Global Clean Energy Holdings, Inc.
Form 10-Q
May 13, 2016

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 March 31, 2016

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.)

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	Non-accelerated filer
Accelerated Filer	Smaller 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 May 13, 2016, the issuer had 341,405,545 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
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$2,256	$34,704
Accounts receivable	13,595	10,160
Inventory	25,921	26,544
Other current assets	36,230	36,846
Current assets of discontinued operations	63,919	218,015
Total Current Assets	141,921	326,269
PROPERTY AND EQUIPMENT, NET	7,094	7,868
INTANGIBLE ASSETS, NET	3,421,191	3,482,498
Noncurrent assets of discontinued operations	-	-
Other noncurrent assets	2,626	2,626
TOTAL ASSETS	$3,572,832	$3,819,261
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$3,060,695	$3,041,612
Accrued payroll and payroll taxes	1,435,216	1,380,155
Deferred revenue	-	-
Accrued interest payable	528,573	455,029
Notes payable	1,369,856	1,369,856
Convertible notes payable	697,000	697,000
Derivative Liability	106,000	106,000
Current liabilities from discontinued operations	-	-
Total Current Liabilities	7,197,340	7,049,652
STOCKHOLDERS' DEFICIT		
Preferred stock - $0.001 par value; 50,000,000 shares authorized 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; 341,405,545 issued and outstanding	341,405	341,405

Additional paid-in capital	30,559,890	30,533,184
Accumulated deficit	(34,629,719)	(34,210,969)
Accumulated other comprehensive gain (loss)	103,903	105,976
Total Global Clean Energy Holdings, Inc. Stockholders' Deficit	(3,624,508)	(3,230,391)
Total Stockholders' Deficit	(3,624,508)	(3,230,391)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$3,572,832	$3,819,261

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 March 31, 2016	2015
Revenue	$121,647	$150,220
Total Revenue	121,647	150,220
Operating Expenses		
General and administrative	454,060	530,581
Plantation operating costs	-	7,172
Total Operating Expenses	454,060	537,753
Operating Loss	(332,413)	(387,533)
Other Income (Expenses)		
Interest expense, net	(73,517)	(20,870)
Gain on settlement of liabilities	-	270,323
Change in fair value of derivative	-	8,000
Foreign currency transaction gain (loss)	-	170
Other Income (Expenses), Net	(73,517)	257,623
Loss from Continuing Operations	(405,930)	(129,910)
Less Net Loss from Discontinued Operations	(12,820)	(347,221)
Net Loss	$(418,750)	$(477,131)
Basic and diluted Loss per Common Share:		
Loss from Continuing Operations	$(0.001)	$(0.001)
Loss from Discontinued Operations	$(0.000)	$(0.001)
Net Loss per Common Share	$(0.001)	$(0.002)
Basic and diluted Weighted-Average Common Shares Outstanding	341,405,545	339,187,545

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

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

	For the three months ended March 31, 2016	2015
Operating Activities		
Net Loss	$(418,750)	$(477,131)
Net loss from discontinued operations	(12,820)	(347,221)
Net loss from continued operations	(405,930)	(129,910)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on settlement of liabilities	-	(270,323)
Share-based compensation	26,705	87,279
Depreciation and amortization	62,096	65,210
Amortization of debt discount	-	18,250
Change in fair value of derivative liability	-	(8,000)
Changes in operating assets and liabilities:		
Accounts receivable	-	200,384
Inventory	623	(843)
Other current assets	(4,460)	(38,240)
Accounts payable and accrued expenses	150,185	1,024
Other noncurrent assets	140,263	(72,235)
Net Cash Used in Operating Activities	(30,518)	(147,404)
Cash Flows of discontinued operations:		
Operating cash flows	(152,677)	44,827
Investing cash flows	-	(75,996)
Financing cash flows (including cash at year end)	-	127,000
Net Cash flows from discontinued operations	(152,677)	95,831
Effect of exchange rate changes on cash	(2,605)	4,037
Net change in Cash and Cash Equivalents	(185,800)	(47,536)
Cash and Cash Equivalents at Beginning of Period	251,975	238,485
Cash and Cash Equivalents at End of Period	66,175	190,949
Cash and Cash Equivalents for discontinued operations	63,919	$156,245
Cash and Cash Equivalents at End of Period to continuing operations	$2,256	$34,704
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$-	$-
Cash paid for income tax	$1,600	$-
Noncash Investing and Financing activities:		
Accrual of return on noncontrolling interest	$-	$669,486
Estimated fair value of derivative liability		73,000

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 (LOSS)
(unaudited)

	For the three months Ended March 31, 2016	2015
Net Loss	$(418,750)	$(477,131)
Other comprehensive loss- foreign currency translation adjustment	-	(3,566)
Comprehensive Loss	$(418,750)	$(480,697)

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 consolidated financial statements. The consolidated 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 consolidated financial statements.

Note 1 – History and Basis of Presentation

History

Global Clean Energy Holdings, Inc. (the "Company", "our", "we") 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 consolidated financial statements include the accounts of Global Clean Energy Holdings, Inc., and its subsidiaries. Prior to December 2, 2015, the consolidated financial statements included the variable interest entities (VIE) of GCE Mexico I, LLC a Delaware limited liability company ("GCE Mexico"), and its Mexican subsidiaries (Asideros, Asideros 2 and Asideros 3). Since the Company sold the three farms held in Mexico on December 2, 2015, the operations of these subsidiaries were ceased as of the year ended December 31, 2015, and consolidation is no longer necessary for this previously classified VIE, GCE Mexico and subsidiaries (See Note 2). All significant intercompany transactions have been eliminated in consolidation.

Unaudited Interim Condensed Consolidated Financial Statements

The accompanying (a) condensed consolidated Balance Sheet at December 31, 2015 has been derived from audited statements and (b) unaudited condensed consolidated financial statements as of March 31, 2016 and 2015 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 consolidated financial statements have been included and are of normal, recurring nature. These consolidated 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, 2015, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2016, may not be indicative of the results that may be expected for the year ending December 31, 2016.

Accounting for Agricultural Operations

Prior to the sale of GCE Mexico, all costs incurred until the actual planting of the Jatropha Curcas plant was capitalized as plantation development costs, and was included in "Property and Equipment" on the balance sheet. Plantation development costs were being accumulated in the balance sheet during the development period and was accounted for in accordance with accounting standards for Agricultural Producers and Agricultural Cooperatives.

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, 2016.

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements
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, 2016 and 2015, as follows:

	March 31,	
	2016	2015
Convertible notes and accrued interest	25,000,000	24,100,000
Convertible preferred stock - Series B	11,818,181	11,818,181
Warrants	3,083,332	3,083,332
Compensation-based stock options and warrants	91,558,997	88,682,003
	131,460,510	127,683,516

Accounts Receivable

The Company extends credit to its customers based on credit evaluations of such customers. The Company does not obtain collateral to secure its accounts receivable. The Company evaluates its accounts receivable on a regular basis for collectability and provides for an allowance for potential credit losses as deemed necessary. At March 31, 2016 and December 31, 2015, the Company determined that no allowance for doubtful accounts was necessary.

For the three months ended March 31, 2015 and year ended December 31, 2015, one customer accounted for 100% and approximately 93% of total revenues, and 100% and 98% of accounts receivable, respectively.

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, 2016, the Company had no material Jatropha or Camelina biofuel revenue.

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, 2016, the Company had no material subsidies revenue.

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

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for accounts receivable and accounts payable, and accrued expensesapproximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts reported for the various notes payable and approximate fair value because the underlying instruments are at interest rates which approximate current market rates. See note 9 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 the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 consolidated 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.

Foreign Currency

During the three months ended March 31, 2016, the Company had operations located in the United States, 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 gain (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.

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

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 (Loss)

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, 2016 and 2015.

New Accounting Guidelines
In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. ASU 2014-09 will be effective for the Company beginning in its first quarter of 2017. Early adoption is not permitted. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the impact of adopting the new revenue standard on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern". The amendments in this update provide guidance in U.S. GAAP about management's responsibilities to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The main provision of the amendments are for an entity's management, in connection with the preparation of financial statements, to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Management's evaluation should be based on relevant conditions and events that are known or reasonably knowable at the date the consolidated financial statements are issued. When management identifies conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, the entity should disclose information that enables users of the consolidated financial statements to understand all of the following: (1) principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern (before consideration of management's plans); (2) management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations; and (3) management's plans that alleviated substantial doubt about the entity's ability to continue as a going concern or management's plans that are intended to mitigate the conditions or events that raise substantial doubt about the entity's ability to continue as a going concern. The amendments in this update are effective for interim and annual reporting periods after December 15, 2015 and early application is permitted. The Company is currently assessing this guidance for future implementation.

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

Note 2 – Discontinued Operations of GCE Mexico and subsidiaries

In November 2015, we accepted an offer from a Mexican agricultural operator in the region to purchase our three Jatropha Farms and closed the transaction on December 2, 2015. This transaction was good for the company and our shareholders because it allowed us to reduce high-cost debt incurred during the initial research and development phase of our business. We have not sold any of our Intellectual Property (IP) rights to the buyer. As a result, our Jatropha genetics are preserved as a core Company asset as is the amount of institutional knowledge, experience and know-how that we developed over the past several years in Mexico. As part of the sale, we will retain access rights to the Certified Nursery and R&D areas on the farm for an extended period of time. As such, we retained our farm workers until December 18, 2015 to ensure the proper growth and well being of the Certified Nursery and R&D areas. The final lay off of the management staff was not complete until January 15, 2016.

The divesting of these three farms, improved the Company's balance sheet by approximately $5,100,000 by reducing the Company's debt by approximately $19,400,000.

The Company recorded the termination of it's operations of GCE Mexico and subsidiaries ("GCE Mexico") as of December 31, 2015, in accordance with Accounting Standards Codification (ASC) No. 205-20, Discontinued Operations. As such, the historical results of GCE Mexico have been adjusted to include discontinued-related costs and exclude corporate allocations with Global Clean Energy Holdings, Inc (GCEH) and have been classified as discontinued operations in all periods presented.

The following financial information presents the discontinued operations for the three months ended March 31, 2016 and March 31, 2015.

	March 31,	
	2016	2015
Major classes of line items contitution pretax profit (loss) of discontinued operations		
Revenue	$-	$8,011
General and administrative expenses	(12,832)	(63,034)
Plantation operating costs	-	(23,204)
Interest Expense	-	(270,692)
Other Income and Expenses	12	1,698
Pretax loss from discontinued operations	(12,820)	(347,221)
Pretax loss on disposal of the discontinue operations	-	-
Total pretax loss on discontinue operations	(12,820)	(347,221)
Income Tax Benefits	-	-
Total loss on discontinued operations	$(12,820)	$(347,221)

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

The following table presents the aggregate carrying amounts of the classes of assets and liabilities of discontinued operations:

Reconciliation of the Carrying Amounts of Major Classes of Assets and Liabilities of the Discontinued Operations that are Disclosed in the Notes to the Financial Statement to Total Assets and Liabilities of the Disposal Group classified as Property and Equipment that are presented in the Consolidated Balance Sheet

	March 31, 2016	December 31, 2015
Carrying amounts of major classes of assets included as part of discontinued operations	(Unaudited)	
Cash and cash equivalents	$ 63,919	$217,271
Accounts receivable	-	-
Inventory	-	-
Other Current Assets	-	744
Property and Equipment, Net	-	-
Other noncurrent assets	-	-
Total Assets of the disposal group in the statement of financial position	$ 63,919	$218,015
Carrying amounts of major classes of liabilities included as part of discontinued operations		
Total Liabilities of the disposal group in the statement of financial positon	$ -	$-

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements
Note 3 – 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 continuing operations of $405,930 and $129,910 for the three months ended March 31, 2016, and 2015, respectively, and has an accumulated deficit applicable to its common shareholders of approximately $34,000,000 at March 31, 2016. The Company also used cash in operating activities of approximately $31,000 and $149,000 during the three months ended March 31, 2016 and 2015, respectively. At March 31, 2016, the Company has negative working capital of approximately $7,000,000. 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. On December 2, 2016, the three Jatropha Mexican farms were sold and operations were ceased as of December 31, 2015. As of the year ended December 31, 2015, in order to fund its operations, the Company received $22,619,569 in capital contributions from the preferred membership interest in GCE Mexico I, LLC ("GCE Mexico"), and issued mortgages in the total amount of $5,110,189 for the acquisition of land. The Company intends to continue to provide the renewable fuels and renewable chemicals markets with novel non-food based feedstocks that are economically, environmentally and socially sustainable by continually improving our plant varieties through modern genetic techniques and traditional and marker-assisted breeding. Through this effort, the Company plans to expand both its Carribean and North American operations in both Jatropha and Camelina feedstocks. The ability of the Company to continue as a going concern is dependent on that plan's success. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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.

The net income or loss of the three Mexican subsidiaries that own the Mexico farms was 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.

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

Note 4 – Property and Equipment

Property and equipment are as follows:

	March 31, 2016	December 31, 2015
Land	$ -	$ -
Plantation development costs	-	$ -
Plantation equipment	10,574	$ 10,574
Office equipment	65,246	$ 64,729
Total cost	75,820	75,303
Less accumulated depreciation	(68,726)	(67,435)
Property and equipment, net	$ 7,094	$ 7,868

Plantation equipment is depreciated using the straight-line method over estimated useful lives of 5 to 15 years. The Company recorded $1,291 in depreciation expense in the three months ended March 31, 2016 and $115,736 in the year ended December 31, 2015.

Note 5 – 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.

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, 2016 is shown in the following table:

	March 31, 2016	December 31, 2015
Intangible Assets	4,168,841	$4,168,841
Less accumulated amortization	(747,650)	(686,343)
Intangible Assets, net	$ 3,421,191	$ 3,482,498

Amortization expense for intangible assets was approximately $61,000 and $26,000 for the three months ended March 31, 2016 and 2015, respectively. The estimated amortization expense for the next five years approximates $245,000 annually.

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

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 March 31, 2016 and December 31, 2015. The notes originated in 1999, bear interest at 12%, are unsecured, and are currently in default. Accrued interest on the notes totaled $59,641 and $58,865, respectively at March 31, 2016 and December 31, 2015, 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 fair value of the warrants was considered insignificant.

Based on the down round 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 amortized the debt discount over the life of the corresponding convertible promissory notes through December 31, 2015.

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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. With the capitalized accrued interest, the note balance was $1,343,856 as of March 31, 2016 and December 31, 2015. The note bears an interest rate of eighteen percent (18.0%) per annum. In September 2014, we renegotiated the terms of the agreement and returned certain machines, tractors, and vehicles to Targeted Growth, Inc. in consideration for a reduction of accrued interest related to the Promissory Note. The current note is no longer secured by any assets and is due on demand.

Note 7 - Equity (Deficit)

Series B Preferred Stock

The Series B Shares may, at the option of each holder, be converted at any time or from time to time into shares of the Company's common stock at the conversion price then in effect. The number of shares into which one Series B Share shall be convertible is determined by dividing $100 per share by the conversion price then in effect. The initial conversion price per share for the Series B Shares is $0.11, which is subject to adjustment for certain events, including stock splits, stock dividends, combinations, or other recapitalizations affecting the Series B Shares.

Each holder of Series B Shares is entitled to the number of votes equal to the number of shares of the Company's common stock into which the Series B Shares could be converted on the record date for such vote, and has voting rights and powers equal to the voting rights and powers of the holders of the Company's common stock. In the event of the Company's dissolution or winding up, each share of the Series B Shares is entitled to be paid an amount equal to $100 (plus any declared and unpaid dividends) out of the assets of the Company then available for distribution to shareholders.

No dividends are required to be paid to holders of the Series B shares. However, the Company may not declare, pay or set aside any dividends on shares of any class or series of the Company's capital stock (other than dividends on shares of our common stock payable in shares of common stock) unless the holders of the Series B shares shall first receive, or simultaneously receive, an equal dividend on each outstanding share of Series B shares.

Note 8 – 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, 2016, 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, 2015	93,208,997	0.01	3.2 years	$ 68,000
Granted	3,068,182			
Exercised	-			
Forfeited	(1,650,000)	0.01		-
Expired	-			
Outstanding at March 31, 2016	94,627,179	0.01	2.9 years	$ 59,875
Vested and Exercisable at March 31, 2016	63,605,636	$ 0.02	2.4 years	$ 938

The fair value of stock option grants and compensation-based warrants is estimated on the date of grant or issuance using the Black-Scholes option pricing model. 3,068,182 Options to purchase shares of common stock were issued in the three months ended March 31, 2016 and 10,777,315 in the three months ended March 31, 2015. The weighted average fair value of stock options issued during the three months ended March 31, 2016 and 2015 was $0.0049 and $0.015, respectively. The weighted-average assumptions used for the stock options granted and compensation-based warrants issued during the three months ended March 31, 2016 were risk-free interest rate of 1.75%, volatility of 113%, expected life of 5 years, and dividend yield of zero. The expected life of stock options represents the period of time that the stock options granted are expected to be outstanding prior to exercise. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S. Treasury constant maturities rate for the expected life of the related stock options. The dividend yield represents anticipated cash dividends to be paid over the expected life of the stock options. The intrinsic values are based on a March 31, 2016 closing price of $0.006 per share.

Share-based compensation from all sources recorded during the three months ended March 31, 2016 and 2015 was approximately $27,000 and $87,000, respectively, and is reported as general and administrative expense in the accompanying condensed consolidated statements of operations. As of March 31, 2016, there is approximately $155,000 of unrecognized compensation cost related to stock-based payments that will be recognized over a weighted average period of approximately 1.83 years.

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Stock Warrants

A summary of the status of the warrants outstanding at March 31, 2016, and changes during the three months ended is presented in the following table:

	Shares Under Warrant	Weighted Average Exercise Price	Weighted Weighted Average Remaining Contractual life	Aggregate Intrinsic Value
Outstanding at December 31, 2015	3,083,332	0.01	5.34 years	$ -
Issued				