 2011, respectively.

NOTE 6 – NOTES PAYABLE

Notes payable consisted of the following:

	November 30, 2012	February 29, 2012
Demand notes payable, at 10%	$ 721,000	$ 150,000
Convertible Promissory Note dated August 10, 2012, due August 10, 2017, convertible into shares of our common stock at a price of $0.76 per share. The note carries an interest rate of 7% with interest only payments due on the 10th of each month with the principal payment due on the maturity date.	708,520	-
Convertible Promissory Note dated October 2, 2012, due October 2, 2017, convertible into shares of our common stock at a price of $0.76 per share. The note carries an interest rate of 7% with interest only payments due on the 2nd of each month with the principal payment due on the maturity date.	367,003	-
Convertible Promissory Note dated November 2, 2012, due January 4, 2013, convertible into shares of our common stock at a price of $0.76 per share. The note carries an interest rate of 7% with interest only payments due on the 2nd of each month with the principal payment due on the maturity date.	350,000	-
Senior secured convertible note dated September 23, 2011, due March 23, 2013, with 12 monthly payments commencing April 23, 2012 of $306,250 per month. The notes have a stated interest rate of 0%, with prepaid interest of $175,000. Balance net of Beneficial Conversion Feature	788,301	1,161,430
	2,934,824	1,311,430
Less: Current portion	$ 1,859,301	$ 1,214,644
Long-term portion	$ 1,075,523	$ 96,786

CONVERTIBLE DEBT

On September 23, 2011, Aura Systems, Inc. entered into purchase agreements to sell convertible notes with a total principal value of $3,675,000 and warrants to purchase shares of common stock. The notes have a 1.5 year maturity date and are convertible into shares of common stock at the initial conversion price of $0.75 per share. The warrants entitle the investors to acquire 4,900,000 and 490,000 shares and have an initial exercise price of $1 and $0.75 per share, respectively, and have a 5 year term. The proceeds of Convertible note were assigned between warrants and convertible note per ASC 470-20. The company recorded $175,000 as a discount (prepaid interest), $1,006,482 as capitalized financing cost and a discount of $1,790,482 on shares to be issued upon conversion of the note into equity. This discount (prepaid interest), capitalized finance cost and discount will be amortized over the life of the note.

CONVERTIBLE PROMISSORY NOTES

At November 30, 2012 and February 29, 2012, the three other convertible promissory note payable amounted to $1,425,522 and Nil, respectively, net of discounts of $424,477 and Nil, respectively. The convertible notes (the "Notes") bear interest at 7% per annum, and are convertible into common stock of the Company at $0.76 per share (as well as variable conversion rates as described below). The notes are due on August 10, 2017, October 2, 2017, and January 4, 2013 and are unsecured.

7% Convertible Promissory Notes:

On August 10, 2012 the Company entered into an agreement with the individual (the "holder") for the sale of $1,000,000 of unsecured Convertible Promissory Note (the "Note") to the holder. The Convertible Promissory Note balance together with all accrued interest thereon shall be due and payable on August 10, 2017 and the annual interest rate is 7% per annum and is due to be repaid 5 years from the closing date. The Note holder will receive interest on the unpaid principal amount payable monthly in arrears on the tenth day of each calendar month commencing September 10, 2012. Interest shall be computed on the actual number of days elapsed over a 360-day year. The Holder has the right from and after the Date of Issuance, and until any time until the Convertible promissory note is fully paid, to convert any outstanding and unpaid principal portion of the Convertible promissory note into shares of Common.

On October 2, 2012 the Company entered into an agreement with the individual (the "holder") for the sale of $500,000 of unsecured Convertible Promissory Note (the "Note") to the holder. The Convertible Promissory Note balance together with all accrued interest thereon shall be due and payable on October 2, 2017 and the annual interest rate is 7% per annum and is due to be repaid 5 years from the closing date. The Note holder will receive interest on the unpaid principal amount payable monthly in arrears on the second day of each calendar month commencing November 2, 2012. Interest shall be computed on the actual number of days elapsed over a 360-day year. The Holder has the right from and after the Date of Issuance, and until any time until the Convertible promissory note is fully paid, to convert any outstanding and unpaid principal portion of the Convertible promissory note into shares of Common.

On November 2, 2012 the Company entered into an agreement with the individual (the "holder") for the sale of $350,000 of unsecured Convertible Promissory Note (the "Note") to the holder. The Convertible Promissory Note balance together with all accrued interest thereon shall be due and payable on January 4, 2013 and the annual interest rate is 7% per annum and is due to be repaid 2 months from the closing date. The Note holder will receive interest on the unpaid principal amount payable monthly in arrears on the second day of each calendar month commencing December 2, 2012. Interest shall be computed on the actual number of days elapsed over a 360-day year. The Holder has the right from and after the Date of Issuance, and until any time until the Convertible promissory note is fully paid, to convert any outstanding and unpaid principal portion of the Convertible promissory note into shares of Common.

The Convertible Notes have a variable conversion price. If, at any time while the Notes remain outstanding, the Company issues or sells any Convertible Securities and the lowest price per share for which one share of Common Stock is issuable upon the conversion, exercise or exchange thereof is less than the then Conversion Price of the Notes (such lower price, the "Dilutive Price"), then the Conversion Price of these Notes shall be adjusted to reflect such Dilutive Price. Such adjustment shall be made upon the issuance or sale of the Convertible Security bearing a dilutive price. In the event of default for the Notes, the amount of principal and interest not paid when due becomes immediately due and payable.

The Company has valued the derivative liability for the convertible promissory note using the Black – Scholes model as of August 10, 2012 and November 30, 2012.

As of November 30, 2012 the fair value of the conversion features subject to derivative accounting was $424,477. The value of the conversion feature as of November 30, 2012 was determined using the Black-Scholes method based on the following assumptions: (1) risk free interest rate of 0.59%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 71.29%; and (4) expected life of the conversion features of 5 years.

NOTE 7 - ACCRUED EXPENSES

Accrued expenses consisted of the following:

	November 30, 2012	February 29, 2012
Accrued payroll and related expenses	$ 1,444,957	$ 993,652
Accrued interest	17,880	82
Other	10,305	26,225
Total	$ 1,473,142	$ 1,019,959

Accrued payroll and related expenses consisted primarily of salaries accrued but not paid to certain employees. As of November 30, 2012 and February 29, 2012, these amounts total $907,651 and $524,989, respectively. Also included in this amount is accrued vacation expense of $412,172 and $306,562 at November 30, 2012 and February 29, 2012, respectively.

NOTE 8–SHAREHOLDERS' EQUITY

Common Stock

During the nine months ended November 30, 2012, we issued 415,789 shares of Common Stock for services rendered valued at $316,000, 200,000 shares of common stock for consideration of $152,000, and 341,748 shares upon conversion of $259,729 of notes payable and accrued interest.

During the nine months ended November 30, 2011, we issued 2,460,849 shares of Common Stock for cash consideration of $1,453,520. We also issued 2,227,612 shares of Common Stock for the conversion of $1,515,960 of notes payable and accrued interest, 1,225,000 shares of Common Stock for services to be rendered in the amount of $885,000, 908,593 shares of Common Stock in satisfaction of $599,492 of accounts payable, 859,999 shares as finders fees, and 3,042,199 shares of Common Stock in satisfaction of $2,259,865 of accrued and unpaid compensation.

Employee Stock Options

During the nine months ended November 30, 2012, the Company granted 566,500 options to certain employees. These options vest over three years, have an exercise price of $0.75, and have a five year life. The grant date fair value of these options amounted to $147,470 which was calculated using the Black-Scholes option pricing model with the following assumptions: risk free rate of return of 0.62%, volatility of 70.85%, a dividend yield of 0%, and an expected life of 5 years.

In September, 2006, our Board of Directors adopted the 2006 Employee Stock Option Plan. Activity in this plan is as follows:

2006 Plan	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Number of Options
Outstanding, February 29, 2012	$0.75-$1.00	$0.00	6,268,500
Cancelled	$0.75		(313,000)
Granted	$0.75		566,500
Outstanding, November 30, 2012	$0.75-$1.00	$0.00	6,522,000

The exercise prices for the options outstanding at November 30, 2012, and information relating to these options is as follows:

Options Outstanding				Exercisable Options		
Range of Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
$0.75-$1.00	6,522,000	2.28 years	$ 0.80	1.84 years	5,162,328	$ 0.78

Warrants

Activity in issued and outstanding warrants is as follows:

	Number of Shares	Exercise Prices
Outstanding, February 29, 2012	31,009,738	$0.75-$4.00
Granted	406,941	$1.00
Expired	(983,390)	$3.00-$4.00
Outstanding, November 30, 2012	30,433,289	$0.75-$4.00

The exercise prices for the warrants outstanding at November 30, 2012, and information relating to these warrants is as follows:

Range of Exercise Prices	Stock Warrants Outstanding	Stock Warrants Exercisable	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price of Warrants Outstanding	Weighted-Average Exercise Price of Warrants Exercisable	Intrinsic Value
$1.00	406,941	406,941	56 months	$1.00	$1.00	$0.00
$0.75-$1.00	6,225,000	6,225,000	46 months	$0.99	$0.99	$0.00
$1.00	16,722,787	16,722,787	45 months	$1.00	$1.00	$0.00
$1.50	155,000	155,000	40 months	$1.50	$1.50	$0.00
$0.75-1.50	1,109,198	1,109,198	37 months	$1.17	$1.17	$0.00
$1.50	156,000	156,000	33 months	$1.50	$1.50	$0.00
$1.50	704,000	704,000	32 months	$1.50	$1.50	$0.00
$1.50	350,642	350,642	29 months	$1.50	$1.50	$0.00
$0.75-$2.00	58,000	58,000	25 months	$1.78	$1.78	$0.00
$2.00	725,721	725,721	22 months	$2.00	$2.00	$0.00
$0.75-2.00	3,650,000	3,650,000	19 months	$1.03	$1.03	$0.00
$3.00	170,000	170,000	12 months	$3.00	$3.00	$0.00
	30,433,289	30,433,289				

NOTE 9 –INCOME TAXES

Our effective tax rates were approximately 0.0% for the nine months ended November 30, 2012 and 2011. Our effective tax rate was lower than the U.S. federal statutory rate primarily due to the fact that we record a full valuation allowance against our deferred tax assets, which is primarily comprised of net operating losses.

NOTE 10 - SEGMENT INFORMATION

We are a United States based company providing advanced technology products to various industries. The principal markets for our products are North America, Europe, and Asia. All of our operating long-lived assets are located in the United States. We operate in one segment.

Total net revenues from customer geographical segments are as follows for the nine months ended November 30, 2012 and 2011:

	2012	2011
United States	$ 1,488,536	$ 1,511,131
Canada	76,197	467,184
Europe	54,261	59,247
Asia	631,058	34,725
Other	36,444	21,668
Total	$ 2,286,496	$ 2,093,955

NOTE 11 – SIGNIFICANT CUSTOMERS

Concentration Risk

In the nine months ended November 30, 2012, we sold AuraGen related products to three significant customers whose sales comprised 26%, 18% and 17% of net sales, respectively. Net accounts receivable from these customers at November 30, 2012 were $83,388, $419,321and $102,585 respectively. These customers are not related to or affiliated with us. In the nine months ended November 30, 2011, we sold AuraGen related products to four significant customers whose sales comprised 35%, 33%, 25% and 15% of net sales, respectively. Net accounts receivable from these customers were $47,936, $152,175, $155,035 and $21,843, respectively. These customers are not related to or affiliated with us.

NOTE 12 – RELATED PARTIES TRANSACTIONS

At November 30, 2012 the balance consists of $13,919,960 of unsecured notes payable plus accrued interest of $3,097,818 to a member of our Board of Directors, payable on demand, bearing interest at a rate of 10% per annum. The notes are subordinated to the Convertible Debt we entered into on September 23, 2011. During the nine months ended November 30, 2012 and November 30, 2011, interest amounting to $960,078 and $459,417 respectively, was incurred on these notes. During the quarter ended November 30, 2012, we repaid $940,040 of principal on these notes from the proceeds of a legal settlement.

During the nine months period ended November 30, 2012, Aura Systems made advances for legal fees of $150,000 to a law firm of a relative of a major shareholder of the Company. This law firm received $512,022 of the legal settlement we entered into with our former bankruptcy attorneys.

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

Forward Looking Statements

This Report contains forward-looking statements within the meaning of the federal securities laws. Statements other than statements of historical fact included in this Report, including the statements under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," regarding future events or prospects are forward-looking statements. The words "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans" "would "should," "may," or other similar expressions in this Report, as well as other statements regarding matters that are not historical fact, constitute forward-looking statements. We caution investors that any forward-looking statements presented in this Report are based on the beliefs of, assumptions made by, and information currently available to, us. Such statements are based on assumptions and the actual outcome will be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control or ability to predict. Although we believe that our assumptions are reasonable, they are not guarantees of future performance and some will inevitably prove to be incorrect. As a result, our actual future results may differ from our expectations, and those differences may be material. Accordingly, investors should use caution in relying on forward-looking statements to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include the following:

- Our ability to generate positive cash flow from operations;
- Our ability to obtain additional financing to fund our operations;
- Our business development and operating development; and
- Our expectations of growth in demand for our products.

For further information regarding these and other risks and uncertainties, we refer you to Part I, Item 1A of our Form 10-K for the fiscal year ended February 29, 2012.

We do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except to the extent required by law. You should interpret all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf as being expressly qualified by the cautionary statements in this Report. As a result, you should not place undue reliance on these forward-looking statements.

Overview

We design, assemble and sell the AuraGen®, our patented mobile power generator that uses a prime mover such as the engine of a vehicle to generate power. The AuraGen® delivers on-location, plug-in electricity for any end use, including industrial, commercial, recreational and military applications. We began commercializing the AuraGen® in late 1999 and sold our first commercial units in late 2000 and early 2001. To date, AuraGen® units have been sold in numerous industries, including recreational, utilities, telecommunications, emergency/rescue, public works, catering, oil and gas, transportation, government and the military.

We have not yet achieved a level of AuraGen® sales sufficient to generate positive cash flow. Accordingly, we have depended on repeated infusions of cash in order to maintain liquidity as we have sought to develop sales.

Our financial statements included in this report have been prepared on the assumption that we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, as a result of our losses from operations, there is substantial doubt about our ability to continue as a going concern. Our independent auditors, in their report on the Company's financial statements for the year ended February 29, 2012 expressed substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that may result from our possible inability to continue as a going concern.

Our ability to continue as a going concern is dependent upon the successful achievement of profitable operations, and the ability to generate sufficient cash from operations and obtain financing resources to meet our obligations. There is no assurance that such efforts will be successful.

Our current level of sales reflects our efforts to introduce a new product into the marketplace. Until recently, many purchases of the product were for evaluation purposes. Recently we started to receive repeat orders for larger quantities as different organizations are integrating our products into their vehicles. We seek to achieve profitable operations by obtaining market acceptance of the AuraGen® as a competitive - if not superior - product providing mobile power anywhere anytime. There can be no assurance that this success will be achieved.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements requires management to make estimates and disclosures on the date of the financial statements. On an on-going basis, we evaluate our estimates, including, but not limited to, those related to revenue recognition. We use authoritative pronouncements, historical experience and other assumptions as the basis for making judgments. Actual results could differ from those estimates. We believe that the following critical accounting policies affect our more significant judgments and estimates in the preparation of our consolidated financial statements.

Revenue Recognition

We are required to make judgments based on historical experience and future expectations, as to the reliability of shipments made to our customers. These judgments are required to assess the propriety of the recognition of revenue based on Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition," and related guidance. Because sales are currently in limited volume and many sales are for evaluative purposes, we have not booked a general reserve for returns. We will consider an appropriate level of reserve for product returns when our sales increase to commercial levels.

Inventory Valuation and Classification

Inventories consist primarily of components and completed units for our AuraGen® product. Inventories are valued at the lower of cost (first-in, first-out) or market. Provision is made for estimated amounts of current inventories that will ultimately become obsolete due to changes in the product itself or vehicle engine types that go out of production. We are holding inventories in excess of what we expect to sell in the next fiscal year. The net inventories which are not expected to be realized within a 12-month period based on current sales forecasts have been reclassified as long term. Management believes that existing inventories can, and will, be sold in the future without significant costs to upgrade it to current models and that the valuation of the inventories, classified both as current and long-term assets, accurately reflects the realizable values of these assets. The AuraGen® product being sold currently is not technologically different from those in current use. Existing finished goods inventories can be upgraded to the current model with only a small amount of materials and manpower. We make these assessments based on the following factors: i) existing orders, ii) age of the inventory, iii) historical experience and iv) our expectations as to future sales. If expected sales volumes do not materialize, there would be a material impact on our financial statements.

Valuation of Long-Lived Assets

Long-lived assets, consisting primarily of property and equipment, and patents and trademarks, comprise a portion of our total assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying values August not be recoverable. Recoverability of assets is measured by a comparison of the carrying value of an asset to the future net cash flows expected to be generated by those assets. Net cash flows are estimated based on expectations as to the realize-ability of the asset. Factors that could trigger a review include significant changes in the manner of an asset's use or our overall strategy.

Specific asset categories are treated as follows:

Accounts Receivable: We record an allowance for doubtful accounts based on our expectation of collect-ability of current and past due accounts receivable.

Property, Plant and Equipment: We depreciate our property and equipment over various useful lives ranging from five to ten years. Adjustments are made as warranted when market conditions and values indicate that the current value of an asset is less than its net book value.

When we determine that an asset is impaired, we measure any such impairment by discounting an asset's realizable value to the present using a discount rate appropriate to the perceived risk in realizing such value. When we determine that an impaired asset has no foreseeable realizable value, we write such asset down to zero.

Results of Operations

Nine months ended November 30, 2012 compared to nine months ended November 30, 2011

Net revenues for the nine months ended November 30, 2012 (the "Nine months FY2013") increased $192,541 to $2,286,496 from $2,093,955 in the nine months ended November 30, 2011 (the "Nine months FY2012"), an increase of 9%. The increase is primarily attributable to an increase in sales to an existing customer and sales to a new customer, partially offset by reductions in sales to other existing customers. Our customers typically order on an as needed basis and therefore our sales can fluctuate substantially between periods based on our customers' needs at a given time.

Cost of goods increased $106,726 (11%) to $1,104,674 in the Nine months FY2013 from $997,948 in the Nine months FY2012. The increase in cost of goods is a result of the increase in sales for the period.

Engineering, research and development expenses increased $15,543 (2%) to $1,008,954 in the Nine months FY2013 from $993,411 in the Nine months FY 2012. In the past, we have reduced our expenditures in this area due (i)our financial situation, and (ii) due to reduced efforts in developments of new configurations. With major new contracts and customers we now expect to increase our expenditures in this area in the near future.

Selling, general and administrative expense decreased $2,731,245 (25%) to $8,024,082 in the Nine months FY2013 from $10,755,327 in the Nine months FY2012. The decrease is primarily attributable to a decrease in non-cash charges of approximately $3,545,000 for stock option expense, partially offset by an increase in marketing expenses of approximately $250,000 and an increase in legal expenses of approximately $845,000. The increase in legal expenses is associated with the settlement of a lawsuit against our former bankruptcy attorneys in the amount of $2,095,000. Of this amount approximately $1,155,000 in legal expenses were incurred. We also incurred approximately $140,000 of expenses associated with the moving of our production operations to our headquarters building.

Net interest expense in the Nine months FY2013 increased $1,657,868 (141%) to $2,834,226 from $1,176,358 in the Nine months FY2013 as a result of our increased debt levels, primarily our 10% demand note payable to a member of our Board of Directors, an increase in the non-cash amortization of the debt discount, warrant expense and beneficial conversion feature of $1,548,241 on the financing completed in the third quarter of FY2012 and the non-cash amortization of $35,733 of the debt discount on the convertible note entered into in the second and third quarters of Fiscal 2013.

Other income for the Nine months FY2013 increased $2,088,130 to $2,103,166 from $15,036 in the Nine months FY2013 as a result of the legal settlement we entered into with our former bankruptcy attorneys in the amount of $2,095,000.

Our net loss for the Nine months FY2013 decreased $2,517,439 to $8,582,274 from $11,099,713 in the Nine months FY2012, primarily as a result of the decrease in stock option expense of $3,545,000, partially offset by the increase in the interest expense noted above of $1,657,868, and the recording of $2,095,000 in income from the settlement of a legal dispute noted above, partially offset by the additional legal expenses of $845,000. This net loss included $1,806,354 in amortization expenses described above.

Three months ended November 30, 2012 compared to three months ended November 30, 2011

Net revenues for the three months ended November 30, 2012 (the “Third Quarter FY2013”) increased $687,839 to $1,215,024 from $527,185 in the three months ended November 30, 2011 (the “Third Quarter FY2012”), an increase of 130%. The increase is primarily attributable to an increase in sales to an existing customer and sales to a new customer.

Cost of goods increased $302,846 (89%) to $644,648 in the Third Quarter FY2013 from $341,802 in the Third Quarter FY2012. The increase in cost of goods is primarily a result of the increase in sales.

Engineering, research and development expenses decreased $25,369 (8%) to $312,262 in the Third Quarter FY2013 from $337,631 in the Third Quarter FY 2012. These expenses have decreased substantially in prior periods, but are expected to increase in future periods.

Selling, general and administrative expense increased $600,935 (21%) to $3,496,624 in the Third Quarter FY2013 from $2,895,689 in the Third Quarter FY2012. The increase is primarily attributable to an increase in legal expenses of $845,000 associated with a legal settlement, expenses of approximately $140,000 incurred in moving our production facilities to our headquarters building, partially offset by a decrease in consulting expenses of approximately $430,000.

Net interest expense in the Third Quarter FY2013 increased $336,759 (50%) to $1,009,131 from $672,372 in the Third Quarter FY2012 as a result of our increased debt levels, primarily our 10% demand note payable to a member of our Board of Directors and the amortization of the debt discount, warrant expense and beneficial conversion feature of $590,207 on the financing completed in the third quarter of FY2012 and the non-cash amortization of $20,122 of the debt discount on the convertible notes entered into in the second and third quarters of Fiscal 2013.

Other income for the Third Quarter FY2013 increased $2,094,915 to $2,095,000 from $85 in the Third Quarter FY2013 as a result of the legal settlement we entered into with our former bankruptcy attorneys in the amount of $2,095,000

Our net loss for the Third Quarter FY2013 decreased $1,119,998 to $2,152,641 from $3,272,639 in the Third Quarter FY2012, primarily as a result of the legal settlement noted above, offset by the increase in legal expenses, along with the increase in sales and the resultant increase in gross profit, expenses associated with moving our facilities and the reduction in consulting expenses.

Liquidity and Capital Resources

We had cash of approximately $39,000 and $6,000 as of November 30, 2012, and February 29, 2012, respectively. We had a working capital deficit at November 30, 2012, and February 29, 2012 of $19,225,743 and $13,304,400, respectively. The working capital deficit includes notes payable and accrued interest to related parties of $17,017,778 and $12,562,743 as of November 30 and February 29, 2012, respectively. As of November 30, 2012, we had accounts receivable, net of allowance for doubtful accounts, of $740,627 compared to $794,704 as of February 29, 2012.

Net cash used in operations for the nine months ended November 30, 2012, was $4,141,339, a decrease of $1,850,239 from the comparable period in the prior fiscal year. Net cash provided by financing activities during the nine months ended November 30, 2012, was $4,174,210, resulting from net proceeds from notes payable of $4,022,210 and proceeds from the issuance of common stock of $152,000.

There were no acquisitions of property and equipment in the nine months FY 2013 or the nine months FY 2012.

Accrued expenses as of November 30, 2012 increased $453,183 to $1,473,142 from $1,019,959 as of February 29, 2012. Approximately $910,000 of accrued expenses is salaries accrued but unpaid to certain employees and ex-employees due to a lack of resources, and approximately $412,000 is accrued but unused vacation time earned by employees.

Net proceeds from the issuance of debt totaled $4,022,210 in the nine months FY 2013, compared with $4,579,500 in the nine months FY 2012. Net debt proceeds of $3,494,960 in the nine months of FY2013 were from a member of our Board of Directors, and debt repayments totaling $2,143,750 were made on the $3.5 million financing completed in the third quarter fiscal 2012. As of December 31, 2012, the total amount owing our board member is $13,919,960 plus accrued interest of approximately $3,225,000. The notes are subordinated to the Convertible Debt we entered into on September 23, 2011. If the Board member were to demand repayment, we do not currently have the resources to make the payment.

The Company had a deficit of $18,788,422 in shareholders' equity as of November 30, 2012, compared to $11,599,048 as of February 29, 2012. The deficit includes approximately $12.5 million of non-cash expenses resulting from charges for stock option and warrant expense for fiscal years 2008 through the first nine months of fiscal year 2013.

Since 2002 substantially all of our revenues from operations have been derived from sales of the AuraGen®. The cash flow generated from our operations to date has not been sufficient to fund our working capital needs, and we cannot predict when operating cash flow will be sufficient to fund working capital needs.

In the past, in order to maintain liquidity we have relied upon external sources of financing, principally equity financing and private indebtedness. We have no bank line of credit and require additional debt or equity financing to fund ongoing operations. The issuance of additional shares of equity in connection with any such financing could dilute the interests of our existing stockholders, and such dilution could be substantial. If we cannot raise needed funds, we would also be forced to make further substantial reductions in our operating expenses, which could adversely affect our ability to implement our current business plan and ultimately our viability as a company.

Capital Transactions

During the quarter ended November 30, 2012, we issued 65,789 shares of Common Stock for services rendered valued at $50,000 and 134,807 shares upon conversion of $102,454 of notes payable and accrued interest.

During the quarter ended November 30, 2011, we issued 310,000 shares of Common Stock for cash consideration of $232,500, with 310,000 warrants attached at an exercise price of $1.00-$1.25. We also issued 725,000 shares of Common Stock for services to be rendered in the amount of $510,000, and 426,666 shares of Common Stock as finders fees with 490,000 warrants attached at an exercise price of $0.75.

Inventories

Inventories consist primarily of components and completed units of the Company's AuraGen® product.

Early in our AuraGen® program, we determined it was most cost-effective to outsource production of components and subassemblies to volume-oriented manufacturers, rather than produce these parts in house. As a result of this decision, and based on then anticipated sales, we purchased, prior to fiscal 2001, a substantial inventory of components at volume prices. Since sales did not meet such expectations, we have been selling product from this inventory for several years. Management has analyzed its inventories based on its current business plan, current potential orders for future delivery, and pending proposals with prospective customers and has determined that we do not expect to realize all of its inventories within the next year. The net inventories as of November 30 and February 29, 2012, which are not expected to be realized within a 12-month period have been reclassified as long term.

Most of our inventory consists of a variety of (i) metallic, mechanical components, and (ii) electrical components including metallic chassis to hold the assembled electrical systems. The vast majority of mechanical components are not aged and most of the electrical components are also not aged. The components that are aged are related to the prime mover/Generator interface that may not be in demand any longer.

Currently, we offer and ship three different basic models of systems; (i) a 5 kW based systems, (ii) an 8.5 kW based system and (iii) a 16 kW based systems (two 8.5 kW systems configured in tandem back-to-back). Each of these systems can be configured with different options such as 110 VAC only, 220 VAC only, 24 VDC only, 12 VDC only and AC/DC combinations of the same or different voltages. In addition, the system can be configured with single phase, split phase or three-phase output.

A number of the mechanical components are common to all three of the above configurations, while others are very specific. For example, the stators and rotors for the 5 kW systems are different from the 8.5 kW systems, but the housings are the same. Similarly, the electrical components consist of some parts that are geared for a specific configuration while others are generic and can be used for all of the configurations. The electrical chassis are also interchangeable between the 5 kW and 8.5 kW configurations. Due to the nature and mix of the product being sold, frequently, the 5 kW electrical systems are upgraded to 8.5 kW systems by replacing some components.

From the above description one can understand that the inventory consists of numerous components and subassemblies but not finished systems; therefore each system that is sold and shipped to a customer is built from some components that are in inventory and others that need to be purchased to be able to configure the required system.

Currently, most of the product being shipped consists of 8.5 kW systems. These systems are built by using existing inventory subassemblies and parts, including some that can be used for both 5 kW and 8.5 kW systems, and additional parts that are purchased to provide the required configuration. Typically such systems are built using approximately 20 to 25 percent of existing inventory and approximately 75% of additional parts that are purchased.

However, most of the systems currently being sold to the Korean military consist of 5 kW systems. They have been purchasing approximately 100 systems per year and have indicated to us that they will continue to do so for the next five years. To date we have shipped over 500 such systems (in this case 100% of the rotors and stators are used from existing inventory and over 50% of the electrical parts are also from inventory).

In addition to the above, we constantly see demand for different and unique configurations that require the purchase of additional parts.

ITEM 4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit, is recorded, processed, summarized and reported, within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosures. Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures and have concluded, as of November 30, 2012, that they were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our fiscal quarter ended November 30, 2012, which have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

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

During the quarter ended November 30, 2012, we issued 65,789 shares of Common Stock for services rendered valued at $50,000, and 134,807 shares of Common Stock upon the conversion of $102,454 of notes payable and accrued interest.

All of the sales of unregistered securities are believed to be exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 as these offerings were a private placement to a limited number of qualified investors without public solicitation or advertising.

ITEM 6. Exhibits

10.79	Demand Promissory Note dated September 6, 2012 by and between the Company and Warren Breslow in the original principal amount of $500,000.
10.80	Demand Promissory Note dated September 27, 2012 by and between the Company and Warren Breslow in the original principal amount of $300,000.
10.81	Demand Promissory Note dated October 19, 2012 by and between the Company and Warren Breslow in the original principal amount of $250,000.
10.82	Demand Promissory Note dated October 25, 2012 by and between the Company and Warren Breslow in the original principal amount of $300,000.
10.83	Demand Promissory Note dated November 2, 2012 by and between the Company and Warren Breslow in the original principal amount of $135,000.
10.84	Demand Promissory Note dated November 30, 2012 by and between the Company and Warren Breslow in the original principal amount of $100,000.
10.85	Convertible Promissory Note dated October 2, 2012 by and between the Company and Peter Dalrymple in the original principal amount of $500,000.
10.82	Demand Promissory Note dated November 2, 2012 by and between the Company and Warren Breslow in the original principal amount of $350,000.
31.1	Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.
31.2	Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.
32.1	Certification of CEO and CFO Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to § 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document

101.SCH XBRL Schema Document

101.CAL XBRL Calculation Linkbase Document

101.LAB Label Linkbase Document

101.PRE Presentation Linkbase Document

SIGNATURES

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

AURA SYSTEMS, INC.

(Registrant)

Date: January 14, 2013

By: /s/ Melvin Gagerman

Melvin Gagerman
Chief Financial Officer
(Principal Financial and Accounting Officer
and Duly Authorized Officer)

Exhibit 31.1

CERTIFICATION

I, Melvin Gagerman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aura Systems, 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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 our evaluation;

   d. 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 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 officers 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 function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls 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: January 14, 2013

By:/s/ Melvin Gagerman
Melvin Gagerman
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Melvin Gagerman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aura Systems, 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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 our evaluation;

   d. 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 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 officers 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 function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls 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: January 14, 2013

By: /s/ Melvin Gagerman
Melvin Gagerman
Chief Financial Officer

Exhibit 32.1

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 of Aura Systems, Inc. (the "Company") on Form 10-Q for the quarterly period ending November 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Melvin Gagerman, Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge:

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 for the periods indicated.

Date: January 14, 2013 By: /s/ Melvin Gagerman

Melvin Gagerman
Chief Executive Officer, Chief
Financial Officer, Chief Accounting
Officer

DEMAND PROMISSORY NOTE

$500,000 Date: September 6, 2012

FOR VALUE RECEIVED, the undersigned jointly and severally promise to pay to the order of Warren Breslow, the sum of Five Hundred Thousand Dollars and no/100 ($500,000.00), together with interest of 10% per annum on the unpaid balance.

Exhibit 10.79

The entire principal and any accrued interest shall be fully and immediately payable UPON DEMAND of any holder thereof.

”Borrower”

Aura Systems, Inc.

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Melvin Gagerman
Chief Executive Officer

Dated: September 6, 2012

DEMAND PROMISSORY NOTE

Exhibit 10.80

$300,000 Date: September 27, 2012

FOR VALUE RECEIVED, the undersigned jointly and severally promise to pay to the order of Warren Breslow, the sum of Three Hundred Thousand Dollars and no/100 ($300,000.00), together with interest of 10% per annum on the unpaid balance.

The entire principal and any accrued interest shall be fully and immediately payable UPON DEMAND of any holder thereof.

”Borrower”

Aura Systems, Inc.

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Melvin Gagerman
Chief Executive Officer

Dated: September 27, 2012

DEMAND PROMISSORY NOTE

Exhibit 10.81

$250,000 Date: October 19, 2012

FOR VALUE RECEIVED, the undersigned jointly and severally promise to pay to the order of Warren Breslow, the sum of Two Hundred Fifty Thousand Dollars and no/100 ($250,000.00), together with interest of 10% per annum on the unpaid balance.

The entire principal and any accrued interest shall be fully and immediately payable UPON DEMAND of any holder thereof.

”Borrower”

Aura Systems, Inc.

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Melvin Gagerman
Chief Executive Officer

Dated: October 19, 2012

DEMAND PROMISSORY NOTE

Exhibit 10.82

$300,000 Date: October 25, 2012

FOR VALUE RECEIVED, the undersigned jointly and severally promise to pay to the order of Warren Breslow, the sum of Three Hundred Thousand Dollars and no/100 ($300,000.00), together with interest of 10% per annum on the unpaid balance.

The entire principal and any accrued interest shall be fully and immediately payable UPON DEMAND of any holder thereof.

”Borrower”

Aura Systems, Inc.

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Melvin Gagerman
Chief Executive Officer

Dated: October 25, 2012

DEMAND PROMISSORY NOTE

Exhibit 10.83

$135,000 Date: November 2, 2012

FOR VALUE RECEIVED, the undersigned jointly and severally promise to pay to the order of Warren Breslow, the sum of One Hundred Thirty Five Thousand Dollars and no/100 ($135,000.00), together with interest of 10% per annum on the unpaid balance.

The entire principal and any accrued interest shall be fully and immediately payable UPON DEMAND of any holder thereof.

”Borrower”

Aura Systems, Inc.

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Melvin Gagerman
Chief Executive Officer

Dated: November 2, 2012

DEMAND PROMISSORY NOTE

Exhibit 10.84

$100,000 Date: November 30, 2012

FOR VALUE RECEIVED, the undersigned jointly and severally promise to pay to the order of Warren Breslow, the sum of One Hundred Thousand Dollars and no/100 ($100,000.00), together with interest of 10% per annum on the unpaid balance.

The entire principal and any accrued interest shall be fully and immediately payable UPON DEMAND of any holder thereof.

”Borrower”

Aura Systems, Inc.

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Melvin Gagerman
Chief Executive Officer

Dated: November 30, 2012

Exhibit 10.85

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR ANY STATE SECURITIES OR BLUE SKY LAWS AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE ASSIGNED EXCEPT PURSUANT TO (A) A REGISTRATION STATEMENT WITH RESPECT TO SUCH SECURITIES WHICH IS EFFECTIVE UNDER THE ACT OR (B) AN AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE ACT RELATING TO THE DISPOSITION OF SECURITIES, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES AND BLUE SKY LAWS.

AURA SYSTEMS, INC.
CONVERTIBLE PROMISSORY NOTE DUE OCTOBER 2, 2017

$500,000.00 October 2, 2012

FOR VALUE RECEIVED, AURA SYSTEMS, INC., a Delaware Corporation (the **"Company"**) hereby promises to pay to the order of Peter Dalrymple, an individual (the **"Holder"**) the principal sum of Five Hundred Thousand Dollars ($500,000.00) (as reduced pursuant to the terms hereof pursuant to conversion or otherwise, the "**Principal Amount"**), together with accrued interest and other amounts owing from time to time hereunder, all as provided herein.

ARTICLE 1
DEFINITIONS

"**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of Los Angeles are authorized or required by law to close or be closed.

"**Convertible Securities**" means any instruments or evidences of indebtedness, bonds, debentures, notes, agreements, arrangements, commitments, shares or other securities (other than Options) directly or indirectly convertible into or exchangeable or exercisable for, or evidencing the right to subscribe for, Common Stock of the Company.

"Conversion Rate" means the number of shares of Common Stock determined by dividing (x) the portion of the Principal Amount to be converted by (y) the Conversion Price.

"**Conversion Price**" means $0.76, subject to adjustment as provided herein.

"Conversion Shares" means the shares of Common Stock issuable upon conversion of this Note in accordance with its terms. The number and character of Conversion Shares are subject to adjustment as provided herein.

"Issuance Date" means October 2, 2012.

"**Options**" means any rights, warrants or options to subscribe for, purchase or receive Common Stock or Convertible Securities.

"**Person**" shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

ARTICLE 2
TERMS OF PAYMENT

2.1 Interest Rate. The Company shall pay interest on the unpaid Principal Amount of this Note from the Issuance Date until the Principal Amount is fully repaid at a rate per annum equal to seven percent (7%) (the "**Interest Rate**").

2.2 Interest Payment Dates. Interest on this Note shall be payable monthly in arrears on the second (2nd) day of each calendar month (each, an "**Interest Payment Date**") commencing November 2, 2012. Interest shall be computed on the basis of the actual number of days elapsed over a 360-day year, including the first and the last day. The foregoing notwithstanding, any payment due hereunder which is due on a day which is not a Business Day shall be payable on the immediately subsequent Business Day without increase to the payment amount due. The interest so payable on any Interest Payment Date will be paid to the Person in whose name this Note is registered at 5:00 p.m., Los Angeles time, on the regular record date for such interest, which shall be the date five (5) Business Days immediately prior to the Interest Payment Date.

2.3 Maximum Lawful Interest Rate. Nothing contained in this Note shall, or shall be deemed to, establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest required to be paid or other charges under this Note exceeds the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the Holder and thus refunded to the Company.

2.4 Maturity Date. The entire unpaid principal balance of this Note, together with all accrued and unpaid interest thereon and all other unpaid amounts owing under this Note shall be due and payable on October 2, 2017 (the "**Maturity Date**"). Upon payment in full of the outstanding principal balance of this Note and all accrued and unpaid interest thereon, this Note shall automatically be deemed canceled, shall be surrendered to the Company for cancellation and shall not be reissued.

2.5 Optional Prepayments. The Company may at any time voluntarily prepay or redeem the principal balance of this Note, without premium or penalty, in whole but not in part, upon payment of the outstanding Principal Amount hereof together with accrued and unpaid interest through the date of prepayment. If the Company elects to prepay this Note under this Article 2, the Company shall furnish written notice to the Holder with respect to such voluntary prepayment not less than ten (10) calendar days prior to the proposed date of prepayment (a "**Notice of Prepayment**"). Such notice shall be irrevocable. Upon receipt of a Notice of Prepayment, Holder may elect to convert the principal balance then outstanding under this Note, in whole or in part, into shares of Common Stock, pursuant to Article 3 below, *provided however*, that any such election by the Holder (and Holder's Conversion Notice with respect to such election) must be received by the Company on or before 8:00 a.m. Los Angeles time on the proposed date of prepayment.

2.6 Manner of Payment. Payment of the Principal Amount, all interest and all other amounts payable with respect to this Note shall be made by wire transfer of immediately available funds to the Holder, *provided however*, that if the Holder shall not have furnished wire instructions in writing to the Company on or prior to the fifth (5th) Business Day immediately prior to the date on which the Company is required to make such payment, such payment may be made by check drawn on a United States bank and mailed to the address of the Person entitled thereto as such address shall appear in the Company's records. All payments shall be in lawful currency of the United States of America. Any payments due hereunder which are due on a day which is not a Business Day shall be payable on the immediately subsequent Business Day without increase to the payment amount due

2.7 Registration of Note; Persons Deemed Owners. The Company shall maintain at its principal executive office a register in which it shall register this Note, any assignments of this Note or any other notes issued hereunder and any other notes issued upon surrender hereof and thereof. The entries in the Company's register shall be conclusive and binding for all purposes absent manifest error. At the option of the Holder, this Note may be exchanged for one or more new notes of like tenor in the principal denominations requested by the Holder, and the Company shall, as soon as practicable after the surrender of this Note at the Company's principal executive office, deliver to the Holder such new note or notes. In addition, each assignment of this Note, in whole or in part, shall be registered on the register immediately following the surrender of this Note at the Company's principal executive office. Prior to due presentment for registration of any assignment of this Note, the Company may treat the person or entity in whose name this Note is registered as the owner and the Holder hereof for all purposes whatsoever, and the Company shall not be affected by notice to the contrary.Any attempted assignment or transfer in contravention of the terms of this Note shall be void.

ARTICLE 3
CONVERSION

3.1 Conversion. Subject to the terms and conditions of this Note, the Holder may, at any time and from time to time prior to the Maturity Date, upon giving written notice to the Company, elect to convert all or any portion of the outstanding Principal Amount of this Note into that number of whole Conversion Shares at the Conversion Rate as in effect on the date the notice of conversion is given. Any accrued and unpaid interest outstanding on the portion of this Note being converted at the time of such conversion will become immediately due and payable to the Holder in cash. Any accrued and unpaid interest on the principal portion of this Note that is not converted shall be due and payable in accordance with Article 2 above.

3.2 No Fractional Shares. The Company shall not issue any fraction of a share of Common Stock upon any conversion. In lieu of issuing fractional shares upon conversion of all or any portion of this Note, the Company shall pay cash in an amount equal to the product of the then applicable Conversion Price and the number of fractional shares that would otherwise be issuable hereunder.

3.3 Mechanism of Conversion. To convert all or any portion of the outstanding Principal Amount of this Note into shares of Common Stock on any date (a "**Conversion Date**"), the Holder shall deliver to the Company, for receipt prior to 5:00 p.m. Los Angeles time on the Business Day immediately prior to such Conversion Date, a copy of a fully completed and executed notice of conversion in the form attached hereto as Exhibit "A" (the "**Conversion Notice**"). Upon total or partial conversion of this Note, the Holder will surrender the original of this Note, duly endorsed, to the Company at its principal office. The Company will deliver a certificate or, if requested by the Holder, certificates for Conversion Shares issuable on conversion of this Note as soon as practicable after surrender of this Note for conversion (bearing such legends as may be required in the reasonable opinion of counsel to the Company), but the Person or Persons to whom such certificates are issuable will be considered the holder of record of the Conversion Shares from the time this Note is surrendered by the Holder. If less than all of the outstanding principal amount of this Note is converted pursuant to Paragraph 3.1 above, the Company will additionally deliver to the Holder an amended and restated Note, containing an original principal amount equal to that portion of the then-outstanding Principal Amount not converted containing the other terms and provisions of this Note and otherwise in form and substance reasonably satisfactory to the Holder. Upon the conversion of this Note, all rights of the Holder, except the right to receive the Conversion Shares in accordance with this Article 3, will cease as to that portion of the Note so converted and this Note will no longer be deemed to be outstanding as to that portion of the Note so converted.

ARTICLE 4
COVENANTS

4.1 Reservation of Shares Issuable Upon Conversion. The Company will at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of this Note into Conversion Shares, such number of shares of its duly authorized shares of Common Stock as will from time to time be sufficient to effect the conversion of this Note into Conversion Shares in full (taking into account any applicable adjustments pursuant to Article 5 below). If at any time the number of authorized but unissued shares of Common Stock is not sufficient to effect the conversion of this Note into Conversion Shares, the Company will take such action as may, in the reasonable opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number as is sufficient for such purpose, including engaging in commercially reasonable efforts to obtain the requisite stockholder approval of any necessary amendment to its certificate of incorporation. The shares of Common Stock that may be issued upon the conversion of the rights represented by this Note will be duly authorized and will be validly issued, fully paid and non-assessable.

4.2 Registration. Holder has been advised that this Note has not been registered under the Securities Act of 1933 (as amended) (the **"Act"**), or any state securities laws and, therefore, cannot be resold unless it is registered under the Act and applicable state securities laws or unless an exemption from such registration requirements is available. Holder is aware that the Company is under no obligation to effect any such registration or to file for or comply with any exemption from registration. The foregoing not withstanding, if, on or before the Maturity Date, the Company shall determine to prepare and file with the Securities and Exchange Commission a registration statement relating to an offering for its own account or the account of others under the Act of any of its equity securities (other than on Form S-4 or Form S-8 (each as promulgated under the Act) or its then equivalents relating to equity securities to be issued in a primary offering by the Company, solely in connection with any acquisition of any entity or business or issuable in connection with stock option or other employee benefit plans, respectively), then the Company shall include in such registration statement or otherwise file a registration statement relating to the Conversion Shares; *provided however*, that the Company shall not be required to register any Conversion Shares that are eligible for sale pursuant to Rule 144 of the Act.

4.3 Change in Nature of Business. While this Note remains outstanding, the Company shall not directly or indirectly engage in any material line of business substantially different from those lines of business conducted by the Company on the Issuance Date or any business substantially related or incidental thereto. The Company shall not directly or indirectly modify its corporate structure or purpose.

4.4 Transfer Taxes. The issuance of certificates for shares of the Common Stock on conversion of this Note shall be made without charge to the Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, *provided however,* that the Company shall not be required to pay any tax that may be payable with respect to any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Note and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

ARTICLE 5
ADJUSTMENTS

5.1. The number of Conversion Shares issuable upon conversion of this Note or any portion thereof and the Conversion Price therefor are subject to adjustment upon the occurrence of any of the following events between the Issuance Date and the sooner of the date that (i) all obligations hereunder are repaid or (ii) this Note is converted into Conversion Shares:

5.2. Stock Dividends and Splits. If the Company, at any time while this Note is outstanding, (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon conversion of this Note), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each such case the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii), (iii) or (iv) of this paragraph shall become effective immediately after the effective date of such subdivision, combination or reclassification.

5.3. Pro Rata Distributions. If the Company, at any time while this Note remains outstanding, shall distribute to all holders of Common Stock (and not to Holder) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security, then in each such case the Conversion Price shall be determined by multiplying such Conversion Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution ("**Distribution Record Date**") by a fraction of which the denominator shall be the closing bid price determined as of the Distribution Record Date, and of which the numerator shall be such closing bid price on such Distribution Record Date less the then fair market value at such Distribution Record Date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the Distribution Record Date mentioned above.

5.4. Issuance of Convertible Securities. If, at any time while this Note remains outstanding, the Company issues or sells any Convertible Securities and the lowest price per share for which one share of Common Stock is issuable upon the conversion, exercise or exchange thereof is less than the then Conversion Price of this Note (such lower price, the "**Dilutive Price**"), then the Conversion Price of this Note shall be adjusted to reflect such Dilutive Price. Such adjustment shall be made upon the issuance or sale of the Convertible Security bearing a Dilutive Price. No further adjustment of the Conversion Price shall be made upon the actual issuance of such shares of Common Stock upon conversion, exercise or exchange of such Convertible Securities. No adjustment will be made to the Conversion Price of this Note with respect to any Convertible Securities issued or existing prior to the Issuance Date. The Company shall notify the Holder in writing, no later than three (3) Business Days following the issuance of any Convertible Securities bearing a Dilutive Price, indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms.

5.5. Adjustment for Reorganization, Consolidation, Merger. In case of any reorganization, reclassification or similar event involving the Company (or of any other corporation the stock or other securities of which are at the time receivable on the conversion of this Note) while this Note remains outstanding, or in the events that the Company shall consolidate with or merge with another entity during such time as this Note remains outstanding, then, and in each such case, the Holder, upon the conversion of this Note at any time after the consummation of such reorganization, consolidation or merger, will be entitled to receive, in lieu of the stock or other securities and property receivable upon the conversion of this Note prior to such consummation, the stock or other securities or property to which the Holder would have been entitled upon the consummation of such reorganization, consolidation or merger if the Holder had converted this Note immediately prior thereto, subject to further adjustment as provided in this Note, and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Company) will be made in the application of the provisions in this Article 5 with respect to the rights and interests thereafter of the Holder, to the end that the provisions set forth in this Article 5 will thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of this Note. The successor or purchasing corporation in any such reorganization, consolidation or merger (if other than the Company) will duly execute and deliver to the Holder a supplement hereto reasonably acceptable to the Holder acknowledging such entity's obligations under this Note and, in each such case, the terms of the Note will be applicable to the shares of stock or other securities or property receivable upon the conversion of this Note after the consummation of such reorganization, consolidation or merger.

5.6. Calculations. All calculations under this Article 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Article 5, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Company) issued and outstanding

5.7. Restriction on Transfer. This Note and the Common Stock issuable upon conversion of this Note have not been registered under the Securities Act, or the securities laws of any state or other jurisdiction. Neither this Note nor the Common Stock issuable upon conversion of this Note nor any interest or participation herein may be reoffered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of in the absence of such registration or unless such transaction is exempt from, or not subject to, registration. Each certificate representing the shares of Common Stock issuable upon conversion of this Note, shall bear a legend substantially in the following form:

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be transferred, pledged or hypothecated unless and until such securities are registered under such Act or an opinion of counsel satisfactory to the Company is obtained to the effect that such registration is not required."

ARTICLE 6
EVENTS OF DEFAULT

6.1 Events of Default. Each of the following events, and only the following events, will constitute an Event of Default (each, an **"Event of Default"**):

i. the Company fails to pay (i) the principal of this Note or (ii) any interest payable under this Note or (iii) any other amount due hereunder within five (5) Business Days after such amount becomes due and payable; or

ii. the Company fails, for any reason (except pursuant to applicable law, judicial order, or by reason of Holder's action or inaction) to issue and deliver the Conversion Shares upon conversion of this Note within ten (10) Business Days of the Company's receipt of a valid and fully-completed Conversion Notice from Holder.

6.2 Remedies Upon an Event of Default. If any Event of Default has occurred and is continuing, then, and in any such event, the Holder may, by notice to the Company, declare the outstanding Principal Amount of this Note (and all then-accrued and unpaid interest thereon) to be forthwith due and payable, whereupon the outstanding Principal Amount of this Note, all such accrued and unpaid interest and all such other amounts will become and be forthwith due and payable, without presentment, demand, protest, notice of acceleration, notice of intent to accelerate, or further notice of any kind.

ARTICLE 7
MISCELLANEOUS

7.1 Loss, Theft, Destruction or Mutilation. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Note and, in the case of such loss, theft or destruction, upon delivery to the Company of an indemnity undertaking reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender of this Note to the Company, the Company will issue a new Note, of like tenor and principal amount, in lieu of or in exchange for such lost, stolen, destroyed or mutilated Note. Upon the issuance of any substitute Note, the Company may require the payment to it of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses in connection therewith.

7.2 Voting Rights. The Holder shall have no voting rights as the holder of this Note, except as required by law (including, without limitation, the Delaware General Corporation Law) and as expressly provided in this Note.

7.3 Construction; Headings. This Note shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any Person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note.

7.4 Notices and Demands. All notices, demands and other communications provided for in this Note or made under this Note shall be in writing and hand delivered or sent by email or facsimile (with a copy thereof deposited, postage prepaid, in the United States mail on the same day that the email or facsimile is dispatched), or sent by overnight delivery, to the applicable party as follows (or, as to each party, at such other address as may be designated by such party in a written notice to the other party):

If to Holder, to it at the following address:

Peter Dalrymple
13451 Belhaven Drive
Houston, TX 77069
Fax:

If to the Company, to it at the following address:

Aura Systems, Inc.
1310 East Grand Avenue
El Segundo, CA 90245
Fax: 310-640-6094
Attn: Melvin Gagerman

with a copy (which will not constitute notice) to:

The Law Offices of Tamara M. Kurtzman, P.C.
8383 Wilshire Blvd., Suite 919
Beverly Hills, California 90211
Fax: 323-782-8587
Attn: Tamara M. Kurtzman

All such notices and communications will be effective on the next Business Day after receipt.

7.5 Governing Law. THIS NOTE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS NOTE SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTIONS OTHER THAN THE STATE CALIFORNIA AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. ANY SUIT, LEGAL ACTION OR SIMILAR PROCEEDING WITH RESPECT TO THIS NOTE SHALL BE BROUGHT EXCLUSIVELY IN THE COURTS OF THE STATE OF CALIFORNIA SITTING IN THE COUNTY OF LOS ANGELES, OR, IF THE STATE COURTS OF CALIFORNIA DO NOT HAVE JURISDICTION, THEN IN THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

7.6 Severability. Any provision of this Note which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction.

7.7 Further Assurances. The Company from time to time after the Issuance Date at the request of the Holder and without further consideration will execute and deliver further instruments and take such other action as a party may reasonably require to fully implement the provisions of this Note. The Holder from time to time after the Issuance Date at the request of the Company and without further consideration will execute and deliver further instruments and take such other action as a party may reasonably require and as are customary to fully implement the provisions of this Note.

7.8 Amendments. No amendment, modification, supplement or waiver of any provision of or to this Note will in any event be effective unless the same is in writing and signed by the Holder and then such waiver or consent will be effective only in the specific instance and for the specific purpose for which given.

7.9 No Waiver; Remedies. The Holder may extend the time for payment of this Note, postpone the enforcement hereof, or grant any other indulgence without affecting or diminishing the Holder's right to full recourse against the Company hereunder, which right is expressly reserved. No failure on the part of the Holder or Company to exercise, and no delay in exercising, any right hereunder will operate as a waiver thereof; nor will any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided at law, in equity or otherwise.

7.10 Successors and Assigns; Transfer. This Note is binding upon the successors and assigns of the Company and will inure to the benefit of the Holder and its respective successors and permitted assigns; *provided however*, that the Company will not assign, delegate or otherwise transfer any of its respective rights or obligations under this Note without the prior written consent of the Holder. The Holder may not assign, participate, pledge, grant a security interest in, or otherwise transfer all or any portion of its rights and obligations under this Note without the prior written consent of the Company. If the Company consents to any transfer, upon such transfer the Holder will notify the Company and the Company (at its expense) will execute and deliver a new promissory note, in substantially the form of this Note, to such Permitted Assign. The Company will maintain a registry to reflect any such Transfer on its registry or record books.

[signature page to follow]

IN WITNESS WHEREOF, the Company has caused this Note to be executed and delivered by its duly authorized representative on the date first above written.

AURA SYSTEMS, INC.,
a Delaware corporation

By:
Melvin Gagerman
Chief Executive Officer

Accepted and agreed by:

____
Peter Dalrymple

EXHIBIT "A"
NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the Convertible Promissory Note of AURA SYSTEMS, INC., a Delaware corporation (the "Company"), into shares of common stock (the "Common Stock"), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the Holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to the Company that its ownership of the Common Stock does not equal or exceed the amounts specified in Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder regarding beneficial ownership.

The undersigned represents that it is an "accredited investor" within the meaning of the Securities Act. Holder has been advised that this Note has not been registered under the Securities Act, or any state securities laws and, therefore, cannot be resold unless it is registered under the Securities Act and applicable state securities laws or unless an exemption from such registration requirements is available. Holder is aware that the Company is under no obligation to effect any such registration or to file for or comply with any exemption from registration. The undersigned represents that it has not been formed solely for the purpose of making this investment and is acquiring the Security for its own account for investment, and not with a view to, or for resale in connection with, the distribution thereof. The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock pursuant to any prospectus.

Date to Effect Conversion: _____ Principal Amount of Note to be Converted: _

Interest Accrued on Account of Conversion at Issue: ____________

Number of shares of Common Stock to be issued: ___

Signature:

Name:

Address for Delivery of Common Stock Certificates:

OR

DWAC Instructions:

Broker No:

Account No:

_ _

Exhibit 10.85

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR ANY STATE SECURITIES OR BLUE SKY LAWS AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE ASSIGNED EXCEPT PURSUANT TO (A) A REGISTRATION STATEMENT WITH RESPECT TO SUCH SECURITIES WHICH IS EFFECTIVE UNDER THE ACT OR (B) AN AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE ACT RELATING TO THE DISPOSITION OF SECURITIES, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES AND BLUE SKY LAWS.

AURA SYSTEMS, INC.
CONVERTIBLE PROMISSORY NOTE DUE January 4, 2013

$350,000.00 November 2, 2012

FOR VALUE RECEIVED, AURA SYSTEMS, INC., a Delaware Corporation (the **"Company"**) hereby promises to pay to the order of Peter Dalrymple, an individual (the **"Holder"**) the principal sum of The Hundred and Fifty Thousand dollars ($350,000.00) (as reduced pursuant to the terms hereof pursuant to conversion or otherwise, the "**Principal Amount"**), together with accrued interest and other amounts owing from time to time hereunder, all as provided herein.

ARTICLE 1
DEFINITIONS

"**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of Los Angeles are authorized or required by law to close or be closed.

"Conversion Rate" means the number of shares of Common Stock determined by dividing (x) the portion of the Principal Amount to be converted by (y) the Conversion Price.

"**Conversion Price**" means $0.76, subject to adjustment as provided herein.

"Conversion Shares" means the shares of Common Stock issuable upon conversion of this Note in accordance with its terms. The number and character of Conversion Shares are subject to adjustment as provided herein.

"Issuance Date" means November 2, 2012.

"**Person**" shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

ARTICLE 2
TERMS OF PAYMENT

2.1 Interest Rate. The Company shall pay interest on the unpaid Principal Amount of this Note from the Issuance Date until the Principal Amount is fully repaid at a rate per annum equal to seven percent (7%) (the "**Interest Rate**").

2.2 Interest Payment Dates. Interest on this Note shall be accrued and payable at the note due date. Interest shall be computed on the basis of the actual number of days elapsed over a 360-day year, including the first and the last day.

2.3 Maturity Date. The entire unpaid principal balance of this Note, together with all accrued and unpaid interest thereon and all other unpaid amounts owing under this Note shall be due and payable on January 4, 2013 (the "**Maturity Date**"). Upon payment in full of the outstanding principal balance of this Note and all accrued and unpaid interest thereon, this Note shall automatically be deemed canceled, shall be surrendered to the Company for cancellation and shall not be reissued.

2.4 Optional Prepayments. The Company may at any time voluntarily prepay or redeem the principal balance of this Note, without premium or penalty, in whole but not in part, upon payment of the outstanding Principal Amount hereof together with accrued and unpaid interest through the date of prepayment. If the Company elects to prepay this Note under this Article 2, the Company shall furnish written notice to the Holder with respect to such voluntary prepayment not less than ten (10) calendar days prior to the proposed date of prepayment (a "**Notice of Prepayment**"). Such notice shall be irrevocable. Upon receipt of a Notice of Prepayment, Holder may elect to convert the principal balance then outstanding under this Note, in whole or in part, into shares of Common Stock, pursuant to Article 3 below, *provided however*, that any such election by the Holder (and Holder's Conversion Notice with respect to such election) must be received by the Company on or before 8:00 a.m. Los Angeles time on the proposed date of prepayment.

2.5 Manner of Payment. Payment of the Principal Amount, all interest and all other amounts payable with respect to this Note shall be made by wire transfer of immediately available funds to the Holder, *provided however*, that if the Holder shall not have furnished wire instructions in writing to the Company on or prior to the fifth (5th) Business Day immediately prior to the date on which the Company is required to make such payment, such payment may be made by check drawn on a United States bank and mailed to the address of the Person entitled thereto as such address shall appear in the Company's records. All payments shall be in lawful currency of the United States of America. Any payments due hereunder which are due on a day which is not a Business Day shall be payable on the immediately subsequent Business Day without increase to the payment amount due

2.6 Registration of Note; Persons Deemed Owners. The Company shall maintain at its principal executive office a register in which it shall register this Note, any assignments of this Note or any other notes issued hereunder and any other notes issued upon surrender hereof and thereof. The entries in the Company's register shall be conclusive and binding for all purposes absent manifest error. At the option of the Holder, this Note may be exchanged for one or more new notes of like tenor in the principal denominations requested by the Holder, and the Company shall, as soon as practicable after the surrender of this Note at the Company's principal executive office, deliver to the Holder such new note or notes. In addition, each assignment of this Note, in whole or in part, shall be registered on the register immediately following the surrender of this Note at the Company's principal executive office. Prior to due presentment for registration of any assignment of this Note, the Company may treat the person or entity in whose name this Note is registered as the owner and the Holder hereof for all purposes whatsoever, and the Company shall not be affected by notice to the contrary.Any attempted assignment or transfer in contravention of the terms of this Note shall be void.

ARTICLE 3
CONVERSION

3.1 Conversion. Subject to the terms and conditions of this Note, the Holder may, at any time and from time to time prior to the Maturity Date, upon giving written notice to the Company, elect to convert all or any portion of the outstanding Principal Amount of this Note into that number of whole Conversion Shares at the Conversion Rate as in effect on the date the notice of conversion is given. Any accrued and unpaid interest outstanding on the portion of this Note being converted at the time of such conversion will become immediately due and payable to the Holder in cash. Any accrued and unpaid interest on the principal portion of this Note that is not converted shall be due and payable in accordance with Article 2 above.

3.2 No Fractional Shares. The Company shall not issue any fraction of a share of Common Stock upon any conversion. In lieu of issuing fractional shares upon conversion of all or any portion of this Note, the Company shall pay cash in an amount equal to the product of the then applicable Conversion Price and the number of fractional shares that would otherwise be issuable hereunder.

3.3 Mechanism of Conversion. To convert all or any portion of the outstanding Principal Amount of this Note into shares of Common Stock on any date (a "**Conversion Date**"), the Holder shall deliver to the Company, for receipt prior to 5:00 p.m. Los Angeles time on the Business Day immediately prior to such Conversion Date, a copy of a fully completed and executed notice of conversion in the form attached hereto as Exhibit "A" (the "**Conversion Notice**"). Upon total or partial conversion of this Note, the Holder will surrender the original of this Note, duly endorsed, to the Company at its principal office. The Company will deliver a certificate or, if requested by the Holder, certificates for Conversion Shares issuable on conversion of this Note as soon as practicable after surrender of this Note for conversion (bearing such legends as may be required in the reasonable opinion of counsel to the Company), but the Person or Persons to whom such certificates are issuable will be considered the holder of record of the Conversion Shares from the time this Note is surrendered by the Holder. If less than all of the outstanding principal amount of this Note is converted pursuant to Paragraph 3.1 above, the Company will additionally deliver to the Holder an amended and restated Note, containing an original principal amount equal to that portion of the then-outstanding Principal Amount not converted containing the other terms and provisions of this Note and otherwise in form and substance reasonably satisfactory to the Holder. Upon the conversion of this Note, all rights of the Holder, except the right to receive the Conversion Shares in accordance with this Article 3, will cease as to that portion of the Note so converted and this Note will no longer be deemed to be outstanding as to that portion of the Note so converted.

ARTICLE 4
COVENANTS

4.1 Reservation of Shares Issuable Upon Conversion. The Company will at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of this Note into Conversion Shares, such number of shares of its duly authorized shares of Common Stock as will from time to time be sufficient to effect the conversion of this Note into Conversion Shares in full (taking into account any applicable adjustments pursuant to Article 5 below). If at any time the number of authorized but unissued shares of Common Stock is not sufficient to effect the conversion of this Note into Conversion Shares, the Company will take such action as may, in the reasonable opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number as is sufficient for such purpose, including engaging in commercially reasonable efforts to obtain the requisite stockholder approval of any necessary amendment to its certificate of incorporation. The shares of Common Stock that may be issued upon the conversion of the rights represented by this Note will be duly authorized and will be validly issued, fully paid and non-assessable.

4.2 Registration. Holder has been advised that this Note has not been registered under the Securities Act of 1933 (as amended) (the **"Act"**), or any state securities laws and, therefore, cannot be resold unless it is registered under the Act and applicable state securities laws or unless an exemption from such registration requirements is available. Holder is aware that the Company is under no obligation to effect any such registration or to file for or comply with any exemption from registration. The foregoing not withstanding, if, on or before the Maturity Date, the Company shall determine to prepare and file with the Securities and Exchange Commission a registration statement relating to an offering for its own account or the account of others under the Act of any of its equity securities (other than on Form S-4 or Form S-8 (each as promulgated under the Act) or its then equivalents relating to equity securities to be issued in a primary offering by the Company, solely in connection with any acquisition of any entity or business or issuable in connection with stock option or other employee benefit plans, respectively), then the Company shall include in such registration statement or otherwise file a registration statement relating to the Conversion Shares; *provided however*, that the Company shall not be required to register any Conversion Shares that are eligible for sale pursuant to Rule 144 of the Act.

4.3 Change in Nature of Business. While this Note remains outstanding, the Company shall not directly or indirectly engage in any material line of business substantially different from those lines of business conducted by the Company on the Issuance Date or any business substantially related or incidental thereto. The Company shall not directly or indirectly modify its corporate structure or purpose.

4.4 Transfer Taxes. The issuance of certificates for shares of the Common Stock on conversion of this Note shall be made without charge to the Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, *provided however,* that the Company shall not be required to pay any tax that may be payable with respect to any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Note and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

ARTICLE 5
ADJUSTMENTS

5.1. The number of Conversion Shares issuable upon conversion of this Note or any portion thereof and the Conversion Price therefor are subject to adjustment upon the occurrence of any of the following events between the Issuance Date and the sooner of the date that (i) all obligations hereunder are repaid or (ii) this Note is converted into Conversion Shares:

5.2. Stock Dividends and Splits. If the Company, at any time while this Note is outstanding, (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon conversion of this Note), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each such case the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii), (iii) or (iv) of this paragraph shall become effective immediately after the effective date of such subdivision, combination or reclassification.

5.3. Pro Rata Distributions. If the Company, at any time while this Note remains outstanding, shall distribute to all holders of Common Stock (and not to Holder) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security, then in each such case the Conversion Price shall be determined by multiplying such Conversion Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution ("**Distribution Record Date**") by a fraction of which the denominator shall be the closing bid price determined as of the Distribution Record Date, and of which the numerator shall be such closing bid price on such Distribution Record Date less the then fair market value at such Distribution Record Date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the Distribution Record Date mentioned above.

5.4. Subsequent Equity Sales. If, at any time while this Note remains outstanding, the Company sells or grants any option to purchase any Common Stock entitling any Person to acquire shares of Common Stock at an effective price per share that is lower than the then Conversion Price (such lower price, the "**Base Conversion Price**" and such issuance a "**Dilutive Issuance**"), then the Conversion Price of this Note and all other Notes outstanding then outstanding to Peter Dalrymple shall be adjusted to reflect such lower price. Such adjustment shall be made whenever such Common Stock bearing a Base Conversion Price is issued. The Company shall notify the Holder in writing, no later than three (3) Business Days following the issuance of any Common Stock subject to this Section 5.4, indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms. For purposes of clarification, whether or not the Company provides notice pursuant to this Section 5.4, upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Conversion Shares based upon the Base Conversion Price on or after the date of such Dilutive Issuance.

5.5. Adjustment for Reorganization, Consolidation, Merger. In case of any reorganization, reclassification or similar event involving the Company (or of any other corporation the stock or other securities of which are at the time receivable on the conversion of this Note) while this Note remains outstanding, or in the events that the Company shall consolidate with or merge with another entity during such time as this Note remains outstanding, then, and in each such case, the Holder, upon the conversion of this Note at any time after the consummation of such reorganization, consolidation or merger, will be entitled to receive, in lieu of the stock or other securities and property receivable upon the conversion of this Note prior to such consummation, the stock or other securities or property to which the Holder would have been entitled upon the consummation of such reorganization, consolidation or merger if the Holder had converted this Note immediately prior thereto, subject to further adjustment as provided in this Note, and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Company) will be made in the application of the provisions in this Article 5 with respect to the rights and interests thereafter of the Holder, to the end that the provisions set forth in this Article 5 will thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of this Note. The successor or purchasing corporation in any such reorganization, consolidation or merger (if other than the Company) will duly execute and deliver to the Holder a supplement hereto reasonably acceptable to the Holder acknowledging such entity's obligations under this Note and, in each such case, the terms of the Note will be applicable to the shares of stock or other securities or property receivable upon the conversion of this Note after the consummation of such reorganization, consolidation or merger.

5.6. Calculations. All calculations under this Article 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Article 5, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Company) issued and outstanding

5.7. Restriction on Transfer. This Note and the Common Stock issuable upon conversion of this Note have not been registered under the Securities Act, or the securities laws of any state or other jurisdiction. Neither this Note nor the Common Stock issuable upon conversion of this Note nor any interest or participation herein may be reoffered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of in the absence of such registration or unless such transaction is exempt from, or not subject to, registration. Each certificate representing the shares of Common Stock issuable upon conversion of this Note, shall bear a legend substantially in the following form:

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be transferred, pledged or hypothecated unless and until such securities are registered under such Act or an opinion of counsel satisfactory to the Company is obtained to the effect that such registration is not required."

ARTICLE 6
EVENTS OF DEFAULT

6.1 Events of Default. Each of the following events, and only the following events, will constitute an Event of Default (each, an **"Event of Default"**):

i. the Company fails to pay (i) the principal of this Note or (ii) any interest payable under this Note or (iii) any other amount due hereunder within five (5) Business Days after such amount becomes due and payable; or

ii. the Company fails, for any reason (except pursuant to applicable law, judicial order, or by reason of Holder's action or inaction) to issue and deliver the Conversion Shares upon conversion of this Note within ten (10) Business Days of the Company's receipt of a valid and fully-completed Conversion Notice from Holder.

6.2 Remedies Upon an Event of Default. If any Event of Default has occurred and is continuing, then, and in any such event, the rate of interest will increase to 12%. The Holder may, by notice to the Company, declare the outstanding Principal Amount of this Note (and all then-accrued and unpaid interest thereon) to be forthwith due and payable, whereupon the outstanding Principal Amount of this Note, all such accrued and unpaid interest and all such other amounts will become and be forthwith due and payable, without presentment, demand, protest, notice of acceleration, notice of intent to accelerate, or further notice of any kind, at which time Aura will be responsible for all legal fees in securing rights and remedies.

ARTICLE 7
MISCELLANEOUS

7.1 Loss, Theft, Destruction or Mutilation. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Note and, in the case of such loss, theft or destruction, upon delivery to the Company of an indemnity undertaking reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender of this Note to the Company, the Company will issue a new Note, of like tenor and principal amount, in lieu of or in exchange for such lost, stolen, destroyed or mutilated Note. Upon the issuance of any substitute Note, the Company may require the payment to it of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses in connection therewith.

7.2 Voting Rights. The Holder shall have no voting rights as the holder of this Note, except as required by law (including, without limitation, the Delaware General Corporation Law) and as expressly provided in this Note.

7.3 Construction; Headings. This Note shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any Person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note.

7.4 Notices and Demands. All notices, demands and other communications provided for in this Note or made under this Note shall be in writing and hand delivered or sent by email or facsimile (with a copy thereof deposited, postage prepaid, in the United States mail on the same day that the email or facsimile is dispatched), or sent by overnight delivery, to the applicable party as follows (or, as to each party, at such other address as may be designated by such party in a written notice to the other party):

If to Holder, to it at the following address:

Peter Dalrymple
____
____
Fax:

If to the Company, to it at the following address:

Aura Systems, Inc.
1310 East Grand Avenue
El Segundo, CA 90245
Fax:
Attn: _________________

with a copy (which will not constitute notice) to:

The Law Offices of Tamara M. Kurtzman, P.C.
8383 Wilshire Blvd., Suite 919
Beverly Hills, California 90211
Fax: 323-782-8587
Attn: Tamara M. Kurtzman

All such notices and communications will be effective on the next Business Day after receipt.

7.5 Governing Law. THIS NOTE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS NOTE SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTIONS OTHER THAN THE STATE CALIFORNIA AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. ANY SUIT, LEGAL ACTION OR SIMILAR PROCEEDING WITH RESPECT TO THIS NOTE SHALL BE BROUGHT EXCLUSIVELY IN THE COURTS OF THE STATE OF CALIFORNIA SITTING IN THE COUNTY OF LOS ANGELES, OR, IF THE STATE COURTS OF CALIFORNIA DO NOT HAVE JURISDICTION, THEN IN THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

7.6 Severability. Any provision of this Note which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction.

7.7 Further Assurances. The Company from time to time after the Issuance Date at the request of the Holder and without further consideration will execute and deliver further instruments and take such other action as a party may reasonably require to fully implement the provisions of this Note. The Holder from time to time after the Issuance Date at the request of the Company and without further consideration will execute and deliver further instruments and take such other action as a party may reasonably require and as are customary to fully implement the provisions of this Note.

7.8 Amendments. No amendment, modification, supplement or waiver of any provision of or to this Note will in any event be effective unless the same is in writing and signed by the Holder and then such waiver or consent will be effective only in the specific instance and for the specific purpose for which given.

7.9 No Waiver; Remedies. The Holder may extend the time for payment of this Note, postpone the enforcement hereof, or grant any other indulgence without affecting or diminishing the Holder's right to full recourse against the Company hereunder, which right is expressly reserved. No failure on the part of the Holder or Company to exercise, and no delay in exercising, any right hereunder will operate as a waiver thereof; nor will any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided at law, in equity or otherwise.

7.10 Successors and Assigns; Transfer. This Note is binding upon the successors and assigns of the Company and will inure to the benefit of the Holder and its respective successors and permitted assigns; *provided however*, that the Company will not assign, delegate or otherwise transfer any of its respective rights or obligations under this Note without the prior written consent of the Holder. The Holder may not assign, participate, pledge, grant a security interest in, or otherwise transfer all or any portion of its rights and obligations under this Note without the prior written consent of the Company. If the Company consents to any transfer, upon such transfer the Holder will notify the Company and the Company (at its expense) will execute and deliver a new promissory note, in substantially the form of this Note, to such Permitted Assign. The Company will maintain a registry to reflect any such Transfer on its registry or record books.

[signature page to follow]

IN WITNESS WHEREOF, the Company has caused this Note to be executed and delivered by its duly authorized representative on the date first above written.

AURA SYSTEMS, INC.**,**
a Delaware corporation

By:
Melvin Gagerman
Chief Executive Officer

Accepted and agreed by:

____
Peter Dalrymple

EXHIBIT "A"
NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the Convertible Promissory Note of AURA SYSTEMS, INC., a Delaware corporation (the "Company"), into shares of common stock (the "Common Stock"), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the Holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to the Company that its ownership of the Common Stock does not equal or exceed the amounts specified in Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder regarding beneficial ownership.

The undersigned represents that it is an "accredited investor" within the meaning of the Securities Act. Holder has been advised that this Note has not been registered under the Securities Act, or any state securities laws and, therefore, cannot be resold unless it is registered under the Securities Act and applicable state securities laws or unless an exemption from such registration requirements is available. Holder is aware that the Company is under no obligation to effect any such registration or to file for or comply with any exemption from registration. The undersigned represents that it has not been formed solely for the purpose of making this investment and is acquiring the Security for its own account for investment, and not with a view to, or for resale in connection with, the distribution thereof. The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock pursuant to any prospectus.

Date to Effect Conversion: _____ Principal Amount of Note to be Converted: _

Interest Accrued on Account of Conversion at Issue: ____________

Number of shares of Common Stock to be issued: ___

Signature:

Name:

Address for Delivery of Common Stock Certificates:

OR

DWAC Instructions:

Broker No:

Account No:

_ _

INCOME TAXES (Details)	9 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
INCOME TAXES [Abstract]		
Effective tax rate (in hundredths)	0.00%	0.00%

SEGMENT INFORMATION (Tables)	9 Months Ended Nov. 30, 2012
SEGMENT INFORMATION [Abstract]	
Revenues from customer geographical segments	Total net revenues from customer geographical segments are as follows for the nine months ended November 30, 2012 and 2011:

	2012	2011
United States	$1,488,536	$1,511,131
Canada	76,197	467,184
Europe	54,261	59,247
Asia	631,058	34,725
Other	36,444	21,668
Total	$2,286,496	$2,093,955

INVENTORIES	9 Months Ended Nov. 30, 2012
INVENTORIES [Abstract]	
INVENTORIES	**NOTE 3 – INVENTORIES**

Inventories, stated at the lower of cost (first in first out), or market consisted of the following:

	November 30, 2012	February 29, 2012
Raw materials	$ 1,964,797	$ 1,812,523
Finished goods	1,844,786	2,354,543
	3,809,583	4,167,066
Reserve for potential product obsolescence	(1,277,148)	(1,460,683)
Discount on long term inventory	(91,946)	(102,383)
	2,440,489	2,604,000
Non-current portion	1,440,489	(1,604,000)
Current portion	$ 1,000,000	$ 1,000,000

We assessed the net realize-ability and the related potential obsolescence of inventory. In accordance with this assessment, management has recorded a reserve of $1,277,148 and $1,460,683 as of November 30, 2012 and February 29, 2012, respectively. Management has also recorded a discount on long term inventory of $91,946 and $102,383 as of November 30, 2012 and February 29, 2012, respectively.

PROPERTY, PLANT, AND EQUIPMENT (Details) (USD $)	9 Months Ended		
	Nov. 30, 2012	Nov. 30, 2011	Feb. 29, 2012
PROPERTY, PLANT, AND EQUIPMENT [Abstract]			
Machinery and equipment	$ 964,111		$ 964,111
Furniture and fixtures	163,302		163,302
Leasehold improvements	485,080		485,080
Property, plant and equipment, gross	1,612,493		1,612,493
Less accumulated depreciation	(1,540,138)		(1,414,355)
Property, plant, and equipment, net	72,355		198,138
Depreciation expense	$ 125,783	$ 137,440	

OTHER CURRENT ASSETS (Details) (USD $)	Nov. 30, 2012	Feb. 29, 2012
OTHER CURRENT ASSETS [Abstract]		
Other current assets	$ 390,515	$ 535,768
Short term deposits	$ 90,552	$ 353,344

NOTES PAYABLE (Details) (USD $)	9 Months Ended				9 Months Ended			9 Months Ended		9 Months Ended		9 Months Ended				9 Months Ended				
	Nov. 30, 2012	Feb. 29, 2012	Nov. 30, 2012 Stock Warrants Granted One [Member]	Nov. 30, 2012 Stock Warrants Granted Two [Member]	Nov. 30, 2012 Stock Warrants Granted One and Two [Member]	Nov. 30, 2012 Demand note payable at 10 % [Member]	Feb. 29, 2012 Demand note payable at 10 % [Member]	Nov. 30, 2012 7% Convertible promissory note, due on August 10, 2017 [Member]	Feb. 29, 2012 7% Convertible promissory note, due on August 10, 2017 [Member]	Nov. 30, 2012 7% Convertible promissory note, due on October 2, 2017 [Member]	Feb. 29, 2012 7% Convertible promissory note, due on October 2, 2017 [Member]	Nov. 30, 2012 7% Convertible promissory note, due on January 4, 2013 [Member]	Feb. 29, 2012 7% Convertible promissory note, due on January 4, 2013 [Member]	Nov. 30, 2012 7% Convertible promissory note [Member]	Feb. 29, 2012 7% Convertible promissory note [Member]	Nov. 30, 2012 Senior secured convertible note due March 23, 2013 [Member]	Feb. 29, 2012 Senior secured convertible note due March 23, 2013 [Member]	Nov. 30, 2012 Convertible note payable [Member]	Feb. 29, 2012 Convertible note payable [Member]	Sep. 23, 2011 Convertible note payable [Member]
Notes payable [Abstract]																				
Demand note payable, at 10%	$ 721,000	$ 150,000				$ 721,000	$ 150,000													
Convertible promissory note								708,520	0	367,003	0	350,000	0							
Senior secured convertible note																788,301	1,161,430			
Notes payable current and long-term portion	2,934,824	1,311,430																		
Less: Current portion	1,859,301	1,214,644																		
Long-term portion	0	96,786																1,075,523	96,786	
Convertible Promissory Note common stock price (in dollars per share)								$ 0.76		$ 0.76		$ 0.76		$ 0.76						
Notes payable interest rate (in hundredths)						10.00%		7.00%		7.00%		7.00%		7.00%						
Number of monthly installments																12				
Monthly payments of senior secured convertible note																306,250				
Senior secured convertible interest rate (in hundredths)																0.00%				
Prepaid interest on senior secured convertible																175,000				
Convertible Debt and Warrants [Line Items]																				
Due date								Aug. 10, 2017		Oct. 02, 2017		Jan. 04, 2013				Mar. 23, 2013				
Conversion price per share of notes payable (in dollars per share)																		$ 0.75		
Principal value of convertible notes								1,000,000		500,000		350,000								3,675,000
Convertible debt maturity term																		1 year 6 months		
Number of common shares entitlement on exercise of warrant one (in shares)			4,900,000	490,000																
Exercise price per common share under warrant one (in dollars per share)			$ 1	$ 0.75																
Term of warrant					P5Y															
Prepaid interest recorded as discount														424,477	0			175,000		
Capitalized finance cost																		1,006,482		
Discount on shares to be issued upon conversion																		1,790,482		
Fair value of conversion features subject to derivative accounting	$ 424,477																			
Assumptions used in determining fair value of beneficial conversion features [Abstract]																				
Risk free interest rate (in hundredths)	0.59%																			
Dividend yield (in hundredths)	0.00%																			
Volatility factor of expected market price of the Company's common stock (in hundredths)	71.29%																			
Expected life of conversion features	5 years																			

ACCRUED EXPENSES (Details) (USD $)	Nov. 30, 2012	Feb. 29, 2012
Accrued expenses [Abstract]		
Accrued payroll and related expenses	$ 1,444,957	$ 993,652
Accrued interest	17,880	82
Other	10,305	26,225
Total	1,473,142	1,019,959
Accrued payroll and related expenses	907,651	524,989
Accrued vacation expense	$ 412,172	$ 306,562

GOING CONCERN	9 Months Ended Nov. 30, 2012
GOING CONCERN [Abstract]	
GOING CONCERN	**NOTE 2 – GOING CONCERN** The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. During the nine months ended November 30, 2012 and November 30, 2011, the Company incurred losses of $8,582,274 and $11,099,713, respectively and had negative cash flows from operating activities of $4,141,339 and $5,991,578, respectively. If the Company is unable to generate profits and is unable to continue to obtain financing for its working capital requirements, it may have to curtail its business sharply or cease business altogether. Substantial additional capital resources will be required to fund continuing expenditures related to our research, development, manufacturing and business development activities. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to retain its current financing, to obtain additional financing, and ultimately to attain profitability. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that could result from the outcome of this uncertainty. During the next twelve months we intend to continue to expand our AuraGen/Viper business both domestically and internationally. There are four major components necessary to execute a significantly expanding business; (i) augmentation of management and staff, (ii) purchase orders, (iii) facilities and equipment, and (iv) working capital. We plan to add senior quality assurance and quality control staff as well as a number of mechanical and electrical engineers, a number of technicians, and a number of test engineers. We had planned to take these steps in the current fiscal year, but a lack of resources prevented us from doing so. We anticipate being able to fund these additions in the upcoming fiscal year.

SHAREHOLDERS' EQUITY (Details) (USD $)	9 Months Ended			
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012 Minimum [Member]	Nov. 30, 2012 Maximum [Member]
Common Stock [Abstract]				
Common Stock issued for cash consideration (in shares)	415,789	2,460,849		
Cash consideration received on issuance of Common Stock	$ 152,000	$ 1,453,520		
Other Significant Noncash Transactions [Line Items]				
Liability converted into common shares				
Common stock issued on conversion of liability (in shares)				
Notes payable and accrued interest converted				
Number of shares issued on conversion of notes payable (in shares)				
Weighted Average Exercise Price [Abstract]				
Outstanding (in dollars per share)			$ 0.75	$ 1.00
Cancelled (in dollars per share)				
Granted (in dollars per share)	$ 0.75			
Outstanding (in dollars per share)			$ 0.75	$ 1.00
Aggregate Intrinsic Value [Abstract]				
Outstanding				
Outstanding				
Number of Options [Roll Forward]				
Outstanding (in shares)				
Cancelled (in shares)				
Granted (in shares)				
Outstanding (in shares)				
Number of Shares [Roll Forward]				
Outstanding (in shares)				
Granted (in shares)				
Expired (in shares)				
Outstanding (in shares)	30,433,289			
Exercise Prices [Abstract]				
Outstanding (in dollars per share)				
Granted (in dollars per share)				
Expired (in dollars per share)				
Outstanding (in dollars per share)				
Black Scholes option pricing model assumptions related to warrant [Abstract]				
Risk free rate of return (in hundredths)	0.62%			
Volatility (in hundredths)	70.85%			
Dividend Yield (in hundredths)	0.00%			
Expected Life	5 years			
Exercise prices for warrants outstanding and warrant information [Abstract]				
Range of Exercise Prices (in dollars per share)				
Stock Warrants Outstanding (in shares)	30,433,289			
Stock Warrants Exercisable (in shares)	30,433,289			
Weighted-Average Remaining Contractual Life				
Weighted-Average Exercise Price of Warrants Outstanding (in dollars per share)				
Weighted-Average Exercise Price of Warrants Exercisable (in dollars per share)				
Intrinsic Value (in dollars per share)				
Exercise price of options granted (in dollars per share)	$ 0.75			
Vesting period of options granted	5 years			
Grant date fair value of options	$ 147,470			
Exercise prices for outstanding options and option information [Abstract]				
Range of Exercise Price (in dollars per share)			$ 0.75	$ 1.00
Options Outstanding Number (in shares)	6,522,000			
Weighted Average Remaining Life Options Outstanding	2 years 3 months 11 days			
Weighted Average Exercise Price Options Outstanding (in dollars per share)	$ 0.80			
Weighted Average Remaining Life Exercisable Options	1 year 10 months 2 days			
Exercisable Options Number (in shares)	5,162,328			
Weighted Average Exercise Price Exercisable Options (in dollars per share)	$ 0.78			

SHAREHOLDERS' EQUITY (Details) (USD $)					9 Months Ended							
	Nov. 30, 2012 Exercise Price Range $1.00 and 56 Months [Member]	Nov. 30, 2012 Exercise Price Range $0.75-$1.00 [Member]	Nov. 30, 2012 Exercise Price Range $1.00 and 45 Months [Member]	Nov. 30, 2012 Exercise Price Range $1.50 and 40 Months [Member]	Nov. 30, 2012 Exercise Price Range $0.75-1.50 [Member]	Nov. 30, 2012 Exercise Price Range $1.50 and 33 Months [Member]	Nov. 30, 2012 Exercise Price Range $1.50 and 32 Months [Member]	Nov. 30, 2012 Exercise Price Range $1.50 and 29 Months [Member]	Nov. 30, 2012 Exercise Price Range $0.75 to $2.00 and 25 Months [Member]	Nov. 30, 2012 Exercise Price Range $2.00 [Member]	Nov. 30, 2012 Exercise Price Range $0.75 to $2.00 and 19 Months [Member]	Nov. 30, 2012 Exercise Price Range $3.00 [Member]
Outstanding (in shares)	406,941	6,225,000	16,722,787	155,000	1,109,198	156,000	704,000	350,642	58,000	725,721	3,650,000	170,000
Outstanding (in dollars per share)	$ 1		$ 1	$ 1.5		$ 1.5	$ 1.5	$ 1.5		$ 2		$ 3
Range of Exercise Prices (in dollars per share)	$ 1		$ 1	$ 1.5		$ 1.5	$ 1.5	$ 1.5		$ 2		$ 3
Stock Warrants Outstanding (in shares)	406,941	6,225,000	16,722,787	155,000	1,109,198	156,000	704,000	350,642	58,000	725,721	3,650,000	170,000
Stock Warrants Exercisable (in shares)	406,941	6,225,000	16,722,787	155,000	1,109,198	156,000	704,000	350,642	58,000	725,721	3,650,000	170,000
Weighted-Average Remaining Contractual Life	56 months	46 months	45 months	40 months	37 months	33 months	32 months	29 months	25 months	22 months	19 months	12 months
Weighted-Average Exercise Price of Warrants Outstanding (in dollars per share)	$ 1	$ 0.99	$ 1	$ 1.5	$ 1.17	$ 1.5	$ 1.5	$ 1.5	$ 1.78	$ 2	$ 1.03	$ 3
Weighted-Average Exercise Price of Warrants Exercisable (in dollars per share)	$ 1	$ 0.99	$ 1	$ 1.5	$ 1.17	$ 1.5	$ 1.5	$ 1.5	$ 1.78	$ 2	$ 1.03	$ 3
Intrinsic Value (in dollars per share)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

SHAREHOLDERS' EQUITY (Details) (USD $)	Nov. 30, 2012 Minimum [Member] Exercise Price Range $0.75-$1.00 [Member]	Nov. 30, 2012 Minimum [Member] Exercise Price Range $0.75-1.50 [Member]	Nov. 30, 2012 Minimum [Member] Exercise Price Range $0.75 to $2.00 and 25 Months [Member]	Nov. 30, 2012 Minimum [Member] Exercise Price Range $0.75 to $2.00 and 19 Months [Member]	Nov. 30, 2012 Maximum [Member] Exercise Price Range $0.75-$1.00 [Member]	Nov. 30, 2012 Maximum [Member] Exercise Price Range $0.75-1.50 [Member]	Nov. 30, 2012 Maximum [Member] Exercise Price Range $0.75 to $2.00 and 25 Months [Member]	Nov. 30, 2012 Maximum [Member] Exercise Price Range $0.75 to $2.00 and 19 Months [Member]
Outstanding (in dollars per share)	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 1.00	$ 1.50	$ 2.00	$ 2.00
Outstanding (in dollars per share)	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 1.00	$ 1.50	$ 2.00	$ 2.00
Range of Exercise Prices (in dollars per share)	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 1.00	$ 1.50	$ 2.00	$ 2.00

SHAREHOLDERS' EQUITY (Details) (USD $)	9 Months Ended									9 Months Ended					
	Nov. 30, 2012 Employee Stock Option Plan 2006 [Member]	Nov. 30, 2012 Employee Stock Option Plan 2006 [Member] Minimum [Member]	Feb. 29, 2012 Employee Stock Option Plan 2006 [Member] Minimum [Member]	Nov. 30, 2012 Employee Stock Option Plan 2006 [Member] Maximum [Member]	Feb. 29, 2012 Employee Stock Option Plan 2006 [Member] Maximum [Member]	Nov. 30, 2012 Warrant [Member]	Nov. 30, 2012 Warrant [Member] Minimum [Member]	Nov. 30, 2012 Warrant [Member] Maximum [Member]	Nov. 30, 2012 Notes Payable and Accrued Interest [Member]	Nov. 30, 2011 Notes Payable and Accrued Interest [Member]	Nov. 30, 2012 Services Rendered [Member]	Nov. 30, 2011 Services Rendered [Member]	Nov. 30, 2011 Accounts Payable [Member]	Nov. 30, 2011 Finder Fees [Member]	Nov. 30, 2012 Accrued and Unpaid Compensation [Member]
Liability converted into common shares											316,000	885,000	599,492		2,259,865
Common stock issued on conversion of liability (in shares)											200,000	1,225,000	908,593	859,999	3,042,199
Notes payable and accrued interest converted									259,729	1,515,960					
Number of shares issued on conversion of notes payable (in shares)									341,748	2,227,612	415,789				
Outstanding (in dollars per share)		$ 0.75	$ 0.75	$ 1.00	$ 1.00										
Cancelled (in dollars per share)	$ 0.75														
Granted (in dollars per share)	$ 0.75														
Outstanding (in dollars per share)		$ 0.75	$ 0.75	$ 1.00	$ 1.00										
Outstanding	0														
Outstanding	0														
Outstanding (in shares)	6,268,500														
Cancelled (in shares)	(313,000)														
Granted (in shares)	566,500														
Outstanding (in shares)	6,522,000														
Outstanding (in shares)						31,009,738									
Granted (in shares)						406,941									
Expired (in shares)						(983,390)									
Outstanding (in shares)						30,433,289									
Outstanding (in dollars per share)							$ 0.75	$ 4.00							
Granted (in dollars per share)						$ 1									
Expired (in dollars per share)							$ 3.00	$ 4.00							
Outstanding (in dollars per share)							$ 0.75	$ 4.00							
Range of Exercise Prices (in dollars per share)							$ 0.75	$ 4.00							
Stock Warrants Outstanding (in shares)						30,433,289									
Exercise price of options granted (in dollars per share)	$ 0.75														
Range of Exercise Price (in dollars per share)		$ 0.75	$ 0.75	$ 1.00	$ 1.00										

CONDENSED BALANCE SHEETS (Unaudited) (USD $)	Nov. 30, 2012	Feb. 29, 2012
Current assets:		
Cash and cash equivalents	$ 39,131	$ 6,260
Accounts receivable, net of allowance for doubtful accounts of $50,000 and $60,000 at November 30, 2012 and February 29, 2012, respectively	740,627	794,704
Inventory - current	1,000,000	1,000,000
Other current assets	390,515	535,768
Total current assets	2,170,273	2,336,732
Property, plant, and equipment, net	72,355	198,138
Inventory, non-current, net of allowance for obsolete inventory of $1,369,094 and $1,563,066 at November 30, 2012 and February 29, 2012, respectively	1,440,489	1,604,000
Total assets	3,683,117	4,138,870
Current liabilities:		
Bank overdraft	0	16,068
Accounts payable	984,058	770,507
Accrued expenses	1,473,142	1,019,959
Customer advances	61,737	57,211
Notes payable	721,000	150,000
Convertible notes payable, net of discount	1,138,301	1,064,644
Notes payable and accrued interest- related party	17,017,778	12,562,743
Total current liabilities	21,396,016	15,641,132
Convertible note payable, net of discount	0	96,786
Convertible promissory note Payable, net of discount	1,075,523	0
Total liabilities	22,471,539	15,737,918
Commitments and contingencies		
Stockholders' deficit :		
Common stock, $0.0001par value; 150,000,000 shares authorized 72,900,206 and 71,942,669 issued and outstanding at November 30, 2012 and February 29, 2012	7,290	7,194
Additional paid-in capital	395,194,422	393,801,622
Accumulated deficit	(413,990,134)	(405,407,864)
Total stockholders' deficit	(18,788,422)	(11,599,048)
Total liabilities and stockholders' deficit	$ 3,683,117	$ 4,138,870

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited) (Parenthetical) (USD $)	9 Months Ended Nov. 30, 2012
Notes Payable and Accrued Interest [Member]	
Other Significant Noncash Transactions [Line Items]	
Notes payable and accrued interest were converted	$ 259,729
Common stock issued (in shares)	341,748
Services Rendered [Member]	
Other Significant Noncash Transactions [Line Items]	
Common stock issued (in shares)	415,789
Consulting services [Member]	
Other Significant Noncash Transactions [Line Items]	
Liability converted into common shares	$ 316,000

SIGNIFICANT CUSTOMERS (Details) (USD $)	9 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
Significant Customer1 [Member]		
Concentration Risk [Line Items]		
Percentage sales significant customers (in hundredths)	26.00%	35.00%
Significant Customer2 [Member]		
Concentration Risk [Line Items]		
Percentage sales significant customers (in hundredths)	18.00%	33.00%
Significant Customer3 [Member]		
Concentration Risk [Line Items]		
Percentage sales significant customers (in hundredths)	17.00%	25.00%
Significant Customer4 [Member]		
Concentration Risk [Line Items]		
Percentage sales significant customers (in hundredths)		15.00%
Customer Concentration Risk [Member]		
Concentration Risk [Line Items]		
Number Of Significant Customers	3	4
Customer Concentration Risk [Member] | Significant Customer1 [Member]		
Concentration Risk [Line Items]		
Net accounts receivable from significant customers	83,388	47,936
Customer Concentration Risk [Member] | Significant Customer2 [Member]		
Concentration Risk [Line Items]		
Net accounts receivable from significant customers	419,321	152,175
Customer Concentration Risk [Member] | Significant Customer3 [Member]		
Concentration Risk [Line Items]		
Net accounts receivable from significant customers	102,585	155,035
Customer Concentration Risk [Member] | Significant Customer4 [Member]		
Concentration Risk [Line Items]		
Net accounts receivable from significant customers		21,843

NOTES PAYABLE (Tables)

9 Months Ended Nov. 30, 2012

NOTES PAYABLE [Abstract]

Notes payable

Notes payable consisted of the following:

	November 30, 2012		February 29, 2012	
Demand notes payable, at 10%	$	721,000	$	150,000
Convertible Promissory Note dated August 10, 2012, due August 10, 2017, convertible into shares of our common stock at a price of $0.76 per share. The note carries an interest rate of 7% with interest only payments due on the 10th of each month with the principal payment due on the maturity date.		708,520		-
Convertible Promissory Note dated October 2, 2012, due October 2, 2017, convertible into shares of our common stock at a price of $0.76 per share. The note carries an interest rate of 7% with interest only payments due on the 2nd of each month with the principal payment due on the maturity date.		367,003		-
Convertible Promissory Note dated November 2, 2012, due January 4, 2013, convertible into shares of our common stock at a price of $0.76 per share. The note carries an interest rate of 7% with interest only payments due on the 2nd of each month with the principal payment due on the maturity date.		350,000		-
Senior secured convertible note dated September 23, 2011, due March 23, 2013, with 12 monthly payments commencing April 23, 2012 of $306,250 per month. The notes have a stated interest rate of 0%, with prepaid interest of $175,000. Balance net of Beneficial Conversion Feature		788,301		1,161,430
	2,934,824		1,311,430	
Less: Current portion	$	1,859,301	$	1,214,644
Long-term portion	$	1,075,523	$	96,786

RELATED PARTY TRANSACTIONS (Details) (USD $)	Nov. 30, 2012	Feb. 29, 2012	3 Months Ended Nov. 30, 2012 Member of Board of Directors [Member]	9 Months Ended Nov. 30, 2012 Member of Board of Directors [Member]	9 Months Ended Nov. 30, 2011 Member of Board of Directors [Member]	Nov. 30, 2012 Member of Board of Directors [Member] Accrued interest [Member]	9 Months Ended Nov. 30, 2012 Law Firm of Relative of Major Shareholder of Company [Member]
Related Party Transaction [Line Items]							
Unsecured notes payable and accrued interest- related party	$ 17,017,778	$ 12,562,743	$ 13,919,960	$ 13,919,960		$ 3,097,818	
Related party transaction, rate (in hundredths)				10.00%			
Related party transaction, date				Sep. 23, 2011			
Interest expense accrued on unsecured notes payable				960,078	459,417		150,000
Repayment on notes from proceeds of legal settlement			940,040				
Advances for legal fees				960,078	459,417		150,000
Legal fees paid as part of bankruptcy settlement							$ 512,000

SHAREHOLDERS' EQUITY (Tables)	9 Months Ended Nov. 30, 2012
SHAREHOLDERS' EQUITY [Abstract]	
Stock Option Activity	In September, 2006, our Board of Directors adopted the 2006 Employee Stock Option Plan. Activity in this plan is as follows:

2006 Plan

	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Number of Options
Outstanding, February 29, 2012	$0.75-$1.00	$0.00	6,268,500
Cancelled	$0.75	(313,000)	
Granted	$0.75		566,500
Outstanding, November 30, 2012	$0.75-$1.00	$0.00	6,522,000

Exercise price of options outstanding and options information

The exercise prices for the options outstanding at November 30, 2012, and information relating to these options is as follows:

	Options Outstanding			Exercisable Options		
Range of Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
$0.75-$1.00	6,522,000	2.28 years	$ 0.80	1.84 years	5,162,328	$ 0.78

Warrants Activity

Activity in issued and outstanding warrants is as follows:

	Number of Shares	Exercise Prices
Outstanding, February 29, 2012	31,009,738	$0.75-$4.00
Granted	406,941	$1.00
Expired	(983,390)	$3.00-$4.00
Outstanding, November 30, 2012	30,433,289	$0.75-$4.00

Exercise prices for the warrants outstanding and warrant information

The exercise prices for the warrants outstanding at November 30, 2012, and information relating to these warrants is as follows:

Range of Exercise Prices	Stock Warrants Outstanding	Stock Warrants Exercisable	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price of Warrants Outstanding	Weighted-Average Exercise Price of Warrants Exercisable	Intrinsic Value
$1.00	406,941	406,941	56 months	$1.00	$1.00	$0.00
$0.75-$1.00	6,225,000	6,225,000	46 months	$0.99	$0.99	$0.00

$1.00	16,722,787	16,722,787	45 months	$1.00	$1.00	$0.00
$1.50	155,000	155,000	40 months	$1.50	$1.50	$0.00
$0.75-1.50	1,109,198	1,109,198	37 months	$1.17	$1.17	$0.00
$1.50	156,000	156,000	33 months	$1.50	$1.50	$0.00
$1.50	704,000	704,000	32 months	$1.50	$1.50	$0.00
$1.50	350,642	350,642	29 months	$1.50	$1.50	$0.00
$0.75-$2.00	58,000	58,000	25 months	$1.78	$1.78	$0.00
$2.00	725,721	725,721	22 months	$2.00	$2.00	$0.00
$0.75-2.00	3,650,000	3,650,000	19 months	$1.03	$1.03	$0.00
$3.00	170,000	170,000	12 months	$3.00	$3.00	$0.00
	30,433,289	30,433,289				

ACCOUNTING POLICIES	9 Months Ended Nov. 30, 2012
ACCOUNTING POLICIES [Abstract]	
ACCOUNTING POLICIES	

NOTE 1 - ACCOUNTING POLICIES

Accounting principles

In the opinion of management, the accompanying balance sheets and related interim statements of income and comprehensive income, and cash flows include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with information included in the Company's 2012 Form 10-K filed on May 29, 2012 with the U.S. Securities and Exchange Commission.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In December 2011, the FASB issued ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"), to improve reporting and transparency of offsetting (netting) assets and liabilities and the related affects on the financial statements. ASU 2011-11 is effective for fiscal years and interim periods within those years beginning after January 1, 2013. All disclosures provided by those amendments are required to be provided retrospectively for all comparative periods presented. We are currently evaluating the impact of this new ASU.

On June 16, 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." This ASU eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. An entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. ASU No. 2011-05 also requires reclassifications of items out of accumulated other comprehensive income to net income to be measured and presented by income statement line item in both the statement where net income is presented and the statement where other comprehensive income is presented. However, on December 23, 2011, the FASB issued ASU No. 2011-12, "Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05" to defer this new requirement. There was no material impact on our financial statements upon adoption.

Reclassifications

Certain reclassifications have been made to the comparative financial statements to conform to the current period presentation.

CONDENSED BALANCE SHEETS (Unaudited) (Parenthetical) (USD $)	Nov. 30, 2012	Feb. 29, 2012
Current assets:		
Allowance for doubtful accounts	$ 50,000	$ 60,000
Allowance for obsolete inventory	$ 1,369,094	$ 1,563,066
Stockholders' deficit :		
Common stock, par value (in dollars per share)	$ 0.0001	$ 0.0001
Common stock, shares authorized (in shares)	150,000,000	150,000,000
Common stock, shares issued (in shares)	72,900,206	71,942,669
Common stock, shares outstanding (in shares)	72,900,206	71,942,669

SIGNIFICANT CUSTOMERS	9 Months Ended Nov. 30, 2012
SIGNIFICANT CUSTOMERS [Abstract]	
SIGNIFICANT CUSTOMERS	**NOTE 11 – SIGNIFICANT CUSTOMERS** **Concentration Risk** In the nine months ended November 30, 2012, we sold AuraGen related products to three significant customers whose sales comprised 26%, 18% and 17% of net sales, respectively. Net accounts receivable from these customers at November 30, 2012 were $83,388, $419,321and $102,585 respectively. These customers are not related to or affiliated with us. In the nine months ended November 30, 2011, we sold AuraGen related products to four significant customers whose sales comprised 35%, 33%, 25% and 15% of net sales, respectively. Net accounts receivable from these customers were $47,936, $152,175, $155,035 and $21,843, respectively. These customers are not related to or affiliated with us.

Document and Entity Information	9 Months Ended Nov. 30, 2012	Dec. 31, 2012
Document and Entity Information [Abstract]		
Entity Registrant Name	AURA SYSTEMS INC	
Entity Central Index Key	0000826253	
Current Fiscal Year End Date	--02-28	
Entity Well-known Seasoned Issuer	No	
Entity Voluntary Filers	No	
Entity Current Reporting Status	Yes	
Entity Filer Category	Smaller Reporting Company	
Entity Common Stock, Shares Outstanding		72,900,206
Document Fiscal Year Focus	2013	
Document Fiscal Period Focus	Q3	
Document Type	10-Q	
Amendment Flag	false	
Document Period End Date	Nov. 30, 2012	

RELATED PARTY TRANSACTIONS	9 Months Ended Nov. 30, 2012
RELATED PARTY TRANSACTIONS [Abstract]	
RELATED PARTY TRANSACTIONS	**NOTE 12 – RELATED PARTIES TRANSACTIONS** At November 30, 2012 the balance consists of $13,919,960 of unsecured notes payable plus accrued interest of $3,097,818 to a member of our Board of Directors, payable on demand, bearing interest at a rate of 10% per annum. The notes are subordinated to the Convertible Debt we entered into on September 23, 2011. During the nine months ended November 30, 2012 and November 30, 2011, interest amounting to $960,078 and $459,417 respectively, was incurred on these notes. During the quarter ended November 30, 2012, we repaid $940,040 of principal on these notes from the proceeds of a legal settlement. During the nine months period ended November 30, 2012, Aura Systems made advances for legal fees of $150,000 to a law firm of a relative of a major shareholder of the Company. This law firm received $512,000 of the legal settlement we entered into with our former bankruptcy attorneys.

CONDENSED STATEMENTS OF OPERATIONS (Unaudited) (USD $)	3 Months Ended		9 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011
CONDENSED STATEMENTS OF OPERATIONS (Unaudited) [Abstract]				
Net Revenues	$ 1,215,024	$ 527,185	$ 2,286,496	$ 2,093,955
Cost of goods sold	644,648	341,802	1,104,674	997,948
Gross Profit	570,376	185,383	1,181,822	1,096,007
Expenses				
Engineering, research and development expenses	312,262	337,631	1,008,954	993,411
Selling, general and administrative expenses	3,496,624	2,895,689	8,024,082	10,755,327
Total costs and expenses	3,808,886	3,233,320	9,033,036	11,478,738
Loss from operations	(3,238,510)	(3,047,937)	(7,851,214)	(10,652,731)
Other (income) and expense				
Interest expense, net	1,009,131	672,372	2,834,226	1,176,358
(Gain) loss on settlement of debt	0	(447,585)	0	(714,340)
Other (income) expense, net	(2,095,000)	(85)	(2,103,166)	(15,036)
Total other (income) expense	(1,085,869)	224,702	731,060	(446,982)
Net Loss	$ (2,152,641)	$ (3,272,639)	$ (8,582,274)	$ (11,099,713)
Total basic and diluted loss per share (in dollars per share)	$ (0.03)	$ (0.05)	$ (0.12)	$ (0.17)
Weighted average shares used to compute basic and diluted income (loss) per share (in shares)	72,750,310 [1]	70,131,472 [1]	72,381,581 [1]	66,621,897 [1]

[1] Basic and diluted weighted average number of shares are equivalent since the effect of potential dilutive securities is anti-dilutive.

NOTES PAYABLE	9 Months Ended Nov. 30, 2012
NOTES PAYABLE [Abstract]	
NOTES PAYABLE	NOTE 6 – NOTES PAYABLE

Notes payable consisted of the following:

	November 30, 2012	February 29, 2012
Demand notes payable, at 10%	$ 721,000	$ 150,000
Convertible Promissory Note dated August 10, 2012, due August 10, 2017, convertible into shares of our common stock at a price of $0.76 per share. The note carries an interest rate of 7% with interest only payments due on the 10th of each month with the principal payment due on the maturity date.	708,520	-
Convertible Promissory Note dated October 2, 2012, due October 2, 2017, convertible into shares of our common stock at a price of $0.76 per share. The note carries an interest rate of 7% with interest only payments due on the 2nd of each month with the principal payment due on the maturity date.	367,003	-
Convertible Promissory Note dated November 2, 2012, due January 4, 2013, convertible into shares of our common stock at a price of $0.76 per share. The note carries an interest rate of 7% with interest only payments due on the 2nd of each month with the principal payment due on the maturity date.	350,000	-
Senior secured convertible note dated September 23, 2011, due March 23, 2013, with 12 monthly payments commencing April 23, 2012 of $306,250 per month. The notes have a stated interest rate of 0%, with prepaid interest of $175,000. Balance net of Beneficial Conversion Feature	788,301	1,161,430
	2,934,824	1,311,430
Less: Current portion	$ 1,859,301	$ 1,214,644
Long-term portion	$ 1,075,523	$ 96,786

CONVERTIBLE DEBT

On September 23, 2011, Aura Systems, Inc. entered into purchase agreements to sell convertible notes with a total principal value of $3,675,000 and warrants to purchase shares of common stock. The notes have a 1.5 year maturity date and are convertible into shares of common stock at the initial conversion price of $0.75 per share. The warrants entitle the investors to acquire 4,900,000 and 490,000 shares and have an initial exercise price of $1 and $0.75 per share, respectively, and have a 5 year term. The proceeds of Convertible note were assigned between warrants and convertible note per ASC 470-20. The company recorded $175,000 as a discount (prepaid interest), $1,006,482 as capitalized financing cost and a discount of $1,790,482 on shares to be issued upon conversion of the note into equity. This discount (prepaid interest), capitalized finance cost and discount will be amortized over the life of the note**.**

CONVERTIBLE PROMISSORY NOTES

At November 30, 2012 and February 29, 2012, the three other convertible promissory note payable amounted to $1,425,522 and Nil, respectively, net of discounts of $424,477 and Nil, respectively. The convertible notes (the "Notes") bear interest at 7% per annum, and are convertible into common stock of the Company at $0.76 per share (as well as variable conversion rates as described below). The notes are due on August 10, 2017, October 2, 2017, and January 4, 2013 and are unsecured.

7% Convertible Promissory Notes:

On August 10, 2012 the Company entered into an agreement with the individual (the "holder") for the sale of $1,000,000 of unsecured Convertible Promissory Note (the "Note") to the holder. The Convertible Promissory Note balance together with all accrued interest thereon shall be due and payable on August 10, 2017 and the annual interest rate is 7% per annum and is due to be repaid 5 years from the closing date. The Note holder will receive interest on the unpaid principal amount payable monthly in arrears on the tenth day of each calendar month commencing September 10, 2012. Interest shall be computed on the actual number of days elapsed over a 360-day year. The Holder has the right from and after the Date of Issuance, and until any time until the Convertible promissory note is fully paid, to convert any outstanding and unpaid principal portion of the Convertible promissory note into shares of Common.

On October 2, 2012 the Company entered into an agreement with the individual (the "holder") for the sale of $500,000 of unsecured Convertible Promissory Note (the "Note") to the holder. The Convertible Promissory Note balance together with all accrued interest thereon shall be due and payable on October 2, 2017 and the annual interest rate is 7% per annum and is due to be repaid 5 years from the closing date. The Note holder will receive interest on the unpaid principal amount payable monthly in arrears on the second day of each calendar month commencing November 2, 2012. Interest shall be computed on the actual number of days elapsed over a 360-day year. The Holder has the right from and after the Date of Issuance, and until any time until the Convertible promissory note is fully paid, to convert any outstanding and unpaid principal portion of the Convertible promissory note into shares of Common.

On November 2, 2012 the Company entered into an agreement with the individual (the "holder") for the sale of $350,000 of unsecured Convertible Promissory Note (the "Note") to the holder. The Convertible Promissory Note balance together with all accrued interest thereon shall be due and payable on January 4, 2013 and the annual interest rate is 7% per annum and is due to be repaid 2 months from the closing date. The Note holder will receive interest on the unpaid principal amount payable monthly in arrears on the second day of each calendar month commencing December 2, 2012. Interest shall be computed on the actual number of days elapsed over a 360-day year. The Holder has the right from and after the Date of Issuance, and until any time until the Convertible promissory note is fully paid, to convert any outstanding and unpaid principal portion of the Convertible promissory note into shares of Common.

The Convertible Notes have a variable conversion price. If, at any time while the Notes remain outstanding, the Company issues or sells any Convertible Securities and the lowest price per share for which one share of Common Stock is issuable upon the conversion, exercise or exchange thereof is less than the then Conversion Price of the Notes (such lower price, the "Dilutive Price"), then the Conversion Price of these Notes shall be adjusted to reflect such Dilutive Price. Such adjustment shall be made upon the issuance or sale of the Convertible Security bearing a dilutive price. In the event of default for the Notes, the amount of principal and interest not paid when due becomes immediately due and payable.

The Company has valued the derivative liability for the convertible promissory note using the Black – Scholes model as of August 10, 2012 and November 30, 2012.

As of November 30, 2012 the fair value of the conversion features subject to derivative accounting was $424,477. The value of the conversion feature as of November 30, 2012 was determined using the Black-Scholes method based on the following assumptions: (1) risk free interest rate of 0.59%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 71.29%; and (4) expected life of the conversion features of 5 years.

PROPERTY, PLANT, AND EQUIPMENT	9 Months Ended Nov. 30, 2012
PROPERTY, PLANT, AND EQUIPMENT [Abstract]	
PROPERTY, PLANT, AND EQUIPMENT	

NOTE 5 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following:

	November 30, 2012	February 29, 2012
Machinery and equipment	$ 964,111	$ 964,111
Furniture and fixtures	163,302	163,302
Leasehold improvements	485,080	485,080
	1,612,493	1,612,493
Less accumulated depreciation	(1,540,138)	(1,414,355)
Property, plant and equipment, net	$ 72,355	$ 198,138

Depreciation expense was $125,783 and $137,440 for the nine months ended November 30, 2012 and November 30, 2011, respectively.

ACCRUED EXPENSES (Tables)	9 Months Ended Nov. 30, 2012
ACCRUED EXPENSES [Abstract]	
Accrued expenses	Accrued expenses consisted of the following:

	November 30, 2012	February 29, 2012
Accrued payroll and related expenses	$1,444,957	$ 993,652
Accrued interest	17,880	82
Other	10,305	26,225
Total	$1,473,142	$1,019,959

ACCOUNTING POLICIES (Policies)	9 Months Ended Nov. 30, 2012
ACCOUNTING POLICIES [Abstract]	
Estimates	**Estimates** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
Recently Issued Accounting Pronouncements	**Recently Issued Accounting Pronouncements** In December 2011, the FASB issued ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"), to improve reporting and transparency of offsetting (netting) assets and liabilities and the related affects on the financial statements. ASU 2011-11 is effective for fiscal years and interim periods within those years beginning after January 1, 2013. All disclosures provided by those amendments are required to be provided retrospectively for all comparative periods presented. We are currently evaluating the impact of this new ASU. On June 16, 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." This ASU eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. An entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. ASU No. 2011-05 also requires reclassifications of items out of accumulated other comprehensive income to net income to be measured and presented by income statement line item in both the statement where net income is presented and the statement where other comprehensive income is presented. However, on December 23, 2011, the FASB issued ASU No. 2011-12, "Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05" to defer this new requirement. There was no material impact on our financial statements upon adoption.
Reclassifications	**Reclassifications** Certain reclassifications have been made to the comparative financial statements to conform to the current period presentation.

INCOME TAXES	9 Months Ended Nov. 30, 2012
INCOME TAXES [Abstract]	
INCOME TAXES	**NOTE 9 –INCOME TAXES** Our effective tax rates were approximately 0.0% for the nine months ended November 30, 2012 and 2011. Our effective tax rate was lower than the U.S. federal statutory rate primarily due to the fact that we record a full valuation allowance against our deferred tax assets, which is primarily comprised of net operating losses.

ACCRUED EXPENSES	9 Months Ended Nov. 30, 2012
ACCRUED EXPENSES [Abstract]	
ACCRUED EXPENSES	**NOTE 7 - ACCRUED EXPENSES** Accrued expenses consisted of the following:

	November 30, 2012	February 29, 2012
Accrued payroll and related expenses	$1,444,957	$ 993,652
Accrued interest	17,880	82
Other	10,305	26,225
Total	$1,473,142	$1,019,959

Accrued payroll and related expenses consisted primarily of salaries accrued but not paid to certain employees. As of November 30, 2012 and February 29, 2012, these amounts total $907,651 and $524,989, respectively. Also included in this amount is accrued vacation expense of $412,172 and $306,562 at November 30, 2012 and February 29, 2012, respectively.

SHAREHOLDERS' EQUITY	9 Months Ended Nov. 30, 2012
SHAREHOLDERS' EQUITY [Abstract]	
SHAREHOLDERS' EQUITY	**NOTE 8–SHAREHOLDERS' EQUITY**

Common Stock

During the nine months ended November 30, 2012, we issued 415,789 shares of Common Stock for services rendered valued at $316,000, 200,000 shares of common stock for consideration of $152,000, and 341,748 shares upon conversion of $259,729 of notes payable and accrued interest.

During the nine months ended November 30, 2011, we issued 2,460,849 shares of Common Stock for cash consideration of $1,453,520. We also issued 2,227,612 shares of Common Stock for the conversion of $1,515,960 of notes payable and accrued interest, 1,225,000 shares of Common Stock for services to be rendered in the amount of $885,000, 908,593 shares of Common Stock in satisfaction of $599,492 of accounts payable, 859,999 shares as finders fees, and 3,042,199 shares of Common Stock in satisfaction of $2,259,865 of accrued and unpaid compensation.

Employee Stock Options

During the nine months ended November 30, 2012, the Company granted 566,500 options to certain employees. These options vest over three years, have an exercise price of $0.75, and have a five year life. The grant date fair value of these options amounted to $147,470 which was calculated using the Black-Scholes option pricing model with the following assumptions: risk free rate of return of 0.62%, volatility of 70,85%, a dividend yield of 0%, and an expected life of 5 years.

In September, 2006, our Board of Directors adopted the 2006 Employee Stock Option Plan. Activity in this plan is as follows:

	2006 Plan		
	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Number of Options
Outstanding, February 29, 2012	$0.75-$1.00	$0.00	6,268,500
Cancelled	$0.75	(313,000)	
Granted	$0.75		566,500
Outstanding, November 30, 2012	$0.75-$1.00	$0.00	6,522,000

The exercise prices for the options outstanding at November 30, 2012, and information relating to these options is as follows:

	Options Outstanding			Exercisable Options		
Range of Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
$0.75-$1.00	6,522,000	2.28 years	$ 0.80	1.84 years	5,162,328	$ 0.78

Warrants

Activity in issued and outstanding warrants is as follows:

	Number of Shares	Exercise Prices
Outstanding, February 29, 2012	31,009,738	$0.75-$4.00
Granted	406,941	$1.00
Expired	(983,390)	$3.00-$4.00
Outstanding, November 30, 2012	30,433,289	$0.75-$4.00

The exercise prices for the warrants outstanding at November 30, 2012, and information relating to these warrants is as follows:

Range of Exercise Prices	Stock Warrants Outstanding	Stock Warrants Exercisable	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price of Warrants Outstanding	Weighted-Average Exercise Price of Warrants Exercisable	Intrinsic Value
$1.00	406,941	406,941	56 months	$1.00	$1.00	$0.00
$0.75-$1.00	6,225,000	6,225,000	46 months	$0.99	$0.99	$0.00
$1.00	16,722,787	16,722,787	45 months	$1.00	$1.00	$0.00
$1.50	155,000	155,000	40 months	$1.50	$1.50	$0.00
$0.75-1.50	1,109,198	1,109,198	37 months	$1.17	$1.17	$0.00
$1.50	156,000	156,000	33 months	$1.50	$1.50	$0.00
$1.50	704,000	704,000	32 months	$1.50	$1.50	$0.00
$1.50	350,642	350,642	29 months	$1.50	$1.50	$0.00
$0.75-$2.00	58,000	58,000	25 months	$1.78	$1.78	$0.00
$2.00	725,721	725,721	22 months	$2.00	$2.00	$0.00
$0.75-2.00	3,650,000	3,650,000	19 months	$1.03	$1.03	$0.00
$3.00	170,000	170,000	12 months	$3.00	$3.00	$0.00
	30,433,289	30,433,289				

SEGMENT INFORMATION	9 Months Ended Nov. 30, 2012
SEGMENT INFORMATION [Abstract]	
SEGMENT INFORMATION	**NOTE 10 - SEGMENT INFORMATION** We are a United States based company providing advanced technology products to various industries. The principal markets for our products are North America, Europe, and Asia. All of our operating long-lived assets are located in the United States. We operate in one segment. Total net revenues from customer geographical segments are as follows for the nine months ended November 30, 2012 and 2011:

	2012	2011
United States	$1,488,536	$1,511,131
Canada	76,197	467,184
Europe	54,261	59,247
Asia	631,058	34,725
Other	36,444	21,668
Total	$2,286,496	$2,093,955

SEGMENT INFORMATION (Details) (USD $)	9 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
Revenues from customer geographical segments [Abstract]		
United States	$ 1,488,536	$ 1,511,131
Total	2,286,496	2,093,955
Number of Operating Segments	1	
Canada [Member]		
Revenues from customer geographical segments [Abstract]		
Foreign countries	76,197	467,184
Europe [Member]		
Revenues from customer geographical segments [Abstract]		
Foreign countries	54,261	59,247
Asia [Member]		
Revenues from customer geographical segments [Abstract]		
Foreign countries	631,058	34,725
Other [Member]		
Revenues from customer geographical segments [Abstract]		
Foreign countries	$ 36,444	$ 21,668

PROPERTY, PLANT, AND EQUIPMENT (Tables)	9 Months Ended Nov. 30, 2012
PROPERTY, PLANT, AND EQUIPMENT [Abstract]	
Property, plant and equipment	Property, plant, and equipment consisted of the following:

	November 30, 2012	February 29, 2012
Machinery and equipment	$ 964,111	$ 964,111
Furniture and fixtures	163,302	163,302
Leasehold improvements	485,080	485,080
	1,612,493	1,612,493
Less accumulated depreciation	(1,540,138)	(1,414,355)
Property, plant and equipment, net	$ 72,355	$ 198,138

GOING CONCERN (Details) (USD $)	3 Months Ended		9 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011
GOING CONCERN [Abstract]				
Net Loss	$ 2,152,641	$ 3,272,639	$ 8,582,274	$ 11,099,713
Cash flows from operating activities			$ 4,141,339	$ 5,991,578

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited) (USD $)	9 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
Cash flow from operating activities:		
Net Loss	$ (8,582,274)	$ (11,099,713)
Adjustments to reconcile Net loss to net cash used in operating activities		
Depreciation Expense	125,783	137,440
Bad debt expense	(4,227)	0
Amortization of debt discount	1,806,354	366,830
(Gain) loss on settlement of debt	0	(714,340)
Stock issued for services	316,000	510,000
Provision for inventory obsolescence	(193,972)	(154,109)
Amortization of prepaid shares	393,328	266,135
Fair market value of stock options granted	204,961	3,750,513
Beneficial conversion feature on convertible debt	0	70,641
(Increase) decrease in:		
Accounts receivable	58,304	(250,687)
Inventory	357,486	395,143
Other current assets and deposit	(248,075)	(33,326)
Increase (decrease) in:		
Accounts payable, customer deposit and accrued expenses	1,624,993	763,895
Net cash used in operations	(4,141,339)	(5,991,578)
Financing activities:		
Issuance of common stock	152,000	1,453,520
Proceeds from notes payable	2,671,000	3,812,000
Payments on notes payable	(2,143,750)	(207,500)
Proceeds from notes payable-related party, net	3,494,960	975,000
Net cash provided by financing activities:	4,174,210	6,033,020
Net increase (decrease) in cash & cash equivalents	32,871	41,442
Cash and cash equivalents at beginning of period	6,260	104,815
Cash and cash equivalents at end of period	39,131	146,257
Cash paid during the period for:		
Interest	25,780	60,136
Income taxes	$ 0	$ 0

OTHER CURRENT ASSETS	9 Months Ended Nov. 30, 2012
OTHER CURRENT ASSETS [Abstract]	
OTHER CURRENT ASSETS	**NOTE 4 – OTHER CURRENT ASSETS** Other assets of $390,515 and $535,768 are primarily comprised short term deposits of $90,552 and $353,344 as of November 30, 2012 and February 29, 2012.

INVENTORIES (Details) (USD $)	Nov. 30, 2012	Feb. 29, 2012
INVENTORIES [Abstract]		
Raw materials	$ 1,964,797	$ 1,812,523
Finished goods	1,844,786	2,354,543
Inventory gross current and noncurrent portion	3,809,583	4,167,066
Reserve for potential product obsolescence	(1,277,148)	(1,460,683)
Discount on long term inventory	(91,946)	(102,383)
Total inventory, net	2,440,489	2,604,000
Non-current portion	1,440,489	1,604,000
Current portion	$ 1,000,000	$ 1,000,000

INVENTORIES (Tables)

	9 Months Ended Nov. 30, 2012
INVENTORIES [Abstract]	
Inventories	Inventories, stated at the lower of cost (first in first out), or market consisted of the following:

	November 30, 2012	February 29, 2012
Raw materials	$ 1,964,797	$ 1,812,523
Finished goods	1,844,786	2,354,543
	3,809,583	4,167,066
Reserve for potential product obsolescence	(1,277,148)	(1,460,683)
Discount on long term inventory	(91,946)	(102,383)
	2,440,489	2,604,000
Non-current portion	1,440,489	(1,604,000)
Current portion	$ 1,000,000	$ 1,000,000