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

For the quarterly period ended: June 30, 2015

o 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	26-1079442
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
295 Madison Avenue (12th Floor), New York, NY	10017
(Address of principal executive offices)	(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 x and (2) has been subject to such filing requirements for the past 90 days. No x

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

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company x

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

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

Table of Contents

TABLE OF CONTENTS

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)

	June 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash	$ 34,667	$ 1,130
Total Current Assets	34,667	1,130
Construction in progress	4,161,304	3,212,944
Total Assets	$ 4,195,971	$ 3,214,074
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$ 1,247,029	$ 1,020,470
Accrued liabilities	2,839,791	2,400,145
Debt	413,185	413,185
Current portion of convertible debt, net of unamortized discounts of $326,235 and $246,615	1,358,999	1,500,765
Debt owed to related parties	2,800	-
Derivative liabilities	12,284,768	1,765,695
Total Current Liabilities	18,146,572	7,100,260
Convertible debt, net of unamortized discounts of $1,622,882 and $0	25,471	-
Total Liabilities	18,172,043	7,100,260
Stockholders' Deficit:		
Common stock, $0.00001 par value; 150,000,000 shares authorized, 51,797,414 and 40,393,751 shares issued and outstanding, respectively	518	404
Additional paid-in capital	219,925,905	218,935,664
Accumulated deficit	(233,902,495)	(222,822,254)
Total Stockholders' Deficit	(13,976,072)	(3,886,186)
Total Liabilities and Stockholders' Deficit	$ 4,195,971	$ 3,214,074

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

3

Table of Contents

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

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Operating Expenses:				
General and administrative	$ 417,068	$ 382,614	$ 742,874	$ 712,252
Consulting services	238,375	223,102	1,008,445	1,215,483
Loss from Operations	(655,443)	(605,716)	(1,751,319)	(1,927,735)
Other Income (Expenses):				
Interest expense and standstill fee	(517,760)	(472,574)	(677,107)	(766,482)
Loss on change in fair value of derivative liabilities	(8,089,701)	(1,118,596)	(8,651,815)	(1,094,470)
Total Other Income (Expenses)	(8,607,461)	(1,591,170)	(9,328,922)	(1,860,952)
Net Loss	$ (9,262,904)	$ (2,196,886)	$ (11,080,241)	$ (3,788,687)
Net loss per share - basic and diluted	$ (0.18)	$ (0.12)	$ (0.22)	$ (0.08)
Weighted average shares outstanding - basic and diluted	50,905,930	30,459,796	49,708,073	28,263,837

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

Table of Contents

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Stockholders' Deficit
Balances at December 31, 2014	40,393,751	$ 404	$ 218,935,664	$ (222,822,254)	$ (3,886,186)
Common stock issued for services	9,583,338	96	842,884	-	842,980
Common stock issued for 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	-	-	-	(11,080,241)	(11,080,241)
Balances at June 30, 2015	51,797,414	$ 518	$ 219,925,905	$ (233,902,495)	$ (13,976,072)

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

Table of Contents

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

	Six Months Ended June 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (11,080,241)	$ (3,788,687)
Adjustment to reconcile net loss to net cash used in operating activities:		
Amortization of debt discounts	376,950	738,791
Loan default and standstill fees added to principal	300,157	-
Shares issued for services	842,980	728,633
Option expense	-	19,494
Loss on change in fair value of derivative liabilities	8,651,815	1,094,470
Changes in operating assets and liabilities:		
Accounts payable	226,559	216,564
Accrued expenses	404,846	681,229
Net Cash Used in Operating Activities	(276,934)	(309,506)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for construction in progress	(873,026)	(12,471)
Net Cash Used in Investing Activities	(873,026)	(12,471)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on debt	-	15,527
Borrowings on convertible debt, net of original issue discounts	1,886,000	292,000
Borrowings on related party debt	50,000	29,017
Payments on related party debt	(47,200)	(30,000)
Payments on debt and convertible debt	(705,302)	(20,000)
Net Cash Provided by Financing Activities	1,183,498	286,544
NET CHANGE IN CASH AND CASH EQUIVALENTS	35,537	(35,433)
CASH AND CASH EQUIVALENTS - beginning of period	1,130	35,642
CASH AND CASH EQUIVALENTS - end of period	$ 34,667	$209
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ -	$ 19,775
Cash paid for income taxes	-	-
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued with debt	$ 97,375	$ 8,319
Common stock issued for conversion of debt and interest	50,000	967,793
Common stock issued for conversion of accrued liabilities	-	1,539,826
Reclassification of warrants as derivative liabilities	-	6,026
Resolution of derivative liabilities	-	656,622
Debt discounts due to derivative liabilities	1,867,258	565,080
Capitalized interest	75,334	-

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

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 June 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 $4,161,304 as of June 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 $2,200,000 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 six months ended June 30, 2015, $873,026 was paid towards the construction of the plant and interest of $75,334 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 $2,427,906 and $1,998,337 as of June 30, 2015 and December 31, 2014, respectively.

During the six months ended June 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 June 30, 2015 the outstanding balance of this note was $2,800 with $47,200 having been repaid.

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. During the six months ended June 30, 2015, the company borrowed an aggregate of $1,886,000, 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. 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. As of June 30, 2015, the Company had outstanding convertible notes payable of $1,384,470, net of unamortized discounts of $1,949,117. Of the outstanding balance as of June 30, 2015, $1,358,999, net of unamortized discounts of $326,235, 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 July 2015 and May 2018 and are convertible into common stock at fixed rates between $0.08 and $0.825 per share and at variable rates between 55% and 75% of the quoted market price of the Company's common stock. In addition, $1,648,353 of the notes issued during the six months ended June 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 six months ended June 30, 2015 were accounted for as derivative liabilities (see Note 6). Aggregate amortization of the debt discounts on convertible debt for the six months ended June 30, 2015 was $417,484 of which $40,534 was capitalized as construction in progress.

Nonconvertible Debt

As of March 31, 2015, the Company had outstanding notes payable to former affiliates of the Company of $413,185. The notes payable of the Company are unsecured, bear no interest and are due on demand.

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. During the six months ended June 30, 2015, the Company borrowed an additional $1,886,000, net of original issuance discounts, under convertible notes. Also during the six months ended June 30, 2015, convertible notes with an aggregate principal amount of $50,000 were converted into common shares. As of June 30, 2015, the aggregate fair value of the outstanding derivative liabilities was $12,284,768. For the six months ended June 30, 2015, the net loss on the change in fair value of derivative liabilities was $8,651,815

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:

	2015	2014
Expected dividends	-%	-%
Expected term (years)	0.04 – 4.17	0.01 – 4.67
Volatility	156% - 237%	130% - 223%
Risk-free rate	%	%

0.03% - 1.37	0.01% - 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 June 30, 2015 and December 31, 2014:

	Level 1	Level 2	Level 3	Total
June 30, 2015:				
Derivative liabilities – convertible debt	$ -	$ -	$ 11,244,488	$ 11,244,488
Derivative liabilities – warrants	-	-	1,023,985	1,023,985
Derivative liabilities – nonemployee options	-	-	16,295	16,295
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 six months ended June 30, 2015:

Fair value as of December 31, 2014	$ 1,765,695
Fair value on the dates of issuance recorded as debt discounts	1,867,258
Fair value on the dates of issuance recognized as loss on derivatives	8,365,937
Fair value on the dates of issuance reclassified from equity	-
Resolution of derivative liabilities	-
Loss on change in fair value of derivatives	285,878
Fair value as of June 30, 2014	$ 12,284,768

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

During the six months ended June 30, 2015, the Company granted an aggregate of 9,583,338 common shares to various employees and directors for services rendered. The aggregate fair value of these awards was determined to be $842,980 and it was recognized as stock compensation during the six months ended June 30, 2015.

During the six months ended June 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 six months ended June 30, 2015 is as follows:

	Options		Weighted Average Exercise Price
Outstanding - December 31, 2014	714,286	$	4.68
Granted	-		-
Forfeited/canceled	-		-
Exercised	-		-
Outstanding – June 30, 2015	714,286	$	4.68
Exercisable – June 30, 2015	714,286	$	4.68

The range of exercise prices and the weighted average remaining life of the outstanding options as of June 30, 2015 was $1.05 to $12.25 per share and 3.99 years, respectively. The intrinsic value of the exercisable options as of June 30, 2015 was $0.

Table of Contents

Warrants

The following table presents the stock warrant activity during the six months ended June 30, 2015:

	Warrants	Weighted Average Exercise Price
Outstanding - December 31, 2014	4,529,434	$ 0.60
Granted	-	-
Forfeited/canceled	-	-
Exercised	-	-
Outstanding – June 30, 2015	4,529,434	$ 0.60
Exercisable – June 30, 2015	4,529,434	$ 0.60

The range of exercise prices and the weighted average remaining life of the outstanding warrants as of June 30, 2015 was $0.50 to $1.75 and 4.10 years, respectively. The intrinsic value of the exercisable warrants as of June 30, 2015 was $0.