

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-12885

ALPHA-EN CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware	95-4622429
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

120 White Plains Road, Suite 425, Tarrytown, New York	10591
(Address of Principal Executive Offices)	(Zip Code)

(914) 418-2000

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>

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

As of December \_\_, 2015, there were 27,821,030 shares of the issuer's common stock outstanding.

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

Alpha-En Corporation

September 30, 2013 and 2012

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Alpha-En Corporation  
Consolidated Balance Sheets

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 113	\$ 620
Total Current Assets	<u>113</u>	<u>620</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 113</u></u>	<u><u>\$ 620</u></u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accrued expenses	\$ 110,269	\$ 125,807
Advances from related parties	<u>139,401</u>	<u>142,051</u>
Total Current Liabilities	<u>249,670</u>	<u>267,858</u>
<b>TOTAL LIABILITIES</b>	<u>249,670</u>	<u>267,858</u>
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock: par value \$0.01; 2,000,000 shares authorized; none issued or outstanding	-	-
Class B common stock: no par value; 1,000,000 shares authorized; none issued or outstanding	-	-
Common stock: par value \$0.01; 35,000,000 shares authorized; 28,950,404 and 28,265,474 shares issued and outstanding, respectively	289,504	282,654
Additional paid-In capital	7,812,467	7,793,659
Accumulated deficit	(8,282,145)	(8,274,168)
Treasury stock	<u>(69,383)</u>	<u>(69,383)</u>
Total Stockholders' Deficit	<u>(249,557)</u>	<u>(267,238)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<u><u>\$ 113</u></u>	<u><u>\$ 620</u></u>

*See accompanying notes to the financial statements*

Alpha-En Corporation  
Consolidated Statements of Operations

	For the Nine Months Ended September 30, 2013 <u>(Unaudited)</u>	For the Three Months Ended September 30, 2013 <u>(Unaudited)</u>	For the Nine Months Ended September 30, 2012 <u>(Unaudited)</u>	For the Three Months Ended September 30, 2012 <u>(Unaudited)</u>
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Operating Expenses:</b>				
Research and development	3,420	-	-	-
Compensation - officer	658	282	-	-
Professional fees	3,600	900	3,600	1,800
General and administrative expenses	299	-	4,383	35
	<u>7,977</u>	<u>1,182</u>	<u>7,983</u>	<u>1,835</u>
<b>Total Operating Expenses</b>				
	<u>7,977</u>	<u>1,182</u>	<u>7,983</u>	<u>1,835</u>
<b>Loss before income taxes</b>	(7,977)	(1,182)	(7,983)	(1,835)
<b>Income tax provision</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net loss</b>	<u>\$ (7,977)</u>	<u>\$ (1,182)</u>	<u>\$ (7,983)</u>	<u>\$ (1,835)</u>
<b>Net Loss Per Common Share - basic and diluted</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted Average Common Shares Outstanding: - basic and diluted</b>	<u>28,912,801</u>	<u>28,950,404</u>	<u>27,821,030</u>	<u>27,821,030</u>

*See accompanying notes to the financial statements*

Alpha-En Corporation  
Consolidated Statement of Changes in Stockholders' Deficit  
For the Interim Period ended June 30, 2013  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Deficit
	Shares	Amount			Shares	Amount	
Balance, December 31, 2011	27,821,030	278,210	7,788,103	(8,264,735)	798,918	(69,383)	(267,805)
Shares issued for cash at \$0.0225 per share on December 14, 2012	444,444	4,444	5,556				10,000
Net loss				(9,433)			(9,433)
Balance, December 31, 2012	28,265,474	282,654	7,793,659	(8,274,168)	798,918	(69,383)	(267,238)
Shares issued for cash at \$0.0365 per share on January 15, 2013	684,930	6,850	18,150				25,000
Stock options granted to Vice President for future services on February 20, 2013			4,500				4,500
Stock options granted to Vice President for future services on February 20, 2013			(4,500)				(4,500)
Amortization of Vice President's services			658				658
Net loss				(7,977)			(7,977)
Balance, June 30, 2013	<u>28,950,404</u>	<u>\$ 289,504</u>	<u>\$ 7,812,467</u>	<u>\$ (8,282,145)</u>	<u>\$ 798,918</u>	<u>\$ (69,383)</u>	<u>\$ (249,557)</u>

*See accompanying notes to the financial statements*

Alpha-En Corporation  
Consolidated Statements of Cash Flows

	<u>For the Nine Months Ended September 30, 2013 (Unaudited)</u>	<u>For the Nine Months Ended September 30, 2012 (Unaudited)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (7,977)	\$ (7,983)
Adjustments to reconcile net loss to net cash provided by operating activities		
Stock options issued as compensation	658	-
Changes in operating assets and liabilities:		
Prepaid Expenses	-	3,078
Accrued expenses	(15,538)	(4,616)
Corporate income tax payable	-	-
Net cash used by operating activities	<u>(22,857)</u>	<u>(9,521)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments to) notes payable - related party	-	(1,385)
Proceeds from advances from related parties	4,150	10,550
Repayments of advances from related parties	(6,800)	-
Proceeds from sale of common shares	<u>25,000</u>	<u>-</u>
Net cash flows provided by (used in) financing activities	<u>22,350</u>	<u>9,165</u>
<b>NET CHANGE IN CASH</b>	(507)	(356)
<b>CASH BALANCE AT BEGINNING OF PERIOD</b>	<u>620</u>	<u>376</u>
<b>CASH BALANCE AT END OF PERIOD</b>	<u>\$ 113</u>	<u>\$ 20</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income tax paid	<u>\$ -</u>	<u>\$ -</u>

*See accompanying notes to the financial statements*

Alpha-En Corporation  
September 30, 2013 and 2012  
Notes to the Consolidated Financial Statements  
(Unaudited)

**Note 1 - Organization and Operations**

Alpha-En Corporation (Company) was incorporated in Delaware on March 7, 1997 and had operated through its wholly-owned subsidiaries, Avenue Pictures, Inc. and its subsidiaries and Wombat Productions, Inc. through May 2, 2006.

From May 2, 2006 through February 24, 2009, the Company had been inactive.

On February 25, 2009, the Company was granted a license for an exclusive, worldwide, transferable, perpetual license to use certain proprietary technology for the processing of lithium for use in batteries and other fields.

Commencing in October 2010, working through a third party, the Company conducted a series of tests to determine if the process worked and, based on the results, believed that the process was workable and commercially feasible.

**Note 2 - Significant and Critical Accounting Policies and Practices**

The Management of the Company is responsible for the selection and use of appropriate accounting policies and the appropriateness of accounting policies and their application. Critical accounting policies and practices are those that are both most important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Company's significant and critical accounting policies and practices are disclosed below as required by generally accepted accounting principles.

*Basis of Presentation – Unaudited Interim Financial Information*

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for the interim financial information, and with the rules and regulations of the United States Securities and Exchange Commission ("SEC") to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim financial statements furnished reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. Unaudited interim results are not necessarily indicative of the results for the full fiscal year. These consolidated financial statements should be read in conjunction with the Form 10-K that was filed by the Company on September 11, 2015.

*Use of Estimates and Assumptions and Critical Accounting Estimates and Assumptions*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s).



Critical accounting estimates are estimates for which (a) the nature of the estimate is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and (b) the impact of the estimate on financial condition or operating performance is material. The Company's critical accounting estimates and assumptions affecting the financial statements were:

- (i) *Assumption as a going concern*: Management assumes that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.
- (ii) *Valuation allowance for deferred tax assets*: Management assumes that the realization of the Company's net deferred tax assets resulting from its net operating loss ("NOL") carry-forwards for Federal income tax purposes that may be offset against future taxable income was not considered more likely than not and accordingly, the potential tax benefits of the net loss carry-forwards are offset by a full valuation allowance. Management made this assumption based on (a) the Company has incurred recurring losses, (b) general economic conditions, and (c) its ability to raise additional funds to support its daily operations by way of a public or private offering, among other factors.
- (iii) *Estimates and assumptions used in valuation of equity instruments*: Management estimates expected term of share options and similar instruments, expected volatility of the Company's common shares and the method used to estimate it, expected annual rate of quarterly dividends, and risk free rate(s) to value share options and similar instruments.

These significant accounting estimates or assumptions bear the risk of change due to the fact that there are uncertainties attached to these estimates or assumptions, and certain estimates or assumptions are difficult to measure or value.

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable in relation to the financial statements taken as a whole under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Management regularly evaluates the key factors and assumptions used to develop the estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such evaluations, if deemed appropriate, those estimates are adjusted accordingly.

Actual results could differ from those estimates.

#### Principles of Consolidation

The Company applies the guidance of Topic 810 "Consolidation" of the FASB Accounting Standards Codification to determine whether and how to consolidate another entity. Pursuant to ASC Paragraph 810-10-15-10 all majority-owned subsidiaries—all entities in which a parent has a controlling financial interest—shall be consolidated except (1) when control does not rest with the parent, the majority owner; (2) if the parent is a broker-dealer within the scope of Topic 940 and control is likely to be temporary; (3) consolidation by an investment company within the scope of Topic 946 of a non-investment-company investee. Pursuant to ASC Paragraph 810-10-15-8, the usual condition for a controlling financial interest is ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, of more than 50 percent of the outstanding voting shares of another entity is a condition pointing toward consolidation. The power to control may also exist with a lesser percentage of ownership, for example, by contract, lease, agreement with other stockholders, or by court decree. The Company consolidates all less-than-majority-owned subsidiaries, if any, in which the parent's power to control exists.

The consolidated financial statements include all accounts of the entities as of the reporting period ending date(s) and for the reporting period(s) as follows:

Name of consolidated subsidiary or entity	State or other jurisdiction of incorporation or organization	Date of incorporation or formation (date of acquisition, if applicable)	Attributable interest
Avenue Pictures, Inc.	Delaware	April 28, 1992 (September 30, 1996)	100%
Wombat Productions, Inc.	Delaware	March 7, 1997	100%

The consolidated financial statements include all accounts of the Company and its inactive consolidated subsidiaries as of the reporting period ending date.

All inter-company balances and transactions have been eliminated.

Fair Value of Financial Instruments

The Company follows paragraph 820-10-35-37 of the FASB Accounting Standards Codification (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments and paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

- Level 1      Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2      Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3      Pricing inputs that are generally observable inputs and not corroborated by market data.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The carrying amounts of the Company’s financial assets and liabilities, such as cash and accrued expenses approximate their fair values because of the short maturity of these instruments.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.

### Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### Related Parties

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the Related parties include a. affiliates (“Affiliate” means, with respect to any specified Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person, as such terms are used in and construed under Rule 405 under the Securities Act) of the Company; b. entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; c. trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d. principal owners of the Company; e. management of the Company; f. other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g. other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: a. the nature of the relationship(s) involved; b. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c. the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d. amount due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

### Commitment and Contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company’s consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

#### Revenue Recognition

The Company follows paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company will recognize revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

#### Stock-Based Compensation for Obtaining Employee Services

The Company accounts for share-based payment transactions issued to employees under the guidance of the Topic 718 Compensation—Stock Compensation of the FASB Accounting Standards Codification (“ASC Topic 718”).

Pursuant to ASC Section 718-10-20 an employee is an individual over whom the grantor of a share-based compensation award exercises or has the right to exercise sufficient control to establish an employer-employee relationship based on common law as illustrated in case law and currently under U.S. Internal Revenue Service (“IRS”) Revenue Ruling 87-41. A non-employee director does not satisfy this definition of employee. Nevertheless, non-employee directors acting in their role as members of a board of directors are treated as employees if those directors were elected by the employer’s shareholders or appointed to a board position that will be filled by shareholder election when the existing term expires. However, that requirement applies only to awards granted to non-employee directors for their services as directors. Awards granted to non-employee directors for other services shall be accounted for as awards to non-employees.

Pursuant to ASC Paragraphs 718-10-30-2 and 718-10-30-3 a share-based payment transaction with employees shall be measured based on the fair value of the equity instruments issued and an entity shall account for the compensation cost from share-based payment transactions with employees in accordance with the fair value-based method, i.e., the cost of services received from employees in exchange for awards of share-based compensation generally shall be measured based on the grant-date fair value of the equity instruments issued or the fair value of the liabilities incurred/settled.

Pursuant to ASC Paragraphs 718-10-30-6 and 718-10-30-9 the measurement objective for equity instruments awarded to employees is to estimate the fair value at the grant date of the equity instruments that the entity is obligated to issue when employees have rendered the requisite service and satisfied any other conditions necessary to earn the right to benefit from the instruments (for example, to exercise share options). That estimate is based on the share price and other pertinent factors, such as expected volatility, at the grant date. As such, the fair value of an equity share option or similar instrument shall be estimated using a valuation technique such as an option pricing model. For this purpose, a similar instrument is one whose fair value differs from its intrinsic value, that is, an instrument that has time value.

If the Company’s common shares are traded in one of the national exchanges the grant-date share price of the Company’s common stock will be used to measure the fair value of the common shares issued, however, if the Company’s common shares are thinly traded the use of share prices established in its most recent private placement memorandum (“PPM”), or weekly or monthly price observations would generally be more appropriate than the use of daily price observations as such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.

Pursuant to ASC Paragraph 718-10-55-21 if an observable market price is not available for a share option or similar instrument with the same or similar terms and conditions, an entity shall estimate the fair value of that instrument using a valuation technique or model that meets the requirements in paragraph 718-10-55-11 and takes into account, at a minimum, all of the following factors:

- a. The exercise price of the option.
- b. The expected term of the option, taking into account both the contractual term of the option and the effects of employees' expected exercise and post-vesting employment termination behavior: The expected life of options and similar instruments represents the period of time the option and/or warrant are expected to be outstanding. Pursuant to paragraph 718-10-S99-1, it may be appropriate to use the *simplified method*, i.e.,  $expected\ term = (vesting\ term + original\ contractual\ term) / 2$ , if (i) A company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time its equity shares have been publicly traded; (ii) A company significantly changes the terms of its share option grants or the types of employees that receive share option grants such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term; or (iii) A company has or expects to have significant structural changes in its business such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term. The Company uses the simplified method to calculate expected term of share options and similar instruments as the company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.
- c. The current price of the underlying share.
- d. The expected volatility of the price of the underlying share for the expected term of the option. Pursuant to ASC Paragraph 718-10-55-25 a newly publicly traded entity might base expectations about future volatility on the average volatilities of similar entities for an appropriate period following their going public. A nonpublic entity might base its expected volatility on the average volatilities of otherwise similar public entities. For purposes of identifying otherwise similar entities, an entity would likely consider characteristics such as industry, stage of life cycle, size, and financial leverage. Because of the effects of diversification that are present in an industry sector index, the volatility of an index should not be substituted for the average of volatilities of otherwise similar entities in a fair value measurement. Pursuant to paragraph 718-10-S99-1 if shares of a company are thinly traded the use of weekly or monthly price observations would generally be more appropriate than the use of daily price observations as the volatility calculation using daily observations for such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market. The Company uses the average historical volatility of the comparable companies over the expected term of the share options or similar instruments as its expected volatility.
- e. The expected dividends on the underlying share for the expected term of the option. The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the expected term of the share options and similar instruments.
- f. The risk-free interest rate(s) for the expected term of the option. Pursuant to ASC 718-10-55-28 a U.S. entity issuing an option on its own shares must use as the risk-free interest rates the implied yields currently available from the U.S. Treasury zero-coupon yield curve over the contractual term of the option if the entity is using a lattice model incorporating the option's contractual term. If the entity is using a closed-form model, the risk-free interest rate is the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equal to the expected term used as the assumption in the model.

Pursuant to ASC Paragraphs 718-10-30-11 and 718-10-30-17 a restriction that stems from the forfeitability of instruments to which employees have not yet earned the right, such as the inability either to exercise a non-vested equity share option or to sell non-vested shares, is not reflected in estimating the fair value of the related instruments at the grant date. Instead, those restrictions are taken into account by recognizing compensation cost only for awards for which employees render the requisite service and a non-vested equity share or non-vested equity share unit awarded to an employee shall be measured at its fair value as if it were vested and issued on the grant date.

Pursuant to ASC Paragraphs 718-10-35-2 and 718-10-35-3 the compensation cost for an award of share-based employee compensation classified as equity shall be recognized over the requisite service period, with a corresponding credit to equity (generally, paid-in capital). The requisite service period is the period during which an employee is required to provide service in exchange for an award, which often is the vesting period. The total amount of compensation cost recognized at the end of the requisite service period for an award of share-based compensation shall be based on the number of instruments for which the requisite service has been rendered (that is, for which the requisite service period has been completed). An entity shall base initial accruals of compensation cost on the estimated number of instruments for which the requisite service is expected to be rendered. That estimate shall be revised if subsequent information indicates that the actual number of instruments is likely to differ from previous estimates. The cumulative effect on current and prior periods of a change in the estimated number of instruments for which the requisite service is expected to be or has been rendered shall be recognized in compensation cost in the period of the change. Previously recognized compensation cost shall not be reversed if an employee share option (or share unit) for which the requisite service has been rendered expires unexercised (or unconverted).

Under the requirement of ASC Paragraph 718-10-35-8 the Company made a policy decision to recognize compensation cost for an award with only service conditions that has a graded vesting schedule on a straight-line basis over the requisite service period for the entire award.

Equity Instruments Issued to Parties Other Than Employees for Acquiring Goods or Services

The Company accounts for equity instruments issued to parties other than employees for acquiring goods or services under the guidance of Sub-topic 505-50 of the FASB Accounting Standards Codification ("Sub-topic 505-50").

Pursuant to ASC paragraph 505-50-25-7, if fully vested, non-forfeitable equity instruments are issued at the date the grantor and grantee enter into an agreement for goods or services (no specific performance is required by the grantee to retain those equity instruments), then, because of the elimination of any obligation on the part of the counterparty to earn the equity instruments, a measurement date has been reached. A grantor shall recognize the equity instruments when they are issued (in most cases, when the agreement is entered into). Whether the corresponding cost is an immediate expense or a prepaid asset (or whether the debit should be characterized as contra-equity under the requirements of paragraph 505-50-45-1) depends on the specific facts and circumstances. Pursuant to ASC paragraph 505-50-45-1, a grantor may conclude that an asset (other than a note or a receivable) has been received in return for fully vested, non-forfeitable equity instruments that are issued at the date the grantor and grantee enter into an agreement for goods or services (and no specific performance is required by the grantee in order to retain those equity instruments). Such an asset shall not be displayed as contra-equity by the grantor of the equity instruments. The transferability (or lack thereof) of the equity instruments shall not affect the balance sheet display of the asset. This guidance is limited to transactions in which equity instruments are transferred to other than employees in exchange for goods or services.

Pursuant to Paragraphs 505-50-25-8 and 505-50-25-9, an entity may grant fully vested, non-forfeitable equity instruments that are exercisable by the grantee only after a specified period of time if the terms of the agreement provide for earlier exercisability if the grantee achieves specified performance conditions. Any measured cost of the transaction shall be recognized in the same period(s) and in the same manner as if the entity had paid cash for the goods or services or used cash rebates as a sales discount instead of paying with, or using, the equity instruments. A recognized asset, expense, or sales discount shall not be reversed if a stock option that the counterparty has the right to exercise expires unexercised.

Pursuant to ASC Paragraphs 505-50-30-2 and 505-50-30-11 share-based payment transactions with nonemployees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The issuer shall measure the fair value of the equity instruments in these transactions using the stock price and other measurement assumptions as of the earlier of the following dates, referred to as the measurement date:

(a) The date at which a commitment for performance by the counterparty to earn the equity instruments is reached (a performance commitment); or (b) The date at which the counterparty's performance is complete. If the Company's common shares are traded in one of the national exchanges the grant-date share price of the Company's common stock will be used to measure the fair value of the common shares issued, however, if the Company's common shares are thinly traded the use of share prices established in the Company's most recent private placement memorandum ("PPM"), or weekly or monthly price observations would generally be more appropriate than the use of daily price observations as such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.

Pursuant to ASC Paragraph 718-10-55-21 if an observable market price is not available for a share option or similar instrument with the same or similar terms and conditions, an entity shall estimate the fair value of that instrument using a valuation technique or model that meets the requirements in paragraph 718-10-55-11 and takes into account, at a minimum, all of the following factors:

- a. The exercise price of the option.
- b. The expected term of the option, taking into account both the contractual term of the option and the effects of employees' expected exercise and post-vesting employment termination behavior: Pursuant to Paragraph 718-10-50-2(f)(2)(i) of the FASB Accounting Standards Codification the expected term of share options and similar instruments represents the period of time the options and similar instruments are expected to be outstanding taking into consideration of the contractual term of the instruments and holder's expected exercise behavior into the fair value (or calculated value) of the instruments. The Company uses historical data to estimate holder's expected exercise behavior. If the Company is a newly formed corporation or shares of the Company are thinly traded the contractual term of the share options and similar instruments is used as the expected term of share options and similar instruments as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.
- c. The current price of the underlying share.
- d. The expected volatility of the price of the underlying share for the expected term of the option. Pursuant to ASC Paragraph 718-10-55-25 a newly publicly traded entity might base expectations about future volatility on the average volatilities of similar entities for an appropriate period following their going public. A nonpublic entity might base its expected volatility on the average volatilities of otherwise similar public entities. For purposes of identifying otherwise similar entities, an entity would likely consider characteristics such as industry, stage of life cycle, size, and financial leverage. Because of the effects of diversification that are present in an industry sector index, the volatility of an index should not be substituted for the average of volatilities of otherwise similar entities in a fair value measurement. Pursuant to paragraph 718-10-S99-1 if shares of a company are thinly traded the use of weekly or monthly price observations would generally be more appropriate than the use of daily price observations as the volatility calculation using daily observations for such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market. The Company uses the average historical volatility of the comparable companies over the expected term of the share options or similar instruments as its expected volatility.
- e. The expected dividends on the underlying share for the expected term of the option. The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the expected term of the share options and similar instruments.

- f. The risk-free interest rate(s) for the expected term of the option. Pursuant to ASC 718-10-55-28 a U.S. entity issuing an option on its own shares must use as the risk-free interest rates the implied yields currently available from the U.S. Treasury zero-coupon yield curve over the contractual term of the option if the entity is using a lattice model incorporating the option's contractual term. If the entity is using a closed-form model, the risk-free interest rate is the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equal to the expected term used as the assumption in the model.

Pursuant to ASC paragraph 505-50-S99-1, if the Company receives a right to receive future services in exchange for unvested, forfeitable equity instruments, those equity instruments are treated as unissued for accounting purposes until the future services are received (that is, the instruments are not considered issued until they vest). Consequently, there would be no recognition at the measurement date and no entry should be recorded.

#### Deferred Tax Assets and Income Tax Provision

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the fiscal year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Statements of Income and Comprehensive Income in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification ("Section 740-10-25") with regards to uncertainty income taxes. Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

The estimated future tax effects of temporary differences between the tax basis of assets and liabilities are reported in the accompanying balance sheets, as well as tax credit carry-backs and carry-forwards. The Company periodically reviews the recoverability of deferred tax assets recorded on its balance sheets and provides valuation allowances as management deems necessary.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management's opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.



### Earnings per Share

Earnings per share ("EPS") is the amount of earnings attributable to each share of common stock. For convenience, the term is used to refer to either earnings or loss per share. EPS is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Pursuant to ASC Paragraphs 260-10-45-10 through 260-10-45-16 Basic EPS shall be computed by dividing income available to common stockholders (the numerator) by the weighted-average number of common shares outstanding (the denominator) during the period. Income available to common stockholders shall be computed by deducting both the dividends declared in the period on preferred stock (whether or not paid) and the dividends accumulated for the period on cumulative preferred stock (whether or not earned) from income from continuing operations (if that amount appears in the income statement) and also from net income. The computation of diluted EPS is similar to the computation of basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued during the period to reflect the potential dilution that could occur from common shares issuable through contingent shares issuance arrangement, stock options or warrants.

Pursuant to ASC Paragraphs 260-10-45-45-21 through 260-10-45-45-23 Diluted EPS shall be based on the most advantageous conversion rate or exercise price from the standpoint of the security holder. The dilutive effect of outstanding call options and warrants (and their equivalents) issued by the reporting entity shall be reflected in diluted EPS by application of the treasury stock method unless the provisions of paragraphs 260-10-45-35 through 45-36 and 260-10-55-8 through 55-11 require that another method be applied. Equivalents of options and warrants include non-vested stock granted to employees, stock purchase contracts, and partially paid stock subscriptions (see paragraph 260-10-55-23). Anti-dilutive contracts, such as purchased put options and purchased call options, shall be excluded from diluted EPS. Under the treasury stock method: a. Exercise of options and warrants shall be assumed at the beginning of the period (or at time of issuance, if later) and common shares shall be assumed to be issued. b. The proceeds from exercise shall be assumed to be used to purchase common stock at the average market price during the period. (See paragraphs 260-10-45-29 and 260-10-55-4 through 55-5.) c. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) shall be included in the denominator of the diluted EPS computation.

The Company's contingent shares issuance arrangement, stock options or warrants are as follows:

	Contingent shares issuance arrangement, stock options	
	For the Reporting Period Ended	For the Reporting Period Ended
	September 30, 2013	September 30, 2012
<b>Stock Option Shares</b>		
Stock options issued in February, 2011 to a company owned 25% by a stockholder/officer, with an exercise price of \$0.11 per share expiring five (5) years from the date of issuance.	1,000,000	1,000,000
Stock options issued on February 20, 2013 to the Vice President of the Company with an exercise price of \$0.10 per share expiring five (5) years from the date of issuance	250,000	-
Stock options issued on February 20, 2013 to an attorney with an exercise price of \$0.10 per share expiring five (5) years from the date of issuance	150,000	-
Total contingent shares issuance arrangement, stock options	<u>1,400,000</u>	<u>1,000,000</u>

There were no incremental common shares under the treasury stock method for the reporting period ended September 30, 2013 or 2012.

### Cash Flows Reporting

The Company adopted paragraph 230-10-45-24 of the FASB Accounting Standards Codification for cash flows reporting, classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides definitions of each category, and uses the indirect or reconciliation method (“Indirect method”) as defined by paragraph 230-10-45-25 of the FASB Accounting Standards Codification to report net cash flow from operating activities by adjusting net income to reconcile it to net cash flow from operating activities by removing the effects of (a) all deferrals of past operating cash receipts and payments and all accruals of expected future operating cash receipts and payments and (b) all items that are included in net income that do not affect operating cash receipts and payments. The Company reports the reporting currency equivalent of foreign currency cash flows, using the current exchange rate at the time of the cash flows and the effect of exchange rate changes on cash held in foreign currencies is reported as a separate item in the reconciliation of beginning and ending balances of cash and cash equivalents and separately provides information about investing and financing activities not resulting in cash receipts or payments in the period pursuant to paragraph 830-230-45-1 of the FASB Accounting Standards Codification.

### Subsequent Events

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements were issued. Pursuant to ASU 2010-09 of the FASB Accounting Standards Codification, the Company as an SEC filer considers its financial statements issued when they are widely distributed to users, such as through filing them on EDGAR.

### Recently Issued Accounting Pronouncements

In August 2014, the FASB issued the FASB Accounting Standards Update No. 2014-15 “*Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”)*).

In connection with preparing financial statements for each annual and interim reporting period, an entity’s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the *financial statements are issued* (or within one year after the date that the *financial statements are available to be issued* when applicable). Management’s evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the *financial statements are issued* (or at the date that the *financial statements are available to be issued* when applicable). Substantial doubt about an entity’s ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). The term *probable* is used consistently with its use in Topic 450, Contingencies.

When management identifies conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern, management should consider whether its plans that are intended to mitigate those relevant conditions or events will alleviate the substantial doubt. The mitigating effect of management’s plans should be considered only to the extent that (1) it is probable that the plans will be effectively implemented and, if so, (2) it is probable that the plans will mitigate the conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern.

If conditions or events raise substantial doubt about an entity’s ability to continue as a going concern, but the substantial doubt is alleviated as a result of consideration of management’s plans, the entity should disclose information that enables users of the financial statements to understand all of the following (or refer to similar information disclosed elsewhere in the footnotes):

- a. Principal conditions or events that raised substantial doubt about the entity’s ability to continue as a going concern (before consideration of management’s plans)
- b. Management’s evaluation of the significance of those conditions or events in relation to the entity’s ability to meet its obligations

- c. Management's plans that alleviated substantial doubt about the entity's ability to continue as a going concern.

If conditions or events raise substantial doubt about an entity's ability to continue as a going concern, and substantial doubt is not alleviated after consideration of management's plans, an entity should include a statement in the footnotes indicating that there is *substantial doubt about the entity's ability to continue as a going concern* within one year after the date that the financial statements are issued (or available to be issued). Additionally, the entity should disclose information that enables users of the financial statements to understand all of the following:

- a. Principal conditions or events that raise substantial doubt about the entity's ability to continue as a going concern
- b. Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations
- c. Management's plans that are intended to mitigate the conditions or events that raise substantial doubt about the entity's ability to continue as a going concern.

The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted.

In January 2015, the FASB issued the FASB Accounting Standards Update No. 2015-01 "*Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*" ("ASU 2015-01").

This Update eliminates from GAAP the concept of extraordinary items and the requirements in Subtopic 225-20 for reporting entities to separately classify, present, and disclose extraordinary events and transactions.

The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

In February 2015, the FASB issued the FASB Accounting Standards Update No. 2015-02 "*Consolidation (Topic 810) - Amendments to the Consolidation Analysis*" ("ASU 2015-02") to improve certain areas of consolidation guidance for reporting organizations (i.e., public, private, and not-for-profit) that are required to evaluate whether to consolidate certain legal entities such as limited partnerships, limited liability corporations, and securitization structures (e.g., collateralized debt/loan obligations). All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments:

- Eliminating the presumption that a general partner should consolidate a limited partnership.
- Eliminating the indefinite deferral of FASB Statement No. 167, thereby reducing the number of Variable Interest Entity (VIE) consolidation models from four to two (including the limited partnership consolidation model).
- Clarifying when fees paid to a decision maker should be a factor to include in the consolidation of VIEs. Note: a VIE is a legal entity in which consolidation is not based on a majority of voting rights.
- Amending the guidance for assessing how related party relationships affect VIE consolidation analysis.

Excluding certain money market funds from the consolidation guidance.

The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period.

Management does not believe that any recently issued, but not yet effective accounting pronouncements, when adopted, will have a material effect on the accompanying financial statements.

### **Note 3 – Going Concern**

The Company has elected to adopt early application of Accounting Standards Update No. 2014-15, "*Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*" ("ASU 2014-15").

The Company's financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the financial statements, the Company had an accumulated deficit at September 30, 2013, a net loss and net cash used in operating activities for the reporting period then ended. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company is attempting to further implement its business plan and generate sufficient revenue; however, the Company's cash position may not be sufficient to support its daily operations. While the Company believes in the viability of its strategy to further implement its business plan and generate sufficient revenue and in its ability to raise additional funds by way of a public or private offering, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon its ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds by way of a public or private offering.

The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

### **Note 4 – Related Party Transactions**

#### Advances from Significant Stockholder

From time to time, a significant stockholder of the Company advances funds to the Company for working capital purpose. Those advances are unsecured, non-interest bearing and due on demand.

#### Free Office Space

The Company has been provided office space by its Chief Executive Officer at no cost. The management determined that such cost is nominal and did not recognize the rent expense in its financial statements.

### **Note 5 – Stockholders' Deficit**

#### Shares Authorized

Upon formation, the total number of shares of all classes of stock which the Corporation shall have authority to issue is eighteen million (18,000,000), consisting of fifteen million (15,000,000) shares of common stock, par value one cent (\$0.01) per share (the "Common Stock"), one million (1,000,000) shares of Class B common stock, par value one cent (\$0.01) per share (the "Class B Common Stock"), and two million (2,000,000) shares of preferred stock, par value one cent (\$0.01) per share (the "Preferred Stock").

On June 9, 2008, the Company filed a Certificate of Amendment to the Certificate of Incorporation and changed its total number of shares of all classes of stock which the Company is authorized to issue to Thirty Eight Million (38,000,000) shares, of which Two Million (2,000,000) shares are Preferred Stock, par value \$0.01 per share, One Million (1,000,000) shares are Class B Common Stock, no par value, and Thirty Five Million (35,000,000) shares are Common Stock, par value \$0.01 per share.

#### Common Stock

On February 25, 2011, the Company entered into a one year agreement for investor relation consulting services in exchange for 300,000 shares of common stock valued at \$126,000, or \$0.42 per share, the fair value of the shares on the date of issuance.

During the quarter ended June 30, 2011, the consulting agreement was mutually cancelled and 300,000 shares of common stock were cancelled, resulting in a gain of \$31,500, net of the unamortized prepaid consulting expense.

On December 14, 2012, the Company sold 444,444 shares of common stock at \$0.0225 per share or \$10,000 in aggregate.

On January 15, 2013, the Company sold 684,930 shares of common stock at \$0.0365 per share or \$25,000 in aggregate.

#### Options

On February 23, 2011, the Company entered into an Option Agreement ("Option") with a company owned 25% by a stockholder/officer, which had been conducting research and development in connection with the commercial manufacture of lithium metal for use in batteries and other applications under the Company's proprietary license.

In exchange for the rights to the research and development and to further develop the lithium process, the Company granted an option to purchase 1,000,000 shares of its common stock exercisable at \$0.11 per share, expiring five years from the date of the grant. The option was valued at \$70,000 using the Black-Scholes Option-Pricing Model using the market price of the Company's common stock on the date of valuation of \$0.11, an expected dividend yield of zero, a term of five years, and an annual risk-free interest rate of 2.21% and an expected volatility of 80.75%

The option is immediately exercisable and is subject to adjustment by the Company in the event there are any changes in the stock of the Company by reason of stock dividends, stock splits, reorganizations, mergers, consolidations, combinations, exchanges of share or if the number and price of shares available under the Option should be equitably adjusted by the Company.

On May 8, 2014, the options were cancelled with the Company paying the option holder \$50,000.

#### Employee Options

On February 20, 2013, the Company granted their corporate secretary an option to purchase 250,000 common shares exercisable at \$0.10 per share. The options expire on February 20, 2018 and vest 25% annually commencing on February 20, 2014, 2015, 2016 and 2017.

The Company estimated the fair value of the options to purchase 250,000 shares of the Company's common stock issued on February 20, 2013 on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Expected life (year) (*)	4.50
Expected volatility (**)	96.85
Expected annual rate of quarterly dividends	0.00
Risk-free rate(s)	0.81

\* The Company uses the simplified method to calculate expected term of share options and similar instruments as the company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.

\*\* As an entity thinly trading on the Pink Sheets it is not practicable for the Company to estimate the expected volatility of its share price. The Company selected four (4) comparable public companies listed on the NASDAQ Capital Market within the battery industry, which the Company engages in, to calculate the expected volatility. The Company calculated those four (4) comparable companies' historical volatility over the expected life of the options and averaged them as its expected volatility.

The estimated fair value of the options was \$4,500 at the date of issuance using the Black-Scholes Option Pricing Model.

#### Non-Employee Options

On February 20, 2013, the Company granted its corporate attorney an option to purchase 150,000 common shares exercisable at \$0.10 per share expiring on February 20, 2018. The option vests at 25% annually commencing on February 20, 2014 through February 20, 2017.

#### **Note 6 – Subsequent Events**

The Company has evaluated all events that occurred after the balance sheet date through the date when the financial statements were issued to determine if they must be reported. The Management of the Company determined that the following reportable subsequent event(s) needed to be disclosed as follows:

#### Share and Warrant issuances:

On May 8, 2014, the Company issued 869,565 shares of its common stock in lieu of payment of \$50,000 of the loan payable to the stockholder/officer.

On July 30, 2015, the Company executed a Stock Purchase and Warrant Grant Agreement (the "Agreement") with an individual for the sale of one million (1,000,000) shares of the Company's common stock, a warrant to purchase one million (1,000,000) shares of the Company's common stock, and the sale of three hundred thousand (300,000) shares of the Company's subsidiary, Clean Lithium Corporation ("CLC") (see below).

The warrant is exercisable at \$0.20 per share expiring five years from the Closing Date.

The purchase price of one million dollars (\$1,000,000) was agreed to be:

- \$650,000 for the Company common stock,
- \$300,000 for the CLC common stock and
- \$50,000 for the warrant.

The Company received the first \$500,000 on September 3, 2015 and the second \$500,000 on October 19, 2015.

Formation of Majority-Owned Subsidiary

On September 17, 2014, the Company formed Clean Lithium Corporation under the laws of the State of New York as a wholly owned subsidiary with a nominal share capital of \$100,000.

On October 13, 2014, the Company sold 150,000 shares in the Capital of Clean Lithium Corporation to Sukvinder Sokhi (the “Investor”) for \$150,000.

Stock Option Issuances

**Stock Option Shares**

Stock options issued on September 25, 2014 to a consultant with an exercise price of \$0.20 per share expiring five (5) years from the date of issuance	100,000
Stock options issued on September 25, 2014 to a consultant for Research and Development work with an exercise price of \$0.20 per share expiring five (5) years from the date of issuance	250,000
Stock options issued on September 25, 2014 to a consultant with an exercise price of \$0.20 per share expiring five (5) years from the date of issuance	420,000
Stock options issued on September 25, 2014 to the advisory board member of the Company with an exercise price of \$0.20 per share expiring five (5) years from the date of issuance	250,000

## **ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This Management's Discussion and Analysis of Financial Condition and Results of Operations section and other parts of this report contain forward-looking statements, which statements involve risks and uncertainties. These statements relate to our future plans, objectives, expectations and intentions. These statements may be identified by the use of words such as "may," "could," "would," "should," "will," "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar expressions. Our actual results and the timing of certain events may differ significantly from the results and timing described in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those factors discussed or referred to in the annual report on Form 10-K for the year ended December 31, 2012 and in subsequent period reports filed with the U.S. Securities and Exchange Commission, including this report. The following discussion and analysis of our financial condition and results of operations should be read in light of those factors and in conjunction with our accompanying financial statements, including the notes thereto.

### **Overview**

For more than the past six years, we have been focused exclusively on efforts to develop a business centered around the commercial manufacturing of pure lithium metal, a raw material for use in lightweight, high energy density batteries, in an environmentally friendly manner. There is a substantial existing market for lithium metal in primary (non-rechargeable) batteries, and future opportunities exist for next generation batteries under development.

Commencing in October 2010, working through a third party, we conducted a series of tests in a production environment. The testing involved feeding lithium carbonate solution into an electrolysis tank containing a liquid metal cathode and an anode suspended in the lithium carbonate solution.

### **alpha-En's Proposed Process**

Based on results to date, including what we believe to be the validation of the proof of process, we believe that our licensed, proprietary technology offers a number of advantages over lithium extraction techniques currently in use. Traditionally, industrial production of lithium metal involved the electrolysis of molten salts at temperatures of 400°-600° Celsius (752°-1112 °Fahrenheit). Maintaining these salts at high heat levels adds meaningful production costs to the process.

A well-known process exists which allows for lithium production at much lower temperatures, however that process requires large amounts of mercury which creates an unacceptable environmental risk profile. Other proposed low temperature processes also require the use of halide salts of lithium which release hazardous by-products, such as chlorine gas, during lithium separation. Containment and handling of these hazardous by-products adds to the manufacturing costs and increases the environmental risk profile.

Our licensed technology allows for separation temperatures of below 100° degrees Celsius, without the use of mercury, and allows for the use of lithium carbonate as a primary feed stock. The advantages are:

- Lower process temperatures mean lower manufacturing costs.
- Environmental risk is reduced by the absence of toxic mercury.
- Lithium carbonate can be used as the feed stock, reducing raw material and overall manufacturing costs, and eliminating the hazardous by-products typically produced when processing halide salts of lithium.



The metal alloy which holds the separated lithium metal can be circulated for immediate extraction, or solidified to protect and stabilize the lithium metal for later extraction. This provides a previously unobtainable degree of manufacturing flexibility.

In 2011 and 2012, we devoted our resources to refining our technology to manufacture lithium metal, from the lab bench to the manufacturing floor. We believe that we have advanced the state of this technology and are taking preliminary steps in order to begin manufacturing the product. To achieve this end, however, additional funds will need to be raised, as to which there can be no assurance.

In July 2013, we filed a patent application titled "Producing Lithium," based on our proprietary room temperature, flexible and energy efficient process. This proprietary process uses low grade lithium carbonate as a feedstock, and does not require mercury or release toxic materials such as chlorine gas. This patent application is pending.

## **Results of Operations**

### ***Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012***

Operations for the three months ended September 30, 2013 and 2012 consisted principally of maintaining our public company status.

Net loss for the three months ended September 30, 2013 was \$1,182, compared to a net loss of \$1,835 for the three-month period ended September 30, 2012. We had limited operations during these periods and expenses consisted primarily of professional (legal and accounting) fees in the 2013 and 2012 periods.

### ***Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012***

Operations for the nine months ended September 30, 2013 and 2012 consisted principally of research and development (as a result of such activities in the first quarter of fiscal 2013) and maintaining our public company status.

Net loss for the nine months ended September 30, 2013 was \$7,977, compared to a loss of \$7,983 for the nine-month period ended September 30, 2012. We had limited operations during these periods and expenses consisted primarily of professional (legal and accounting) fees, general and administrative expenses and research and development expenses (in the first quarter of fiscal 2013 only) for the nine months ended September 30, 2013 and 2012.

## **Liquidity and Capital Resources**

As of September 30, 2013, we had negative working capital of \$249,557, compared to negative working capital of \$267,238 at December 31, 2012.

We do not have sufficient funds to continue our operating activities. Future operating activities are expected to be funded by loans from officers, directors and major shareholders, until we begin to raise capital from non-officers or non-directors or generate cash flows from operations.

## **Off-Balance Sheet Arrangements**

As of the date of this report, we have not entered into any transactions with unconsolidated entities in which we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities or any other obligations under a variable interest in an unconsolidated entity that provides us with financing, liquidity, market risk or credit risk support.

## **Impact of Inflation**

We believe that inflation has not had a material impact on our results of operations for the three months ended September 30, 2013. We cannot assure you that future inflation will not have an adverse impact on our operating results and financial condition.

## **Application of Critical Accounting Policies and Estimates**

The significant accounting policies that we believe are the most critical to aid in fully understanding and evaluating our reported financial results are as follows:

### *Consolidated Financial Statements*

Our consolidated financial statements include the accounts our company and our wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

### *Fair Value of Financial Instruments*

Our carrying values of cash, accounts payable and accrued expenses, loan payable, note payable and due to related party approximate their fair values because of the short-term maturity of these instruments.

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates had included those had related to valuation of accounts receivable, film costs and accrued expenses.

### *Intangible Assets*

Intangible assets, consisting of a license for an exclusive, worldwide, transferable, perpetual license to use certain proprietary technology for the processing of lithium for use in batteries and other fields, have been recorded at fair value and, as they have an indefinite life, will not be amortized. The carrying value of the intangible assets will be evaluated by us for impairment at least annually or upon the occurrence of an event which may indicate that the carrying amount may be greater than its fair value. If impaired, we will write down such impairment. In addition, the useful life of the intangible assets will be evaluated by us at least annually or upon the occurrence of an event which may indicate that the useful life may be definitive and we will commence amortization over such useful life.

We have evaluated the fair value of our intangible assets and determined that it exceeds the carrying value based on our knowledge of the potential use of the lithium that we plan to produce in the existing market. Although we are at an early stage of bringing the lithium process to produce revenues and cannot forecast revenues, we believe that the net cash flow to be derived from the lithium will exceed the carrying value.

### *Research and Development Expense*

Research and development costs are expensed as incurred. Research and development expenses consist of stock-based compensation paid to consultants and outside service providers for development costs relating to the design, development and testing of the processing of lithium for use in batteries and other fields.

#### *Income (Loss) per Common Share*

Basic net income (loss) per share was computed by dividing the net income (loss) for the period by the basic weighted average number of shares outstanding during the period. Diluted net income (loss) per share was computed by dividing the net income (loss) for the period by the weighted average number and any potentially dilutive securities outstanding during the period.

#### *Share-Based Compensation*

We recognize compensation expense for all share-based payment awards made to employees, directors and others based on the estimated fair values on the date of the grant. Options are valued using the Black-Scholes Option-Pricing Model using the market price of our common stock on the date of valuation, an expected dividend yield of zero, the remaining period or maturity date of the warrants and the expected volatility of our common stock.

#### *Deferred Income Taxes*

Deferred income taxes are provided for temporary differences between financial statement and income tax reporting under the liability method, using expected tax rates and laws that are expected to be in effect when the differences are expected to reverse. A valuation allowance is provided when it is more likely than not, that the deferred tax assets will not be realized.

#### *New Accounting Pronouncements*

We do not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

### **ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

Not required.

### **ITEM 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and Chief Financial Officer (being the same person), of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Principal Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2013, based on their evaluation of these controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in reports it files or submits under the Exchange Act is accumulated and communicated to management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We have identified certain matters that constitute material weakness (as defined under the Public Company Accounting Oversight Board Auditing Standard No. 2) in our internal controls over financial reporting. The material weaknesses that we have identified relate to the fact that that our overall financial reporting structure, internal accounting information systems and current staffing levels are not sufficient to support our financial reporting requirements. We are working to remedy our deficiency.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal controls over financial reporting identified in connection with the evaluation of such internal controls that occurred during our fiscal quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. Legal Proceedings**

None

### **ITEM 1A. Risk Factors**

There are no material changes in the risk factors previously disclosed in our annual report on Form 10-K for the year ended December 31, 2012, except as follows:

*We have not been able, and may continue to be unable, to timely file periodic reports with the SEC.*

We did not timely file this quarterly report with the SEC. We also have yet to file our quarterly and annual reports relating to the remainder of 2013, or for 2014 and 2015, all of which we expect to file in the next few months. If we are not able to file these periodic reports in this time period, or file any future periodic reports in the time specified by the Securities Exchange Act of 1934, stockholders and potential investors will not have current public information about us which will likely have a negative effect on our obtaining future capital. Failure to make timely filings also impairs our ability to conduct certain kinds of public offerings on short form registration statements that provide more efficient automatic forward incorporation of future SEC filings. Our inability to timely file periodic reports could materially and adversely affect our future business growth and financial condition.

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

There were no sales of unregistered securities during the three months ended September 30, 2013.

### **ITEM 3. Defaults upon Senior Securities**

None

### **ITEM 4. Mine Safety Disclosures**

None

### **ITEM 5. Other Information**

None

### **ITEM 6. Exhibits**

The exhibits listed in the following Exhibit Index are filed as part of this quarterly report.

Exhibit Number and Description

3.1	Restated Certificate of Incorporation. (1)
3.2	Certificate of Amendment of the Restated Certificate of Incorporation. (2)
3.3	By-Laws. (1)
31.1*	Certification of Principal Executive and Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1*	Certification of Principal Executive and Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Document

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\* Furnished herewith

- (1) Incorporated by reference to the exhibits included with registration of securities on Form 10-SB, filed with the U.S. Securities and Exchange Commission on April 10, 1997.
- (2) Incorporated by reference to the exhibits included with quarterly report on Form 10-Q, filed with the U.S. Securities and Exchange Commission on August 14, 2008.

**SIGNATURES**

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

Dated: December 24, 2015

**ALPHA-EN CORPORATION**

By: /s/ Jerome I. Feldman  
Jerome I. Feldman  
Chairman, Chief Financial Officer and Treasurer  
(principal executive officer and principal financial and accounting officer)