

Clean Coal Technologies Inc.  
Form 10-Q  
January 27, 2016

---

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

\_\_\_\_\_  
FORM 10-Q  
\_\_\_\_\_

(Mark One)

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

For the quarterly period ended: September 30, 2015

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

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

Commission file number: 000-50053

CLEAN COAL TECHNOLOGIES, INC.  
(Exact name of small business issuer as specified in its charter)

NEVADA  
(State or other jurisdiction of incorporation or organization)

26-1079442  
(I.R.S. Employer Identification No.)

295 Madison Avenue (12th Floor), New York, NY  
(Address of principal executive offices)

10017  
(Zip Code)

(646) 727-4847  
(Issuer's telephone number)

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

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

Edgar Filing: Clean Coal Technologies Inc. - Form 10-Q

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

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

The number of shares outstanding of Registrant’s Common Stock as of January 26, 2016: 60,410,229

---

Table of Contents

TABLE OF CONTENTS

| PART I - FINANCIAL INFORMATION |                                                                                                  | Page |
|--------------------------------|--------------------------------------------------------------------------------------------------|------|
| ITEM 1.                        | <u>FINANCIAL STATEMENTS</u>                                                                      | 3    |
| ITEM 2.                        | <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL<br/>CONDITION AND RESULTS OF OPERATIONS</u> | 11   |
| ITEM 3.                        | <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT<br/>MARKET RISK</u>                            | 15   |
| ITEM 4.                        | <u>CONTROLS AND PROCEDURES</u>                                                                   | 15   |
| PART II - OTHER INFORMATION    |                                                                                                  |      |
| ITEM 1.                        | <u>LEGAL PROCEEDINGS</u>                                                                         | 16   |
| ITEM 1A.                       | <u>RISK FACTORS</u>                                                                              | 16   |
| ITEM 2.                        | <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF<br/>PROCEEDS</u>                           | 16   |
| ITEM 3.                        | <u>DEFAULTS UPON SENIOR SECURITIES</u>                                                           | 17   |
| ITEM 5.                        | <u>OTHER INFORMATION</u>                                                                         | 17   |
| ITEM 6.                        | <u>EXHIBITS</u>                                                                                  | 17   |
|                                | <u>SIGNATURES</u>                                                                                | 18   |

---

Table of Contents

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnotes necessary for a complete presentation of our financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Clean Coal Technologies, Inc.  
Balance Sheets  
(Unaudited)

|                                                                                                                                         | September 30,<br>2015 | December 31,<br>2014 |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| <b>ASSETS</b>                                                                                                                           |                       |                      |
| Current Assets                                                                                                                          |                       |                      |
| Cash                                                                                                                                    | \$ 104,677            | \$ 1,130             |
| Total Current Assets                                                                                                                    | 104,677               | 1,130                |
| Construction in progress                                                                                                                | 4,755,518             | 3,212,944            |
| Total Assets                                                                                                                            | \$ 4,860,195          | \$ 3,214,074         |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>                                                                                            |                       |                      |
| Current Liabilities                                                                                                                     |                       |                      |
| Accounts payable                                                                                                                        | \$ 1,132,086          | \$ 1,020,470         |
| Accrued liabilities                                                                                                                     | 2,958,264             | 2,400,145            |
| Debt                                                                                                                                    | 413,185               | 413,185              |
| Current portion of convertible debt, net of unamortized discounts of \$115,489 and \$246,615                                            | 1,421,832             | 1,500,765            |
| Debt owed to related parties                                                                                                            | 2,800                 | -                    |
| Derivative liabilities                                                                                                                  | 55,632,685            | 1,765,695            |
| Total Current Liabilities                                                                                                               | 61,560,852            | 7,100,260            |
| Convertible debt, net of unamortized discounts of \$2,663,196 and \$0                                                                   | 197,244               | -                    |
| Total liabilities                                                                                                                       | 61,758,096            | 7,100,260            |
| Stockholders' Deficit:                                                                                                                  |                       |                      |
| Common stock, \$0.00001 par value; 150,000,000 shares authorized, 60,195,943 and 40,393,751 shares issued and outstanding, respectively | 602                   | 404                  |
| Additional paid-in capital                                                                                                              | 221,954,997           | 218,935,664          |
| Accumulated deficit                                                                                                                     | (278,853,500)         | (222,822,254)        |
| Total Stockholders' Deficit                                                                                                             | (56,897,901)          | (3,886,186)          |
| Total Liabilities and Stockholders' Deficit                                                                                             | \$ 4,860,195          | \$ 3,214,074         |

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



Table of Contents

Clean Coal Technologies, Inc.  
Statements of Operations  
(Unaudited)

|                                                               | Three Months Ended |                | Nine Months Ended |                |
|---------------------------------------------------------------|--------------------|----------------|-------------------|----------------|
|                                                               | September 30,      |                | September 30,     |                |
|                                                               | 2015               | 2014           | 2015              | 2014           |
| Operating Expenses:                                           |                    |                |                   |                |
| General and administrative                                    | \$ 239,485         | \$ 453,987     | \$ 982,360        | \$ 1,166,239   |
| Consulting and services                                       | 2,073,806          | 172,038        | 3,082,251         | 1,387,521      |
| Loss from Operations                                          | (2,313,291)        | (626,025)      | (4,064,611)       | (2,553,760)    |
| Other Income (Expenses):                                      |                    |                |                   |                |
| Interest expense and default fee                              | (392,796)          | (574,376)      | (1,069,903)       | (1,340,858)    |
| Gain (Loss) on change in fair value of derivative liabilities | (42,244,917)       | 188,796        | (50,896,732)      | (905,674)      |
| Total Other Income (Expenses)                                 | (42,637,713)       | (385,580)      | (51,966,635)      | (2,246,532)    |
| Net Loss                                                      | \$ (44,951,004)    | \$ (1,011,605) | \$ (56,031,246)   | \$ (4,800,292) |
| Net loss per share - basic and diluted                        | \$ (0.79)          | \$ (0.03)      | \$ (1.08)         | \$ (0.15)      |
| Weighted average shares outstanding - basic and diluted       | 56,643,577         | 38,245,155     | 52,045,312        | 31,627,505     |

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

Table of Contents

Clean Coal Technologies, Inc.  
Statement of Stockholders' Deficit  
Nine Months Ended September 30, 2015  
(Unaudited)

|                                               | Common Stock<br>Shares | Common Stock<br>Amount | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Stockholders'<br>Deficit |
|-----------------------------------------------|------------------------|------------------------|----------------------------------|------------------------|--------------------------|
| Balances at December 31, 2014                 | 40,393,751             | \$ 404                 | \$ 218,935,664                   | \$ (222,822,254)       | \$ (3,886,186)           |
| Common stock issued for services              | 17,981,867             | 180                    | 2,871,976                        | -                      | 2,872,156                |
| Common stock issued for<br>conversion of debt | 1,270,325              | 12                     | 49,988                           | -                      | 50,000                   |
| Common stock issued with debt                 | 550,000                | 6                      | 97,369                           | -                      | 97,375                   |
| Net loss                                      | -                      | -                      | -                                | (56,031,246)           | (56,031,246)             |
| Balances at September 30, 2015                | 60,195,943             | \$ 602                 | \$ 221,965,997                   | \$ (278,853,500)       | \$ (56,897,901)          |

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

Table of Contents

Clean Coal Technologies, Inc.  
Statements of Cash Flows  
(Unaudited)

|                                                                            | Nine Months Ended<br>September 30, |                  |
|----------------------------------------------------------------------------|------------------------------------|------------------|
|                                                                            | 2015                               | 2014             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                               |                                    |                  |
| Net loss                                                                   | \$ (56,031,246)                    | \$ (4,800,292)   |
| Adjustment to reconcile net loss to net cash used in operating activities: |                                    |                  |
| Loan default and standstill fee added to principal                         | 326,244                            | -                |
| Amortization of debt discounts                                             | 743,656                            | 1,302,111        |
| Share based compensation                                                   | 2,872,156                          | 766,442          |
| Option expense                                                             | -                                  | 19,494           |
| Loss on change in fair value of derivative liabilities                     | 50,896,732                         | 905,674          |
| Changes in operating assets and liabilities:                               |                                    |                  |
| Accounts payable                                                           | 111,616                            | 145,161          |
| Accrued expenses                                                           | 442,262                            | 684,534          |
| <b>Net Cash Used in Operating Activities</b>                               | <b>(638,580)</b>                   | <b>(976,876)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                               |                                    |                  |
| Cash paid for construction in progress                                     | (1,370,370)                        | (12,471)         |
| <b>Net Cash Used in Investing Activities</b>                               | <b>(1,370,370)</b>                 | <b>(12,471)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                               |                                    |                  |
| Borrowings on debt                                                         | -                                  | 15,527           |
| Borrowings on convertible debt, net of original issuance discounts         | 2,989,000                          | 1,074,500        |
| Borrowings on related party debt                                           | 50,000                             | 29,017           |
| Payments on related party debt                                             | (47,200)                           | (49,322)         |
| Payments on convertible debt                                               | (879,303)                          | (79,250)         |
| Payments on debt                                                           | -                                  | (35,530)         |
| <b>Net Cash Provided by Financing Activities</b>                           | <b>2,112,497</b>                   | <b>954,942</b>   |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                             | <b>103,547</b>                     | <b>(34,405)</b>  |
| <b>CASH AND CASH EQUIVALENTS - beginning of period</b>                     | <b>1,130</b>                       | <b>35,642</b>    |
| <b>CASH AND CASH EQUIVALENTS - end of period</b>                           | <b>\$ 104,677</b>                  | <b>\$ 1,237</b>  |
| <b>SUPPLEMENTAL DISCLOSURES:</b>                                           |                                    |                  |
| Cash paid for interest                                                     | \$ 25,752                          | \$ -             |
| Cash paid for income taxes                                                 | -                                  | -                |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>                        |                                    |                  |
| Common stock issued with debt                                              | \$ 97,375                          | \$ 8,319         |
| Common stock issued for conversion of debt and interest                    | 50,000                             | 1,430,539        |
| Common stock issued for conversion of accrued liabilities                  | -                                  | 1,539,826        |
| Interest expense capitalized to construction in progress                   | 172,204                            | -                |
| Reclassification of warrants as derivative liabilities                     | -                                  | 6,026            |
| Resolution of derivative liabilities                                       | -                                  | 1,599,990        |
| Debt discounts due to derivative liabilities                               | 2,970,258                          | 647,514          |



Edgar Filing: Clean Coal Technologies Inc. - Form 10-Q

|                                                |   |         |
|------------------------------------------------|---|---------|
| Debt discount due to warrants issued with debt | - | 400,000 |
| Return of common shares                        | - | 5       |
| Forgiveness of related party accounts payable  | - | 262,652 |

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

Table of Contents

Clean Coal Technologies, Inc.  
Notes to Financial Statements  
(Unaudited)

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Clean Coal Technologies, Inc. ("Clean Coal") have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in Clean Coal's Annual Report on Form 10-K filed with the SEC. In the opinion of management, the accompanying unaudited interim financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial position and the results of operations for the interim period presented herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year or for any future period. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for fiscal 2014 as reported in the Form 10K have been omitted.

NOTE 2: GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis of accounting which contemplates continuity of operations, realization of assets, liabilities, and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Clean Coal is unable to continue as a going concern. Clean Coal has an accumulated deficit and a working capital deficit as of September 30, 2015 with no significant revenues anticipated for the near term. Management believes Clean Coal will need to raise capital in order to operate over the next 12 months. As shown in the accompanying financial statements, Clean Coal has also incurred significant losses since inception. Clean Coal's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis and ultimately to attain profitability. Clean Coal has limited capital with which to pursue its business plan. There can be no assurance that Clean Coal's future operations will be significant and profitable, or that Clean Coal will have sufficient resources to meet its objectives. These conditions may raise doubt as to Clean Coal's ability to continue as a going concern. Management may pursue either debt or equity financing or a combination of both, in order to raise sufficient capital to meet Clean Coal's financial requirements over the next twelve months and to fund its business plan. There is no assurance that management will be successful in raising additional funds.

NOTE 3: CONSTRUCTION IN PROGRESS

Construction in progress of \$4,755,518 as of September 30, 2015 consists of costs incurred related to the construction of a 2-ton/hour test plant in Oklahoma. The total cost of the project, including testing to take place at the AES site in Oklahoma, is estimated at \$6,400,000 plus an additional \$750,000 to move the plant to its permanent location. Commissioning of the test plant commenced in November 2015 with full testing expected in January 2016. It is estimated to cost an additional \$1,700,000 to move the test facility to AES and complete testing. It is further expected to cost \$750,000 to move the test facility to a permanent site at the end of quarter one 2016. During the nine months ended September 30, 2015, \$1,370,370 was paid towards the construction of the plant and interest of \$172,204 was capitalized.

NOTE 4: RELATED PARTY TRANSACTIONS

As management has not received any consistent salary over several years all accruals for salary and bonuses to officers and directors are included in accrued liabilities in the balance sheet and totaled \$2,491,075 and \$1,998,337 as

of September 30, 2015 and December 31, 2014, respectively.

During the nine months ended September 30, 2015, the company borrowed an aggregate of \$50,000 from an Officer. This loan was made at zero percent interest and was to be repaid upon adequate funding being in place. As of September 30, 2015 the outstanding balance of this note was \$2,800 with \$47,200 having been repaid through September 30, 2015.

Table of Contents

## NOTE 5: DEBT

## Convertible Debt

As of December 31, 2014, the Company had outstanding convertible notes payable of \$1,500,765, net of unamortized discounts of \$246,615. Through the nine months ended September 30, 2015, the company borrowed an aggregate of \$2,989,000, net of original issue discounts, under convertible notes payable and issued an aggregate of 1,270,325 common shares for the conversion of \$50,000 in convertible debt and accrued interest. In addition, 550,000 common shares were issued with \$250,000 of the borrowings. The relative fair value of these shares was determined to be \$97,375 and was recognized as a discount to the note. Through the nine months to September, the company repaid eight convertible notes totaling \$879,303. As of September 30, 2015, the Company had outstanding convertible notes payable of \$1,619,076 net of unamortized discounts of \$2,778,685. Of the outstanding balance as of September 30, 2015, \$1,421,832, net of unamortized discounts of \$115,489, is due within one year and classified as a current liability. The outstanding convertible notes of the Company are unsecured, bear interest between 8% and 12% per annum, mature between October 2015 and May 2018 and are convertible at fixed rates between \$0.08 and \$0.825 per share or at variable rates between 55% and 75% of the quoted market price of the Company's common stock. In addition, \$2,603,000 of the notes issued during the nine months ended September 30, 2015 are also convertible into 3 year common stock warrants at a conversion rate of \$0.08 per warrant,. The warrants will be exercisable at \$0.10 per share. All notes that were convertible during the nine months ended September 30, 2015 were accounted for as derivative liabilities (see Note 6). Aggregate amortization of the debt discounts on non-related party convertible debt for the nine months ended September 30, 2015 was \$800,003 of which \$56,347 was capitalized as construction in progress.

## Nonconvertible Debt

As of December 31, 2014, the Company had outstanding notes payable to former affiliates of the Company of \$413,185. These notes payable are unsecured, bear no interest and a due on demand. During the nine months ended September 30, 2015, the Company did not increase this balance. As at September 2015 the balance outstanding remains at \$413,185.

## NOTE 6: DERIVATIVE LIABILITIES

During 2014, notes issued by the Company became convertible and qualified as derivative liabilities under ASC 815. In addition, the outstanding nonemployee common stock options and outstanding common stock warrants became tainted and were required to be accounted for as derivative liabilities under ASC 815.

As of December 31, 2014, the aggregate fair value of the outstanding derivative liabilities was \$1,765,695. In addition, during the nine months ended September 30, 2015, the Company borrowed an additional \$2,989,000, net of original issuance discounts, under convertible notes. As of September 30, 2015, the aggregate fair value of the outstanding derivative liabilities was \$55,632,685. For the nine months ended September 30, 2015, the net loss on derivative liabilities was \$50,896,732.

The Company estimated the fair value of the derivative liabilities using the Black-Scholes option pricing model and the following key assumptions during 2015 and 2014:

|                       | 2015           | 2014           |
|-----------------------|----------------|----------------|
| Expected dividends    | -%             | -%             |
| Expected term (years) | 0.04 -<br>3.92 | 0.01 -<br>4.67 |

|                |                  |                  |
|----------------|------------------|------------------|
| Volatility     | 156% -<br>237%   | 130% -<br>223%   |
| Risk-free rate | 0.03% -<br>1.37% | 0.01% -<br>1.82% |

The Company determines the fair market values of its financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

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 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 Company uses Level 3 inputs to estimate the fair value of its derivative liabilities.

Table of Contents

The following table sets forth by level with the fair value hierarchy the Company's assets and liabilities measured at fair value as of September 30, 2015 and December 31, 2014:

|                                              | Level 1 | Level 2 | Level 3       | Total         |
|----------------------------------------------|---------|---------|---------------|---------------|
| September 30, 2015:                          |         |         |               |               |
| Derivative liabilities – convertible debt    | \$ -    | \$ -    | \$ 52,411,143 | \$ 52,411,143 |
| Derivative liabilities – warrants            | -       | -       | 3,166,137     | 3,166,137     |
| Derivative liabilities – nonemployee options | -       | -       | 55,405        | 55,405        |
| December 31, 2014:                           |         |         |               |               |
| Derivative liabilities – convertible debt    | \$ -    | \$ -    | \$ 1,550,703  | \$ 1,550,703  |
| Derivative liabilities – warrants            | -       | -       | 214,565       | 214,565       |
| Derivative liabilities – nonemployee options | -       | -       | 427           | 427           |

The below table presents the change in the fair value of the derivative liabilities during the nine months ended September 30, 2015:

|                                                                       |               |
|-----------------------------------------------------------------------|---------------|
| Fair value as of December 31, 2014                                    | \$ 1,765,695  |
| Fair value on the dates of issuance recorded as debt discounts        | 2,970,258     |
| Fair value on the dates of issuance recognized as loss on derivatives | 19,500,105    |
| Loss on change in fair value of derivatives                           | 31,396,627    |
| Fair value as of September 30, 2015                                   | \$ 55,632,685 |

## NOTE 7: EQUITY TRANSACTIONS

## Common Stock

In January 2015, the Company increased its authorized share capital from 45,000,000 to 150,000,000 common shares.

During the nine months ended September 30, 2015, the Company issued an aggregate of 1,270,325 common shares for the conversion of convertible debt of \$50,000.

During the nine months ended September 30, 2015, the Company granted an aggregate of 17,981,867 common shares to various employees, directors and third parties for services rendered. The aggregate fair value of these awards was determined to be \$2,872,156 and it was recognized as stock compensation during the nine months ended September 30, 2015.

During the nine months ended September 30, 2015, the Company issued a total of 550,000 common shares were issued in connection with the borrowing of \$250,000 under a convertible note. The relative fair value of these shares was determined to be \$97,375 and was recognized as a discount to the note.

## Options

A summary of stock option activity for the nine months ended September 30, 2015 is as follows:

Weighted  
Average

|                                  | Options | Exercise Price |
|----------------------------------|---------|----------------|
| Outstanding - December 31, 2014  | 714,286 | \$ 4.68        |
| Granted                          | -       | -              |
| Forfeited/canceled               | -       | -              |
| Exercised                        | -       | -              |
| Outstanding – September 30, 2015 | 714,286 | \$ 4.68        |
| Exercisable – September 30, 2015 | 714,286 | \$ 4.68        |

The range of exercise prices and the weighted average remaining life of the outstanding options as of September 30, 2015 was \$1.05 to \$12.25 per share and 3.74 years, respectively. The intrinsic value of the exercisable options as of September 30, 2015 was \$0.

Table of Contents

## Warrants

The following table presents the stock warrant activity during the nine months ended September 30, 2015:

|                                  | Warrants  | Weighted<br>Average<br>Exercise Price |
|----------------------------------|-----------|---------------------------------------|
| Outstanding - December 31, 2014  | 4,529,434 | \$ 0.60                               |
| Granted                          | -         | -                                     |
| Forfeited/canceled               | -         | -                                     |
| Exercised                        | -         | -                                     |
| Outstanding – September 30, 2015 | 4,529,434 | \$ 0.60                               |
| Exercisable – September 30, 2015 | 4,529,434 | \$ 0.60                               |

The range of exercise prices and the weighted average remaining life of the outstanding warrants as of September 30, 2015 was \$0.50 to \$1.75 and 3.85 years, respectively. The intrinsic value of the exercisable warrants as of September 30, 2015 was \$1,149,500.

## NOTE 8: SUBSEQUENT EVENTS

From October 2015, through to January 2016, the company issued a further 214,286 shares of common stock for services rendered by both management and third parties.

The 12% remaining balance outstanding on the convertible note from 802 Investments was bought back for a total cost of \$139,000 in October 2015.

From October 2015, through to January 2016 the company engaged in a financing transaction with Black Diamond Financial Group for a total of \$1,588,500 net of original issue discounts. The terms of the transaction is a 12% secured convertible notes, which enable Black diamond to convert into common stock shares at a fixed price of \$0.08. The notes are also convertible into 3 year common stock warrants at a rate of \$0.08 per warrant. The warrants will be exercisable at \$0.10 per share.

The above securities were issued in reliance on the exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and the regulations promulgated thereunder. The issuances were for investment received, the transactions were privately negotiated and none involved any kind of public solicitation.



Table of Contents

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

FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT FUTURE RESULTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not materialize or prove correct, could cause our results to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, statements concerning: our plans, strategies and objectives for future operations; new products or developments; future economic conditions, performance or outlook; the outcome of contingencies; expected cash flows or capital expenditures; our beliefs or expectations; activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future; and assumptions underlying any of the foregoing. Forward-looking statements may be identified by their use of forward-looking terminology, such as “believes,” “expects,” “may,” “should,” “would,” “will,” “intends,” “plans,” “estimates,” “anticipates,” “projects” and similar words or expressions. You should not place undue reliance on these forward-looking statements, which reflect our management’s opinions only as of the date of the filing of this Quarterly Report on Form 10-Q and are not guarantees of future performance or actual results

Overview

Over the past decade, Clean Coal Technologies, Inc. has developed processes that address what we believe are the key technology priorities of the global coal industry. We currently have three processes in our intellectual property portfolio:

The original process, called Pristine, is designed to remove moisture and volatile matter, rendering a high-efficiency, cleaner thermal coal. The process has been tested successfully on bituminous and subbituminous coals, and lignite from various parts of the United States and from numerous countries around the world.

Our second process, called Pristine-M, is a low-cost coal dehydration technology. In tests, this process has succeeded in drying coal cheaply and stabilizing it using volatile matter released by the feed coal. Our coal testing plant currently under construction is designed to prove this process on a scale that can be expanded to a commercial facility.

Our third process, called Pristine-SA, is designed to eliminate 100% of the volatile matter in the feed coal and to achieve stable combustion by co-firing it with biomass or natural gas. The idea is to produce a clean fuel that eliminates the need for emissions scrubbers and the corollary production of toxic coal ash. We anticipate that treated coal that is co-fired with other energy resources will burn as clean as natural gas.

Anticipated Benefits of the Technology:

- Reduction of undesired emissions and greenhouse gases through the removal of compounds that are not required for combustion in conventional boilers.
- Cost savings and environmental impact reduction. Our pre-combustion solution is anticipated to be much less expensive than post-combustion solutions such as emissions scrubbers. Not only are the latter prohibitively expensive, they produce coal ash containing the “scrubbed” compounds, which is dumped in toxic waste disposal sites where it may pose continuing environmental risk. Coal treated using our processes may eliminate the need for post-combustion emissions scrubbers and the resulting toxic ash.

Potential use of compounds removed from treated coal. Volatile matter captured in the Pristine process is removed in the form of hydrocarbon liquids that we believe will be easily blended with crude oil or used as feedstock for various products. For example, sulfur, which can be removed using the Pristine process, is a basic feedstock for fertilizer. The harvesting of hydrocarbon liquids from abundant, cheap coal is a potentially lucrative side benefit of our processes.

- Energy Independence. To the extent that volatile matter is removed from coal, coal's use as an energy resource is greatly improved, enabling the United States and other coal-rich countries to move towards energy independence owing to coal's greater abundance.

## Table of Contents

### Development Status:

Pristine process. Pristine process successfully lab tested on small scale and through advanced computer modeling. Construction of larger scale testing facility depends on receipt of additional funding.

Pristine-M. Construction of the test plant in Oklahoma is complete and commissioning commenced in the fourth quarter of fiscal 2015. Through September 30, 2015 we have paid \$4,755,518 towards the plant and preparation work for the testing and estimated completion and testing costs are \$1,700,000. An additional estimated \$750,000 is required to transport the test plant to a permanent location at end of quarter one, 2016.

Pristine-SA process. Pristine SA process analysis is at a very early stage. Further research and development is expected post completion of the coal testing plant.

### Business Outlook

- Jindal Steel & Power expected to contract first commercial plant in the first quarter 2016 if coal testing plant testing is positive. Jindal plans to inspect prototype plant once testing is complete.
- Several multinational corporations have undertaken due diligence on our processes and have scheduled or are scheduling site visits to the coal testing plant in Oklahoma.
- Continued discussions with various domestic and international coal producers, mine operators and power plant operators about our technology and its potential application.

### Factors Affecting Results of Operations

Our operating expenses include the following:

- Consulting expenses, which consist primarily of amounts paid for technology development and design and engineering services;
- General and administrative expenses, which consist primarily of salaries, commissions and related benefits paid to our employees, as well as office and travel expenses;
- Research and development expenses, which consist primarily of equipment and materials used in the development and testing of our technology; and
- Legal and professional expenses, which consist primarily of amounts paid for patent protections, audit, disclosure, and reporting services.

### Results of Operations

The following information should be read in conjunction with the financial statements and notes appearing elsewhere in this Report. We have generated limited revenues from inception to date. We are also in preliminary discussions with companies, business groups, consortiums in the USA and Asia to license our technology, which, if successful, could realize limited short-term revenue opportunities from the signing of technology licensing agreements. Royalty revenue is not estimated until approximately 16 -18 months after the successful testing of the plant, currently anticipated in the first quarter of fiscal 2016, and an EPC contract has been signed to build a commercial scale facility.

For the Three and Nine Months Ended September 30, 2015 and September 30, 2014

### Revenues

We have generated no revenues for the nine months ended September 30, 2015 and 2014. In the third quarter of fiscal 2012, we received an initial license fee of \$375,000 from Jindal paid pursuant to the signing of our coal testing plant construction contract. The balance of \$375,000 will be due upon the successful testing of the coal testing plant, anticipated in the first quarter of fiscal 2016. We do not anticipate additional license revenues until the coal testing plant has been successfully tested, and do not expect to receive any royalty fees for approximately 16 to 18 months after an EPC contract has been signed to build a commercial scale facility.

## Table of Contents

### Operating Expenses

Our operating expenses for the three months ended September 30, 2015 totaled \$2,312,931 and for the three months ending September 30, 2014 totaled \$626,025. Our operating expenses for the nine months ended September 30, 2015 totaled \$4,064,611 and for the nine months ending September 30, 2014 totaled \$2,553,760. The primary component of the operating expenses in these periods was for shares issued for services, officers' salaries, and consulting fees.

We recorded stock-based compensation consisting of common stock and options issued for services of \$2,872,155 for the nine months ended September 30, 2015, compared to \$785,936 for the nine months ended September 30, 2014.

### Employees

As of September 30, 2015, we had two full-time executives. President and CEO Robin Eves, Chief Operations Officer and Chief Financial Officer, Aiden Neary have written employment agreements.. Messrs. Eves received no compensation for his participation on the Board of Directors.

### Net Income/Loss

For the nine months ended September 30, 2015, we experienced net losses of \$56,031,246 compared to \$4,800,292 for the nine months ended September 30, 2014. For the three months ended September 30, 2015, we experienced net losses of \$44,951,004 compared to \$1,011,605 for the three months ended September 30, 2014. These losses were primarily due to derivative valuation losses.

We anticipate losses from operations will increase during the next six months due to costs associated with the test plant completion and testing, as well as anticipated increased payroll expenses as we add necessary staff and increases in legal and accounting expenses associated with maintaining a reporting company. We expect that we will continue to have net losses from operations until revenues from operating facilities become sufficient to offset operating expenses, unless we are successful in the sale of licenses for our technology once the test plant testing is complete expected in quarter one, 2016.

### Liquidity and Capital Resources

We have generated minimal revenues since inception. We have obtained cash for operating expenses through advances and/or loans from affiliates and stockholders, the sale of common stock, the issuance of loans and convertible debentures and the receipt of \$375,000 in license fees from Jindal as described above.

**Net Cash Used in Operating Activities.** Our primary source of operating cash during the nine months ended September 30, 2015, was borrowings on related party debt, third party debt and convertible debt. Our primary uses of funds in operations were the payment of professional and consulting fees, construction of test facility and general operating expenses.

Net cash used in operating activities, was \$638,580 for the nine months ended September 30, 2015 compared to net cash used of \$976,876 for the same period in 2014. Non-cash items for the nine months ended September 30, 2015 totaled \$54,838,788 and consisted of amortization of debt discounts, stock-based compensation, loan default and standstill expense and a loss on the change in the fair value of derivative liabilities.

**Net Cash Used In Investing Activities.** Net cash used in investing activities for the nine months ended September 30, 2015 consisted of \$1,370,370 paid for the construction of the testing plant. This compares to \$12,471 paid for the construction of the testing plant during the nine months ended September 30, 2014.

Net Cash Provided by Financing Activities. Net cash provided by financing activities during the nine months ended September 30, 2015 totaled \$2,112,497 consisting of borrowings on convertible debt \$2,989,000 and borrowings on related party debt of \$50,000 offset by payments on convertible debt of \$879,303 and payments on related party debt of \$47,200.

#### Cash Position and Outstanding Indebtedness

Our total indebtedness at September 30, 2015 was \$61,758,096 which consists of current liabilities of \$61,560,852 and long term liabilities of \$197,244. Current liabilities consist primarily of accounts payable, accounts payable to related parties, accrued liabilities, short-term debt, convertible debt, related party debt and derivative liabilities. At September 30, 2015, we had current assets of \$104,677 in cash. Our working capital deficit at September 30, 2015 was \$61,456,175. We had construction in progress of \$4,755,518 as of September 30, 2015.

Table of Contents

## Contractual Obligations and Commitments

The following table summarizes our contractual cash obligations and other commercial commitments at September 30, 2015.

|                                    | Total    | Payments due by period |              |              |               |
|------------------------------------|----------|------------------------|--------------|--------------|---------------|
|                                    |          | Less than<br>1 year    | 1 to 3 years | 3 to 5 years | After 5 years |
| Facility lease (1)                 | \$ 4,172 | \$ 4,172               | \$ -         | \$ -         | \$ -          |
| Total contractual cash obligations | \$ 4,172 | \$ 4,172               | \$ -         | \$ -         | \$ -          |

(1) Our New York office lease commencing February, 2014, is on a month to month, at a rate of \$4,172 per month.

SAIC Energy Environment & Infrastructure (SEE&I), our engineering consultant has tentatively estimated construction costs for each one million short ton coal complete cleaning facility of approximately \$120 million (excluding land costs) or costs for a similar size Pristine-M-only facility of approximately \$45-50 million (excluding land costs). Under the terms of our consulting agreement with SEE&I, we are obligated to pay to SEE&I a fee representing five percent of all gross revenues received by us from the sale of our technology, the operation of franchised plants utilizing the technology, or revenue received on any other basis that is related to the technology. This fee will remain in effect for a period of 15 years, commencing from the date that we receive our initial revenue stream from operations. All intellectual property rights associated with new art developed by SEE&I remain our property, however SEE&I would have a "right to use" the intellectual property provided it is deployed in non-competitive projects.

Construction of the test plant in Oklahoma is complete and the plant was moved to the test facility at AES site in Oklahoma in quarter four 2015. Commissioning of the test facility started in November, 2015 with full coal testing expected to commence in January, 2016. As at September 30, 2015 we have paid \$4,755,518 towards the plant and initial setup for the testing facility and estimate completion, moving the test facility to AES and testing will require an additional \$1,700,000. An additional estimated \$750,000 is required to transport the test plant to a permanent location when testing is complete.

Based on our current operational costs and including the capital requirements for our project deployments, we estimate we will need a total of approximately \$3,000,000 to fund the Company for the balance of fiscal year 2015 and an additional \$5,000,000 to continue for the following fiscal year (2016) or until an initial commercial plant is up and running. We will need some interim funding until the test plant is operational. We are also actively pursuing technology license and royalty agreements in order to begin construction of other facilities without incurring the capital costs associated with the construction of future plants.

## Off-Balance Sheet Arrangements

We have not and do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of establishing off-balance sheet arrangements or other contractually narrow or limited purposes. Therefore, we do not believe we are exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to changes in prevailing market interest rates affecting the return on our investments but do not consider this interest rate market risk exposure to be material to our financial condition or results of operations. We invest primarily in United States Treasury instruments with short-term (less than one year) maturities. The carrying amount of these investments approximates fair value due to the short-term maturities. Under our current policies, we do not use derivative financial instruments, derivative commodity instruments or other financial instruments to manage our exposure to changes in interest rates or commodity prices.

ITEM 4. CONTROLS AND PROCEDURES

As of September 30, 2015, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, management concluded that our financial disclosure controls and procedures were not effective due to our limited internal resources and lack of ability to have multiple levels of transaction review. There is a lack of appropriate segregation of duties within the Company, there is no management oversight, no control documentation being produced, and no one to review control documentation if it was being produced. As of September 30, 2015 we have two full time officers of the company.

There were no changes in disclosure controls and procedures that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially effect, our disclosure controls and procedures. We do not expect to implement any changes to our disclosure controls and procedures until there is a significant change in our operations or capital resources.

We closed our Accounting office in Florida in 2014 and have moved all accounting functions to New York. This was done to streamline our accounting process and reduce overall costs. It is anticipated that the accounting function of the company will have additional accounting and control staff in the first quarter, 2016.



Table of Contents

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We were served with a Statement on or about January 23, 2013 in an international arbitration proceeding titled Beijing Deheng Law Firm v. Clean Coal Technologies, Inc., #x20230033, filed with the China International Economic and Trade Arbitration Commission (“CIETAC”). The Beijing Deheng Law Firm (“Deheng”) has filed a claim against the Company for alleged breach of a Settlement Agreement to pay legal fees and costs. As a result of the arbitration, in September 2013, CIETAC awarded the Deheng Law Firm approximately \$146,000 representing legal fees, arbitration fees and costs, plus interest of \$36,002 giving a total of \$176,002. In December 2015, the Company paid Deheng the final installment of this balance and this issue is now closed and the company has received a release from Deheng.

We were named as a defendant in a lawsuit filed by a shareholder in the 15th Judicial Circuit Court in and for West Palm Beach County, Florida, Case No. 50 2010CA 028706XXXX MB on or about November 24, 2010. The Company has vigorously defended this action that the Company and its litigation counsel regard as absolutely frivolous, baseless and without merit. In August 2013, attorneys for the plaintiff filed a Fourth Amended Complaint. In December 2013, the Court dismissed one count of the amended complaint but plaintiff’s attorneys filed a request to file a fifth amendment. In January 2014, our attorneys filed a memorandum objecting to the motion to amend. We will continue to vigorously defend the action and we do not believe that the action will be materially adverse to the company. Our attorneys have put the plaintiff’s counsel on notice of our intent to seek sanctions against both the plaintiff, and the plaintiff’s counsel pursuant to Florida Statute Sec.57.105. Further, we have moved to dismiss the action on the basis that the Plaintiff has procedurally, factually, and legally failed to state a cause of action up which relief can be granted.

We were named as a defendant in a lawsuit filed on or about October 19, 2009, in the 17th Judicial Circuit in and for Broward County, Florida, Case No. 09-56739 (09). The suit is a dispute for damages arising from a breach of contract involving an unrelated company, but naming Clean Coal. On February 9, 2010, Clean Coal was successful in filing a motion to dismiss the Company and its then- President & CEO, Douglas Hague from this case. The case was re-filed under the same case number in November 2013 but dismissed without prejudice again in January 2014. In March 2015, the company agreed to settle this outstanding case to avoid additional legal fees. A settlement amount of \$40,000 was agreed by both parties. As at December 31, 2015 this balance was paid and this case is now closed. The company has received a release regarding this matter.

We were named as a defendant in a lawsuit filed by a shareholder in December 2013 in the 17th Judicial Circuit in and for Broward County, Florida, Case No. 12-030351(05). The suit alleges misrepresentations regarding removal of restricted legends on stock certificates and misapplication by the Company of securities regulations and laws regarding legend removal. In July 2015 the seventeenth judicial court in and for Broward County, Florida dismissed this case for lack of prosecution.

ITEM 1A. RISK FACTORS

For information regarding risk factors, see “Part I. Item 1A. Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In January 2015, the company issued a total of 2,288,909 shares to Mr. Neary for services rendered and also in his efforts to support the financial situation of the company.

Edgar Filing: Clean Coal Technologies Inc. - Form 10-Q

In January 2015, the company issued a total of 2,349,143 shares to Mr. Ponce de Leon for services rendered and also in his efforts to support the financial situation of the company.

In January 2015, the company issued a total of 3,556,286 shares to Mr. Eves for services rendered and also in his efforts to support the financial situation of the company.

In January 2015, the company issued a total of 330,000 shares to Mr. Younger for services rendered as a director.

In January 2015, the company issued a total of 234,000 shares to Mr. Lapomardo for services rendered for the company.

In February 2015, the company issued a total of 1,270,325 shares to extinguish a \$50,000 outstanding note

In May 2015, the company issued a total of 550,000 shares to Olive Tree Investments for IR services.

In May 2015, the company issued a total of 275,000 shares to One Equity Research for research.

Table of Contents

In June 2015, the company issued a total of 550,000 shares to 802 Investments in connection with the issuance of a convertible note of \$250,000.

In July 2015, the company issued 73,529 shares to Cor Prominence as part of their agreement for IR coverage.

In August 2015, the company issued Mr. Ponce de Leon 2,000,000 shares as part of his retirement package from the company.

In August 2015, the company issue Mr. Eves 2,000,000 shares in recognition of achieving internal milestones regarding the test facility fabrication.

In August 2015, the company issued Mr. Neary 2,000,000 shares in recognition of achieving internal milestones regarding the test facility fabrication.

In August 2015, the company issued Mr. Eves and Mr. Neary 750,000 shares each upon renewing their employment contract.

In September 2015, the company issued Olive Tree Investments a total of 550,000 shares for IR services.

In September 2015, the company issued One Equity Research 275,000 shares for research

The above shares were issued in reliance on the exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and the regulations promulgated thereunder. The issuances were for services, interest on loans and investment, respectively. The transactions were privately negotiated and did not involve any kind of public solicitation.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. OTHER INFORMATION

ITEM 6. EXHIBITS

EXHIBIT DESCRIPTION  
NO.

|         |                                                                                                                                  |
|---------|----------------------------------------------------------------------------------------------------------------------------------|
| 31      | <u>CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER<br/>PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.</u> |
| 32      | <u>CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER<br/>PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.</u> |
| 101.INS | XBRL Instance Document                                                                                                           |
| 101.SCH | XBRL Taxonomy Extension Schema Document                                                                                          |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document                                                                            |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document                                                                             |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document                                                                                  |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document                                                                           |



Table of Contents

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.

Clean Coal Technologies

Date: January 27, 2016

By:

/s/ Aiden Neary  
Aiden Neary  
Chief Financial Officer

