MEDICAL DISCOVERIES INC
Form DEF 14A
January 08, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant ý
Filed by a Party other than the Registrant ¨
Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Materials Under Rule 14a-12

MEDICAL DISCOVERIES, INC.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction: $5,906,000
(5) Total fee paid: $1,182

ý Fee paid previously with preliminary materials.

¨

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

MEDICAL DISCOVERIES, INC.
6033 W. Century Blvd, Suite 1090,
Los Angeles, California 90045

January 7, 2008

Dear Shareholder:

You are cordially invited to attend a special meeting of the shareholders of Medical Discoveries, Inc. to be held at 10:00 A.M. local time on Tuesday, January 29, 2008, at 6033 W. Century Blvd., Los Angeles, California 90045.

As more fully described in the attached notice of special meeting and the accompanying proxy statement, the matters to be addressed at the special meeting include your consideration of the following: (i) a proposal to sell for cash and the assumption of certain liabilities, all of our rights in "SaveCream", a developmental-stage topical aromatase inhibitor cream, to Eucodis Pharmaceuticals Forschungs und Entwicklungs GmbH, an Austrian company; (ii) a proposal to increase our authorized shares of common stock from 250,000,000 shares to 500,000,000 shares; and (iii) a proposal to change the name of our company to "Global Clean Energy Holdings, Inc."

Whether or not you plan to attend the special meeting, please submit your proxy to ensure your representation.

The Board of Directors recommends that you vote "FOR" all of the proposals presented in this proxy statement. You may attend the special meeting and vote in person even if you have submitted your proxy.

Sincerely,

Richard Palmer
President and Chief Executive Officer

MEDICAL DISCOVERIES, INC.
6033 W. Century Blvd, Suite 1090,
Los Angeles, California 90045

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON JANUARY 29, 2008

Notice is hereby given that a special meeting of the shareholders of Medical Discoveries, Inc. will be held at 10:00 a.m. local time on Tuesday, January 29, 2008 at 6033 W. Century Blvd., Los Angeles, California 90045, for the following purposes:

1. Approval of Eucodis Agreement. To approve the sale of all of our rights in and to "SaveCream", a developmental-stage topical aromatase inhibitor cream, to Eucodis Pharmaceuticals Forschungs und Entwicklungs GmbH ("Eucodis"), pursuant to the terms of that certain sale and purchase agreement, dated July 6, 2007, as amended ("Eucodis Agreement"), by and among Medical Discoveries, Inc., MDI Oncology, Inc., our wholly-owned subsidiary ("MDI Oncology"), and Eucodis.

2. Approval of Increase in Authorized Common Stock. To approve an amendment of our Amended and Restated Articles of Incorporation to increase the authorized number of shares of our common stock from 250,000,000 to 500,000,000 shares.

3. Approval of Name Change. To approve an amendment of our Amended and Restated Articles of Incorporation to change our company's name to "Global Clean Energy Holdings, Inc."

The Eucodis Agreement sets forth the terms of the sale to Eucodis and is attached to this proxy statement as Appendix A.

We have fixed the close of business on December 28, 2007, as the record date for the determination of shareholders entitled to notice of and to vote at the special meeting. Only our shareholders of record at the close of business on that date will be entitled to notice of and to vote at the special meeting or any adjournments or postponements thereof. This notice of special meeting and the accompanying proxy statement and proxy card are being sent to shareholders on or about January 7, 2008.

By Order of the Board of Directors,

RICHARD PALMER
President and Chief Executive Officer
January 7, 2008

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN. IN ORDER TO ENSURE THAT YOUR SHARES ARE VOTED, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE. IF GIVEN, YOU MAY REVOKE YOUR PROXY BY FOLLOWING THE INSTRUCTIONS IN THE PROXY STATEMENT.

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MEDICAL DISCOVERIES, INC.
6033 W. Century Blvd, Suite 1090,
Los Angeles, California 90045

PROXY STATEMENT

Special Meeting Of Shareholders To Be Held On January 29, 2008

This proxy statement is being furnished to the shareholders of Medical Discoveries, Inc. in connection with the solicitation of proxies by our Board of Directors for use at the special meeting of the shareholders to be held on Tuesday, January 29, 2008, and at any adjournments or postponements thereof.

This Proxy Statement and the accompanying proxy card are first being mailed to our shareholders on or about January 7, 2008.

The purpose of the special meeting is to consider and vote upon the following:

- to approve that certain sale and purchase agreement, as amended, among Medical Discoveries, Inc., MDI Oncology, Inc. ("MDI Oncology"), our wholly-owned subsidiary, and Eucodis Pharmaceuticals Forschungs - und Entwicklungs GmbH, an Austrian company ("Eucodis"), pursuant to which we will sell certain of our assets to Eucodis;

- to approve the amendment to our Articles of Incorporation to increase the authorized number of shares of our common stock from 250,000,000 to 500,000,000 shares; and

- to approve an amendment to our Articles of Incorporation to change our company's name to "Global Clean Energy Holdings, Inc."

Record Date; Shares Entitled To Vote; Vote Required To Approve The Transaction

The Board of Directors has fixed the close of business on December 28, 2007, as the date for the determination of shareholders entitled to vote at the special meeting. On the record date, 197,676,560 shares of our common stock were outstanding, each entitled to one vote per share. In addition, the issued and outstanding shares of our Series B Convertible Preferred Stock, which are entitled to vote together with our common stock shares, are convertible into 11,818,181 shares of our common stock, as of the record date. Our outstanding shares of Series A Convertible Preferred Stock are not entitled to vote.

The presence at the special meeting, in person or by proxy, of the holders of a majority of the issued and outstanding shares of our common stock (on as-if converted basis) on the record date is necessary to constitute a quorum for the transaction of business at the special meeting. In the absence of a quorum, the special meeting may be postponed from time to time until shareholders holding the requisite number of shares of our common stock (on as-if converted basis) are represented in person or by proxy. If a quorum is present, then each proposal will be approved if the votes cast (on as-if converted basis) favoring the proposal exceed the votes cast opposing the action, whether such votes are present in person or represented by proxy at the special meeting. Broker non-votes and abstentions will be counted towards a quorum at the special meeting, but will not count as votes for or against the proposals. If you return the attached proxy card with no voting decision indicated, the proxy will be voted FOR the approval of all proposals made at the meeting. Each holder of record of shares of our common stock (on as-if converted basis) is entitled to cast, for each share registered in his or her name, one vote on each proposal as well as on each other matter presented to a vote of shareholders at the special meeting.

Solicitation, Voting and Revocation Of Proxies

This solicitation of proxies is being made by our Board of Directors, and our company will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communications by directors, officers and employees of our company, who will not receive any additional compensation for such solicitation activities. We also will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

Shares of our common stock represented by a proxy properly signed and received at or prior to the special meeting, unless properly revoked, will be voted in accordance with the instructions on the proxy. If a proxy is signed and returned without any voting instructions, shares of our common stock represented by the proxy will be voted "FOR" each proposal and, in accordance with the determination of the majority of our Board of Directors, as to any other matter which may properly come before the special meeting, including any adjournment or postponement thereof. A shareholder may revoke any proxy given pursuant to this solicitation by: (i) delivering to our corporate secretary, prior to or at the special meeting, a written notice revoking the proxy; (ii) delivering to our corporate secretary, at or prior to the special meeting, a duly executed proxy relating to the same shares and bearing a later date; or (iii) voting in person at the special meeting. Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communications with respect to the revocation of a proxy should be addressed to:

Medical Discoveries, Inc.
6033 W. Century Blvd, Suite 1090
Los Angeles, California, 90045

Our Board of Directors is not aware of any business to be acted upon at the special meeting other than consideration of the proposals described herein.

Summary Term Sheet – Transaction With Eucodis-Proposal I

This Summary Term Sheet summarizes certain material information regarding the proposed sale of assets to Eucodis under the Eucodis Agreement. You should carefully read this entire proxy statement for a more complete understanding of the transaction with Eucodis.

·	Assets Sold (page22)	The assets being sold to Eucodis include (i) all of our right, title and interest in a certain Asset Purchase Agreement between Medical Discoveries, Inc. and the liquidator of Savetherapeutics AG, a German company in liquidation, dated as of March 11, 2005, relating to certain rights in "SaveCream"; (ii) all of our right, title and interest in that certain agreement between MDI Oncology and Eucodis, dated as of July 29, 2006, in connection with the co-development and licensing of SaveCream; and (iii) all of our right, title and interest under certain contracts relating to SaveCream.
·	Purchase Price (page 23)	The purchase price paid by Eucodis is approximately 4,007,534 euros or approximately $5,906,000 based on the currency exchange rate in effect as of November 30, 2007, comprising a cash payment of approximately $2,267,000, and Eucodis' assumption of certain of our obligations and liabilities aggregating approximately $3,639,000. The financial terms of the Eucodis Agreement are denominated in euros, and we will be paid in euros. However, for convenience, the financial terms have been converted throughout the text of this proxy statement into U.S. dollars. The currency exchange rate in effect as

of the closing of the Eucodis transaction or at any future date may differ, which may result is us receiving a different amount of U.S. dollars for the SaveCream assets.

·	Obligations Assumed and Discharged Indebtedness (page 23)	Eucodis has agreed to assume an aggregate of approximately $3,639,000 of our current indebtedness that we owe to certain of our creditors. Eucodis will also assume all of our financial and other obligations under certain contracts relating to SaveCream, and certain other costs we have incurred since February 28, 2007 in connection with preserving the sold assets for the benefit of Eucodis through the closing of the transaction.
·	Non-Competition (page 24)	We have agreed to a non-compete provision for the duration of five years after the closing of the Eucodis transaction. Specifically, the non-compete provision restricts us from undertaking research and development activities with respect to "SaveCream."
·	Representation and Warranties (page 24)	The Eucodis Agreement contains customary representations, warranties and covenants, which survive through the closing of the transaction.
·	Closing Conditions (page 25)	The closing of the transaction depends on meeting a number of conditions, including the following: our delivery to Eucodis of certain documents necessary to effect the transfer of the assets being sold, and us obtaining additional capital or a credit facility in the aggregate amount of at least $250,000 (this latter condition has already been met).
·	Our Board's Recommendation (page 26)	Our board of directors has unanimously determined that the transaction with Eucodis is advisable, fair to, and in the best interests of our shareholders.

QUESTIONS AND ANSWERS ABOUT THIS PROXY STATEMENT MATERIAL

Q: WHAT IS THIS PROXY STATEMENT AND WHY AM I RECEIVING IT?

A: You are receiving this proxy statement in connection with a special meeting of shareholders called by our Board of Directors for the purpose of soliciting shareholder votes for the following: (i) to approve the sale of our SaveCream asset to Eucodis; (ii) approve an amendment to the Articles of Incorporation of Medical Discoveries, Inc. to increase our authorized shares of our common stock from 250,000,000 to 500,000,000; and (iii) approve an amendment to the Articles of Incorporation of Medical Discoveries, Inc. to effect a name change to "Global Clean Energy Holdings, Inc.", each as more fully described in this proxy statement. You have been sent this proxy statement and the enclosed proxy card because our Board of Directors is soliciting your proxy to vote at the special meeting of shareholders called for the purpose of voting on the foregoing matters.

The assets being sold to Eucodis include (i) all of our right, title and interest, along with all of MDI Oncology's right, title and interest, in that certain asset purchase agreement between Medical Discoveries, Inc. and the liquidator of Savetherapeutics AG, a German company in liquidation, dated as of March 11, 2005 (the "Savetherapeutics Contract"), including, among other things, our rights in and to "SaveCream", a developmental topical aromatase inhibitor cream; (ii) all of MDI Oncology's right, title and interest in that certain agreement between MDI Oncology and Eucodis, dated as of July 29, 2006, in connection with the co-development and licensing of SaveCream product; and (iii) all of our (and MDI Oncology's) right, title and interest under certain contracts relating to SaveCream ((i),(ii) and (iii) collectively, the "Purchased Assets"). This sale of the SaveCream assets to Eucodis will terminate any further obligation on the part of our company or its subsidiary, MDI Oncology, to spend additional monies to develop SaveCream. The sale may constitute a sale of substantially all of our assets for purposes of Utah law, which governs our corporate matters. Accordingly, the sale is being submitted to our shareholders for approval pursuant to Section 16-10a-1202 of the Utah Revised Business Corporation Act.

In addition, the amendments to our Amended and Restated Articles of Incorporation to increase our authorized common stock and effect a name change are being submitted to our shareholders for approval pursuant to Section 16-10a-1003 of the Utah Revised Business Corporation Act.

Q: HOW MANY VOTES ARE REQUIRED TO APPROVE EACH PROPOSAL?

A: Each share of common stock will entitle the holder to cast one vote. Our outstanding shares of Series A Convertible Preferred Stock are not entitled to vote. However, our outstanding shares of Series B Convertible Preferred Stock are entitled to vote, together with the holders of our common stock as one class, on all matters presented to the our shareholders, including the foregoing proposals. Each outstanding share of our Series B Convertible Preferred Stock entitles the holder thereof to that number of votes equal to the number of shares of our common stock into which each such share of Series B Convertible Preferred Stock would have been convertible as of December 28, 2007, the record date set for determining shareholders entitled to vote at the special meeting.

Assuming the presence of a quorum, the affirmative vote of the majority of votes cast in person or by proxy on the matter (excluding broker non-votes), with the common stock and the Series B Convertible Preferred Stock voting together as a single group, will be required for approval. Abstentions will be considered for purposes of calculating the vote, but will not be considered to have been voted in favor of such matter. As of December 28, 2007, the record date, we had 197,676,560 shares of common stock outstanding, and 13,000 shares of Series B Convertible Preferred Stock outstanding (which shares of preferred stock have the right to cast up to 11,818,181 votes).

Q: WHAT WILL HAPPEN IF THE SHAREHOLDERS APPROVE THE PROPOSALS?

A: If the shareholders approve the transaction with Eucodis, then shortly following the special meeting, subject to the satisfaction of certain conditions set out in the Eucodis Agreement, we (and MDI Oncology) will sell to Eucodis the Purchased Assets in exchange for an aggregate of €4,007,534 (approximately $5,906,000 based on the currency exchange rate in effect as of November 30, 2007), a portion of which comprised (a) a cash payment of €1,538,462 (approximately $2,267,000 based on the currency exchange rate in effect as of November 30, 2007), which is due and payable to us at the closing, less $200,000 already received from Eucodis in March 2007, and (b) Eucodis' assumption of an aggregate of €2,469,072 (approximately $3,639,000 based on the currency conversion rate in effect as of November 30, 2007), constituting specific indebtedness currently owed to certain of our creditors, as more fully discussed under "Proposal I - Terms of Sale and Purchase Agreement – Assumption of Liabilities".

The approximately $2,067,000 in cash proceeds received from the Eucodis sale will be used for general business purposes and to repay certain outstanding indebtedness. We do not anticipate that any distributions will be made to our shareholders in the near future, if at all.

In addition, if the shareholders approve the amendments to our Articles of Incorporation in connection with the proposed increase in authorized common stock and name change, then subsequent to the special meeting, we will file the Articles of Amendment to our Articles of Incorporation with the Office of the Secretary of State of Utah to increase our authorized number of shares of common stock, to change our company's name.

Q: WHY IS THE BOARD OF DIRECTORS PROPOSING THE SALE OF SAVECREAM?

A: To date, we have been a developmental-stage bio-pharmaceutical company engaged in the research, validation, development and ultimate commercialization of two drug candidates referred to as MDI-P and SaveCream. Both of these drug candidates are still in development and neither has been approved by the U.S. Food and Drug Administration (the "FDA"). The total cost to develop these two drugs and to receive the approval from the FDA would cost many millions of dollars and take many more years. Our Board of Directors has determined that we can no longer fund the development of the two drug candidates, and cannot obtain additional funding for these drug candidates. Accordingly, our Board has decided to stop our bio-pharmaceutical operations, and to enter the renewable feedstock-biofuels business. Since we will no longer be developing our SaveCream assets, we have sought to maximize our return from these drug assets through their sale at this time, and to use the proceeds that we receive from the disposition of these assets to pay off all of our creditors and to invest any residual proceeds into our new renewable feedstock-biofuels business.

Q: IS THE BOARD OF DIRECTORS ASKING US TO APPROVE THE NEW BIOFUELS BUSINESS?

A: No. The Board of Directors has decided that it is not in the best interests of this company, its shareholders, or its creditors to continue to attempt to develop and commercialize our bio-pharmaceutical assets and has, therefore, stopped those operations. The Board has decided to enter into the biofuels business, but the Board is not required to obtain shareholder approval for its activities in this new line of business.

Q: WHY IS THE BOARD OF DIRECTORS PROPOSING THE INCREASE IN AUTHORIZED COMMON STOCK?

A: In addition to ensuring that we have a sufficient number of shares of common stock available in connection with the exercise of currently outstanding options, warrants and other convertible securities, the additional authorized common stock may be used for future acquisitions and equity funding.

Q: WHY IS THE BOARD OF DIRECTORS PROPOSING THE NAME CHANGE?

A: We have discontinued our prior operations in the bio-pharmaceutical industry and have initiated operations in the biofuels-feedstock market. We are proposing a name change to reflect our new business as a biofuels energy company.

Q: WILL WE CONTINUE TO OPERATE AFTER THE EUCODIS TRANSACTION IS CLOSED?

A: In connection with the sale to Eucodis, we have agreed that after the sale neither we nor MDI Oncology will undertake research and development activities with respect to SaveCream or any other product which could be used in reasonable substitution of SaveCream, or commercialize any products based on SaveCream, except as may be otherwise expressly requested by Eucodis. We also intend to dissolve our MDI Oncology subsidiary after the sale to Eucodis.

Since signing the Eucodis Agreement, we have actively sought to develop a new business to maximize shareholder value. Our future business plan, and our current principal business activities, includes the planting, cultivation, harvesting and processing of inedible feedstock (such as *Jatropha curcas*) to generate feedstock seed oils and biomass for use in the biofuels industry, including the production of bio-diesel. See "Business – The Jatropha Business" for additional details regarding our new feedstock-biofuels business.

Q: HAS THE COMPANY RECEIVED A VALUATION OR FAIRNESS OPINION WITH RESPECT TO THE SALE OF ASSETS?

A: No. Based on all factors, including the price paid for the SaveCream assets, the uncertainty as to title of those assets, and the book value of those assets, our Board of Directors determined that the purchase price being paid by Eucodis was fair to this company.

Q: WHAT HAPPENS IF THE SHAREHOLDERS DO NOT APPROVE THE EUCODIS TRANSACTION.

A: If the sale of the SaveCream assets is not approved by the shareholders, the sale will be cancelled, and we will continue to own the SaveCream assets. However, since our Board has determined that it is not in the best interests of this company or our shareholders to continue to operate as a drug development company, and since we will no longer invest any funds in the development of SaveCream, we will not continue our efforts to develop that drug candidate. In fact, under the Eucodis Agreement, if the shareholders do not approve the sale of SaveCream to Eucodis, we are obligated to attempt to transfer to Eucodis, by means of a license, or otherwise, certain of our rights to SaveCream.

Q: WHEN IS THE EUCODIS TRANSACTION EXPECTED TO BE COMPLETED?

A: The transaction will close when certain conditions set forth in the sale and purchase agreement are satisfied or waived, or at such other time as is agreed by the parties. We expect the transaction to close on or about January 31, 2008.

Q: DOES OUR BOARD OF DIRECTORS RECOMMEND VOTING FOR THE EUCODIS TRANSACTION AND OTHER PROPOSALS?

A: Yes. After careful consideration of our financial position, the value of the SaveCream assets, the amount of time and funds needed to further develop the SaveCream drug candidate, and other factors, our Board of Directors has unanimously approved the sale of the SaveCream assets to Eucodis and determined that it is in the best interests of us and our shareholders. Our Board of Directors unanimously recommends that our shareholders vote “FOR” approval of the sale.

Our Board of Directors also recommends that our shareholders vote “FOR” approval of amendments to our Amended and Restated Articles of Incorporation to increase our authorized common stock and to change our corporate name.

Q: WHAT SHOULD I DO NOW?

A: Send in your proxy card. After reviewing this document and its appendices, indicate on your proxy card how you want to vote, and sign, date, and mail it in the enclosed envelope as soon as possible to ensure that your shares will be represented at the special meeting. If you sign, date, and send in your proxy and do not indicate how you want to vote, your proxy will be voted in favor of each proposal.

Q: IF MY SHARES ARE HELD IN “STREET NAME” BY MY BROKER, BANK OR OTHER NOMINEE, WILL IT VOTE MY SHARES FOR ME?

A: No, your broker will not vote your shares if you do not return your proxy card or broker voting instructions. Your broker, bank or other nominee holder will vote your shares only if you provide it with instructions on how to vote. You should instruct your broker, bank or other nominee how to vote your shares by following the directions it provides. If you sign and send in your proxy card or broker voting instruction card with no further instructions, your shares will be voted in accordance with the recommendations of our board of directors (FOR each of the

proposals).

Q: CAN I CHANGE MY MIND AND REVOKE MY PROXY?

A: Yes. You may revoke your proxy up to the time of the special meeting by taking any of the actions explained under "The Special Meeting--Solicitation, Voting and Revocation of Proxies" on page 3 of this proxy statement, including by giving a written notice of revocation, by signing and delivering a new later-dated proxy, or by attending the special meeting and voting in person.

Q: CAN I VOTE MY SHARES IN PERSON?

A: Yes. Even after you have submitted your proxy, you may change the votes you cast or revoke your proxy at any time before the votes are cast at the meeting by (1) delivering a written notice of your revocation to our corporate secretary at our principal executive office, (2) executing and delivering a later dated proxy, or (3) appearing in person at the meeting, filing a written notice of revocation with our corporate secretary and voting in person the shares to which the proxy relates.

Q: DO I HAVE DISSENTERS' RIGHTS IN CONNECTION WITH THE SALE?

A: No. Under Utah law, "dissenters' rights" are not available in connection with the sale of assets by companies that have more than 2,000 shareholders, or otherwise in connection with an increase in the authorized number of shares, or a change in the name of the company. Based on information provided to us by our transfer agent, we have approximately 2,950 shareholders.

Q. WHO IS PAYING FOR THIS PROXY SOLICITATION?

A: Our Board of Directors is making this solicitation, and we will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communications by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

PROPOSAL I - APPROVAL OF THE ASSET SALE TRANSACTION

Background And Reasons For The Transaction

During the past few years, we have been a developmental-stage bio-pharmaceutical company engaged in the research, validation, development and ultimate commercialization of two drug candidates we referred to as "MDI-P" and "SaveCream." MDI-P is a drug candidate being developed as an anti-infective treatment for bacterial infections, viral infections and fungal infections. SaveCream is a drug candidate being developed to reduce breast cancer tumors. Both of these drug candidates are still in development and neither has been approved by the U.S. Food and Drug Administration (the "FDA"). The total cost to develop these two drugs, and to receive the approval from the FDA, would cost many millions of dollars and take many more years. To date, we attempted to fund our development costs through the sale of our equity securities and debt instruments, including the sale of our Series A Convertible Preferred Stock.

At the end of 2006, we had virtually no cash, had no source of revenues, had a working capital deficit of approximately $5,600,000, and had a shareholders deficit of approximately $5,500,000. In addition, holders of our Series A Convertible Preferred Stock informed us that they were no longer willing to fund our then current operations and biotechnology business strategy. In December 2006, three of our five directors resigned.

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Because of our lack of capital, we were unable to fund our on-going operations, including any further drug development activities, and were not able to pay our professionals to audit our company's year-end financial statements and to prepare the public company period reports we are required to file with the Securities and Exchange Commission. As a result, we became delinquent in our Securities and Exchange Commission filings and, in July 2007, or company was de-listed from the OTC Bulletin Board.

In February 2007, we engaged a consulting firm to assist it in resolving our financial issues, to obtain advice regarding any strategic alternatives that may be available to us, and to prevent us from losing all of our assets in bankruptcy. During the past several months, we have explored a number of transactions that would (i) prevent our shareholders from losing their entire investment in our company, and (ii) enable our company to repay some of its currently outstanding debts and liabilities.

Our Board of Directors evaluated the value of both of its developmental stage drug candidates. The commencement of human clinical trials of our MDI-P drug candidate currently is on Full Clinical Hold by FDA under 21 CRF 312.42(b), and may not be initiated until deficiencies in our IND application are resolved to the FDA's satisfaction. The FDA has concluded that our IND application did not contain sufficient toxicology and genetic toxicology data to support the safety of the proposed clinical trial. We considered the uncertainty of the efficacy and safety data of the MDI-P compound, the costs involved in further developing the compound, and the limited market, and thereafter concluded that we did not have the capability or capacity to take the MDI-P compound to commercialization. Our Board of Directors also evaluated the value of our SaveCream drug candidate that is currently being co-developed with Eucodis Pharmaceuticals Forschungs und Entwicklungs GmbH, an Austrian company ("Eucodis"), and determined that the highest value for this drug candidate could be realized through a sale of that drug candidate to Eucodis.

In reaching this decision, our board considered several factors, including, but not limited to, the following:

- The limited capital raising opportunities available to our company, and the unlikely possibility that another entity would be interested in funding the development of our company's drug candidates.

- The unlikelihood that our company will receive the requisite FDA approvals for MDI-P to pursue the development of that drug candidate through to commercialization.

- The costs of further development of the MDI-P and SaveCream drugs weighed against the limited markets for both drugs.

- The availability of a potential buyer due to Eucodis' pre-existing interest in the SaveCream drug (Eucodis currently is our development partner and holds rights to SaveCream in certain regions of the world).

The foregoing discussion of the information and factors considered by our board is not intended to be exhaustive, but includes the material factors considered. In view of the variety of factors considered in connection with its evaluation of the transaction and the offer price, our board did not find it practicable to, and did not, quantify or otherwise assign relative weight to the specific factors considered in reaching its determinations and recommendations, and individual directors may have given differing weight to different factors.

As further described below, on July 6, 2007, we entered into an agreement with Eucodis (the "Eucodis Agreement") to sell SaveCream for an aggregate of 4,007,534 euros (approximately U.S. $5,906,000 based on the currency exchange rate in effect as of November 30, 2007), which consideration is payable in cash and by the assumption of certain of our outstanding liabilities. We thereafter also entertained various offers to purchase our rights to the MDI-P compound, and on August 9, 2007, we sold the MDI-P compound for $310,000 in cash. The special meeting is being held, in part, to obtain the approval of our shareholders of the Eucodis Agreement and our plan to sell our SaveCream assets to Eucodis.

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Overview of Our Bio-Pharmaceutical Business

Prior to electing to terminate our biopharmaceutical operations, we were engaged in the development of two potential drug candidates that we referred to as "SaveCream" and "MDI-P." We had purchased our SaveCream technologies from the liquidator of Savetherapeutics AG i.L., pursuant to an asset purchase agreement dated March 11, 2005. The SaveCream assets consist primarily of patents, patent applications, pre-clinical study data and anecdotal clinical trial data concerning SaveCream. We purchased the SaveCream assets for €2,350,000 payable as follows: €500,000 at closing, €500,000 upon conclusion of certain pending transfers of patent and patent application rights to us from SaveCream's inventors, and €1,350,000 upon successful commercialization of the Assets. In addition to purchasing the SaveCream asset, we were developing MDI-P as an anti-infective drug for the treatment of bacterial infections, viral infections and fungal infections. In addition, we considered that MDI-P could be a useful therapy for the treatment of cystic fibrosis. However, the commencement of human clinical trials of MDI-P was on Full Clinical Hold by the FDA because the FDA concluded that our IND application did not contain sufficient toxicology and genetic toxicology data to support the safety of the proposed clinical trial. Our business strategy was to further develop the SaveCream asset, and to commence human clinical trials of MDI-P for cystic fibrosis following completion of the required toxicity and genetic toxicity testing.

We currently hold eight United States Patents, two Japanese patents and a Mexican patent covering various applications for MDI-P, the machinery that manufactures it and the method by which it is manufactured. The U.S. Patents were as follows:

- Patent No. 5,334,383: "Electrically Hydrolyzed Salines as In Vivo Microbiocides for the Treatment of Cardiomyopathy and Multiple Sclerosis"
- Patent No. 5,507,932: "Apparatus for Electrolyzing Fluids"
- Patent No. 5,560,816: "Method for Electrolyzing Fluids"
- Patent No. 5,622,848: "Electrically Hydrolyzed Saline Solution as Microbiocides for In Vitro Treatment of Contaminated Fluids Containing Blood"
- Patent No. 5,674,537: "An Electrolyzed Saline Solution Containing Concentrated Amount of Ozone and Chlorine Species"
- Patent No. 5,731,008: "Electrically Hydrolyzed Salines as Microbiocides"
- Patent No. 6,007,686: "System for Electrolyzing Fluids for Use as Antimicrobial Agents"
- Patent No. 6,117,285: "System for Carrying Out Sterilization of Equipment"

The Japanese and Mexican patents provide coverage in those countries for several of the U.S. patents. We also hold pending applications with the US Patent and Trademark Office for patents on MDI-P as a pharmaceutical treatment for cystic fibrosis, sepsis and asthma, including (i) a patent application for the use of MDI-P in the treatment of sepsis, (ii) a provisional patent application for the use of MDI-P in the treatment of sepsis, and (iii) a provisional patent application for the use of MDI-P in the treatment of asthma.

We also hold rights to the certain intellectual property assets relating to the SaveCream drug, including the following four patent families:

- "Substances and Agents for Positively Influencing Collagen." This included a EU patent application and a Canadian patent.

- "Topical Treatment for Mastalgia." This included U.S. patent application 10/416,096 filed October 30, 2001, and a European Union patent application.

- "Medicament for Preventing and/or Treating a Mammary Carcinoma Containing a Steroidal Aromatase Inhibitor." This included a U.S. patent application, No. 09/646,355, filed November 16, 2000 and divisional and continuation applications based upon the initial application.

- "Aromatase Marking." This included a U.S. Patent application, No. 10/487,953, filed August 28, 2002, as well as a European Union patent application.

We are currently a party to a lawsuit that we initiated in the German Federal Court in Hamburg, Germany, to confirm all of our rights to the foregoing intellectual property. If the Eucodis transaction is consummated, Eucodis will take over that lawsuit.

Competition for our bio-pharmaceutical drugs

The biotechnology and pharmaceutical industries are characterized by rapidly evolving technologies and intense competition. Our competitors in the bio-pharmaceutical market included many major pharmaceutical, and specialized biotechnology companies, most of which have financial, technical, and marketing resources significantly greater than ours. Fully integrated pharmaceutical companies, due to their expertise in research and development, manufacturing, testing, obtaining regulatory approvals, and marketing, as well as their substantially greater financial and other resources, were our most formidable competitors. In addition, colleges, universities, governmental agencies, and other public and private research organizations are becoming more active in seeking patent protection and licensing arrangements to collect royalties for use of technology that they have developed. These institutions also competed with us in recruiting and retaining highly qualified scientific personnel.

In particular, we faced competition from the manufacturers of products that would have competed with MDI-P and SaveCream in the event we successfully commercialized both drugs. The products currently available for the treatment targeted by SaveCream and MDI-P included drugs produced by Pfizer, Bristol-Myers Squibb, Boehringer Ingelheim, GlaxoSmithKline, Gilead Sciences, Hoffman-La Roche, Merck, Abbott Laboratories, Agouron Pharmaceuticals, Abraxis BioScience, Inc., AstraZeneca and Trimeris. The significant pressure we faced from competitors with substantially greater financial and other resources contributed to our decision to exit the biotechnology and pharmaceutical industries.

Government Regulations

Our prior intention to use MDI-P and SaveCream as pharmaceuticals made us subject to extensive regulation by United States and foreign governmental authorities. In particular, pharmaceutical treatments are subject to rigorous preclinical and clinical testing, and subject to approval requirements by the FDA in the United States under the federal Food, Drug and Cosmetic Act and by comparable agencies in most foreign countries. Various federal, state and foreign statutes also govern or influence the manufacture, labeling, storage, record keeping, and marketing of such products. Pharmaceutical manufacturing facilities are also regulated by state, local, and other authorities. Obtaining approval from the FDA and other regulatory authorities for a new drug or treatment may take several years and involve substantial expenditures. Moreover, ongoing compliance with these requirements can require the expenditure

of substantial resources. The delays and extensive costs associated with our efforts to commercialize MDI-P and SaveCream contributed to our decision to exit the biotechnology and pharmaceutical industries.

Recent Developments

Having agreed to dispose of our SaveCream assets to Eucodis under the Eucodis Agreement, we considered entering into a number of other businesses that would enable us to be able to provide our shareholders with future value. Our Board has decided to develop a business to produce and sell seed oils, including seeds oils harvested from the planting and cultivation of *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"). Our 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 our new Jatropha Business, effective September 7, 2007, we (i) hired Richard Palmer, an energy consultant, and a member of Global Clean Energy Holdings LLC ("Global") to act as the our new President and Chief Operating Officer, (ii) engaged Mobius Risk Group, LLC, a Texas company engaged in providing energy risk advisory services, to provide us with consulting services related to the development of the Jatropha Business, and (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.

Global Clean Energy Holdings, LLC -- Share Exchange Agreement

In connection with our efforts to commence the Jatropha Business, on September 7, 2007, we entered into an exchange agreement (the "Global Agreement") pursuant to which we acquired all of the outstanding ownership interests in Global Clean Energy Holdings, LLC, a Delaware limited liability company ("Global"). Global is a company that owns 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 seed of the Jatropha plant, for the purpose of providing feedstock oil intended for the production of bio-diesel. Richard Palmer and Mobius Risk Group, LLC, a Texas limited liability company engaged in providing energy risk advisory services ("Mobius"), were the sole owners of the outstanding equity interests of Global. Richard Palmer was also a member of Global.

In exchange for all of the outstanding ownership interests in Global, we issued 63,945,257 shares of our common stock to Richard Palmer and Mobius. The shares issued to Mr. Palmer and Mobius in the acquisition of Global represented 35% of our outstanding shares of common stock immediately after the acquisition (excluding the shares of Series A Convertible Preferred Stock). Of the 63,945,257 shares issued under the Global Agreement, 36,540,146 shares were issued and delivered to Mr. Palmer (5,220,021 shares) and Mobius (31,320,125 shares) at the closing of the Global Agreement without any restrictions. The remaining 27,405,111 shares of common stock were, however, issued as restricted shares, subject to forfeiture in the event that certain specified performance milestones are not achieved. The restricted shares are being held by us in escrow until such shares are either released or cancelled. An aggregate of 23,490,095 restricted shares were issued to Mobius, and 3,915,016 restricted shares were being issued to Palmer. If and when certain specified milestones are achieved, the restricted shares will be released and delivered to Mr. Palmer and Mobius in accordance with the terms and conditions of the Global Agreement. During the time that the restricted shares are restricted and subject to forfeiture, the restricted shares shall be outstanding shares for all purposes and shall be entitled to vote and receive dividends, if any are declared. As of November 30, 2007, a total of 4,567,518 of Mr. Palmer and Mobius' restricted shares were released from the restrictions and delivered on a pro rata basis per the terms of the Global Agreement to Mr. Palmer and Mobius.

In order to obtain the expertise necessary to exploit the assets we acquired under the Global Agreement, we also entered into an employment agreement with Richard Palmer, and a consulting agreement with Mobius.

Mobius Consulting Agreement

Concurrent with the execution of the Global Agreement, we entered into a consulting agreement with Mobius pursuant to which Mobius has agreed to provide consulting services to us in connection with our new Jatropha Business. We engaged Mobius as consultant to obtain Mobius' experience and expertise in the feedstock/bio-diesel market to assist us in developing our new business operations. Mobius' compensation for the services provided under the consulting agreement is a monthly retainer of $45,000; the term of the Mobius consulting agreement is twelve months, or such shorter period until the scope of work under the agreement has been completed.

Employment Agreement

On September 7, 2007, we entered into an employment agreement (effective as of September 1, 2007) with Richard Palmer pursuant to which we hired Mr. Palmer to serve as our President and Chief Operating Officer. Mr. Palmer was also appointed to serve as director on our Board to serve until the next election of directors by our shareholders. We hired Mr. Palmer to take advantage of his experience and expertise in the feedstock/bio-diesel industry, and in particular, in the Jatropha bio-diesel and feedstock business.

Under Mr. Palmer's employment agreement, we granted Mr. Palmer an incentive option to purchase up to 12,000,000 shares of our common stock at an exercise price of $0.03 (the trading price on the date the agreement was signed), subject to our achievement of certain market capitalization goals. The option expires after five years. In addition, Mr. Palmer's compensation package includes a base salary of $250,000, and a bonus payment contingent on Mr. Palmer's satisfaction of certain performance criteria, which will not exceed 100% of Mr. Palmer's base salary. The term of employment commenced September 1, 2007 and ends on September 30, 2010, unless terminated earlier in accordance with the terms of that agreement.

Appointment of New Directors

At a meeting of our Board held on August 30, 2007, the Board appointed three individuals to fill three vacancies on the Board. In connection with covenants we made under the Global Agreement and Mr. Palmer's employment agreement, the Board appointed Richard Palmer and Eric J. Melvin to fill two of the vacancies on the Board. In addition, the Board appointed Martin Schroeder to fill the final vacancy on the Board. Messrs. Palmer, Melvin and Schroeder will stand for re-election at our next annual meeting of shareholders. All of the appointments were contingent upon, and became effective as of the consummation of the Global Share Exchange Agreement and the execution of Mr. Palmer's employment agreement.

Mr. Eric Melvin currently is the Chief Executive Officer of Mobius and a principal owner of that energy consulting business.

Mr. Richard Palmer is our newly appointed President, Chief Operating Officer and Chief Executive Officer. Prior to joining us, Mr. Palmer was a Vice President of Mobius, specializing in providing consulting services related to alternative energy sources, including bio-diesel feedstock production. Mr. Palmer also owns a minority equity interest in Mobius.

Mr. Martin Schroeder currently is the Executive Vice President & Managing Director of The Emmes Group, Inc., a strategic business development, assessment and planning organization specializing in the support of firms engaged in the consumer product, technology, internet, medical diagnostic, biotechnology, and pharmaceutical industries. He also is the principal of Emmes Group Consulting, LLC. Mr. Schroeder has been providing consulting services to us since February 2007.

Lodemo Services Agreement

On October 15, 2007, we entered into a Service Agreement (the "Lodemo Agreement") with Corporativo LODEMO S.A DE CV, a Mexican corporation (the "Lodemo Group") in connection with our new Jatropha Business. We have decided to initiate our Jatropha Business in Mexico, and have already identified parcels of land in Mexico to plant and cultivate Jatropha. In order to obtain all of the logistical and other services needed to operate a large-scale farming and transportation business in Mexico, we entered into the Lodemo Agreement with the Lodemo Group, a privately held Mexican company with substantial land holdings, significant experience in fuel distribution and sales, liquids transportation, logistics, land development and agriculture.

Under our supervision, the Lodemo Group will be responsible for the establishment, development, and day-to-day operations of our Jatropha Business in Mexico, including the extraction of the oil from the Jatropha seeds, the delivery of the Jatropha oil to buyers, the purchase or lease of land in Mexico, the establishment and operation of one or more Jatropha nurseries, the clearing, planting and cultivation of the Jatropha fields, the harvesting of the Jatropha seeds, the operation of the our oil extraction facilities, and the logistics associated with the foregoing. Although the Lodemo Group will be responsible for identifying and acquiring the farmland, ownership of the farmland or any lease thereto will be held directly by us. The Lodemo Group will be responsible for hiring and managing all necessary employees. We will bear all direct and budgeted costs of the Jatropha Business in Mexico.

The Lodemo Group will provide the foregoing and other necessary services for a fee primarily based on the number of hectares of Jatropha under cultivation. We have agreed to pay the Lodemo Group a fixed fee per year of $60 per hectare of land planted and maintained with minimum payments based on 10,000 hectares of developed land, to follow a planned planting schedule. The agreement has a 20-year term but we may terminate under certain circumstances. The Lodemo Group also will potentially receive incentive compensation for controlling costs below the annual budget established by the parties, production incentives for increase yield and a sales commission for biomass sales.

Loan Agreement

In order to fund our operations pending the closing of the SaveCream Asset Sale Agreement, on September 7, 2007, we entered into a loan and security agreement ("Loan Agreement") with Mercator Momentum Fund III, L.P., a California limited partnership, pursuant to which Mercator Momentum Fund III, L.P. made available to us a secured term credit facility in the aggregate principal amount of $1,000,000. We utilized a total of $350,000 under the Loan Agreement, which amount was evidenced by two secured promissory notes that we issued to Mercator Momentum Fund III, L.P. in the aggregate principal amount of $350,000 (the "Notes"). Interest is payable on the Notes at a rate of 12% per annum, payable monthly. Initially, all advances under the credit facility became due and payable on December 14, 2007. On December 13, 2007, we repaid $100,000 of the credit facility advances, and Mercator agreed to extend the maturity date of the remaining $250,000 Note to February 21, 2008. The Note is secured by a first priority lien on all of our assets. Mercator Momentum Fund III, L.P. and its affiliates currently own all of the issued and outstanding shares of Series A Convertible Preferred Stock. We have used the advances under the credit facility to fund our working capital needs.

Series B Preferred Stock

In order to obtain additional working capital, on November 6, 2007, we entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with two accredited investors, pursuant to which we sold a total of 13,000 shares of our newly authorized Series B Convertible Preferred Stock ("Series B Shares") for an aggregate purchase price of $1,300,000. Each share of the Series B Shares has a stated value of $100. The two purchasers of our Series B Shares are parties who will be engaged in our Jatropha Business in Mexico.

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The Series B Shares may, at the option of each holder, be converted at any time or from time to time into fully paid and non-assessable shares of our 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 $100.00 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 appropriate adjustment for certain events, including stock splits, stock dividends, combinations, recapitalizations 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 our common stock into which the Series B Shares could be converted on the record date for such vote, and shall have voting rights and powers equal to the voting rights and powers of the holders of our common stock. In the event of our 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 our company then available for distribution to shareholders; subject, however, to the senior rights of the holders of our Series A Convertible Preferred Stock.

No dividends are required to be paid to holders of the Series B Shares. However, we may not declare, pay or set aside any dividends on shares of any class or series of our 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.

Employees

As of December 31, 2007, we had one employee, our Chief Executive Officer, Richard Palmer. During the initial development of our Jatropha Business, most of our Jatropha-related services are being provided to us by the Mobius Risk Group and the Lodemo Group. In addition, our accounting and other administrative functions are also currently being provided to us by consultants. At such time as capital resources permit, we will hire full-time employees to assume these positions.

Description Of Property

Currently, we operate out of offices located at 6033 W. Century Blvd, Suite 1090, Los Angeles, California 90045. We recently moved to this location (previously, our offices were located in Salt Lake City, Utah) and we have not yet entered into a lease for these offices. Accordingly, we currently are not subject to any lease or rental payments.

Legal Proceedings

On August 22, 2006, we initiated legal proceedings in Landgericht Hamburg, a German Federal Court in Hamburg - Germany, against Dr. Alfred Schmidt to obtain certain rights concerning “SaveCream”, a developmental topical aromatase inhibitor cream relevant to our legacy bio-pharmaceutical business. No cross complaints have been filed against us in this matter. We acquired the “SaveCream” rights and certain other related intellectual property assets from the liquidator of Savetherapeutics AG i.L., a German corporation, pursuant to an asset purchase agreement dated as of March 11, 2005. Pursuant to the Eucodis Agreement, Eucodis has agreed to assume and become financially responsible for all costs we incur in connection with the foregoing litigation, subject to the satisfaction of certain conditions, including that all such costs are backed up by duly rendered invoices (or receipts).

The Jatropha Business

Business Strategy

As of September 7, 2007, the day on which we entered into the Global Agreement, we changed the core business of our company to focus on the cultivation of non-edible feedstock for certain applications in the biofuels market. In

particular, we anticipate that our core activities in the future will include the planting, cultivation, harvesting and processing of Jatropha plant feedstock to generate seed oils and biomass for use in the biofuels industry, including the production of bio-diesel and certain other biofuels.

Bio-diesel is a diesel-equivalent, processed fuel derived from biological sources (such as plant oils), which can be used in diesel engines and as a replacement for fuel oil. The term “biofuels” refers to a range of biological based fuels including biodiesel, synthetic diesel, ethanol and biomass, most of which have environmental benefits that are the major driving force for their introduction. Using biofuels instead of fossil fuels reduces net emissions of carbon dioxide and other green house gases, which are associated with global climate change. Biofuels further the concept of energy independence and environmental responsibility, while generating new jobs in new markets. This creates a social, environmental and economic gain from the production, distribution and end use of biofuels. As the world consumes larger volumes of fossil fuels, and further depletes the supplies of such fossil fuels, alternate sources of energy need to be developed to support growing economies.

We have identified the *Jatropha curca*s plant as our primary feedstock for producing bio-diesel and other biofuels. The Jatropha plant is a perennial plant that produces an inedible fruit with large seeds containing a high percentage of high quality inedible oil. The entire fruit, including the seeds, has excellent properties necessary for the production of biofuels. Our current business plan proposes to utilize the entire fruit of the Jatropha plant for biofuel production, including the oils produced from the fruit, as well as the hull, seed cover, seed oil and seed cake.

In connection with our new feedstock operations, we have identified strategic locations in North America, the Caribbean, Central America and South America ideally suited to our proposed planting, cultivation, harvesting and processing activities, in which we plan to establish cultivation, harvesting and processing operations. All of the areas identified have been selected for a number of key strategic reasons, including proximity to large ports for logistics purposes, relatively stable democratic governments, favorable trade agreements with the United States, low-cost land, reasonably priced labor, favorable weather conditions and acceptable soil conditions.

The Jatropha plant is indigenous to Mexico, and we have decided to initiate implementation of our new business plan and related agricultural development activities in Mexico. Our business plan proposes to establish a nursery in which we will initially grow and cultivate Jatropha seedlings prior to transferring them to the plantation for further growth and cultivation. We are currently negotiating a lease for approximately 40 hectares of land in the Yucatan Peninsula, on which we plan to set up our proposed Jatropha nursery. We have already begun a plant breeding research and development program on this property.

We have identified a wide range of varieties of the Jatropha plant in Mexico, which we are currently propagating and studying. Our research and development activities will focus on plant and soil sciences, plant breeding and other related activities. We plan to study and identify the proper mix of Jatropha varieties, as well as optimum growth conditions, in order to maximize our output of the Jatropha fruit and seed oil. For political as well as legal reasons, we anticipate organizing a wholly owned Mexican subsidiary for purpose of carrying out our contemplated activities in Mexico, and plan to locate the corporate offices of any such Mexican subsidiary on the same property on which our nursery, plant breeding and research support facilities will be located. We are currently in negotiations for the construction of the nursery and research facilities on an approximately 40-hectare parcel in Mexico.

In addition, we have identified 2,000 hectares of land in the State of Yucatan Mexico, which we believe is ideal for establishing and maintaining what we plan to be the first of several multi-thousand hectare plantations in which we will cultivate the Jatropha plant. Our business plan is to acquire the rights to use up to 20,000 hectares in Mexico, by the end of our 2008 fiscal year, for purposes of setting up plantations on which we will cultivate the Jatropha plant. We anticipate that the 2,000 hectares will yield 1-2 million gallons of feedstock oil when fully planted with mature plants.

We are also evaluating other locations in the Caribbean, Central America and South America for purposes of establishing Jatropha plantations, and we plan to have a Jatropha plantation and related operations in a location outside of Mexico by the end of our 2009 fiscal year.

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Our business plan also proposes the construction of a seed oil extracting facility in which we would extract the feedstock oil from the Jatropha seed, and collect the remaining biomass for sale to interested buyers. We have not yet identified a location for the seed oil extracting facility; however, we plan to locate the facility relatively close to the ultimate end user of the biomass in order to minimize the costs and logistics of transporting the biomass to prospective buyers.

We anticipate that our primary focus will be in the feedstock oil market, and our operations will primarily comprise the planting, harvesting and sale of feedstock oil to end users in the energy industry for production of bio-diesel and other biofuels. In the short term, while developing Jatropha plantations, we expect to generate short-term cash flows through our forward sale contracts for feedstock oil and biomass to be produced at our facilities, and the potential sale of carbon offset credits.

Depending on future economic, political and other factors, we may in the future expand our operations beyond the feedstock oil market. For example, our business plan contemplates the possibility of entering into a joint venture for the constructing a bio-diesel refinery in which we would produce bio-diesel using the feedstock oil that we produce. In any event, we anticipate we will still remain a feedstock oil company primarily, and that our bio-diesel production, if any, would be derived from only a portion of the feedstock oil we produce. If economic and other factors at the time encourage us to invest in bio-diesel production, we anticipate that we may develop or acquire additional refining capacity in other strategic locations.

Our employees, advisors and consultants are senior energy professionals with extensive experience in the energy and biofuels market, the production of bio-diesel and in the renewable energy sector in general.

We are still a development stage company, and we anticipate that we will require significant time and capital to develop our new operations into a stable and profitable business.

Principal Biofuel Products

The production of biofuels feedstock is primarily a logistical agricultural operation. It needs to be supported with strong plant and soils sciences to improve productivity, quality and plant stability. The *Jatropha curcas* plant will be our primary agricultural focus. The Jatropha plant is a perennial, inedible plant, and all of its by-products can be used for fuel and biomass energy production. It is a very efficient plant that produces high quality seed oil and high-energy content biomass.

Bio-diesel Oil Feedstock

The feedstock oil needed for the production of bio-diesel that is currently available on the market today is primarily supplied from edible plant seed oils including soy, canola (rapeseed) and palm. There are other types of feedstock utilized including animal fats and recycled cooking grease, but they make up a small portion of the market supply. Our primary source of bio-diesel feedstock will be from the oil produced from the Jatropha plant. One advantage of the Jatropha plant is that it’s oil and meal is inedible, and the cultivation of the plant, which will primarily be for use in the biofuels industry, does not compete for resources with other crops grown primarily for food consumption. Since the Jatropha plant does not compete with land or other resources used in food crop development, it is an additional feedstock supply, growing the base and the market capacity.

Biomass Feedstock

The Jatropha plant produces a fruit (about the size of a golf ball) containing three large seeds that contain 32%-38% oil content by weight. The non-oil components of the fruit, which represents 62-68% of the total fruit, contains high energy biomass (carbon values) that is an excellent source of feedstock for a number of energy producing processes including direct combustion, gasification, power production, and cellulostic ethanol (alcohol) production.

Carbon Credits

Biofuels production and use is a very effective means to reduce both local and global pollution from emissions that cause climate change. Growing trees and plants which sequesters carbon from the atmosphere and burning biofuels offsets the production of greenhouse gasses resulting from the consumption of petroleum or other fossil-based fuels. Many biofuels produce less pollution, including CO2, NOx, SOx and PM10. Through the 1997 Kyoto Protocol to the United Nations Framework Convention on Climate Change (Kyoto Protocol), signatory countries are required to reduce their overall greenhouse gas emissions, or carbon footprint. As of November 2007, 174 parties are signatories to and have ratified the Kyoto Protocol. The United States of America is not a signatory to the Kyoto Protocol. Signatory countries require local industry and other local energy end-users to either reduce their greenhouse gas emissions, or purchase greenhouse gas emission credits (carbon credits). This requirement has created a worldwide "Carbon Credit Trading Market" where users sell their excess carbon credits and buyers purchase the carbon credits they need to meet their greenhouse gas reduction requirements. The development of agricultural-based energy projects may produce carbon credits through the sequestration (storing) of carbon by the growing of trees and plants, or by the offset of other sequestered carbon. Selling carbon credits represents potential additional revenue that will help to offset capital requirements for our plantation and other development activities.

In our case, Certified Emission Reductions (CERs) may be generated through Clean Development Mechanism projects in non-Annex 1 nations, which include Mexico, the Caribbean, Central and South America. Assuming full capacity at a 20,000-hectare Jatropha plantation, we estimate that we could generate more than 100,000 metric tons of sellable carbon credits annually.

Technology

Although we do not currently possess any patentable technology relating to our operations in the feedstock and biofuels market, we may develop technology as we design and implement our business plan. Any technology we develop will be in three main categories: (i) plant and science sciences, (ii) agricultural development, and (iii) material processing and end use applications. Such technologies developed are expected to assist in reducing costs, improving efficiency and allowing us to move the products higher in value creation. We intend to pursue patentable technologies, processes and plant varieties.

Market

According to U.S. Department of Energy estimates, the world demand for crude oil in 2006 was approximately 85 million barrels per day, with approximately 25% of that demand being diesel and fuel oil (distillate fuel oil). This equates to a global consumption of distillate fuel oil of approximately 21 million barrels per day, or 325 billion gallons per year. At a 5% blend with biodiesel, the world market for biodiesel exceeds 16 billion gallons per year.

U.S. distillate fuel oil consumption for 2005 was 4.12 million barrels per day, which equates to over 60 billion gallons of diesel and fuel oil consumed annually. At a 5% biodiesel blend, the US biodiesel market is over 3 billion gallons per year and growing.

In 2004, 32 U.S. biodiesel refineries produced approximately 30 million gallons of neat (100%) bio-diesel fuel. In 2005, 50 refineries produced approximately 75 million gallons and in 2006 approximately 250 million gallons was sold. It is expected that in 2007 over 300 million gallons of bio-diesel fuel will be produced and consumed domestically, with an unconfirmed, but announced, biodiesel refinery construction exceeding a total U.S. Domestic refining capacity of 1 billion gallons.

Direct Sales

Based on our current business plan, our primary market will be in the direct sale of Jatropha feedstock oil for bio-diesel production and biomass energy production, and the sale of carbon credits. Our primary customers will be refiners of bio-diesel. We estimate that there are approximately 165 bio-diesel plants in the United States alone, which can utilize up to 100% of our crude or refined Jatropha oil.

We will generate our highest revenues and greatest margins from customers who have logistical capacity on a water port accessible from the Gulf of Mexico. This will reduce redundant transportation costs, and allow us to ship large quantities economical. These customers have historically paid a higher price for feedstock oil, since the majority of feedstock oil supplies has been shipped from the Midwestern United States. We anticipate that our key customer profile will include well-financed, low-cost bio-diesel refiners.

Distributor Sales

As our business develops, we expect to utilize some distributors for sale of the Jatropha feedstock oil and the biomass by-products that we will produce.

Environmental Impact

Biofuels, including bio-diesel, have environmental benefits that are a major driving force for their introduction. Using biofuels instead of fossil fuels reduces net emissions of carbon dioxide and other greenhouse gasses, which are associated with global climate change. Biofuels are produced from renewable plant resources that “recycle” the carbon dioxide created when biofuels are consumed. Life-cycle analyses consistently show that using biofuels produced in modern facilities results in net reductions of greenhouse gas carbon emissions compared to using fossil fuel-based petroleum equivalents. These life-cycle analyses include the total energy requirements for the farming and production of the biomass resource, as well as harvesting, conversion and utilization. Biofuels help nations achieve their goals of reducing carbon emissions. Biofuels burn cleanly in vehicle engines and reduce emissions of unwanted products, particularly unburned hydrocarbons and carbon monoxide. These characteristics contribute to improvements in local air quality. In a life-cycle study published in October 2002, entitled “A Comprehensive Analysis of Bio-diesel Impacts on Exhaust Emissions, 2002,” the U.S. Environmental Protection Agency (“EPA”) analyzed bio-diesel produced from virgin soy oil, rapeseed (canola) and animal fats. The study concluded that the emission impact of bio-diesel produced slightly increased NOx emissions while significantly reducing other major emissions.

Competition

Although there are a number of producers of biofuels, few are utilizing non-edible oil feedstock for the production of bio-diesel. The following table lists the companies we are aware of that are cultivating Jatropha for the production of bio-diesel:

British Petroleum (UK)	Plans to establish 100,000 hectares of Jatropha plantations in Indonesia to feed the 350,000-tonne-per-year biodiesel refinery that it is building in the country.
Van Der Horst Corporation (Singapore)	Building a 200,000-tpy biodiesel plant in Juron Island in Singapore that will eventually be supplied with Jatropha from plantations it operates in Cambodia and China, and possible new plantations in India, Laos and Burma.
Mission Biofuels (Australia)	Hired Agro Diesel of India to manage a 100,000-heactare Jatropha plantation, and a contract farming network in India to feed its Malaysian and Chinese biodiesel refineries. Mission Biofuels has raised in excess of $80 million to fund its operations.
D1 Oils (UK)	As of June 2007, together with its partners, D1 Oils has planted or obtained rights to offtake from a total approximately 172,000 hectares of Jatropha under cultivation worldwide. D1's Jatropha plantations are located in Saudi Arabia, Cambodia, Ghana, Indonesia, the Philippines, China, India, Zambia, South Africa and Swaziland. In June 2007, D1 Oils and British Petroleum entered into a 50:50 joint venture to plant up to an additional 1 million hectares of Jatropha worldwide. British Petroleum funded the first £31.75 million of the Joint Venture's working capital requirements through a purchase of D1 Oils equity, and the total Joint Venture funding requirement is anticipated to be £80 million over the next five years.
NRG Chemical Engineering (UK)	Signed a $1.3 billion deal with state-owned Philippine National Oil Co. in May 2007. NRG Chemical will own a 70% stake in the joint venture which will involve the construction of a biodiesel refinery, two ethanol distilleries and a $600 million investment in Jatropha plantations that will cover over 1 million hectares, mainly on the islands of Palawan and Mindanao.

1 hectare = 2.47 acres

We believe there is sufficient global demand for alternative non-edible biofuel feedstock to allow a number of companies to successfully compete worldwide. In particular, we note that we are the only US-based producer of non-edible oil feedstock for the production of bio-diesel which gives us a unique competitive advantage over many foreign competitors when competing in the USA.

The price basis for our non-edible oil and biomass feedstock will be equivalent to other edible seed oil and biomass feedstock. We have not found any substantial effort towards the production of any other non-edible oil worldwide that could compete with Jatropha. With the growing demand for feedstock, and the high price of oil and biofuels, we anticipate that we will be able to sell our Jatropha oil and biomass feedstock profitability.

DESCRIPTION OF THE EUCODIS TRANSACTION AND AGREEMENT

The following sets forth a summary of the material provisions of the sale and purchase agreement between the us and Eucodis (the "Eucodis Agreement"). The description does not purport to be complete and is qualified in its entirety by

reference to the sale and purchase agreement, as amended, a copy of which is attached hereto as Appendix A. All shareholders are urged to read the sale and purchase agreement in its entirety.

Past Contacts and Negotiations

As described in this proxy statement, we operated as a development stage bio-pharmaceutical company engaged in the research and development of two drug candidates. Both of these drug candidates are still in development and neither has been approved by the U.S. Food and Drug Administration. The total cost to develop these two drugs, and to receive the approval from the FDA, would cost many millions of dollars and take many more years. As of the end of 2006, we did not have the funds to continue our bio-pharmaceutical business, and our principal financing sources informed us that they were no longer willing to fund our operations.

In order to assist our management to resolve our financial crisis and to assist in developing a new business strategy, effective February 1, 2007 we engaged a consulting firm, the Emmes Group Consulting LLC ("Emmes") to obtain advice regarding any strategic alternatives that may be available to us. Emmes is a strategy consulting firm that assists pharmaceutical and other companies.

At a Board of Directors meeting held in February 2007, our Board of Directors and Emmes concluded that it would not be possible to raise additional equity or debt financing to fund the continued operation of the bio-pharmaceutical business. Emmes recommended, and the Board of Directors agreed, to pursue the sale of its lead drug candidates in an effort to (i) prevent our shareholders from losing their entire investment in this company, and (ii) enable us to repay some of our currently outstanding debts and liabilities. Emmes further recommended, and the Board of Directors agreed, to consider reengineering our business model and business strategy to one that could attract additional financing.

Our principal assets (the "Assets") consisted primarily of patents, patent applications, pre-clinical study data and clinical trial data concerning Formestane cream ("SaveCream"), a developmental-stage topical aromatase inhibitor treatment for breast cancer. Since July 29, 2006, we have been a party to a licensing and development agreement with Eucodis Pharmaceuticals Forschungs und Entwicklungs GmbH, an Austrian company ("Eucodis"), under which agreement we granted Eucodis a license to the technology to certain territories, and Eucodis agreed to assist in the further development of the SaveCream Assets. Under this license agreement, we granted Eucodis the exclusive right to develop, manufacture and commercialize SaveCream in the European Union and certain surrounding countries. Accordingly, Eucodis was familiar with SaveCream and had an economic incentive to protect and develop this technology.

In February 2007, Emmes recommended, and the Board of Directors agreed, that we approach Eucodis concerning their possible acquisition of our rights in the Assets for a one-time cash payment plus the assumption of certain our current debts directly related to the Assets. The Board considered the benefits and possible draw-backs of selling the Assets to a buyer (Eucodis) that was very familiar with the Assets. The Board noted that legal title to the Assets was currently being contested by one of the co-inventors of the SaveCream technology, and that two lawsuits to resolve ownership dispute over the Assets were pending in two courts in Germany. The Board noted that these lawsuits would likely make it difficult to sell the Assets to a third party who is unfamiliar with the status of the legal title of the Assets and the status of the lawsuits in Germany. Eucodis was familiar with the lawsuits and, in fact, was paying for all of the legal fees in those lawsuits. The Board also noted, that our co-development agreement with Eucodis would make it difficult to market the Assets because a third party purchaser would want to develop the technology itself. Finally, the Board noted that Eucodis already owned the license to commercialize the Assets in the European Union and certain other countries, which would make Eucodis more interested in buying the remaining rights. The fact that Eucodis has a license to these territories also was believed to negatively affect any interest a potential third party purchaser may have in the Assets. After considering all of these factors, the Board concluded that Eucodis was the most logical purchaser of the Assets and that Eucodis was most likely to offer the highest price for our Assets. Therefore, the Board authorized Emmes and our management to approach Eucodis regarding the possible purchase of our rights to the Assets.

In February 2007, we approached Dr. Wolfgang Schoenfeld, the President and Chief Executive Officer of Eucodis, to discuss the possible purchase by Eucodis of the Assets. Dr. Schoenfeld expressed interest, and Emmes, Mr. Stephen Drake, our lawyer from Epstein Becker and Green, a Chicago-based law firm, Ms. Valerie Heusinkveld (another financial consultant we retained for this purpose in February 2007), and members of our management thereafter proceeded to negotiate a letter of intent for the purchase of the Assets by Eucodis. Periodically during the negotiation period, the Board of Directors was updated concerning the progress of the negotiations with Eucodis.

On March 8, 2007, a Board of Directors meeting was held to approve the execution of a binding letter of intent (LOI) whereby we agreed to sell the Assets in consideration for a cash payment and the assumption by Eucodis of certain of

our current indebtedness directly related to the Assets being purchased by Eucodis. Upon execution of the LOI by both parties, Eucodis made an upfront payment of $200,000 to us.

Following the signing of the LOI, Emmes and Mr. Drake began to draft the terms of a definitive purchase agreement for the Assets with Eucodis.

On April 9, 2007, we delivered a first draft of the definitive purchase agreement to Dr. Schoenfeld for his review and comment. Periodically during the negotiation of the definitive purchase agreement, the Board of Directors was updated by Emmes and Mr. Drake regarding the progress of the negotiations with Eucodis and the terms of the draft asset purchase agreement.

On April 14, 2007, we discussed with Eucodis their proposed changes to our April 9th draft purchase agreement, and prepared a revised draft agreement for Eucodis' further review and comment.

On April 26, 2007, we negotiated a extension of the expiration date of LOI with Eucodis extending the date by which the parties agree to complete negotiations regarding the definitive purchase agreement.

On May 11, 2007, we held a teleconference with Eucodis' management to discuss the proposed changes requested by Eucodis.

On May 15, 2007, a revised draft of the April 9th draft purchase agreement was delivered to Dr. Schoenfeld for his review and comment.

On May 30, 2007, Emmes, Mr. Drake and management discussed with the Board of Directors the proposed changes made by Eucodis to the May 15th draft agreement. It was the collective opinion of the members of the Board that Eucodis' suggested changes were unacceptable, and Emmes was instructed to proceed with further negotiations with Eucodis in an attempt to resolve the outstanding issues.

On June 6, 2007, Emmes made a formal counter proposal to Eucodis concerning the May 15th draft agreement received from Eucodis.

On June 27, 2007, we received from Eucodis comments regarding our June 6th draft agreement. Our Board members and management discussed those comments, identified certain open issues, and instructed Emmes to attempt to resolve the outstanding issues. On June 27, 2007, Emmes submitted a revised draft agreement to Eucodis for consideration, which proposal was accepted by Eucodis.

Following acceptance of the final version of the asset purchase agreement by Eucodis, that version of the purchase agreement was submitted to the Board of Directors in anticipation of a Board meeting to be held to approve the sale.

On July 6, 2007, our Board of Directors met to consider the terms of the final version of a sale and purchase agreement to be entered into with Eucodis. The form and terms of the Asset Sale Agreement were approved at that meeting. Later that day, we entered into that agreement with Eucodis.

Assets To Be Sold

The assets being sold to Eucodis include:

- all of our right, title and interest, along with all of MDI Oncology's right, title and interest, in that certain asset purchase agreement between Medical Discoveries, Inc. and the liquidator of Savetherapeutics AG, a German company in liquidation, dated as of March 11, 2005 (the "Savetherapeutics Contract"), including, among other things, our rights in and to "SaveCream", a developmental topical aromatase inhibitor cream;

- all of MDI Oncology's right, title and interest in that certain agreement between MDI Oncology and Eucodis, dated as of July 29, 2006, in connection with the co-development and licensing of SaveCream;

- any and all of our and MDI Oncology's rights, title and interests in the patents and patent applications acquired under the Savetherapeutics Contract, and any other patent and/or patent application pertaining to the SaveCream drug, owned or in our or MDI Oncology's possession or control;

- any and all United States and foreign regulatory files and data relating to the SaveCream drug in our or MDI Oncology's possession, including marketing authorization procedures and preclinical and clinical studies;

- all of our right, title and interest in that certain asset purchase agreement between Medical Discoveries, Inc. and Attorney Hinnerk-Joachim Muller as Liquidator of Savetherapeutics AG i. L.;

    - all of our right, title and interest in that side letter to the asset purchase agreement between Medical Discoveries, Inc. and Attorney Hinnerk-Joachim Muller as Liquidator of Savetherapeutics AG i. L.;

- all of MDI Oncology's right, title and interest in that certain Assignment of Patent, Participation and Research Development Agreement between MDI Oncology and Professor Heinrich Weiland;

- all of MDI Oncology's right, title and interest in that certain Assignment 1 to the Assignment of Patent, Participation and Research Development Agreement between MDI Oncology and Professor Heinrich Weiland; and

- all of our right, title and interest in that certain consulting agreement between Medical Discoveries, Inc. and Marc Kessemeier.

The foregoing are collectively referred to in this proxy statement as the "Purchased Assets".

In the event the sale to Eucodis is not approved by our shareholders, we are obligated under the Eucodis Agreement to transfer to Eucodis certain rights to SaveCream, by means of a license or otherwise, on terms to be determined by the parties. Accordingly, since we will no longer be developing the SaveCream product even if our shareholders do not approve the sale of these assets, we may still enter into a limited license or other agreement with Eucodis pursuant to which Eucodis could continue to develop and commercially exploit the SaveCream products.

Purchase Price; Obligations To Be Assumed By Eucodis

In exchange for the Purchased Assets, Eucodis will pay approximately 4,007,534 euros or approximately $5,906,000 based on the currency exchange rate in effect as of November 30, 2007, comprising a cash payment of approximately $2,267,000, and Eucodis' assumption of certain of our obligations and liabilities aggregating approximately $3,639,000. Specifically, at or prior to the closing Eucodis will relieve us (and MDI Oncology, as applicable) from a total of $3,639,000 of indebtedness and commitments owed to Epstein, Becker and Green, LLP; H3 Pharma Consulting Group; Mayer, Brown, Rowe and Maw, LLP; Professor Heinrich Weiland; the Liquidator of

Savetherapeutics AG i. L.; Marc Kessemeier; and Millbank Tweed, Hadley & McCloy LLP. The foregoing obligations to be assumed by Eucodis are collectively referred to in this proxy statement as the “Assumed Indebtedness”.

Further, Eucodis will assume all of our financial and other obligations under certain contracts relating to SaveCream, which will be assigned to Eucodis when the transaction closes, and certain other costs we have incurred since February 28, 2007 in connection with preserving the Purchased Assets for the benefit of Eucodis through the closing of the transaction. Other than the foregoing obligations, Eucodis will not assume or be liable for any of our obligations or liabilities.

Non-Competition

Under the Eucodis Agreement, we and MDI Oncology have agreed to a non-compete provision for the duration of five years after the closing of the Eucodis transaction. Specifically, the non-compete provision restricts us from undertaking research and development activities with respect to SaveCream, or any other product which could be used in reasonable substitution of SaveCream, or commercializing any products based on SaveCream, unless expressly authorized by Eucodis.

Representations And Warranties

The Eucodis Agreement contains various representations and warranties of Medical Discoveries and MDI Oncology including among others, representations and warranties related to:

- due incorporation
- due authorization,
- consents
- enforceability
- corporate authority
- contracts
- no defaults or violations
- litigation
- no liens
- no infringement

The Eucodis agreement contains various representations and warranties of Eucodis including among others, representations and warranties related to:

- due incorporation
- corporate authority
- enforceability
- due authorization

Indemnification

We and MDI Oncology have agreed to indemnify Eucodis and its directors, officers, employees, agents and consultants against, and hold them harmless from, any and all losses incurred or suffered by any of them arising out of any of the following:

- any breach of any representation, warranty, covenant or agreement made by either of us or MDI Oncology under the Eucodis Agreement; and

- any act or omission by either of us or MDI Oncology in connection with the Purchased Assets to the extent that the cause for such claim was existing prior to or on July 6, 2007, or in connection with the transactions contemplated by the Eucodis Agreement.

Eucodis has agreed to indemnify us and MDI Oncology and their directors, officers, employees, agents or consultants against, and hold them harmless from, any and all losses incurred or suffered by them arising out of any of the following:

- any breach of any representation, warranty, covenant or agreement made by Eucodis under the Eucodis Agreement;

- non payment by Eucodis of the Assumed Indebtedness; and

- any act or omission by Eucodis in connection with the Purchased Assets to the extent that the cause for such claim was created after July 6, 2007, or in connection with the transactions contemplated by the Eucodis Agreement.

Other Covenants

Each of us, MDI Oncology and Eucodis have agreed:

- to strictly protect and maintain the confidentiality of the confidential information belonging to the other parties with at least a reasonable standard of care that is no less than that which it uses to protect similar confidential information of its own;

- not to disclose, nor allow to be disclosed, the confidential information belonging to the other parties to any person other than to employees, consultants and counsel, on a need to know basis provided, that such recipients of the confidential information are bound by obligations of confidentiality no less strict than those contained in the Eucodis Agreement

- unless otherwise expressly provided for in the Eucodis Agreement, not use the confidential information belonging to the other parties for any purpose other than in relation to the exercise of its rights and obligations under the Eucodis Agreement; and

- take all necessary precautions to restrict access of the confidential information belonging to the other parties to unauthorized personnel.

Conditions To Closing The Transaction

The consummation of the transactions contemplated under the Eucodis Agreement is contingent on approval by our shareholders. In addition, the obligations of Eucodis, us and MDI Oncology to consummate the transaction at the closing are, subject to satisfaction of the following conditions precedent on or before the closing date:

- our and MDI Oncology's representations and warranties under the Eucodis Agreement being true on the closing date;

- our and MDI Oncology's performance of all covenants and obligations required under the Eucodis Agreement;

- our and MDI Oncology's delivery to Eucodis of certain documents necessary to effect the transfer of the Purchased Assets; and

- our obtaining additional capital or a credit facility in the aggregate amount of at least $250,000. We have already satisfied this condition.

Amendment Of The Eucodis Agreement

The Eucodis Agreement may be amended, modified or supplemented but only in writing signed by all of the parties.

Closing

The closing of the transaction is to take place on January 31, 2008 following approval by the shareholders and the satisfaction of all of the closing conditions set forth in the Eucodis Agreement.

Use Of Proceeds And Operations After The Transaction

Following the closing of the Eucodis transaction, neither we nor MDI Oncology will undertake research and development activities with respect to SaveCream or any other product which could be used in reasonable substitution of SaveCream, or commercialize any products based on SaveCream except as may be otherwise expressly requested by Eucodis.

At the closing of the Eucodis transaction, in addition to Eucodis' assumption of certain indebtedness, as further described in this proxy statement, we will receive from Eucodis cash proceeds in the aggregate of approximately $2,067,000. These proceeds will be used to fund our future working capital needs, to repay certain indebtedness and commitments, and for future operations. At the time of the execution of the Eucodis Agreement, we had not yet made any determination about future business plans once the transaction with Eucodis closed. However, since signing into the Eucodis Agreement, we decided to engage in a the business of developing, marketing and selling alternative energy bio-fuels and related products. The proceeds to be received from Eucodis will, therefore, be used to conduct our new alternative biofuels business.

Regulatory Approvals

There are no regulatory approvals required to close the transactions contemplated by the Eucodis Agreement.

Certain Federal Income Tax Consequences

We expect that, in our consolidated tax returns, we will recognize taxable gain for U.S. federal income tax purposes as a result of the sale of the SaveCream assets to Eucodis. However, we believe that any taxes payable as a result of this sale will be offset by our prior operating losses, including those from the fiscal year ended December 31, 2007.

We do not expect that our shareholders will recognize any gain or loss for U.S. federal income tax purposes as a result of the transaction.

Accounting Treatment

The transaction will be accounted for by us and MDI Oncology as a sale of assets.

Recommendation Of The Board Of Directors

Our Board has determined that the approval of the sale and purchase agreement and the transaction is in the best interest of our shareholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSAL TO APPROVE THE EUCODIS AGREEMENT AND THE ASSET SALE TRANSACTION.

PROPOSAL II - INCREASE IN AUTHORIZED COMMON STOCK

Overview

Our Board of Directors has approved an amendment to our Amended and Restated Articles of Incorporation to increase the shares of common stock that are authorized for issuance from 250,000,000 shares to 500,000,000 shares. The full text of the amendment to our Amended and Restated Articles of Incorporation increasing the authorized number of shares is set forth as follows:

“The first sentence of Article 3 of the Amended and Restated Articles of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

3. The aggregate number of shares of stock that the Corporation is authorized to issue is 550,000,000, consisting of 50,000,000 shares of preferred stock, no par value (hereinafter referred to as “Preferred Stock”), and 500,000,000 shares of common stock, no par value (hereinafter referred to as “Common Stock”).”

Reasons for the Amendment

Under our Amended and Restated Articles of Incorporation as currently in effect, there are 250,000,000 shares of common stock authorized for issuance. As of the record date, we have an aggregate of 197,676,560 shares of our common stock issued and outstanding. An additional 145,719,231 shares of our common stock are reserved for issuance upon the exercise of our outstanding warrants and options or the conversion of our outstanding Series A Convertible Preferred Stock and our Series B Convertible Preferred Stock. (The holders or the Series A Convertible Preferred Stock and certain warrants have agreed that they will not convert their shares of Series A Convertible Preferred Stock or exercise their warrants if, by doing so, they would collectively own more than 9.99% of our outstanding shares. The foregoing assumes that all shares of Series A Convertible Preferred Stock are converted and all warrants are exercised, despite this limitation). Based on the number of shares of our common stock currently issued and outstanding, and on the number of additional shares issuable in connection with the exercise of outstanding warrants and options and the conversion of our convertible Preferred Stock, we have agreed to issue up to 93,395,791 more shares than our authorized number of shares permits. Accordingly, unless our Amended and Restated Articles of Incorporation are amended to increase the number of shares of common stock we are authorized to issue, we will not have sufficient authorized shares of common stock available in connection with exercises of currently outstanding warrants, options and our convertible preferred stock.

The primary purposes of the proposed increase in the number of authorized shares of common stock are the following:

1. To make additional shares of capital stock available for issuance in connection with currently outstanding warrants, options and our outstanding Series A Convertible Preferred Stock and our Series B Convertible Preferred Stock.

2. To provide our Board of Directors with the flexibility to issue additional securities as the Board deems appropriate or necessary. In connection with the development of our new Jatropha Business, we expect to have to obtain additional financing in order to fund ongoing operations and to meet our working capital needs. Unless we increase the number of shares that we are authorized to issue, we may not be able to raise any additional capital from the issuance of securities.

3. The Board needs to have additional shares available to it for the issuance of options to future officers, directors and employees. The Board of Directors believes that the ability to issue stock options is crucial to the company’s future success.

4. The company may need additional newly authorized shares in the future in connection with possible acquisitions of, or business combinations with other companies, or in connection with establishing strategic partnerships or other business relationships, or for other corporate purposes.

Except pursuant to outstanding options, warrants and other convertible securities, we have no present agreement or commitment, however, to issue any additional shares of common stock.

If our shareholders approve the increase in our authorized shares of common stock, our Board of Directors does not intend to solicit further shareholder approval prior to the issuance of any authorized shares of common stock, except as may be required by applicable law.

The increase in the authorized common stock will not have any immediate effect on the rights of existing shareholders. To the extent that the additional authorized shares are issued in the future, they will decrease the existing shareholders percentage equity ownership and, depending on the price at which they are issued, could be dilutive to the existing shareholders. Any issuance of additional shares of common stock also could have the effect of diluting any future earnings per share and book value per share of the outstanding shares of our common stock, and such additional shares could be used to dilute the stock ownership or voting rights of a person seeking to obtain control of Medical Discoveries, Inc. The increase in the authorized number of shares of common sock and the subsequent issuance of such shares could have the effect of delaying or preventing a change-in-control of this company without further action by the shareholders.

No Dissenters Rights

Under the laws of Utah, our shareholders are not entitled to dissenters' rights with respect to the amendment to increase the number of our authorized capital stock, and we will not independently provide our shareholders with any such right.

Federal Income Tax Consequences

We believe that the federal income tax consequences of the increase in authorized capital stock to holders of our common stock will be as follows:

- No gain or loss will be recognized by a shareholder upon the effective date of the amendment;
- The aggregate tax basis of shares of our common stock will not be affected by the amendment; and
- The holding period of shares of our common stock after the amendment will remain the same as the holding period prior to the amendment.

Our beliefs regarding the tax consequence of the proposed amendment are not binding upon the Internal Revenue Service or the courts, and there can be no assurance that the Internal Revenue Service or the courts will accept the positions expressed above. This summary does not purport to be complete and does not address the tax consequences to holders that are subject to special tax rules, such as banks, insurance companies, regulated investment companies, personal holding companies, foreign entities, nonresident foreign individuals, brokers-dealers and tax exempt entities. The state and local tax consequences of the amendment may vary significantly as to each shareholder, depending upon the state in which he or she resides.

HOLDERS OF COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE INCREASE IN OUR AUTHORIZED COMMON STOCK, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS AND OF CHANGES IN APPLICABLE TAX LAWS.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSAL TO EFFECT AN AMENDMENT TO OUR AMENDED AND RESTATED ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK.

PROPOSAL III – NAME CHANGE

Overview

Our Board of Directors has approved an amendment to our Articles of Incorporation to effect a name change to "Global Clean Energy Holdings, Inc." The Article 1 of the Amended and Restated Articles of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

"Article 1 of the Amended and Restated Articles of Incorporation is amended to read in its entirety as follows:

The name of the corporation is "Global Clean Energy Holdings, Inc. (the "Corporation)."

Reasons for Amendment

As stated elsewhere in this proxy statement, we have discontinued our operations in the bio-pharmaceutical industry and have commenced our new Jatropha Business. See "Business – The Jatropha Business," above, for additional information about our new business. Since we are no longer a medical and drug development company, our Board decided to change the company's name from "Medical Discoveries, Inc." to a name that reflects the new biofuels business we are conducting.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSAL TO EFFECT A NAME CHANGE OF THE COMPANY TO "GLOBAL CLEAN ENERGY HOLDINGS, INC."

FINANCIAL STATEMENTS AND PRO FORMA FINANCIAL INFORMATION

Pro Forma Selected Financial Data

Introduction to Unaudited Pro Forma Condensed Consolidated Financial Information

The following pro forma condensed consolidated financial statements estimate the pro forma effect of the Sale and Purchase Agreement by and between Medical Discoveries, Inc. and Eucodis dated July 6, 2007, whereby we agreed to sell all of our right, title and interest in all patents, patent applications, United States and foreign regulatory files and data, pre-clinical study data and anecdotal clinical trial data concerning SaveCream and to assign to Eucodis all of our right, title and interest in a co-development agreement with Eucodis, dated as of July 29, 2006, related to the co-development and licensing of SaveCream (including the intellectual property rights acquired in connection with that development). The closing of the transaction is subject to the satisfaction of certain closing conditions pursuant to the terms of the Sale and Purchase Agreement. Pursuant to a Settlement and Release Agreement with Ms. Judy Robinett, our former Chief Executive Officer, we have, among other things, agreed to pay Ms. Robinett $500,000 upon the closing of the sale of SaveCream to Eucodis. Therefore, the following pro forma condensed consolidated financial statements also estimate the pro forma effect of the Settlement and Release Agreement payment to Ms. Robinett.

The pro forma condensed consolidated balance sheet as of September 30, 2007 has been prepared as if the Sale and Purchase Agreement had been consummated on that date. The pro forma condensed consolidated statements of operations for the year ended December 31, 2006 and for the nine months ended September 30, 2007, are presented as if the Sale and Purchase Agreement had been consummated at the beginning of each period.

Pursuant to the terms of the Sale and Purchase Agreement, the purchase price to be paid by Eucodis for acquiring these assets will be €4,007,534 (approximately $5,906,000 under exchange rates in effect as of November 30, 2007). The purchase price is comprised of (i) a cash payment of €1,538,462 ($2,267,000 under exchange rates in effect as of

November 30, 2007) less $200,000 we received in March 2007 under the binding letter of intent, and (ii) Eucodis' assumption of an aggregate of €2,469,072 ($3,639,000 under exchange rates in effect as of November 30, 2007), constituting specific indebtedness currently owed by us and other commitments to certain of our creditors. Under the terms of the Settlement and Release Agreement, we are obligated to pay Ms. Robinett $500,000 from the proceeds of the closing of the Sale and Purchase Agreement in settlement of $895,137 of accrued, but unpaid, compensation.
The pro forma condensed consolidated financial statements are based upon available information and certain assumptions made by management and believed to be reasonable in the circumstances. The pro forma condensed consolidated financial statements may be subject to adjustment based on the actual euro/dollar currency exchange rate in effect on the date of closing, among other considerations. The pro forma information may not be indicative of the results of our operations and financial position, as it may be in the future or as it might have been had the transactions been consummated on the respective dates assumed. These pro forma condensed consolidated financial statements is included for comparative purposes and should be read in conjunction with our historical financial information in financial statements included in this proxy statement and in our other reports and documents filed with the Securities and Exchange Commission.

MEDICAL DISCOVERIES, INC. AND SUBSIDIARIES
(A Development Stage Company)
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2007
(Unaudited)

	As Reported (1)	Pro forma Adjustments		Pro forma Total
ASSETS				
CURRENT ASSETS				
Cash	$ 296,121	$ 1,987,539	a	$ 1,783,660
		(500,000)	b	
Prepaid expenses	66,031			66,031
Total Current Assets	362,152	1,487,539		1,849,691
Property and equipment, net	29,870			29,870
Deferred offering costs	1,530			1,530
TOTAL ASSETS	$ 393,552	$ 1,487,539		$ 1,881,091
LIABILITIES AND STOCKHOLDERS' DEFICIT				
CURRENT LIABILITIES				
Accounts payable	$ 1,111,501	$ -		$ 1,111,501
Accrued payroll and payroll taxes	1,294,584	(895,137)	b	399,447
Accrued interest payable	291,585			291,585
Notes payable to shareholders	56,000			56,000
Secured promissory note, less unamortized discount	58,673			58,673
Convertible notes payable	193,200			193,200
Financial instrument	2,065,470			2,065,470
Current liabilities associated with assets held for sale	3,137,859	(3,137,859)	a	-
Total Current Liabilities	8,208,872	(4,032,996)		4,175,876
STOCKHOLDERS' DEFICIT				
Preferred stock - undesignated, Series A, convertible; no par value; 50,000,000 shares authorized; 28,928 shares issued and outstanding; (aggregate liquidation preference of $2,892,800); the Company also has designated Series B with no shares issued or outstanding	514,612			514,612
Common stock, no par value; 250,000,000 shares authorized; 170,238,669 shares issued and outstanding	16,403,248			16,403,248
Additional paid-in capital	1,468,057			1,468,057
	(1,399,577)			(1,399,577)

Deficit accumulated prior to the development stage				
Deficit accumulated during the development stage	(24,801,660)	5,125,398	a	(19,281,125)
		395,137	b	
Total Stockholders' Deficit	(7,815,320)	5,520,535		(2,294,785)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 393,552	$ 1,487,539		$ 1,881,091

(1) Based on the Company's interim financial statements for the nine months ended September 30, 2007 included in this proxy statement.

See accompanying notes to unaudited pro forma condensed consolidated financial statements

MEDICAL DISCLOVERIES, INC. AND SUBSIDIARIES
(A Development Stage Company)
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(Unaudited)

	As Reported (1)	Pro forma Adjustments		Pro forma Total
Operating Expenses				
General and administrative	$ 919,273	$ -		$ 919,273
Research and development	986,584			986,584
Loss from Operations	(1,905,857)	-		(1,905,857)
Other Income (Expenses)				
Unrealized loss on financial instrument	(1,520,482)			(1,520,482)
Interest income	394			394
Interest expense	(27,252)			(27,252)
Interest expense from amortization of discount on secured promissory note	(58,673)			(58,673)
Gain on debt restructuring	90,000			90,000
Total Other Income (Expenses)	(1,516,013)	-		(1,516,013)
Income (Loss) from Continuing Operations	(3,421,870)	-		(3,421,870)
Loss from Discontinued Operations (net of gain on disposal of MDI-P of $258,809)	(355,305)	355,305	c	-
Net Loss	$ (3,777,175)	$ 355,305		$ (3,421,870)
Basic and Diluted Loss per Common Share:				
Loss from Continuing Operations	$ (0.028)			$ (0.028)
Loss from Discontinued Operations	$ (0.003)			$ -
Net loss	$ (0.031)			$ (0.028)
Basic and Diluted Weighted-Average Common Shares Outstanding	122,214,575			122,214,575

(1) Based on the Company's interim financial statements for the nine months ended September 30, 2007 included in this proxy statement..

See accompanying notes to unaudited pro forma condensed consolidated financial statements

MEDICAL DISCLOVERIES, INC. AND SUBSIDIARIES
(A Development Stage Company)

PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)

	As Reported (1)	Pro forma Adjustments		Pro forma Total
Revenues	$ 800,000	$ (800,000)	c	$ -
Operating Expenses				
General and administrative	1,986,052	(934,952)	c	1,051,100
Research and development	2,026,907	(2,026,907)	c	-
Total Expenses	(4,012,959)	2,961,859		(1,051,100)
Loss from Operations	(3,212,959)	2,161,859		(1,051,100)
Other Income (Expenses)				
Unrealized gain on financial instrument	2,564,608			2,564,608
Interest income	2,866			2,866
Interest expense	(29,919)			(29,919)
Foreign currency transaction loss	(117,501)	117,501	c	-
Gain on debt restructuring	607,761			607,761
Other income	1,373			1,373
Total Other Income	3,029,188	117,501		3,146,689
Net Income (Loss)	$ (183,771)	$ 2,279,360		$ 2,095,589
Income (Loss) per Common Share:				
Basic	$ (0.00)			$ 0.02
Diluted	$ (0.00)			$ 0.01
Weighted-Average Common Shares Outstanding				
Basic	113,809,546			113,809,546
Diluted	236,518,217			236,518,217

(1) Based on the Company's annual financial statements for the year ended December 31, 2006 included in this proxy statement..

See accompanying notes to unaudited pro forma condensed consolidated financial statements

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

(a) The pro forma condensed consolidated balance sheet gives the estimated effects of the closing of the Sale and Purchase Agreement, including the cash payment of €1,538,462 ($2,187,539 under exchange rates in effect as of September 30, 2007) less $200,000 received in March 2007 under the binding letter of intent, and (ii) Eucodis' assumption of an aggregate of €2,469,072 ($3,510,773 under exchange rates in effect as of September 30, 2007) of our liabilities, constituting $3,137,859 of specific indebtedness currently owed and recorded in the balance sheet, and $372,914 of other commitments to certain of our creditors.

(b) The pro forma condensed consolidated balance sheet gives the estimated effects of the fulfillment of the terms of the Settlement and Release Agreement with Judy Robinett, the Company's former Chief Executive Officer. Under the Settlement and Release Agreement, we are obligated to pay Ms. Robinett $500,000 from the proceeds of the closing of the Sale and Purchase Agreement in settlement of $895,137 of accrued, but unpaid, compensation.

(c) The pro forma condensed consolidated statements of operations for the nine months ended September 30, 2007, and for the year ended December 31, 2006, give effect of the Sale and Purchase Agreement as though it had been consummated on January 1, 2007 and January 1, 2006, respectively. This pro forma adjustment also includes the effects of eliminating the operating expenses associated with MDI-P, a bio-pharmaceutical technology that we sold in August 2007. It is not practical to segregate the operating expenses of the MDI-P technology from the operating expenses associated with the technology being sold under the Sale and Purchase Agreement.

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Registered with the Public Company Accounting Oversight Board

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Medical Discoveries, Inc.

We have audited the accompanying consolidated balance sheets of Medical Discoveries, Inc. and subsidiaries (a development stage company) as of December 31, 2006 and 2005, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and for the period from November 20, 1991 (date of inception of the development stage) through December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Company from November 20, 1991 through December 31, 2003, which statements reflect total revenues and deficit accumulated during the development stage of $157,044 and $14,930,259, respectively. Those statements were audited by other auditors whose reports, dated February 18, 2004 (except Note K, not included herein, as to which the date is November 15, 2004) and March 20, 2000, included an explanatory paragraph stating there was substantial doubt regarding the Company's ability to continue as a going concern. Our opinion, insofar as it relates to the consolidated financial statements for the period from November 20, 1991 through December 31, 2003, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Medical Discoveries, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended and for the period from November 20, 1991 through December 31, 2006, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company is a development stage enterprise previously engaged in developing bio-pharmaceutical research and currently developing bio-diesel fuels. As discussed in Note B to the financial statements, the stockholders' deficit and the operating losses since inception raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note B. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
November 28, 2007

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MEDICAL DISCOVERIES, INC. AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Balance Sheets

	December 31, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash	$ 47,658	$ 654,438
Total Current Assets	47,658	654,438
Notes receivable	-	296,050
Property and equipment, net	62,249	80,635
TOTAL ASSETS	$ 109,907	$ 1,031,123
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$ 1,136,684	$ 935,132
Accrued payroll and payroll taxes	1,184,264	1,673,651
Accrued interest payable	267,739	237,836
Notes payable to shareholders	56,000	56,000
Convertible notes payable	193,200	193,200
Research and development obligation	2,441,445	592,100
Financial instrument	294,988	2,859,596
Total Current Liabilities	5,574,320	6,547,515
Long-term liability	90,000	-
TOTAL LIABILITIES	5,664,320	6,547,515
STOCKHOLDERS' DEFICIT		
Preferred stock - undesignated, Series A, convertible; no par value; 50,000,000 shares authorized; 34,420 and 42,000 shares issued and outstanding, respectively; (aggregate liquidation preference of $3,442,000 and $4,200,000, respectively); the Company also has designated a Series B with no shares issued or outstanding	514,612	523,334
Common stock, no par value; 250,000,000 shares authorized; 118,357,704 and 107,679,724 shares issued and outstanding, respectively	15,299,017	15,211,895
Additional paid-in capital	1,056,020	988,670

Deficit accumulated prior to the development stage		(1,399,577)		(1,399,577)
Deficit accumulated during the development stage		(21,024,485)		(20,840,714)
Total Stockholders' Deficit		(5,554,413)		(5,516,392)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$	109,907	$	1,031,123

See Notes to Consolidated Financial Statements

MEDICAL DISCOVERIES, INC. AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Operations

	For the Years Ended December 31, 2006	2005	From Inception of the Development Stage on November 20, 1991 Through December 31, 2006
REVENUES	$ 800,000	$ -	$ 957,044
COST OF GOODS SOLD	-	-	14,564
GROSS PROFIT	800,000	-	942,480
OPERATING EXPENSES			
General and administrative	1,986,052	1,878,027	19,041,049
Research and development	2,026,907	2,172,461	7,748,106
Inventory write-down	-	-	96,859
Impairment loss	-	-	9,709
License fees	-	-	1,001,500
Total Expenses	4,012,959	4,050,488	27,897,223
LOSS FROM OPERATIONS	(3,212,959)	(4,050,488)	(26,954,743)
OTHER INCOME (EXPENSES)			
Unrealized gain on financial instrument	2,564,608	2,300,191	4,864,799
Interest income	2,866	25,727	58,164
Interest expense	(29,919)	(38,264)	(1,185,620)
Foreign currency transaction gain (loss)	(117,501)	56,480	(61,021)
Gain on debt restructuring	607,761	196,353	2,039,650
Other income	1,373	23,220	906,485
Total Other Income (Expenses)	3,029,188	2,563,707	6,622,457
NET LOSS	(183,771)	(1,486,781)	(20,332,286)
Preferred stock dividend from beneficial conversion feature	-	-	(692,199)
NET INCOME (LOSS) APPLICABLE TO COMMON SHAREHOLDERS	$ (183,771)	$ (1,486,781)	$ (21,024,485)
BASIC AND DILUTED INCOME (LOSS)			

PER COMMON SHARE	$ (0.00)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	113,809,546	107,398,164

See Notes to Consolidated Financial Statements

MEDICAL DISCOVERIES INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
Period From November 20, 1991 (Date of Inception of the Development Stage) through December 31, 2006

	Preferred Stock Shares	Preferred Stock Amount	Common stock Shares	Common stock Amount	Additional Paid in Capital	Accumulated Deficit Prior to Development Stage	Deficit Accumulated During the Development Stage	Escrow/ Subscription Receivables	Total
Balance at October 31, 1991			1,750,000	$ 252,997	$ -	$ (1,482,514)	$ -	$ -	$ (1,229,517)
Restatement for reverse acquisition of WPI Pharmaceutical, Inc. by Medical Discoveries, Inc.	-	-	-	(252,997)	-	252,997	-	-	-
Shares issued in merger of WPI Pharmaceutical, Inc. Medical Discoveries, Inc., $0.01 per share	-	-	10,000,000	135,000	-	(170,060)	-	-	(35,060)
Balance at November 20, 1991 (Date of Inception of Development Stage)	-	-	11,750,000	135,000	-	(1,399,577)	-	-	(1,264,577)
Issuance of common stock for:									
Cash									
1992 - $0.50 per share	-	-	200,000	100,000	-	-	-	-	100,000
1992 - $1.50 per share	-	-	40,000	60,000	-	-	-	-	60,000
1993 - $0.97 per share	-	-	542,917	528,500	-	-	-	-	528,500
1994 - $1.20 per share	-	-	617,237	739,500	-	-	-	-	739,500
1995 - $0.67 per share	-	-	424,732	283,200	-	-	-	-	283,200
1996 - $0.66 per share	-	-	962,868	635,000	-	-	-	(60,000)	575,000

1997 - $0.43 per share	-	-	311,538	135,000	-	-	-	60,000	195,000
1998 - $0.29 per share	-	-	2,236,928	650,000	-	-	-	-	650,000
1999 - $0.15 per share	-	-	13,334	2,000	-	-	-	-	2,000
2001 - $0.15 per share	-	-	660,000	99,000	-	-	-	-	99,000
2003 - $0.04 per share	-	-	20,162,500	790,300	-	-	-	-	790,300
2004 - $0.09 per share	-	-	20,138,024	1,813,186	-	-	-	-	1,813,186
Services and Interest									
1992 - $0.50 per share	-	-	500,000	250,000	-	-	-	-	250,000
1993 - $0.51 per share	-	-	251,450	127,900	-	-	-	-	127,900
1993 - $0.50 per share	-	-	800,000	400,000	-	-	-	-	400,000
1994 - $1.00 per share	-	-	239,675	239,675	-	-	-	-	239,675
1995 - $0.39 per share	-	-	4,333,547	1,683,846	-	-	-	(584,860)	1,098,986
1996 - $0.65 per share	-	-	156,539	101,550	-	-	-	-	101,550
1997 - $0.29 per share	-	-	12,500	3,625	-	-	-	-	3,625
1998 - $0.16 per share	-	-	683,000	110,750	-	-	-	-	110,750
1999 - $0.30 per share	-	-	100,000	30,000	-	-	-	-	30,000
2001 - $0.14 per share	-	-	1,971,496	284,689	-	-	-	-	284,689
2002 - $0.11 per share	-	-	2,956,733	332,236	-	-	-	-	332,236
2003 - $0.04 per share	-	-	694,739	43,395	-	-	-	-	43,395
2004 - $0.06 per share	-	-	1,189,465	66,501	-	-	-	-	66,501
Conversion of Debt									
1996 - $0.78 per share			239,458	186,958	-	-	-	-	186,958
1997 - $0.25 per share	-	-	100,000	25,000	-	-	-	-	25,000
1998 - $0.20 per share	-	-	283,400	56,680	-	-	-	-	56,680
2002 - $0.03 per share	-	-	17,935,206						