

Clean Coal Technologies Inc.  
Form 10-Q  
May 11, 2017

---

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: March 31, 2017

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 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  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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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

filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer      Accelerated filer      Non-accelerated filer      Smaller reporting company  
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 11, 2017: 113,408,487

---

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>	10
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT 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 PROCEEDS</u>	16
ITEM 3. <u>DEFAULTS UPON SENIOR SECURITIES</u>	16
ITEM 5. <u>OTHER INFORMATION</u>	16
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)

	March 31, 2017	December 31, 2016
<b>ASSETS</b>		
Current Assets		
Cash	\$62,700	\$100,444
Total Current Assets	62,700	100,444
 Total Assets	 \$62,700	 \$100,444
 <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable	\$1,738,836	\$1,956,743
Accrued liabilities	4,331,668	3,878,460
Notes payable	463,185	463,185
Notes payable – related party	143,060	18,050
Convertible debt, net of unamortized discounts	774,419	1,397,222
Derivative liabilities	8,669,572	18,028,611
Total Current Liabilities	16,120,740	25,742,271
 Long-Term Liabilities		
Convertible debt, net of unamortized discounts	5,474,385	5,253,262
 Total Liabilities	 21,595,125	 30,995,533
 Stockholders' Deficit:		
Common stock, \$0.00001 par value; 500,000,000 shares authorized, 111,614,695 and 101,068,451 shares issued and outstanding, respectively	1,116	1,011
Additional paid-in capital	237,186,575	235,702,112
Accumulated deficit	(258,720,116)	(266,598,212)
Total Stockholders' Deficit	(21,532,425 )	(30,895,089 )
Total Liabilities and Stockholders' Deficit	\$62,700	\$100,444

Table of ContentsClean Coal Technologies, Inc.  
Statements of Operations  
(Unaudited)

	Three Months Ended March 31,	
	2017	2016
Operating Expenses:		
General and administrative	\$438,713	\$871,939
Research and development	-	892,093
Consulting services	4,088	4,375,298
Loss from Operations	(442,801 )	(6,139,330 )
Other Income (Expenses):		
Interest expense	(445,421 )	(390,737 )
Debt extension and modification expense	(22,014 )	(1,469,056 )
Gain on change in fair value of derivative liabilities	8,788,332	21,974,032
Total Other Income (Expenses)	8,320,897	20,114,239
Net Income	\$7,878,096	\$13,974,909
Net income per share - basic	\$0.07	\$0.25
Weighted average shares outstanding - basic	105,282,409	56,984,280
Net loss per share - diluted	\$(0.00 )	\$(0.05 )
Weighted average shares outstanding - diluted	206,510,723	161,097,440

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

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

	Three Months Ended March 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$7,878,096	\$13,974,909
Adjustment to reconcile net income to net cash used in operating activities:		
Amortization of debt discounts	231,717	239,106
Shares issued for services	-	4,991,071
(Gain) loss on change in fair value of derivative liabilities	(8,788,332)	(21,974,032)
Loss on settlement of debt	-	1,442,308
Debt extension and modification expense	22,014	77,492
Changes in operating assets and liabilities:		
(Decrease) increase in accounts payable	(166,072 )	40,715
Increase (decrease) in accrued expenses	442,333	(281,638 )
Net Cash Used in Operating Activities	(380,244 )	(1,490,069 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings on convertible debt, net of original issue discounts	217,490	1,630,000
Borrowings on related party debt	130,010	-
Payments on related party debt	(5,000 )	-
Payments on convertible debt	-	(246,641 )
Net Cash Provided by Financing Activities	342,500	1,383,359
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(37,744 )	(106,710 )
<b>CASH AND CASH EQUIVALENTS - beginning of period</b>	100,444	123,066
<b>CASH AND CASH EQUIVALENTS - end of period</b>	\$62,700	\$16,356
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid for interest	\$-	\$37,499
Cash paid for income taxes	-	-
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Debt discounts due to derivative liabilities	\$721,178	\$1,177,721
Derivative liabilities recorded as debt discounts	150,471	-
Accrued wages and debt converted to common stock	-	500,000
Common stock issued for conversion of debt	763,390	-
Accrued cash restructuring fees	10,875	33,000

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 2016 as reported in the Form 10K have been omitted.

Net Income (Loss) per Common Share

Basic net income (loss) per share is computed on the basis of the weighted average number of common shares outstanding during each year. Diluted net income (loss) per share is computed similar to basic net income (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. In periods where losses are reported, the weighted-average number of common stock outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

For the three months ended March 31, 2017, the dilutive effect of the outstanding warrants and warrant conversion options was 10,763,893 shares and the dilutive effect of the outstanding convertible debt was 90,464,421 shares, with a reduction to net income of \$8,228,204. For the three months ended March 31, 2016, the dilutive effect of the outstanding common stock options was 0 shares, common stock warrants was 2,371,586 shares, the dilutive effect of the outstanding warrant conversion options was 30,474,522 shares and the dilutive effect of the outstanding convertible debt was 71,267,052 shares, with a reduction to net income of \$21,766,902.

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 March 31, 2017 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: RESEARCH AND DEVELOPMENT

Research and development consists of costs incurred related to the construction and testing of a 2-ton/hour test plant in Oklahoma. The estimated cost of moving the test facility to a permanent location and have it reassembled is \$750,000. In quarter four 2015, the test plant was commissioned and testing of the plant started. Testing was successfully completed in April 2016 and the company is currently arranging for the plant to be moved to a permanent location. During the three months ended March 31, 2017 and 2016, we incurred \$0 and \$892,093 in research and development expenses, respectively.

6

---



Table of Contents

NOTE 4: RELATED PARTY TRANSACTIONS

Accruals for salary and bonuses to officers and directors are included in accrued liabilities in the balance sheets and totaled \$2,757,778 and \$2,660,697 as of March 31, 2017 and December 31, 2016, respectively.

During the three months ended March 31, 2017, officers of the Company advanced \$130,010 to the Company to cover short-term financing needs and the Company repaid an officer \$5,000. The short-term loans are due on demand, do not accrue interest and are unsecured. The balance of related party short-term note was \$143,060 and \$18,050 as of March 31, 2017 and December 31, 2016, respectively.

During the three months ended March 31, 2016, the Company granted an aggregate of 7,000,000 common shares to various employees and directors for services rendered. The aggregate fair value of these awards was determined to be \$4,375,000 and it was recognized as stock compensation during the three months ended March 31, 2016.

Also during the three months to March 31, 2016, the company issued 1,785,714 common shares for the conversion of \$500,000 of salary due to an officer. The value of the shares was \$1,116,071, of which \$616,071 was recorded as additional compensation expense.

NOTE 5: DEBT

Convertible Debt

During the three months ended March 31, 2017, the Company borrowed an aggregate of \$217,490, net of original issue discounts and fees of \$182,856, under convertible notes payable. Additional discounts of \$150,471 were recognized during the three months ended March 31, 2017 due to derivative liabilities. As of March 31, 2017 and December 31, 2016, the Company had outstanding convertible notes payable of \$8,120,514 and \$6,650,484, net of unamortized discounts of \$1,871,710 and \$1,920,571, respectively. The outstanding convertible notes of the Company are unsecured, bear interest between 6% and 12% per annum, mature between October 2017 and March 2020 and are convertible at variable rates between 60% and 65% of the quoted market price of the Company's common stock. All notes that were convertible during the three months ended March 31, 2017 were accounted for as derivative liabilities (see Note 6). Aggregate amortization of the debt discounts on convertible debt for the three months ended March 31, 2017 and 2016 was \$231,717 and \$239,106, respectively.

During the three months ended March 31, 2017, the Company incurred loan standstill expenses added to debt principal of \$73,849. The Company also incurred a gain on settlement of accounts payable of \$51,835 due to the settlement of an outstanding professional fee. Therefore, the net debt extension and modification expense is \$22,014 for the three months ended March 31, 2017.

During the three months ended March 31, 2017, holders of two convertible notes payable elected to convert a total of \$763,390 principal into a total of 10,546,244 shares of the Company's common stock.

Nonconvertible Debt

As of March 31, 2017 and December 31, 2016, the Company had outstanding notes payable to former affiliates of the Company of \$463,185. These notes payable of the Company are unsecured, bear no interest and are due on demand.

NOTE 6: DERIVATIVE LIABILITIES

During the three months ended March 31, 2017, the convertible notes issued by the Company qualified as derivative liabilities under Accounting Series Codification 815, Derivatives (ASC 815). In addition, all outstanding nonemployee common stock options and outstanding common stock warrants are tainted and required to be accounted for as derivative liabilities under ASC 815.

As of March 31, 2017 and December 31, 2016, the aggregate fair value of the outstanding derivative liabilities was \$8,669,572 and \$18,028,611, respectively. For the three months ended March 31, 2017 and 2016, the net gain on the change of fair value was \$8,788,332 and \$21,974,032, respectively.

The Company estimated the fair value of the derivative liabilities using the Black-Scholes option pricing model using the following key assumptions during the three months ended March 31, 2017

Expected dividends	-	%
Expected term (years)	0.25 – 5.00	
Volatility	95% - 222	%
Risk-free rate	0.50% - 1.93	%

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 March 31, 2017 and December 31, 2016:

	Level 1	Level 2	Level 3	Total
March 31, 2017:				
Liabilities:				
Derivative financial instruments	\$ -	\$ -	\$8,669,572	\$8,669,572
December 31, 2016:				
Liabilities:				
Derivative financial instruments	\$ -	\$ -	\$18,028,611	\$18,028,611

The below table presents the change in the fair value of the derivative liabilities during the three months ended March 31, 2017:

Fair value as of December 31, 2016	\$18,028,611
Fair value on the dates of issuance recorded as debt discounts	150,471
Extinguishment of liability to additional paid-in capital	(721,178 )
Change in fair value of derivatives	(8,788,332 )
Fair value as of March 31, 2017	\$8,669,572

## NOTE 7: EQUITY TRANSACTIONS

## Common Stock

During the three months ended March 31, 2017, the Company issued a total of 10,546,244 shares of common stock for the conversion of \$763,390 in convertible note principal.

## Common Stock Options

A summary of common stock option activity for the three months ended March 31, 2017 is as follows:

Weighted	Weighted
Average	Average

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

	Options	Exercise Price	Remaining Term
Outstanding - December 31, 2016	685,713	\$ 4.52	2.62
Granted	-	-	-
Expired	-	-	-
Exercised	-	-	-
Outstanding – March 31, 2017	685,713	\$ 4.52	2.37
Exercisable – March 31, 2017	685,713	\$ 4.52	2.37

The intrinsic value of the exercisable options as of March 31, 2017 was \$0.

Table of Contents

## Common Stock Warrants

The following table presents the common stock warrant activity during the three months ended March 31, 2017:

	Warrants	Weighted Average Exercise Price	Weighted Average Remaining Term
Outstanding - December 31, 2016	7,314,423	\$ 0.60	3.12
Granted	72,497	0.15	4.99
Forfeited/canceled	-	-	-
Exercised	-	-	-
Outstanding – March 31, 2017	7,386,920	\$ 0.41	2.89
Exercisable – March 31, 2017	7,386,920	\$ 0.41	2.89

The intrinsic value of the exercisable warrants as of March 31, 2017 was \$1,702.

## NOTE 8: SUBSEQUENT EVENTS

In April 2017 the Company issued a total of 164,029 common shares as final true up on a convertible note.

In April 2017 the Company issued 1,800,000 common shares as part of debt conversion on a convertible note for a value of \$144,000 in debt reduction.

In April 2017, the outstanding lawsuit against the Company was closed out and a judgment of \$121,000 was made against the company on one count and the company was found not guilty on the other two counts brought against it. This settlement has been recognized and accrued in the March 31, 2017 financials.

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 has now been constructed and the testing has been successfully completed at the test facility at the AES coal power utility in Oklahoma.

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. As at March 31, 2017 the key parts of this technology has also been successfully tested at the coal power utility at AES in Oklahoma.

Pristine-M. Construction of the coal testing plant in Oklahoma was completed and testing of the plant commenced in December 2015. As at March 31, 2017 this process was successfully tested with more than 20 test runs completed. This process successfully dehydrated coal by in excess of 80% and increased the BTU output of the coal by 25%. We are restarting the test facility in June 2017 to complete two additional tests that have been requested by clients.

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 third quarter 2017. Given the successful testing the company is currently in discussions with Jindal as they review the test results

Several multinational corporations have undertaken due diligence on our processes and have visited the coal testing plant in Oklahoma and witnessed it processing coal. Discussions are underway with these corporations to move towards commercialization

Numerous discussions continuing with various domestic and international coal producers, mine operators and power plant operators about our technology and its potential application. Several major visits are scheduled during quarter 2017 as part of the companies efforts to secure commercial agreements.

The company is working with the Department of Energy assessing specific opportunities for the deployment of our technology in the United States.

### Employees

As of March 31, 2017, we had two full-time executives. President and CEO Robin Eves, Chief Operations Officer and Aiden Neary have written employment agreements. Messrs. Eves and Neary received no compensation for their participation on the Board of Directors.

### 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 third quarter of fiscal 2017, and an EPC contract has been signed to build a commercial scale facility.

## Table of Contents

For the Three Months Ended March 31, 2017 and March 31, 2016

### Revenues

We have generated no revenues for the three months ended March 31, 2017 and 2016. 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 signing of a commercial EPC agreement, anticipated in the third quarter of fiscal 2017. 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.

### Operating Expenses

Our operating expenses for the three months ended March 31, 2017 totaled \$442,801 compared to \$6,139,330 for the three month period in 2016. The primary component of the operating expenses for the three months ended March 31, 2017 was general and administrative expenses, recognizing \$438,712 for the three months ended March 31, 2017, compared to \$871,939 for the three months ended March 31, 2016. The increase in general administrative is mainly due to recognition \$559,000 in stock compensation expense related to employee common stock awards during the three months ended March 31, 2016, there were no such awards issued during the three months ended March 31, 2017. Consulting services expense were \$4,088 for the three months ended March 31, 2017, compared to \$4,375,298 for the three months ended March 31, 2016. The decrease in consulting expense was mainly due to the recognition of \$4,374,930 in stock compensation expense to consultants.

### Other Income and Expenses

During the three months ended March 31, 2017, we recognized total other income of \$8,320,897 compared to \$20,114,239 for the three months ended March 31, 2016. The majority of the \$11,793,342 decrease is due to a reduction in the gain on change in fair value of derivative liabilities of \$13,185,700 during the three months ended March 31, 2017 compared to the three months ended March 31, 2016. The decrease was partially offset by a decrease of \$1,447,042 in debt extension and standstill expense as a result of past due notes from the comparable 2016 period.

### Net Income/Loss

For the three months ended March 31, 2017, we had net income of \$7,878,096, compared to \$13,974,909 for the three months ended March 31, 2016. The \$6,096,812 decrease in net income is mainly due to the decrease in other income as discussed above, partially offset by the decrease in operating expenses from the comparable 2016 period.

We anticipate losses from operations will increase during the next nine months due to costs associated with moving the test plant to a permanent location, 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 coal testing 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

Net Cash Used in Operating Activities. Our primary source of operating cash during the three months ended March 31, 2017, was borrowings on related party debt, third party debt and convertible debt. Our primary uses of funds in operations were the completion of the construction of the test facility including the testing of the plant, the payment of professional and consulting fees and general operating expenses.

12

---

Table of Contents

Net cash used in operating activities, was \$380,244 for the three months ended March 31, 2017 compared to net cash used of \$1,490,049 for the same period in 2016. Adjustments items to reconcile net income (loss) to net cash used in operating activities for three months ended March 31, 2017 totaled \$8,482,766 and consisted of amortization of debt discounts of \$231,717, debt settlement and modification expenses of \$73,849 and a \$8,788,332 gain on the change in the fair value of derivative liabilities.

**Net Cash Used In Investing Activities.** Net cash used in investing activities for the three months ended March 31, 2017 and 2016 was \$0.

**Net Cash Provided by Financing Activities.** Net cash provided by financing activities during the three months ended March 31, 2017 totaled \$342,500, compared to \$1,383,359 for the three months ended March 31, 2016. Net cash provided by financing activities consisting of borrowings on convertible debt of \$217,490, net of original issue discounts and borrowings on related party notes of \$130,010, offset by payments on related party notes of \$5,000 for the three months ended March 31, 2017. During the three months ended March 31, 2016, borrowings on convertible debt were \$1,630,000, net of original issue discounts and payments on convertible debt were \$246,641.

**Cash Position and Outstanding Indebtedness**

Our total indebtedness at March 31, 2017, we had \$62,700 in current assets, consisting of all cash and \$21,595,125 in liabilities which consist of \$16,120,740 in current liabilities and \$5,474,385 in long-term 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 December 31, 2016, we had current assets of \$100,444, consisting of all cash and \$30,995,533 in liabilities, which consisted of \$25,742,271 in current liabilities and \$5,253,262 in long-term 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.

Our working capital deficit at March 31, 2017 and December 31, 2016 was \$16,058,040 and \$25,641,827, respectively.

**Contractual Obligations and Commitments**

The following table summarizes our contractual cash obligations and other commercial commitments at March 31, 2017.

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Facility lease (1)	\$200	\$200	\$-	\$-	\$ -
Principal payments on debt and convertible debt	8,756,841	2,205,909	210,000	6,340,932	-
Total contractual cash obligations	\$8,757,041	\$2,206,109	\$210,000	\$6,340,932	\$ -

(1) Our New York office lease was converted to that of a satellite support office in February 2016 at a monthly rate of \$200.00 per month. It is on a month to month basis.

SAIC, LEIDOS has produced designs for both the Pristine and the Pristine-M processes. The Pristine design provides for the deployment of standard operational modules, each with annual capacity of 166,000 metric tons, providing the

flexibility to be configured in accordance with customers' individual production capacity requirements. SAIC / LEIDOS is confident that our coal cleaning process will typically be energy self-sufficient, relying upon captured methane and other byproducts to fuel the coal cleaning process.

Initial costs for a one million ton per annum commercial unit was originally estimated to cost between \$45m-\$50m. However, after reviewing the test facility this number was revised to between \$30m-\$35m. Upon running the test facility it was also assessed that the operational costs of running a 1 million ton commercial unit would be approximately \$3.50 per ton.

Table of Contents

Construction of the test plant in Oklahoma was completed in December 2015 and testing was completed in April 2016. For the nine months to March 31, 2017 the company paid \$1,495,348 as part of the testing of the facility and is recorded in our books under Research and Development. The test plant completed commissioning and commenced testing in December 2015. Testing was successfully completed in April 2016. The company is currently arranging the move of the facility to a permanent location in Wyoming.

Based on our current operational costs and including the capital requirements for our project deployments, we estimate we will need a total of approximately \$2,500,000 to fund the Company for the balance of fiscal year 2017 and an additional \$5,000,000 to continue for the following fiscal year (2018) or until an initial commercial plant is up and running. As we have now completed the successful testing of Pristine M we are in currently working on commercial agreements which if we are successful we believe we will have sufficient funding to meet our operating costs in 2018.

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 March 31, 2017, 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 March 31, 2017, we had 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.

Table of Contents

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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. In April 2017 the court found in favor of the defendant on one count of negligent representation by the company and the company is liable for \$121,000 settlement payment. The case against the company on the other two counts was rejected by the jury. This legacy lawsuit is now closed.

The Company is currently contesting a charge from a vendor claiming \$320,000 in charges for work provided at its test facility. It is the Company's contention that they have been overcharged by \$205,000 based on evidence submitted by third parties and is seeking remediation for this overcharge. As at December 31, 2016 the full charge of \$320,000 has been recognized in the company's books and records.

As part of the separation agreement with Mr. Ponce de Leon, the ex COO of the Company, the Company agreed to pay him his accrued salary of \$1,226,711 within two years but agreed to pay him \$200,000 by November 2015 out of revenues earned. As the Company did not earn revenue in 2015 and as at December 2016 has still not earned revenue, the obligation to Mr. Ponce de Leon is currently in default. It is the Company's intention to pay Mr. Ponce de Leon immediately upon receiving revenue.

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, 2016.

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

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

None.



Table of Contents

ITEM 6. EXHIBITS

EXHIBIT NO.	DESCRIPTION
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: May 11, 2017 By: /s/ Aiden Neary  
Aiden Neary  
Chief Financial  
Officer