Global Clean Energy Holdings, Inc.
Form 10-Q
August 05, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2013

OR

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

Commission file number 0-12627

Global Clean Energy Holdings, Inc.
Exact name of registrant as specified in its charter)

DELAWARE	87-0407858
State or other jurisdiction of incorporation	(IRS Employer Identification No.)

100 West Broadway, Suite 650
Long Beach, California 90802
(Address of principal executive offices)
(310) 641-4234

Former Name or Former Address, if Changed Since Last Report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer	o	Non-accelerated filer	o
Accelerated	o	Smaller	x

Filer	reporting company

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of August 2, 2013, the issuer had 333,683,502 shares of common stock issued and outstanding.

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

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PART I

ITEM 1. FINANCIAL STATEMENTS.

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 656,084	$ 941,579
Accounts receivable	9,134	2,100
Inventory	426,205	1,564
Other current assets	185,648	298,586
Total Current Assets	1,277,071	1,243,829
PROPERTY AND EQUIPMENT, NET	15,511,205	14,559,002
INVESTMENT HELD FOR SALE	-	288,536
DEFERRED GROWING COST	3,392,992	3,378,990
INTANGIBLE ASSETS, NET	3,820,105	-
OTHER NONCURRENT ASSETS	11,404	11,372
TOTAL ASSETS	$ 24,012,777	$ 19,481,729
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 3,600,812	$ 1,135,594
Accrued payroll and payroll taxes	1,137,382	1,018,894
Capital lease liability - current portion	17,057	42,829
Notes payable - current portion	49,358	60,800
Convertible notes payable	567,000	567,000
Total Current Liabilities	5,371,609	2,825,117
LONG-TERM LIABILITIES		
Accrued interest payable	2,569,518	2,121,787
Accrued return on noncontrolling interest	6,183,907	4,963,582
Notes payable - long term portion	1,341,642	40,200
Mortgage notes payable	5,110,189	5,110,189

Total Long Term Liabilities		15,205,256		12,235,758
STOCKHOLDERS' EQUITY (DEFICIT)				
Preferred stock - $0.001 par value; 50,000,000 shares authorized Series B, convertible; 13,000 shares issued (aggregate liquidation preference of $1,300,000)		13		13
Common stock, $0.001 par value; 500,000,000 shares authorized; 333,683,502 and 293,683,502 issued and outstanding		333,683		293,683
Additional paid-in capital		25,552,579		24,588,022
Accumulated deficit		(27,574,888)		(26,599,007)
Accumulated other comprehensive loss		(14,762)		(56,121)
Total Global Clean Energy Holdings, Inc. Stockholders' Deficit		(1,703,375)		(1,773,410)
Noncontrolling interests		5,139,287		6,194,264
Total equity (deficit)		3,435,912		4,420,854
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$	24,012,777	$	19,481,729

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

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30, 2013	For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2013	For the Six Months Ended June 30, 2012
Revenue	$15,460	$55,501	$103,940	$209,436
Subsidy Income	33,368	-	50,515	465,586
Total Revenue	48,828	55,501	154,455	675,022
Operating Expenses				
General and administrative	681,024	624,910	1,241,163	1,252,377
Plantation operating costs	47,677	198,460	617,833	351,244
Total Operating Expenses	728,701	823,370	1,858,996	1,603,621
Loss from Operations	(679,873)	(767,869)	(1,704,541)	(928,599)
Other Income (Expenses)				
Other income	4	48	23	57
Interest expense	(241,651)	(215,327)	(458,406)	(408,127)
Gain on settlement of liabilities	-	-	-	514,473
Loss on Sale of Investment held for sale	(178,896)	-	(178,896)	-
Foreign currency transaction gain (loss)	-	(1,044)	515	(1,044)
Net Other Income (Expenses)	(420,543)	(216,323)	(636,764)	105,359
Loss from Continuing Operations	(1,100,416)	(984,192)	(2,341,305)	(823,240)
Gain (Loss) from Discontinued Operations	-	340	-	(1,698)
Net Loss	(1,100,416)	(983,852)	(2,341,305)	(824,938)
Less Net Loss Attributable to the Noncontrolling Interest	(362,538)	(580,969)	(1,365,424)	(781,019)
Net Loss Attributable to Global Clean Energy Holdings, Inc.	$(737,878)	$(402,883)	$(975,881)	$(43,919)
Amounts attributable to Global Clean Energy Holdings, Inc. common shareholders:				
Loss from Continuing Operations	$(737,878)	$(403,223)	$(975,881)	$(42,221)
	-	340	-	(1,698)

Income (Loss) from Discontinued Operations				
Net Loss	$(737,878)	$(402,883)	$(975,881)	$(43,919)
Basic Income (Loss) per Common Share:				
Loss from Continuing Operations	$(0.0022)	$(0.0014)	$(0.0032)	$(0.0001)
Loss from Discontinued Operations	-	-	-	-
Net Loss per Common Share	$(0.0022)	$(0.0014)	$(0.0032)	$(0.0001)
Basic Weighted-Average Common Shares Outstanding	333,683,502	293,304,571	301,683,502	289,183,691
Diluted Income (Loss) per Common Share:				
Income (Loss) from Continuing Operations	$(0.0022)	$(0.0014)	$(0.0032)	$0.0001
Loss from Discontinued Operations	-	0.0000	-	-
Net Income (Loss) per Common Share	$(0.0022)	$(0.0014)	$(0.0032)	$0.0001
Diluted Weighted-Average Common Shares Outstanding	333,683,502	293,304,571	301,683,502	289,183,691

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

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Net Loss	$(1,100,416)	$(983,852)	$(2,341,305)	$(824,938)
Other comprehensive income (loss)- foreign currency translation adjustment	(626,484)	1,125,032	262,100	73,490
Comprehensive Income (Loss)	(1,726,900)	141,180	(2,079,205)	(751,448)
Add net loss attributable to the noncontrolling interest	362,538	580,969	1,365,424	781,019
Add other comprehensive loss (less income) attributable to noncontrolling interest	658,269	(1,112,584)	(220,741)	(68,848)
Comprehensive Loss Attributable to Global Clean Energy Holdings, Inc.	$(706,093)	$(390,435)	$(934,521)	$(39,277)

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GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(Unaudited)
For the six Months Ended June 30, 2012 and 2013

	Series B Shares	Series B Amount	Common stock Shares	Common stock Amount	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total
Balance at December 31, 2011	13,000	$13	285,062,812	$285,062	$24,260,628	$(26,662,294)	$(21,996)	$5,099,547	$2,960,960
Contributions from noncontrolling interests	-	-	-	-	-	-	-	3,258,090	3,258,090
Issuance of common stock for cash	-	-	8,620,690	8,621	241,379	-	-	-	250,000
Share-based compensation from issuance of options and compensation-based warrants	-	-	-	-	53,850	-	-	-	53,850
Accrual of preferential return for the noncontrolling interests	-	-	-	-	-	-	-	(947,501)	(947,501)
Foreign currency translation gain (loss)	-	-	-	-	-	-	4,642	68,848	73,490
Net Income (loss) for the six months ended June 30, 2012	-	-	-	-	-	(43,919)	-	(781,019)	(824,938)
Balance for the six months ended June 30, 2012	13,000	$13	293,683,502	$293,683	$24,555,857	$(26,706,213)	$(17,354)	$6,697,965	$4,823,951
Balance at December 31, 2012	13,000	$13	293,683,502	$293,683	$24,588,022	$(26,599,007)	$(56,121)	$6,194,264	$4,420,854
Contributions from noncontrolling interests	-	-	-	-	-	-	-	1,310,030	1,310,030
Issuance of common stock	-	-	40,000,000	40,000	760,000	-	-	-	800,000

Share-based compensation from issuance of options and compensation-based warrants	-	-	-	-	204,557	-	-	-	204,557
Accrual of preferential return for the noncontrolling interests	-	-	-	-	-	-	-	(1,220,324)	(1,220,324)
Foreign currency translation gain (loss)	-	-	-	-	-	-	41,359	220,741	262,100
Net Income (loss) for the six months ended June 30, 2013	-	-	-	-	-	(975,881)	-	(1,365,424)	(2,341,305)
Balance for the six months ended June 30, 2013	13,000	$13	333,683,502	$333,683	$25,552,579	$(27,574,888)	$(14,762)	$5,139,287	$3,435,912

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

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the six months ended June 30, 2013	2012
Cash Flows From Operating Activities		
Net loss	$(2,341,305)	$(824,938)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign currency transaction gain	(515)	1,044
Gain on settlement of liabilities	-	(514,473)
Share-based compensation	204,557	53,850
Write down of deferred growing cost	6,656	-
Write down of long lived assets	15,000	-
Loss on sale of investment held for sale	178,896	-
Depreciation and amortization	227,081	134,393
Changes in operating assets and liabilities:		
Accounts receivable	(3,000)	(68,712)
Inventory	5,503	(30,737)
Other current assets	48,096	(76,473)
Deferred growing costs	-	(810,819)
Accounts payable and accrued expenses	571,765	432,536
Deferred revenue	-	(152,732)
Other noncurrent assets	6,627	(3,324)
Net Cash Used in Operating Activities	(1,080,639)	(1,860,384)
Cash Flows From Investing Activities		
Plantation development costs	(789,435)	(1,042,200)
Purchase of property and equipment	(3,118)	(217,824)
Proceeds from sale of property and equipment	187,212	-
Net Cash Used in Investing Activities	(605,341)	(1,260,024)
Cash Flows From Financing Activities		
Proceeds from issuance of common stock	-	250,000
Proceeds from issuance of preferred membership in GCE Mexico I, LLC	1,310,030	3,258,090
Payments on capital leases and notes payable	(31,937)	(23,229)
Net Cash Provided by Financing Activities	1,278,093	3,484,861
Effect of exchange rate changes on cash	122,392	(80,630)
Net change in Cash and Cash Equivalents	(285,495)	283,823
Cash and Cash Equivalents at Beginning of Period	941,579	676,780
Cash and Cash Equivalents at End of Period	$656,084	$960,603
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$1,282	$30,764
Noncash Investing and Financing activities:		
Accrual of return on noncontrolling interest	$1,220,324	$947,501
Acquisitions:		-
Intangible assets and equipment acquired	$4,077,765	-
Inventory acquired	430,141	-

Other current assets assumed	260	-
Other current liabilities assumed	(2,408,066)	-
Net assets acquired	$2,100,100	
Notes payable issued	$(1,300,000)	-
Common stock issued	$(800,000)	-

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

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 – History and Basis of Presentation

History

Global Clean Energy Holdings, Inc. is a U.S.-based, multi-national, energy agri-business focused on the development of non-food based bio-feedstocks.

The company was originally incorporated under the laws of the State of Utah on November 20, 1991. On July 19, 2010, the reincorporation of the company from a Utah corporation to a Delaware corporation was completed, as approved by shareholders. In the reincorporation, each outstanding share of the company's common stock was automatically converted into one share of common stock of the surviving Delaware corporation. In addition, the par value of the Company's capital stock changed from no par per share to $0.001 per share. The effects of the change in par value have been reflected retroactively in the accompanying condensed consolidated financial statements and notes thereto for all periods presented. The effect of retroactively applying the par value of $0.001 per share resulted in reclassification of $17,409,660 of common stock and $1,290,722 of preferred stock as of December 31, 2008 to additional paid-in capital. The reincorporation did not result in any change in the company's name, ticker symbol, CUSIP number, business, assets or operations. The management and Board of Directors of the company remained the same.

Principles of Consolidation

The consolidated financial statements include the accounts of Global Clean Energy Holdings, Inc., its subsidiaries, and the variable interest entities of GCE Mexico, and its Mexican subsidiaries (Asideros, Asideros 2 and Asideros 3). All significant intercompany transactions have been eliminated in consolidation.

Generally accepted accounting principles require that if an entity is the primary beneficiary of a variable interest entity (VIE), the entity should consolidate the assets, liabilities and results of operations of the VIE in its consolidated financial statements. Global Clean Energy Holdings, Inc. considers itself to be the primary beneficiary of GCE Mexico, and it's Mexican subsidiaries, and accordingly, has consolidated these entities since their formation beginning in April 2008, with the equity interests of the unaffiliated investors in GCE Mexico presented as Noncontrolling Interests in the accompanying condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these financial statements have been included and are of normal, recurring nature. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission. The results of operations for the six months ended June 30, 2013, may not be indicative of the results that may be expected for the year ending December 31, 2013.

Accounting for Agricultural Operations

All costs incurred until the actual planting of the Jatropha Curcas plant are capitalized as plantation development costs, and are included in “Property and Equipment” on the balance sheet. Plantation development costs are being accumulated in the balance sheet during the development period and are accounted for in accordance with accounting standards for Agricultural Producers and Agricultural Cooperatives. The direct costs associated with each farm and the production of the Jatropha revenue streams have been deferred and accumulated as a noncurrent asset, “Deferred Growing Costs”, on the balance sheet. Other general costs without expected future benefits are expensed when incurred.

Income/Loss per Common Share

Income/Loss per share amounts are computed by dividing income or loss applicable to the common shareholders of the Company by the weighted-average number of common shares outstanding during each period. Diluted income or loss per share amounts are computed assuming the issuance of common stock for potentially dilutive common stock equivalents. The number of dilutive warrants and options is computed using the treasury stock method, whereby the dilutive effect is reduced by the number of treasury shares the Company could purchase with the proceeds from exercises of warrants and options. As of June 30, 2013 and 2012, all convertible instruments were anti-dilutive.

The following instruments are currently antidilutive and have been excluded from the calculations of diluted income or loss per share at June 30, 2013 and 2012, as follows:

	June 30,	
	2013	2012
Convertible notes	18,900,000	18,900,000
Convertible preferred stock - Series B	11,818,181	11,818,181
Warrants	24,585,662	24,585,662
Compensation-based stock options and warrants	69,208,483	74,481,483
	124,512,326	129,785,326

Revenue Recognition

Revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller’s price to the buyer is fixed or determinable; collectability is reasonably assured; and title and the risks and rewards of ownership have transferred to the buyer. Value added taxes collected on revenue transactions are excluded from revenue and are included in accounts payable until remittance to the taxation authority.

Jatropha oil revenue - The Company’s primary source of revenue will be crude Jatropha oil. Revenue will be recognized net of sales or value added taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognized when there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements

Advisory services revenue - The Company provides development and management services to other companies regarding their bio-fuels and/or feedstock-Jatropha development operations, on a fee for services basis. The advisory services revenue is recognized upon completion of the work in accordance with the separate contract.

Agricultural subsidies revenue - the Company receives agricultural subsidies from the Mexican government. Due to the uncertainty of these payments, the revenue is recognized when the payments are received.

Note 2 – Going Concern Considerations

The accompanying unaudited condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying consolidated financial statements, the Company incurred losses from continuing operations applicable to its common shareholders of $2,341,305 and $823,240 for the six-months ended June 30, 2013, and June 30, 2012, respectively, has an accumulated deficit applicable to its common shareholders of $27,574,888 at June 30, 2013. The Company also used cash in operating activities of $1,080,639 and $1,860,384 during the six-month period ended June 30, 2013 and June 30, 2012, respectively. At June 30, 2013, the Company has negative working capital of $4,094,539 and a stockholders' deficit attributable to its stockholders of $1,703,375. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company commenced its new business related to the cultivation and production of oil from the seed of the Jatropha plant in September 2007. Management plans to meet its cash needs through various means including securing financing, entering into joint ventures, and developing the current business model. In order to fund its operations, the Company has to date received $20,870,733 in capital contributions from the preferred membership interest in GCE Mexico I, LLC ("GCE Mexico"), has issued mortgages in the total amount of $5,110,189 for the acquisition of land. The Company is developing the new business operation to participate in the rapidly growing bio-diesel industry. While the Company expects to be successful in this new venture, there is no assurance that its business plan will be economically viable. The ability of the Company to continue as a going concern is dependent on that plan's success. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 3 – Jatropha Business Venture

The Company entered into the bio-fuels business in 2007 by acquiring certain trade secrets, know-how, business plans, term sheets, business relationships, and other information relating to the cultivation and production of seed oil from the Jatropha plant for the production of bio-diesel, and by entering into certain employment agreements and property management agreements. Subsequent to entering into these transactions, the Company identified certain real property in Mexico it believed to be suitable for cultivating the Jatropha plant. During 2008, GCE Mexico's subsidiary acquired the land in Mexico for the cultivation of the Jatropha plant. In July 2009, the Company acquired Technology Alternatives, Limited ("TAL"), a company formed under the laws of Belize that had developed a farm in Belize for cultivation of the Jatropha plant and provided technical advisory services for the propagation of the Jatropha plant. In March 2010, the Company formed Asideros 2, a Mexican corporation, which has acquired additional land in Mexico adjacent to the land acquired by Asideros 1. All of these transactions are described in further detail in Note 1 above and in the remainder of the notes.

LODEMO Agreement

On October 15, 2007, the Company entered into a service agreement with Corporativo LODEMO S.A DE CV, a Mexican corporation (the LODEMO Group), to provide services related to the establishment, development, and day-to-day operations of the Company's Jatropha Business in Mexico. The Agreement had a 20-year term but could be terminated or modified earlier by the Company under certain circumstances. In June 2009, the scope of work previously performed by LODEMO was reduced and modified based upon certain labor functions being provided internally by the Company and by Asideros, the Company's Mexican subsidiary, on a go-forward basis. This agreement was cancelled in 2009. As of June 30, 2013 and as of December 31, 2012, the Company's financial statements reflect that it owes the LODEMO Group $251,500 for accrued, but unpaid, compensation and cost. The Company disputes the total of these charges and has been in discussions with LODEMO to resolve this liability.

GCE Mexico I, LLC and Subsidiaries

GCE Mexico was organized primarily to facilitate the acquisition of the initial 5,000 acres of farm land (the Jatropha Farm) in the State of Yucatan in Mexico to be used primarily for the (i) cultivation of Jatropha curcas, (ii) the marketing and sale of the resulting fruit, seeds, or pre-processed crude Jatropha oil, whether as biodiesel, feedstock, biomass or otherwise, and (iii) the sale of carbon value, green fuel value, or renewable energy credit value (and other similar environmental attributes) derived from activities at the Jatropha Farm.

Under GCE Mexico's operating agreement, as amended (the "LLC Agreement"), the Company owns 50% of the issued and outstanding common membership units of GCE Mexico. The remaining 50% of the common membership units was initially issued to five investors. The Company and the other owners of the common membership interest were not required to make capital contributions to GCE Mexico.

In addition, two investors agreed to invest in GCE Mexico through the purchase of preferred membership units and through the funding of the purchase of land in Mexico. An aggregate of 1,000 preferred membership units were issued to these two investors who each agreed to make capital contributions to GCE Mexico in installments and as required, fund the development and operations of the Jatropha Farm. In November 2012, one of the two investors transferred 100% of the interest to the other investor. The preferred members have made capital contributions of $1,310,030 and $3,258,090 during the six months ended June 30, 2013 and June 30, 2012, respectively, and total contributions of $20,870,733 have been received by GCE Mexico from these investors since the execution of the LLC Agreement. The LLC Agreement calls for additional contributions from the investors, as requested by management and as required by the operation in 2013 and the following years. The holder of the preferred membership interest is entitled to earn a preferential 12% per annum cumulative compounded return on the cumulative balance of the preferred membership interest. The preferential return increased $1,220,324, and $947,501 during the six months ended June 30, 2013 and June 30, 2012, respectively, and totals $6,183,907 since the execution of the LLC Agreement.

The net income or loss of the six Mexican subsidiaries that own the Mexico farms is allocated to the shareholders based on their respective equity ownership; 99% of the equity of each subsidiary is owned by GCE Mexico and 1% is owned by the Company. GCE Mexico has no operations separate from its investments in the Mexican subsidiaries. According to the LLC Agreement of GCE Mexico, the net loss of GCE Mexico is allocated to its members according to their respective investment balances. Accordingly, since the common membership interest did not make a capital contribution, all of the losses have been allocated to the preferred membership interest. The noncontrolling interest presented in the accompanying consolidated balance sheets includes the carrying value of the preferred membership interests and of the common membership interests owned by the Investors, and excludes any common membership interest in GCE Mexico held by the Company.

Technology Alternatives, Limited

On July 9, 2009, the Company purchased 100% of the stock of Technology Alternatives, Limited ("TAL"), a company formed under the laws of Belize in Central America. TAL owns approximately 400 acres of land that was used as a Jatropha farm. The land was sold in May 2013.

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements

In connection with the acquisition, the Company issued promissory notes to the former shareholders of TAL in the aggregate amount of $526,462 Belize dollars, including capitalized interest of $10,322 Belize Dollars (US $280,170 based on exchange rates in effect on the funding date of May 17, 2013), These notes payable to shareholders accrued interest at 8% per annum. The notes were secured by a mortgage on the land and related improvements. The holders agreed to accept $195,747 USD as payment in full for all of their secured interest when the land was sold on May 17, 2013 at a discounted sales price of $395,000 USD. The unpaid principal balance of $84,422 of the notes, plus accrued interest of $28,078, was forgiven by the shareholders and written off by the Company. The related gain on forgiveness is included in Loss on Sale of Investment Held for Sale on the statement of operations.

Note 4 – Property and Equipment

Property and equipment are as follows:

	June 30, 2013	December 31, 2012
Land	$ 4,558,125	$ 4,539,314
Plantation development costs	10,152,896	9,229,638
Plantation equipment	1,714,644	1,546,971
Office equipment	109,752	108,598
Total cost	16,535,417	15,424,521
Less accumulated depreciation	(1,024,212)	(865,518)
Property and equipment, net	$ 15,511,205	$ 14,559,002

Commencing in June 2008, Asideros I purchased certain equipment for purposes of rapidly clearing the land, preparing the land for planting, and actually planting the Jatropha trees. The Company has capitalized farming equipment and costs related to the development of land for farm use in accordance with generally accepted accounting principles for accounting by agricultural producers and agricultural cooperatives. Plantation equipment is depreciated using the straight-line method over estimated useful lives of 5 to 15 years. Depreciation expense has been capitalized as part of plantation development costs through the date that the plantation becomes commercially productive. The initial plantations were deemed to be commercially productive on October 1, 2009, at which date the Company commenced the depreciation of plantation development costs over estimated useful lives of 10 to 35 years, depending on the nature of the development. Developments and other improvements with indefinite lives are capitalized and not depreciated. Other developments that have a limited life and intermediate-life plants that have growth and production cycles of more than one year are being depreciated over their useful lives once they are placed in service. The land, plantation development costs, and plantation equipment are located in Mexico.

Note 5 – Intangible Assets

In March 2013, the Company purchased certain intangible assets as part of the acquisition of Sustainable Oils, LLC. See further discussion on acquisition in Note 10. The intangible assets include three patents and the related intellectual property associated with these patents. These intangible assets acquired have an expected useful life of 17 years and are carried at cost less any accumulated amortization and any impairment losses.

Amortization is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives of 17 years. Any future costs associated with the maintenance of these patents with indefinite lives will be capitalized and not amortized.

Note 6 – Debt

Notes Payable to Shareholders

Included in notes payable on the accompanying consolidated balance sheet, the Company has notes payable to certain shareholders in the aggregate amount of $26,000 at June 30, 2013 and December 31, 2012. The notes originated in 1999, bear interest at 12%, are unsecured, and are currently in default. Accrued interest on the notes totaled $49,540 at June 30, 2013 and December 31, 2012, respectively.

As more fully disclosed in Note 3 the Company had issued promissory notes to the former shareholders of TAL in the aggregate amount of $526,462 Belize dollars, (US $268,630 based on exchange rates in effect at December 31, 2012), including capitalized interest of $10,322 Belize Dollars. The notes were secured by a mortgage on the land and related improvements, all of which were sold on May 17, 2013 at a discounted price of $395,000. The holders agreed to accept $195,747 as payment in full for these mortgage notes when the land was sold on May 17, 2013. The balance of $84,422 in notes payable was forgiven by the holders and written off.

Convertible Notes Payable

In March 2010, the Company entered into a securities purchase agreement with the preferred members of GCE Mexico pursuant to which the Company issued senior unsecured convertible promissory notes in the original aggregate principal amount of $567,000 and warrants to acquire an aggregate of 1,890,000 shares of the Company's common stock. The Convertible Notes mature on the earlier of (i) March 16, 2012, or (ii) upon written demand of payment by the note holders following the Company's default thereunder. The maturity date of the Convertible Notes may be extended by written notice made by the note holders at any time prior to March 16, 2012. These notes have been extended to September 2013. Interest accrues on the convertible notes at a rate of 5.97% per annum, and is payable quarterly in cash, in arrears, on each nine-month anniversary of the issuance of the convertible notes. The Company may at its option, in lieu of paying interest in cash, pay interest by delivering a number of unregistered shares of its common stock equal to the quotient obtained by dividing the amount of such interest by the arithmetic average of the volume weighted average price for each of the five consecutive trading days immediately preceding the interest payment date. At any time following the first anniversary of the issuance of the Convertible Notes, at the option of the note holders, the outstanding balance thereof (including unpaid interest) may be converted into shares of the Company's common stock at a conversion price equal to $0.03. The conversion price may be adjusted in connection with stock splits, stock dividends and similar events affecting the Company's capital stock. The convertible notes rank senior to all other indebtedness of the

Company, and thereafter will remain senior or pari passu with all accounts payable and other similar liabilities incurred by the Company in the ordinary course of business. The Company may not prepay the convertible notes without the prior consent of the Investors.

Mortgage Notes Payable

The investors holding the preferred membership units of GCE Mexico also directly funded the purchase by Asideros I of approximately 5,000 acres of land in the State of Yucatan in Mexico by the payment of $2,051,282, The land was acquired in the name of Asideros I, and Asideros I issued a mortgage in the amount of $2,051,282 in favor of the two original investors. These two investors also directly funded the purchase by Asideros 2 of approximately 4,500 acres, and a second parcel by Asideros 2 of approximately 600 acres of land adjacent to the land owned by Asideros by the total payment of $963,382. The land was acquired in the name of Asideros 2 and Asideros 2 issued mortgages in the amount of $963,382 in favor of these two investors. These mortgages bear interest at the rate of 12% per annum, payable quarterly. The parties have agreed to accrue the interest until such time as the Board determines that there is sufficient cash flow to pay all accrued interest. The initial mortgage, including any unpaid interest, is due in April 2018. The second mortgage, including any unpaid interest, is due in February 2020.

In October 2011, the two original investors also directly funded the purchase by Asideros 3 of approximately 5,600 acres for a total $2,095,525. The land was acquired in the name of Asideros 3 and Asideros 3 issued mortgages in the amount of $2,095,525 in favor of these two investors. These mortgages bear interest at the rate of 12% per annum, payable quarterly. The Board has directed that this interest shall continue to accrue until such time as the Board determines that there is sufficient cash flow to pay all accrued interest. The initial mortgage, including any unpaid interest, is due in October 2021.

In November 2012, one of the two holders of the preferred membership interests acquired all of the ownership interests of the other member. Accordingly, all of the foregoing obligations are now owed to the sole holder of GCE Mexico's preferred membership interests.

Promissory Notes Payable

In March 2013, the Company issued a secured promissory note in the principal amount of $1,300,000 to Targeted Growth, Inc. as part of the acquisition of Sustainable Oils, LLC. The note bears an interest rate of ten percent (10.0%) per annum, and is payable upon the earlier of the following: (a) to the extent of 35.1% of, and on the third business day after, the receipt by the Company of any Qualified Funding; or (b) September 13, 2014 (the "Maturity Date"). The term "Qualified Funding" means all equity funding in excess of the $800,000, in the aggregate, received by the Company, its subsidiary or an affiliate after the date hereof for its Camelina business.

Settlement of Liabilities

The Company has settled certain liabilities previously carried on the consolidated balance sheet, which settlements resulted in gains from the extinguishment of liabilities. There was no gain on settlement of liabilities for the six months ended June 30, 2013, but there was a gain of $514,473 for the six months ended June 30, 2012. The gain in 2012 was primarily from the settlement or expiration of historic liabilities primarily incurred by prior management in connection with the discontinued pharmaceutical operations. In addition, the Company wrote off certain liabilities that had been extinguished with the passage of time for collection under applicable statutues of limitation laws.

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GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements

Note 7 - Common Stock

In March 2013, the Company issued 40,000,000 shares, at $.02 per share as partial considertion of the business purchase that included certain assets, patents, and other intellectual property and rights related to the development of Camelina sativa as a biofuels feedstock that it acquired.

Note 8 – Stock Options and Warrants

Stock Options and Compensation-Based Warrants

The Company has an incentive stock option plan wherein 20,000,000 shares of the Company's common stock are reserved for issuance thereunder.

Additionally, Richard Palmer, the President of the Company has been granted stock options to purchase 12,000,000 shares of the Company's common stock, subject to the Company's achievement of certain market capitalization goals.

No income tax benefit has been recognized for share-based compensation arrangements. The Company has recognized plantation development costs totaling $124,565 related to a liability that was satisfied by the issuance of warrants in 2008. Otherwise, no share-based compensation cost has been capitalized in theconsolidated balance sheet.

A summary of the status of options and compensation-based warrants at June 30, 2013, and changes during the six months then ended is presented in the following table:

	Shares Under	Weighted Average Exercise	Weighted Average Remaining Contractual	Aggregate Intrinsic