

Clean Coal Technologies Inc.  
Form 10-Q  
December 24, 2014

---

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, 2014

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 December 23, 2014: 40,773,536

---

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 CONDITION AND RESULTS OF OPERATIONS</u>	12
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	15
ITEM 4.	<u>CONTROLS AND PROCEDURES</u>	16
PART II - OTHER INFORMATION		
ITEM 1.	<u>LEGAL PROCEEDINGS</u>	17
ITEM 1A.	<u>RISK FACTORS</u>	17
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	17
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	18
ITEM 5.	<u>OTHER INFORMATION</u>	18
ITEM 6.	<u>EXHIBITS</u>	18
	<u>SIGNATURES</u>	19

---

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, 2014	December 31, 2013
<b>ASSETS</b>		
Current Assets		
Cash	\$ 1,237	\$ 35,642
Total Current Assets	1,237	35,642
Construction in progress	3,212,944	3,200,473
Total Assets	\$ 3,214,181	\$ 3,236,115
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable	\$ 937,101	\$ 791,939
Accounts payable to related parties	-	262,652
Accrued liabilities	1,382,928	2,275,718
Debt, net of unamortized discounts of \$0 and \$28,298	413,185	404,890
Convertible debt, net of unamortized discounts of \$458,409 and \$374,091	904,463	1,084,382
Debt owed to related parties, net of unamortized discounts of \$0 and \$107	-	20,198
Derivative liabilities	714,505	355,281
Total Current Liabilities	4,352,182	5,195,060
Stockholders' Deficit:		
Common stock, \$0.00001 par value; 45,000,000 shares authorized, 40,773,536 and 25,922,202 shares issued and outstanding, respectively	408	259
Additional paid-in capital	218,909,104	213,288,017
Accumulated deficit	(220,047,513)	(215,247,221)
Total Stockholders' Deficit	(1,138,001)	(1,958,945)
Total Liabilities and Stockholders' Deficit	\$ 3,214,181	\$ 3,236,115

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,	
	2014	2013	2014	2013
Operating Expenses:				
General and administrative	\$ 453,987	\$ 353,637	\$ 1,166,239	\$ 1,069,287
Consulting services	172,038	394,875	1,387,521	2,477,244
Loss from Operations	(626,025)	(748,512)	(2,553,760)	(3,546,531)
Other Income (Expenses):				
Interest expense	(574,376)	(34,750)	(1,340,858)	(132,951)
Gain (Loss) on change in fair value of derivative liabilities	188,796	(9,578)	(905,674)	(9,578)
Total Other Income (Expenses)	(385,580)	(44,328)	(2,246,532)	(142,529)
Net Loss	\$ (1,011,605)	\$ (792,840)	\$ (4,800,292)	\$ (3,689,060)
Net loss per share - basic and diluted	\$ (0.03)	\$ (0.03)	\$ (0.15)	\$ (0.15)
Weighted average shares outstanding - basic and diluted	38,245,155	25,472,215	31,627,505	24,938,031

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, 2014  
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Stockholders' Deficit
Balances at December 31, 2013	25,922,202	\$ 259	\$ 213,288,017	\$ (215,247,221)	\$ (1,958,945)
Common stock issued for services	1,851,428	19	766,423	-	766,442
Common stock issued for conversion of debt	8,362,339	84	1,430,455	-	1,430,539
Common stock issued for accrued liabilities	5,132,753	51	1,539,775	-	1,539,826
Common stock issued with debt	21,429	-	8,319	-	8,319
Common stock returned to the Company and cancelled	(516,614)	(5)	5	-	-
Reclassification of warrants as derivative liabilities	-	-	(6,026)	-	(6,026)
Options expense	-	-	19,494	-	19,494
Resolution of derivative liabilities	-	-	1,599,990	-	1,599,990
Forgiveness of related party accounts payable	-	-	262,652	-	262,652
Net loss	-	-	-	(4,800,292)	(4,800,292)
Balances at September 30, 2014	40,773,536	\$ 408	\$ 218,909,104	\$ (220,047,513)	\$ (1,138,001)

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 September 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (4,800,292)	\$ (3,689,060)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation expense	-	128
Amortization of debt discounts	1,302,111	98,887
Shares issued for services	766,442	737,955
Option expense	19,494	798,923
Loss on change in fair value of derivative liabilities	905,674	9,578
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	-	62,079
Accounts payable	145,161	239,003
Accounts payable - related party	-	135,527
Accrued expenses	684,534	130,023
<b>Net Cash Used in Operating Activities</b>	<b>(976,876)</b>	<b>(1,476,957)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid for construction in progress	(12,471)	(2,349,500)
<b>Net Cash Used in Investing Activities</b>	<b>(12,471)</b>	<b>(2,349,500)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from the sale of common stock	-	842,500
Borrowings on debt	15,527	-
Borrowings on convertible debt	1,074,500	150,000
Borrowings on related party debt	29,017	476,405
Payments on related party debt	(49,322)	(14,500)
Payments on convertible debt	(79,250)	-
Payments on debt	(35,530)	(157,500)
<b>Net Cash Provided by Financing Activities</b>	<b>954,942</b>	<b>1,296,905</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(34,405)</b>	<b>(2,529,552)</b>
CASH AND CASH EQUIVALENTS - beginning of period	35,642	2,575,087
<b>CASH AND CASH EQUIVALENTS - end of period</b>	<b>\$ 1,237</b>	<b>\$ 45,535</b>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	-	-
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Common stock issued with debt	\$ 8,319	\$ 182,192
Common stock issued for conversion of debt and interest	1,430,539	-
Common stock issued for conversion of accrued liabilities	1,539,826	5,780
Deferred financing cost accrued	-	12,000



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

Reclassification of warrants as derivative liabilities	6,026	-
Resolution of derivative liabilities	1,599,990	-
Debt discounts due to derivative liabilities	647,514	-
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 2013 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, 2014 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 \$3,212,944 as of September 30, 2014 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 a designated site in Oklahoma, is estimated at \$5,000,000. Commissioning of the test plant is expected during the first quarter of 2015. The Company awaits the final round of funding in order to complete the test plant

NOTE 4: RELATED PARTY TRANSACTIONS

During September 2014, the previously unpaid services provided by a former Officer and Director of the Company totaling \$262,652 was removed as a liability through mutual consent and with no financial settlement required by Clean Coal Technologies Inc. The forgiveness of the accounts payable was recorded as a capital contribution. The outstanding balance or accounts payable to related parties was \$0 and \$262,652 as of September 30, 2014 and December 31, 2013, respectively.

During the nine months ended September 30, 2014, the company borrowed an aggregate of \$29,017 from Officers and Directors and issued 21,429 common shares in connection with the borrowings. The relative fair value of the shares was determined to be \$8,319 and was recorded as a discount to the associated note and was fully amortized to interest expense during the nine months ended September 30, 2014. As of September 30, 2014 and December 31, 2013, the aggregate outstanding balance of note payable to Officers and Directors was \$0 and \$20,198, respectively, net of unamortized discounts of \$0 and \$107, respectively. The Company made payments totaling \$49,322 on related party debt during the nine months ended September 30, 2014. The notes are unsecured, bear interest between 0% and 10% per annum and are due on demand. Aggregate amortization of debt discounts on related party debt for the nine months ended September 30, 2014 was \$8,426.

In September 2014, Mr. Aiden Neary and Mr. Robin Eves returned common shares back to the Company of 247,527 and 269,087 respectively. These shares were returned to the company to facilitate conversions by the convertible note holders and were returned at no cost to the Company.

Table of Contents

NOTE 5: DEBT

Convertible Debt

As of December 31, 2013, the Company had outstanding convertible notes payable of \$1,084,382, net of unamortized discounts of \$374,091. Through the nine months ended September 30, 2014, the company borrowed an aggregate of \$1,074,500, net of original issue discounts of \$302,190, under convertible notes payable and issued an aggregate of 8,362,339 common shares for the conversion of \$1,430,539 in convertible debt and accrued interest. Through the nine months to September, the company repaid two convertible notes totaling \$79,250. As of September 30, 2014, the Company had outstanding convertible notes payable of \$904,463, net of unamortized discounts of \$458,409. The outstanding convertible notes of the Company are unsecured, bear interest between 8% and 12% per annum, mature between October 2014 and March 2015 and are convertible at fixed rates between \$0.735 and \$1.05 per share or at variable rates between 58% and 75% of the quoted market price of the Company's common stock. All notes that were convertible during the nine months ended September 30, 2014 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, 2014 was \$1,265,387.

Nonconvertible Debt

As of December 31, 2013, the Company had outstanding notes payable to third parties of \$404,890, net of unamortized discounts of \$28,298. During the nine months ended September 30, 2014, the Company borrowed an aggregate of \$15,527 under notes payable to third parties and made aggregate cash payments of \$35,530 on third party notes payable. As of September 30, 2014, the Company had outstanding notes payable to third parties of \$413,185, net of unamortized discounts of \$0. The notes payable of the Company are unsecured, bear no interest and are due on demand. Aggregate amortization of the debt discounts on third party notes payable for the nine months ended September 30, 2014 was \$28,298.

NOTE 6: DERIVATIVE LIABILITIES

During 2013, notes issued by the Company became convertible and qualified as derivative liabilities under ASC 815. As a result of the convertible notes outstanding, in 2013, an aggregate of 142,856 previously issued nonemployee common stock options and 310,863 previously issued common stock warrants became tainted under ASC 815 and were reclassified from equity to derivative liabilities.

As of December 31, 2013, the aggregate fair value of the outstanding derivative liabilities was \$355,281. During the nine months ended September 30, 2014, additional convertible notes with an aggregate principal amount of \$1,074,500 became convertible. The fair value of the conversion options associated with these notes was determined to be \$821,100 of which \$647,514 was recorded as a discount to the notes and \$173,586 was expensed as a loss on derivative liabilities. Also during the nine months ended September 30, 2014, an additional 38,571 previously issued common stock warrants became tainted under ASC 815. The fair value of these warrants was determined to be \$6,026 and was reclassified from equity to derivative liabilities. In addition, during the nine months ended September 30, 2014, the Company granted 4,180,000 warrants with convertible debt. These warrants are tainted under ASC 815. The fair value of these warrants associated with the notes was determined to be \$855,440 of which \$400,000 was recorded as a discount to the notes and \$455,440 was expensed as a loss on derivative liabilities. Also during the nine months ended September 30, 2014, convertible notes with an aggregate principal amount of \$1,393,041 and accrued interest of \$37,498 were converted into common shares. The fair value of the derivative liabilities associated with these converted notes was determined to be \$1,599,990 on the dates of conversion. This amount was reclassified from derivative liabilities to stockholder's deficit as resolution of derivative liabilities. As of September 30, 2014, the aggregate fair value of the outstanding derivative liabilities was \$714,505. For the nine months ended September 30,

2014, the net loss on derivative liabilities was \$905,674.

The Company estimated the fair value of the derivative liabilities using the Black-Scholes option pricing model and the following key assumptions during 2014 and 2013:

	2014	2013
Expected dividends	-%	-%
	0.04 -	0.17 -
Expected term (years)	4.42	5.01
	71% -	105% -
Volatility	199%	155%
	0.07% -	0.09% -
Risk-free rate	1.82%	1.34%

Table of Contents

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.

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, 2014 and December 31, 2013:

	Level 1	Level 2	Level 3	Total
September 30, 2014:				
Derivative liabilities	\$ -	\$ -	\$ 714,505	\$ 714,505
December 31, 2013:				
Derivative liabilities	\$ -	\$ -	\$ 355,281	\$ 355,281

The below table presents the change in the fair value of the derivative liabilities during the nine months ended September 30, 2014:

Fair value as of December 31, 2013	\$ 355,281
Fair value on the dates of issuance recorded as debt discounts	1,047,514
Fair value on the dates of issuance recognized as loss on derivatives	629,026
Fair value on the dates of issuance reclassified from equity	6,026
Resolution of derivative liabilities	(1,599,990)
Loss on change in fair value of derivatives	276,648
Fair value as of September 30, 2014	\$ 714,505

## NOTE 7: COMMITMENTS

In August 2013, the Company entered into a consulting agreement with Consultants Worldwide, LLC. The agreement has a term of 1 year and under the terms of the agreement; the Company will be required to pay the consultant a fee of 5% of the gross funding amount of all fundings brought to the Company by the consultant.

During October 2013, the Company entered into a consulting agreement for services related to business development in South Korea. The Company granted the consultant 1,000,000 fully vested common shares upon the signing of the agreement. Over the term of the agreement, the Company will pay a monthly cash retainer of \$7,500. Upon any agreement brought by the consultant that results in future revenues, the Company will be required to issue the consultant 1,000,000 additional common shares. The Company will also be required to pay the consultant a fee of 5% and issue the consultant 1,000,000 or 2,000,000 common stock warrants for any funding transaction brought to the Company by the consultant in excess of \$2,000,000 or \$5,000,000, respectively.

#### NOTE 8: EQUITY TRANSACTIONS

##### Common Stock

In April 2014, the Company effected a 35 to 1 reverse stock split. The Company also amended its authorized common shares on the same day to be 45,000,000 common shares. All share and per share amounts herein have been retroactively restated to reflect the split.

During the nine months ended September 30, 2014, the Company issued an aggregate of 8,362,339 common shares for the conversion of convertible debt and accrued interest of \$1,430,539.

Table of Contents

During the nine months ended September 30, 2014, the Company issued an aggregate of 1,851,428 for services valued at \$766,442.

During the nine months ended September 30, 2014, the Company issued an aggregate of 5,132,753 common shares for the conversion of accrued liabilities of \$1,539,826.

In September 2014, Mr. Aiden Neary and Mr. Robin Eves returned common shares back to the Company of 247,527 and 269,087 respectively. These shares were returned to the company to facilitate conversions by the convertible note holders and were returned at no cost to the Company.

During the nine months ended September 30, 2014, the company borrowed an aggregate of \$29,017 from Officers and Directors and issued 21,429 common shares in connection with the borrowings. The relative fair value of the shares was determined to be \$8,319 and was recorded as a discount to the associated note and was fully amortized to interest expense during the nine months ended September 30, 2014.

On November 26, 2013 the Company entered into a two year executive employment agreement with Aiden Neary under which Mr. Neary was granted an aggregate of 285,714 common shares. 142,857 of the shares vest on the date of grant and 142,857 of the shares vest on November 26, 2014. The issuance of the shares is contingent upon the Company completing a reverse split of the common stock of the Company which was effected in April 2014. The fair value of the award was determined to be \$300,000 and is it being recognized over the vesting period. During the nine months ended September 30, 2014, the Company recognized \$112,192 under this award. \$23,424 will be recognized over the remaining vesting period through November 26, 2014. This amount recognized is included as common stock issued for services in the statement of stockholders' deficit.

## Options

Total stock option expense was \$19,494 for the nine months ended September 30, 2014. As of September 30, 2014, there was no unamortized options expense.

A summary of stock option activity for the nine months ended September 30, 2014 is as follows:

	Options	Weighted Average Exercise Price
Outstanding - December 31, 2013	942,857	\$ 5.24
Granted	-	-
Forfeited/canceled	(228,571)	7.00
Exercised	-	-
Outstanding – September 30, 2014	714,286	\$ 4.68
Exercisable – September 30, 2014	714,286	\$ 4.68

The range of exercise prices and the weighted average remaining life of the outstanding options as of September 30, 2014 was \$1.05 to \$12.25 per share and 4.74 years, respectively. The intrinsic value of the exercisable options as of September 30, 2014 was \$0.



Table of Contents

## Warrants

The following table presents the stock warrant activity during the three months ended September 30, 2014:

	Warrants	Weighted Average Exercise Price
Outstanding - December 31, 2013	349,434	\$ 1.75
Granted	4,180,000	0.50
Forfeited/canceled	-	-
Exercised	-	-
Outstanding – September 30, 2014	4,529,434	\$ 0.60
Exercisable – September 30, 2014	4,529,434	\$ 0.60

The exercise prices and the weighted average remaining life of the outstanding warrants as of September 30, 2014 was \$0.50 to \$1.75 and 4.85 years, respectively. The intrinsic value of the exercisable warrants as of September 30, 2014 was \$0.

## NOTE 9: SUBSEQUENT EVENTS

In October 2014, the Company borrowed an additional \$78,750 under a convertible note. The note is unsecured, and has a term of twelve months, bears interest at 8% Per annum and is convertible to common stock at a 40% discount to the average quoted three lowest closing price of the Company's common stock for the 10 days preceding the date of conversion.

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 pilot 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.

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.

## Table of Contents

Pristine-M. Construction of pilot plant in Oklahoma underway with completion and testing currently anticipated in the first quarter of fiscal 2015, subject to receipt of adequate funding. We have paid \$3,212,944 towards the plant and preparation work for the testing and estimated completion will require an additional \$1,300,000. An additional estimated \$700,000 is required to transport the test plant to AES and complete independent testing.

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

## Business Outlook

- Jindal Steel & Power expected to contract first commercial plant in the first quarter 2015 if pilot 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 pilot 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 fourth quarter of fiscal 2014, and an EPC contract has been signed to build a commercial scale facility.

For the Three and Nine Months Ended September 30, 2014 and September 30, 2013

## Revenues

We have generated no revenues for the nine months ended September 30, 2014 and 2013. 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 pilot plant construction contract. The balance of \$375,000 will be due upon the successful testing of the pilot plant, anticipated in the first quarter of fiscal 2015. We do not anticipate additional license revenues until the pilot 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.

#### Operating Expenses

Our operating expenses for the three months ended September 30, 2014 totaled \$626,025 and for the three months ending September 30, 2013 totaled \$748,512. Our operating expenses for the nine months ended September 30, 2014 totaled \$2,553,760 and for the nine months ending September 30, 2013 totaled \$3,546,531. 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 options expense and common stock issued for services of \$785,936 for the nine months ended September 30, 2014, compared to \$1,641,423 for the nine months ended September 30, 2013.

## Table of Contents

### Employees

As of September 30, 2014, we had three full-time executives, and one full-time administrative employee. President and CEO Robin Eves, Chief Operations Officer, Ignacio Ponce de Leon and Chief Financial Officer, Aiden Neary have written employment agreements.. Messrs. Eves and Ponce de Leon received no compensation for their participation on the Board of Directors. In September 2014, we closed our accounting office in Florida and we terminated our consulting agreement with Mr C.J Douglas and our administrative assistant. The accounting function has moved to our NY office under our CFO, Aiden Neary

### Net Income/Loss

For the nine months ended September 30, 2014, we experienced net losses of \$4,800,292 compared to \$3,689,060 for the nine months ended September 30, 2013. For the three months ended September 30, 2014, we experienced net losses of \$1,011,605 compared to \$792,840 for the three months ended September 30, 2013.

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 for several years 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 pilot plant testing is complete.

### 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, 2014, 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 and general operating expenses.

Net cash used in operating activities, was \$976,876 for the nine months ended September 30, 2014 compared to net cash used of \$1,476,957 for the same period in 2013. Non-cash items for the nine months ended September 30, 2014 totaled \$2,993,721 and consisted of amortization of debt discounts, stock-based compensation and options 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, 2014 consisted of \$12,471 paid for the construction of the testing plant. This compares to \$2,349,500 paid for the construction of the testing plant during the nine months ended September 30, 2013.

**Net Cash Provided by Financing Activities.** Net cash provided by financing activities during the nine months ended September 30, 2014 totaled \$954,942 consisting of borrowings on debt of \$15,527, borrowings on convertible debt \$1,074,500 and borrowings on related party debt of \$29,017 offset by payments on debt of \$35,530, convertible debt of \$79,250 and payments on related party debt of \$49,322.

### Cash Position and Outstanding Indebtedness

Our total indebtedness at September 30, 2014 was \$4,352,182 which consists entirely of current liabilities. 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, 2014, we had current assets of \$1,237 in cash. Our working capital deficit at September 30, 2014 was \$4,350,945. We had construction in progress of \$3,212,944 as of September 30, 2014.

Table of Contents

## Contractual Obligations and Commitments

The following table summarizes our contractual cash obligations and other commercial commitments at September 30, 2014.

	Total	Payments due by period			
		Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Facility lease (1)	\$ 3,590	\$ 3,590	\$ -	\$ -	\$ -
Total contractual cash obligations	\$ 3,590	\$ 3,590	\$ -	\$ -	\$ -

(1) Our New York office lease commencing February, 2014, is on a month to month, at a rate of \$3,590 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 underway with completion and testing anticipated to be completed in the first quarter of fiscal 2015. We have paid \$3,212,944 towards the plant and initial setup for the testing facility and estimate completion will require an additional \$1,300,000. An additional estimated \$700,000 is required to transport the test plant to AES and complete independent testing. We are currently awaiting the final funding to complete the test plant.

Based on our current operational costs and including the capital requirements for our project deployments, we estimate we will need a total of approximately \$4,000,000 to fund the Company for the balance of fiscal year 2014 and an additional \$5,000,000 to continue for the following fiscal year (2015) or until an initial commercial plant is up and running. Assuming we succeed in testing our plant, we believe we will have sufficient funding to meet both the additional costs of the test plant construction and funding for our operations through fiscal 2015, although we 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.

## 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.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

As of September 30, 2014, 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, 2014, we have three full time officers of the company. In November, 2013, we employed a Chief Financial Officer who is in the process of implementing financial controls creating a segregation of duties within 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 and have moved all accounting functions to New York. This was done to streamline our accounting process and reduce overall costs

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 \$36,000 giving a total of \$176,002. In July 2014, the Company agreed a payment structure with Deheng Law Firm and has to date paid three installments of \$25,000 each totaling \$75,000. The remaining balance is due under scheduled payments completing on December 31, 2014.

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. 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. The Company is defending the claims but believe they are without merit.

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. The Company is evaluating the claims but believes they are without merit.

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, 2013.

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

In September 2014, Mr. Eves and Mr. Neary returned shares to the company which were previously awarded in exchange for accrued salary totaling Mr. Eves 269,087 and Mr. Neary 247,527 at no cost to the Company.

During the three months ended September 30, 2014, we issued an aggregate of 5,629,839 common shares to note holders for the conversion of convertible debt and accrued interest totaling \$462,696.

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.

Table of Contents

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 PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.</u>
32	<u>CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER 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: December 23, 2014

By:

/s/ Aiden Neary  
Aiden Neary  
Chief Financial Officer

