ALUMIFUEL POWER CORP

FORM 10-Q
(Quarterly Report)

Filed 08/15/16 for the Period Ending 06/30/16

Address	7315 EAST PEAKVIEW AVENUE CENTENNIAL, CO, 80111
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended **JUNE 30, 2016**

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

For the transition period from _______to_______

Commission File No. **333-57946**

ALUMIFUEL POWER CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Wyoming	**88-0448626**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

7315 East Peakview Avenue
Englewood, Colorado 80111
(Address of principal executive offices) (Zip code)

(303) 796-8940
(Registrant's telephone number including area code)

____
(Former name, address and fiscal year)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by a check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	☐	Accelerated filer	☐
Non-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 ☒

Number of shares of common stock outstanding at August 8, 2016: 2,228,481,617

ALUMIFUEL POWER CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Cash	$ 1,071	$ 650
Deferred debt issuance costs (Note 4)	—	3,789
Total current assets	1,071	4,439
Total assets	$ 1,071	$ 4,439
Liabilities and Shareholders' Deficit		
Current liabilities:		
Accounts and notes payable:		
Accounts payable, related party (Note 3)	$ 777,965	$ 673,111
Accounts payable	510,951	510,285
Derivative liability, convertible notes payable (Note 4)	706,885	684,518
Notes payable, related parties (Note 3)	45,947	32,745
Notes payable, other (Note 4)	457,849	402,949
Convertible notes payable, net of discount of $0 (2016) and $29,554 (2015) (Note 4)	667,140	637,580
Payroll liabilities (Note 5)	175,121	166,611
Accrued expenses	800,000	800,000
Dividends payable (Note 7)	158,837	142,719
Accrued interest payable:		
Interest payable, convertible notes (Note 4)	209,328	178,760
Interest payable, related party notes (Note 3)	11,217	9,796
Interest payable, notes payable other (Note 4)	125,385	105,868
Total current liabilities	4,646,625	4,344,942
Series B preferred stock obligation, net (Note 7)	774,655	736,986
Commitments and contingencies (Note 5)		
Shareholders' deficit: (Notes 1 & 7)		
Preferred stock, $.001 par value; unlimited shares authorized	-	-
Common stock, $.001 par value; unlimited shares authorized, 2,228,481,617 shares issued and outstanding, respectively	2,228,481	2,228,481
Additional paid-in capital	14,479,063	14,479,063
Accumulated deficit	(26,006,412)	(25,695,880)
Total shareholders' deficit of the Company	(9,298,867)	(8,988,336)
Non-controlling interest (Note 1)	3,878,658	3,910,847
Total shareholders' deficit	(5,420,209)	(5,077,489)
Total liabilities and shareholders' deficit	$ 1,071	$ 4,439

See accompanying notes to unaudited condensed consolidated financial statements.

ALUMIFUEL POWER CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue	$ -	$ -	$ -	$ -
Operating costs and expenses:				
Selling, general and administrative expenses				
Management fees related parties (Note 3)	82,500	82,500	165,000	166,010
General and administrative	27,676	66,133	40,528	162,883
Total operating costs and expenses	(110,176)	(148,633)	205,528	328,893
Loss from operations	(110,176)	(148,633)	(205,528)	(328,893)
Other expense:				
Interest expense, amortization of convertible note discounts (Note 4)	(9,619)	(73,817)	(29,554)	(182,796)
Interest expense (Notes 3 & 4)	(47,279)	(52,879)	(85,272)	(107,712)
Fair value adjustment of derivative liabilities (Note 4)	(11,596)	(2,678)	(22,367)	(35,517)
	(68,494)	(129,374)	(137,193)	(326,025)
Loss before income taxes	(178,670)	(278,007)	(342,721)	(654,918)
Income tax provision (Note 6)	-	-	-	-
Net loss	$ (178,670)	$ (278,007)	$ (342,721)	$ (654,918)
Net loss attributable to non-controlling interest (Note 1)	16,092	16,084	32,189	32,433
Net loss attributable to Company	$ (162,578)	$ (261,923)	$ (310,532)	$ (622,485)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average common shares outstanding (Notes 1 & 7)	2,228,481,617	1,524,492,688	2,228,481,617	652,457,103

See accompanying notes to unaudited condensed consolidated financial statements.

ALUMIFUEL POWER CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash flows from operating activities:		
Net loss	$ (342,721)	$ (654,918)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation (Note 7)	-	16,000
Amortization of debt issuance costs (Note 4)	3,789	7,101
Accretion of Series B preferred stock (Note 7)	37,669	37,668
Change in fair value of derivative liability (Note 4)	22,367	35,517
Amortization of discount on debentures payable (Note 4)	29,554	182,796
Changes in operating assets and liabilities:		
Accounts payable and accrued expenses	9,182	96,065
Related party payables (Note 3)	104,854	75,577
Dividends payable (Note 7)	16,118	16,029
Interest payable	51,506	50,815
Net cash used in operating activities	(67,681)	(137,350)
Cash flows from financing activities:		
Proceeds from convertible notes (Note 4)	-	101,000
Proceeds from notes payable, other (Note 4)	54,900	52,000
Prodeeds from notes payable, related (Note 3)	14,202	100
Payments on notes payable (Note 4)	-	-
Payments on notes payable, related (Note 3)	(1,000)	(7,000)
Payments to placement agents (Note 4)	-	(8,500)
Net cash provided by financing activities	68,102	137,600
Net change in cash and cash equivalents	421	250
Cash and cash equivalents:		
Beginning of period	650	972
End of period	$ 1,071	$ 1,222
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	$ -	$ -
Interest	$ 102	$ 5,015
Noncash financing transactions:		
Notes and interest payable converted to stock	$ -	$ 197,299
Reclassification of derivative liabilities upon conversion of convertible debt	$ -	$ 201,602

See accompanying notes to unaudited condensed consolidated financial statements.

ALUMIFUEL POWER CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of presentation

The interim unaudited condensed consolidated financial statements presented herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and for the three month and six month periods ended June 30, 2016 and 2015 include the condensed consolidated financial statements of AlumiFuel Power Corporation (the "Company") and its subsidiaries HPI Partners, LLC ("HPI"), AlumiFuel Power, Inc. ("API"), AlumiFuel Power Technologies, Inc. ("APTI"), Novofuel, Inc. ("Novofuel"), and 58% owned subsidiary AlumiFuel Power International, Inc. ("AFPI").

Certain information and footnote disclosures normally included in unaudited financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. All of the intercompany accounts have been eliminated in consolidation. The interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2015, notes and accounting policies thereto included in the Company's Annual Report on Form 10-K.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim periods presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

Going Concern

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying condensed consolidated financial statements, the Company had no revenue during the six months ended June 30, 2016, and has an accumulated deficit of $26,006,412 from its inception through that date. These factors raise substantial doubt about the Company's ability to continue as a going concern. These unaudited condensed consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Managements plans to address the going concern are discussed in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this filing.

Non-Controlling Interests

In February 2010, the Company formed its subsidiary, AFPI. The total number of AFPI shares outstanding at December 31, 2015 and June 30, 2016 was 68,114,864.

The value of all shares of AFPI held by the Company have been eliminated on consolidation of the financial statements at June 30, 2016 as intercompany accounts. At June 30, 2016 there were 28,511,985 shares held by shareholders other than the Company representing 42% of the outstanding common shares of AFPI as of that date. A non-controlling interest in AFPI that totaled $3,878,558 is included in the Company's condensed consolidated balance sheet at June 30, 2016. In addition, $32,189 of the net loss of AFPI of $76,897 for the six months ended June 30, 2016 has been attributed to the non-controlling interest of those stockholders.

ALUMIFUEL POWER CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid securities with original maturities of three months or less when acquired to be cash equivalents. Cash equivalents at June 30, 2016 were $-0-.

Debt Issue Costs

The costs related to the issuance of debt are capitalized and amortized to interest expense using the straight-line method over the lives of the related debt. The straight-line method results in amortization that is not materially different from that calculated under the effective interest method.

Fair value of financial instruments

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate methodologies; however, considerable judgment is required in interpreting information necessary to develop these estimates. Accordingly, the Company's estimates of fair values are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The fair values of cash and cash equivalents and accounts payable approximate their carrying amounts because of the short maturities of these instruments.

The fair values of notes and loans payable to non-related parties approximate their carrying values because of the short maturities of these instruments. The fair value of long-term debt to non-related parties approximates carrying values, net of discounts applied, based on market rates currently available to the Company and their short maturities.

Loss per Common Share

Loss per share of common stock is computed based on the weighted average number of common shares outstanding during the period. Common stock underlying warrants, and convertible promissory notes are not considered in the calculations of diluted loss per share for the periods ended June 30, 2016 and 2015, as the impact of the potential common shares, which totaled approximately 14,630,000,000 (June 30, 2016) and 11,786,400 (June 30, 2015), would be anti-dilutive. Therefore, diluted loss per share presented for the six month periods ended June 30, 2016 and 2015 is equal to basic loss per share.

Accounting for obligations and instruments potentially settled in the Company's common stock

In connection with any obligations and instruments potentially to be settled in the Company's stock, the Company accounts for the instruments in accordance with ASC Topic 815, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock" . This issue addresses the initial balance sheet classification and measurement of contracts that are indexed to, and potentially settled in, the Company's stock. Under this pronouncement, contracts are initially classified as equity or as either assets or liabilities, depending on the situation. All contracts are initially measured at fair value and subsequently accounted for based on the then current classification. Contracts initially classified as equity do not recognize subsequent changes in fair value as long as the contracts continue to be classified as equity. For contracts classified as assets or liabilities, the Company reports changes in fair value in earnings and discloses these changes in the financial statements as long as the contracts remain classified as assets or liabilities. If contracts classified as assets or liabilities are ultimately settled in shares, any previously reported gains or losses on those contracts continue to be included in earnings. The classification of a contract is reassessed at each balance sheet date.

ALUMIFUEL POWER CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Derivative Instruments

In connection with the issuances of equity instruments or debt, the Company may issue options or warrants to purchase common stock. In certain circumstances, these options or warrants may be classified as liabilities, rather than as equity. In addition, the equity instrument or debt may contain embedded derivative instruments, such as conversion options or listing requirements, which in certain circumstances may be required to be bifurcated from the associated host instrument and accounted for separately as a derivative liability instrument. The Company accounts for derivative instruments under the provisions of ASC Topic 815, "Derivatives and Hedging".

Recently issued accounting pronouncements

Management reviewed accounting pronouncements issued during the six months ended June 30, 2016, and no pronouncements were adopted.

Note 3: Related Parties

Related Party Accounts Payable

The Board of Directors has estimated the value of management services for the Company at the monthly rate of $8,000 and $2,000 for the president and secretary/treasurer, respectively. The estimates were determined by comparing the level of effort to the cost of similar labor in the local market and this expense totaled $60,000 for the six months ended June 30, 2016 and 2015. In addition, beginning October 1, 2010 the Company's president and treasurer were accruing a montly management fee of $7,500 and $3,500, respectively, for their services as managers of AFPI. This amount totaled $66,000 for each of the six months ended June 30, 2016 and 2015. As of June 30, 2016 and 2015, the Company owed $618,540 and $473,942, respectively to its officers for management services.

In September 2009, the Company's board directors authorized a bonus program for the Company's officers related to their efforts raising capital to fund the Company's operations. Accordingly, the Company's president and secretary are eligible to receive a bonus based on 50% of the traditional "Lehman Formula" whereby they will receive 2.5% of the total proceeds of the first $1,000,000 in capital raised by the Company, 2.0% of the next $1,000,000, 1.5% of the next $1,000,000, 1% of the next $1,000,000 and .5% of any proceeds above $4,000,000. The amount is capped at $150,000 per fiscal year. During the six month periods ended June 30, 2016 and 2015, the Company recorded $0 and $2,507, respectively to a corporation owned in part by the Company's Secretary under this bonus program. At both June 30, 2016 and 2015 there was $1,915 payable under the bonus plan.

In the six month periods ended June 30, 2016 and 2015, APTI paid a management fee of $6,500 per month to a company owned by the Company's officers for services related to its bookkeeping, accounting and corporate governance functions. For each of the six month periods ended June 30, 2016 and 2015, these management fees totaled $39,000. As of June 30, 2016 and 2015, the Company owed $86,619 and $18,370, respectively, in accrued fees and related expenses.

The Company rented office space, including the use of certain office machines, phone systems and long distance fees, from a company owned by its officers at $1,500 per month. This fee is month-to-month and is based on the amount of space occupied by the Company and includes the use of certain office equipment and services. Rent expense totaled $9,000 for the six months ended June 30, 2016 and 2015. A total of $8,990 and $0 in rent expense was accrued but unpaid at June 30, 2016 and 2015, respectively.

ALUMIFUEL POWER CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Accounts payable to related parties consisted of the following at June 30, 2016:

Management fees, rent and bonus payable to officers and their affiliates	$ 739,875
Accrued expenses payable to subsidiary officer	38,090
Total accounts payable, related party	$ 777,965

Related Party Notes Payable

AlumiFuel Power Corporation

The Company issues promissory notes to its officers, and entities affiliated with its officers, from time-to-time. These notes all bear interest at 8% per annum and are due on demand. The following table outlines activity related to issuances and payment on these notes for the six months ended June 30, 2016:

Notes Payable – Related Parties and Affiliates:

Principal balance December 31, 2015	$ 32,745
Notes issued during the six months ended June 30, 2016	14,202
Notes repaid during the six months ended June 30, 2016	(1,000)
Principal balance June 30, 2016	$ 45,947

Total notes and interest payable to related parties consisted of the following at June 30, 2016 and December 31 2015:

	June 30, 2016	December 31, 2015
Notes payable to officers; interest at 8% and due on demand	$ 17,797	$ 4,595
Notes payable to affiliates of Company officers; interest at 8% and due on demand	28,150	28,150
Notes payable, related party	45,947	32,745
Interest payable related party	11,217	9,796
Total principal and interest payable, related party	$ 57,164	$ 42,541

ALUMIFUEL POWER CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Notes Payable

AlumiFuel Power Corporation

At June 30, 2016 and December 31, 2015, the Company owed $151,900 and $97,000, respectively, to the Gulfstream 1998 Irrevocable Trust, at an interest rate of 8% and due on demand. During the six months ended June 30, 2016, the trust loaned the Company $54,900. There was $11,826 and $6,716 in accrued interest payable on these notes at June 30, 2016 and December 31, 2015, respectively.

At both June 30, 2016 and December 31, 2015, the Company owed $32,732 with interest payable at 8% and due on demand. There was $12,123 and $10,818 in accrued interest payable on these notes at June 30, 2016 and December 31, 2015, respectively.

At June 30, 2016 and December 31, 2015, the Company owed $43,086 on a note payable. These notes are due on demand and carry an interest rate of 8%. There was $14,929 and $13,210 in accrued interest payable at June 30, 2016 and December 31, 2015, respectively.

At June 30, 2016 and December 31, 2015, the Company owed $13,000 on a note payable due in 2012. This note carries an interest rate of 8% per annum. As of June 30, 2016 and December 31, 2015, there was $22,142 and $21,623 in accrued interest payable on this note, respectively.

During the year ended December 31, 2010 a note payable in the amount of $30,000 was issued and repaid leaving an interest balance due of $57. This amount remained unpaid as of both June 30, 2016 and December 31, 2015.

AlumiFuel Power, Inc.

AlumiFuel Power, Inc. owes $1,050 in unpaid interest on notes issued and settled prior to 2016.

AlumiFuel Power International, Inc.

As of June 30, 2016 and December 31, 2015 there were $217,130 of notes payable to third parties outstanding. These notes are due on demand with an interest rate of 10% and may be converted to AFPI common stock if AFPI's common stock begins trading again. These notes are all beyond their maturity date and are therefore in default. As of June 30, 2016 and December 31, 2015, there was a total of $62,612 and $51,747, respectively, in interest payable on these notes.

HPI Partners, LLC

In 2009, various notes issued by HPI were converted to equity. Following those conversions, $647 in interest remained due and payable, which was outstanding at both June 30, 2016 and December 31, 2015.

ALUMIFUEL POWER CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes and interest payable to others consisted of the following at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Notes payable, non-affiliates; interest at 8% and due on demand	$ 240,719	$ 185,819
Notes payable, non-affiliates; interest at 10% and due in March 2014-July 2015	217,130	217,130
Notes payable	457,849	402,949
Interest payable, non-affiliates	125,385	105,868
Total principal and interest payable, other	$ 583,234	$ 508,817

Certain of our demand promissory notes contain provisions for conversion to common stock at market price on the date of conversion.

AlumiFuel Power Corporation Convertible Promissory Notes

Convertible Notes and Debentures with Embedded Derivatives:

From time-to-time, the Company issues convertible promissory notes and debentures with conversion features that we have determined represent an embedded derivative as they are convertible into a variable number of shares upon conversion. Accordingly, these notes are not considered to be conventional debt under EITF 00-19 and the embedded conversion feature must be bifurcated from the debt host and accounted for as a derivative liability. The Company believes that the aforementioned embedded derivatives meet the criteria of ASC 815 (formerly SFAS 133 and EITF 00-19), and should be accounted for separately as derivatives with a corresponding value recorded as a liability. Accordingly, the fair value of these derivative instruments are recorded as a liability on the consolidated balance sheet with the corresponding amount recorded as a discount to the notes in the period in which they are issued. Such discount is capitalized and amortized over the life of the notes. The change in the fair value of the liability for derivative contracts is credited to other income (expense) in the consolidated statements of operations at the end of each quarter. The face amount of the corresponding notes are stripped of their conversion feature due to the accounting for the conversion feature as a derivative, which is recorded using the residual proceeds to the conversion option attributed to the debt.

2009/2010 Convertible Debentures

In September 2009 through January 2010 we issued $435,000 of 6% unsecured convertible debentures in transactions with private investors (the "Debentures"). Of that amount, $10,000 of these debentures remained unpaid as of June 30, 2016.

The beneficial conversion feature (an embedded derivative) included in the Debentures resulted in an initial debt discount of $435,000 and an initial loss on the valuation of derivative liabilities of $71,190 for a derivative liability balance of $506,190 at issuance.

Among other terms of the offering, the Debentures were originally due in January 2013, but were extended to December 31, 2013. The Debentures are convertible at a conversion price equal to 75% of the lowest closing bid price per share of the Company's common stock for the twenty (20) trading days immediately preceding the date of conversion.

At June 30, 2016, the Company revalued the derivative liability of the remaining outstanding Debentures resulting in a derivative liability balance of $5,253.

ALUMIFUEL POWER CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

January 2012 Convertible Notes (More Capital Notes)

In January 2012 we issued two convertible notes of $25,000 each for a total of $50,000 to J&J Potatoes. These notes were due six months from issuance, carry interest at 10% per annum and are convertible at $0.0012 per share. The Company has determined that the conversion feature does not represent an embedded derivative as the conversion price was known and was not variable making it conventional. The Company determined there was a beneficial conversion feature related to the January 2012 Convertible Notes based on the difference between the conversion price of $0.0012 and the market price of the Company's common stock on the issue dates and recorded as interest expense $4,167 with an offset to additional paid-in capital. In January 2014, the Company agreed to allow the investor to convert $1,700 of this note to stock at a discount to market of 50%. Accordingly, 34,000,000 shares were issued at a conversion price of $0.00005 per share leaving a principal balance due of $48,300 at December 31, 2014. During the year ended December 31, 2015, these notes were sold to More Capital and the Company agreed to change the conversion terms to reflect a 50% discount to the lowest trading price of the Company's common stock for the ten day period immediately preceding conversion. This resulted in an initial loss on the valuation and a corresponding derivative liability expense of $50,715.

During the year ended December 31, 2015, More Capital converted $4,696 in principal on these notes to 93,916,856 shares of common stock at $0.00005 per share and resulting in a principal balance of $43,604 at December 31, 2015 and June 30, 2016.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding notes resulting in a derivative liability balance of $47,491.

2014 Asher Convertible Notes

In January 2014, the Company entered into a note agreement with an institutional investor for the issuance of a convertible promissory note in the aggregate amount of $22,500.

The 2014 Asher Convertible Note is convertible at 50% of the average of the lowest three closing bid prices per share of the Company's common stock for the ten (10) trading days immediately preceding the date of conversion and carries an interest rate of 8% per annum.

We received net proceeds from the 2014 Asher Convertible Note of $20,000 after debt issuance costs of $2,500 paid for lender legal fees. These debt issuance costs were amortized over the nine month term of the 2014 Asher Convertible Note and as of December 31, 2014, all of these costs had been expensed as debt issuance costs.

The beneficial conversion feature (an embedded derivative) included in the 2014 Asher Convertible Note resulted in total initial debt discounts of $22,500 and a total initial loss on the valuation of derivative liabilities of $1,800 for a derivative liability balance of $24,300 total at issuance.

During the year ended December 31, 2014, the holder converted a total of $21,000 in face value of the note to 840,000 shares of our common stock, or $0.025 per share leaving a balance due on the notes of $1,500 as of December 31, 2015 and June 30, 2016.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding 2014 Asher Note resulting in a derivative liability balance of $2,619.

ALUMIFUEL POWER CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2014 CareBourn Notes

During the year ended December 31, 2014, an institutional investor, CareBourn Capital, converted $100,000 in promissory notes due from the Company into a convertible note due September 30, 2014. In addition, our president, converted $85,000 in fees due him from our subsidiary AFPI into convertible notes due February 1, 2014 ($50,000) and October 2, 2014 ($35,000), which were acquired by this investor. This investor also loaned the Company an additional $70,000 that was due August 2014 through July 2015. These notes total $255,000 (together the "2014 CareBourn Notes) bear interest at 8%-12% per annum and are convertible at a conversion price for each share of common stock equal to 50% of the average of the lowest three closing prices per share of the Company's common stock for the ten (10) trading days immediately preceding the date of conversion.

The beneficial conversion feature (an embedded derivative) included in the 2014 CareBourn Notes resulted in an initial debt discount of $205,000 and an initial loss on the valuation of derivative liabilities of $72,950 for a derivative liability balance of $277,950 at issuance.

During the years ended December 31, 2014 and 2015, the note holders converted a total of $65,257 in face value of the 2014 CareBourn Notes to 705,027,247 shares of our common stock, or $0.0009 per share. As a result of these conversions, the Company recorded a decrease to the derivative liability and as of December 31, 2015 and June 30, 2016 the total face value of the 2014 CareBourn Notes outstanding was $189,753.

At June 30, 2016, the Company revalued the derivative liability balance of the remaining outstanding 2014 CareBourn Notes resulting in a derivative liability balance of $250,254.

Bohn Convertible Note

In May 2013 we issued a $20,000 8% unsecured convertible note with a private investor (the "Bohn Convertible Note"). The Bohn Convertible Note was due in November 2013 and is convertible into common stock at a conversion price of 75% of the lowest trading price per share of the Company's common stock for the ten (10) trading days immediately preceding the date of conversion.

The beneficial conversion feature (an embedded derivative) included in the Bohn Convertible Note resulted in an initial debt discount of $20,000 and an initial loss on the valuation of derivative liabilities of $11,429 for a derivative liability balance of $31,429 at issuance. The balance of this note was $20,000 at both December 31, 2015 and June 30, 2016.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding Bohn Convertible Note resulting in a derivative liability balance of $25,015.

Wexford Convertible Note

In May 2013, we issued a $75,000 convertible note that remains outstanding to the former landlord of API as part of a settlement agreement with respect to a Judgment by Confession entered against API. This note was due in May 2014 and carries an interest rate of 8% per annum. This note may be converted at any time beginning on November 30, 2013 into shares of our common stock at the average of the lowest three (3) Trading Prices for the common stock during the ten trading days prior to the Conversion Date. As this note is convertible at market, there is no imbedded derivative and therefore no corresponding derivative liability.

WHC Capital Notes

During 2014, WHC purchased notes totaling $101,300 from a party note holders and issued new notes in the amount of $45,000 for a total of $146,300 in amounts due (the "WHC 2014 Notes"). The WHC 2014 Notes may be converted at any time at a discount to market of 50% of the lowest closing price per share of the Company's common stock for the ten (10) trading days immediately preceding the date of conversion as adjusted for splits and other events. This notes have an interest rate of 8% per annum and are due in March through July 2015.

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The beneficial conversion feature (an embedded derivative) included in the WHC 2014 Notes resulted in an initial debt discount of $146,300 and an initial loss on the valuation of derivative liabilities of $66,901 for a derivative liability balance of $213,201 at issuance.

During the years ended December 31, 2014 and 2015, the note holders converted a total of $78,179 in face value and $234 in interest due on the WHC 2014 Notes to 250,944,694 shares of our common stock, or $0.0003 per share. As a result of these transactions, the Company recorded a decrease to the derivative liability and the total face value of the WHC 2014 Notes outstanding was $68,122 at December 31, 2015 and June 30, 2016.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding WHC 2014 Notes resulting in a derivative liability balance of $80,045.

Schaper Notes

In December 2013 we issued a $15,000 8% unsecured convertible note to a private investor, in January 2014 we issued an additional $10,000 note under the same terms and in July 2015 a third note for $16,500 was issued under the same terms (together the "Schaper Notes"). The Schaper Notes are due in August and October 2014, and July 2015 and have a conversion price of 50% of the lowest three trading prices per share of the Company's common stock for the ten (10) trading days immediately preceding the date of conversion.

The beneficial conversion feature (an embedded derivative) included in the Schaper Notes resulted in an initial debt discount of $41,500 and an initial loss on the valuation of derivative liabilities of $16,320 for a derivative liability balance of $57,820 at issuance. The outstanding balance of these notes was $41,500 at both December 31, 2015 and June 30, 2016.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding Schaper Notes resulting in a derivative liability balance of $47,491.

LG Funding Notes 2014

In February 2014 we issued a $40,000 8% unsecured convertible note with a private investor. This note was due on February 15, 2015 and is convertible into common stock at 50% of the lowest closing bid price for the ten (10) days immediate preceding the date of conversion. In June 2014 we issued an additional $25,000 note to this same investor with the same terms and conditions (the "LG Convertible Notes")

We received net proceeds from the LG Convertible Note of $61,500 after debt issuance costs of $3,500. These debt issuance costs will be amortized over the terms of the LG Convertible Notes or such shorter period as the Notes may be outstanding. As of June 30, 2016, $3,000 of these costs had been expensed as debt issuance costs.

The beneficial conversion feature (an embedded derivative) included in the LG Convertible Notes resulted in an initial debt discount of $65,000 and an initial loss on the valuation of derivative liabilities of $5,200 for a derivative liability balance of $70,200 at issuance.

During the years ended December 31, 2014 and 2015, the note holders converted a total of $43,735 in face value and $3,118 in accrued interest of the LG Funding Notes to 328,252,120 shares of our common stock, or $0.0001 per share. As a result of these transactions, the Company recorded a decrease to the derivative liability and as of both December 31, 2015 and June 30, 2016 the total face value of the LG Funding Notes outstanding was $21,265.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding LG Convertible Notes resulting in a derivative liability balance of $25,056.

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ADAR Convertible Note

On June 30, 2013 the Company issued a $25,000 8% unsecured convertible note with a private investor (the "ADAR Convertible Note"). This note is due on February 20, 2015 and is convertible into common stock at 50% of the lowest closing bid price for the ten (10) days immediate preceding the date of conversion.

The beneficial conversion feature (an embedded derivative) included in the ADAR Convertible Note resulted in an initial debt discount of $25,000 and an initial loss on the valuation of derivative liabilities of $2,000 for a derivative liability balance of $27,000 at issuance.

During the year ended December 31, 2014, the note holder converted a total of $7,500 in face value of the Adar Convertible Notes to 600,000 shares of our common stock, or $0.0125 per share. As a result of these transactions, the Company recorded a decrease to the derivative liability and as of December 31, 2015 and June 30, 2016, the total face value of the Adar Notes outstanding was $17,500.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding ADAR Convertible Note resulting in a derivative liability balance of $20,965.

Beaufort Notes

In November 2014 the Company issued a $16,000 unsecured convertible note with a private investor (the "Beaufort Note"). This note is due in May 2015 and is convertible into common stock at 50% of the lowest closing bid price for the ten (10) days immediate preceding the date of conversion. In addition, this investor also purchased $15,100 in promissory notes from the Gulfstream Trust for a total amount of notes outstanding of $31,100, which is convertible into common stock at 60% of the lowest closing bid price for the ten (10) days immediate preceding the date of conversion. The Beaufort Note accrues 5% interest only if it remains unpaid at maturity and only for the amount then owing at maturity through the payment date.

The beneficial conversion feature (an embedded derivative) included in the Beaufort Notes resulted in an initial debt discount of $31,100 and an initial loss on the valuation of derivative liabilities of $1,244 for a derivative liability balance of $32,344 at issuance.

During the years ended December 31, 2014 and 2015, the note holders converted a total of $15,100 in face value of the LG Funding Notes to 65,023,857 shares of our common stock, or $0.0002 per share. As a result of these transactions, the Company recorded a decrease to the derivative liability and as of both December 31, 2015 and June 30, 2016, the total face value of the Beaufort Notes outstanding was $16,000.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding Beaufort Notes resulting in a derivative liability balance of $16,640.

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Pure Energy 714 2015 Notes

During the quarter ended June 30, 2015, Pure Energy 714 purchased a note totaling $21,000 in principal and $3,360 in accrued interest from a note holders and we issued a replacement note in the amount of $24,360; during the quarter ended September 30, 2015 Pure Energy 714 purchased an additional note totaling $11,900 in principal and $1,139 in interest and we issued a replacement note in the amount of $13,039 (together the "Pure Energy 2015 Notes"). The Pure Energy 2015 Notes may be converted at any time at a discount to market of 60% and 55%, respectively, of the lowest closing price per share of the Company's common stock for the thirty (30) and twenty (20) trading days, respectively, immediately preceding the date of conversion as adjusted for splits and other events. These notes have an interest rate of 8% per annum and are due in July 2015 and August 2015.

The beneficial conversion feature (an embedded derivative) included in the Pure Energy 2015 Notes resulted in an initial debt discount of $24,360 and an initial loss on the valuation of derivative liabilities of $14,655 for a derivative liability balance of $39,025 at issuance.

During the year ended December 31, 2015, the note holders converted a total of $23,160 in face value of the Pure Energy 2015 Notes to 388,657,736 shares of our common stock, or $0.00006 per share. As a result of these transactions, the Company decreased the derivative liability and as of both December 31, 2015 and June 30, 2016 the total face value of the Pure Energy 2015 Notes outstanding was $14,239.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding Pure Energy 2015 Notes resulting in a derivative liability balance of $15,955.

Black Forest Capital 2015 Notes

During the quarter ended March 31, 2015, an institutional investor purchased notes totaling $15,000 in principal from one of our third party note holders and issued a new note in the amount of $15,000. In addition, this investor loaned the Company an additional $5,000 through a convertible note. These two notes together comprise a principal balance of $20,000 (together the "Black Forest Capital 2015 Notes"). The Pure Energy 2015 Notes may be converted at any time at a discount to market of 50% of the lowest closing price per share of the Company's common stock for the twenty (20) trading days immediately preceding the date of conversion as adjusted for splits and other events. This notes have an interest rate of 10% per annum and are due in March 2016.

The beneficial conversion feature (an embedded derivative) included in the Black Forest Capital 2015 Notes resulted in an initial debt discount of $20,000 and an initial loss on the valuation of derivative liabilities of $1,100 for a derivative liability balance of $21,100 at issuance.

The Company received net proceeds from the Black Forest Capital 2015 Notes of $19,000 after debt issuance costs of $1,000. These debt issuance costs will be amortized over the terms of the Black Forest Capital 2015 Notes or such shorter period as the Notes may be outstanding. As of June 30, 2016, $1,000 of these costs had been expensed as debt issuance costs.

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During the year ended December 31, 2015, the note holders converted a total of $6,894 in face value of the Black Forest Capital 2015 Notes to 137,880,000 shares of our common stock, or $0.00005 per share. As a result of these transactions, the Company decreased the derivative liability and the total face value of the Black Forest Capital 2015 Note outstanding was $13,106. In November 2015, Black Forest Capital called an event of default on the notes due to a covenant that we maintain an ongoing bid price for the Company's common stock. As a result of the default, both the principal and interest due on the note increased to 50% resulting in an outstanding principal balance of $19,659 at December 31, 2015 and June 30, 2016.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding Black Forest Capital Notes resulting in a derivative liability balance of $23,127.

<u>CareBourn Capital 2015 Notes</u>

During the quarter ended March 30, 2015 we issued a total of $64,500 in two 12% convertible notes with a private investor and in the quarter ended September 30, 2015 an additional $33,000 in a third 12% convertible note (together the "CareBourn 2015 Notes"). The CareBourn 2015 Notes are due in December 2015 and May 2016 and have a conversion price of 50% of the lowest trading price per share of the Company's common stock for the ten (10) trading days immediately preceding the date of conversion.

The beneficial conversion feature (an embedded derivative) included in the CareBourn 2015 Notes resulted in an initial debt discount of $97,500 and an initial loss on the valuation of derivative liabilities of $7,324 for a derivative liability balance of $104,824 at issuance.

The Company received net proceeds from the CareBourn 2015 Notes of $88,500 after debt issuance costs of $9,000. These debt issuance costs will be amortized over the terms of the CareBourn 2015 Notes or such shorter period as the Notes may be outstanding. As of June 30, 2016, $9,000 of these costs had been expensed as debt issuance costs.

As of both December 31, 2015 and June 30, 2016 the principal balance on these notes was $97,500.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding CareBourn 2015 Notes resulting in a derivative liability balance of $111,338.

<u>LG Capital 2015 Notes</u>

During the quarter ended March 31, 2015 we issued a $31,500 8% unsecured convertible note with a private investor (the "LG 2015 Note"). The LG 2015 Note are due in February 2016 and have a conversion price of 50% of the lowest trading price per share of the Company's common stock for the twenty (20) trading days immediately preceding the date of conversion.

The beneficial conversion feature (an embedded derivative) included in the LG 2015 Note resulted in an initial debt discount of $31,500 and an initial loss on the valuation of derivative liabilities of $3,780 for a derivative liability balance of $35,280 at issuance.

The Company received net proceeds from the LG 2015 Note of $30,000 after debt issuance costs of $1,500. These debt issuance costs will be amortized over the terms of the LG 2015 Note or such shorter period as the Notes may be outstanding. As of June 30, 2016, $1,500 of these costs had been expensed as debt issuance costs.

At June 30, 2016 the Company revalued the derivative liability balance of the remaining outstanding LG 2015 Note resulting in a derivative liability balance of $35,280.

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As of both December 31, 2015 and June 30, 2016 the principal balance on this note was $31,500.

Convertible notes payable, net of discounts; and interest payable consisted of the following at June 30, 2016:

	June 30, 2016
Convertible debentures; non-affiliates; interest at 6% and due December 2013; outstanding principal of $10,000 face value; net of discount of $0	$ 10,000
January 2012 Convertible Notes (More Capital); non-affiliate; interest at 8% due January 2013; outstanding principal of $43,604 face value	43,604
2014 Asher Convertible Notes; non-affiliate, interest at 8%; due May 2012; $1,500 face value net of discount of $0	1,500
2014 CareBourn Notes; non-affiliate; interest at 8%-12; due August 14 through July 2015; $189,753 face value net of discount of $0	189,753
Bohn Convertible Note; non-affiliate; interest at 8%; $20,000 face value net of discount of $0	20,000
Wexford Convertible Note; non-affiliate; interest at 8%; $75,000 face value net of discount of $0	75,000
WHC Convertible Notes; non-affiliate; interest at 8%; $68,122 face value net of discount of $0	68,122
Schaper Notes; non-affiliate; interest at 8%; due August 2014 and July 2016; face value $41,500 net of discount of $0	41,500
LG Funding Notes; non-affiliate; interest at 8%; due February 2015; face value $21,265 net of discount of $0	21,265
ADAR Notes; non-affiliate; interest at 8%; due February 2015; face value $17,500 net of discount of $0	17,500
CareBourn 2015 Notes; non-affiliate; interest at 12%; due December 2015; $97,500 face value net of discount of $0	97,500
Black Forest Capital 2015 Notes; non-affiliate; interest at 10%; due March 2016; $19,569 face value net of discount of $0	19,659
LG Capital 2015 Notes; non-affiliate; interest at 8%; due February 2016; $31,500 face value net of discount of $0	31,500
Pure Energy 2015 Notes; non-affiliate; interest at 8%; due July 2015 and August; $14,239 face value net of discount of $0	14,239
Beaufort Notes; non-affiliate; interest at 8%; due May 2015; face value $16,000 net of discount of $0	16,000
Total convertible notes, net of discount	667,140
Discount on convertible notes	0
Total convertible notes payable	667,140
Interest payable, convertible notes	209,328
Total convertible notes payable and accrued interest payable	$ 876,468

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Note 5: Commitments and Contingencies

Payroll Liabilities

Following the formation of API in May 2008, HPI hired certain former employees of Hydrogen Power, Inc. and maintained an office in Seattle, Washington for a period of approximately five months. During that time, API paid wages to these employees without the benefit of a payroll management service. Upon API's move from Seattle to Philadelphia, Pennsylvania in October 2008, the Company retained the services of a payroll management service to handle its payroll functions. During the period from May to October 2008, the Company recorded $52,576 in payroll liabilities due from wages paid to its employees and has been recording estimated penalties and interest quarterly on the balance for an estimated balance due at December 31, 2015 of $166,611. During the six months ended June 30, 2016 an additional expense of $8,510 was recorded for a total accrued balance of $175,121 as of that date. This amount is included on the balance sheet at June 30, 2016 as "payroll liabilities".

Note 6: Income Tax

The Company records its income taxes in accordance with Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes". The Company has incurred significant net operating losses since inception resulting in a deferred tax asset, which was fully allowed for; therefore, the net benefit and expense resulted in $-0- income taxes.

Note 7: Capital Stock

Common Stock

During the six month period ended June 30, 2016 we issued no shares of common stock and therefore the total number of shares issued and outstanding remained 2,228,481,617.

Preferred Stock

In August 2011, the Company authorized the issuance of up to 750,000 shares of $0.001 par value Series B Preferred Stock (the "Series B Preferred"). The Series B Preferred has a stated value of $1.00 and pays a dividend of 8% payable quarterly in our common stock. In the event of a liquidation of the Company, the holders of Series B Preferred then outstanding will be entitled to receive a liquidation preference, before any distribution is made to the holders of our common stock, in an aggregate amount equal to the par value of their shares of Series B Preferred. Each share of Series B Preferred is convertible into that number of shares of common stock on terms that are equal to (i) 100% of the Stated Value divided by (ii) 52% of the average of the three lowest day closing bid prices of the Company's common stock for the 10 trading days immediately preceding the conversion. There is a Mandatory Conversion Date of July 12, 2016. At any time after the date of issuance of the Series B Preferred until the Mandatory Conversion Date, we may redeem, in cash, the Series B Preferred in accordance with the following: (a) if prior to or on the first anniversary of the date of issue at 105% of the Stated Value thereof and (b) if after the first anniversary of the date of issue and prior to the Mandatory Conversion Date at 110% of the Stated Value thereof (the "Redemption Price").

There were 404,055 shares of our Series B Preferred Stock outstanding at June 30, 2016 and December 31, 2015. There were $158,837 and $142,719 in dividends payable on our Series B Preferred stock at June 30, 2016 and December 31, 2015, respectively, including $16,118 in dividends accrued in the six month period ended June 30, 2016.

The Company previously recorded the value of the preferred stock in equity and has determined that liability classification is required because the Series B Preferred Stock is convertible into a variable number of shares based on a fixed dollar amount. Accordingly, $37,669 in accretion was recorded as interest expense for the six month period ended June 30, 2016.

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Warrants

A summary of the activity of the Company's outstanding warrants at December 31, 2015 and June 30, 2016 is as follows:

	Warrants	Weighted-average exercise price	Weighted-average grant date fair value
Outstanding and exercisable at December 31, 2015	3,920	$ 104	$ 7.58
Expired	(760)	40	4.26
Outstanding and exercisable at June 30, 2016	3,160	$ 120	$ 10.76

The following table sets forth the exercise price range, number of shares, weighted average exercise price and remaining contractual lives of the warrants by groups as of June 30, 2016:

Exercise price range	Number of warrants outstanding	Weighted-average exercise price	Weighted-average remaining life
$75.00 - $200.00	3,000	100.00	1.1 years
$500.00	160	500.00	0.4 years
	3,160	$ 120.00	1.0 years

Note 8: Subsequent Events

On August 8, 2016, the Corporation formed a new wholly owned subsidiary, Energy Staffing Solutions, Inc. The Board of directors has authorized Company management to seek business opportunities in the staffing business sector through potential acquisitions or collaborations, with a general roll-up approach.

Management has determined that there are no further events subsequent to the balance sheet date that should be disclosed in these financial statements.

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

General:

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Company's consolidated financial statements and notes thereto for the years ended December 31, 2015 and 2014.

The independent auditors' reports on our financial statements for the years ended December 31, 2015 and 2014 include a "going concern" explanatory paragraph that describes substantial doubt about our ability to continue as a going concern. Management's plans in regard to the factors prompting the explanatory paragraph are discussed below and also in Note 1 to the audited consolidated financial statements for the year ended December 31, 2015.

While we have prepared our financial statements on the basis that we are a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time, there is substantial doubt about our ability to continue as a going concern.

The Company's principal technology continues to be hydrogen generation on-site and on demand for such applications as feeding fuel cells to provide electricity, filling weather balloons for upper atmosphere readings, and providing power for unmanned undersea vehicle propulsion and surveillance operations. Government users typically are the early adopters of new technologies, and that is the case with NovoFuel's technology. However, with recent federal budget cuts, the procurement process and new technology R&D funding relating to NovoFuel's systems have come to a standstill. This has caused the company to focus on backup power applications for selected commercial applications, where there is a real demand and funding available for renewable energy solutions. Two notable examples are 5kW backup power hydrogen fuel cells for telecom rooftop cell towers, and a hybrid array of renewable energy components for medical cannabis cultivation -- now the fastest growing market in North America, surpassing mobile phones.

Renewable Energy Applications. The Company believes most promising initiative currently being pursued by NovoFuel involves the integration of hybrid Renewable Energy Systems (RES) to support medical cannabis cultivation. NovoFuel's RES Power Station application is intended to include wind turbines, solar panels, large format lithium-ion batteries, hydrogen fuel cells when necessary, and a real-time energy management and control module. The initial thrust into this market focuses on establishing a pilot site in Michigan for proof of concept, which is presently being developed. Although we have done the work necessary to locate a pilot site in Oceana County, Michigan to build an operating RES system, there is no assurance we will be able to raise the funds necessary to complete installation of the necessary components or if we do, that the system will function as intended such that a commercially viable product will be produced.

During 2015, we entered into a collaboration agreement with Lithium Battery Engineering, LLC and Custom Electronics, Inc. to explore the design and production of lithium-ion batteries to be marketed under the NovoFuel name. Target markets include large North American opportunities such as cannabis grow operations, and U.S. sponsored Power Africa rural and remote electrification. The stand-alone market for this type of battery is estimated at over $300,000,000 in North America, and $5 billion worldwide. The proposed NovoFuel 2.5kW battery is proposed to provide critical backup power for a variety of applications, including homes, and telecom cell sites -- replacing old-technology lead acid batteries which have numerous disadvantages in cycle life, energy density, size, battery management system, and cleanliness of operations. Moving forward with this initiative will require significant additional capital and there is no assurance the Company can successfully raise the funds necessary to move forward with this initiative.

LIQUIDITY AND CAPITAL RESOURCES

To address the going concern situation addressed in our financial statements at December 31, 2015 and 2014, we anticipate we will require over the next twelve months approximately $500,000 of additional capital to fund the Company's current operations. This amount does not include any amounts that may be necessary to pay off existing debt or accrued expenses. We presently believe the source of funds will primarily consist of several components that include: debt financing, which may include further loans from our officers or directors as detailed more fully in the accompanying unaudited condensed consolidated financial statements; the sale of our equity securities in private placements or other equity offerings or instruments. As in 2015, during 2016 and for the foreseeable future we anticipate our primary source of capital resources will come from convertible debt instruments. These instruments contain significant discounts to the market value of our common stock of up to 60% causing the issuance of shares below market value prices producing substantial and continual dilution to our stockholders upon conversion.

We can make no assurance that we will be successful in raising the funds necessary for our working capital requirements as suitable financing may not be available and we may not have the ability to sell either equity or debt securities under acceptable terms or in amounts sufficient to fund our needs. Our inability to access various capital markets or acceptable financing could have a material adverse effect on our commercialization efforts, results of operations and deployment of our business strategies and severely threaten our ability to operate as a going concern.

During the remainder of our fiscal year and for the foreseeable future, we will be concentrating on raising the necessary working capital through debt instruments and equity financing to insure the operation of our business. To the extent that additional capital is raised through the sale of equity or equity related securities such as convertible notes, which is expected to be our primary source of capital, the issuance of such securities has resulted, and will continue to result, in significant sustained dilution to our current shareholders.

RESULTS OF OPERATIONS

Six Month Period ended June 30, 2016 vs June 30, 2015

For both of the six month periods ended June 30, 2016 and 2015, our total revenue was $0. The loss from operations for the six month period ended June 30, 2016 was $205,528 versus $328,893 in the six month period ended June 30, 2015. This decrease in 2016 was primarily the result of a decrease in "general and administrative" expense as described more fully below. The losses included $165,000 and $166,010 in 2016 and 2015, respectively, comprised of related party expense that included officer and key employee compensation as well as rent paid to related parties.

A total of $40,528 and $162,883 for "general and administrative" operating expenses in the six month periods ended June 30, 2016 and 2015, respectively, was comprised of the following:

	Six months ended June 30, 2016	Six months ended June 30, 2015
General and administrative	$ 21,798	$ 48,965
Salaries and employee benefits	13,584	113,893
Legal and accounting	14,800	16,755
Recovery of allowed for debt	(9,654)	(52,830)
Stock based compensation	-	16,000
Professional services	-	20,100
	$ 40,528	$ 162,883

General and administrative expense during the six months ended June 30, 2016 decreased approximately $120,000 from the same period in 2015. The most significant factor in the lower expense in 2016 versus 2015 is approximately $100,000 in lower salaries in the 2016 period as the Company ceased accruing the salary of the president of our operating subsidiary in 2016. General and administrative expense was also significantly lower in 2016 versus 2015 as the Company worked to keep its costs down with lower rent expense for the Pennsylvania operations. Stock based compensation decreased by $16,000 for professional services paid with shares of common stock in the 2015 period for which there was no corresponding expense in the 2016. This holds true for professional services as well given there was no expense in the first quarter of 2016 versus $20,100 in costs in 2015.

The company recorded $137,193 in "other expense" during the six months ended June 30, 2016 as compared to $326,025 in "other expense" for the six months ended June 30, 2015. This significant decrease is the direct result of recording lower overall costs related to derivative liabilities related to the Company's convertible notes and the debt discounts becoming fully amortized.

Three Month Period ended June 30, 2016 vs June 30, 2015

For both of the three month periods ended June 30, 2016 and 2015, our total revenue was $0. The loss from operations for the three month period ended June 30, 2016 was $110,176 versus $148,633 in the three month period ended June 30, 2015. This decrease in 2016 was the result of a decrease in "general and administrative" expense as described more fully below. The losses included $82,500 in both 2016 and 2015 comprised of related party expense that included officer and key employee compensation as well as rent paid to related parties.

A total of $27,676 and $66,133 for "general and administrative" operating expenses in the three month periods ended June 30, 2016 and 2015, respectively, was comprised of the following:

	Three months ended June 30, 2016	Three months ended June 30, 2015
General and administrative	$ 11,090	$ 17,715
Salaries and employee benefits	6,786	60,048
Legal and accounting	9,800	13,100
Recovery of allowed for debt	-	(24,730)
	$ 27,676	$ 66,133

General and administrative expense during the three months ended June 30, 2016 decreased approximately $48,000 from the same period in 2015. The most significant factor in the lower expense in 2016 versus 2015 is approximately $54,000 in lower salaries and employee benefits in the 2016 period as the Company ceased accruing the salary of the President of our operating subsidiary in 2016. General and administrative expense was also lower in 2016 versus 2015 as the Company worked to keep its costs down with lower expenses for the Pennsylvania operations. Stock based compensation decreased by $16,000 for professional services paid with shares of common stock in the 2015 period for which there was no corresponding expense in the 2016. This holds true for professional services as well given there was no expense in the first quarter of 2016 versus $20,100 in costs in 2015.

The company recorded $68,494 in "other expense" during the three months ended June 30, 2016 as compared to $129,374 in "other expense" for the three months ended June 30, 2015. This significant decrease is the direct result of recording lower overall costs related to derivative liabilities resulting from the Company's convertible notes primarily the debt discounts becoming fully amortized.

Item 4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

A review and evaluation was performed by the Company's management, including the Company's Chief Executive Officer (the "CEO") who is also the Chief Financial Officer (the "CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that review and evaluation, the CEO concluded that as of June 30, 2016 disclosure controls and procedures, were not effective at ensuring that the material information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported as required in the application of SEC rules and forms.

Management's Report on Internal Controls over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a set of processes designed by, or under the supervision of, a company's principal executive and principal financial officers, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets;
- Provide reasonable assurance our transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statement.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. It should be noted that any system of internal control, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our CEO/CFO has evaluated the effectiveness of our internal control over financial reporting as described in Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this report based upon criteria established in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to the extent possible given the limited personnel resources and technological infrastructure in place to perform the evaluation. Based upon our management's discussions with our auditors and other advisors, our CEO/CFO believe that, during the period covered by this report, such internal controls and procedures were not effective as described below.

Due to the small size and limited financial resources, our administrative assistant, corporate secretary and chief executive officer are the only individuals involved in the accounting and financial reporting. As a result, there is limited segregation of duties in the accounting function, leaving all aspects of financial reporting and physical control of cash primarily in the hands of two individuals. This limited segregation of duties represents a material weakness. We will continue to periodically review our disclosure controls and procedures and internal control over financial reporting and make modifications from time to time considered necessary or desirable.

This Quarterly Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this quarterly report.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits:

31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *Filed herewith.*
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *Filed herewith.*
101	XBRL Interactive Data Files

SIGNATURES

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

ALUMIFUEL POWER CORPORATION
(Registrant)

Date: August 15, 2016

By: */s/ Henry Fong*
Henry Fong
Principal Executive Officer and
Principal Financial Officer

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Henry Fong, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AlumiFuel Power Corporation (the "registrant");

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. I am responsible for establishing and maintaining internal 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 15(d)-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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my conclusion 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my 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: August 15, 2016

By: */s/ Henry Fong*
Henry Fong
Principal Executive Officer and
Principal Accounting Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report of AlumiFuel Power Corporation (the "Company") on Form 10-Q for the period ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"). I, Henry Fong, President, Chief Executive Officer and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

August 15, 2016

By: */s/ Henry Fong*
Henry Fong
Principal Executive Officer and
Principal Accounting Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO ALUMIFUEL POWER CORPORATION AND WILL BE RETAINED BY ALUMIFUEL POWER CORPORATION AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.