ROYAL BANK OF SCOTLAND GROUP PLC
Form 424B3
May 17, 2006

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The information in this preliminary supplement and the accompanying prospectus is not complete and may be changed. The prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any place where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 16, 2006

PROSPECTUS SUPPLEMENT
(To Prospectus dated May 16, 2006)

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-123972

American Depositary Shares, Series Q

The Royal Bank of Scotland Group plc

Representing

Non-cumulative Dollar Preference Shares, Series Q

(Nominal value of US$.01 each)

We are issuing non-cumulative Dollar Preference Shares, Series Q, or Series Q preference shares, which will be sold in the form of American Depositary Shares, Series Q, or Series Q ADSs.

Dividends on the Series Q preference shares will accrue from the date of original issuance. We may pay dividends out of our distributable profits in US dollars quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, beginning on June 30, 2006, at the rate of US$ annually per Series Q preference share. We may redeem the Series Q preference shares in whole or in part at any time on or after June 30, 2011 at US$25.00 per Series Q preference share plus accrued dividends for the then-current dividend period.

If we are liquidated, you will be entitled to receive a liquidation preference of US$25.00 per Series Q preference share plus accrued dividends for the then-current dividend period, but only after we have paid all of our debts and other liabilities to our creditors and to holders of any of our capital shares that are senior to the Series Q preference shares.

We will apply for listing of the Series Q ADSs on the New York Stock Exchange under the symbol RBS Pr Q . Trading of the Series Q ADSs is expected to begin within approximately 30 days after the initial delivery of the ADSs.

Investing in the Series Q preference shares or Series Q ADSs involves risks. See Risk Factors beginning on page S-4.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement and prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

	Per ADS	Total
Public offering price(1)	$	$
Underwriting discount(2)	$	$
Proceeds to us (before expenses)	$	$

(1) Plus accrued dividends, if any, from the date of original issuance.

(2) For sales to certain institutions, the underwriting discount will be $ per Series Q ADS and, to the extent of such sales, the total underwriting discount will be less than the amount set forth above.

We expect that the Series Q ADSs will be ready for delivery in New York, New York on or about , 2006.

Citigroup
Bookrunner (Physical)

RBS Greenwich Capital
Bookrunner

Merrill Lynch & Co.

Morgan Stanley

UBS Investment Bank

Wachovia Securities

May , 2006

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT

In this prospectus supplement, we use the following terms:

- we , us or our refers to The Royal Bank of Scotland Group plc (except as the context may otherwise require, in which case such reference includes our subsidiaries),
- Group means The Royal Bank of Scotland Group plc and its subsidiaries,
- RBS plc means The Royal Bank of Scotland plc,
- Citizens means Citizens Financial Group, Inc.,
- RBS Greenwich Capital means Greenwich Capital Markets, Inc., and
- Ulster Bank means Ulster Bank Group.

FORWARD-LOOKING STATEMENTS

From time to time, we may make statements regarding our assumptions, projections, expectations, intentions or beliefs about future events. These statements constitute forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. We caution that these statements may and often do vary materially from actual results. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. You should read the section entitled Forward-looking statements in our Annual Report on Form 20-F for the year ended December 31, 2005, which is incorporated by reference.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, forward-looking events discussed in this prospectus supplement and/or the accompanying prospectus or any information incorporated by reference, might not occur.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, semiannual, and special reports and other information with the Securities and Exchange Commission, which we refer to as the SEC. You may read and copy any document that we file with the SEC at the Public Reference Room, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, USA. You can call the SEC on 1-800-SEC-0330 for further information on the Public Reference Room. The SEC s website, at http://www.sec.gov, contains reports and other information in electronic form that we have filed.

The SEC allows us to incorporate by reference in our prospectus the information that we file with the SEC. This permits us to disclose important information to you by referring to certain previously-filed documents. We incorporate by reference our Annual Report on Form 20-F for the year ended December 31, 2005, as filed with the SEC on April 26, 2006. See also Where You Can Find More Information and Incorporation of Documents by Reference in the accompanying prospectus.

USE OF PROCEEDS

We will use the net proceeds from the sale of the Series Q preference shares for general corporate purposes, which may include the redemption or repurchase of outstanding securities, and to strengthen our capital base.

RISK FACTORS

Investing in the securities offered using this prospectus supplement and accompanying prospectus involves risk. You should carefully consider the following factors and the other information in this prospectus supplement, the accompanying prospectus and our annual report on Form 20-F for the year ended December 31, 2005 (which report is incorporated by reference) before deciding to invest in the Series Q ADSs or Series Q preference shares. If any of these risks occurs, our business, financial condition, and results of operations could suffer, and the trading price and liquidity of the Series Q ADSs or Series Q preference shares could decline, in which case you could lose part or all of your investment.

Risks Related to Our Business

Set out below are certain risk factors which could affect our future results and cause them to be materially different from expected results. Our results could also be affected by competition and other factors. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties our businesses face.

Our financial performance is affected by borrower credit quality and general economic conditions, in particular in the UK, US and Europe.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of our businesses. Adverse changes in the credit quality of our borrowers and counterparties or a general deterioration in the UK, US, European or global economic conditions, or arising from systemic risks in the financial systems, could affect the recoverability and value of our assets and require an increase in our provision for impairment losses and other provisions.

Changes in interest rates, foreign exchange rates, equity prices and other market factors affect our business.

The most significant market risks we face are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realized between lending and borrowing costs. Changes in currency rates, particularly in the sterling-dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and affect earnings reported by our non-UK subsidiaries, mainly Citizens, RBS Greenwich Capital and Ulster Bank, and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of our investment and trading portfolios. We have implemented risk management methods to mitigate and control these and other market risks to which we are exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on our financial performance and business operations.

Our insurance businesses are subject to inherent risks involving claims.

Future claims in our general and life assurance business may be higher than expected as a result of changing trends in claims experience resulting from catastrophic weather conditions, demographic developments, changes in mortality and other causes outside our control. Such changes would affect the profitability of current and future insurance products and services. We re-insure some of the risks we have assumed.

Operational risks are inherent in our businesses.

Our businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper authorization, failure to comply with regulatory requirements and Conduct of Business Rules, equipment failures, natural disasters or the failure of external systems, for example, those of our suppliers or counterparties. Although we have implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the operational risks faced by us.

Each of our businesses is subject to substantial regulation and regulatory oversight. Any significant regulatory developments could have an effect on how we conduct our business and on the results of operations.

We are subject to financial services laws, regulations, administrative actions and policies in each location in which the Group operates. This supervision and regulation, in particular in the UK and the US, if changed could materially affect our business, the products and services offered or the value of assets.

Future growth in our earnings and shareholder value depends on strategic decisions regarding organic growth and potential acquisitions.

We devote substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not meet with success, our earnings could grow more slowly or decline.

The risk of litigation is inherent in our operations.

In the ordinary course of our business, legal actions, claims against and by us and arbitrations arise; the outcome of such legal proceedings could affect our financial performance.

We are exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporate and other taxes in the jurisdictions in which we operate.

Our activities are subject to tax at various rates around the world computed in accordance with local legislation and practice. Action by governments to increase tax rates or to impose additional taxes would reduce our profitability. Revisions to tax legislation or to its interpretation might also affect our results in the future.

Risks Related to the Series Q ADSs and Series Q preference shares

Dividends on the Series Q preference shares are discretionary and may not be declared and paid in full or at all if our board of directors or an authorized committee thereof resolves not to pay dividends in respect of any dividend payment date.

Our board of directors or an authorized committee thereof (in either case referred to herein as the board of directors) may resolve, in its sole and absolute discretion, prior to the relevant dividend payment date not to pay in full or at all dividends on the Series Q preference shares. To the extent that any dividend or part thereof is on any occasion not declared and paid by reason of the exercise of such discretion, holders of Series Q preference shares or Series Q ADSs shall have no claim in respect of such non-payment.

In addition, such non-payment shall not prevent or restrict (a) the declaration and payment of dividends on any other series of our non-cumulative preference shares or on any of our preference shares expressed to rank *pari passu* with our dollar preference shares, (b) the setting aside of sums for the payment of dividends referred to in (a), (c) except with respect to share capital ranking after the Series Q

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preference shares, the redemption, purchase or other acquisition of our shares by us, or (d) except with respect to share capital ranking after the Series Q preference shares, the setting aside of sums, or the establishment of sinking funds, for any such redemption, purchase or other acquisition by us.

Dividends on the Series Q preference shares are non-cumulative and will not be declared and paid in full if certain requirements relating to the Group s capital levels and other conditions are not satisfied. If our financial condition were to deteriorate, you could lose all or a part of your investment.

In addition to the discretion not to declare a dividend for any reason as described above, our board of directors will not declare and pay in full the dividends on any series of preference shares if, in the opinion of the board of directors, payment of the dividend would cause a breach of applicable capital adequacy requirements of the UK Financial Services Authority or if we do not have sufficient distributable profits.

If our board of directors does not pay a dividend or any part of a dividend when due on a dividend payment date in respect of any Series Q preference shares because it is not required to do so, then holders of such preference shares or Series Q ADSs will have no claim in respect of the non-payment and we will have no obligation to pay the dividend accrued for the dividend period or to pay any interest on the dividend, whether or not dividends on the Series Q preference shares are declared for any future dividend period. Holders of Series Q preference shares or Series Q ADSs will have no right to participate in our profits.

If our financial condition were to deteriorate, you might not receive dividends on the Series Q preference shares. If we liquidate, dissolve or wind up, you could lose all or part of your investment.

An active market for the Series Q ADSs may fail to develop or may not be sustainable.

Prior to the offering, there has been no trading market for this series of preference shares. We cannot assure you that an active or liquid market will develop or be sustainable for the Series Q ADSs or Series Q preference shares.

CAPITALIZATION OF THE GROUP

The following table shows the Group s authorized, allotted, called-up and fully paid share capital as at December 31, 2005.

	Allotted, Called-Up and Fully Paid	Authorized
	£m	£m
Ordinary shares of £0.25 each	799	1,270
Non-voting deferred shares of £0.01 each	27	323
Additional value shares of £0.01 each		27
Preference shares	2	528

The authorized preference share capital of the Group as at December 31, 2005 was £528 million, consisting of 419.5 million non-cumulative preference shares of $0.01 each, 3.9 million non-cumulative convertible preference shares of $0.01 each, 66 million non-cumulative preference shares of 0.01 each, 3 million non-cumulative convertible preference shares of 0.01 each, 900 million non-cumulative convertible preference shares of £0.25 each, 1 million non-cumulative convertible preference shares of £0.01 each, 0.9 million cumulative preference shares of £1 each and 300 million non-cumulative preference shares of £1 each.

The allotted, called-up and fully paid preference share capital of the Group as at December 31, 2005 was £2 million, consisting of 206 million non-cumulative preference shares of $0.01 each, 1.0 million non-cumulative convertible preference shares of $0.01 each, 2.5 million non-cumulative preference shares of 0.01 each, 0.2 million non-cumulative convertible preference shares of £0.01 each and 0.9 million cumulative preference shares of £1 each.

The following table shows the audited consolidated shareholders equity and indebtedness of the Group as at December 31, 2005 in accordance with International Financial Reporting Standards (IFRS).

	As at December 31, 2005
	£m
Shareholders equity	
Ordinary shares	799
Non-voting deferred shares	27
Preference shares	
	826
Retained income and other reserves	34,609
Total shareholders equity	35,435
Group indebtedness	
Subordinated liabilities	28,274
Debt securities in issue	90,420
Total indebtedness	118,694
Total capitalization and indebtedness	154,129

Under IFRS, certain preference shares are classified as debt and are included in subordinated liabilities in the table above.

As at December 31, 2005, the Group had total liabilities and equity of £777 billion, including deposits by banks of £110 billion and customer accounts of £343 billion.

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All of the indebtedness described above or below is unsecured. None of the indebtedness described above or below is guaranteed.

As at March 31, 2006, the Group had debt securities in issue totaling £81,568 million. This decrease in total debt securities in issue as compared to December 31, 2005 occurred in the normal course of business of the Group.

As at December 31, 2005, the Group had contingent liabilities including guarantees arising in the normal course of business totaling £18,647 million, consisting of guarantees and assets pledged as collateral security of £12,253 million and other contingent liabilities of £6,394 million.

On March 6, 2006, we redeemed 7 million Series D non-cumulative preference shares of US$0.01 and 12 million Series I non-cumulative preference shares of US$0.01, in each case at a redemption price of US$25.00 per share plus accrued dividends.

On March 17, 2006, RBS plc, our subsidiary, issued £400 million fixed/floating undated subordinated callable step-up notes.

On April 11, 2006, RBS plc issued $1,500 million floating rate subordinated step-up notes.

On April 20, 2006, RBS plc issued CHF 350,000,000 2.25% dated subordinated notes due 2011 and CHF 200,000,000 2.375% dated subordinated notes due 2015.

On May 11, 2006, RBS plc issued C$700 million fixed/floating undated subordinated notes.

Save as disclosed above, there has been no significant change in the contingent liabilities (including guarantees), total capitalization and indebtedness of the Group since December 31, 2005.

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CERTAIN TERMS OF THE SERIES Q PREFERENCE SHARES

The following summary of certain terms and provisions of the Series Q preference shares supplements the description of certain terms and provisions of the Dollar Preference Shares of any series set forth in the accompanying prospectus under the heading Description of Dollar Preference Shares . The summary of the terms and provisions of the Series Q preference shares set forth below and in the accompanying prospectus does not purport to be complete and is subject to, and qualified in its entirety by reference to, our memorandum and articles of association and the resolutions adopted by our board of directors establishing the rights, preferences, privileges, limitations and restrictions relating to the Series Q preference shares. We will file a copy of these resolutions under the cover of a Report on Form 6-K with the Securities and Exchange Commission at the time of the sale of the Series Q ADSs representing the Series Q preference shares. If this prospectus supplement sets forth any term or condition that is inconsistent with the description contained in the accompanying prospectus, the description of the terms contained in this prospectus supplement will replace the description contained in the accompanying prospectus.

General

The Series Q preference shares constitute a separate series of our Category II non-cumulative dollar preference shares. The Series Q preference shares will be in bearer form represented by a single certificate and will be represented by ADSs evidenced by ADRs. The certificate in bearer form will be deposited with the ADR depositary under the ADR deposit agreement. A summary of certain terms and provisions of the ADR deposit agreement pursuant to which ADRs evidencing the Series Q ADSs are issuable is set forth in the accompanying prospectus under the heading Description of American Depositary Receipts .

As of the date of this prospectus supplement, our issued and outstanding non-cumulative preference shares, which rank equally with the Series Q preference shares as to any distribution of our surplus assets in the event that we are wound up or liquidated, have a US dollar-equivalent aggregate liquidation preference of approximately US$9.3 billion.

Dividends

Non-cumulative preferential dividends on the Series Q preference shares will accrue from the date of issue of the Series Q preference shares. Subject to the limitations described below, these dividends will be payable quarterly in arrears on, and to the holders of record 15 days prior to, March 31, June 30, September 30 and December 31 of each year (each, a dividend payment date), commencing on June 30, 2006. We will pay dividends on the Series Q preference shares when, as and if declared by the board of directors as described below and in the accompanying prospectus under the heading Description of Dollar Preference Shares Dividends .

Subject to the limitations described below, we will pay dividends on the Series Q preference shares out of our distributable profits in US dollars, at the rate of US$ per Series Q preference share annually. Dividends on the Series Q preference shares in respect of a particular dividend payment date will not be declared and paid if (i) in its sole and absolute discretion, our board of directors resolves prior to the relevant dividend payment date that such dividend (or part thereof) shall not be declared and paid or (ii) in the opinion of the board of directors, payment of a dividend would breach or cause a breach of the capital adequacy requirements of the UK Financial Services Authority that apply at that time to us and/or any of our subsidiaries, or, subject to the next following paragraph, our distributable profits, after the payment in full, or the setting aside of a sum to provide for the payment in full, of all dividends stated to be payable on or before the relevant dividend payment date on the cumulative preference shares (and any arrears of dividends thereon), are insufficient to cover the payment in full of dividends on the Series Q preference shares and dividends on any of our other shares stated to be payable on the same date as the dividends on the Series Q preference shares and ranking equally as to dividends with the Series Q preference shares (including the payment in full of any arrears of dividends on any equally ranking cumulative preference shares then in issue). The UK Companies Act 1985 defines distributable profits

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as, in general terms, and subject to adjustment, accumulated realized profits less accumulated realized losses.

If dividends are to be paid but our distributable profits are, in the opinion of the board of directors, insufficient to enable payment in full of dividends on any series of dollar preference shares on any dividend payment date and also the payment in full of all other dividends stated to be payable on such date on any other non-cumulative preference shares and any other share capital (other than the cumulative preference shares) expressed to rank *pari passu* therewith as regards participation in profits, after payment in full, or the setting aside of a sum to cover the payment in full, of all dividends stated to be payable on or before such date on any cumulative preference share, then the board of directors shall (subject always to sub-clauses (i) and (ii) of the preceding paragraph) declare and pay dividends to the extent of the available distributable profits on a *pro rata* basis so that (subject as aforesaid) the amount of dividends declared per share on the Series Q preference shares and the dividends stated to be payable on such date on any other non-cumulative preference shares and any other share capital (other than the cumulative preference shares) expressed to rank *pari passu* therewith will bear to each other the same ratio that accrued dividends per share on the Series Q preference shares and other non-cumulative preference shares and any other share capital (other than the cumulative preference shares) bear to each other.

Dividends on our cumulative preference shares, including any arrears, are payable in priority to any dividends on the Series Q preference shares, and as a result, we may not pay any dividend on the Series Q preference shares unless we have declared and paid in full dividends on the cumulative preference shares, including any arrears.

To the extent that any dividend on the Series Q preference shares is, on any occasion, not declared and paid by reason of the exercise of the board of directors discretion referred to in sub-clause (i) of the second paragraph of this section, holders of Series Q preference shares or Series Q ADSs shall have no claim in respect of such non-payment. In addition, such non-payment shall not prevent or restrict (a) the declaration and payment of dividends on any other series of dollar preference shares or on any of our non-cumulative preference shares expressed to rank *pari passu* with our dollar preference shares, (b) the setting aside of sums for the payment of dividends referred to in (a), (c) except as set forth in the following paragraph, the redemption, purchase or other acquisition of our shares by us, or (d) except as set forth in the following paragraph, the setting aside of sums, or the establishment of sinking funds, for any such redemption, purchase or other acquisition by us.

If we have not declared and paid in full the dividend stated to be payable on the Series Q preference shares as a result of the board of directors discretion referred to in sub-clause (i) of the second paragraph of this section, then we may not redeem, purchase or otherwise acquire for any consideration any of our share capital ranking after the Series Q preference shares, and may not set aside any sum nor establish any sinking fund for the redemption, purchase or other acquisition thereof, until such time as we have declared and paid in full dividends on the Series Q preference shares in respect of successive dividend periods together aggregating no less than 12 months. In addition, no dividend may be declared or paid on any of our share capital ranking after the Series Q preference shares as to dividends until such time as the dividend stated to be payable on the Series Q preference shares in respect of a dividend period has been declared and paid in full.

The Series Q preference shares shall not be treated as ranking after any other series of preference shares with which they are expressed to rank *pari passu* as regards participation in profits, by reason only of the board of directors discretion referred to in sub-clause (i) of the second paragraph of this section, or any dividend on the Series Q preference shares not being paid by virtue of such discretion.

If we have not declared and paid in full the dividend stated to be payable on the Series Q preference shares on the most recent dividend payment date, or if we have not set aside a sum to provide for payment in full, in either case for the reasons set out in sub-clause (ii) of the second paragraph of this section, we may not declare or pay any dividends upon any of our other share capital (other than the cumulative preference shares) and we may not set aside any sum to pay such dividends, unless, on the date of declaration, we set aside an amount equal to the dividend for the then-current dividend period payable on

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the Series Q preference shares to provide for the payment in full of the dividend on the Series Q preference shares on the next dividend payment date. If any quarterly dividend payable on the Series Q preference shares has not been declared and paid in full, or if we have not set aside a sum to provide for its payment in full, in either case for the reasons set out in sub-clause (ii) of the second paragraph of this section, then we may not redeem, purchase or otherwise acquire for any consideration any of our other share capital, and we may not set aside any sum or establish any sinking fund for the redemption, purchase or other acquisition thereof, until such time as dividends on the Series Q preference shares in respect of successive dividend periods together aggregating no less than 12 months shall thereafter have been declared and paid in full.

In addition, if the dividend stated to be payable on any of our other non-cumulative preference shares shall not have been declared and paid in full, or if a sum has not been set aside to provide for payment in full, in either case for the reasons set out in sub-clause (ii) of the second paragraph of this section, then:

we may not declare or pay any dividends on the Series Q preference shares, and we may not set aside any sum to pay such dividends, unless, on the date of declaration, we set aside an amount equal to the dividend on such other series of non-cumulative dollar preference shares or other non-cumulative preference shares for the then-current dividend period to provide for the payment in full of such dividend on the next applicable dividend payment date; and

we may not redeem, repurchase or otherwise acquire any Series Q preference shares, and we may not set aside any sum nor establish any sinking fund therefor, until such time as we have declared and paid in full dividends on such other series of non-cumulative dollar preference shares or such other non-cumulative preference shares in respect of successive dividend periods together aggregating no less than 12 months.

Dividends on the Series Q preference shares will be non-cumulative. If the board of directors does not pay a dividend or any part thereof payable on a dividend payment date in respect of the Series Q preference shares, then holders of Series Q preference shares or Series Q ADSs will have no claim in respect of such non-payment and we will have no obligation to pay the dividend accrued for the dividend period or to pay any interest on the dividend, whether or not dividends on the Series Q preference shares are declared for any future dividend period. The holders of the Series Q preference shares will have no right to participate in our profits.

Rights upon Liquidation

If we are wound up or liquidated, whether or not voluntarily, the holders of the Series Q preference shares will be entitled to receive in US dollars out of our surplus assets available for distribution to shareholders, after payment of arrears (if any) of dividends on the cumulative preference shares, as described in the accompanying prospectus, up to the date of payment, equally with the cumulative preference shares and all of our other shares ranking equally with the Series Q preference shares as regards participation in our surplus assets, a distribution of US$25.00 per Series Q preference share, together with an amount equal to dividends for the then-current dividend period accrued to the date of payment, before any distribution or payment may be made to holders of our ordinary shares or any other class of our shares ranking after the Series Q preference shares. See Description of Dollar Preference Shares Liquidation Rights in the accompanying prospectus. If the holders of the Series Q preference shares are entitled to any recovery with respect to the Series Q preference shares in any winding-up or liquidation, they might not be entitled in such proceedings to a recovery in US dollars and might be entitled only to a recovery in pounds sterling.

Optional Redemption

We may redeem the Series Q preference shares, at our option, in whole or in part from time to time, on any business day that falls on or after June 30, 2011 upon not less than 30 nor more than 60 days notice, at a redemption price of US$25.00 per Series Q preference share plus the dividends otherwise payable for the then-current dividend period accrued to the redemption date.

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Under existing UK Financial Services Authority requirements, we may not redeem or purchase any Series Q preference shares unless the UK Financial Services Authority consents in advance. The UK Financial Services Authority may impose conditions on any redemption or purchase at the time it gives its consent.

See Certain US Federal and UK Tax Consequences Taxation of Dividends for a discussion of the tax consequences to a US holder of the receipt of amounts equal to accrued dividends in conjunction with any redemption of any Series Q preference shares and Certain US Federal and UK Tax Consequences Taxation of Capital Gains for a discussion of the tax consequences to a US holder of a redemption.

If certain limitations contained in our Articles of Association, the special rights of any of our shares, and the provisions of applicable law permit (including, without limitation, the US federal securities laws), we may, at any time or from time to time, purchase outstanding Series Q preference shares by tender or by private agreement, in each case upon the terms and conditions that the board of directors shall determine. Any Series Q preference shares that we purchase for our own account will, pursuant to applicable law, be treated as cancelled and will no longer be issued and outstanding.

Voting Rights

The holders of the Series Q preference shares will not be entitled to receive notice of, attend or vote at any general meeting of our shareholders except as provided by applicable law or as described below.

If any resolution is proposed for adoption by our shareholders varying or abrogating any of the rights attaching to the Series Q preference shares or proposing that we be wound up, the holders of the outstanding Series Q preference shares will be entitled to receive notice of and to attend the general meeting of shareholders at which the resolution is to be proposed and will be entitled to speak and vote on such resolution, but not on any other resolution.

In addition, if, before any general meeting of shareholders, we have failed to pay in full the dividend payable on the Series Q preference shares for the three most recent consecutive quarterly dividend periods, the holders of the Series Q preference shares shall be entitled to receive notice of, attend, speak and vote at such meeting on all matters. In these circumstances only, the rights of the holders of Series Q preference shares shall continue until we have resumed the payment in full of dividends on the Series Q preference shares for three consecutive quarterly dividend periods. See also Description of Dollar Preference Shares Voting Rights in the accompanying prospectus.

Whenever entitled to vote at a general meeting of shareholders, on a show of hands, each holder of Series Q preference shares present in person shall have one vote and on a poll each holder of Series Q preference shares present in person or by proxy will be entitled to one vote for each Series Q preference share held (subject to adjustment to reflect any capitalization issue, consolidations, sub-divisions or any other re-classification of our ordinary shares as a result of any distribution to the holders of ordinary shares of our assets and certain issues of ordinary shares or of rights or options to subscribe for ordinary shares at a market discount (subject to certain exceptions)).

The holders, including holders of Series Q preference shares at a time when they have voting rights as a result of our having failed to pay dividends as described above, of not less than 10% of our paid up capital that at the relevant date carries the right to vote at our general meetings, are entitled to require the board of directors to convene an extraordinary general meeting. In addition, the holders of Series Q preference shares may have the right to vote separately as a class in certain circumstances as described in the accompanying prospectus under the heading Description of Dollar Preference Shares Variation of Rights .

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CERTAIN US FEDERAL AND UK TAX CONSEQUENCES

The following summarizes certain US federal and UK tax consequences of the acquisition, ownership and disposition of Series Q preference shares or Series Q ADSs by a beneficial owner of Series Q preference shares or Series Q ADSs evidenced by ADRs that is a citizen or resident of the US, or that otherwise will be subject to US federal income tax on a net income basis in respect of the Series Q preference shares or Series Q ADSs, that owns such Series Q preference shares or Series Q ADSs evidenced by ADRs as capital assets (a US Holder) and that purchases such Series Q preference shares or Series Q ADSs as part of this offering. Although the following does not describe all of the tax considerations that may be relevant to a prospective purchaser of Series Q preference shares or Series Q ADSs, (i) in the opinion of Davis Polk & Wardwell, this discussion summarizes the material US federal tax consequences to the US Holders described herein of owning Series Q preference shares or Series Q ADSs represented by ADRs and (ii) in the opinion of Linklaters, this discussion summarizes the material UK tax consequences to the US Holders of owning the Series Q preference shares or Series Q ADSs represented by ADRs.

The summary does not address the tax consequences to a US Holder (i) that is resident (or, in the case of an individual, ordinarily resident) in the UK for UK tax purposes or, generally, (ii) that is a corporation which alone or together with one or more associates, controls, directly or indirectly, 10% or more of our voting stock.

The statements regarding US and UK tax laws and practices set forth below, including the statements regarding the US/ UK double taxation convention relating to income and capital gains (the Treaty) and the US/ UK double taxation convention relating to estate and gift taxes (the Estate Tax Treaty), are based on those laws and practices and the Treaty and the Estate Tax Treaty as in force and as applied in practice on the date of this prospectus supplement and are subject to changes to those laws and practices and the Treaty and the Estate Tax Treaty, and any relevant judicial decision, subsequent to the date of this prospectus supplement. This summary is not exhaustive of all possible tax considerations that may be relevant in the particular circumstances of each US Holder. We advise you to satisfy yourself as to the tax consequences, including the consequences under US federal, state and local laws, of the acquisition, ownership and disposition of Series Q preference shares or Series Q ADSs by consulting your own tax advisors.

For purposes of the Treaty and the Estate Tax Treaty and for purposes of the US Internal Revenue Code of 1986, as amended, US Holders of ADRs will be treated as owners of the Series Q preference shares underlying their Series Q ADSs.

Taxation of Dividends

We are not required to withhold tax at source from dividend payments we make or from any amount (including any amounts in respect of accrued dividends) we distribute on a redemption or winding up. Because payments of dividends by us to non-UK investors are not subject to UK withholding tax, it is not necessary to apply the Treaty in order to receive a reduced rate of withholding.

Distributions we make with respect to the Series Q preference shares or Series Q ADSs will be dividends for US federal income tax purposes to the extent paid out of our current or accumulated earnings and profits, as determined for US federal income tax purposes. Dividends paid by us will not be eligible for the dividends received deduction that is generally allowed to corporations. Subject to applicable limitations that may vary depending upon a holder s individual circumstances, dividends paid to certain non-corporate US Holders in taxable years beginning before January 1, 2009 will constitute qualified dividend income that will be taxable at a maximum tax rate of 15%. Legislation which would extend the period in which qualified dividend income is taxed at a maximum rate of 15% to taxable years beginning before January 1, 2011 has passed the US House of Representatives and the US Senate and is awaiting the President s signature. Non-corporate US Holders should consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to be taxed at this favorable rate.

The US Treasury has announced its intention to promulgate rules which will permit persons required to file information returns to rely on certifications from a foreign issuer that dividends paid by such foreign issuer constitute qualified dividend income. As of the date of this prospectus supplement, such rules have not been promulgated.

For US foreign tax credit purposes, dividends we distribute will constitute non US-source income. Special rules apply in determining the amount of qualified dividend income taken into account for US foreign tax credit limitation purposes.

Taxation of Capital Gains

A US Holder that is not resident (or, in the case of an individual, ordinarily resident) in the UK will not normally be liable for UK taxation on capital gains realized on the disposal (including redemption) of such US Holder s Series Q preference share or Series Q ADS unless, at the time of the disposal, in the case of a corporate US Holder, such US Holder carries on a trade in the UK through a permanent establishment or, in the case of any other US Holder, such US Holder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a branch or agency and the Series Q preference share or Series Q ADS is, or has been, used, held or acquired for the purposes of this trade, permanent establishment, branch or agency. Special rules apply to individuals who are temporarily not resident or ordinarily resident in the UK.

A US Holder will, upon the sale, exchange or redemption of a Series Q preference share or Series Q ADS, recognize capital gain or loss for US federal income tax purposes (assuming, in the case of a redemption, that the US Holder does not own, and is not deemed to own, any of our voting shares) in an amount equal to the difference between the amount realized (excluding any declared but unpaid dividends, which will generally be treated as a dividend for US federal income tax purposes) and the US Holder s tax basis in the Series Q preference share or Series Q ADS. Gain or loss will generally be US-source.

A US Holder who is liable for both UK and US tax on a gain recognized on the disposal of a Series Q preference share or Series Q ADS will generally be entitled, subject to certain limitations, to credit the UK tax against its US federal income tax liability in respect of such gain.

You should consult your tax advisors regarding the US federal income tax treatment of capital gains (which may be taxed at lower rates than ordinary income for certain non-corporate taxpayers) and losses (the deductibility of which is subject to limitations).

Finance (No. 2) Act 2005

If a corporate US Holder is subject to UK corporation tax by reason of carrying on a trade in the UK through a permanent establishment and its Series Q preference share or Series Q ADS is, or has been, used, held or acquired for the purposes of that permanent establishment, certain provisions introduced by the Finance (No. 2) Act 2005 will apply if the US Holder holds its Series Q preference share or Series Q ADS for a tax avoidance purpose . If these provisions apply, dividends on the Series Q preference share or Series Q ADS, as well as certain fair value credits and debits arising in respect of such Series Q preference share or Series Q ADS, will be brought within the charge to UK corporation tax on income and the UK tax position outlined in the preceding paragraphs under the sub-heading Taxation of Capital Gains in relation to such US Holder will not apply.

Estate and Gift Tax

Subject to the discussion of the Estate Tax Treaty in the next paragraph, Series Q preference shares or Series Q ADSs beneficially owned by an individual may be subject to UK inheritance tax (subject to exemptions and reliefs) on the death of the individual or, in certain circumstances, if the Series Q preference shares or Series Q ADSs are the subject of a gift (including a transfer at less than fair market value) by such individual. (Inheritance tax is not generally chargeable on gifts to individuals made more

than seven years before the death of the donor.) Series Q preference shares or Series Q ADSs held by the trustees of a settlement will also be subject to UK inheritance tax. Special rules apply to such settlements.

A Series Q preference share or Series Q ADS beneficially owned by an individual whose domicile is determined to be the US for purposes of the Estate Tax Treaty, and who is not a national of the UK at the relevant time, will not be subject to UK inheritance tax on the individual s death or on a lifetime transfer of the Series Q preference share or Series Q ADS except where the Series Q preference share or Series Q ADS (i) is comprised in a settlement (unless, at the time of the settlement, the settlor was domiciled in the US and was not a national of the UK); (ii) is part of the business property of a UK permanent establishment of an enterprise; or (iii) pertains to a UK fixed base of an individual used for the performance of independent personal services. The Estate Tax Treaty generally provides a credit system designed to avoid double taxation in a case where the Series Q preference share or Series Q ADS is subject both to UK inheritance tax and to US federal estate or gift tax.

Stamp Duty and Stamp Duty Reserve Tax

Based on our current understanding of H.M. Revenue & Customs practice, we expect that no UK stamp duty or stamp duty reserve tax (SDRT) will be payable on the delivery of Series Q preference shares in bearer form to the custodian or the ADR depositary. However, if this understanding proves to be incorrect, we will pay or procure payment of any such UK stamp duty or SDRT which becomes payable on the delivery of the Series Q preference shares in bearer form to the custodian or the ADR depositary.

UK stamp duty will, subject to certain exceptions, be payable at the rate of 1.5% (rounded up, if necessary to the nearest £5) of the value of Series Q preference shares in registered form on any instrument pursuant to which Series Q preference shares are transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts. This would include transfers to the custodian for deposit under the ADR deposit agreement. UK SDRT, at the same rate, could also be payable in these circumstances but no SDRT will be payable if such stamp duty is paid. In accordance with the terms of the ADR deposit agreement, any tax or duty payable by the ADR depositary or the custodian on any of these transfers of Series Q preference shares in registered form will be charged by the ADR depositary to the party to whom ADRs are delivered against such transfers.

A transfer of a registered ADR executed and retained in the US will not give rise to UK stamp duty and an agreement to transfer a registered ADR will not give rise to SDRT.

Subject to certain exceptions, a transfer of Series Q preference shares in registered form will attract ad valorem UK stamp duty, and an unconditional agreement to transfer would attract SDRT provided that SDRT will not be payable if UK stamp duty has been paid, generally at the rate of 0.5% (rounded up, if necessary, to the nearest £5) on the amount or value of the consideration for the transfer. Generally, ad valorem stamp duty applies neither to gifts nor on a transfer from a nominee to the beneficial owner, although in cases of transfers where no ad valorem stamp duty arises, a fixed UK stamp duty of £5 may be payable.

No UK stamp duty or SDRT is payable on the transfer by delivery of Series Q preference shares in bearer form, provided that the agreement to transfer such Shares is not made in contemplation of, or as part of an arrangement for, a takeover of the Group.

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UNDERWRITING

Under the terms and subject to the conditions of the underwriting agreement, and the pricing agreement, each dated , 2006, each underwriter named below has severally agreed to purchase from The Royal Bank of Scotland Group plc and The Royal Bank of Scotland Group plc has agreed to sell to such underwriter, the number of Series Q preference shares in the form of Series Q ADSs set forth opposite the name of such underwriter below.

Underwriter	Number of Series Q ADSs
Citigroup Global Markets Inc.	
Greenwich Capital Markets, Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. Incorporated	
UBS Securities LLC	
Wachovia Capital Markets, LLC	
Total	

The underwriting agreement provides that the obligations of the underwriters to purchase the Series Q ADSs included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to take and pay for the total number of Series Q ADSs offered hereby, if any such Series Q ADSs are purchased.

The Series Q preference shares represented by Series Q ADSs are offered for sale only in jurisdictions where it is legal to make such offers.

Each underwriter has represented and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of any Series Q preference shares and Series Q ADSs in circumstances in which section 21(1) of the FSMA does not apply to us; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Series Q preference shares and Series Q ADSs in, from or otherwise involving the United Kingdom.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), it has not made and will not make an offer of Series Q preference shares or Series Q ADSs to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Series Q preference shares and Series Q ADSs which has been approved by the competent authority in that Relevant Member State or where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Series Q preference shares and Series Q ADSs to the public in that Relevant Member State at any time:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000; and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or

in any other circumstances which do not require the publication by The Royal Bank of Scotland Group plc of a prospectus pursuant to Article 3 of the Prospectus Directive.

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For the purposes of the above paragraph, the expression an offer of Series Q preference shares or Series Q ADSs to the public in relation to any Series Q preference shares or Series Q ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Series Q preference shares or Series Q ADSs to be offered so as to enable an investor to decide to purchase or subscribe the Series Q preference shares or Series Q ADSs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Series Q ADSs will settle through the facilities of The Depository Trust Company, including its participants Clearstream Banking S.A., Luxembourg and Euroclear Bank SA/NV. The CUSIP number for the Series Q ADSs is and the ISIN is .

The underwriters have advised us that they propose initially to offer the Series Q ADSs to the public in the United States at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at such price less a concession not in excess of US$ per Series Q ADS. The underwriters may allow, and such dealers may reallow, a discount not in excess of US$ per Series Q ADS on sales to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the maximum underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering.

	Paid by us
Per Series Q ADS	$
Total	$

During and after the offering, the underwriters may purchase and sell the Series Q ADSs in the open market or otherwise. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. The underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers in respect of the Series Q ADSs sold in the offering for their account may be reclaimed by the syndicate if such Series Q ADSs are repurchased by the syndicate in stabilizing or covering transactions. These activities may have the effect of preventing or retarding a decline in the market price of the Series Q ADSs. They may also cause the price of the Series Q ADSs to be higher than the price that might otherwise prevail in the open market in the absence of these transactions. The underwriters may effect these transactions on the New York Stock Exchange, in the over the counter market, or otherwise. If the underwriters commence these transactions, they may discontinue them at any time.

We will apply for the listing of the Series Q preference shares and the Series Q ADSs on the New York Stock Exchange. Trading of the Series Q ADSs on the New York Stock Exchange is expected to commence within approximately 30 days after the delivery of the Series Q ADSs. Prior to this offering, there has been no market for the Series Q preference shares or the Series Q ADSs. We can give you no assurance about the liquidity of the trading market for the Series Q preference shares or the Series Q ADSs.

The underwriters have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

In the underwriting agreement, we have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect thereof.

The offering is being made in compliance with the requirements of Rule 2720 of the National Association of Securities Dealers, Inc. (the NASD) because Greenwich Capital Markets, Inc. and Citizens Securities, our wholly-owned indirect subsidiaries may participate in offerings under our shelf registration statement of which this prospectus supplement and the accompanying prospectus are a part. Greenwich Capital Markets,

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Inc. is participating as a bookrunner in this offering. Maximum underwriting compensation for any offering under our shelf registration statement will not exceed 8% of the offering proceeds.

All post-effective amendments or prospectus supplements disclosing actual price and selling terms will be submitted to the NASD Corporate Financing Department at the same time they are filed with the SEC. The Department will be advised if, subsequent to the filing of the offering, any 5% or greater shareholder of the issuer is or becomes an affiliate or associated person of an NASD member participating in the distribution. All NASD members participating in the offering understand the requirements that have to be met in connection with SEC Rule 415 and Notice-to-Members 88-101.

It is expected that delivery of the Series Q preference shares as represented by ADSs will be made against payment on or about the date specified in the last paragraph of the cover page of this prospectus supplement, which will be the fifth New York business day following the date of pricing of the Series Q preference shares (such settlement cycle being referred to as T+5). Under Rule 15c6-1 of the Exchange Act, as amended, trades in the secondary market generally are required to settle in three New York business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Series Q preference shares prior to the third New York business day before the delivery of the Series Q preference shares will be required, by virtue of the fact that the Series Q preference shares initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Series Q preference shares who wish to make such trades should consult their own advisors.

LEGAL OPINIONS

Our United States counsel, Davis Polk & Wardwell, and United States counsel for the underwriters, Sidley Austin, will pass upon the validity of the Series Q ADSs. Our Scottish solicitors, Dundas & Wilson CS LLP, will pass upon the validity of the Series Q preference shares under Scots law. Our English solicitors, Linklaters, will pass upon certain matters of English law relating to the issue and sale of the Series Q preference shares.

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PROSPECTUS

THE ROYAL BANK OF SCOTLAND GROUP plc

By this prospectus we may offer

DEBT SECURITIES

DOLLAR PREFERENCE SHARES

up to an aggregate initial offering price of $8,450,000,000

or the equivalent thereof.

We will provide the

specific terms of these securities in supplements to this prospectus. You should read this prospectus and the supplements carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to sell securities unless it is accompanied by a prospectus supplement.

The date of this prospectus is May 16, 2006.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the US Securities and Exchange Commission (SEC) using a shelf registration or continuous offering process. Under this shelf process, we may sell the securities described in this prospectus in one or more offerings up to a total dollar amount of $8,450,000,000 or the equivalent in one or more foreign currencies or currency units.

This prospectus provides you with a general description of the debt securities and dollar preference shares we may offer, which we will refer to collectively as the securities . Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement will provide information regarding certain tax consequences of the purchase, ownership and disposition of the offered securities. The prospectus supplement may also add to, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement. We will file each prospectus supplement with the Securities and Exchange Commission. You should read both this prospectus and the applicable prospectus supplement, together with the additional information described under the heading Where You Can Find More Information .

The registration statement containing this prospectus, including exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement can be read at the SEC s offices or obtained from the SEC s website mentioned under the heading Where You Can Find More Information .

Certain Terms

In this prospectus, the terms we , us or our refer to The Royal Bank of Scotland Group plc, the term Group means The Royal Bank of Scotland Group plc and its subsidiaries, the term RBS plc means The Royal Bank of Scotland plc, the term RBS or the Royal Bank means RBS plc and its subsidiaries, the term NWB Plc means National Westminster Bank Plc and the term NatWest means NWB Plc and its subsidiaries.

We publish our consolidated financial statements in pounds sterling (£ or sterling). In this prospectus and any prospectus supplement, references to dollars and $ are to United States dollars.

USE OF PROCEEDS

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5214-0018
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Indonesia - (ID)
F - (Pending)
5214-0019
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04/15/2008

Australia - (AU)
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2010-07455
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12/736,535
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09/07/2012

Patent Cooperation Treaty - (WO)
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5214-0037
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01/30/2013

European Patent Convention - (EP)
F - (Pending)
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61/829,006
05/30/2013

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07/11/2013

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G - (Granted)

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5214-0076	2015202493	05/08/2015			Australia - (AU)	F - (Pending)
5214-0077	14/891,893	05/30/2014			United States - (US)	F - (Pending)
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5214-0079	2,912,824	05/30/2014			Canada - (CA)	F - (Pending)
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5214-0082	14803703.9	05/30/2014			European Patent Convention - (EP)	F - (Pending)
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5214-0089	2015/08515	05/30/2014			South Africa - (ZA)	F - (Pending)
5214-0090	10-2015-7037018	05/30/2014			Republic of Korea - (KR)	F - (Pending)
5214-0091	201610015312.9	01/11/2016			China P.R. - (CN)	F - (Pending)
5214-0092	201618002729	01/25/2016			India - (IN)	F - (Pending)

5214- 0095	15/297,210	10/19/2016	United States – (US)	F – (Pending)
5214-0096	16113567.8	11/29/2016	Hong Kong – (HK)	F – (Pending)

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Governmental Regulations

Environmental Regulation Affecting our Potential Market

We believe that under the Obama administration legislation and regulations had a negative impact on fossil fuel-fired, and specifically coal-fired, power generating facilities nationally and internationally. According to the U.S. Environmental Protection Agency, or EPA, power generation emits substantial levels of sulfur dioxide, nitrogen oxides, mercury and carbon dioxide into the environment. Regulation of these emissions affected the potential market for coal processed using our technology by imposing limits and caps on fossil fuel emissions. The most significant, existing national legislation and regulations affecting our potential market include the Clean Air Act, the Clean Air Interstate Rule and the Clean Air Mercury Rule, which are described further below. However, since January 20, 2017 and the current Trump administration all previous regulations implemented by the EPA are under review and it is widely expected that most of them will be repealed.

Environmental Regulation Affecting the Construction and Operation of Plants Using our Technology
In the United States, future production plants using our technology will require numerous permits, approvals and certificates from appropriate federal, state and local governmental agencies before construction of each facility can begin and will be required to comply with applicable environmental laws and regulations (including obtaining operating permits) once facilities begin production. The most significant types of permits that are typically required for commercial production facilities include an operating and construction permit under the Clean Air Act, a wastewater discharge permit under the Clean Water Act, and a treatment, storage and disposal permit under the Resource Conservation and Recovery Act. Some federal programs have delegated regulatory authority to the states and, as a result, facilities may be required to secure state permits. Finally, the construction of new facilities may require review under the National Environmental Policy Act, or a state equivalent, which requires analysis of environmental impacts and, potentially, the implementation of measures to avoid or minimize these environmental impacts. We are working closely with Wyoming to assess all permitting requirements.

Any international plants will also be subject to various permitting and operational regulations specific to each country. International initiatives, such as the Kyoto Protocol/Copenhagen Accord, are expected to create increasing pressures on the electric power generation industry on a world-wide basis to reduce emissions of various pollutants, which management expects will create additional demand for our technology.

Research and Development

In association with our engineering consultants, we are continually looking to upgrade our technology and to study and define the next generation of clean coal technology. While our budget does not currently allow us to allocate a specific funding for R and D, we are continuing to work on developing new technology and upgrades to our existing technology. During 2011 we invented the new Pristine M technology which following its successful testing in 2016 we believe has already put us at the forefront of the global moisture removal technologies. This was developed on a limited budget.

In the future, we anticipate a growing R&D budget that seeks to fully develop the potential of our three main processes. We will continue to evaluate our progress in new and existing technologies and will seek to fund additional needs as they arise.

Employees

As of December 31, 2016, we had two full-time executives, President and CEO Robin Eves, Chief Operations Officer and Chief Financial Officer, Aiden Neary have written employment agreements. Messrs. Eves and Neary received no

compensation for their participation on the Board of Directors.

The terms of the agreements described above were negotiated by and between the individuals and our Board of Directors based on the qualifications and requirements of each individual and the needs of the company; however, the negotiations may not be deemed to have been at arm’s length.

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ITEM 1A. RISK FACTORS

We have limited licensing revenues to date and we have made no provision for any contingency, unexpected expenses or increases in costs that may arise.

We have received only limited licensing revenues from operations to date. We have generated operational funding in fiscal 2016 from private debt and equity offerings to use for operating expenses or research and development. Since inception, we have been able to cover our operating losses from debt and equity financing. These sources of funds may not be available to cover future operating losses. If we are not able to obtain adequate sources of funds to operate our business we may not be able to continue as a going concern.

Our business strategy and plans could be adversely affected in the event we need additional financing and are unable to obtain such funding when needed. It is possible that our available funds may not be sufficient to meet our operating expenses, development plans, and capital expenditures for the next twelve months. Insufficient funds may prevent us from implementing our business strategy or may require us to delay, scale back or eliminate certain opportunities for the commercialization of our technology. If we cannot obtain necessary funding, then we may be forced to cease operations.

We may experience delays in resolving unexpected technical issues arising from the design of commercial units that will increase development costs and make the economics unattractive.

As we develop, refine and implement our technology on a commercial basis, we may have to solve technical, manufacturing and/or equipment-related issues. Some of these issues are ones that we cannot anticipate because the technology we are developing is new. If we must revise existing manufacturing processes or order specialized equipment to address a particular issue, we may not meet our projected timetable for bringing commercial operations on line. Such delays may interfere with our projected operating schedules, delay our receipt of licensing and royalty revenues from operations and decrease royalties from operations.

The market in which we are attempting to sell our technology is highly competitive and may attract significant additional research and development in coming years.

The market for our technology may become highly competitive on a global basis, with a number of competitors gaining significantly greater resources and greater market share than us. Because of greater resources and more widely accepted brand names, many of our competitors may be able to adapt more quickly to changes in the markets we have targeted or devote greater resources to the development and sale of new technology products. Our ability to compete is dependent on our emerging technology that may take some time to develop market acceptance. To improve our competitive position, we may need to make significant ongoing investments in service and support, marketing, sales, research and development and intellectual property protection. We may not have sufficient resources to continue to make such investments or to secure a competitive position within the market we target.

Our business depends on the protection of our patents and other intellectual property and may suffer if we are unable to adequately protect such intellectual property.

Our success and ability to compete are substantially dependent upon our intellectual property. We rely on patent laws, trade secret protection and confidentiality or license agreements with our employees, consultants, strategic partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. There are events that are outside of our control that pose a threat to our intellectual property rights as well as to our products and services. For example, effective intellectual property protection may not be available in every country in which we license our technology. Also, the efforts we have taken to protect our

proprietary rights may not be sufficient or effective. Any impairment of our intellectual property rights could harm our business and our ability to compete. Also, protecting our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results. In addition, other parties may independently develop similar or competing technologies designed around any patents that may be issued to us.

We have been granted one U.S. patent and have several U.S. patent applications pending relating to certain aspects of our technology and we may seek additional patents on future innovations. Our ability to license our technology is substantially dependent on the validity and enforcement of these patents and patents pending. We cannot assure you that our patents will not be invalidated, circumvented or challenged, that patents will be issued for our patents pending, that the rights granted under the patents will provide us competitive advantages or that our current and future patent applications will be granted.

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Third parties may invalidate our patents.

Third parties may seek to challenge, invalidate, circumvent or render unenforceable any patents or proprietary rights owned by or licensed to us based on, among other things:

- subsequently discovered prior art;
- lack of entitlement to the priority of an earlier, related application; or
- failure to comply with the written description, best mode, enablement or other applicable requirements.

United States patent law requires that a patent must disclose the “best mode” of creating and using the invention covered by a patent. If the inventor of a patent knows of a better way, or “best mode,” to create the invention and fails to disclose it, that failure could result in the loss of patent rights. Our decision to protect certain elements of our proprietary technologies as trade secrets and to not disclose such technologies in patent applications, may serve as a basis for third parties to challenge and ultimately invalidate certain of our related patents based on a failure to disclose the best mode of creating and using the invention claimed in the applicable patent. If a third party is successful in challenging the validity of our patents, our inability to enforce our intellectual property rights could seriously harm our business.

We may be liable for infringing the intellectual property rights of others.

Our technology may be the subject of claims of intellectual property infringement in the future. Our technology may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle, could divert resources and attention and could require us to obtain a license to use the intellectual property of third parties. We may be unable to obtain licenses from these third parties on favorable terms, if at all. Even if a license is available, we may have to pay substantial royalties to obtain it. If we cannot defend such claims or obtain necessary licenses on reasonable terms, we may be precluded from offering most or all of technology and our business and results of operations will be adversely affected.

Our ability to execute our business plan would be harmed if we are unable to retain or attract key personnel.

Our technology is being marketed by a small number of the members of our management. Our technology is being developed and refined by a small number of technical consultants. Our future success depends, to a significant extent, upon our ability to retain and attract the services of these and other key personnel. The loss of the services of one or more members of our management team or our technical consultants could hinder our ability to effectively manage our business and implement our growth strategies. Finding suitable replacements could be difficult, and competition for such personnel of similar experience is intense. We do not carry key person insurance for our officers.

Overseas development of our business is subject to international risks, which could adversely affect our ability to license profitable overseas plants.

We believe a significant portion of the growth opportunity for our business lies outside the United States. Doing business in foreign countries may expose us to many risks that are not present domestically. We lack significant experience in dealing with such risks, including political, military, privatization, technology piracy, currency exchange and repatriation risks, and higher credit risks associated with customers. In addition, it may be more difficult for us to enforce legal obligations in foreign countries, and we may be at a disadvantage in any legal proceeding within the local jurisdiction. Local laws may also limit our ability to hold a majority interest in the projects that we develop. The Company has yet to establish any representation offices outside the United States.

We do not know if coal processed using our technology is commercially viable.

We do not yet know whether coal processed using our technology can be produced and sold on a commercial basis in a cost effective manner after taking into account the cost of the feedstock, processing costs, license and royalty fees and the costs of transportation. Because we have not experienced any full scale commercial operations, we have not yet developed a guaranteed efficient cost structure. We are currently using the estimates for anticipated pricing and costs, as well as the qualities of the coal processed in the laboratory and our test facility at AES setting to make such estimates. We may experience technical problems that could make the processed coal more expensive than anticipated. Failure to address both known and unforeseen technical challenges may materially and adversely affect our business, results of operations and financial condition. Initial indications based on actual test results show a positive impact on the quality of the processed coal and based on current prices appear economically attractive.

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We have experienced large net losses, have little liquidity and need to obtain funds for operations or we may not be able to continue.

We have incurred net losses since inception. The net losses to date include large non-cash expenses recorded for share-based compensation for consultants and officer compensation. However, in addition to the non-cash expenses, we had other operating expenses, funded in large part through loans from existing shareholders. In order to meet our current operating budget and anticipated contractual obligations, we estimate that we will need an additional $5,000,000 for 2017, based on our current contractual obligations. At December 31, 2016, we had total liabilities of $30,995,533 and cash of $100,444. If we cannot obtain adequate financing from new funding sources, we will be unable to continue operations or meet our contractual obligations.

Our use of equity as an alternative to cash compensation may cause excessive dilution for our current shareholders.

Due to shortage of operating funds and low liquidity, we have issued shares as compensation for services, including board and officer compensation as well as compensation for outside consultants and other services. This form of compensation has enabled us to obtain services that would not otherwise have been available to us but it has resulted in dilution to our shareholders. Unless we are able to obtain adequate financing in the immediate future, we may be forced to continue to obtain services through the issuance of shares and warrants, resulting in additional dilution to shareholders and potentially adversely affecting any return on investment.

Due to the uncertain commercial acceptance of coal processed using our technology we may not be able to realize significant licensing revenues.

While we strongly believe that a commercial market is developing both domestically and internationally for cleaner coal products such as coal processed using our technology, we may face the following risks due to the developing market for cleaner coal technology:

- limited pricing information;
- changes in the price differential between low- and high-BTU coal;
- unknown costs and methods of transportation to bring processed coal to market;
- alternative fuel supplies available at a lower price;
- the cost and availability of emissions-reducing equipment or competing technologies; failure of governments to implement and enforce new environmental standards; and
- a decline in energy prices which could make processed coal less price competitive.

If we are unable to develop markets for our processed coal, our ability to generate revenues and profits will be negatively impacted.

If we are unable to successfully construct and commercialize production plants, our ability to generate profits from our technology will be impaired.

Our future success depends on our ability to secure partners to locate, develop and construct future commercial production plants and operate them at a profit. A number of different variables, risks and uncertainties affect such commercialization including:

- the complex, lengthy and costly regulatory permit and approval process;
- potential local opposition to development of projects, which can increase cost and delay timelines;
- increases in construction costs such as for contractors, workers and raw materials; - transportation costs and availability of transportation;

- the inability to acquire adequate amounts of low rank feedstock coal at forecasted prices to meet projected goals;
- availability of suitable consumers of chemical by-product produced by our process;
- engineering, operational and technical difficulties; and - possible price fluctuations of low-Btu coal which could impact profitability.

If we are unable to successfully address these risks, our results from operations, financial condition and cash flows may be adversely affected.

Future changes in the law may adversely affect our ability to sell our products and services.

A significant factor in expanding the potential U.S. market for coal processed using our technology is the numerous federal, state and local environmental regulations, which provide various air emission requirements for power generating facilities and industrial coal users. We believe that since January 20, 2017 and the appointment of the new Trump administration a number of pre-existing regulations and restrictions will be removed.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We have leased executive office space at 295 Madison Avenue, New York, NY 10017. As at January, 2016 we have downgraded our office space to a satellite office at a monthly cost of $200 per month.

ITEM 3. 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. 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.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES

Market Information

Our common stock is quoted on the OTC Markets Group website under the symbol CCTC since October 12, 2007. The following table sets forth the high and low bid prices for the Company's common stock for the periods indicated. The prices below reflect inter-dealer quotations, without retail mark-up, mark-down or commissions and may not represent actual transactions.

Quarter Ended	Low	High
31-Dec-16	$0.09	$0.30
30-Sep-16	$0.09	$0.35
30-Jun-16	$0.24	$0.55
31-Mar-16	$0.28	$0.73
31-Dec-15	$0.63	$0.96
30-Sep-15	$0.19	$1.05
30-Jun-15	$0.08	$0.34
31-Mar-15	$0.06	$0.10

The closing price of our common stock as quoted on the OTC Markets on March 24, 2016 was $0.39 per share. As of March 24, 2016, there were approximately 2,181 holders of record of our common stock and 71,500,884 shares of common stock outstanding based on information provided by our transfer agent, Worldwide Stock Transfer, LLC.

Dividends

We have not paid any dividends on our common stock since our inception and do not anticipate paying any dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then-existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our Board of Directors deems relevant.

Issuer Purchases of Equity Securities

During the year ended December 31, 2016, we did not purchase any of our own equity securities.

Recent Issues and Sales of Unregistered Securities

In December 2015, we reserved 170,237 shares for Black Diamond under their Series A advancements made throughout the year. These shares have not yet been issued but are being recognized in the accounts

The total number of common shares issued and recognized as due in 2016 was 101,068,451

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

Issued for Services

During the year ended December 31, 2016, Clean Coal issued an aggregate of 12,950,000 common shares for services rendered valued at $6,303,616 to consultants and employees.

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 there under. The transactions were issuances for services performed, the transactions were all privately negotiated and none involved any kind of public solicitation.

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ITEM 6. SELECTED FINANCIAL DATA

We are a “Smaller Reporting Company” as defined under §229.10(f)(1) of Regulation S-K and are not required to provide the information required by this Item.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT FUTURE RESULTS

This Annual Report on Form 10-K contains forward-looking statements (as referenced in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) 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 pla undue reliance on these forward-looking statements, which reflect our management’s opinions only as of the date of the filing of this Annual Report on Form 10-K and are not guarantees of future performance or actual results.

Overview

Clean Coal Technologies, Inc. (“We,” “Company” or “Clean Coal”) owns a patented technology that we believe will provide cleaner energy at low costs through the use of the world’s most abundant fossil fuel, coal. Our technology is designed to utilize controlled heat to extract and capture pollutants and moisture from low-rank coal, transforming it into a cleaner-burning, more energy-efficient fuel prior to combustion. Our proprietary coal cleaning process is designed to ensure that the carbon in coal maintains its structural integrity during the heating process while the volatile matter (polluting material) within the coal turns into a gaseous state and is removed from the coal. We have trade-marked the name “PRISTINE™” as a means of differentiating our processed product from the negative connotations generally associated with coal, and its traditional use. PRISTINE™ is applicable for a variety of applications, including coal-fired power stations, chemical byproduct extraction, and as a source fuel for coal-to-liquid technologies.

In September 2011, we filed for a second patent on a new technology known as Pristine-M™. The new technology is a moisture substitution technology that, owing to its superior product and economics, is expected to be highly successful in the moisture removal business globally.

During the second quarter of 2013, we filed a provisional patent application for a new process to be called Pristine-SA. The new process is designed to produce a coal product that is devoid of all volatiles and comes together with a solution for ensuring efficient and clean combustion on a level with natural gas. Now that the application on the basic concept has been filed, we expect to continue further research and development to address Pristine-SA’s potential application in various fuel and non-fuel product areas.

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 audit, disclosure and reporting services.

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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 anticipate that we may not receive any significant revenues from operations until we begin to receive royalty revenues from our coal testing plant which we estimate will be approximately 12 months after the successful signing of a commercial agreement anticipated in quarter three of fiscal 2017. 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.

For the Years Ended December 31, 2016, and 2015.

We had no revenues for the years ended December 31, 2016 and 2015. In the year ended December 31, 2012, we have received an initial license fee of $375,000 from Jindal paid pursuant to the signing of our coal testing plant construction contract. The balance of $375,000 will be due upon the successful review and assessment of the testing completed in April 2016 at AES, currently anticipated in the third quarter of fiscal 2017. We do not anticipate any significant royalty fees for approximately 12 months thereafter.

Operating Expenses

Our operating expenses for the year ended December 31, 2016 totaled $10,680,343 compared to $10,700,013 for the prior year. The $19,670 decrease in operating expenses during the year ended December 31, 2016 compared to 2015 is mainly due to a $5,970,319 reduction in impairment of construction in progress, partially offset by an increase of $1,674,823 in research and development expenses, all related to the 2015 write-off and 2016 subsequent classification of expenses related to construction being deemed research and development. The decrease was also partially offset by a $976,432 increase in consulting services and a $3,299,394 increase in general and administrative expenses which included $2,530,711 in employee stock expenses, and a $976,432 increase in consulting and services expense related to the issuance of common stock for services.

All Board of Directors' cash fees have been accrued as of this date. Our CEO and President, Robin Eves, our Chief Operations Officer and Aiden Neary are not compensated for their participation on our Board.

Employees

As of December 31, 2016, we have two full-time executives, President and CEO Robin Eves and Chief Operations Officer and Chief Financial Officer Aiden Neary have written employment agreements. Mr Eves and Neary received no compensation for their participation on the Board of Directors.

On July 1, 2015, we entered into three year employment agreements with Robin Eves as President and Chief Executive Officer and Aiden Neary as Chief Operating Officer, Chief Financial Officer and director. Mr. Eves receives an annual salary of $495,000. Mr. Neary receives an annual salary of $375,000. Each officer was also granted 750,000 common shares.

The terms of the agreements described above were negotiated by and between the individuals and our Board of Directors based on the qualifications and requirements of each individual and the needs of the company.

Net Income/Loss

For the year ended December 31, 2016, we recognized net income of $36,556,025, compared to a net loss of $80,331,983 for the year ended December 31, 2015. The net income and loss for both years were mainly due to the recognition of $51,985,777 in gains and $61,084,036 in losses on derivative liabilities for the years ended December 31, 2016 and 2015, respectively.

Total other income was $47,236,368 for the year ended December 31, 2016, mainly due to $51,985,777 in gain on derivative valuation, partially offset by interest expenses of $2,640,605 and loan default and standstill expenses of $2,089,433.

Total other expense was $69,631,970 for the year ended December 31, 2015, mainly due to $61,084,036 in loss on derivative valuation, as well as a loss on extinguishment of debt of $6,042,463, interest expenses of $2,038,681 and loan default and standstill expenses of $466,890.

We anticipate losses from operations will increase during the next twelve months due to 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.

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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 converted or convertible to common stock and the receipt of $375,000 in license fees from Jindal as described above.

Net Cash Used in Operating Activities.

During the years ended December 31, 2016 and 2015, we used $2,323,129 and 1,176,176 in cash from operations. Our primary sources of operating cash during the years ended December 31, 2016 and 2015 were from issuing convertible notes payable. Our primary uses of funds in operations were payments made to our consultants and employees, legal and professional costs as well as travel and office expenses. We also commenced the repayment of an outstanding legacy settlement.

Net Cash Used In Investing Activities.

During the years ended December 31, 2016 and 2015, we used $0 and $2,585,171 in investing activities, respectively. In 2015 we used $2,585,171 in cash for the construction in progress on our coal testing plant. During the year ended December 31, 2015, the Company recognized $5,970,319 in impairment expense on project to-date construction costs and ceased capitalizing costs related to construction.

Net Cash Provided by Financing Activities.

Net cash provided by financing activities during the years ended December 31, 2016 and 2015 totaled $2,300,507 and $3,883,283, respectively. We received $3,038,101 and $5,308,680 from the issuance of convertible debt, and $37,500 and $50,000 from the issuance of notes payable to related parties during the years ended December 31, 2016 and 2015, respectively. We repaid $905,644 on convertible debt during the year ended December 31, 2016 and $19,450 and $50,000 of notes payable to related parties during the years ended December 31, 2016 and 2015, respectively. We received $150,000 from the issuance of a note payable during the year ended December 31, 2016.

Cash Position and Outstanding Indebtedness.

Our total indebtedness at December 31, 2016 and 2015 was $30,995,533 and $81,016,531, respectively, which consists $25,742,271 and $76,543,117 of current liabilities and $5,253,262 and $4,473,414 of long-term debt, respectively. Current liabilities consist primarily of accounts payable, accounts payable to related parties, short-term debt, convertible debt and accrued liabilities. At December 31, 2016 and 2015, we had current and total assets of $100,444 and $123,066 in cash, respectively. Our working capital deficit at December 31, 2016 and 2015 was $25,641,827 and $76,420,051, respectively.

Contractual Obligations and Commitments

The following table summarizes our contractual cash obligations and other commercial commitments at December 31, 2016.

	Payments due by period				
	Total	Less than 1	1 to 3 years	3 to 5 years	After 5 years

		year			
Facility lease (1)	$-	$200	$ -	$ -	$ -
Total contractual cash obligations	$-	$200	$ -	$ -	$ -

(1) Our New York lease is on a month to month basis, at a monthly rate of $200 per month.

Our engineering consultants has tentatively estimated construction costs for each one million short ton coal complete cleaning facility of approximately $250 million (excluding land costs) or costs and for a similar size Pristine-M-only facility of approximately $35-40 million (excluding land costs). All intellectual property rights associated with new art developed by our engineering consultants remain our property.

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.

In November 2015, we entered into a month to month agreement with South of the Rose communication to manage our Investor Relations needs and manage social media requirements.
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Construction of the coal testing plant was completed in 2015 and testing commenced in December 2015 at the AES Coal Power Utility in Oklahoma. As of December 31, 2016, we have paid $7,645,142 with a further $650,000 required to move the test plant from AES once a permanent location has been identified.

Based on our current operational costs and including the capital requirements for our project deployments, we estimate we will need a total of approximately $5,000,000 to fund the Company for the 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.

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 7A. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements required by this item are included on the pages immediately following the Index to Financial Statements appearing below.

FINANCIAL STATEMENTS INDEX

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Report of Independent Registered Public Accounting Firm	18
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Statements of Changes in Stockholders’ Deficit for the years ended December 31, 2016 and 2015	21
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
Clean Coal Technologies, Inc.
New York, New York

We have audited the accompanying balance sheets of Clean Coal Technologies, Inc. (the "Company") as of December 31, 2016 and 2015 and the related statements of operations, changes in stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clean Coal Technologies, Inc. as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has a working capital deficit, has generated net losses since its inception and further losses are anticipated. The Company requires additional funds to meet its obligations and the costs of its operations. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/MaloneBailey, LLP
www.malonebailey.com
Houston, Texas
April 17, 2017

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Clean Coal Technologies, Inc.
Balance Sheets

	December 31, 2016	2015
ASSETS		
Current Assets		
Cash	$100,444	$123,066
Total Current Assets	100,444	123,066
Property, plant and equipment, net of accumulated depreciation of $1,019 and $1,019, respectively	-	-
Total Assets	$100,444	$123,066
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$1,956,743	$1,285,724
Accrued liabilities	3,878,460	3,708,017
Notes payable – related parties	18,050	-
Notes payable – third parties	463,185	413,185
Convertible debt, net of unamortized discounts	1,397,222	1,131,873
Derivative liabilities	18,028,611	70,004,318
Total Current Liabilities	25,742,271	76,543,117
Long-Term Liabilities		
Convertible debt, net of unamortized discounts	5,253,262	4,473,414
Total Liabilities	30,995,533	81,016,531
Stockholders' Deficit		
Common stock, $0.00001 par value 500,000,000 shares authorized, 101,068,451 and 60,577,714 shares issued and outstanding, respectively	1,011	606
Additional paid-in capital	235,702,112	222,260,166
Accumulated deficit	(266,598,212)	(303,154,237)
Total Stockholders' Deficit	(30,895,089)	(80,893,465)
Total Liabilities and Stockholders' Deficit	$100,444	$123,066

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

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Clean Coal Technologies, Inc.
Statements of Operations

	Years Ended December 31, 2016	2015
Operating Expenses:		
General and administrative	4,590,720	1,291,326
Consulting services	4,414,800	3,438,368
Research and development	1,674,823	-
Impairment of construction in progress	-	5,970,319
Loss from Operations	(10,680,343)	(10,700,013)
Other Expenses:		
Gain (loss) on change in fair value of derivative liabilities	51,985,777	(61,084,036)
Loss on extinguishment of debt	(19,371)	(6,042,463)
Interest expense	(2,640,605)	(2,038,581)
Loan default and standstill expense	(2,089,433)	(466,890)
Total Other Income (Expenses)	47,236,368	(69,631,970)
Net income (loss)	$36,556,025	$(80,331,983)
Net income (loss) per share - basic	$0.47	$(1.69)
Weighted average common shares outstanding - basic	78,163,516	47,550,817
Net income (loss) per share – diluted	$(0.09)	$(1.69)
Weighted average common shares outstanding – diluted	185,473,774	47,550,817

The accompanying notes are an integral part of these financial statements.
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Clean Coal Technologies, Inc.
Statements of Changes in Stockholders' Deficit
Years Ended December 31, 2016 and 2015

	Common Stock		Additional Paid-In	Accumulated	Stockholders' Equity
	Shares	Amount	Capital	Deficit	(Deficit)
Balances at December 31, 2014	40,393,751	$ 404	$ 218,935,664	$ (222,822,254)	$ (3,886,186)
Common stock issued for services	18,196,153	182	3,037,553	-	3,037,735
Common stock issued with debt	550,000	5	97,370	-	97,375
Common stock issued for conversion of debt	1,270,325	13	49,987	-	50,000
Stock split share adjustment	(2,752)	-	-	-	-
Common stock issued with debt modification	170,237	2	139,592	-	139,594
Net loss	-	-	-	(80,331,983)	(80, 331,983)
Balances at December 31, 2015	60,577,714	$ 606	$ 222,260,166	$ (303,154,237)	$ (80,893,465)
Common stock issued for services	18,614,206	186	7,756,000	-	7,756,186
Common stock issued for conversion of debt and interest	18,018,838	180	1,287,793	-	1,287,973
Common stock issued for conversion of wages payable	800,000	8	499,992	-	500,000
Common stock issued for debt standstill	750,000	8	94,992	-	95,000
Common stock issued with debt modification and settlement	2,741,937	27	1,563,652	-	1,563,679
Cancellation of shares	(434,244)	(4)	4	-	-
Derivative liabilities settled to equity	-	-	2,239,513	-	2,239,513
Net income	-	-	-	36,556,025	36,556,025
Balances at December 31, 2016	101,068,451	$ 1,011	$ 235,702,112	$ (266,598,212)	$ (30,895,089)

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

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Clean Coal Technologies, Inc.

Statements of Cash Flows

	Years Ended December 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$36,556,025	$(80,331,983)
Adjustment to reconcile net income (loss) to net cash used in operating activities:		
Amortization of debt discounts	1,776,565	1,352,608
Impairment of construction in progress	-	5,970,319
Common stock issued for standstill fees	1,537,308	
Stock-based compensation	7,756,186	3,037,735
Loan default and standstill fees added to loan principal	604,688	466,890
Loss on extinguishment of debt	19,371	6,042,463
(Gain) loss on change in fair value of derivative liabilities	(51,985,777)	61,084,036
Changes in operating assets and liabilities:		
Accounts payable	671,019	265,254
Accrued expenses	741,486	936,502
Net Cash Used in Operating Activities	(2,323,129)	(1,176,176)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for construction in progress	-	(2,585,171)
Net Cash Used in Financing Activities	-	(2,585,171)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on debt	150,000	-
Payments on debt	-	(1,425,397)
Borrowings on convertible debt, net of face discounts and lender fees	3,038,101	5,308,680
Payments on convertible debt	(905,644)	-
Borrowings on related party debt	37,500	50,000
Payments on related party debt	(19,450)	(50,000)
Net Cash Provided by Financing Activities	2,300,507	3,883,283
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22,622)	121,936
CASH AND CASH EQUIVALENTS - beginning of period	123,066	1,130
CASH AND CASH EQUIVALENTS - end of period	$100,444	$123,066

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

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

	Years Ended December 31,	
	2016	2014
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$37,499	$114,905
Cash paid for income taxes	$-	$-
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Derivative liabilities recorded as debt discounts	$2,249,583	$5,479,767
Common stock issued for conversion of debt and accrued interest	$1,287,973	$50,000
Derivative liability settled to additional paid-in capital	$2,239,513	$-
Accrued wages and debt converted to common stock	$500,000	$-
Accrued interest transferred to debt	$75,000	$-
Accrued cash structuring fees	$60,680	$255,512
Common shares cancelled and reissued to third party	$4	$-
Capitalized interest	$-	$172,203
Common stock issued with debt	$-	$97,375

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

Clean Coal Technologies, Inc.
Notes to Financial Statements

NOTE 1: NATURE OF BUSINESS
Clean Coal Technologies, Inc. ("CCTI", the "Company", "Clean Coal", "we", "our"), a Nevada corporation, is developing a patented multi-stage process that transforms coal with high levels of impurities, contaminants and other polluting elements into an exceptionally efficient, clean and inexpensive source of high energy, low polluting fuel.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Accounting Methods

The Company's financial statements are prepared using the accrual method in accordance with Generally Accepted Accounting Principles in the United State of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company applies the provisions of Accounting Standards Codification ("ASC") 605 Revenue Recognition (ASC 605) which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC. ASC 605 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. In general, the Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fee is fixed or determinable, and (iv) collectability is reasonably assured.

The Company generated revenue in 2012 related to license fees received for the use of its technology. The license fee revenue requires no continuing performance on the Company's part and is recognized upon receipt of the licensing fee and grant of the license.

During 2012, the Company granted a 25-year technology license agreement for a one-time license fee of $750,000. The first installment of the license fee of $375,000 has been collected pursuant to the signing of a coal testing plant construction contract and the balance of $375,000 will be due upon the successful testing of the coal testing plant, estimated to be in the third quarter of 2017. In addition, under the technology license agreement, the Company will receive an on-going royalty fee of $1 per metric ton on all coal processed using the technology, up to $4,000,000 per annum. No revenue has been earned in 2016 or 2015.

Net Loss per Common Share

Basic net loss per share is computed on the basis of the weighted average number of common shares outstanding during each year. Diluted net loss per share is computed similar to basic net 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. The Company uses the "if-converted" method for calculating the earnings per share impact of outstanding convertible debentures, whereby the securities are assumed converted and an earnings per incremental share is computed. Options, warrants and their

equivalents are included in EPS calculations through the treasury stock method. 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.

The total number of potential additional dilutive instruments outstanding for the year ended December 31, 2015 was none since the Company had a net loss. As of December 31, 2016, the Company had 27,731,475 underlying shares related to unexercised warrants and 80,575,297 potential common shares under convertible debentures which were included in the calculation of diluted income per common share.

Cash and Cash Equivalents

Clean Coal considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for purposes of preparing its Statements of Cash Flows.

Fair Value of Financial Instruments

The fair values of the Company's financial instruments including cash, accounts payable, accrued expenses, convertible debt and notes payable approximate their carrying amounts because of the short maturities of these instruments.

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Federal Income Tax

Clean Coal files income tax returns in the U.S. federal jurisdiction, and the state of Nevada. Clean Coal's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.
Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.
Net deferred tax assets consist of the following components as of December 31, 2016 and 2015:

	2016	2015
Deferred tax assets:		
Net operating loss carryforward	$9,785,760	$7,880,283
Valuation allowance	(9,785,760)	(7,880,283)
	$-	$-

The federal income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate of 35% to pretax income from continuing operations for the years ended December 31, 2016 and 2015 due to the following:

	2016	2015
Pre-tax book income (loss)	$12,794,609	$(28,116,194)
Meals and entertainment	1,225	1,140
Common stock, options and warrants issued for services and debt discount	2,889,665	1,063,207
Debt settlement and extinguishment expense	-	2,114,862
Asset impairment expense	-	2,089,611
Debt discount amortization	604,046	473,413
Gain (loss) on derivative liability	(18,195,022)	21,379,413
Valuation allowance	1,905,477	994,548
	$-	$-

The Company had net operating losses of approximately $28,000,000 that begin to expire in 2026. Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryforwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carryforwards may be limited as to use in future years. In accordance with the statute of limitations for federal tax returns, the Company's federal tax returns for the years 2013 through 2016 are subject to examination.

Property and Equipment
Property and equipment consists of furniture and fixtures and computer equipment, recorded at cost, depreciated upon placement in service over estimated useful lives ranging from three to five years on a straight-line basis. As of December 31, 2016 and 2015, Clean Coal had property and equipment with no net book value. Expenditures for normal repairs and maintenance are charged to expense as incurred.

Construction in Process
Construction in progress is stated at cost, which includes the costs of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant

assets are completed and put into use. Interest on the borrowings related to construction is capitalized in accordance with ASC 835-20 Capitalization of Interest. During the years ended December 31, 2016 and 2015, $0 and $172,203 of interest was capitalized, respectively. The construction in progress asset was fully impaired during 2015 resulting in a loss of $5,970,319.

Impairment of Long Lived Assets

In the event facts and circumstances indicate the carrying value of a long-lived asset, including associated intangibles, may be impaired, an evaluation of recoverability is performed by comparing the estimated future undiscounted cash flows associated with the asset to the asset’s carrying amount to determine if a write-down to market value or discounted cash flow is required.

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During the year ended December 31, 2015, the Company recognized a full impairment expense of $5,970,319 on the development of its test facility due to the lack of revenue generation and uncertainty as to future revenue generation.

Research and Development Costs

Research and development expenses include salaries, related employee expenses, research expenses and consulting fees. All costs for research and development activities are expensed as incurred. Clean Coal expenses the costs of licenses of patents and the prosecution of patents until the issuance of such patents and the commercialization of related products is reasonably assured. During the years ended December 31, 2016 and 2015, the Company recognized $1,674,823 and $0 of research and development costs, respectively.

Stock-based Compensation

FASB ASC 718 established financial accounting and reporting standards for stock-based employee compensation plans. It defines a fair value based method of accounting for an employee stock option or similar equity instrument. Clean Coal accounts for stock-based compensation to employees in accordance with FASB ASC 718. Clean Coal accounts for share based payments to non-employees in accordance with FASB ASC 505-50.

Fair Value of Financial Instruments

ASC 820, Fair Value Measurements (ASC 820) and ASC 825, Financial Instruments (ASC 825), requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. It establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. It prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 - Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The carrying values of cash, accounts payable, and accrued liabilities approximate fair value. Pursuant to ASC 820 and 825, the fair value of cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

	Level 1	Level 2	Level 3	Total

December 31, 2016				
Liabilities:				
Derivative financial instruments	$ -	$ -	$18,028,611	$18,028,611
December 31, 2015				
Liabilities:				
Derivative financial instruments	$ -	$ -	$70,004,318	$70,004,318

Derivative Instruments

The Company accounts for derivative instruments in accordance with ASC Topic 815, Derivatives and Hedging (ASC 815) and all derivative instruments are reflected as either assets or liabilities at fair value in the consolidated balance sheet.

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The Company uses estimates of fair value to value its derivative instruments. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, The Company's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads (including for The Company's liabilities), relying first on observable data from active markets. Additional adjustments may be made for factors including liquidity, credit, bid/offer spreads, etc., depending on current market conditions. Transaction costs are not included in the determination of fair value. When possible, The Company seeks to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable. The Company categorizes its fair value estimates in accordance with ASC 820 based on the hierarchical framework associated with the three levels of price transparency utilized in measuring financial instruments at fair value as discussed above. As of December 31, 2016 and 2015, the Company had $18,028,611 and $70,004,318 in derivative liabilities, respectively.

Recently Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. During the year ended December 31, 2016, the Company adopted FASB Accounting Standards Update (ASU) 2015-03 "Interest – Imputation of Interest (Subtopic 835-30)", which was issued April 2015 and adopted by the Company for the year ended December 31, 2015. In accordance with ASU 2015-03, the Company presents debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of that debt liability.

NOTE 3: 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 Clean Coal is unable to continue as a going concern. Clean Coal has a working capital deficit as of December 31, 2016 and has generated recurring net losses since inception. Management believes Clean Coal will need to raise capital in order to operate over the next 12 months. 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 raise substantial 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 4: RELATED PARTY TRANSACTIONS

Wages and bonus payable to related parties

Accruals for salary and bonuses to officers and directors are included in accrued liabilities in the balance sheets and totaled $2,660,697 and $3,047,459 as of December 31, 2016 and 2015, respectively. As part of the separation agreement with Mr. Ponce de Leon, the Company agreed to pay him all his accrued salary 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.

Debt and convertible debt owed to related parties

During the year ended December 31, 2015, the Company borrowed $50,000 from its Chief Financial Officer. The loan was unsecured, bore no interest and was due on demand. The Company repaid the loan in full during 2015.

During the year ended December 31, 2016, the Company borrowed an aggregate of $37,500 from Officers and Directors. As of December 31, 2016, the aggregate outstanding balance of note payable to Officers and Directors was $18,050. The Company made payments totaling $19,450 on related party debt during the year ended December 31, 2016. The notes are all unsecured, do not accrue interest and are due on demand.

Common Stock issued to related parties

During the year ended December 31, 2016, the Company issued a total of 1,785,714 common shares for the conversion of $500,000 of salary due to an officer and additional compensation expense of $616,071.

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During the year ended December 31, 2016, the Company issued 17,528,492 shares of common stock for bonuses to officers and directors valued at $7,118,140, which was recorded as compensation expense.

During the year ended December 31, 2016, an officer of the Company transferred 434,244 common shares of the Company to a note holder on behalf of the Company for debt settlement. The transaction was accounted for as a cancellation of the 434,244 shares at par value and a new issuance of 434,244 to the note holder. As a result, $ 19,371 was recognized as loss on debt extinguishment. .

NOTE 5: DEBT

Convertible Debt

2015
During the year ended December 31, 2015, the Company borrowed an aggregate of $5,308,680, net of original issue discounts and fees of $493,860, under convertible notes payable and issued an aggregate of 1,270,325 common shares for the conversion of $50,000 in convertible debt and accrued interest. During the year ended December 31 2015, the Company repaid ten convertible notes at a cost of $1,425,397. As of December 31, 2015, the Company had outstanding convertible notes payable of $6,747,528, net of unamortized discounts of $1,142,241. The outstanding convertible notes of the Company are unsecured, bear interest between 8% and 12% per annum, mature between October 2014 and December 2018 and are convertible 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 year ended December 31, 2015 were accounted for as derivative liabilities (see Note 6). Aggregate amortization of the debt discounts on convertible debt for the year ended December 31, 2015 was $1,408,955 of which $56,347 was capitalized as construction in progress. In 2015, the Company defaulted on and entered into standstill agreements on certain of its convertible notes resulting in an aggregate increase to the outstanding principal balance on its convertible debt of $466,890 which was recognized as loan default and standstill expense during 2015.

In November 2015, the Company signed an umbrella financing agreement with Black Diamond Financial Group for up to an aggregate of $7,591,472 in face value of notes. Financing advanced represents 91% of face value and attracts interest at 12%. A 5% financing fee was also accrued totaling $255,512 and recognized as a discount to the debt. The duration of the notes is three years. There are three separate categories of funding, Series A which can be converted into units consisting of one common share and one warrant (exercisable at $0.10 per share with a term of 3 years) at a fixed price of $0.08 per unit, Series B which can be converted into common shares at $0.12 per share and Series C which can be converted into common shares at $0.15 per share. As part of the financing agreement, previously issued convertible notes to the lender with an aggregate outstanding principal amount of $4,669,430 were converted into the three new series of notes. The Company evaluated the modification under ASC 470-50 and determined that it qualified as an extinguishment of debt. In connection with the modification, the lender received an aggregate of 170,237 shares of common stock valued at $139,594 and 2,093,860 common stock warrants valued at $1,674,821. The warrants are exercisable at rates between $0.10 and $0.15 per share and have a term of 5 years. The aggregate loss on extinguishment of debt recognized in 2015 was $6,042,463.

2016
During the year ended December 31, 2016, the Company borrowed an aggregate of $3,038,101, net of original issue discounts and fees of $303,312, under convertible notes payable and issued an aggregate of 18,018,838 common shares for the conversion of $1,231,250 in convertible debt and $56,723 in accrued interest. During the year ended December 31 2016, the Company repaid partial balances of five convertible notes at a cost of $905,644. As of December 31, 2016, the Company had outstanding convertible notes payable of $6,650,484, net of unamortized discounts of $1,920,571. The outstanding convertible notes of the Company are unsecured, bear interest between 8% and 12% per annum, mature between October 2014 and December 2019 and are convertible 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 year ended December 31, 2016 were accounted for as derivative liabilities (see Note 6). Aggregate amortization of the debt discounts on convertible debt for the years ended December 31, 2016 and 2015 was $1,774,565 and $1,352,608, respectively, of which $56,347 was capitalized as construction in progress during the year ended December 31, 2015. During the years ended December 31, 2016 and 2015, the Company defaulted on and entered into standstill agreements on certain of its convertible notes resulting in an aggregate increase to the outstanding principal balance on its convertible debt of $132,871 and $466,890, respectively. In 2016, one of our convertible notes was in default. The note carried as collateral the company IP and assets. In March 2017 this note was bought out and the remainder of the note was converted into equity. As such the collateral was returned to the company.

During the year ended December 31, 2016, the Company entered into a Debt Settlement Agreement with a convertible note holder of two past due notes with outstanding principal balances of $100,000 each. The settlement agreement provides for the payment of $250,000 to settle the notes, payable in four monthly installments of $62,500 beginning September 16, 2016. In connection with this settlement agreement, the Company transferred $50,000 accrued interest into principal of the note. As of December 31, 2016, all payments have been made and the debt has been repaid in full.
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During the year ended December 31, 2016, the Company entered into a Debt Settlement Agreement with a convertible note holder of a past due note with an outstanding principal balance of $100,000. The settlement agreement provides for the payment of $125,000 to settle the note, payable in three monthly installments of $31,250 beginning September 20, 2016. In connection with this settlement agreement, the Company transferred $25,000 accrued interest into principal of the note. As of December 31, 2016, all payments have been made and the debt has been repaid in full.

During the year ended December 31, 2016, the Company incurred loan standstill expenses added to debt principal of $604,688. Also during the year ended December 31, 2016, the Company issued an aggregate of 3,057,693 shares to note holders to suspend the conversion of certain outstanding convertible notes. The fair value of these shares of $1,537,308 was recognized as a debt standstill expense.

Nonconvertible Debt

During the year ended December 31, 2016, the Company borrowed $100,000, net of original debt discount of $2,000 under a note payable. The note payable bears interest at 12% per annum, was due in one month and was unsecured. During 2016, the Company entered into a settlement agreement with the note holder, whereby, the Company's CEO pledged 434,244 shares as security for repayment of the note. As of December 31, 2016, these shares were transferred to the note holder to settlement the debt in a total of $102,000 principal amount. As a result, $19,371 was recognized as loss on debt extinguishment.

During the year ended December 31, 2016, the Company borrowed $50,000 under a note payable. The note payable bears no interest, is unsecured and due upon demand.

As of December 31, 2016 and 2015, the Company had outstanding notes payable to third parties of $565,185 and $413,185, respectively.

As of December 31, 2015, a total of $714,667 note payable was in default. Outstanding notes payable and convertible notes payable consisted of the following as of December 31, 2016 and 2015:

	December 31,	
Name	2016	2015
Convertible Debt:		
Note 1	$-	$100,000
Note 2	-	100,000
Note 3	634,541	756,873
Note 5	-	100,000
Note 6	-	50,000
Note 7	-	25,000
Note 8	3,741,473	3,741,473
Note 9	1,630,073	1,366,336
Note 10	1,577,742	507,846
Note 19	-	-
Note 20	-	-
Note 21	80,126	-
Note 22	355,000	-
Note 23	100,000	-
Note 24	347,100	-
Note 25	105,000	-
Total	8,571,055	6,747,528

Less: current portion	(1,436,641)	(1,131,873)
Total long-term debt	7,134,414	5,615,655
Less: Unamortized discount	(1,881,152)	(1,142,241)
Net	$5,253,262	$4,473,414
Nonconvertible Debt:		
Note 17	$35,000	$35,000
Note 18	378,185	378,185
Note 26	-	-
Note 27	50,000	-
Total	$463,185	$413,185

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NOTE 6: DERIVATIVE LIABILITIES

The Company analyzed the conversion options embedded in the convertible debt for derivative accounting consideration under ASC 815 and determined that the instruments embedded in the above referenced convertible promissory notes should be classified as liabilities and recorded at fair value due to their being no explicit limit to the number of shares to be delivered upon settlement of the conversion options. Additionally, the above referenced convertible promissory notes contain dilutive issuance clauses. Under these clauses, based on future issuances of the Company's common stock or other convertible instruments, the conversion price of the above referenced convertible promissory notes can be adjusted downward. Because the number of shares to be issued upon settlement of the above referenced convertible promissory notes cannot be determined under this instrument, the Company cannot determine whether it will have sufficient authorized shares at a given date to settle any other future share instruments. The fair values of the instruments were determined using a Black-Scholes option-pricing model.

As a result of the above, an aggregate of 142,857 previously issued nonemployee common stock options became tainted under ASC 815 and were reclassed from equity to derivative liability. On December 31, 2016 and 2015, the fair value of these tainted options was determined to be $9,193 and $10,374, respectively.

During November 2013, the Company issued 310,863 common stock warrants in connection with a note payable. The common stock warrants are required to be accounted for as derivative liabilities under ASC 815. On December 31, 2016 and 2015, the fair value of these warrants was determined to be $603,787 and $2,677,717, respectively.

During the year ended December 31, 2015, additional convertible notes with an aggregate principal amount of $6,149,511 became convertible. The fair value of the conversion options associated with these notes was determined to be $53,119,865, of which $5,479,767 was recorded as a discount to the notes, $45,965,278 was expensed as a loss on derivative liabilities and $1,674,821 was recognized as loss on debt extinguishment. The aggregate fair value of the outstanding derivative liabilities on the conversion option is $67,316,227 as December 31, 2015.

During the year ended December 31, 2016, additional convertible notes with an aggregate principal amount of $2,478,635 became convertible. The fair value of the conversion options associated with these notes was determined to be $5,473,082 of which $2,249,583 was recorded as a discount to the notes and $3,223,499 was expensed as a loss on derivative liabilities. Also during the year ended December 31, 2016, convertible notes with an aggregate principal amount of $1,231,250 and accrued interest of $56,723 were converted into common shares. The fair value of the derivative liabilities associated with these converted notes was determined to be $2,239,513 on the dates of conversion. This amount was reclassified from derivative liabilities to additional paid-in capital as resolution of derivative liabilities. As of December 31, 2016, the aggregate fair value of the outstanding derivative liabilities associated with convertible notes was $17,415,631. For the year ended December 31, 2016, the net gain on derivative liabilities was $51,985,777.

The Company estimated the fair value of the derivative liabilities using the Black-Scholes option pricing model and the following key assumptions during the years ended December 31:

	2015		2014	
Expected dividends	-	%	-	%
Expected term (years)	0.17 – 5.00		0.12 – 3.00	
Volatility	79% - 272	%	155% - 237	%
Risk-free rate	0.16% - 1.57	%	0.09% - 1.76	%

The below table presents the change in the fair value of the derivative liabilities during the years ended December 31, 2016 and 2015:

Fair value as of December 31, 2014	$1,765,695
Fair value on the date of issuance recorded as debt discounts	5,479,767
Fair value on the date of issuance recognized as loss on derivatives	45,965,278
Loss on extinguishment of debt	1,674,820
Resolution of derivatives	(1,685,616)
Loss on change in fair value of derivatives	15,118,758
Fair value as of December 31, 2015	70,004,318
Fair value on the date of issuance recorded as debt discounts	2,249,583
Fair value on the date of issuance recognized as loss on derivatives	3,223,499
Resolution of derivatives	(2,239,513)
Gain on change in fair value of derivatives	(55,209,276)
Fair value as of December 31, 2015	$18,028,611

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NOTE 7: EQUITY TRANSACTIONS

Common Stock

2015

During the year ended December 31, 2015, the Company issued an aggregate of 18,196,153 common shares for services rendered valued at $3,037,735.

In February 2015, the Company issued a total of 1,270,325 shares upon the conversion of convertible debt of $50,000.

In June 2015, the Company issued a total of 550,000 shares to 802 Investments in connection with the issuance of a convertible note of $250,000. The relative fair value of the stock was determined to be $97,375 and was recognized as a discount to the debt.

On November 25, 2015, the Company issued 170,237 shares to Black Diamond Financial Series A note holder in connection with the modification of previously issued convertible notes (see Note 6). The fair value of the shares of $139,594 was recognized as a loss on debt extinguishment.

During 2015, 2,752 common shares were cancelled to correct for a rounding adjustment resulting from the reverse stock split.

2016

During the year ended December 31, 2016, the Company issued an aggregate of 17,628,492 common shares for services rendered valued at $7,140,115.

During the year ended December 31, 2016, the Company issued an aggregate of 3,491,937 common shares for debt modification and standstill fees valued at $1,658,679.

During the year ended December 31, 2016, the Company issued 1,785,714 common shares for accrued wages of $500,000 and additional compensation expense of $616,071.

During the year ended December 31, 2016, the Company issued an aggregate of 18,018,838 common shares to eight different note holders for conversion of $1,231,250 convertible debt principal and of $56,723 accrued interest.

Options

There were no common stock options issued and no unamortized options expense during the years ended and as of December 31, 2016 and 2015.

The following table presents the stock option activity during the years ended December 31, 2016 and 2015:

	Options	Weighted Average Exercise Price
Outstanding - December 31, 2014	714,286	$ 4.68
Granted	-	-
Forfeited/canceled	-	-
Exercised	-	-
Outstanding - December 31, 2015	714,286	$ 4.68
Granted	-	-
Forfeited/canceled/expired	28,573	8.40

Exercised	-	-
Outstanding - December 31, 2016	685,713	$ 4.52
Exercisable – December 31, 2015	714,286	$ 4.68
Exercisable – December 31, 2016	685,713	$ 4.52

The weighted average remaining life of the outstanding options as of December 31, 2016 and 2015 was 2.62 and 3.48 years and the intrinsic value of the exercisable options was $0 and $0, respectively.

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Warrants

In November 2013, the Company issued a lender an aggregate of 310,863 common stock warrants in connection with a note payable. The warrants are exercisable immediately at $1.75 per share and expire on November 30, 2018. These warrants were accounted for as derivative liabilities under ASC 815 (see Note 6). The fair value of the warrants of $292,148 was recorded as a debt discount which is being amortized to interest expense over the life of the note. The fair value was determined using the Black-Scholes Option Pricing Model. The significant assumptions used in the model include (1) discount rate of 1.34%, (2) expected term of 5.01 years (3) expected volatility of 154% and (4) zero expected dividends.

During the year ended December 31, 2016 and 2015, the Company granted 424,535 and 2,360,457 warrants with convertible debt, respectively. These warrants are tainted under ASC 815. The fair value of these warrants associated with the notes was determined to be $187,359 and $1,855,368 as of December 2016 and 2015, respectively, of which $187,359 and $0 was recorded as a discount to the notes and $0 and $1,855,368 was expensed as a loss on derivative liabilities (see Note 6) during the years ended December 31, 2016 and 2015, respectively.

The following table presents the stock warrant activity during the years ended December 31, 2016 and 2015:

	Warrants	Weighted Average Exercise Price
Outstanding - December 31, 2014	4,529,434	$ 0.60
Granted	2,360,457	0.11
Exercised	-	-
Outstanding - December 31, 2015	6,889,891	0.43
Granted	424,532	0.14
Exercised	-	-
Outstanding – December 31, 2016	7,314,423	0.41
Exercisable – December 31, 2015	6,889,891	$ 0.60
Exercisable – December 31, 2016	7,314,423	$ 0.41

The weighted average remaining life of the outstanding warrants as of December 31, 2016 and 2015 was 3.12 and 4.05 years, respectively. The intrinsic value of the exercisable warrants as of December 31, 2015 and 2014 was $169,873 and $752,400, respectively.

NOTE 8: OPERATING LEASES

Clean Coal has one operating lease for its executive offices in Manhattan, New York. Effective February 1, 2014, the lease is month to month, at a monthly rate of $200 per month.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Litigation

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.

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The Company is currently contesting a charge from a vendor claiming $320,000 in charges for work provided on 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.

NOTE 10: SUBSEQUENT EVENTS
Equity

In January 2017 the company issued a total of 1,677,295 common shares as part of debt conversions for a total of $150,000.

In February 2017, the Company issued a total of 1,592,095 common shares as part of convertible debt reduction of $150,000.

In March 2017, the company converted debt of $385,389 into 5,507,142 common shares.

In March 2017, the company issued an additional total of 1,769,712 common shares comprising of convertible note debt reduction of $75,000 for 1,050,546 common shares true-up conversion of 719,166 common shares.

Debt

In February 2017, the Company was advanced $130,000 by management as a 0% loan repayable on demand.

In March 2017, the company assigned the remaining balance of a convertible note from Typenex to James Besser for a total of $385,389.
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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in our independent accountants, MaloneBailey, LLP, or disagreements with them on matters of accounting or financial disclosure.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2016, 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, our Chief Executive Officer and Chief Financial Officer 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.

Management's Report on Internal Control over Financial Reporting

Management is responsible for the preparation and integrity of our published consolidated financial statements. The consolidated financial statements have been prepared in accordance with GAAP and, accordingly, include amounts based on judgments and estimates made by management. Management also prepared the other information included in the annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

Management is responsible for establishing and maintaining a system of internal control over financial reporting, which is intended to provide reasonable assurance to our management and Board of Directors regarding the reliability of our consolidated financial statements. The system includes but is not limited to:

- a documented organizational structure and division of responsibility;
- established policies and procedures to foster a strong ethical climate which is communicated throughout the Company;
- regular reviews of our consolidated financial statements by qualified individuals; and
- the careful selection, training and development of our employees and personnel.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Also, the effectiveness of an internal control system may change over time. We have implemented a system of internal control that was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with GAAP.

Management has assessed our internal control system in relation to criteria for effective internal control over financial reporting described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Based upon these criteria, we believe that, as of December 31, 2016, our system of internal control over financial reporting was not effective due to material weaknesses that were identified. The material weaknesses are caused by our limited internal resources and limited personnel. We presently have only three officers. The material weaknesses include 1.) no segregation of duties within the Company, 2.) there is no management oversight or multiple levels of supervision and review, no control documentation being produced, no one to review control documentation if it was being produced, 3.) no audit committee, and 4.) a lack of expertise in the application of generally accepted accounting principles in regard to the accounting and reporting of our derivative

transactions.

Changes in Internal Control over Financial Reporting

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.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission for smaller reporting companies that permit the Company to provide only management's report in this annual report.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The executive officers and directors of the Company are as follows:

Name	Age	Position	Held Since
Robin T. Eves	66	CEO, President, Director	August 2010
Thomas Shreve	65	Director	November 2015
Edward Jennings	77	Chairman of the Board	September 2007
Scott Younger	74	Director	November 2013
Aiden Neary	45	COO, CFO, Director	February 2016

Certain biographical information with respect to our current officers and directors is set forth below.

Robin Eves has been our Chief Executive Officer, President and a member of the Board of Directors since August 2010. Prior to his appointment with the Company, from February 2009 through August 2010, he served as the CEO of Atlantic Energy Group Ltd., a global energy company developing a major storage and pipeline initiative in South Carolina and the build-out of a global trading business in London, Singapore and the rest of Asia. From the period March 2005 to January 2009 he worked with Oil Trade and Transport LLC, working closely with Sempra Energy Trading. He was responsible for business development in Russia, India and the Middle East. Also during the period, from March 2003 to February 2005, Mr. Eves served as Managing Director and global head of crude and refined products for United Bank of Switzerland From October 2002 to February 2003, Mr. Eves acted as a consultant for Barclays Capital in London, hired to do an extensive due diligence on the Russian/former Soviet Union markets in preparation for Barclays' possible re-entry into those markets. From February 1990 to September 2002, Mr. Eves served as Managing Director for Synergy International SA/Magna Oil and Gas LLC/CCL Oil, where he was responsible for all trading and structured transactions. Prior to that time, from 1987 to 1990, Mr. Eves served as Vice-President and global head of products trading, and from 1976 to 1987, worked in various positions with Cargill.

We believe that Mr. Eves' qualifications to serve on the Board of Directors include his extensive background in all aspects of the global energy business, including experience in crude and refined products for power production, including gas and coal, as well as related emissions controls.

Dr. Edward Jennings is currently the Chairman of the Board for the Company. He was previously President Emeritus and Professor of Finance at Ohio State University. For the past five years, Dr. Jennings has managed his own investments and acted as a private business consultant to non-related interests. Dr. Jennings was engaged in several university leadership assignments including President, Ohio State University, 1981-1990; President, University of Wyoming, 1979-1981; and Vice President of Finance and University Studies, University of Iowa, 1976-1979. He has had faculty assignments at the University of Iowa, University of Dar Es Salaam, and the University of Hawaii. Dr. Jennings has been widely published in major academic journals and is the co-author of a basic investment textbook now in its fourth printing. He has traveled extensively in the Far East, Europe, and Africa on various trade missions, and assisted in the development of academic ties with numerous international universities. Education: University of North Carolina, BS in Industrial Management; Case Western Reserve University, MBA in Finance; University of Michigan, Ph.D. in Finance.

We believe that Mr. Jennings's qualifications to serve on the Board of Directors include his extensive business investment experience.

Dr. Scott Younger was appointed to the Board of Directors in November 2013. Dr. Younger is a recognized leader in infrastructure development across Asia, having held a range of senior academic, consulting and business development roles in Hong Kong, Thailand and Indonesia over the past 35 years. He has served as project manager and consultant in many World Bank and ADB funded road and water sector programs, with projects in 10 Asian countries. He was Team Leader for the UK and World Bank funded, award winning Master's Degree program in Highway and Transport Engineering at the Institute of Technology Bandung, 1986-93. He currently serves as a Director of PT Nusantara Infrastructure Tbk, a public listed company, investing in infrastructure in Indonesia and for whom he chairs their joint venture (Louis Dreyfus Int'l) port operation in Lampung; and as Commissioner for the East Bali Poverty Project, a model in sustainable development. In 2003 he was awarded the OBE for services to civil engineering and British business interests in Indonesia. Dr. Younger is also President Commissioner of Glendale Partners, a leading infrastructure, natural resources, renewable energy and consulting firm based in Jakarta, Indonesia, and Chairman of the EuroCham Working Group on Infrastructure, and Senior Vice-Chairman of the International Business Chamber, with a particular remit to report on infrastructure. He is a current member of the Eurocham Board and former Member of the Board of the British Chamber of Commerce (1996-2004 and 2010-2012), and responsible for preparing annual reports for government infrastructure. He is also a director of Prime Pacific Coal and Prime Pacific Gold (Singapore). Dr. Younger holds degrees in Engineering from Glasgow, UC Berkeley and Hong Kong.

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We believe that Dr. Younger's qualifications to serve on the Board of Directors include his over 35 years of professional experience working throughout Asia, including work as academic, consulting and business development as well as his engineering background.

Aiden Neary was appointed as Chief Financial Officer of the Company on November 26, 2013 and Chief Operating Officer in July 2015. In January 2016 Mr Neary was appointed to the Board of Directors. Since October 2010, Mr. Neary has been exploring opportunities across the investment banking landscape and has also pursued private interests including charitable work. From February 2010 to October 2010, he served as Managing Director and Chief of Staff for Global Equity at UBS in Stamford, Connecticut. From November 2006 to February 2010, Mr. Neary was Executive Director and Chief of Staff for Global Equity at UBS. From June 2003 to November 2006, he served as Executive Director and COO for the Global Commodity Business at UBS. Prior to that position, from February 2002 to June 2003, he was Director and Business Manager for Global Government Bond and Derivative business at UBS in London, and from August 2000 to February 2002, as Associate Director and Business Manager for Global Government Bond and Derivative Business at UBS in London. Prior to joining UBS, from January 2000 to July 2000, Mr. Neary was Manager and Head of Product Control for Fixed Income Derivatives at Schroders Investment Bank in London. From January 1995 to January 2000, he was Manager and Head of Product Control for Government Bonds and Derivatives at ING Barings. Mr. Neary earned a degree in Accounting and Law from Kingston University in London (1990 – 1993), and is a Chartered Management Accountant since 1998.

We believe that Mr Nearys qualifications to serve on the Board of Directors include his over 15 years of professional experience working in Investment Banking and his over two years of working with Clean Coal Technologies Inc.

Mr. Thomas W. Shreve was appointed to the Board of Directors in November, 2015. Mr Shreve moved from California to Indonesia in 1991 to serve as country representative for New York-based law firm Milbank, Tweed, Hadley & McCloy, and over the succeeding 24 years has been a leading transaction execution specialist and business executive in Indonesia. Tom has managed some of the more significant transactions recently undertaken by Indonesian companies, including the permanent acquisition financing and subsequent sale of Berau Coal Energy, and the acquisition of Inter Milan Football Club by a group of Indonesian businessmen. He served as an officer of Berau Coal Energy and as a non-executive director of Inter Milan Football Club. As a lawyer in Jakarta affiliated with Milbank in the early 1990s, Mr. Shreve advised the issuers in the first New York Stock Exchange listing by a private sector Indonesian company, as well as the first U.S. public bond issue by a private sector Indonesian company. As an investment banker, he advised the Indonesian Government in the sale of distressed assets in the aftermath of the Asian Financial Crisis of 1997-98. He served as Chief Executive Officer of Recapital Investment Group from 2009-14 and of Acuatico Pte. Ltd., a water infrastructure company, in 2014-15. A member of the California Bar, Mr. Shreve earned his J.D. degree at Northwestern University School of Law in Chicago.

We believe that Mr Shreves qualifications to serve on the Board of Directors include his strong legal and business connections across Asia and in particular in Indonesia where he currently resides.

All directors will hold office until the next annual meeting of stockholders (currently expected to be held in the third quarter of 2017) and until their successors have been duly elected and qualified. There are no agreements with respect to the election of directors. Vacancies on the Board of Directors during the year may be filled by the majority vote of the directors in office at the time of the vacancy without action by the stockholders.

Board Committees

At this filing date, we do not have an audit committee, compensation committee or nominating committee. Our full Board currently performs the duties and responsibilities of such committees. Due to the size of the Company and due to the small number of directors that we had for 2015, we believed it was appropriate for the full Board to handle the

responsibilities of these committees. It is our intention through 2017, as our Board increases in size, to introduce a number of committees.

Audit Committee Financial Expert

We do not have an audit committee financial expert because we do not currently have adequate resources to appoint such an individual to our Board.

Code of Conduct

On February 11, 2013, the board of directors approved a code of business conduct and ethics, filed as an exhibit to the Company's Current Report on Form 8-K on February 14, 2013.

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Board Leadership Structure and Role in Risk Oversight
The Board of Directors has risk oversight responsibility for the Company and administers this responsibility directly. The Board of Directors oversees our risk management process through regular discussions of our risks with senior management both during and outside of regularly scheduled Board of Directors meetings. In addition, the Board of Directors administers our risk management process with respect to risks relating to our accounting and financial controls.

Our Board of Directors has no policy with regard to the separation of the offices of Chairman of the Board and Chief Executive Officer, and believes, given the size of our company, no such formal policy is necessary at this time. The current Chairman of the Board, Edward Jennings, is an independent director and has served as Chairman since 2007.

Director Independence
Our Board is not subject to any independence requirements. However, our Board has reviewed the independence of its directors under the requirements set forth by the NASDAQ Stock Market. Messrs. Eves and Ponce de Leon are officers of the Company and therefore not deemed independent directors. Dr. Jennings and Dr. Younger are deemed to be independent directors.

Meetings of our Board of Directors
Our Board of Directors held 4 meetings during the fiscal year ended December 31, 2015 (including meetings conducted by telephone conferencing). No director attended less than 75% of all board meetings during the fiscal year ended December 31, 2016. All current Board members and all nominees for election to the Board of Directors are encouraged to attend our annual meetings of stockholders, either in person or by teleconference.

Nomination of Director Candidates
We receive suggestions for potential director nominees from many sources, including members of the Board, advisors, and stockholders. Any such nominations, together with appropriate biographical information, should be submitted to the Chairperson of the Board in the manner discussed below. Any candidates submitted by a stockholder or stockholder group are reviewed and considered in the same manner as all other candidates.

Qualifications for consideration as a Board nominee may vary according to the particular areas of expertise being sought as a complement to the existing board composition. However, minimum qualifications include high level leadership experience in business activities, breadth of knowledge about issues affecting the Company, experience on other boards of directors, preferably public company boards, and time available for meetings and consultation on Company matters. Our Board does not have a formal policy with regard to the consideration of diversity in identifying director candidates, but seeks a diverse group of candidates who possess the background, skills and expertise to make a significant contribution to the Board, to the Company and our stockholders. Candidates whose evaluations are favorable are then chosen by the full Board. The full Board selects and recommends candidates for nomination as directors for stockholders to consider and vote upon at the annual meeting.

Stockholder Communications
Stockholders wishing to communicate with the Board of Directors or with a specific director may send a letter to our corporate secretary at Clean Coal Technologies, Inc., 295 Madison Avenue (12th Floor), New York, NY 10017, and should be marked to the attention of the appropriate director or directors. Our secretary will circulate the communications (other than commercial solicitations) to the appropriate director or directors. Communications marked “Confidential” will be forwarded unopened.

Directors’ Compensation
In 2016, all meetings were via telephone conference. The Board plans one regularly scheduled meeting each fiscal quarter and may schedule additional meetings as necessary. For fiscal 2017, Dr. Younger and Mr Shreve will each

receive annual compensation as a director of $25,000 which will be paid only upon available cash flow. In addition, Dr. Younger received 28,572 common shares upon his appointment as a director and Mr Shreve received 100,000 common shares.

All of our present non-employee directors, have other employment or sources of income and will routinely devote only such time to the Company necessary to maintain its viability. It is estimated that each non-employee director will devote at least 2 days per month to the Company's corporate activities.

Stock Ownership Requirements

The Board of Directors has encouraged its members to acquire and maintain stock in the Company to link the interests of such persons to the stockholders. However, the Board of Directors has not established stock ownership guidelines for members of the Board of Directors or the executive officers.

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ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

At this time, we do not have a compensation committee or a fully developed compensation policy. We have only three executive officers, our CEO and president, our Chief Operations Officer, and our Chief Financial Officer. Their employment agreements were negotiated by the board of directors with the terms based on the board's assessment of their qualifications and requirements.

We anticipate establishing a compensation committee sometime in the next 12 months. The following Compensation Discussion and Analysis describes prospectively the expected duties, responsibilities and role of our future Compensation Committee as well as the material elements of our planned compensation for our future executive officers. The information below provides the description of compensation policies that we intend to make applicable to executive officers and other highly compensated individuals under employment and/or consulting arrangements in the future.

Planned Objectives of Our Compensation Program

The primary objective of our compensation program, including our executive compensation program, will be to maintain a compensation program that will fairly compensate our executives and employees, attract and retain qualified executives and employees who are able to contribute to our long term success, encourage performance consistent with clearly defined corporate goals and align our executives' long term interests with those of our stockholders. To that end, our future compensation practices will be intended to:

1. Tie total compensation to the Company's performance and individual performance in achieving financial and non-financial objectives; and

2. Align senior management's interests with stockholders' interests through long term equity incentive compensation.

Expected Role of the Compensation Committee

The Compensation Committee, once formed, will determine the compensation of our Chief Executive Officer and, in consultation with the Chief Executive Officer, and our other executive officers. In addition, the Compensation Committee will be responsible for adopting, reviewing and administering our compensation policies and programs, including any cash bonus incentive plan or equity incentive plan that we may adopt. We anticipate that our Compensation Committee will adhere to a compensation philosophy that (i) seeks to attract and retain qualified executives who will add to the long term success of the Company, (ii) promotes the achievement of operational and strategic objectives, and (iii) compensates executives commensurate with each executive's level of performance, level of responsibility and overall contribution to the success of the Company.

In determining the compensation of our Chief Executive Officer and our other executive officers, the Compensation Committee expects to consider the financial condition and operational performance of the Company during the prior year. In determining the compensation for executive officers other than the Chief Executive Officer, the Compensation Committee plans to consider the recommendations of the Chief Executive Officer.

The Compensation Committee will review the compensation practices of other companies, based in part on market survey data and other statistical data relating to executive compensation obtained through industry publications and other sources. The Compensation Committee does not intend to benchmark the Company's compensation program directly with other publicly traded companies or other companies with which we may compete for potential executives

since some of these competitors are privately held companies for which executive compensation information may not be available. However, the Compensation Committee intends to compare our executive compensation program as a whole with the programs of other companies for which survey data is available, and will also compare the pay of individual executives if the jobs are sufficiently similar to make the comparison meaningful. The Compensation Committee plans to use such survey data primarily to ensure that our executive compensation program as a whole will be competitive.

Components of Future Executive Compensation

We anticipate that our future executive employment agreements will provide that employees will be compensated by salary and bonus, with bonuses potentially including cash and equity components. The specific elements of the future compensation program are not determined but will most likely include base salary, an annual cash performance bonus and long term equity incentives. Our compensation program will be designed to provide our executives with incentives to achieve our short and long term performance goals and to pay competitive base salaries. Each executive officer's current and prior compensation will be considered in setting future compensation.

In addition, we expect employment agreements with our executive officers to provide for other benefits, including potential payments upon termination of employment. Once established, the compensation committee will consider all of the above components in determining the exact makeup of the total executive compensation package as well as the factors to be applied in establishing each component.

Perquisites and Other Benefits

At this time, we do not expect to provide perquisites or personal benefits to future executive officers, other than the payment of health insurance premiums and payment of life insurance premiums.

Employment Agreements

We signed two year employment agreements effective July 1, 2015, with Robin Eves, as Chief Executive Officer and President, and Mr Neary as COO/CFO. Mr. Eves will receive an annual salary of $495,000. Each officer was granted a signing bonus of 750,000 shares of the Company’s restricted common stock upon execution of the agreements. In addition, each officer was granted an additional 750,000 common shares payable following the one year completion of the contract due July 1, 2016 .

The above employment agreements include provisions for participation in employee benefit programs if the Company adopts such programs during the term of the agreements. The agreements also include certain anti-takeover provisions that would require payment of annual salary as well as immediate vesting of all equity compensation if an entity acquiring the Company did not offer comparable positions to each officer.

Neither Mr. Eves, nor Mr. Neary is compensated for their contributions to the Board of Directors.

We have not entered into employment agreements with any other officers, directors, or any other persons but may do so during the current fiscal year as we expand operations.

Other Key Employees and Consultants

As at December 31, 2016 we have no other employees in the company.

Employee Benefits

When we have adequate financing, we intend to offer employee health insurance benefits coverage to provide our workforce with a reasonable level of financial support in the event of illness or injury. It is our intention to offer health insurance benefits to all full time employees, including executive officers.

Accounting Matters

We have adopted the provisions of ACS 718 Compensation – Stock Compensation which requires the fair value of options to be recorded as compensation cost in the consolidated financial statements. Options in our compensation packages result in additional compensation costs being recognized.

Stock Ownership Requirements

The Board of Directors has encouraged its members to acquire and maintain stock in the Company to link the interests of such persons to the stockholders. However, the Board of Directors has not established stock ownership guidelines for members of the Board of Directors or the executive officers.

The Company has not adopted any other bonus, profit sharing, or deferred compensation plan.

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The following table sets forth, for the last two years, the dollar value of all cash and non-cash compensation earned by the Company's named executive officers.

SUMMARY COMPENSATION TABLE

Officers Name & Principal Position	Year	Salary ($)	Bonus ($)	Stock ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Robin Eves, Pres and CEO (1)	2016	495,000	250,000	-	-	-	745,000
	2015	495,000	250,000	-	-	-	745,000
Aiden Neary, COO/CFO	2016	375,000	250,000				625,000
	2015	375,000	250,000				625,000

(1) On July 8, 2013, Robin Eves was issued 28,571 common shares in lieu of interest on loans made to the company. The value for these shares was $19,747. As a bonus for forbearance on payment of monthly fees, Mr. Eves was approved to receive 57,143 common shares on October 7, 2013. These shares had a value of $80,000 based upon $1.40 on the day that the shares were approved. Mr. Eves also received an approval for bonus shares for the year 2013 on December 4, 2013. The amount of shares approved was 142,857 shares with a value of $165,000 based upon $1.15 per share on the date of the approval. Through December 31, 2014, Robin eves returned 1,273,360 common shares back to the Company. Mr Eves also returned 457,143 options back to the company that were previously awarded.

(2) On November 26, 2013 Aiden Neary signed a two year Executive Employment Agreement which called for 142,857 shares to be issued at the time of signing his agreement and 142,857 that vest 1 year after the date of grant. These shares were approved to be issued and the issuance was deferred until after the Company completes its planned common stock reverse. The fair value of this award was determined to be $300,000 based upon $1.05 on the date of grant. Mr. Neary was approved to receive 28,571 shares of stock as a bonus for 2013 on December 4, 2013. These shares had a value of $33,000 based upon $1.15 per shares on the date of the approval. Through year ended December 31, 2015 Mr Neary returned 497,527 common shares back to the company. Mr. Neary also forfeited his right of the second tranche of 142,857 shares before vested.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table shows outstanding grants of stock options and grants of unvested stock awards outstanding on the last day of the fiscal year ended December 31, 2016, to each of the executive officers named in the Summary Compensation Table.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have

					(#)	Not Vested ($)
Robin Eves	285,714		$ 1.05	8/1/2020		

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The following table sets forth, for the current year, the dollar value of all cash and non-cash compensation for the Company's directors.

DIRECTOR COMPENSATION

Name	Year	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Non Qualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Robin Eves	2016	-	-	-	-	-	-	-
Aiden Neary	2016	-	-	-	-	-	-	-
Ed Jennings	2016		-	-	-	-	-	
Scott Younger(1)	2016	25,000	-	-	-	-	-	25,000
Thomas Shreve(2)	2016	25,000						25,000

(1) Mr. Younger's directors fees have been accrued
(2) Mr Shreve directors fees of $25,000 was accrued in 2016

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information, as of December 31, 2016, with respect to each person known by the Company to own beneficially more than 5% of the 96,269,722 shares of our issued and outstanding common stock, as well as the beneficial ownership of each director and officer and all directors and officers as a group. We are not aware of any present arrangements that could result in a change of control of the Company. Except as otherwise indicated, each of the stockholders listed below has sole voting and investment power over the shares beneficially owned. Except as otherwise indicated, addresses are c/o Clean Coal Technologies, Inc., 295 Madison Avenue (12th Floor) New York, NY 10017.

Officers and Directors	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Robin Eves, President, CEO, Director	7,763,623	8 %
Aiden Neary, COO/CFO	11,238,909	12 %
Thomas Shreve, Director	100,000	0 %
Edward Jennings, Director	82,793	0 %
Scott Younger, Director	372,858	0 %
All directors and officers as a group (5 persons)	19,558,183	20 %

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Accounts payable to related parties

Accruals for salary and bonuses to officers and directors are included in accrued liabilities in the balance sheet and totaled $2,660,697 and $3,037,376 as of December 31, 2016 and 2015, respectively.

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Debt and convertible debt owed to related parties

At December 31, 2016, debt owed to related parties totaled $18,050.

During the year ended December 31, 2016, the company borrowed an aggregate of $37,500 from Officers and Directors and repaid $19,450 through 2016 at 0% interest and no equity involved. As of December 31, 2016 and December 31, 2015, the aggregate outstanding balance of note payable to Officers and Directors was $18,050 and $0, respectively.

Director Independence

Our Board is not subject to any independence requirements. However, our Board has reviewed the independence of its directors under the requirements set forth by the NASDAQ Stock Market. Messrs. Eves and Neary are officers of the Company and therefore not deemed independent directors. Dr. Jennings, Dr. Younger and Mr Shreve are deemed to be independent directors.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Fees billed to the Company by MaloneBailey, LLP

	2016	2015
(1) Audit Fees	$81,500	$86,000
(2) Tax Fees	$-	$-
(3) Other Fees	$-	$-

All audit and non-audit services and fees are approved by the Board of Directors.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed with this report.

1. Financial Statements:

See Index to Financial Statements on page 17.

2. Financial Statement Schedules:

Financial statement schedules are omitted because they are not required or are not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits:

The exhibits to this report are listed on the Exhibit Index below.

(b) Description of exhibits

3.1(1)	Articles of Incorporation
3.2(2)	Amended and Restated Bylaws
4.1(3)	Specimen stock certificate
14(4)	Code of Business Conduct and Ethics
31.1	Certification of Chief Executive Officer in accordance with 18 U.S.C. Section 1350
31.2	Certification of Chief Financial Officer in accordance with 18 U.S.C. Section 1350
32.1	Certification of Chief Executive Officer in accordance with 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer in accordance with 18 U.S.C. Section 1350
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

(1) Filed with Registrant’s Form 10, January 14, 2009, Certificate of Amendment, June 27, 2012, filed with this Report.
(2) Filed with Registrant’s Form 8-K, December 6, 2012.
(3) Filed with Registrant’s Form 10, January 14, 2009.
(4) Filed with Registrant’s Form 8-K, February 14, 2013.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: April 17, 2017	/s/Robin Eves Robin Eves CEO, President, Principal Executive Officer
Dated: April 17, 2017	/s/Aiden Neary Aiden Neary CFO, Principal Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 17th day of April 2017.

/s/Robin Eves Robin Eves, CEO, President and Director	/s/Scott Younger Scott Younger, Director
/s/Edward Jennings Edward Jennings, Director	/s/Thomas Shreve Thomas Shreve, Director
/s/Aiden Neary Aiden Neary, COO, CFO and Director	

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