Global Clean Energy Holdings, Inc.
Form 10-Q
November 12, 2010

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 September 30, 2010

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

100 W. Broadway, Suite 650
Long Beach, California 90802

(Address of principal executive offices)

(310) 641-4234

(Registrant's telephone number)

(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 ¨

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	¨	Accelerated Filer	¨
Non-accelerated filer	¨	Smaller reporting company	x

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of October 20, 2010, the issuer had 270,464,478 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 x

GLOBAL CLEAN ENERGY HOLDINGS, INC.

For the quarter ended September 30, 2010

FORM 10-Q

TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS.

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

	September 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,086,324	$ 833,584
Accounts receivable	29,757	146,730
Inventory	161,173	-
Other current assets	140,460	131,741
Total Current Assets	1,417,714	1,112,055
PROPERTY AND EQUIPMENT	8,128,451	6,441,489
DEFERRED GROWING COST	925,628	-
OTHER NONCURRENT ASSETS	8,761	2,691
TOTAL ASSETS	$ 10,480,554	$ 7,556,235
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 1,744,333	$ 2,117,573
Accrued payroll and payroll taxes	1,761,644	1,491,385
Accrued interest payable	1,058,597	853,811
Accrued return on noncontrolling interest	1,199,811	610,870
Promissory notes	31,681	509,232
Capital lease liability	7,586	-
Notes payable to shareholders	292,844	321,502
Convertible notes payable	193,200	193,200
Total Current Liabilities	6,289,696	6,097,573
LONG-TERM LIABILITIES		
Long term capital lease liability	88,905	-
Convertible notes payable	567,000	-
Mortgage notes payable	2,793,934	2,051,282
Total Long Term Liabilities	3,449,839	2,051,282
EQUITY (DEFICIT)		
	13	13

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)				
Common stock, $0.001 par value; 500,000,000 shares authorized; 270,464,478 and 236,919,079 shares issued and outstanding, respectively		270,464		236,919
Additional paid-in capital		23,561,004		22,998,907
Accumulated deficit		(26,889,930)		(26,308,143)
Accumulated other comprehensive loss		(5,600)		(6,108)
Total Global Clean Energy Holdings, Inc. Stockholders' Deficit		(3,064,049)		(3,078,412)
Noncontrolling interests		3,805,068		2,485,792
Total equity (deficit)		741,019		(592,620)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$	10,480,554	$	7,556,235

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

1

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

	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
Revenue	$ 169,653	$ 148,915	$ 374,370	$ 218,151
Operating Expenses				
General and administrative	654,336	264,217	1,906,328	1,204,655
Plantation operating costs	30,986	-	480,424	-
Total Operating Expenses	685,322	264,217	2,386,752	1,204,655
Loss from Operations	(515,669)	(115,302)	(2,012,382)	(986,504)
Other Income (Expenses)				
Interest income	37	2	64	4
Interest expense	(164,702)	(82,035)	(362,367)	(245,560)
Gain on settlement of liabilities	-	-	600,802	-
Foreign currency transaction adjustments	25,139	(2,101)	17,622	(94)
Total Other Income (Expenses)	(139,526)	(84,134)	256,121	(245,650)
Loss from Continuing Operations	(655,195)	(199,436)	(1,756,261)	(1,232,154)
Income (Loss) from Discontinued Operations	(39,778)	(161,126)	21,095	(182,441)
Net Loss	(694,973)	(360,562)	(1,735,166)	(1,414,595)
Net Loss Attributable to the Noncontrolling Interest	(412,686)	(166,084)	(1,153,379)	(504,617)
Net Loss attributable to Global Clean Energy Holdings, Inc.	$ (282,287)	$ (194,478)	$ (581,787)	$ (909,978)
Amounts attributable to Global Clean Energy Holdings, Inc. common shareholders:				
Loss from Continuing Operations	$ (242,509)	$ (33,352)	$ (602,882)	$ (727,537)
Income (Loss) from Discontinued Operations	(39,778)	(161,126)	21,095	(182,441)
Net Loss	$ (282,287)	$ (194,478)	$ (581,787)	$ (909,978)
Basic and Diluted Loss per Common Share:				
Income (Loss) from Continuing Operations	$ (0.0009)	$ (0.0001)	$ (0.0023)	$ (0.0032)
Income (Loss) from Discontinued Operations	(0.0001)	(0.0007)	0.0001	(0.0008)
Net Loss per Common Share	$ (0.0010)	$ (0.0008)	$ (0.0022)	$ (0.0040)

Basic and Diluted Weighted-Average Common Shares Outstanding	270,464,478	236,724,454	258,774,858	229,441,296

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

2

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

	For the Nine Months Ended September 30, 2010	2009
Cash Flows From Operating Activities		
Net loss	$ (1,735,166)	$ (1,414,595)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign currency transaction loss (gain)	(21,056)	115,170
Gain on settlement of liabilities	(600,802)	-
Share-based compensation	95,642	401,197
Depreciation	172,838	1,649
Changes in operating assets and liabilities:		
Accounts receivable	118,360	(116,618)
Inventory	(157,231)	-
Other current assets	(50,117)	(49,392)
Deferred growing costs	(902,984)	-
Accounts payable and accrued expenses	638,888	823,271
Net Cash Used in Operating Activities	(2,441,628)	(239,318)
Cash Flows From Investing Activities		
Purchase of land	(715,658)	-
Plantation development costs	(609,260)	(1,191,767)
Purchase of property and equipment	(183,011)	(266,658)
Proceeds from disposal of assets	-	12,624
Cash acquired in acquisition of Technology Alternatives, Limited	-	2,532
Net Cash Used in Investing Activities	(1,507,929)	(1,443,269)
Cash Flows From Financing Activities		
Proceeds from issuance of common stock for cash	500,000	50,000
Proceeds from issuance of preferred membership in GCE Mexico I, LLC	2,817,722	2,204,063
Proceeds from notes payable	742,652	15,000
Payments on notes payable	(478,726)	-
Proceeds from convertible notes payable	567,000	-
Net Cash Provided by Financing Activities	4,148,648	2,269,063
Effect of exchange rate changes on cash	53,649	(29,274)
Net Increase in Cash and Cash Equivalents	252,740	557,202
Cash and Cash Equivalents at Beginning of Period	833,584	291,309
Cash and Cash Equivalents at End of Period	$ 1,086,324	$ 848,511
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 157,581	$ -
Noncash Investing and Financing Activities:		
Cashless exercise of warrants	8,545	-
Accrual of return on noncontrolling interest	588,941	325,638
Plantation costs financed by accounts payable	32,497	204,388
Equipment depreciation capitalized to plantation development costs	-	38,052
Release of common Stock held in escrow	-	17,618
Issuance of common stock for net assets of Technology Alternatives, Ltd	-	179,055

Equipment purchase for debt	103,195	-

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

Medical Discoveries, Inc. was incorporated under the laws of the State of Utah on November 20, 1991. Effective as of August 6, 1992, the Company merged with and into WPI Pharmaceutical, Inc., a Utah corporation ("WPI"), pursuant to which WPI was the surviving corporation. Pursuant to the MDI-WPI merger, the name of the surviving corporation was changed to Medical Discoveries, Inc. ("MDI"). MDI's initial purpose was the research and development of an anti-infection drug. In 2005, MDI acquired the assets and business associated with the SaveCream technology and carried on the research and development of this drug candidate. As discussed in Note 10, MDI made the decision in 2007 to discontinue further development of its drug candidates and sell the technologies.

On September 7, 2007, MDI entered into a share exchange agreement pursuant to which it acquired all of the outstanding ownership interests in Global Clean Energy Holdings, LLC, discussed further in Note 3 Global Clean Energy Holdings, LLC was an entity that had certain trade secrets, know-how, business plans, term sheets, business relationships, and other information relating to the start-up of a business related to the cultivation and production of seed oil from the seed of the Jatropha plant. With this transaction, MDI commenced the research and development of a business whose purpose is to provide feedstock oil intended for the production of bio-diesel.

On January 29, 2008, a meeting of shareholders was held and, among other things, the name Medical Discoveries, Inc. was changed to Global Clean Energy Holdings, Inc. (the "Company").

Effective April 23, 2008, the Company entered into a limited liability company agreement to form GCE Mexico I, LLC (GCE Mexico) along with six unaffiliated investors. The Company owns 50% of the common membership interest of GCE Mexico and five of the unaffiliated investors own the other 50% of the common membership interest. Additionally, a total of 1,000 preferred membership units were issued to two of the unaffiliated investors. GCE Mexico owns a 99% interest in Asideros Globales Corporativo (Asideros I) and a 99% interest in Asideros 2, entities organized under the laws of Mexico, and the Company owns the remaining 1% directly. GCE Mexico was organized primarily to, among other things; acquire land in Mexico through subsidiaries for the cultivation of the Jatropha plant.

On July 2, 2009, the Company acquired 100% of the equity interests of Technology Alternatives, Limited (TAL), which has developed a farm in Belize for cultivation of the Jatropha plant. TAL has also developed a nursery capable of producing Jatropha seedlings and rooted cuttings, and provided technical advisory services for the propagation of the Jatropha plant.

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 $17,644,228 of common stock and $1,290,722 of preferred stock as of December 31, 2009 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, Asideros I, and Asideros 2. All significant intercompany transactions have been eliminated in consolidation.

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

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, Asideros I, and Asideros 2, 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, 2009, as filed with the Securities and Exchange Commission. The results of operations for the three months and nine months ended September 30, 2010, may not be indicative of the results that may be expected for the year ending December 31, 2010.

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 will be 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.

Profit/Loss per Common Share

Profit/Loss per share amounts are computed by dividing profit or loss applicable to the common shareholders of the Company by the weighted-average number of common shares outstanding during each period. Diluted profit or loss per share amounts are computed assuming the issuance of common stock for potentially dilutive common stock equivalents. All outstanding stock options, warrants, convertible notes, and convertible preferred stock are currently antidilutive and have been excluded from the calculations of diluted profit or loss per share at September 30, 2010 and 2009, as follows:

	September 30,	
	2010	2009
Convertible notes	19,028,671	128,671
Convertible preferred stock - Series B	11,818,181	11,818,181
Warrants	26,475,662	29,742,552
Compensation-based stock options and warrants	69,031,483	60,859,083
	126,353,997	102,548,487

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

Fair Values of Financial Instruments

The carrying amounts reported in the condensed consolidated balance sheets for accounts receivable and accounts 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.

Inventory

The inventory reported in the condensed consolidated balance sheets consists of finished goods measured at the lower of cost or market. The company uses the FIFO (First in first out) valuation method for all inventories.

Foreign Currency

The Company has current operations located in the United States, Mexico and Belize. During the quarter ended December 31, 2009, the Company changed its functional currency for certain assets located in Mexico from the U.S. dollar to the Mexican peso. 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 the deficit as a component of accumulated other comprehensive loss in the accompanying condensed consolidated financial statements. Foreign currency transaction adjustments are included in other income (expense) in the Company's results of operations.

Certain foreign currency transactions related to the discontinued bio-pharmaceutical business are primarily undertaken in Euros. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income or loss. Consequently, certain foreign currency gains and losses have been included in income from discontinued operations.

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

Recently Issued Accounting Standards

In October 2009, the FASB issued a new accounting standard which amends guidance on accounting for revenue arrangements involving the delivery of more than one element of goods and/or services. This standard addresses the unit of accounting for arrangements involving multiple deliverables and removes the previous separation criteria that objective and reliable evidence of fair value of any undelivered item must exist for the delivered item to be considered a separate unit of accounting. This standard also addresses how the arrangement consideration should be allocated to each deliverable. Finally, this standard expands disclosures related to multiple element revenue arrangements. This standard is effective for the Company beginning January 1, 2011. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In January 2010, the FASB issued new accounting guidance related to the disclosure requirements for fair value measurements and provided clarification for existing disclosures requirements. More specifically, this update will require an entity to disclose separately (a) the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e. present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This guidance clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosure requirements related to the purchases, sales, issuances and settlements in the rollforward activity of Level 3 fair value measurements. Those disclosure requirements are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company adopted the new disclosure requirements in the first quarter of fiscal 2010. Other than requiring additional disclosures, adoption of this guidance did not have and is not expected to have a material impact on the Company’s condensed consolidated financial statements.

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

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 a loss from continuing operations applicable to its common shareholders of $602,822 and $928,733 during the nine-month period ended September 30, 2010 and during the year ended December 31, 2009, respectively, and has an accumulated deficit applicable to its common shareholders of $26,889,930 at September 30, 2010. The Company also used cash in operating activities of $2,441,628 and $1,225,629 during the nine-month period ended September 30, 2010 and during the year ended December 31, 2009, respectively. At September 30, 2010, the Company has negative working capital of $4,871,892 and a stockholders' deficit attributable to its stockholders of $3,064,049. 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 seed 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 new business model. In order to fund its new operations, the Company has sold Series B preferred stock in the amount of $1,300,000, has issued a secured promissory note with aggregate borrowings of $625,000, has received $8,013,050 in capital contributions from the preferred membership interest in GCE Mexico I, LLC, has issued mortgages in the total amount of $2,793,934 for the acquisition of land, and has received proceeds of $650,000 from the sale of common stock. The Company is developing the new business operation to participate in the rapidly growing bio-diesel industry. The Company continues to expect to be successful in this new venture, but 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

Having determined to discontinue its bio-pharmaceutical operations and dispose of the related assets, the Company considered entering into a number of other businesses that would enable it to be able to provide the shareholders with future value. The Company's Board of Directors decided to develop a business to produce and sell seed oils, including seed oils harvested from the planting and cultivation of the Jatropha curcas plant, for the purpose of providing feedstock oil intended for the generation of methyl ester, otherwise known as bio-diesel (the "Jatropha Business"). The Company's Board concluded that there was a significant opportunity to participate in the rapidly growing biofuels industry, which previously was mainly driven by high priced, edible oil-based feedstock. In order to commence its new Jatropha Business, the Company entered into various transactions during September and October of 2007, including: (i) hired Richard Palmer, an energy consultant, and a member of Global Clean Energy Holdings LLC ("Global") to act as its new President, Chief Operating Officer and future Chief Executive Officer, (ii) engaged Mobius Risk Group, LLC, a Texas company engaged in providing energy risk advisory services, to provide it with consulting services related to the development of the Jatropha Business, (iii) acquired 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 from Global, and (iv) engaged Corporativo LODEMO S.A DE CV to assist with the development of the Jatropha Business in Mexico. 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 April 2008, the Company and six unaffiliated investors formed GCE Mexico I, LLC (GCE Mexico) and Asideros Globales Corporativo (Asideros I), a Mexican corporation. Asideros I acquired the land in Mexico for the cultivation of the Jatropha plant. In July 2009, the Company acquired Technology Alternatives Limited (TAL), which has developed a farm in Belize for cultivation of the Jatropha plant and provides 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 I. All of these transactions are described in further detail in the remainder of this note to these condensed consolidated financial statements.

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

Share Exchange Agreement

The Company entered into a share exchange agreement (the Global Agreement) pursuant to which the Company acquired all of the outstanding ownership interests in Global Clean Energy Holdings, LLC, a Delaware limited liability company (Global), on September 7, 2007 from Mobius Risk Group, LLC (Mobius) and from Richard Palm