

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

FORM 10-Q

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

For the quarterly period ended September 30, 2016

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

For the transition period from \_\_\_\_\_, 20\_\_\_\_, to \_\_\_\_\_, 20\_\_\_\_.

Commission File Number 333-109118

**Turbine Truck Engines, Inc.**

(Exact Name of Registrant as Specified in its Charter)

Nevada

(State or Other Jurisdiction of Incorporation or Organization)

59-3691650

(I.R.S. Employer Identification Number)

11120 NE 2nd Street, Suite 200, Bellevue, Washington 98004

(Address of Principal Executive Offices)

(206) 617-9797

(Registrant's Telephone Number, Including Area Code)

**Securities registered pursuant to Section 12(g) of the Act:**

\$ .001 par value preferred stock

Over the Counter Bulletin Board

\$ .001 par value common stock

Over the Counter Bulletin Board

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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  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 definition of "accelerated filer, large accelerated filer and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  
Non-accelerated filer

Accelerated filer  
Smaller reporting company

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

There were 22,525,666 shares of the Registrant's \$0.001 par value common stock outstanding as of October 27, 2016.

Documents incorporated by reference: none

**Turbine Truck Engines, Inc.**  
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## PART I – FINANCIAL INFORMATION

Statements in this Form 10-Q Quarterly Report may be "forward-looking statements." Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on our current expectations, estimates and projections about our business based, in part, on assumptions made by our management. These assumptions are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those risks discussed in this Form 10-Q Quarterly Report, under "Management's Discussion and Analysis of Financial Condition or Plan of Operation" and in other documents which we file with the Securities and Exchange Commission.

In addition, such statements could be affected by risks and uncertainties related to our financial condition, factors that affect our industry, market and customer acceptance, changes in technology, fluctuations in our quarterly results, our ability to continue and manage our growth, liquidity and other capital resource issues, competition, fulfillment of contractual obligations by other parties and general economic conditions. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this Form 10-Q Quarterly Report, except as required by law.

**ITEM 1. Financial Statements**

**Turbine Truck Engines, Inc.  
Financial Statements**

As of September 30, 2016 (unaudited) and December 31, 2015  
and for the Three and Nine Months Ended September 30, 2016 and 2015 (unaudited)

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**Turbine Truck Engines, Inc.**  
**Balance Sheets**

	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
	<u>(unaudited)</u>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 12,810	\$ 14,123
Total Current Assets	<u>12,810</u>	<u>14,123</u>
Intangible asset	<u>13,750</u>	<u>13,750</u>
<b>TOTAL ASSETS</b>	<u>\$ 26,560</u>	<u>\$ 27,873</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 3,029	\$ 13,120
Total Current Liabilities	<u>3,029</u>	<u>13,120</u>
<b>STOCKHOLDERS' EQUITY</b>		
Convertible Preferred Stock; \$0.001 par value; 1,000,000 shares authorized; 0 (2016) and 0 (2015) shares issued and outstanding	-	-
Common stock; \$0.001 par value; 499,000,000 shares authorized; 22,489,952 (2016) and 22,058,425 (2015) shares issued and outstanding	22,490	22,058
Additional paid in capital	22,346,781	22,216,021
Accumulated deficit	<u>(22,345,740)</u>	<u>(22,223,326)</u>
Total Stockholders' Equity	<u>23,531</u>	<u>14,753</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 26,560</u>	<u>\$ 27,873</u>

*The accompanying notes are an integral part of the financial statements.*

**Turbine Truck Engines, Inc.**  
**Statements of Operations**  
**(unaudited)**

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Operating costs	\$ 37,302	\$ 47,255	\$ 122,414	\$ 449,001
	<u>37,302</u>	<u>47,255</u>	<u>122,414</u>	<u>449,001</u>
<b>OTHER (INCOME) EXPENSE</b>				
Interest and other expenses (income), net	-	(34,000)	-	2,286,350
<b>TOTAL OTHER (INCOME) EXPENSE</b>	<u>-</u>	<u>(34,000)</u>	<u>-</u>	<u>2,286,350</u>
<b>NET LOSS</b>	<u>\$ (37,302)</u>	<u>\$ (13,255)</u>	<u>\$ (122,414)</u>	<u>\$ (2,735,351)</u>
<b>NET LOSS PER COMMON SHARE, BASIC AND DILUTED</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.13)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED</b>	<u>22,468,156</u>	<u>21,635,340</u>	<u>22,298,676</u>	<u>20,485,428</u>

*The accompanying notes are an integral part of the financial statements.*

**Turbine Truck Engines, Inc.**  
**Statements of Cash Flows**  
**(unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (122,414)	\$ (2,735,351)
Adjustments to reconcile net loss to net cash used by operating activities:		
Stock based compensation	46,192	313,604
Common stock issued for services and amortization of common stock issued for services	-	10,000
Amortization of deferred offering costs	-	2,379,075
Depreciation	-	1,011
Loss on disposal of fixed asset	-	6,000
Gain on relief of accounts payable	-	(34,000)
Gain on foreign currency translation adjustment	-	(88,791)
(Decrease) Increase in:		
Accounts payable	(10,091)	(36,560)
Accrued payroll	-	(68)
Accrued interest	-	24,057
Net cash used by operating activities	<u>(86,313)</u>	<u>(161,023)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of intangible asset	-	-
Net cash used by investing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of common stock	85,000	150,000
Proceeds from issuance of notes payable, related party	-	17,924
Net cash provided by financing activities	<u>85,000</u>	<u>167,924</u>
Net change in cash	(1,313)	6,901
<b>Cash, beginning of period</b>	<u>14,123</u>	<u>1,831</u>
<b>Cash, end of period</b>	<u>\$ 12,810</u>	<u>\$ 8,732</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ -	\$ -
<b>NON-CASH FINANCING AND INVESTING ACTIVITIES:</b>		
Foreign currency translation adjustment	<u>\$ -</u>	<u>\$ 38,964</u>
Common stock issued for conversion of debt and accrued interest to equity (2,369,675 shares) includes \$69,075 of accrued interest	<u>\$ -</u>	<u>\$ 568,660</u>
Write off of stock subscription receivable	<u>\$ -</u>	<u>\$ 200,000</u>
Issuance of common stock for prepaid services	<u>\$ -</u>	<u>\$ 15,000</u>

*The accompanying notes are an integral part of the financial statements.*

**Turbine Truck Engines, Inc.**  
**Notes to Financial Statements**  
**For the Three and Nine Months Ended September 30, 2016 and 2015**  
**(unaudited)**

**1. Background Information**

Turbine Truck Engines, Inc. ("TTE" or "the Company") was incorporated in Delaware on November 27, 2000. On February 20, 2008, the Company was re-domiciled to the State of Nevada. To date, the Company's activities have been limited to raising capital, organizational matters, engaging in research and development, testing its technology, and the structuring of its business plan. The corporate headquarters are located in Bellevue, Washington. The Company has not yet generated any revenues since inception.

To date, the Company's principal research and development operations have been directed at the potential commercialization, of its (a) Detonation Cycle Gas Turbine Engine technology ("DCGT"); its (b) Gas to Liquid Conversion Process technology ("GTL"); and the (c) Hydrogen Production Burner System ("HPBS").

In addition, the Company continues to conduct diligence to either purchase or merge an intellectual property asset and/or an existing operational company asset. To date, TTE has not entered into a contractual commitment to complete an asset purchase or merger.

The Company will need to raise capital to support its activities. The Company's activities are subject to significant risks and uncertainties, including failing to secure additional funding to commercialize the Company's current technology before another company develops similar technology.

On May 5, 2015 TTE completed a one-for-twenty (1:20) reverse split of its common stock, par value \$0.001 per share. All common shares and options to purchase common shares have been retroactively adjusted to reflect this reverse split.

**2. Financial Statements**

In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair statement of (a) the results of operations for the three and nine months ended September 30, 2016 and 2015, (b) the financial position at September 30, 2016 and December 31, 2015, and (c) cash flows for the nine month periods ended September 30, 2016 and 2015, have been made.

The unaudited financial statements and notes are presented as permitted by Form 10-Q. Accordingly, certain information and note disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) have been omitted. The accompanying financial statements and notes should be read in conjunction with the audited financial statements and notes of the Company for the fiscal year ended December 31, 2015. The results of operations for the three and nine month periods ended September 30, 2016 are not necessarily indicative of those to be expected for the entire year.

**3. Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. For the three and nine months ended September 30, 2016, the Company had a net loss of \$37,302 and \$122,414, respectively. As of September 30, 2016, the Company had an accumulated deficit of (\$22,345,740). In view of these matters, the Company's ability to continue as a going concern is dependent upon the Company's ability to begin operations and to achieve a level of profitability. The Company intends on financing its future development activities and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources, including term notes and proceeds from sub-licensing agreements until such time that funds provided by operations are sufficient to fund working capital requirements. The financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.



#### 4. Significant Accounting Policies

The significant accounting policies followed are:

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 of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. We have never experienced any losses related to these balances. All of our non-interest bearing cash balances were fully insured at September 30, 2016 and December 31, 2015. Insurance coverage was \$250,000 per depositor at each financial institution. At September 30, 2016 and December 31, 2015, there were no amounts held in excess of federally insured limits.

The Company's financial instruments include cash and accounts payable. The carrying amounts of cash and accounts payable approximate their fair value, due to the short-term nature of these items.

The Company evaluates the recoverability of its long-lived assets or asset groups whenever adverse events or changes in business climate indicate that the expected undiscounted future cash flows from the related assets may be less than previously anticipated. If the net book value of the related assets exceeds the undiscounted future cash flows of the assets, the carrying amount would be reduced to the present value of their expected future cash flows and an impairment loss would be recognized. There have been no impairment losses in any of the periods presented.

Research and development costs are charged to operations when incurred and are included in operating expenses. During the three and nine month periods ended September 30, 2016, the Company did not incur any costs for research and development costs. During the three and nine months period ended September 30, 2015, the Company incurred \$14,432 and \$25,256 for research and development costs.

Deferred income tax assets and liabilities arise from temporary differences associated with differences between the financial statements and tax basis of assets and liabilities, as measured by the enacted tax rates, which are expected to be in effect when these differences reverse. Deferred tax assets and liabilities are classified as current or non-current, depending on the classification of the assets or liabilities to which they relate. Deferred tax assets and liabilities not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

The Company follows the provisions of FASB ASC 740-10 "*Uncertainty in Income Taxes*" (ASC 740-10), January 1, 2007. The Company has not recognized a liability as a result of the implementation of ASC 740-10. A reconciliation of the beginning and ending amount of unrecognized tax benefits has not been provided since there are no unrecognized benefits at September 30, 2016 and December 31, 2015. The Company has not recognized interest expense or penalties as a result of the implementation of ASC 740-10. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted losses per common share are computed by dividing net loss by the weighted average number of shares of common stock outstanding and dilutive options outstanding during the year. Common stock equivalents for the three month periods ended September 30, 2016 and 2015 were anti-dilutive due to the net losses sustained by the Company during these periods. For the three months ended September 30, 2016 and 2015 potentially dilutive common stock options and warrants of 5,610,000 and 4,576,250, respectively, have been excluded from dilutive losses per share due to the Company's losses in all periods presented. For the nine months ended September 30, 2016 and 2015 potentially dilutive common stock options and warrants of 5,610,000 and 4,576,250, respectively, have been excluded from dilutive losses per share due to the Company's losses in all periods presented.

The Company recognizes all share-based payments to employees and directors, including grants of employee stock options, as compensation expense in the financial statements based on their fair values. That expense will be recognized over the period during which an employee or director is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period). Options issued for past services are vested immediately and are expensed at the time of issuance.

The Company issues common stock and common stock options and warrants to consultants for various services. For these transactions, the Company follows the guidance in FASB ASC Topic 505. Costs for these transactions are measured at the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The value of the common stock is measured at the earlier of (i) the date at which a firm commitment for performance by the counterparty to earn the equity instrument is reached or (ii) the date at which the counterparty's performance is complete.

#### **Recent accounting pronouncements**

Recent accounting pronouncements issued by the FASB, the AICPA and the SEC did not or are not believed by management to have a material effect on the Company's financial statements.

#### **5. Commitments and Contingencies**

On June 3, 2015, the Company signed and executed a six-month Consulting Services Agreement with Justin Dean, an individual, as the Project and Program Manager for Phase 1 of the Company's product development of its GTL process technology. In exchange for these services, the Company issued Mr. Dean 250,000 shares of common stock valued at \$15,000, which represented the fair value of the common stock at the commitment date, and recognized this amount in consulting expenses during the year ended December 31, 2015.

On June 3, 2015, the Company signed and executed a Services Agreement with Sahoma Controlware, LLC ("Sahoma") to provide the Company with services for the design, modeling and simulation of Turbine Truck Engine's Gas-to-Liquid ("GTL") Process technology for converting Methane and Oxygen Gas into Methanol Liquid. The contract cash price to complete the design, modeling and simulation as defined under this Phase 1 agreement is \$36,080 with payment determined by three separate milestones as follows: (1) \$10,824 paid to Sahoma Controlware, on June 3, 2015, upon executing the services agreement (Milestone #1); (2) \$14,432 paid to Sahoma on September 11, 2015 upon Sahoma having submitted initial design & modeling documents (Milestone #2); and (3) \$10,824, to be paid upon submission, by Sahoma to the Company of all final design, modeling and simulation documents, drawings and electronic files (Milestone #3). For the year ended December 31, 2015, the Company recognized \$25,256 in research and development expense related to the agreement.

On February 19, 2016, the Company executed Settlement Agreements with both Sahoma and Justin Dean, under which the Company has no further obligation to pay Sahoma the Milestone payment of \$10,824.

#### **6. Notes Payable and Common Stock, Related Party**

On March 16, 2015, the Company's Board of Directors accepted an offer from 2367416 Ontario, Inc. ("236") to irrevocably convert eight separate Loan Agreements dated from June 19, 2013 through October 1, 2014, payable by the Company to 236, with a cumulative principal balance of \$499,585 and a cumulative accrued interest balance of \$69,075 for a total amount of debt owed of \$568,660 into 2,369,675 shares of the Company's common stock. The conversion price in this transaction was \$0.24 per share. At the March 16, 2015 commitment date the conversion was not beneficial to 236, accordingly, no beneficial conversion feature was recorded for this conversion. This conversion of debt into shares of common stock is full and final payment for the debt as evidenced by all eight Loan Agreements. The shares were issued on March 18, 2015. As part of the conversion of debt to common stock, at the March 16, 2015 conversion date, the Company also expensed the unamortized deferred non-cash offering costs of \$2,379,075 to interest expense during the nine months ended September 30, 2015.

During the nine months ended September 30, 2016, 2367416 Ontario, Inc. purchased 343,750 shares of common stock at \$0.16 per share for cash proceeds of \$55,000, 60,000 shares of common stock at \$0.25 per share for cash proceeds of \$15,000 and 27,777 shares of common stock at \$0.54 per share for cash proceeds of \$15,000.

During October 2016, 2367416 Ontario, Inc. purchased 35,714 shares of common stock at \$0.42 per share for cash proceeds of \$15,000.

**7. Options and warrants**

On September 8, 2015, the Company adopted the 2015 Incentive Compensation Plan ("the 2015 Plan") which authorizes up to 5,000,000 shares of common stock issuance to persons employed by the Company either as an employee, officer, director or independent consultant or other person employed by the Company, provided that no person can be granted shares under the 2015 Plan for services related to raising capital or promotional activities. There are no restrictions on resale upon the purchases of the stock from the employees or the consultants, unless contained in the written award approved by the Board of Directors. During the nine months ended September 30, 2016 and 2015, the Company did not grant any common stock warrants to consultants, directors and employees, respectively, related to the 2015 Incentive Compensation Plan. As of September 30, 2016, 4,987,500 shares are available under the 2015 Plan for future grants, awards, options or share issuance.

On September 16, 2016, there were 50,000 options issued to the Company's Principal Accounting Officer, for past services during the nine months ended September 30, 2016. These options were issued outside of the 2015 Incentive Compensation Plan and have an exercise price of \$0.50, vest immediately, expire 5 years from the date of grant and have a grant date fair value of \$0.42.

There were 1,000,000 options granted to an officer for services during the nine months ended September 30, 2016. The options have an exercise price of \$0.16 per share. The grant date fair value of these options was \$0.03 per share. 500,000 of these options vest immediately and expire five years from date of grant. Additionally, 500,000 options vest on the first anniversary of the grant date and expire five years from that date.

The fair value of each option granted is estimated on the date of grant using the Black Scholes model that uses assumptions noted in the following table. Expected volatility is based on the Company's historical market price at consistent points in periods equal to the expected life of the options. The expected term of options granted is based on the Company's historical experience. The risk-free interest rate for the periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company estimates forfeitures; both at the date of grant as well as throughout the requisite service period, based on the Company's historical experience and future expectations.

The weighted average assumptions made in calculating the fair value of options granted during the nine months ended September 30, 2016 are as follows:

Expected volatility	92%-174%
Expected dividend yield	-
Risk-free interest rate	1.21%-1.24%
Expected term (in years)	5.0 - 5.01

The following table represents our stock option and warrant activity for the nine months ended September 30, 2016:

	Shares	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
<b>Outstanding and Exercisable</b>				
Outstanding at December 31, 2015	4,600,000	\$ 0.22	4.46	-
Options and warrants granted	1,050,000	\$ 0.18	-	-
Options and warrants cancelled or expired	40,000	\$ 6.00	-	-
Outstanding at September 30, 2016	5,610,000	\$ 0.17	3.87	1,595,000
Exercisable at September 30, 2016	5,110,000	\$ 0.17	3.82	1,450,000

Net cash proceeds from the exercise of options and warrants were \$0 for each of the three and nine months ended September 30, 2016 and 2015, respectively. Stock based compensation was \$24,013 and \$0 for the three months ended September 30, 2016 and 2015, respectively. Stock based compensation was \$46,192 and \$313,604 for the nine months ended September 30, 2016 and 2015, respectively. As of September 30, 2016 there was \$6,350 of unrecognized stock based compensation, which will be recognized over approximately one year.

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

THIS FILING CONTAINS FORWARD-LOOKING STATEMENTS. THE WORDS "ANTICIPATED," "BELIEVE," "EXPECT," "PLAN," "INTEND," "SEEK," "ESTIMATE," "PROJECT," "WILL," "COULD," "MAY," AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE STATEMENTS INCLUDE, AMONG OTHERS, INFORMATION REGARDING FUTURE OPERATIONS, FUTURE CAPITAL EXPENDITURES, AND FUTURE NET CASH FLOW. SUCH STATEMENTS REFLECT THE COMPANY'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND FINANCIAL PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES, INCLUDING, WITHOUT LIMITATION, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN FOREIGN, POLITICAL, SOCIAL, AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE WITH GOVERNMENTAL REGULATIONS, THE ABILITY TO ACHIEVE FURTHER MARKET PENETRATION AND ADDITIONAL CUSTOMERS, AND VARIOUS OTHER MATTERS, MANY OF WHICH ARE BEYOND THE COMPANY'S CONTROL. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES OCCUR, OR SHOULD UNDERLYING ASSUMPTIONS PROVE TO BE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY AND ADVERSELY FROM THOSE ANTICIPATED, BELIEVED, ESTIMATED, OR OTHERWISE INDICATED. CONSEQUENTLY, ALL OF THE FORWARD-LOOKING STATEMENTS MADE IN THIS FILING ARE QUALIFIED BY THESE CAUTIONARY STATEMENTS AND THERE CAN BE NO ASSURANCE OF THE ACTUAL RESULTS OR DEVELOPMENTS.

The following discussion and analysis of our financial condition and plan of operations should be read in conjunction with our financial statements and related notes appearing elsewhere herein. This discussion and analysis contains forward-looking statements including information about possible or assumed results of our financial conditions, operations, plans, objectives and performance that involve risk, uncertainties and assumptions. The actual results may differ materially from those anticipated in such forward-looking statements. For example, when we indicate that we expect to increase our product sales and potentially establish additional license relationships, these are forward-looking statements. The words expect, anticipate, estimate or similar expressions are also used to indicate forward-looking statements.

### OVERVIEW OF THE COMPANY

Turbine Truck Engines, Inc. is a clean-air technology company dedicated to identifying, developing and commercializing important scientific innovations designed to dramatically enhance both environmental conservation and cost savings in how the world consumes energy.

Turbine Truck Engines, Inc. ("TTE" or "the Company") was incorporated in Delaware on November 27, 2000. On February 20, 2008, the Company was re-domiciled to the State of Nevada. To date, the Company's activities have been limited to raising capital, organizational matters, engaging in research and development, testing its technology, and the structuring of its business plan. The corporate headquarters are located in Bellevue, Washington. The Company has not yet generated any revenues since inception.

To date, the Company's principal research and development operations have been directed at the potential commercialization, of its (a) Detonation Cycle Gas Turbine Engine technology ("DCGT"); its (b) Gas to Liquid Conversion Process technology ("GTL"); and the (c) Hydrogen Production Burner System ("HPBS").

In addition, the Company continues to conduct diligence to either purchase or merge an intellectual property asset and/or an existing operational company asset. To date, TTE has not entered into a contractual commitment to complete an asset purchase or merger.

On May 5, 2015 TTE completed a one-for-twenty (1:20) reverse split of its common stock, par value \$0.001 per share. All common shares and options to purchase common shares have been retroactively adjusted to reflect this reverse split, unless otherwise noted. The new CUSIP number is 89989X 204.

## PRODUCT STATUS AND DESCRIPTION

### **I. THE DCGT ENGINE TECHNOLOGY**

#### **COMPANY HISTORY OF THE DETONATION CYCLE GAS TURBINE ENGINE**

Since the formation of Turbine Truck Engines, Inc., on November 27, 2000, the development of the Detonation Cycle Gas Turbine Engine technology ("DCGT"), for the application of heavy-duty highway trucks, has been at the core of the Company's business operations. Up until August 13, 2014, the Company had funded the building and testing of Prototype #5, a 540HP 12-cylinder engine and Prototype #6, a 70HP 4-cylinder engine for the purpose of sufficiently advancing the research and development of the DCGT engine technology to a point of entering into a joint venture agreement with a heavy-duty truck engine manufacturer for advanced research and development. To date, however, the DCGT engine technology is not ready for commercialization, for any application, and remains in the research and development phase.

The DCGT was successfully patented in December 1999 by the inventor, Robert Scragg ("Mr. Scragg"), whom had earlier issued a master license for all rights and potential applications for the DCGT to Alpha Engines, Inc., ("Alpha"), a company owned by he and his wife, Barbara Scragg. On December 15, 2000, TTE acquired the option rights for an exclusive License from Alpha for manufacturing and marketing heavy-duty highway truck engines utilizing Alpha's DCGT engine technology embodied in U.S. Patent No. 6,000,214 and other proprietary technology and rights owned by Alpha, at that time, including Marketing Survey Data in the highway trucking industry. TTE exercised its option and acquired the licensing rights on July 22, 2002.

In August, 2014, the Company changed a majority of its Board of Directors, management and corporate officer personnel, and undertook a revised look at the Company's business operations. While TTE's new management and Board of Directors, in coordination with Mr. Scragg, continued to believe the patented DCGT technology can be developed for commercialization, they determined that the Company should shift its research and development focus to designing a DCGT engine for applications directly related to power generation. Based on this new focus, TTE no longer intends to expend resources on the development of the DCGT engine technology for the heavy-duty truck engine applications and instead is pursuing a path forward to the development of the DCGT engine technology for other commercial applications specifically related to power generation.

On November 14, 2014, TTE executed an Asset Purchase Agreement and a Technology Sale, Transfer, Assignment Agreement for all Intellectual Property, dated October 14, 2014 (the "Asset Purchase Agreements") between the Company, Robert and Barbara Scragg and Alpha Engines Corporation, settling and ending all licensing agreements between TTE and Alpha Engines Corporation and completing the purchase by the Company of all patents, Intellectual Property, trademarks, copyrights, trade secrets, rights, title, and interest for both (1) the DCGT engine technology; and (2) the electromagnetic process and apparatus for converting methane gas to liquid methanol, on a low-volume scale, also referred to as the Gas-to-Liquid process technology. Under the terms of the Asset Purchase Agreements, all royalty payments due by TTE to Alpha Engines were settled with no future royalty payments due. TTE owns the DCGT engine technology free and clear.

Since taking ownership of the DCGT technology, TTE has periodically engaged in discussions with several North American based engineering firms to re-initiate research and development of the DCGT engine technology for applications directly related to turning a shaft for power generation; however, the Company is not currently engaged in a research and development contract.

#### **ABOUT THE DCGT ENGINE TECHNOLOGY**

This patent in its simplicity makes it very unique. A detonation cycle gas turbine engine includes a turbine rotor contained in a housing. The exhaust ports of respective valve-less combustion chambers are located on opposite sides of the rotor directing combustion gases toward the turbine. The chambers are connected by a valve-less manifold fed with fuel and oxidizer. When combustible gases are detonated by an igniter in one of the combustion chambers, the back pressure from the detonation shuts off the fuel and oxidizer flow to that chamber and redirects the fuel and oxidizer to the opposite chamber, where detonation occurs. The process repeats cyclically. Power is taken off the rotor shaft mechanically or electrically.

The invention utilizes a water wheel as the turbine wheel which has blades that are positively displaced, through a blade race, by the rapid expansion of gases exiting from combustion chambers via nozzles, rather than pistons or gas turbines.

Our engine has a blower, rather than a compressor, to supply less air per horsepower hour than required by existing gas turbines or piston engines, thereby producing less exhaust gases per horsepower hour.

The blower supplies low pressure air via a single manifold to two combustion chambers simultaneously thereby requiring less work to complete a detonation cycle, resulting in higher thermos-mechanical efficiencies than gas turbines or piston engines.

The engine manifolds, combustion chambers, and ignition system has the capability of cyclically detonating fuel-air mixtures without using valves. The engine uses a fuel pump and vaporizers to gasify wet fuels prior to mixing with combustion air in the manifolds to produce complete combustion of all fuel-air mixtures in the detonation process. The engine uses a plasma arc ignition, a visibly constant illuminating plasma flame between two electrodes to detonate fuel-air mixtures and does not require critical ignition timing.

Low pressure air and fuel mixtures are detonated instantaneously—in less than one millisecond—producing high velocity shock waves that kinetically compress inert gases resulting in higher working pressures than the pressures produced in constant pressure heating utilized in gas turbine engines, and Otto and Diesel cycle piston engines.

The detonation cycle engine uses less working fluid and produces less exhaust gas per horsepower hour than Brayton cycle turbines and Otto or Diesel cycle piston engines.

Six working prototypes have been developed and constructed over the course of the last 20 years, culminating in the development of the 6th generation prototype engine which consists of two 7-inch, 8-pound turbine wheels mounted on a single shaft, driven by 4 horizontally opposed combustion chambers producing an estimated 70 horsepower at 20,000 rpm.

The DCGT engine technology includes an Electromagnetic Isothermal Combustion ("EIC") process that powers the engine. The EIC process produces complete combustion of fuel-oxidizer mixtures in cyclic detonations that negate unwanted nitrogen oxide and carbon monoxide emissions. The high pressure gases produced by the detonations drive a unique turbine, producing shaft horsepower.

The EIC process enables the DCGT to operate with blower air at low static pressure, negating the necessity of compressing and preheating fuel-oxidizer mixtures prior to combustion. By eliminating the compression of fuel-oxidizer mixtures, the DCGT engine achieves higher thermal efficiencies in a simplified mechanical structure. The DCGT engine offers the following proprietary and competitive advantages over current diesel, gasoline and gas turbine engines:

- Air cooled - less than 2 pounds per horsepower
- Fewer moving parts - less maintenance
- Flex-fuel and mixed fuels capability
- Operates on all hydrocarbon fuels, hydrogen and synthetic fuels
- Cold start capability with any fuels
- Burns 30% less fuel "Greenhouse exhaust gases"
- Less nitrogen oxides and carbon monoxide exhaust emissions
- Less hydrocarbon exhaust emissions
- No lube oil, filters or pumps

## **COMPETITION FOR THE DCGT ENGINE TECHNOLOGY FOR POWER GENERATION**

Given that certain aspects of the Company's DCGT engine technology is still under U.S. patent protection, the Company is not aware of any entity that has successfully commercialized pulse detonation cycle technology for power generation applications. Additionally, until TTE is able to successfully produce data from a prototype of an operational DCGT engine turning a shaft for power generation, it is difficult to provide qualitative comparisons of the DCGT engine technology to the myriad of other technologies available to both residential and business consumers today. Once TTE is able to successfully complete a working bench prototype and collect a myriad of acceptable data on items such as horsepower, torque, efficiency, temperatures, pressures and more, TTE will then be better positioned to identify the target market for commercialization of the DCGT engine technology for power production. At that time, TTE can then provide clarity and direction on competition considerations for our product and its target market.

## **PATENTS FOR THE DCGT ENGINE TECHNOLOGY**

The DCGT engine technology currently has a single U. S. Patent No. 6,000,214, a novel patent with a 20-year life from the filing date of December 16, 1997. The patent was based on research and development beginning in 1984, which included the design, construction, and testing of working prototypes #1, #2, #3 and #4. The patent attorneys were Schoemaker & Mattare Ltd. TTE intends to file additional patents to protect any new developments in the engine technology.

## **II. GAS-TO-LIQUID PROCESS TECHNOLOGY**

### **COMPANY HISTORY OF THE GAS TO LIQUID PROCESS TECHNOLOGY**

In addition to the DCGT engine technology, Robert Scragg is also the inventor of an expired patent for a process in which methane gas, the primary component of natural gas, is converted into liquid methanol at low-volume production rates. Low volume is defined as 50 gallons per minute or less. This process is referred to as Gas-to-Liquid ("GTL" or "the Scragg Process").

In 1983, Robert Scragg received patent protection for his "Electromagnetic Process and Apparatus for Making Methanol". While this patent has expired, certain intellectual property and trade secrets remain intact and protected and are now owned by TTE. Mr. Scragg's 1983 patent proved that gentle oxidation of methane gas, a hydrocarbon, using precise electromagnetic activation produces methanol gas which is then condensed in the reactor chamber to form liquid methanol. The Scragg process for gas to liquid conversion provides for production of methanol on a low-volume scale using an easily transportable apparatus and system. When the inventor received his patent for the GTL process technology, he created a working GTL prototype for presentation to the U.S. Patent office. Today, that prototype no longer exists and a new prototype has to be built using the inventor's notes, drawings and data collection, along with newly gathered research information, to prove the viability of the GTL technology.

As noted in Section I above, titled Company History of the DCGT Engine Technology, on November 14, 2014, the Company closed an Asset Purchase Agreement, with Robert and Barbara Scragg and Alpha Engines Corporation, completing the purchase, by Turbine Truck Engines, Inc. of all patents, intellectual property, trademarks, copyrights, trade secrets, rights, title, and interest for an electromagnetic process and apparatus for converting methane gas to methanol, the Scragg Process. While the Scragg Process patent has expired, certain intellectual property and trade secrets remain intact and protected and are now owned by TTE.

Prior to TTE completing its acquisition of Robert Scragg's GTL process technology, TTE always had an open invitation to pursue a licensing contract, with Alpha, for the development of the Scragg Process. While TTE never completed a licensing agreement for the Scragg Process, TTE's prior management did periodically pursue potential development partners.

On June 3, 2015, TTE signed and executed a Consulting Services Agreement with Justin Dean, an individual, to retain Mr. Dean as the Project and Program Manager for Phase 1 of TTE's product development of its GTL process technology. This agreement further defined Mr. Dean's responsibilities to include conceptual design analysis, product development analysis, product commercialization analysis, business plan analysis, product application analysis, and industry use & application analysis.

On June 3, 2015, TTE signed and executed a Services Agreement with Sahoma Controlware, LLC (the "Sahoma Agreement") to provide the Company with services for the design, modeling and simulation of TTE's Gas-to-Liquid Process technology, to include the Electromagnetic Generator, Chemical Reactor and Process Gas Feed Systems products. The Sahoma Agreement's scope of work included developing individual product simulation models & analysis for flow, thermal, vibration, structural/stress and electrical while also developing simulation models for the entire GTL Reactor Process to determine maximum operational effectiveness and efficiency.

Collectively, both the Sahoma Agreement and the Dean Consulting Services Agreement were executed to provide the Company with engineering, technical and analytical expertise to validate the Company expending additional resources on the development of its Gas-to-Liquid process technology for converting methane and oxygen gas into methanol liquid at low-volume production rates.

On February 19, 2016, the Company executed Settlement Agreements with both Sahoma Controlware, LLC and Justin Dean mutually concluding both the Engineering Services Agreement, dated June 3, 2015, with Sahoma and the Consulting Services Agreement, dated June 3, 2015, with Dean. Under both Services Agreements, the Company has received certain 3D modeling, design and data sets that, while not conclusive, do provide a working baseline for continuing additional research and development to validate the GTL process technologies' operational capacity and efficiency.

Under the terms of the Settlement Agreements, the Company has no further obligation to pay Sahoma the final milestone payment of \$10,824 and Dean will retain the 250,000 shares of the Company's common stock issued to him under the Consulting Services Agreement.

Since executing the Settlement Agreements, the Company has had periodic discussions with a U.S. based engineering entity as it considers the best path forward to continue research and development of its GTL low-volume production process technology. The next phase of research to validate the operational and commercial viability of the GTL process technology will require conducting additional modeling and the build of a bench prototype to collect data sets on a multitude of items including, but not limited to, yield rates, species analysis and energy balance calculations. To date, the Company is not engaged in a research and development contract.

#### **WHY LOW VOLUME PRODUCTION OF GAS TO LIQUID**

Throughout the United States and the world, at sites where drilling operations are producing natural gas as a by-product, a large portion of the natural gas is being flare burned, instead of being sold, as the site is either too far from a pipeline or the accessible pipeline has no additional capacity. When taking into account cost analysis, environmental considerations and commodity pricing in today's marketplace, TTE believes the demand for an easily transportable, self-sustaining apparatus capable of converting gas to liquid, on a low-volume scale, has elevated.

As a result of the market's willingness to consider other options, besides flare burning the on-site natural gas, several companies are working to develop a low-volume, easily transportable GTL apparatus for commercialization. To date, TTE is not aware of any company that has commercialized a low-volume, unmanned, remote GTL system which has proved viable as a self-supporting, profitable business.

TTE believes today's marketplace dynamics allow for a lower volume, easily transportable GTL apparatus to address an enormous, unmet need of redirecting flare burn natural gas for conversion to methanol for commercial resale or reuse onsite even at low-volume production rates.

#### **COMPETITION FOR THE SCRAGG PROCESS GAS TO LIQUID**

To date, companies invested in converting natural gas to methanol are primarily engaged in high-volume scale production operations. The current state-of-the-art method of producing liquid methanol involves a low pressure process of preparing synthesis gas by steam reforming or partial oxidation of a gaseous hydrocarbon feedstock or by direct combination of carbon dioxide with purified hydrogen rich gases. Typically, naphtha or a natural gas feedstock is desulfurized, preheated and mixed with a superheated steam, and then reacted over a conventional catalyst in a multi-tubular reformer. After cooling, the synthesis gas is compressed to the required pressure and passed into a hot-wall converter over a low pressure methanol synthesis catalyst at a temperature ranging from 250 to 270 degrees centigrade. The crude methanol that is formed is condensed and separated from the uncondensed gases which are recycled with makeup synthesis gas and fed back into the converter.



Methanex Corp. is the world's largest producer of Methanol. To date, facilities converting gas to liquid are only focused on large scale production. The dollar cost to build and operate a high-volume scale GTL production facility is significant.

#### **PATENTS FOR THE GAS TO LIQUID SCRAGG PROCESS**

To date there are no patents or patents pending for the Gas to Liquid Scragg Process. On Feb 15, 1983, the Scragg Process for converting methane to methanol was granted patent protection under US Patent # 4,374,288. The patent has expired; however, the Company claims protection under Trade Secrets laws.

#### **III. THE HYDROGEN PRODUCTION BURNER SYSTEMS**

In 2010, TTE was working with various Chinese based partners to develop its licensed DCGT engine technology for use in various applications in Asia. At that time, TTE's CEO, Michael Rouse, was introduced to Falcon Power Co. Ltd. ("Falcon"), a Taiwan based business, that was developing a technology focused on converting methanol to hydrogen, on-demand, using a proprietary technology now known as the Hydrogen Production Burner System ("HPBS"). One of the potential fuel sources for the DCGT engine technology is hydrogen, thus TTE and Falcon began a diligence phase to consider a collaborative effort to blend the 2 technologies having the HPBS produce hydrogen that could then provide a hydrogen fuel source for the DCGT engine.

Commencing in the spring of 2010 and through February 2014, the Company conducted diligence, negotiated, executed, and ultimately terminated certain contractual obligations with certain Taiwanese and/or Chinese based individuals and corporations. The Company's intentions throughout this defined period was to directly participate in commercializing the Hydrogen Production Burner System worldwide through either licensing rights or a Technology Purchase Agreement of the HPBS technology.

In September 2013, the Company was engaged in certain contracts with Energy Technology Services Co. Ltd ("ETS"), a Taiwan based corporation, for business development of the HPBS technology in Asia. Under the terms of these contracts, the Company provided ETS a total of \$300,000 (CAN) to fulfill TTE's June 2013 Purchase Order with ETS, for the manufacture of a new 200m3 HPBS unit.

Throughout the fall of 2013 and into January 2014, ETS provided TTE with positive written and video status reports on the progress of the building, completion and delivery of its 200m3 HPBS unit as defined and paid for under the June 2013 Purchase Order. To date, ETS has not fulfilled its contractual obligation to deliver a new 200m3 HPBS.

In February 2014, TTE hired a Taiwan based law firm, Formosan Brothers, to represent the Company, in its pursuit of criminal fraud charges against ETS' principal partners, Chen, Chong-Ping ("Alan Chen") and Huang, Ren-Ju ("Mr. Huang"), both Taiwan citizens, for failure to deliver the newly built 200m3 HPBS unit as provided for under contract. ETS was represented to the Company as the business partners for the inventor Dr. Ching-Chang Chang ("Dr. Chang").

In Spring 2014, given that no direct evidence existed indicating Dr. Chang had knowledge of the fraud against TTE, the Company engaged in negotiations directly with the HPBS inventor for the purchase of the HPBS technology. To date, Dr. Chang claims to have title ownership of the HPBS technology. In October 2014, Dr. Chang presented TTE with both pictures and video of a new 60m3 HPBS unit he completed building, at his own expense. While TTE and Dr. Chang have negotiated proposed terms and conditions for TTE to acquire the HPBS technology, TTE is continuing to undergo extensive due diligence to validate and verify title ownership of the HPBS technology. Until the Company is satisfied with both (a) title ownership of the HPBS; and (b) exactly which Taiwan individuals were engaged in fraud against the Company, any final agreement to purchase the HPBS technology is pending.

On December 25, 2015, TTE received a written ruling from the Taiwan District Prosecutor's Office declining to prosecute Alan Chen and Mr. Huang for criminal fraud.

On January 4, 2016, Formosan Brothers, on behalf of TTE, filed an appeal to the Taiwan High Prosecution Office requesting the High Court review the facts and evidence of the case and grant TTE an appeal of the lower court's decision and send the matter back to the Taiwan District Prosecutor's Office for a new investigation of the facts and evidence.

On February 1, 2016, TTE received notice that the Companies' appeal was granted and that the initial decision, dated December 25, 2015, by the Taiwan District Court prosecutor not to prosecute Alan Chen and Mr. Huang was overturned and rescinded. The case was returned to the Taiwan District Court Prosecutor with instructions to conduct a new investigation of the facts and evidence. TTE and its counsel intend to continue to pursue these charges until a satisfactory resolution is obtained.

As of September 30, 2016, TTE and its Taiwan based legal counsel, Formosan Brothers Law Firm, continue to submit briefings, attend hearings and respond to any request from the Taiwan District Court Prosecutor as the Prosecutor's office undertakes its new investigation.

#### **ABOUT THE HYDROGEN PRODUCTION AND BURNER SYSTEM**

Hydrogen (H<sub>2</sub>) is an ideal fuel for combustion — it burns easily and efficiently at very high temperatures and emits pure water vapor (H<sub>2</sub>O) as its only by-product. But the gas is a difficult fuel to work with. Existing methods for transporting and storing hydrogen (namely high-pressure compression and liquefaction) are complex, inefficient, and expensive. It's also the smallest molecule in existence and tends naturally to leak; only exacerbating these problems.

The Hydrogen Production Burner System is an efficient methanol-to-hydrogen production and burner integrated technology which utilizes a steam reformation process, employs a proprietary chemical catalyst and a unique low temperature pyrolytic reaction to convert common methanol into clean-burning hydrogen gas, on-demand, for use as a fuel source to a proprietary burner assembly. The inventor of the HPBS is located in Taiwan and has been developing the technology for over 9 years.

Having a technology available that can produce hydrogen on-demand and on-site eliminates the costly and difficult issues that surround the transportation and storage of hydrogen. Additionally, methanol (CH<sub>4</sub>O, also known as methyl alcohol or wood alcohol) is inexpensive, widely accessible, and easier to store, handle and transport. The HPBS technology provides a unique and marketable solution for those entities wanting to burn hydrogen as a thermal heat source.

The HPBS system offers the potential to integrate with a wide array of industrial boilers and steam generators as well as other various residential and commercial applications. The efficiency of the HPBS technology could save the end user 30-60% on energy costs as compared to current sources of energy such as electricity, heavy oils, coal, and natural gas.

#### **COMPETITION FOR THE HPBS TECHNOLOGY**

The Company has identified a handful of competitors, including Air-Gas, that manufacture hydrogen producing generators. There are three main types of hydrogen generators, those that (a) convert methane to hydrogen through a catalyst; (b) convert water through electrolysis; and (c) convert methanol through catalysis. There are commercialized units for each method, however, to our knowledge; there are no commercialized units, like the HPBS technology that produce hydrogen from methanol, on demand, for on-site use. In that regard, the Company considers itself uniquely positioned to provide the market with a hydrogen production and burner system that is uniquely different than its competitors.

## **PATENTS FOR THE HPBS TECHNOLOGY**

To date, the Company has no patents (nor does TTE know of any patents pending) for the HPBS technology. The catalytic process used to convert methanol to hydrogen is proprietary and to the best of the companies' knowledge stands alone in marketplace. If TTE is able to secure ownership of the HPBS technology, TTE intends to continue to develop the technology with an eye toward submitting patents for those items that are able to be patented.

## **FINANCING**

The financing for our development activities to date has come from the sale of common stock and notes payable. The Company is looking to the credit facility provided by 236 for financing the Company's immediate ongoing operations, in addition to securing ownership and development of the DCGT engine technology, the GTL technology and the HPBS Equipment development. The Company's working capital needs will continue to be funded largely from the sale of public equity securities with additional funding from a private placement or secondary offering and other traditional financing sources, including term notes and proceeds from sub-licensing agreements until such time that funds provided by operations are sufficient to fund working capital requirements.

Since we have had a limited history of operations, we anticipate that our quarterly results of operations will fluctuate significantly for the foreseeable future. We believe that period-to-period comparisons of our operating results should not be relied upon as predictive of future performance. Our prospects must be considered in light of the risks, expenses and difficulties encountered by companies at an early stage of development, particularly companies commercializing new and evolving technologies such as ours.

### **For the three months ended September 30, 2016 compared to the three months ended September 30, 2015**

Operating Costs – During the three months ended September 30, 2016 and 2015, operating costs totaled \$37,302 and \$47,255, respectively. The decrease of \$9,953 was mainly attributable to a \$24,013 increase in stock based compensation offset by a decrease of \$18,389 in professional fees and a decrease of \$14,423 in research and development expenses.

Interest and Other Expenses (Income)- During the three months ended September 30, 2016 and 2015, net interest and other expenses totaled \$0 and (\$34,000), respectively. The decrease of \$34,000 was primarily due to the gain on the settlement of debt during the prior year.

The net loss for the three months ended September 30, 2016 and 2015 was \$37,302 and \$13,255, respectively. The increase of \$24,047 was mainly attributable to the decrease in other income.

### **For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015**

Operating Costs – During the nine months ended September 30, 2016 and 2015, operating costs totaled \$122,414 and \$449,001, respectively. The decrease of \$326,587 was mainly attributable to a \$264,412 decrease in stock based compensation, a decrease of \$32,054 in professional fees and a decrease of \$25,256 in research and development expenses.

Interest and Other Expenses - During the nine months ended September 30, 2016 and 2015, net interest and other expenses totaled \$0 and \$2,320,350, respectively. The decrease of \$2,320,350 was primarily due to the Company converting all outstanding debt and related accrued interest into common stock in 2015, which resulted in the accelerated amortization of the unamortized deferred offering costs.

The net loss for the nine months ended September 30, 2016 and 2015 was \$122,414 and \$2,735,351, respectively. The decrease of \$2,612,937 was mainly attributable to the decrease in stock based compensation and certain operating costs and the decrease in interest and other expenses.

**Liquidity and capital resources**

As shown in the accompanying financial statements, for the nine months ended September 30, 2016 and 2015, the Company has had net losses of \$122,414 and \$2,735,351, respectively. As of September 30, 2016, the Company has not generated any revenues. In view of these matters, the Company's ability to continue as a going concern is dependent upon the Company's ability to begin operations and to achieve a level of profitability. However, there can be no assurance that the Company will be able to raise capital or begin operations to achieve a level of profitability to continue as a going concern.

As previously mentioned, since inception, we have financed our operations largely from the sale of common stock and the issuance of notes payable. During the nine months ended September 30, 2016 we raised cash of \$85,000 through a common stock subscription agreement. During the nine months ended September 30, 2015, the Company converted all outstanding debt and related accrued interest into common stock, therefore, the Company fully amortized the balance of the deferred non-cash offering costs of \$2,379,075 to interest expense.

We have incurred significant net losses and negative cash flows from operations since our inception. As of September 30, 2016, we had an accumulated deficit of \$22,345,740.

We anticipate that cash used in product development and operations, especially in the marketing, production and sale of our products, may increase significantly in the future.

We will be dependent upon our existing cash, together with anticipated net proceeds from any public offering and future debt issuances and private placements of common stock and potential license fees, to finance our planned operations through the next 12 months.

Additional capital may not be available when required or on favorable terms. If adequate funds are not available, we may be required to significantly reduce or refocus our operations or to obtain funds through arrangements that may require us to relinquish rights to certain or potential markets, either of which could have a material adverse effect on our business, financial condition and results of operations. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of such securities would result in ownership dilution to our existing stockholders.

The Company may receive proceeds in the future from the exercise of warrants and options outstanding as of September 30, 2016 in accordance with the following schedule:

	<b>Approximate Number of Shares</b>	<b>Approximate Proceeds*</b>
Non-Plan Options (Cashless)	5,600,000	\$ 0
Non-Plan Warrants *	10,000	\$ 20,000

\* Based on weighted average exercise price.

On March 25, 2016, the Company executed a common stock Subscription Agreement with 2367416 Ontario, Inc., a Canadian corporation, for the sale and issue of 250,000 shares of the common stock of the Company at a price of \$0.16 per share for a total sum paid by 2367416 Ontario, Inc. to Turbine Truck Engines, Inc., of \$40,000 in cash as disbursed on February 18, 2016 (\$5,000) and March 10, 2016 (\$35,000). The stock issuance of shares to 2367416 Ontario, Inc. is subject to both Rule 144 restrictions and control stock rules. The \$40,000 was provided to fund the Companies' ongoing operational and product development expenses. The shares were issued on March 29, 2016.

On May 25, 2016, the Company executed a common stock Subscription Agreement with 2367416 Ontario, Inc., a Canadian corporation, for the sale and issue of 93,750 shares of the common stock of the Company at a price of \$0.16 per share for a total sum paid, by 2367416 Ontario, Inc. to Turbine Truck Engines, Inc., of \$15,000 in cash as disbursed on May 25, 2016. This stock issuance of shares to 2367416 Ontario, Inc. is subject to both Rule 144 restrictions and control stock rules. The \$15,000 was provided to fund the Companies' ongoing operational and product development expenses. The shares were issued on June 13, 2016.

On June 23, 2016, the Company executed a common stock Subscription Agreement with 2367416 Ontario, Inc., a Canadian corporation, for the sale and issue of 60,000 shares of the common stock of the Company at a price of \$0.25 per share for a total sum paid, by 2367416 Ontario, Inc. to Turbine Truck Engines, Inc., of \$15,000 in cash as disbursed on June 23, 2016. The Subscription Agreement per share sale price of twenty-five cents (\$0.25) was determined by the 30-day average of the Companies' closing share price. This stock issuance of shares to 2367416 Ontario, Inc. is subject to both Rule 144 restrictions and control stock rules. The \$15,000 was provided to fund the Companies' ongoing operational and product development expenses. The shares were issued on June 27, 2016.

On September 2, 2016, the Company executed a common stock Subscription Agreement with 2367416 Ontario, Inc., a Canadian corporation, for the sale and issue of 27,777 shares of the common stock of the Company at a price of \$0.54 per share for a total sum paid, by 2367416 Ontario, Inc. to Turbine Truck Engines, Inc., of \$15,000 in cash as disbursed on September 2, 2016. The Subscription Agreement per share sale price of fifty-four cents (\$0.54) was determined by the 30-day average of the Companies' closing share price. This stock issuance of shares to 2367416 Ontario, Inc. is subject to both Rule 144 restrictions and control stock rules. The \$15,000 was provided to fund the Companies' ongoing operational and product development expenses. The shares were issued on September 8, 2016.

#### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### **Critical Accounting Policies and Estimates**

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 of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We believe that the following critical policies affect our more significant judgments and estimates used in preparation of our financial statements.

The Company recognizes all share-based payments to employees and directors, including grants of employee stock options, as compensation expense in the financial statements based on their fair values. That expense will be recognized over the period during which an employee or director is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period). Options issued for past services are vested immediately and are expensed at the time of issuance.

The Company issues common stock and common stock options and warrants to consultants for various services. For these transactions, the Company follows the guidance in FASB ASC Topic 505. Costs for these transactions are measured at the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measureable. The value of the common stock is measured at the earlier of (i) the date at which a firm commitment for performance by the counterparty to earn the equity instrument is reached or (ii) the date at which the counterparty's performance is complete.

The Company has incurred deferred offering costs in connection with raising additional capital through the sale of its common stock. These costs are capitalized and charged against additional paid-in capital when common stock is issued. If there is no issuance of common stock, the costs incurred are charged to operations.

The Company incurred deferred loan offering costs in connection with entering into note agreements with its lender. These costs are paid with the Company's restricted common shares and are valued at the commitment dates. They are recorded as a contra-equity and are amortized as interest expense over the life of the notes, which is five years.

Research and development costs are charged to operations when incurred and are included in operating expenses.

#### **New Accounting Pronouncements**

Recent accounting pronouncements issued by the FASB, the AICPA and the SEC did not or are not believed by management to have a material effect on the Company's financial statements.

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

Not applicable.

#### **Item 4T. Controls and Procedures**

The Company's Board of Directors, Chief Executive Officer, President, Principal Accounting Officer and Secretary-Treasurer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of and for the period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Board of Directors, Chief Executive Officer, President, Principal Accounting Officer and Secretary-Treasurer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were not effective as required under Rules 13a – 15(e) and 15d – 15(e) under the Exchange Act. The controls were determined to be ineffective due to the lack of segregation of duties. Currently, management contracts with an outside CPA to perform the duties of the Principal Financial Officer and Principle Accounting Officer and an outside consultant to assist with the preparation of the filings. However, until the Company has received additional funding, they are unable to remediate the weakness.

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

No change in the Company's internal control over financial reporting occurred during the nine months ended September 30, 2016, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

As of the date of this Quarterly Report, neither the Company nor any of its officers or directors is involved in any litigation as defendants. As of this date, there is not any threatened or pending litigation against us or any of our officers or directors.

For the quarter ended September 30, 2016, the Company is currently involved in litigation in Taiwan, wherein the Company engaged Formosan Brothers, a Taiwan based law firm, to file a criminal complaint with the Taipei, Taiwan District Prosecutors Office (the "Prosecutor") seeking criminal charges against the principal partners of ETS, Mr. Chen, Chong-Ping ("Alan Chen") and Huang, Ren-Ju ("Mr. Huang") for fraud in connection with their actions related to the Company's business initiative to commercialize the HPBS technology in Asia.

On December 25, 2015, TTE received a written ruling from the Taiwan District Prosecutor's Office that it had declined to prosecute Alan Chen and Mr. Huang for criminal fraud.

On January 4, 2016, Formosan Brothers, on behalf of TTE, filed an appeal to the Taiwan High Prosecution Office requesting the High Court review the facts and evidence of the case and send the matter back to the Taiwan District Prosecutor's Office for a new investigation of the facts and evidence.

On February 1, 2016, TTE received notice that the Companies' appeal was granted and the case was returned to the Taiwan District Court Prosecutor with instructions to conduct a new investigation of the facts and evidence. TTE intends to continue to pursue this matter until a final resolution is obtained.

As of September 30, 2016, TTE and its Taiwan based legal counsel, Formosan Brothers Law Firm, continue to submit briefings, attend hearings and respond to any request from the Taiwan District Court Prosecutor as the Prosecutor's office undertakes its new investigation.

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

During the three months ended September 30, 2016, there was no modification of any instruments defining the rights of holders of the Company's common stock and no limitation or qualification of the rights evidenced by the Company's common stock as a result of the issuance of any other class of securities or the modification thereof.

On September 2, 2016, the Company executed a common stock Subscription Agreement with 2367416 Ontario, Inc., a Canadian corporation, for the sale and issue of 27,777 shares of the common stock of the Company at a price of \$0.54 per share for a total sum paid, by 2367416 Ontario, Inc. to Turbine Truck Engines, Inc., of \$15,000 in cash as disbursed on September 2, 2016. The Subscription Agreement per share sale price of fifty-four cents (\$0.54) was determined by the 30-day average of the Companies' closing share price. This stock issuance of shares to 2367416 Ontario, Inc. is subject to both Rule 144 restrictions and control stock rules. The \$15,000 was provided to fund the Companies' ongoing operational and product development expenses. The shares were issued on September 8, 2016.

The Company issued the common stock described above without registration pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder.

### Item 3. Defaults upon Senior Securities

There have been no defaults in any material payments during the covered period.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

The Company does not have any other material information to report with respect to the three-month period ended September 30, 2016.

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits included herewith are:

<a href="#">31.1</a>	<a href="#">Certification of the Principal Executive Officer (This certification required as Exhibit 31 under Item 601(a) of Regulation S-K</a>
<a href="#">31.2</a>	<a href="#">Certification of the Principal Financial and Accounting Officer (This certification required as Exhibit 31 under Item 601(a) of Regulation S-K</a>
<a href="#">32.1</a>	<a href="#">Written Statements of the Principal Executive Officer. This certification required as Exhibit 32 under Item 601(a) of Regulation S-K is furnished in accordance with Item 601(b)(32)(iii) of Regulation S-K</a>
<a href="#">32.2</a>	<a href="#">Written Statements of the Principal Financial Accounting Officer (This certification required as Exhibit 32 under Item 601(a) of Regulation S-K is furnished in accordance with Item 601(b)(32)(iii) of Regulation S-K</a>
101.INS **	XBRL Instance Document
101.SCH **	XBRL Taxonomy Extension Schema Document
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase Document

\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.



**SIGNATURES**

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

**TURBINE TRUCK ENGINES, INC.**

Dated: October 31, 2016

By: /s/ Enzo Cirillo  
Enzo Cirillo  
Interim Chief Executive Officer and Chairman of the  
Board and  
Principal Executive Officer

Dated: October 31, 2016

By: /s/ Judith Norstrud  
Judith Norstrud  
Principal Financial and Accounting Officer

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002  
AND RULE 13A-14 OF THE EXCHANGE ACT OF 1934**

**CERTIFICATION**

I, Enzo Cirillo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Turbine Truck Engines, 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 officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 such evaluation; and 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 (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2016

By: /s/ Enzo Cirillo

Enzo Cirillo  
Interim Chief Executive Officer,  
Chairman of the Board,  
Principal Executive Officer

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002  
AND RULE 13A-14 OF THE EXCHANGE ACT OF 1934**

**CERTIFICATION**

I, Judith Norstrud, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Turbine Truck Engines, 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 officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 such evaluation; and 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 (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2016

By: /s/ Judith Norstrud  
Judith Norstrud  
Principal Accounting Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S. C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Turbine Truck Engines, Inc., (the "Company") on Form 10-Q for the three months ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Enzo Cirillo, Interim Chief Executive Officer, Chairman of the Board and Principal Executive Officer of the Company, certify, pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, 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.

Date: October 31, 2016

By: /s/ Enzo Cirillo

Enzo Cirillo  
Interim Chief Executive Officer,  
Chairman of the Board and  
Principal Executive Officer

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S. C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Turbine Truck Engines, Inc., (the "Company") on Form 10-Q for the three months ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Judith Norstrud, Principal Accounting Officer of the Company, certify, pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, 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.

Date: October 31, 2016

By: /s/ Judith Norstrud  
Judith Norstrud  
Principal Accounting Officer