UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **May 31, 2016**

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

000-53598
Commission File Number

SAUER ENERGY, INC.
(Name of small business issuer in its charter)

| | |
|---|---|
| Nevada | 26-3261559 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identificación No.) |

1620 Emerson Avenue, Oxnard, CA 93033
(Address of principal executive offices)

888-829-8748
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company filer. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated Filer [ ] Smaller reporting company [X]

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 271,206,349 shares of common stock, par value $0.0001 per share, as of June 24, 2016.

SAUER ENRGY, INC.
REPORT ON FORM 10-Q
TABLE OF CONTENTS


| | Page |
|---|---|
| PART I – Financial Information | |
| Item 1. Financial Statements (Unaudited) | 3 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 17 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 19 |
| Item 4T. Controls and Procedures | 19 |
| PART II – Other Information | |
| Item 1. Legal Proceedings | 22 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 23 |
| Item 3. Defaults Upon Senior Securities | 23 |
| Item 4. Mine Safety Disclosures | 23 |
| Item 5. Other Information | 23 |
| Item 6. Exhibits | 24 |
| Signatures | 25 |

SAUER ENERGY, INC.

**Condensed Balance Sheet**

| | (unaudited) May 31, 2016 | 8/31/2015 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | $ 61,223 | $ 4,968 |
| Petty Cash | 1,500 | 1,500 |
| Prepaid Expenses | - | 13,507 |
| | 62,723 | 19,975 |
| **Property and Equipment, net** | 61,718 | 113,201 |
| **Other Assets** | | |
| Intangible Assets | 1,237,531 | 1,292,984 |
| Security Deposit | 16,502 | 14,507 |
| | 1,254,033 | 1,307,491 |
| Total Assets | $ 1,378,474 | $ 1,440,667 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current Liabilities** | | |
| Accounts Payable and accrued liabilities | $ 19,840 | $ 14,566 |
| Note payable | - | - |
| Convertible Loan and Interest Payable | - | 275,000 |
| Derivative Liability on Convertible Loans | - | 446,785 |
| Total Current Liabilities | 19,840 | 736,351 |
| **Commitments and Contingencies** | - | - |
| **Stockholders' Equity** | | |
| Common Stock, $0.0001 par value; authorized 650,000,000 shares, issued and outstanding were 268,819,942 shares outstanding on May 31, 2016 and 148,173,100 shares outstanding on August 31, 2015 | 26,881 | 14,817 |
| Additional Paid-In Capital | 10,935,480 | 9,351,999 |
| Accumulated deficit | (9,603,727) | (8,662,500) |
| Total Stockholders' Equity | 1,358,634 | 704,316 |
| **Total Liabilities and Stockholders' Equity** | $ 1,378,474 | $ 1,440,667 |

The accompanying notes are an integral part of these financial statements.

SAUER ENERGY, INC.

**Statement of Operations**

**(unaudited)**

| | For the Three Months Ended May 31, | | For the Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Revenue** | $ - | $ - | $ - | $ - |
| **General and Administrative Expenses:** | | | | |
| Professional Fees | 39,148 | 46,060 | 73,456 | 94,832 |
| Consulting | 495,770 | 155,920 | 557,080 | 229,734 |
| Research & development expense | 57,337 | 161,579 | 154,313 | 295,274 |
| Other general and administrative expenses | 123,616 | 106,198 | 364,870 | 321,038 |
| | 715,871 | 469,757 | 1,149,719 | 940,878 |
| **Loss from operations** | (715,871) | (469,757) | (1,149,719) | (940,878) |
| **Other Income (expense)** | | | | |
| Interest and finance | (113,176) | (59,805) | (238,294) | (59,805) |
| Changes in derivative liability | 61,363 | (72,917) | 446,785 | 618,750 |
| | (51,813) | (132,722) | 208,491 | 558,945 |
| (Loss) before taxes | (767,684) | (602,479) | (941,228) | (381,933) |
| Provision (credit) for taxes | - | - | - | - |
| **Net (Loss)** | $ (767,684) | $ (602,479) | $ (941,228) | $ (381,933) |
| **Basic and diluted earnings (loss) per common share,** | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) |
| **Weighted average number of common shares outstanding, basic and diluted** | 230,506,741 | 122,118,859 | 191,280,841 | 117,780,618 |

The accompanying notes are an integral part of these financial statements.

SAUER ENERGY, INC.

**Statement of Cash Flows**

**(unaudited)**

| | For the Nine Months Ended May 31, | |
|---|---|---|
| | 2016 | 2015 |
| **Cash flows from operating activities:** | | |
| Net (loss) | $ (941,228) | $ (381,933) |
| Adjustments to reconcile net loss to | | |
| net cash provided (used) by operating activities: | | |
| Amortization | 54,936 | 55,472 |
| Depreciation | 51,500 | 45,227 |
| Change in derivative liability | (446,785) | (618,750) |
| Issuance of stock for services or claims | 499,470 | 284,600 |
| Financing costs paid in shares | 237,576 | 59,805 |
| Changes in operating assets and liabilities: | | |
| Other Assets | 10,512 | 593 |
| Accounts payable and accrued expenses | 5,274 | (16,584) |
| Net cash flows (used by) operating activities | (528,745) | (571,570) |
| | | |
| **Cash flows from investing activities:** | | |
| Purchase of furniture and equipment | - | (16,010) |
| Net cash (used by) investing activities | - | (16,010) |
| | | |
| **Cash flows from financing activities:** | | |
| Proceeds from issuance of note payable | 50,000 | - |
| Payments on note payable | (50,000) | (225,000) |
| Proceeds from issuance of common stock, net of costs | 585,000 | 378,785 |
| Net cash (used by) provided by financing activities | 585,000 | 153,785 |
| | | |
| Net increase (decrease) in cash | 56,255 | (433,795) |
| Cash, beginning of the period | 4,968 | 460,863 |
| | | |
| **Cash, end of the period** | $ 61,223 | $ 27,068 |
| | | |
| Supplemental cash flow disclosure: | | |
| Interest paid | $ 719 | $ - |
| Taxes paid | $ - | $ - |

The accompanying notes are an integral part of these financial statements.

**Sauer Energy, Inc.**
**Notes to the Financial Statements**
**May 31, 2016**
**(unaudited)**

**Note 1 - Organization and summary of significant accounting policies:**

These unaudited interim financial statements as of and for the three and nine months ended May 31, 2016 reflect all adjustments which, in the opinion of management, are necessary to fairly state the Company's financial position and the results of its operations for the periods presented, in accordance with the accounting principles generally accepted in the United States of America. All adjustments are of a normal recurring nature.

These unaudited interim financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's fiscal year end August 31, 2015, report. The Company assumes that the users of the interim financial information herein have read, or have access to, the audited financial statements for the preceding period, and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The results of operations for the nine-month period ended May 31, 2016, are not necessarily indicative of results for the entire year ending August 31, 2016.

Following is a summary of our organization and significant accounting policies:

**Organization and nature of business –** Sauer Energy, Inc. **(**formerly: BCO Hydrocarbon Ltd.) (identified in these footnotes as "we" or the "Company") was incorporated in the State of Nevada, United States of America on August 19, 2008. It was a natural resource exploration stage company and anticipated acquiring, exploring, and if warranted and feasible, developing natural resource assets. BCO had the right to acquire a 50% working interest in an oil and gas lease in Alberta, Canada.

Sauer Energy, Inc. (the "Old Sauer") was incorporated in California on August 7, 2008. The Company is engaged in the design and manufacture of vertical axis wind turbine (VAWT) systems.

On July 25, 2010, the Company, the president and sole director Malcolm Albery ("MA") and Dieter Sauer, Jr. ("DS") completed a closing (the "Closing") under an Agreement and Plan of Reorganization, dated as of June 23, 2010 (the "Agreement"). The Agreement provided: (a) for the purchase by DS of all of the 39,812,500 shares of the Company owned by MA for $55,200; (b) the contribution by DS of all of the shares of Old Sauer, a California corporation ("SEI") to the Company; (c) the assignment of certain patent rights related to wind turbine technology held by DS to the Company; and (d) the election of DS to the Company's board of directors. In connection with the Closing, Mr. Sauer was elected President and CEO of the Company and two former shareholders of the Company agreed to (i) indemnify the Company against any claims resulting from breaches of representations and warranties by the Company in the Agreement; (ii) to acquire and cause to be returned for cancellation an aggregate of 67,437,500 shares of the Company's common Stock, including all of the shares owned by former

officer and director Daniel Brooks and; (3) assume all of the Company's obligations in connection with certain oil and gas leases in Canada.

The agreement was executed on July 25, 2010. Sauer Energy, Inc. became a wholly-owned subsidiary of the Company. On August 29, Malcolm Albery resigned as President and was replaced by Dieter Sauer. In the following month, the Company changed its name from BCO Hydrocarbon Ltd. to Sauer Energy, Inc.

The Company's fiscal year-end is August 31.

**Basis of presentation –** Our accounting and reporting policies conform to U.S. generally accepted accounting principles applicable to developing enterprises.

**Use of estimates -** The preparation of financial statements in conformity with generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents -** For purposes of the statement of cash flows, we consider all cash in banks, money market funds, and certificates of deposit with a maturity of less than six months to be cash equivalents.

**Fixed assets -** Property, plant and equipment is valued at cost less accumulated depreciation and impairment losses. If the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognized using the straight-line method for the vehicle and the double declining method for all remaining assets and is amortized over the estimated useful life of the related asset. The following useful lives are assumed:

| | |
|---|---|
| Vehicle & Equipment | 5 years |
| Furniture & Fixtures | 7 Years |

**Fair Value of Financial Instruments -** The Financial Accounting Standards Board issued ASC (Accounting Standards Codification) 820-10, "Fair Value Measurements and Disclosures" for financial assets and liabilities. ASC 820-10 provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. FASB ASC 820- 10 defines fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required by the standard that the Company uses to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities.

- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.

- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts of the Company's financial instruments as of May 31, 2016, reflect:

- Cash: Level One measurement based on bank reporting.

- Loan receivable and loans from Officers and related parties: Level 2 based on promissory notes.

- Derivative liability: Level two measurement based upon the relative fair market value of the Company's free trading common stock.

**Federal income taxes** -The Company utilizes FASB ASC 740, *"Income Taxes",* which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is recorded when, in the opinion of management, it is "more likely-than-not" that a deferred tax asset will not be realized. The Company generated a deferred tax credit through net operating loss carry-forward. A valuation allowance of 100% has been established.

Interest and penalties on tax deficiencies recognized in accordance with ASC accounting standards are classified as income taxes in accordance with ASC Topic 740-10-50-19.

**Research and development costs -** The Company expenses costs of research and development cost as incurred. Research and development costs for the three months ended May 31, 2016, and May 31, 2015, was $57,337 and $161,579 respectively and for the nine months ended May 31, 2016, and May 31, 2015, was $154,314 and $ 295,274.

**Advertising -** Advertising and marketing expenses for the three months ended May 31, 2016, and May 31, 2015, was $8,300 and $7,429 respectively and for the nine months ended May 31, 2016, and May 31, 2015, was $50,946 and $18,042.

**Basic and Diluted Earnings (Loss) Per Share -** Net loss per share is calculated in accordance with FASB ASC 260, Earnings Per Share, for the period presented. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed exercised at the beginning of the period (or at the time

of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. The Company had potentially dilutive securities outstanding consisting of warrants to purchase common stock, (see Note 11) and the conversion of convertible loans (see Note 7). For the three and nine months ended May 31, 2016, all warrants had expired and there were no convertible instruments. For the three and nine months ended May 31, 2015 fully diluted shares were excluded, as they were considered anti-dilutive since the Company was in a loss position, and they are not counted in the calculation of loss per share. See Note 11 for additional discussion. The total common stock equivalents on a fully diluted basis.

**Recent Accounting Pronouncements**— Management has considered all recent accounting pronouncements. The following pronouncement was deemed applicable to our financial statements.

- Update 2016-12—Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients

- Update 2016-10—Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing

- Update 2016-09—Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting

- Update 2016-08—Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)

- Update 2016-07 —Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting

- Update 2016-06 —Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (a consensus of the Emerging Issues Task Force)

- Update 2016-03—Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance (a consensus of the Private Company Council)

- Update 2015-17 —Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes

- Update 2015-16—Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments

- Update 2015-15—Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update)

**Share based payments and awards**

The company has adopted the use of Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" (SFAS No. 123R) (now contained in FASB Codification Topic 718, Compensation-Stock Compensation, or Topic 718), which supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees", and its related implementation guidance and eliminates the alternative to use Opinion 25's intrinsic value method of accounting that was provided in Statement 123 as originally issued. This Statement requires an entity to measure the cost of employee services received in exchange for an award of an equity instruments, which includes grants of stock options and stock warrants, based on the fair value of the award, measured at the grant date, (with limited exceptions). Under this standard, the fair value of each award is estimated on the grant date, using an option-pricing model that meets certain requirements. We use the Black- Scholes option-pricing model to estimate the fair value of our equity awards, including stock options and warrants. The Black-Scholes model meets the requirements of Topic 718; however, the fair values generated may not reflect their actual fair values, as it does not consider certain factors, such as vesting requirements, employee attrition and transferability limitations. The Black-Scholes model valuation is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We estimate the expected volatility and estimated life of our stock options at grant date based on historical volatility; however, due to the thinly traded nature of our stock, we have chosen to use an average of the annual volatility of like companies in our industry. For the "risk-free interest rate", we use the Constant Maturity Treasury rate on 90 day government securities. The term is equal to the time until the option expires. The dividend yield is not applicable, as the company has not paid any dividends, nor do we anticipate paying them in the foreseeable future. The fair value of our restricted stock is based on the market value of our free trading common stock, on the grant date calculated using a 20 trading day average. At the time of grant, the share based-compensation expense is recognized in our financial statements based on awards that are ultimately expected to vest using historical employee attrition rates and the expense is reduced accordingly. For the nine months ended May 31, 2016, and May 31, 2015, we recognized $0 in share based expense due to the issuance of common stock warrants.

**Reclassifications**

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported losses, total assets, or stockholders' equity as previously reported.

**Note 2 – Going Concern**

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has accumulated a deficit of $9,603,727 of May 31, 2016, and has no revenues.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheets is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and to succeed in its future operations. No assurance can be given that additional financing will be available when needed or that such financing will be available on terms acceptable to the Company. This would have a material adverse effect on the Company and raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Management plans to raise additional capital through the sale of stock to pursue business development activities.

**Note 3 – Property and Equipment**

| Property and Equipment consisted of the following at | May 31, 2016 | August 31, 2015 |
|---|---|---|
| Computer and equipment & truck | $ 282,416 | $ 282,399 |
| Less: Accumulated depreciation/amortization | (220,698) | (169,198) |
| Property and equipment, net | $ 61,718 | $ 113,201 |

**Note 4 – Asset Purchase**

On May 11, 2012, the Company entered into an Asset Purchase Agreement with St. George Investments LLC, an Illinois limited liability company, to acquire certain assets in foreclosure for 6,000,000 common shares. The assets were formerly owned by Helix Wind, Inc., a Nevada corporation in the same business as the Company. The assets and agreed prices were:

| Asset Purchase | May 11, 2012 |
|---|---|
| Tangible Assets | |
| Equipment | $ 23,000 |
| Supplies | 1,000 |
| Inventory | 1,000 |
| Total Tangible Assets | $ 25,000 |
| | |
| Intangible Assets | |
| Goodwill | $ 5,000 |
| Intellectual Property (10 patents, 2 trademarks, network system, wind turbine monitoring system, URL | 1,467,500 |
| Restrictive Covenant | $ 2,500 |
| Total intangible assets acquired | $ 1,475,000 |
| | |
| Total Assets acquired | $ 1,500,000 |

**Note 5 – Intangible Property**

The Company has acquired intangible property in patents, patents pending and goodwill. The patents are being amortized over their expected lives of not more than seventeen years. The restrictive covenants were fully amortized as of August 31, 2013. Those patent costs allocated to pending patents do not begin amortizing until the underlying patent is issued. If for some reason a patent is not issued the costs associated with the acquisition and the continuation of the application are fully amortized in the year of the denial. The balances as of May 31, 2016, and August 31, 2015, are as follows:

| | May 31, 2016 | August 31,2015 |
|---|---|---|
| Patents | $ 109,092 | $ 109,092 |
| Purchased Patents | 1,467,500 | 1,467,500 |
| Goodwill | 5,000 | 5,000 |
| Less Amortization | (344,060) | (288,608) |
| | $ 1,237,532 | $ 1,292,984 |

**Note 6 – Notes and Convertible Loans and Interest Payable**

The Company entered into note agreements and subsequent modifications and settlements on convertible notes. These notes are convertible into the Company's common stock and are due usually within one year. The notes were issued with original issuance discounts of twelve percent which were immediately convertible into common stock and if the note was not repaid in ninety days the zero percent interest rate was replaced with an immediate prepaid interest charge at ten percent with was subject to conversion. The Conversion terms were both fixed and variable if the trading prices did not meet the fix conversion price. See the derivative discussion in Note 7 concerning these loans.

On January 26, 2016, the Company executed a $50,000 note with a third party bearing interest at 10% due April 26, 2016. The Note requires the Company to make prepayments equal to 25% of its equity line puts. As at May 31, 2016, there were no notes outstanding.

| | May 31, 2016 | August 31,2015 |
|---|---|---|
| **Convertible Loans and Accrued Interest:** | | |
| St. George Investments | $ -0- | $ 275,000 |

**Note 7 – Related Party Share Issuances**

During the quarter ending May 31, 2016, 10M shares of common stock were issued to Dieter Sauer and 13M shares of common stock were issued to Ana Sauer.

**Note 8 – Derivative Liabilities**

The Company entered into certain convertible loan agreements during 2012 and 2013. These agreements contained terms that allowed for the conversion of the debt into common stock. The basic agreement was originally with $0.25 conversion prices unless the stock sold at less than

$0.25. If the trades were at less than original term, the debt holders could elect to convert their debt at sixty percent of the lowest trading price in the 25 trading days prior to the conversion notice. Because of these terms, the debt conversion clause requires that the Company account for these note balances as derivatives valued at the fair market value of the Company's common stock on the day of any financial reporting period. At May 31, 2016, and May 31, 2015, the fully convertible shares would be $-0- and 15,625,000 common shares, respectively.

| | May 31, 2016 | August 31,2015 |
|---|---|---|
| **Derivative Liabilities on Convertible Loans:** | | |
| St. George Investments | $ -0- | $ 446,785 |

**Note 9 – Commitments and Contingencies**

**Rental Agreement:**

On August 17, 2012, the Company leased a 10,410 square foot "industrial condominium" in Camarillo, California, for three years for monthly lease payments of $7,000 per month. There are no common area costs. All company operations were concentrated at the site and this lease ended on August 31, 2015.

On August 7, 2015, the Company entered into a Commercial Single-Tenant Lease for a 26,550 square foot building in Oxnard, California, with monthly payments of $13,507 for sixty months, plus common area costs of $507.38 per month. All company operations will be concentrated at the site.

Lease Commitments – as of May 31, 2016:

| August 31, Year | Lease |
|---|---|
| 2016 | $ 42,043 |
| 2017 | 168,173 |
| 2018 | 168,173 |
| 2019 | 168,173 |

**Note 10 – Federal Income Taxes**

No provision was made for federal income tax, since the Company has had significant net operating losses. Net operating loss carryforwards may be used to reduce taxable income through the year 2034. The availability of the Company's net operating loss carryforwards are subject to limitation if there is a 50% or more positive change in the ownership of the Company's stock, unless the same or similar business is carried on. The net operating loss carryforward for federal and state income tax purposes was approximately $8.7M, which will expire in 2029 through 2034 if not utilized. The Company uses 35% for a composite tax rate to estimate the value of net operating losses for deferred taxes.

The total estimated deferred taxes as of August 31, 2015 is $3,035,289. The Company recorded a 100% valuation allowance for the deferred tax asset since it is more likely than not that some part or all of the deferred tax asset will not be realized.

Although Management believes that its estimates are reasonable, no assurance can be given that the final tax outcome of these matters will not be different than that which is reflected in our tax provisions. Ultimately, the actual tax benefits to be realized will be based upon future taxable earnings levels, which are very difficult to predict.

No provision was made for federal income tax, since the Company had an overall net operating loss and has accumulated net operating loss carryforwards.

For the nine months ended May 31, 2016, no income tax expense has been realized as a result of operations and no income tax penalties and/or interest have been accrued related to uncertain tax positions. The Company files income tax returns in the U.S. federal jurisdiction and in the State of California. These filings are subject to a three-year statute of limitations. The Company's evaluation of income tax positions included the years ended August 31, 2015, through 2013, and could be subject to agency examinations. No filings are currently under examination. No adjustments have been made to reduce the estimated income tax benefit at fiscal year-end or at the quarterly reporting dates. Any valuations relating to these income tax provisions will comply with U.S. generally accepted accounting principles.

**Note 11 – Capital Stock**

The Company went public on 7/25/ 2010. Its Common Stock is traded on the open market under the symbol OTCQB: SENY.

On June 4, 2013, the Company entered into a private placement agreement that involved issuing 400,000 units of securities at $0.25 per unit for $100,000 cash pursuant to a private placement agreement. Each unit consisted of one (1) share of common stock, par value $0.0001 per share and two (2) common stock purchase warrants for a total of 800,000 warrants with an exercise price of $0.40 each, these expired July 31, 2015.

On July 7, 2014, the Company entered into a private placement agreement that involved issuing 5,000,000 units of securities at $0.05 per unit for a total amount of cash of $250,000. Each unit consisted of one (1) share of common stock, par value $0.0001 per share and one (1) common stock purchase warrants for a total of 5,000,000 warrants with an exercise price of $0.30 each expiring January 31, 2016.

During the quarter ending February 28, 2015, the Company issued 2,364,990 shares of common stock for $100,000 pursuant to a convertible note.

During the quarter ending May 31, 2015, the Company issued 3,921,422 shares of common stock for $125,000 pursuant to a convertible note.

During the quarter ending May 31, 2015, the Company authorized 4.4 million shares of common stock to be issued for services rendered.

During the quarter ending May 31, 2015, the Company issued 4,522,847 shares of common stock for $153,785 pursuant to an Equity Purchase Agreement

During the quarter ending August 31, 2015, the Company issued 7,175,278 shares of common stock for $125,000 pursuant to a convertible note.

During the quarter ending August 31, 2015, the Company authorized 500,000 shares of common stock at $0.05 per share to be issued pursuant to the consulting agreement of May 26, 2015.

During the quarter ending August 31, 2015, the Company issued 11,708,737 shares of common stock for $245,235 pursuant to an Equity Purchase Agreement.

During the quarter ending November 30, 2015, the Company issued 7,688,039 shares of common stock for $100,000 pursuant to a convertible note.

During the quarter ending November 30, 2015, the Company issued 15,576,508 shares of common stock for $254,000 pursuant to an Equity Purchase Agreement.

During the quarter ending February 29, 2016, the Company issued 11,077,216 shares of common stock for $100,000 pursuant to a convertible note.

During the quarter ending February 29, 2016, the Company issued 4,269,242 shares of common stock for $55,000 pursuant to an Equity Purchase Agreement.

During the quarter ending May 31, 2016, the Company issued 40,950,000 shares of common stock was issued for services rendered.

During the quarter ending May 31, 2016, 75,000 shares were cancelled and returned to treasury.

During the quarter ending May 31, 2016, the Company issued 9,498,761 shares of common stock for $125,000 pursuant to a convertible note.

During the quarter ending May 31, 2016, the Company issued 31,682,076 shares of common stock for $275,500 pursuant to an Equity Purchase Agreement.

**Note 12 – Warrants**

Under the private placements, the Company issued 600,000 units of securities for total cash proceeds of $150,000. One private placement of 200,000 units of securities consisted of one (1) share of common stock, par value $0.0001 per share and one (1) common stock purchase warrant with an exercise price of $0.50 and expired March 31, 2014. The other private placement of 400,000 units of securities consisted of one (1) share of common stock, par value $0.0001 per share and two (2) common stock purchase warrants with an exercise price of $0.40 and expired July 31, 2015.

During the fiscal year ended August 31, 2014, the Company entered into four private placement agreements for total cash proceeds of $250,000. The private placements of 5,000,000 units consist of one (1) share of common stock, par value $0.0001 per share and one (1) common stock purchase warrant with an exercise price of $0.30 that expired January 31, 2016.

The following table is a summary of information about the warrants outstanding at May 31, 2016:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance, August 31, 2015 | 5,000,000 | 0.30 |
| Warrants expired | 5,000,000 | - |
| Warrants cancelled | - | - |
| Warrants Granted | - | - |
| Warrants exercised | - | - |
| Balance, May 31, 2016 | -0- | -0- |

**NOTE 13 - Litigation**

There were no loss contingencies or legal proceedings against the Company with respect to matters arising in the ordinary course of business.

**St. George Investment Settlement:**

On October 23, 2013, the Company filed a complaint against St George Investments, LLC ("St. George") in Superior Court, Ventura County California seeking declaratory relief as to contracts relating to the Company's May, 2012 purchase of the assets of Helix Wind from St. George for treasury stock then valued in excess of $1.8 Million and a subsequent February 2013 promissory note for $275,000 executed under the terms of an amendment to the May, 2012 asset purchase agreement. The Company alleged that the Helix Wind asset purchase price had been substantially paid and, in fact, may have been overpaid in light of St. George's failure to deliver all of the intellectual property of Helix Wind.

On February 3, 2014, the parties participated in a mediation session at the Federal Court and executed an agreement reflecting a settlement in principal (the "Settlement") which becomes binding only if the parties are unable to come to terms on more formal settlement agreements. The parties have since executed more formal settlement agreements which are included as an exhibit hereto. The basic terms of the Settlement required the issuance of an additional 5,000,000 shares of our common stock to St George under the Helix APA; required St. George to purchase additional shares of our common stock for $300,000 ($0.15 per share) which is a price above the market price at the time of the Settlement; fixed the amount due on the note issued to St George in connection with the Helix APA at $600,000 and granted the Company certain prepayment rights. The Settlement provides for limitations on the amounts of our common stock that St. George may sell into the market.

As of May 31, 2016, the note has been paid in full.

**NOTE 14 – Subsequent Events**

Management has reviewed and evaluated subsequent events and transactions occurring after the balance sheet date, May 31, 2016, through the filing of this Quarterly Report on Form 10-Q on June 27, 2016, and determined that only the following additional subsequent event has occurred:

**Equity Purchase Agreement—**

From June 1, 2016, to present, the Company authorized 2,386,407 shares of common stock to be issued for $50,000 pursuant to an Equity Purchase Agreement.

## Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operation

### Overview

We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could be incorrect. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances. Some of the factors that may cause actual results, developments and business decisions to differ materially from those contemplated by such forward-looking statements include the following:

### RESULTS OF OPERATION

***Nine months ended May 31, 2016 v. nine months ended May 31, 2015***

We have not realized any revenue through May 31, 2016, however the Other income is the result of the change in Derivative Liabilities on Convertible Loans. Our operating expenses increased to $1,149,719 for the nine months ending May 31, 2016, from $940,878 for the nine months ending May 31, 2015. Consulting expenses increase to $557,080 for the nine months ended May 31, 2016, from $229,734 for the nine months ended May 31, 2015. These overall increases in expenses and increases in financing costs and changes in derivative liability resulted in our net loss of $941,228 for the nine months ended May 31, 2016, as compared to the net loss of $381,933 for the nine months ended May 31, 2015. We anticipate continued increased costs

associated with increased levels of operation and our marketing processes which will begin in the current fiscal year.

***Three months ended May 31, 2016 v. three months ended May 31, 2015***

We have not realized any revenue through May 31, 2016, however the Other Income is the result of the change of Derivative Liabilities on Convertible Loans. Our operating expenses increased to $715,871 for the three months ending May 31, 2016, from $469,757 for the three months ending May 31, 2015. Consulting expenses increased to $495,770 for the three months ended May 31, 2016, from $155,920 for the three months ended May 31, 2015. These overall increases in expenses and increases in financing costs and changes in derivative liability resulted in our net loss of $767,684 for the three months ended May 31, 2016, as compared to the net loss of $602,479 for the three months ended May 31, 2015. We anticipate continued increased costs associated with increased levels of operation and our marketing processes which will begin in the current fiscal year.

## LIQUIDITY AND CAPITAL RESOURCES

Net cash flows used in operating activities for the nine months ended May 31, 2016, was $528,745. Net cash flows used in investing was $-0-. Net cash flows from financing activities for the nine months ended May 31, 2016 was $585,500. We had cash resources of $61,223 at May 31, 2016, and we intend to rely on the sale of stock in private placements to increase liquidity to enable us to execute on our plan to manufacture and market vertical axis wind turbines. As reported on a Current Report on Form 8-K filed on December 23, 2015, we have entered into an Equity Purchase Agreement from which we anticipate raising substantial additional cash resources, but there can be no assurance that this will occur.

As of December 23, 2015, the Registrant entered into two agreements with Beaufort Capital Partners, LLC, a New York limited liability corporation ("BCPLLC"), an Equity Purchase Agreement (the "EPA") and a Registration Rights Agreement (the "RRA"). The two agreements we filed as exhibits to the Registrant's Current Report on Form 8-K dated December 23, 2015, and the Registrant's Registration Statement on Form S-1 Number 333-208866 and the following summary is qualified in its entirety by reference to such exhibits.

The agreements required the Registrant to file a registration statement for the common stock underlying the EPA. Subject to various limitations set forth in the EPA, BCPLLC, after effectiveness of such registration statement, was required to purchase up to $3,000,000 worth of the Registrant's common stock at a price equal to 72% of the market price as determined under the EPA (prior ten trading days). The EPA provides for volume limitations on the amount of shares that BCPLLC must purchase at any time and provides that the Registrant will be paid for the common stock upon electronic delivery of the shares to BCPLLC. BCPLLC bore the attorney fees relating to the Registration Statement and is not charging the Registrant any additional fees.

On February 17, 2016, the Securities and Exchange deemed our Registration Statement that was filed on January 5, 2016, effective. As stated above, we have begun exercising our put rights under the EPA.

Funds on hand are not sufficient to fund our operations and we intend to rely on the sale of stock in private placements to increase liquidity and, we anticipate deriving additional revenue from product sales in fiscal 2016, but we cannot at this time quantify the amount. If we are unable to raise cash through the sale of our stock, we may be required to severely restrict our operations.

## Critical Accounting Policies

Financial Reporting Release No. 60 of the SEC encourages all companies to include a discussion of critical accounting policies or methods used in the preparation of the financial statements. There are no current revenue-generating activities that give rise to significant assumptions or estimates. Our financial statements filed as part of our May 31, 2016, Quarterly Report on Form 10-Q includes a summary of the significant accounting policies and methods used in the preparation of our financial statements.

## 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.

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

The Company is a smaller reporting company and is not required to provide this information.

## Item 4T. - Controls and Procedures

### *Disclosure Controls and Procedures*

Regulations under the Securities Exchange Act of 1934 (the “Exchange Act”) require public companies to maintain “disclosure controls and procedures,” which are defined as controls and other procedures that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We conducted an evaluation, with the participation of our Chief Executive Officer who is also our principal financial officer, of the effectiveness of our disclosure controls and procedures as of May 31, 2016. Based on that evaluation, our Chief Executive Officer has concluded that as of May 31, 2016, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses described below.

In light of the material weaknesses described below, we performed additional analysis and other post-closing procedures to ensure our financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

A material weakness is a control deficiency (within the meaning of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2) or combination of control deficiencies that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified the following three material weaknesses that have caused management to conclude that, as of May 31, 2016, our disclosure controls and procedures were not effective at the reasonable assurance level:

1. We do not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act which is applicable to us for the year ending August 31, 2015, and the quarter ended May 31, 2016. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

2. We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

3. The Board of Directors has not provided an appropriate level of oversight of the Company's financial reporting and procedures for internal control over financial reporting since there are, at present, no independent directors who could provide an appropriate level of oversight, including challenging management's accounting for and reporting of transactions. Accordingly, we have determined that this control deficiency constitutes a material weakness.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

***Management's Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers and effected by the issuer's board

of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the issuer; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of the end of our most recent fiscal quarter, management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Based on that evaluation, they concluded that, as of May 31, 2016, such internal control over financial reporting was not effective. This was due to deficiencies that existed in the design or operation of our internal control over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses.

The matters involving internal control over financial reporting that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: (1) lack of a functioning audit committee due to a lack of a majority of independent members and a lack of a majority of outside directors on our board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; and (2) inadequate segregation of duties consistent with control objectives of having segregation of the initiation of transactions, the recording of transactions and the custody of

assets. The aforementioned material weaknesses were identified by our Chief Executive Officer in connection with the review of our financial statements as of May 31, 2016.

Management believes that the material weaknesses set forth in items (1) and (2) above did not have an effect on our financial results. However, management believes that the lack of a functioning audit committee and the lack of a majority of outside directors on our board of directors results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in our financial statements in future periods.

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

***Management's Remediation Initiatives***

In an effort to remediate the identified material weaknesses and other deficiencies and enhance our internal controls, we have initiated, or plan to initiate, the following series of measures: We will increase our personnel resources and technical accounting expertise within the accounting function when funds are available to us. First, we will create a position to segregate duties consistent with control objectives of having separate individuals perform (i) the initiation of transactions, (ii) the recording of transactions and (iii) the custody of assets. Second, we will create a senior position to focus on financial reporting and standardizing and documenting our accounting procedures with the goal of increasing the effectiveness of the internal controls in preventing and detecting misstatements of accounting information. Third, we plan to appoint one or more outside directors to our board of directors who shall be appointed to an audit committee resulting in a fully functioning audit committee who will undertake the oversight in the establishment and monitoring of required internal controls and procedures such as reviewing and approving estimates and assumptions made by management when funds are available to us. Although there is substantial uncertainty in any such estimate, we anticipate the costs of implementing these remediation initiatives will be approximately $100,000 to $150,000 a year in increased salaries, legal and accounting expenses.

Management believes that the appointment of one or more outside directors, who shall be appointed to a fully functioning audit committee, will remedy the lack of a functioning audit committee and a lack of a majority of outside directors on our Board.

We anticipate that these initiatives will be at least partially, if not fully, implemented by August 31, 2017.

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

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15 (f) under the Exchange Act) during the quarter ended May 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1 – Legal Proceedings

On October 23, 2013, the Company filed a complaint against St George Investments, LLC ("St. George") in Superior Court, Ventura County California seeking declaratory relief as to contracts relating to the Company's May, 2012 purchase of the assets of Helix Wind from St. George for treasury stock then valued in excess of $1.8 Million and a subsequent February 2013 promissory note for $275,000 executed under the terms of an amendment to the May, 2012 asset purchase agreement. The Company alleged that the Helix Wind asset purchase price had been substantially paid and, in fact, may have been overpaid in light of St. George's failure to deliver all of the intellectual property of Helix Wind. St. George interpreted the contracts and promissory note as entitling it to a windfall recovery above and beyond the asset purchase price and promissory note amount. On November 21, 2013, St George exercised its right as a non-California based entity to remove the action from the Ventura state court to the federal court sitting in Los Angeles, the United States District Court for the Central District of California. On November 26, 2013, St. George filed its answer and counterclaim seeking to enforce its interpretation of the contracts and to thereby collect approximately $440,000 above and beyond what is otherwise due, plus costs and attorney's fees. On February 3, 2014, the parties participated in a mediation session at the Federal Court and executed an agreement reflecting a settlement in principal (the "Settlement") which becomes binding only if the parties are unable to come to terms on more formal settlement agreements. The parties have since executed more formal settlement agreements which are included as an exhibit hereto. The basic terms of the Settlement required the issuance of an additional 5,000,000 shares of our common stock to St George under the Helix APA; required St. George to purchase an additional shares of our common stock for $300,000 ($0.15 per share) which is a price above the market price at the time of the Settlement; fixed the amount due on the note issued to St George in connection with the Helix APA at $600,000 and granted the Company certain prepayment rights. The Settlement provides for limitations on the amounts of our common stock that St. George may sell into the market. The foregoing is a summary only and is qualified by reference to the settlement agreement included as an exhibit to the Company's Form 10-K for the year ended August 31, 2014. As of May 31, 2016, the note and settlement has been paid in full.

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

None.

### Item 3 – Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable

### Item 5 – Other Information

None.

**Item 6 – Exhibits**

The following documents are filed as part of this Report:

31.1* Certification of Chief Executive and Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).

32.1* Certification pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.

101.INS** XBRL Instance Document

101.SCH** XBRL Taxonomy Extension Schema Document

101.CAL** XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB** XBRL Taxonomy Extension Label Linkbase Document

101.PRE** XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF** XBRL Taxonomy Extension Definition Linkbase Document

---

*Filed herewith.

**Furnished herewith.

SIGNATURE

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the registrant caused this Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

SAUER ENERGY, INC.

Date: June 27, 2016

By: /s/Dieter R. Sauer, Jr.
Name: Dieter R. Sauer, Jr., CEO

(Principal Executive, Accounting and Financial Officer)