

Clean Coal Technologies Inc.  
Form 10-Q  
November 23, 2009

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, 2009**

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**

**2691079442**

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

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

**12518 W Atlantic Blvd, Coral Springs, FL**

(Address of principal executive offices)

**33071**

(Zip Code)

**(954) 344-2727**

(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, 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 November 20, 2009: 435,226,929

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.**  
**(A Development Stage Company)**  
**Balance Sheets**  
**(Unaudited)**

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 696	\$ 1,598
Total Current Assets	696	1,598
 Property, plant and equipment, net of accumulated depreciation of \$229 and \$76, respectively	 790	 943
Investment	5,000	5,000
Total Assets	\$ 6,486	\$ 7,541
 <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable	\$ 451,436	\$ 355,423
Accounts payable to related parties	1,300,510	994,750
Advances from related parties	-	70,000
Accrued liabilities	133,999	66,017
Short-term debt	18,500	-
Debt owed to related parties	1,507,147	7,500
Total Current Liabilities	3,411,592	1,493,690
 Debt owed to related parties	 -	 1,041,851
Total Liabilities	3,411,592	2,535,541
 Common stock, \$0.00001 par value; 600,000,000 shares authorized, 435,226,929 and 430,689,469 shares issued and outstanding, respectively	      4,353	      4,307

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

Additional paid-in capital	173,047,379	136,804,856
Deficit accumulated during the development stage	(176,456,838)	(139,337,163)
Total Stockholders' Deficit	(3,405,106)	(2,528,000)
Total Liabilities and Stockholders' Deficit	\$ 6,486	\$ 7,541

See Notes to the Financial Statements.

**Clean Coal Technologies Inc.**  
**(A Development Stage Company)**  
**Statements of Expenses**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>		<b>October 20, 1997</b>
	<b>September 30,</b>		<b>September 30,</b>		<b>(Inception)</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>Through</b>
					<b>September 30,</b>
					<b>2009</b>
Operating Expenses:					
General and administrative	\$ 97,072	\$ 111,686	\$ 345,110	\$ 378,697	\$ 1,803,533
Research and development	-	-	-	223,925	374,912
Consulting services	5,500,186	22,500,423	16,299,786	92,928,354	153,522,527
Loss from Operations	(5,597,258)	(22,612,109)	(16,644,896)	(93,530,976)	(155,700,972)
Other Income (Expenses):					
Interest expense	(25,132)	(26,448)	(74,587)	(52,969)	(300,332)
Other expenses	-	-	-	-	(13,985)
Loss on extinguishment of debt	-	-	-	-	(41,357)
Gain on change in derivative liability	-	-	7,598,481	-	7,598,481
Total Other Income (Expense)	(25,132)	(26,448)	7,523,894	(52,969)	7,242,807
Net Loss	\$ (5,622,390)	\$ (22,638,557)	\$ (9,121,002)	\$ (93,583,945)	\$ (148,458,165)
	\$ (0.01)	\$ (0.05)	\$ (0.02)	\$ (0.23)	

Net loss per share  
- basic and diluted

Weighted average  
shares outstanding

-  
basic and diluted      435,643,624      417,361,929      438,080,654      413,799,076

See Notes to the Financial Statements.

**Clean Coal Technologies Inc.**  
**(A Development Stage Company)**  
**Statement of Stockholders' Deficit**  
**(Unaudited)**

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Deficit Accumulated During the Development Stage</b>	<b>Stockholders' Deficit</b>
	<b>Shares</b>	<b>Amount</b>			
Balances at December 31, 2008	430,689,469	\$ 4,307	\$136,804,856	\$(139,337,163)	\$(2,528,000)
Cumulative effect of change in accounting principle - January 1, 2009 reclassification of embedded feature of equity-linked financial instruments to derivative liabilities	-	-	(16,490,517)	(27,998,673)	(44,489,190)
Derivative liability removed due to warrants exercised	-	-	36,890,709	-	36,890,709
Common stock issued for services	716,666	8	1,789,155	-	1,789,163
Accrued stock-based compensation	-	-	13,969,083	-	13,969,083
Common stock issued upon cashless exercise of warrants	8,814,483	88	(88)	-	-
Forgiveness of related party debt	-	-	69,553	-	69,553



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

Shares issued for debt and accrued interest	6,311	-	14,578	-	14,578
Cancellation of common stock	(5,000,000)	(50)	50	-	-
Net loss	-	-	-	(9,121,002)	(9,121,002)
Balances at September 30, 2009	435,226,929	\$ 4,353	\$173,047,379	\$(176,456,838)	\$(3,405,106)

See Notes to the Financial Statements.

**Clean Coal Technologies Inc.**  
**(A Development Stage Enterprise)**  
**Statements of Cash Flows**  
**(Unaudited)**

	<b>Nine Months Ended</b>		<b>October 20, 1997</b>
	<b>September 30,</b>		<b>(Inception)</b>
	<b>2009</b>	<b>2008</b>	<b>Through</b>
			<b>September 30,</b>
			<b>2009</b>
<b>CASH FLOWS FROM</b>			
<b>OPERATING ACTIVITIES:</b>			
Net Loss	\$ (9,121,002)	\$ (93,583,945)	\$ (148,458,165)
Adjustment to reconcile net loss to net cash used in operating activities:			
Depreciation expense	153	-	5,549
Shares issued for services	15,758,246	77,331,492	134,686,486
Warrant expense	-	15,128,916	16,490,517
Loss on extinguishment of debt	-	-	41,357
Interest expense paid in shares	508	-	51,013
Interest converted to debt	-	20,531	22,600
Write-off of asset	-	-	11,015
Gain on derivative liability	(7,598,481)	-	(7,598,481)
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	-	(1,268)	(11,015)
Accounts payable	96,013	117,153	451,436
Accounts payable - related party	736,271	868,136	2,311,311
Accrued expenses	77,890	29,635	137,337
Net Cash Used In Operating Activities	(50,402)	(89,350)	(1,859,040)
<b>CASH FLOWS FROM</b>			
<b>INVESTING ACTIVITIES:</b>			
Purchase of fixed assets	-	(1,019)	(6,339)
Investment in joint venture	-	-	(5,000)
Net Cash Used in Investing Activities	-	(1,019)	(11,339)

CASH FLOWS FROM  
FINANCING ACTIVITIES:

Advances from related parties	11,000	-	316,000
Borrowings on debt	18,500	-	18,500
Borrowings on related party debt	20,000	103,961	1,536,575
Net Cash Provided by Financing Activities	49,500	103,961	1,871,075

NET CHANGE IN CASH AND  
CASH EQUIVALENTS

## CASH AND CASH

EQUIVALENTS - beginning of  
period

## CASH AND CASH

## EQUIVALENTS - end of period

(902)	13,592	696
-------	--------	-----

1,598	1,730	-
-------	-------	---

\$ 696	\$ 15,322	\$ 696
--------	-----------	--------

SUPPLEMENTAL  
DISCLOSURES:

Cash paid for interest	\$ -	\$ -	\$ -
Cash paid for income taxes	-	-	-

NON-CASH INVESTING AND  
FINANCING ACTIVITIES:Forgiveness of related party debt  
and accrued interestDerivative liability removed due to  
warrants exercisedCumulative effect of change in  
accounting principlePreferred stock issued for related  
party debtPreferred stock converted to  
common stock

## Debt converted to common stock

Related party payables and  
advances converted to debt

## Accrued interest converted to debt

\$ 69,553	\$ -	\$ 69,553
-----------	------	-----------

36,890,709	-	36,890,709
------------	---	------------

44,489,190	-	44,489,190
------------	---	------------

-	-	380,837
---	---	---------

-	-	481
---	---	-----

-	-	924,277
---	---	---------

511,511	815,290	1,326,801
---------	---------	-----------

14,070	2,069	-
--------	-------	---

See Notes to the Financial Statements.



**Clean Coal Technologies, Inc.**  
**(A Development Stage Company)**  
**Notes to Financial Statements**  
**(Unaudited)**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying unaudited interim financial statements of Clean Coal Technologies, Inc. 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 Registration Statement on Form 10 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 2008 as reported in the Form 10 have been omitted.

**DERIVATIVE FINANCIAL INSTRUMENTS**

Clean Coal does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. Clean Coal evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For option-based derivative financial instruments, Clean Coal uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

**FAIR VALUE MEASUREMENTS**

In September 2006, the FASB issued FASB ASC 820 which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of FASB ASC 820 were effective January 1, 2008.

As defined in FASB ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Clean Coal utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. Clean Coal classifies fair value balances based on the observability of those inputs. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy defined by FASB ASC 820 are as follows:

**Level 1** Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

**Level 2** Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the

marketplace. Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.

Level 3 Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Clean Coal uses Level 2 to value its warrant instruments and Level 1 to value its non cash common share transactions.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2009, the Financial Accounting Standards Board ( FASB ) issued new guidance relating to the FASB Accounting Standards Codification at FASB ASC 105, as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP). The codification is effective for interim periods ending after September 15, 2009. All existing accounting standards are superseded as described in FASB ASC 105. All other accounting literature not included in the Codification is non-authoritative. The adoption of FASB ASC 105 did not impact Clean Coal's results of operations, financial position or cash flows.

Effective this qua