

Global Clean Energy Holdings, Inc.
Form 10-Q
May 12, 2015

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

(Mark One)

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

For the quarterly period ended March 31, 2015

OR

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
State or other jurisdiction of incorporation

87-0407858
(IRS Employer Identification No.)

2790 Skypark Drive, Suite 105
Torrance, California 90505
(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 No

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

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

Large accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Accelerated filer	<input type="checkbox"/>	Smaller reporting	<input checked="" type="checkbox"/>

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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 May 12, 2015, the issuer had 339,187,545 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
 No

PART I

ITEM 1. FINANCIAL STATEMENTS.

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

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 190,949	\$ 238,485
Accounts receivable	47,762	213,962
Inventory	37,490	35,201
Other current assets	39,892	37,580
Total Current Assets	316,093	525,228
PROPERTY AND EQUIPMENT, NET		
	13,474,147	13,834,255
INTANGIBLE ASSETS, NET		
	3,666,418	3,727,724
OTHER NONCURRENT ASSETS		
	5,646	5,744
TOTAL ASSETS	\$ 17,462,304	\$ 18,092,951
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,356,058	\$ 3,651,606
Accrued payroll and payroll taxes	1,268,414	1,249,815
Notes payable - current portion	1,337,089	1,337,089
Convertible notes payable, net of debt discount	642,250	697,000
Derivative Liability	65,000	-
Total Current Liabilities	6,668,811	6,935,510
LONG-TERM LIABILITIES		
Accrued interest payable	4,439,920	4,166,607
Accrued return on noncontrolling interest	10,770,565	10,101,080
Mortgage notes payable	5,110,189	5,110,189
Total Long Term Liabilities	20,320,674	19,377,876
STOCKHOLDERS' DEFICIT		
Preferred stock - \$.001 par value; 50,000,000 shares authorized		

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Series B, convertible; 13,000 shares issued and outstanding(aggregate liquidation preference of \$1,300,000)	13	13
Common stock, \$0.001 par value; 500,000,000 shares authorized;		
339,187,545 issued and outstanding	339,187	339,187
Additional paid-in capital	25,744,459	25,657,177
Accumulated deficit	(29,076,013)	(28,946,103)
Accumulated other comprehensive loss	(63,091)	(66,586)
Total Global Clean Energy Holdings, Inc.		
Stockholders' Deficit	(3,055,445)	(3,016,312)
Noncontrolling interests	(6,471,736)	(5,204,123)
Total Stockholders' Deficit	(9,527,181)	(8,220,435)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 17,462,304	\$ 18,092,951

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

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	For the three months Ended March 31,	
	2015	2014
Revenue	\$ 158,072	\$ 78,810
Subsidy Income	159	-
Total Revenue	158,231	78,810
Operating Expenses		
General and administrative	593,615	492,356
Plantation operating costs	30,376	27,731
Total Operating Expenses	623,991	520,087
Loss from Operations	(465,760)	(441,277)
Other Income (Expenses)		
Other income	1	7
Interest expense	(291,563)	(257,033)
Gain on settlement of liabilities	270,323	-
Change in fair value of derivative liability	8,000	-
Foreign currency transaction gain (loss)	1,868	85
Other Expenses, Net	(11,371)	(256,941)
Net Loss	(477,131)	(698,218)
Less Net Loss Attributable to the Noncontrolling Interest	(347,221)	(369,752)
Net Loss Attributable to Global Clean Energy Holdings, Inc.	\$(129,910)	\$(328,466)
Basic and diluted Loss per Common Share:		
Net Loss per Common Share	\$(0.00)	\$(0.01)
Basic and diluted Weighted-Average Common Shares Outstanding	339,187,545	339,187,545

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

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

	For the three months Ended	
	March 31, 2015	2014
Operating Activities		
Net loss	\$ (477,131)	\$ (698,218)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign currency transaction gain	-	(85)
Gain on settlement of liabilities	(270,323)	-
Share-based compensation	87,279	44,287
Depreciation and amortization	117,472	128,726
Amortization of debt discount	18,250	-
Change in fair value of derivative	(8,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	200,330	4,751
Inventory	(2,569)	(1,357)
Other current assets	(38,761)	(25,824)
Accounts payable and accrued expenses	270,963	216,153
Other noncurrent assets	(87)	42,204
Net Cash Used in Operating Activities	(102,577)	(289,363)
Investing Activities		
Plantation development costs	(75,996)	(207,131)
Net Cash Used in Investing Activities	(75,996)	(207,131)
Financing Activities		
Proceeds from issuance of preferred membership in GCE Mexico I, LLC	127,000	432,137
Proceeds from notes payable	-	130,000
Payments on capital leases and notes payable	-	(12,264)
Net Cash Provided by Financing Activities	127,000	549,873
Effect of exchange rate changes on cash	4,037	(4,597)
Net change in Cash and Cash Equivalents	(47,536)	48,782
Cash and Cash Equivalents at Beginning of Period	238,485	216,531
Cash and Cash Equivalents at End of Period	\$ 190,949	\$ 265,313
Supplemental Disclosures of Cash Flow Information:		
Noncash Investing and Financing activities:		
Accrual of return on noncontrolling interest	\$ 669,486	\$ 643,672
Estimated fair value of derivative liability	73,000	-

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	For the three months Ended March 31,	
	2015	2014
Net Loss	\$(477,131)	\$(698,218)
Other comprehensive income (loss)- foreign currency translation adjustment	(3,566)	80,484
Comprehensive Loss	(480,697)	(617,734)
Add net loss attributable to the noncontrolling interest	347,221	369,752
Add other comprehensive loss (income) attributable to noncontrolling interest	-	(7,518)
Comprehensive Loss Attributable to Global Clean Energy Holdings, Inc.	\$(133,476)	\$(255,500)

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

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statements. The financial statements and notes are the representations of the Company's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Note 1 – History and Basis of Presentation

History

Global Clean Energy Holdings, Inc. (the "Company") 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.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Global Clean Energy Holdings, Inc., its subsidiaries, and the variable interest entities of GCE Mexico I, LLC a Delaware limited liability company ("GCE Mexico"), and its Mexican subsidiaries (Asideros, Asideros 2 and Asideros 3). The financial statements include the newly acquired Sustainable Oils, LLC, a wholly owned subsidiary, from the acquisition date of March 13, 2013. 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 its 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.

Under ASC 810-10 the Primary Beneficiary is the party that has both of the following:

1. The power to make decisions regarding the activities that most significantly impact the success of the VIE, and
2. The obligation to absorb losses or rights to receive benefits of the entity that could potentially be significant to the VIE.

When multiple parties make decisions over different activities of the entity, only the party with power to direct the activities that most significantly impacts the entity's economic performance will have satisfied the first condition. Global Clean Energy Holdings, Inc. has the power to direct the most significant activities of GCE Mexico and its subsidiaries, as these rights were specifically granted to Global Clean Energy Holdings, Inc. under the GCE Mexico's Operating Agreement (the "LLC Agreement").

Global Clean Energy Holdings, Inc. satisfies the second condition because as owner of a 50.5% profits interest, Global Clean Energy Holdings, Inc. is expected to receive the benefits or the largest amounts of profits allocated by GCE

Mexico. GCEH owns 1% of Asideros 1, Asideros 2 and Asideros 3, and the balance is owned by GCE Mexico. Accordingly, we own 50.5% of Asideros 1, Asideros 2 and Asideros 3 either directly or through our common membership interest in GCE Mexico. The partners' right to receive a preferred return on their investment does not qualify as a "right to receive residual returns" of GCE Mexico.

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

The guidance also states that “in a multi-tiered legal-entity structure, a reporting entity should generally begin its evaluation at the lowest-level entity. Each entity within the structure should then be evaluated on a consolidated basis. The attributes and variable interests of the underlying consolidated entities become those of the parent company upon consolidation”.

GCE Mexico holds, directly, 99% of the voting interest in the subsidiaries pursuant to the Agency Agreement. GCEH’s rights as Manager of GCE Mexico and as the sole Director of the subsidiaries enables GCEH to conclude that these powers, together with the 50% membership interest in GCE Mexico, gives Global Clean Energy Holdings, Inc. a controlling financial interest and therefore is the primary beneficiary.

GCE MEXICO, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS (1)	179,295	86,979
PROPERTY AND EQUIPMENT, NET	13,021,591	13,377,936
OTHER NONCURRENT ASSETS	3,020	3,118
TOTAL ASSETS	\$ 13,203,906	\$ 13,468,033
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES	273,572	281,369
LONG-TERM LIABILITIES	20,064,311	19,124,134
TOTAL LIABILITIES	\$ 20,337,883	\$ 19,405,503

(1) Includes cash of \$139,724 and \$86,979 at March 31, 2015 and December 31, 2014, respectively, which is included in the Company’s consolidated financial statements, but is used only for the operations of GCE Mexico.

In March 2013, the Company acquired 100% of all of the outstanding membership interests of Sustainable Oils, LLC, a Delaware limited liability company. Accordingly, the consolidated financial statements for periods after that acquisition include the assets, liabilities and results of operations of that entity.

Unaudited Interim Condensed Consolidated Financial Statements

The accompanying (a) condensed consolidated Balance Sheet at December 31, 2014 has been derived from audited statements and (b) unaudited condensed consolidated financial statements as of March 31, 2015 and 2014 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, 2014, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2015, may not be indicative of the results that may be expected for the year ending December 31, 2014.

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

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. These costs will be recognized as a Cost of Good Sold in the period the revenue is recognized. Other general costs without expected future benefits are expensed when incurred.

Inventory

The Company uses the FIFO valuation method for its inventories, which consist almost entirely of finished goods. The Company records no inventories above their acquisition costs. There were no losses related to the valuation of inventory during the three months ended March 31, 2015.

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.

The following instruments are currently antidilutive and have been excluded from the calculations of diluted income or loss per share at March 31, 2015 and 2014, as follows:

	March 31, 2015	2014
Convertible notes and accrued interest	24,100,000	23,000,000
Convertible preferred stock - Series B	11,818,181	11,818,181
Warrants	3,083,332	3,083,332
Compensation-based stock options and warrants	88,682,003	72,645,311
	127,683,516	110,546,804

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 and Camelina biofuel revenue - The Company's long-term primary source of revenue currently is expected to 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. For the three months ended March 31, 2015, the Company had no material Jatropha or Camelina biofuel revenue.

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 each advisory contract.

Agricultural subsidies revenue - the Company receives agricultural subsidies from the Mexican government to supplement the farm development and planting of new trees. Due to the uncertainty of these payments, the revenue is recognized when the payments are received. We recognize these funds as revenue due to these payments being disbursed to supplement the Company's income and not as direct payments for any specified farming expense. For the three months ended March 31, 2015, the Company had no material subsidis revenue.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for accounts receivable and payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts reported for the various notes payable and the mortgage notes payable approximate fair value because the underlying instruments are at interest rates which approximate current market rates. See note 10 for additional information regarding assets measured at fair value on a nonrecurring basis.

Derivative Liabilities

The Company evaluates debt instruments, stock options, stock warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under the relevant sections of ASC Topic 815-40, Derivative Instruments and Hedging: Contracts in Entity's Own Equity . The result of this accounting treatment could be that the fair value of a financial instrument is classified as a derivative instrument and is marked-to-market at each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income or other expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Financial instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815-40 are reclassified to a liability account at the fair value of the instrument on the reclassification date.

The Company has issued notes with embedded conversion features. Certain of the embedded conversion features contain price protection or anti-dilution features that result in these instruments being treated as derivatives. Accordingly, the Company has estimated the fair value of these embedded conversion features to settle outstanding contracts using Black-Scholes.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include a) those assumed in determining the valuation of common stock, warrants, derivative liabilities and stock options, b) estimated useful lives of plantation equipment and plantation development costs, and c) undiscounted future cash flows for purpose of evaluating possible impairment of long-term assets. It is at least reasonably possible that the significant estimates used will change within the next year.

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

Foreign Currency

During 2015, the Company had operations located in the United States, Mexico, and Dominican Republic. For these foreign operations, the functional currency is the local country's currency. Consequently, revenues and expenses of operations outside the United States of America are translated into U.S. dollars using weighted average exchange rates, while assets and liabilities of operations outside the United States of America are translated into U.S. dollars using exchange rates at the balance sheet date. The effects of foreign currency translation adjustments are included in equity (deficit) as a component of accumulated other comprehensive loss in the accompanying consolidated financial statements. Foreign currency transaction adjustments are included in other income (expense) in the Company's results of operations.

The Company has not entered into derivative instruments to offset the impact of foreign currency fluctuations.

Stock Based Compensation

The Company recognizes compensation expense for stock-based awards expected to vest on a straight-line basis over the requisite service period of the award based on their grant date fair value. The Company estimates the fair value of stock options using a Black-Scholes option pricing model which requires management to make estimates for certain assumptions regarding risk-free interest rate, expected life of options, expected volatility of stock and expected dividend yield of stock.

Comprehensive Income

In June 2011, the FASB issued authoritative guidance requiring entities to report components of other comprehensive income in either a single continuous statement or in two separate, but consecutive statements of net income and other comprehensive income. The company has included a consolidated statement of comprehensive income for the three months ended March 31, 2015 and 2014.

New Account Guidelines

The Company has reviewed all the recent accounting pronouncements issued to date of the issuance of these consolidated financial statements, and does not believe any of these pronouncements will have a material impact on the Company's consolidated financial statements.

Note 2 – Going Concern Considerations

The accompanying 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 operations applicable to its common shareholders of \$129,910 and \$328,466 for the three months ended March 31, 2015, and 2014, respectively, and has an accumulated deficit applicable to its common shareholders of approximately \$29,000,000 at March 31, 2015. The Company also used cash in operating activities of approximately \$103,000 and \$290,000 during the years ended March 31, 2015 and 2014, respectively. At March 31, 2015, the Company has negative working capital of approximately \$6,400,000. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company commenced its business related to the cultivation and production of oil from the seed of the Jatropha plant in September 2007 and Camelina in March 2013. 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 \$22,316,826 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 business operation to participate in the rapidly growing bio-diesel industry. While the Company expects to be successful in its ventures, 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.

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

Note 3 – Property and Equipment

Property and equipment are as follows:

	March 31, 2015	December 31, 2014
Land	\$3,870,297	\$3,994,647
Plantation development costs	9,471,752	\$9,638,425
Plantation equipment	1,330,772	\$1,366,258
Office equipment	102,454	\$103,770
Total cost	14,775,275	15,103,100
Less accumulated depreciation	(1,301,128)	(1,268,845)
Property and equipment, net	\$13,474,147	\$13,834,255

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 4 – Intangible Assets

In March 2013, the Company purchased certain intangible assets related to the commercial production of Camelina. 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.

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

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. The Intangible Assets as of the year ended March 31, 2015 is shown in the following table:

	March 31, 2015	December 31, 2014
Intangible Assets	4,168,841	\$4,168,841
Less accumulated amortization	(502,423)	(441,117)
Intangible Assets, net	\$3,666,418	\$3,727,724

Note 5 – 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 March 31, 2015 and 2014. The notes originated in 1999, bear interest at 12%, are unsecured, and are currently in default. Accrued interest on the notes totaled \$56,521 and \$53,410, respectively at March 31, 2015 and 2014, respectively.

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 have been extended until September 15, 2016. Interest accrues on the convertible notes at a rate of 5.97% per annum, and is payable quarterly in cash, in arrears, on each year 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.

In January 2014, the Company entered into a securities purchase agreement with the third party investors pursuant to which the Company issued senior unsecured contingently convertible promissory notes in the original aggregate principal amount of \$130,000 and warrants to acquire an aggregate of 1,083,332 shares of the Company's common stock. Interest accrues on the convertible notes at a rate of 8% per annum, and is payable quarterly in cash, in arrears,

on each year anniversary of the issuance of the convertible notes. 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 Sustainable Oils common stock at a conversion price equal to \$1.448, subject to adjustment based on Sustainable Oils receiving alternative consideration from another investor. The conversion price may be adjusted in connection with stock splits, stock dividends and similar events affecting the Sustainable Oils's capital stock. The relative fair value of the warrants was considered insignificant.

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

Based on the price protection feature in the conversion terms, such embedded conversion feature resulted in a derivative liability and a corresponding debt discount in the amount of \$73,000 to be recorded (See Note 9). The Company is amortizing the debt discount over the life of the corresponding convertible promissory notes through December 31, 2015. The amortization of the debt discount for these derivative instruments was \$18,250 for three months ended March 31, 2015.

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. for certain Camelina assets. The purchase occurred concurrently with 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 Company has amended the note by extending the maturity date to December 31, 2014 and returning the certain Camelina assets to Targeted Growth, Inc. at the book value of \$190,500. Thus, the note was settled for the value of the assets returned for the same book value of \$190,500. 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.

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Note 6 - Equity (Deficit)

The preferred members have made capital contributions of \$127,000 and \$432,137 during the three months ended March 31, 2015 and 2014, respectively. The LLC Agreement calls for additional contributions from the investor, as requested by management and as required by the operation in 2015 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 by \$669,486, and \$643,672 during the three months ended March 31, 2015 and 2014, respectively, and totals \$10,770,565 at March 31, 2015.

Common Stock

In March 2013, the Company issued 40,000,000 shares, at \$.02 per share as partial consideration 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 7 – Stock Options and Warrants

Stock Options and Compensation-Based Warrants

The Company has an incentive stock option plan wherein 40,000,000 shares of the Company's common stock are reserved for issuance thereunder.

A summary of the status of options and compensation-based warrants at March 31, 2014, and changes during the three months then ended is presented in the following table:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2014	64,945,311	0.02	3.3 years	\$-
Granted	27,736,692	0.01		
Exercised	-			