Plandai Biotechnology, Inc.
Form 10-Q
November 14, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: September 30, 2014

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to_______

Commission file number 000-51206

PLANDAÍ BIOTECHNOLOGY, INC.
(Name of small business issuer in its charter)

Nevada	**45-3642179**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1451 North 200 East **Suite #130C** **Logan UT**	**98102**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (801) 209-1227

Securities registered under Section 12(b) of the Exchange Act:	**None**
Securities registered under Section 12(g) of the Exchange Act:	**None** (Title of Class)

2226 Eastlake Ave #156, Seattle WA 98102

(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 14, 2014, the issuer had 134,414,536 shares of its common stock issued and outstanding.

The Company is a voluntary filer under the 1934 Securities and Exchange Act.

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

PLANDAI BIOTECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS

	September 30, 2014 (Unaudited)	June 30, 2014 (Audited)
ASSETS		
Current Assets:		
Cash	$ 1,476,272	$ 156,570
Inventory	2,204	2,521
Accounts Receivable	12,262	8,125
Related Party Receivable	—	426,444
Other Current Assets	237,846	—
Total Current Assets	1,728,584	593,659
Deposits	79,070	83,366
Other Assets	13	150,630
Fixed Assets – Net	9,139,018	8,855,759
Total Assets	$ 10,946,685	$ 9,683,415
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 222,891	$ 142,623
Accrued Interest	66,277	39,505
Convertible Note Payable	—	18,112
Derivative Liability	—	23,710
Related Party Payables	—	2,949
Total Current Liabilities	289,168	226,899
Capitalized Lease Obligation	1,386,039	1,358,982
Long Term Debt, Net of Discount	12,962,402	11,636,867
TOTAL LIABILITIES	14,637,609	13,222,748
STOCKHOLDERS' DEFICIT		
Common Stock, authorized 500,000,000 shares, $0.0001 par value $.0001, 134,220,536 and 131,008,628 shares issued and outstanding as of September 30, 2014 and June 30, 2014	13,422	13,101
Additional Paid-In Capital	22,301,502	21,946,732
Stock Subscription Payable	1,830,000	1,480,007
Retained Deficit	(26,595,140)	(25,957,163)
Cumulative Foreign Currency Translation Adjustment	68,931	314,649
Total Stockholders’ Deficit	(2,381,285)	(2,202,673)
Non-controlling Interest	(1,309,639)	(1,336,660)
Equity Allocated to Plandaí Biotechnology	(3,690,924)	(3,539,333)
Total Liabilities and Stockholders' Deficit	$ 10,946,685	$ 9,683,415

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

PLANDAI BIOTECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30, 2014	September 30, 2013
Revenues	26,387	$226,953
Cost of Sales	160,057	135,397
Gross Profit	(133,669)	91,556
Expenses:		
Payroll	516,994	124,260
Professional Services	305,280	86,800
Rent	125,834	178,580
Utilities	15,438	16,730
Insurance	16,015	12,655
Depreciation	46,357	50,055
General & Administrative	314,734	68,827
Total Expenses	1,340,652	537,907
Operating Income (Loss)	(1,474,322)	(446,351)
Other Income (Expense)		
Other Income	981,260	—
Derivative Interest	—	(228,037)
Interest Expense	(117,893)	(78,886)
Net Income (Loss)	(610,956)	$(753,274)
Loss Allocated to Non-controlling Interest	(27,021)	182,342
Net Loss, Adjusted	(637,976)	$(570,932)
Other Comprehensive Income (loss):		
Foreign Currency Translation Adjustment	(245,718)	(1,726)
Comprehensive (Loss)	(883,694)	$(572,658)
Basic & diluted loss per share	(0.01)	$(0.01)
Weighted Avg. Shares Outstanding	132,614,582	106,295,760

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

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PLANDAI BIOTECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the three months ended September 30, 2014	For the three months ended September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$(610,956)	$(753,274)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	46,357	50,055
Stock Issued or Payable for Services	400,000	—
Derivative Liability	—	228,037
Capitalized Lease Obligation	27,057	120,745
Foreign Currency Translation Adjustment	(245,718)	(1,726)
Decrease in Related Party Receivable	426,444	—
(Decrease) Increase in Accounts Receivable	(4,138)	1,307
(Increase) Decrease in Deposits & Prepaid Expense	(233,550)	25
Decrease in Inventory	317	1,284
Decrease in Other Assets	150,617	270,010
Increase (Decrease) in Accounts Payable and Accrued Expenses	80,268	(313,890)
Decrease in Related Party Payables	(2,949)	(206,581)
Increase in Accrued Interest	26,772	22,668
Net Cash From (Used in) Operating Activities	60,521	(581,340)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans from Related Parties	—	1,750
Purchase of Fixed Assets	(329,615)	(440,748)
Net Cash Used in Investing Activities	(329,615)	(438,998)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in Long-term Debt, Net of Discount	1,350,209	732,008
Net Borrowings under Convertible Debt	(18,112)	125,000
Proceeds from the Sale of Common Stock	256,700	15,000
Net Borrowings under Credit Line	—	25,000
Net Cash Provided by Financing Activities	1,588,797	897,008
Net Increase (Decrease) in Cash and Cash Equivalents	1,319,703	(123,330)
Cash and Cash Equivalents at Beginning of Period	156,570	498,917
Cash and Cash Equivalents at End of Period	1,476,272	375,587

NON-CASH ACTIVITIES		
Shares issued to retire debt	$24,674	$—
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$85,402	$—
Income taxes	$—	$—

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

PLANDAI BIOTECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Plandaí Biotechnology, Inc.'s (the "Company" or "Plandaí") consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustment relating to recoverability and classification of recorded amounts of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's continued existence is dependent upon its ability to continue to execute its operating plan and to obtain additional debt or equity financing. There can be no assurance the necessary debt or equity financing will be available, or will be available on terms acceptable to the Company.

Plandaí and its subsidiaries focus on the production of proprietary botanical extracts for the nutriceutical and pharmaceutical industries. The company grows much of the live plant material used in its products on a 3,000 hectare estate it operates under a 49-year notarial lease in the Mpumalanga region of South Africa. Plandaí uses a proprietary extraction process that is designed to yield highly bioavailable products of pharmaceutical-grade purity. The first product to be brought to market is Phytofare™ Catechin Complex, a green-tea derived extract that has multiple potential wellness applications. The company's principle holdings consist of land, farms and infrastructure in South Africa. The Company is actively pursuing additional financing and has had discussions with various third parties, although no firm commitments have been obtained. Management believes these efforts will generate sufficient cash flows from future operations to pay the Company's obligations and realize positive cash flow. There is no assurance any of these transactions will occur.

These financial statements should be read in conjunction with the Company's annual report for the year ended June 30, 2014 previously filed on Form 10-K. In management's opinion, all adjustments necessary for a fair statement of the results for the interim periods have been made. All adjustments made were of a normal recurring nature.

Organization

On November 17, 2011, the Company, through its wholly-owned subsidiary, Plandaí Biotechnologies, Inc., consummated a share exchange with Global Energy Solutions, Inc. (“GES”), an Irish corporation. Under the terms of the share exchange, GES received 76,000,000 shares of the Company’s common stock that had been previously issued to Plandaí in exchange for 100% of the issued and outstanding capital of GES. Concurrent with the share exchange, the Company sold its subsidiary, Diamond Ranch, Ltd., together with its wholly-owned subsidiary, Executive Seafood, Inc., to a former officer and director of the Company. Under the terms of the sale, the purchasers assumed all associated debt as consideration. During the three months ended September 30, 2011 and through the date of the share exchange, Diamond Ranch, Ltd. and Executive Seafood, Inc. generated a net loss of $126,000, and as of September 30, 2011, liabilities exceeded assets by over $5,000,000. The Company subsequently changed its name to Plandaí Biotechnology, Inc. and dissolved GES.

For accounting purposes, the share exchange has been treated as a reverse merger since the acquired entity now forms the basis for operations and the transaction resulted in a change in control, with the acquired company electing to become the successor issuer for reporting purposes. The accompanying financial statements have been prepared to reflect the assets, liabilities and operations of Plandaí Biotechnology, Inc. exclusive of Diamond Ranch Foods since the acquisition and sale were executed simultaneously. For equity purposes, the shares issued to acquire GES (76,000,000 shares) have been shown to be issued and outstanding since inception, with the previous balance outstanding (25,415,300 shares Common) treated as a new issuance as of the date of the share exchange. The additional paid-in capital and retained deficit shown are those of Plandaí and its subsidiary operations.

In management’s opinion, all adjustments necessary for a fair statement of the results for the presented periods have been made. All adjustments made were of a normal recurring nature.

Basis of Presentation

The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accompanying financial statements represent the results of operations for the three months ended September 30, 2014.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

This summary of accounting policies for Plandaí Biotechnology, Inc. and its wholly-owned subsidiaries, is presented to assist in understanding the Company's financial statements. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and statement of operations for the year then ended. Actual results may differ from these estimates. Estimates are used when accounting for allowance for bad debts, collect ability of accounts receivable, amounts due to service providers, depreciation and litigation contingencies, among others.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes.

Revenue recognition

The Company presently derives its revenue from the sale of timber and agricultural products produced on its farm and tea estate holdings in South Africa. Revenue is recognized when the product is delivered to the customer. Once production of the Company’s Phytofare™ botanical extracts commence in 2014, revenues will be recognized when product is shipped.

Concentration of Credit Risk

The Company has no significant off-balance sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization using the straight-line method over the estimated useful lives of the related assets, which range from three to five years. Maintenance and repair costs are expensed as they are incurred while renewals and improvements which extend the useful life of an asset are capitalized. At the time of retirement or disposal of property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the results of operations.

Impairment of Long-Lived Assets

In accordance with ASC Topic 360, formerly SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable. The assessment of possible impairment is based on the Company’s ability to recover the carrying value of its asset based on estimates of its undiscounted future cash flows. If these estimated future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the difference between the asset's estimated fair value and its carrying value. As of the date of these financial statements, the Company is not aware of any items or events that would cause it to adjust the recorded value of its long-lived assets for impairment.

Net Loss per common share

The Company adopted FASB ASC Topic 260, *Earnings Per Share*. Basic earnings per share is based on the weighted effect of all common shares issued and outstanding and is calculated by dividing net income (loss) available to common stockholders by the weighted average shares outstanding during the period. Diluted earnings per share is calculated by dividing net income available to common stockholders by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares, if any, that would be issued assuming conversion of all potentially dilutive securities outstanding. For all periods diluted earnings per share is not presented, as potentially issuable securities are anti-dilutive.

The Company issued warrants to purchase 5,000,000 shares of the Company's common stock which have a strike price of $0.01/share; however, since the Company incurred a loss for all periods presented, the warrants are considered anti-dilutive. During the quarter ended September 30, 2014, a total of 1,666,667 warrants were exercised resulting in the issuance of 1,629,212 shares of restricted common stock.

Income Taxes

The Company accounts for income taxes under ASC Topic 740, formerly SFAS No. 109, *Accounting for Income Taxes,* as clarified by ASC Topic 740, formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* ("FIN No. 48"). Deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company adopted the provisions of ASC Topic 740, formerly FIN No. 48 on January 1, 2007. Previously, the Company had accounted for tax contingencies in accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies.* As required by ASC Topic 450, formerly FIN No. 48, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Company applied ASC Topic 740, formerly FIN No. 48 to all tax positions for which the statute of limitations remained open. As a result of the implementation of ASC Topic 740, formerly FIN No. 48, the Company did not recognize any change in the liability for unrecognized tax benefits.

The Company is subject to income taxes in the U.S. federal jurisdiction and that of South Africa. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before April 1, 2007.

The Company is not currently under examination by any federal or state jurisdiction.

The Company’s policy is to record tax-related interest and penalties as a component of operating expenses.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Emerging Growth Company

We qualify as an “emerging growth company” under the 2012 JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. As an emerging growth company, we can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period.

Fair Value of Financial Instruments

Fair value of certain of the Company’s financial instruments including cash and cash equivalents, accounts receivable, account payable, accrued expenses, notes payables, and other accrued liabilities approximate cost because of their short maturities. The Company measures and reports fair value in accordance with ASC 820, “Fair Value Measurements and Disclosure” defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value investments.

Fair value, as defined in ASC 820, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset should reflect its highest and best use by market participants, principal (or most advantageous) markets, and an in-use or an in-exchange valuation premise. The fair value of a liability should reflect the risk of nonperformance, which includes, among other things, the Company’s credit risk.

Valuation techniques are generally classified into three categories: the market approach; the income approach; and the cost approach. The selection and application of one or more of the techniques may require significant judgment and are primarily dependent upon the characteristics of the asset or liability, and the quality and availability of inputs. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also provides fair value hierarchy for inputs and resulting measurement as follows:

Level 1

Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities; The Company values it’s available for sale securities using Level 1.

Level 2

Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3

Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair values.

Fair value measurements are required to be disclosed by the Level within the fair value hierarchy in which the fair value measurements in their entirety fall. Fair value measurements using significant unobservable inputs (in Level 3 measurements) are subject to expanded disclosure requirements including a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following: (i) total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings, and a description of where those gains or losses included in earning are reported in the statement of income.

Advertising

Advertising costs are expensed as incurred.

Principles of Consolidation

Plandaí Biotechnology, Inc. and its subsidiaries, are encompassed in the following entities, which have been consolidated in the accompanying financial statements:

Plandaí Biotechnologies, Inc.	100% owned by Plandaí Biotechnology, Inc.
Plandaí Biotechnology – Uruguay SA	100% owned by Plandaí Biotechnology, Inc.
Phyto Pharmacare, Inc.	100% owned by Plandaí Biotechnology, Inc.
Dunn Roman Holdings—Africa Ltd	100% owned by Plandaí Biotechnology, Inc.
Red Gold Biotechnologies (Pty) Ltd.	100% owned by Dunn Roman Holdings-Africa
Breakwood Trading 22 (Pty) Ltd.	74% owned by Dunn Roman Holdings-Africa
Green Gold Biotechnologies (Pty) Ltd.	84% owned by Dunn Roman Holdings-Africa

All intercompany balances have been eliminated in consolidation.

Straight-lining of Lease Obligation

Plandaí's subsidiaries have two long-term, material leases which either have escalating terms or included several months of "free" rent, including the 49-year notarial lease for the Senteeko Tea Estate. In accordance with US Generally Accepted Accounting Principles, the Company has calculated a straight-line monthly cost on the leases and recorded the corresponding difference between the amount actually paid and the amount calculated as a Capitalized Lease Obligation. As of September 30, 2014, the amount of this deferred liability was $1,386,039.

Plandaí's subsidiary, Dunn Roman Holdings – Africa (Pty) Ltd., executed a sublease on the Bonakado Farm in South Africa to a third party. Bonakado currently farms avocado and macadamia nuts, neither of which factor into the company's future business model. The lease is for 20 years and includes 24 months of deferred rent while the farm is rehabilitated by the sub-lessor. In accordance with US Generally Accepted Accounting Principles, the Company has calculated a straight-line monthly value attributable to the lease and recorded the corresponding difference between the amount actually paid and the amount calculated as a Lease Receivable in Other Assets. As of September 30, 2014, the amount of this receivable was $56,684 (R638,223).

Recent Accounting Pronouncements

Recent accounting pronouncements that the Company has adopted or that will be required to adopt in the future are summarized below.

Financial Accounting Statement No. 52, Foreign Currency Translation (FAS 52), sets forth the appropriate accounting treatment under U.S. GAAP for companies that consolidate the results of foreign operations denominated in local currencies. FAS 52 requires that all assets and liabilities be translated at the current spot rate at the date of translation. Equity items, other than retained earnings, are translated at the spot rates in effect on each related transaction date. Retained earnings are translated at the weighted-average rate for the relevant year and income statement items are translated at the average rate for the period, except where specific identification is practicable. The resulting adjustment is not recognized in current earnings, but rather as a component of other comprehensive income. The Company adopted FAS 52 in the year ended June 30, 2012 and has chosen US dollars as the local currency. The effect of adopting FAS 52 have been reflected in the accompanying consolidated financial statements.

Statement of Financial Accounting Standards No. 35, *Capitalization of Interest Costs*, establishes standards for capitalizing interest cost as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time to get them ready for their intended use. In the year Ended June 30, 2012, the Company borrowed funds to commence the construction of a manufacturing facility which is expected to be completed during 2013. The company accordingly adopted FAS 35 and capitalized interest associated with the borrowing.

Statement of Financial Accounting Standards No. 160, *Non-controlling Interests in Consolidated Financial Statements,* establishes standards for accounting for noncontrolling interest, sometimes called a minority interest, which is that portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. FAS 160 requires that the minority portion of equity and net income/loss from operations of consolidated entities be reflected in the financial statements. The Company previously adopted FAS 160 and has reflected the impact in the accompanying consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not or are not believed by management to have a material impact on the Company's present or future financial statements.

NOTE 3 – ACQUISITION OF RED GOLD BIOTECHNOLOGIES, A RELATED PARTY ENTITY

In July of 2014, the Company through its wholly owned subsidiary Dunn Roman Holdings acquired 100% of the issued and outstanding stock of Red Gold Biotechnologies (PTY) Ltd. ("Red Gold"), a related party to the Company. Red Gold is a related party to the Company through our chief executive officer Roger Duffield whom is the sole shareholder of Red Gold. As of June 30, 2014, the Company had advanced $426,444 to Red Gold. This loan which was recorded as a Related Party Receivable as of June 30, 2014 was eliminated in consolidation in the September 30, 2014 consolidated balance sheets. There was no economic benefit to Roger Duffield as a result of this acquisition as the entity acquired was established in South Africa for tax reporting purposes.

The Company has accounted for the acquisition of Red Gold as a reorganization of entities under common control. In reorganizations of entities under common control, the balances of the acquired entity are carried over at historical costs with no goodwill or excess consideration recorded. Pursuant to FASB 141, the financial activity of the acquiree (Red Gold) in a reorganization of entities under common control is presented as if the acquiree was consolidated at the beginning of the period.

NOTE 4 – FIXED ASSETS

Fixed assets, stated at cost, less accumulated depreciation at September 30, 2014 and June 30, 2014 consisted of the following:

	September 30, 2014	June 30, 2014
Total Fixed Assets	$9,452,426	$9,142,227
Less: Accumulated Depreciation	(313,408)	(286,468)
Fixed Assets, net	$9,139,018	$8,855,759

Depreciation expense

Depreciation expense for the three months ended September 30, 2014 and 2013 was $46,357 and $50,055.

NOTE 5 – CONVERTIBLE NOTES PAYABLE & DERIVATIVE LIABILITY

On August 20, 2013, the Company executed two convertible promissory notes totaling $550,000. The notes bear interest at the rate of 8% per annum and became due and payable six months from the date of issuance. During the first 90 days from issuance, the notes were repayable without incurring any interest charges. The Company was advanced $210,000 against the two notes. As of June 30, 2014, a total of $205,368 of the unpaid principal plus accrued interest had been converted into 2,997,035 shares of restricted common stock, leaving a balance of $18,112. During the three months ended September 30, 2014, the principle balance of $18,112 plus $6,562 of accrued interest was converted into 144,296 shares of common stock.

As of September 30, 2014 and June 30, 2014, the Company had a convertible notes payable balance of $-0- and $18,112.

Derivative Liability

The Company recorded a derivative liability of $23,710 as of June 30, 2014 representing the estimate value of the shares over and above the amount of debentures that would be issued on conversion. During the year ended June 30, 2014, the Company recorded $1,758,026 as derivative interest expense which was then offset against additional paid in capital when the debentures were converted. As of September 30, 2014, the Company had no outstanding convertible instruments and all remaining derivative liability was written off to Additional Paid-in Capital.

NOTE 6 – LONG-TERM DEBT

In June 2012, the Company, through the majority-owned subsidiaries of Dunn Roman Holdings, Inc., executed final loan documents on a 100 million Rand (approx. $9.5 million USD) financing with the Land and Agriculture Bank of South Africa. The total loan is comprised of multiple agreements totaling, between Green Gold Biotechnologies (Pty) Ltd. and Breakwood Trading 22(Pty) Ltd., 100 million rand. The loans all bear interest at the rate of prime plus 0.5% per annum and are all due in seven years. In addition, the loans have a 25-month “holiday” in which no payments or interest are due until 25 months after the first drawn down of funds. The loans are collateralized by the assets and operations, including the Senteeko lease, agriculture production and receivables of Dunn Roman Holdings, which is the African operating arm of Plandaí. In addition, Dunn Roman Holdings was required to grant a 15% profit share agreement to the Land Bank which extends through the duration of the loan agreements (7 years unless pre-paid). The profit share agreement extends only to profits generated by Dunn Roman Holdings exclusive of operations of Plandaí and outside of South Africa. By way of loan covenants, the borrowing entities are required to maintain a debt to equity ratio of 1.5:1, interest coverage ratio of 1.5:1, and security coverage ratio of 1:1. However, the Company consistently notified the Bank of this situation. The Company has requested written documentation as to the Bank’s intention. The Bank has not provided this documentation in writing, however they have given verbal approval. In addition, they have not started any action against the Company.

As of September 30, 2014, a total of $7,827,613, including accrued interest, had been drawn down against the loans by Green Gold Biotechnologies (Pty) Ltd., which was used to purchase fixed assets that will be employed in South Africa to produce the company’s botanical extracts. Additionally, $2,202,247 had been drawn down against the loans by Breakwood Trading22 (Pty) Ltd. to fund the rehabilitation of the Senteeko Tea Estate, including the repair of roads, bridges, and onsite worker housing, and the pruning, weeding and fertilizing of plantation.

During the year ended June 30, 2012, the Company issued 1,500,000 shares of restricted common stock to three individuals in exchange for shares of Dunn Roman Holdings stock which had been previously issued. The acquired Dunn Roman shares were then provided to thirds parties in order to comply with the BEE provisions associated with the loan from the Land Bank of South Africa, which required that 15% of Dunn Roman be black owned. The Company has therefore determined to treat the value of the shares issued to acquire the Dunn Roman stock ($585,000) as a cost of securing the financing and recorded as a loan discount which will be amortized over the life of the loan (7 years) once payment of the loan commences.

On November 25, 2013, the company borrowed $250,000 from an unrelated third party. The note bears interest at 6% per annum and is due June 30, 2015. On February 11, 2014, the company borrowed an additional $950,000 from this same entity and under identical terms, bringing the total to $1,200,000. During the quarter ended September 30, 2014 the Company borrowed and additional $2,300,000 from this same entity and under identical terms, bringing the total to $3,500,000. The Company has recorded accrued interest pertaining to the outstanding loan in the amount of $66,277.

As of the dates presented, the long-term loan balances were as follows:

	September 30, 2014	June 30, 2014
Loan Principle - Unrelated third party	$3,500,000	$1,200,000
Loan Principle - Land and Agriculture Bank of South Africa	10,047,402	11,021,867
Less: Discount		