

Global Clean Energy Holdings, Inc.
Form 10-K/A
December 02, 2009

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

FORM 10-K/A
Amendment No. 1

- ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 0-12627

GLOBAL CLEAN ENERGY HOLDINGS, INC.
(Exact name of Small Business Issuer as specified in its charter)

Utah
(State or other jurisdiction
of
incorporation or
organization)

87-0407858
(I.R.S. Employer
Identification Number)

6033 W. Century Blvd,
Suite 895,
Los Angeles, California 90045
(Address of principal executive
offices)

(310) 641-4234
Issuer's telephone number:

Securities registered under Section 12(b) of the Act: None.

Securities registered under Section 12(g) of the Act: Common Stock, no par value.

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and, (2) has been subject to such filing requirements for the past 90 days.

Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein and, will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
	(Do not check if a smaller reporting company)		

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2008 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$8,865,000.

The outstanding number of shares of common stock as of April 8, 2009 was 229,381,338, which includes 4,567,519 shares of common stock currently held in escrow.

Documents incorporated by reference: None

EXPLANATORY NOTE

We are filing this amendment (this “Amendment”) to our Annual Report on Form 10-K for the year ended December 31, 2008 (our “Annual Report”) to reflect changes made in response to comments received by us from the Staff of the Securities and Exchange Commission (the “SEC”) in connection with the Staff’s review of our Annual Report. We are only filing the items of our Annual Report that have been revised in response to the Staff’s comments and all other information in our Annual Report remains unchanged. Accordingly, the Amendment should be read in conjunction with our Annual Report. Unless otherwise provided, all information contained in this Amendment is as of April 15, 2009, the original filing date of our Annual Report. This Amendment does not reflect events that have occurred after the filing of the Annual Report and does not modify or update the disclosure therein in any way other than as required to reflect the matters set forth herein.

The only changes to our Annual Report are in Item 9A(T) “Controls and Procedures” and in the financial statements and exhibits filed as part of Item 15 “Exhibits and Financial Statement Schedules.” In Item 9A(T) we have revised our disclosure to more clearly present the conclusions of our principal executive, principal financial and principal accounting officers regarding the effectiveness of our disclosure controls and procedures in our Mexico subsidiary.

We have amended the exhibits filed as part of the Annual Report to include the following two additional agreements: (i) Limited Liability Company Agreement of GCE Mexico I, LLC, and (ii) Service Agreement between this company and Corporativo LODEMO S.A DE CV. The financial statements included in Item 15 have been modified (i) to mark as unaudited the information included in the Consolidated Statements of Operations and Cash Flows which is designated as “From Inception of the Development Stage on November 20, 1991 through December 31, 2008,” (ii) to mark as unaudited the information included in the Consolidated Statements of Changes in Stockholders’ Deficit for the Period from November 20, 1991 (Date of Inception of the Development Stage) through December 31, 2006, (iii) to remove all language from the Report of Independent Registered Public Accounting Firm referring to the periods prior to the year ended December 31, 2007 and to the reports of other auditors, and (iv) to clarify certain disclosures in the Notes to Consolidated Financial Statements regarding our Principles of Consolidation as they pertain to Asideros Globales Corporativo and GCE Mexico I, LLC.

Pursuant to the rules of the SEC, currently dated certifications from our principal executive and principal financial officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, are filed or furnished herewith, as applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Financial Statements are referred to in Item 15, listed in the Index to Financial Statements and filed and included elsewhere herein as a part of this Annual Report on Form 10-K/A.

ITEM 9A(T). CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures which are designed to ensure that the information required to be disclosed in the reports it files or submits under the Securities Exchange Act of 1934 (as amended, the “Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer (“Certifying Officers”), to allow timely decisions regarding required financial disclosures.

In connection with the preparation of this Annual Report, our Certifying Officers evaluated the effectiveness of management’s disclosure controls and procedures, as of December 31, 2008, in accordance with Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based on that evaluation, the Certifying Officers concluded that management’s disclosure controls and procedures were not effective as of December 31, 2008.

Material Weakness in Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 15d-15(f) under the Exchange Act, and for assessing the effectiveness of internal control over financial reporting.

Internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use, or disposition of our assets that could have a material effect on our financial statements.

Management, with the participation of our principal executive and financial officers, conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management concluded that, as of December 31, 2008, our internal control over financial reporting was not effective.

Based on our evaluation of our internal control over financial reporting in our Mexico subsidiary, we have determined that we currently have inadequate controls over the accounting functions in Mexico and over cash management in Mexico. However, management does not believe that this material weakness resulted in any material misstatements in our financial condition for the current reporting period. Management is attempting to implement new controls to improve both of these deficiencies. The deficiencies consist of controls over the disbursement of cash from our accounts in Mexico and the proper categorization of such expenses for accounting purposes. The Company has begun to take appropriate steps to remediate these weaknesses as follows: The Company recently established new bank accounts in Mexico that require dual control of two persons for most disbursements. The Company has required that the Company be promptly notified of these disbursements for control and categorization purposes. Furthermore, we

are commencing the implementation of procedures for remote real time access by the Company U.S. executives to bank accounts in Mexico. Accordingly, each disbursement will be able to be monitored in the U.S. to ensure proper use and to properly record such disbursements. The Company expects to complete the implementation of real time monitoring in the second half of 2009, assuming financial resources are available. The effectiveness of our internal controls following our remediation efforts will not be known until we test those controls in connection with management's tests of internal control.

Our Board of Directors believes that, with the exception of the issues identified relating to our operations in Mexico, our system of internal controls, disclosure controls and procedures are adequate to provide reasonable assurance that the information required to be disclosed in the our interim and annual reports is recorded, processed, summarized, and accurately reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our Board of Directors, the Audit Committee, management, including our certifying officers, as appropriate, to allow for timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). The Audit Committee cannot be certain that its remediation efforts will sufficiently cure management's identified material financial reporting weaknesses. Furthermore, the Audit Committee has not tested the operating effectiveness of the remediated controls, since the process is not yet complete. However, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

Except as reported above in this Item 9, there was no change in our internal control over financial reporting during the most recent fiscal quarter that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The Company's financial statements and related notes thereto are listed and included in this Amendment No. 1 to Annual Report beginning on page F-1. The following documents are furnished as exhibits to this Form 10-K/A. Exhibits marked with an asterisk are filed herewith. The remainder of the exhibits previously have been filed with the Commission and are incorporated herein by reference.

Number	Exhibit
3.1	Amended and Restated Articles of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, and incorporated herein by reference).
3.2	Amended Bylaws of the Company (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, and incorporated herein by reference).
4.1	Certificate of Designations of Preferences and Rights of Series A Convertible Preferred Stock of Medical Discoveries, Inc. (filed as Exhibit 4.1 to Registration Statement No. 333-121635 filed on Form SB-2 on December 23, 2004, and incorporated herein by reference).
4.4	Amendment to Certificate of Designations of Preferences and Rights of Series A Convertible Preferred Stock of Medical Discoveries, Inc. (filed as Exhibit 4.2 to Registration Statement No. 333-121635 filed on Form SB-2 on December 23, 2004, and incorporated herein by reference).
4.5	Certificate Of Designation of Preferences and Rights Series B Convertible Preferred Stock of Medical Discoveries, Inc. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed November 13, 2007, and incorporated herein by reference)
10.1	2002 Stock Incentive Plan adopted by the Board of Directors as of July 11, 2002 (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2002, and incorporated herein by reference).
10.2	Sale and Purchase Agreement between Attorney Hinnerk-Joachim Müller as liquidator of Savetherapeutics AG i.L. and Medical Discoveries, Inc. regarding the purchase of the essential assets of Savetherapeutics AG i.L. (filed as Exhibit 2.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, and incorporated herein by reference).
10.3	Share Exchange Agreement dated September 7, 2007 among Medical Discoveries, Inc., Richard Palmer, and Mobius Risk Group, LLC (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K filed September 17, 2007, and incorporated herein by reference)
10.4	Definitive Master Agreement dated as of July 29, 2006, by and between MDI Oncology, Inc. and Eucodis Forschungs und Entwicklungs GmbH (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 3, 2006, and incorporated herein by reference)
10.5	Loan and Security Agreement, dated September 7, 2007, between Medical Discoveries, Inc. and Mercator Momentum Fund III, L.P. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 17, 2007, and incorporated herein by reference).
10.6	

Note Amendment And Maturity Date Extension, dated January 12, 2009,
between the Company and Mercator Momentum Fund III, L.P.**

- 10.7 Consulting Agreement dated September 7, 2007 between Medical Discoveries, Inc. and Mobius Risk Group, LLC (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 17, 2007, and incorporated herein by reference)
-

10.8	Employment Agreement dated September 7, 2007 between Medical Discoveries, Inc. and Richard Palmer (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 17, 2007, and incorporated herein by reference)
10.9	Release and Settlement Agreement dated August 31, 2007 between Medical Discoveries, Inc. and Richard Palmer (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed September 17, 2007, and incorporated herein by reference)
10.10	Release and Settlement Agreement, dated as of October 19, 2007, by and among the Company, on the one hand, and Mercator Momentum Fund, LP, Monarch Pointe Fund, Ltd., and Mercator Momentum Fund III, LP, on the other hand. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 26, 2007, and incorporated herein by reference)
10.11	Form of Warrant (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed October 26, 2007, and incorporated herein by reference)
10.12	Securities Purchase Agreement, dated as of November 6, 2007, by and among Medical Discoveries, Inc. and the Purchasers (as defined therein) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 13, 2007, and incorporated herein by reference)
10.13	Employment Agreement dated March 20, 2008 between Global Clean Energy Holdings, Inc. and Bruce K. Nelson (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 7, 2008, and incorporated herein by reference)
10.14	Exchange Agreement, effective April 18, 2008, by and between Global Clean Energy Holdings, Inc., on the one hand, and Mercator Momentum Fund, L.P., Mercator Momentum Fund III, L.P., and Monarch Pointe Fund, Ltd. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 24, 2008, and incorporated herein by reference)
10.15	Amendment to Loan and Security Agreement, dated September 7, 2007, between Medical Discoveries, Inc. and Mercator Momentum Fund III, L.P. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-QSB filed August 14, 2008, and incorporated herein by reference)
10.16	Stock Purchase Agreement, dated October 30, 2008, between the Global Clean Energy Holdings, Inc. and the four shareholders of Technology Alternatives Limited, a Belizean Company formed under the Laws of Belize (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-QSB filed November 14, 2008, and incorporated herein by reference)
10.17	Limited Liability Company Agreement of GCE Mexico I, LLC, a Delaware Limited Liability Company, dated April 23, 2008*
10.18	Service Agreement, dated October 15, 2007, between the Company and Corporativo LODEMO S.A DE CV, a Mexican corporation*
14.1	Medical Discoveries, Inc. Code of Conduct**
23	Consent of Hansen, Barnett & Maxwell. P.C.*

31	Rule 13a-14(a) Certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith.

** Filed with our Annual Report on Form 10-K for the year ended December 31, 2008, as originally filed on April 15, 2009.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBAL CLEAN ENERGY HOLDINGS, INC.

December 1, 2009

By: /s/ RICHARD PALMER
Richard Palmer
President and Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RICHARD PALMER Richard Palmer	Chief Executive Officer (Principal Executive Officer) and Director	December 1, 2009
/s/ BRUCE NELSON Bruce Nelson	Chief Financial Officer (Principal Accounting Officer)	December 1, 2009
/s/ DAVID WALKER David Walker	Chairman, the Board of Directors	December 1, 2009
/s/ MARK A. BERNSTEIN Mark A. Bernstein	Director	December 1, 2009

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HANSEN, BARNETT & MAXWELL, P.C.
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS
AND
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Registered with the Public Company
Accounting Oversight Board

A Member of the Forum of Firms

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Global Clean Energy Holdings, Inc.
Los Angeles, CA

We have audited the accompanying consolidated balance sheets of Global Clean Energy Holdings, Inc. and subsidiaries (a development stage company) as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. 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 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Clean Energy Holdings, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, 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.

/s/ HANSEN, BARNETT & MAXWELL, P.C.

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
April 14, 2009

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GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
FORMERLY KNOWN AS MEDICAL DISCOVERIES, INC.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 291,309	\$ 805,338
Subscription receivable	-	75,000
Other current assets	131,715	51,073
Total Current Assets	423,024	931,411
PROPERTY AND EQUIPMENT		
Land	2,051,282	-
Plantation development costs	2,117,061	308,777
Plantation equipment	509,037	-
Office equipment	10,993	1,127
	4,688,373	309,904
Less accumulated depreciation	(22,296)	(563)
	4,666,077	309,341
OTHER ASSETS		
	2,691	-
TOTAL ASSETS	\$ 5,091,792	\$ 1,240,752
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 1,890,999	\$ 1,656,292
Accrued payroll and payroll taxes	1,158,808	950,971
Accrued interest payable	522,097	300,651
Accrued return on minority interest	138,014	-
Secured promissory note	460,000	250,000
Notes payable to shareholders	56,000	56,000
Convertible notes payable	193,200	193,200
Research and development obligation	2,607,945	2,701,555
Financial instrument	-	2,166,514
Total Current Liabilities	7,027,063	8,275,183
MORTGAGE NOTE PAYABLE		
	2,051,282	-
MINORITY INTEREST		
	1,962,022	-
STOCKHOLDERS' DEFICIT		
Preferred stock - no par value; 50,000,000 shares authorized	-	514,612

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Series A, convertible; zero and 28,928 shares issued and outstanding, respectively
(aggregate liquidation preference of \$0 and \$2,892,800, respectively)

Series B, convertible; 13,000 shares issued or subscribed (aggregate liquidation preference of \$1,300,000)	1,290,735	1,290,735
Common stock, no par value; 500,000,000 shares authorized; 224,813,819 and 174,838,967 shares issued and outstanding, respectively	17,634,474	16,526,570
Additional paid-in capital	3,672,724	1,472,598
Deficit accumulated prior to the development stage	(1,399,577)	(1,399,577)
Deficit accumulated during the development stage	(27,146,931)	(25,439,369)
Total Stockholders' Deficit	(5,948,575)	(7,034,431)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 5,091,792	\$ 1,240,752

See Notes to Consolidated Financial Statements

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GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
FORMERLY KNOWN AS MEDICAL DISCOVERIES, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		From Inception of the Development Stage on November 20, 1991 through December 31, 2008 (Unaudited)
	2008	2007	
Operating Expenses			
General and administrative	\$ 1,828,727	\$ 2,949,885	\$ 9,729,285
Research and development	-	986,584	986,584
Loss from Operations	(1,828,727)	(3,936,469)	(10,715,869)
Other Income (Expenses)			
Unrealized gain (loss) on financial instrument	5,469	(147,636)	4,722,632
Interest income	4,310	4,441	66,915
Interest expense	(234,470)	(51,929)	(1,472,019)
Interest expense from amortization of discount on secured promissory note	(36,369)	(250,000)	(286,369)
Gain on debt restructuring	-	485,137	2,524,787
Other income	-	-	906,485
Total Other Income (Expenses)	(261,060)	40,013	6,462,431
Loss from Continuing Operations Before Minority Interest in Net Loss	(2,089,787)	(3,896,456)	(4,253,438)
Minority interest in net loss	315,115	-	315,115
Loss from Continuing Operations	(1,774,672)	(3,896,456)	(3,938,323)
Income (Loss) from Discontinued Operations (net of gain on disposal of MDI-P of \$258,809 in 2007)	67,110	(518,428)	(22,516,409)
Net Loss	(1,707,562)	(4,414,884)	(26,454,732)
Preferred stock dividend from beneficial conversion feature	-	-	(692,199)
Net Loss Applicable to Common Shareholders	\$ (1,707,562)	\$ (4,414,884)	\$ (27,146,931)
Basic and Diluted Loss per Common Share:			
Loss from Continuing Operations	\$ (0.009)	\$ (0.029)	
Income (Loss) from Discontinued Operations	\$ 0.001	\$ (0.004)	

Net loss	\$	(0.008)	\$	(0.033)
Basic and Diluted Weighted-Average Common Shares Outstanding		207,895,116		134,707,205

See Notes to Consolidated Financial Statements

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GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
FORMERLY KNOWN AS MEDICAL DISCOVERIES, INC.

(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, 2008

	Preferred Stock Shares	Preferred Stock Amount	Series A Shares	Series A Amount	Common stock Shares	Common stock Amount	Additional Paid in Capital	Accumulated Deficit Prior to Development Stage	Accumulated Deficit During 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
	-	-	-	-	542,917	528,500	-	-	-	-	528,500

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1993 - \$0.97 per share										
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
2005 - \$0.18 per share	-	-	-	-	1,922,222	281,926	-	-	-	281,926
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
	-	-	-	-	104,167	11,312	-	-	-	11,312

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2005 - \$0.18 per share										
2006 - \$0.18 per share	-	-	-	-	435,556	78,400	-	-	-	78,400
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	583,500	-	-	-	583,500
2004 - \$0.07 per share	-	-	-	-	9,875,951	650,468	-	-	-	650,468
Conversion of preferred stock to common stock, 2006	(7,580)	(8,722)	-	-	10,242,424	8,722	-	-	-	-
Other Issuances										
1993 - License - \$0.50 share	-	-	-	-	2,000,000	1,000,000	-	-	-	1,000,000
1997 - Settlement of contract	-	-	-	-	800,000	200,000	-	-	-	200,000
1998 - Issuance of common stock from exercise of warrants, \$0.001 per share	-	-	-	-	200,000	200	-	-	-	200
2000 - Reversal of shares issued	-	-	-	-	(81,538)	-	-	-	-	-
Escrow and Subscription Receivables										
1996 - Common stock canceled - \$0.34 per share	-	-	-	-	(1,400,000)	(472,360)	-	-	472,360	-
2000 - Issuance for escrow receivable - \$0.09 per share	-	-	-	-	5,500,000	500,000	-	-	(500,000)	-
2000 - Write-off of subscription receivable	-	-	-	-	-	-	-	-	112,500	112,500
2000 - Research and development costs	-	-	-	-	-	-	-	-	115,400	115,400

2001 - Research and development costs	-	-	-	-	-	-	-	-	132,300	132,300
2001 - Operating expenses	-	-	-	-	-	-	-	-	25,000	25,000
2004 - Termination of escrow agreement	-	-	-	-	(2,356,200)	(227,300)	-	-	227,300	-

(Continued)

See Notes to Consolidated Financial Statements

Stock											
Balance											
and											
LC	30,000	-	-	-	-	-	-	-	-	-	-
for											
at											
the											
end											
of											
the											
period											
ended											
December											
31,	-	-	-	-	-	-	(2,435,713)	-	-	-	(
2011,	-	-	-	-	-	-	-	-	(20,332,286)	-	(2
2010,											
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on n in											
shares											
of											
t of	-	-	-	-	4,567,518	123,322	(123,322)	-	-	-	-
5	-	-	-	-	32,780	-	-	-	-	-	-
r the											
31,	-	-	-	-	-	-	-	-	(4,414,884)	-	(
31,	28,928	514,612	13,000	1,290,735	174,838,967	16,526,570	1,472,598	(1,399,577)	(25,439,369)	-	(
ation											
to	-	-	-	-	-	-	2,161,045	-	-	-	-
of											
stock											
n	(28,928)	(514,612)	-	-	28,927,000	514,612	-	-	-	-	-
ock											
share	-	-	-	-	2,777,778	100,000	-	-	-	-	-
of											
d											
t of	-	-	-	-	-	-	160,934	-	-	-	-
le											
d											
on	-	-	-	-	-	-	184,146	-	-	-	-
nce											
on of											
d											
on											
n	-	-	-	-	-	-	187,293	-	-	-	-
in											

Shares											
of											
	-	-	-	-	18,270,074	493,292	(493,292)	-	-	-	
for the											
ended											
31,	-	-	-	-	-	-	-	-	(1,707,562)	-	
31,											
	-	\$	-	13,000	\$ 1,290,735	224,813,819	\$ 17,634,474	\$ 3,672,724	\$(1,399,577)	\$(27,146,931)	\$ -

See Notes to Consolidated Financial Statements

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GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
FORMERLY KNOWN AS MEDICAL DISCOVERIES, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		From Inception of the Development Stage on November 20, 1991 through December 31, 2008 (Unaudited)
	2008	2007	
Cash Flows From Operating Activities			
Net loss	\$ (1,707,562)	\$ (4,414,884)	\$ (26,454,732)
Adjustments to reconcile net loss to net cash used in operating activities			
Foreign currency transaction loss (gain)	(107,369)	296,370	250,022
Gain on debt restructuring	-	(485,137)	(2,524,787)
Share-based compensation for services, expenses, litigation, and research and development	371,439	3,118,021	12,714,180
Commitment for research and development obligation	-	-	2,378,445
Depreciation	1,365	10,494	139,031
Reduction of escrow receivable from research and development	-	-	272,700
Unrealized loss (gain) on financial instrument	(5,469)	147,636	(4,722,632)
Interest expense from amortization of discount on secured promissory note	36,369	250,000	286,369
Minority interest in net loss	(315,115)	-	(315,115)
Reduction of legal costs	-	-	(130,000)
Write-off of subscriptions receivable	-	-	112,500
Impairment loss on assets	-	-	9,709
Gain on disposal of assets, net of losses	-	(258,809)	(228,445)
Write-off of receivable	-	-	562,240
Note payable issued for litigation	-	-	385,000
Changes in operating assets and liabilities			
Accounts receivable	-	-	(7,529)
Other current assets	(80,642)	(51,073)	(131,715)
Accounts payable and accrued expenses	802,314	678,104	5,020,326
Net Cash Used in Operating Activities	(1,004,670)	(709,278)	(12,384,433)
Cash Flows From Investing Activities			
Plantation development costs	(1,787,916)	(308,777)	(2,096,693)
Purchase of property and equipment	(518,903)	-	(740,237)
Proceeds from disposal of assets	-	310,000	310,000
Change in deposits	(2,691)	-	(53,791)
Issuance of note receivable	-	-	(313,170)
Payments received on note receivable	-	-	130,000
Net Cash Provided by (Used in) Investing Activities	(2,309,510)	1,223	(2,763,891)
Cash Flows From Financing Activities			
Proceeds from common stock, preferred stock, and warrants for cash	175,000	1,215,735	11,424,580

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Proceeds from issuance of preferred membership in GCE Mexico I, LLC	2,415,151	-	2,415,151
Contributed equity	-	-	131,374
Proceeds from notes payable and related warrants	260,000	350,000	1,946,613
Payments on notes payable	(50,000)	(100,000)	(951,287)
Proceeds from convertible notes payable	-	-	571,702
Payments on convertible notes payable	-	-	(98,500)
Net Cash Provided by Financing Activities	2,800,151	1,465,735	15,439,633
Net Increase (Decrease) in Cash and Cash Equivalents	(514,029)	757,680	291,309
Cash and Cash Equivalents at Beginning of Year	805,338	47,658	-
Cash and Cash Equivalents at End of Year	291,309	805,338	291,309

Supplemental Disclosures of Cash Flow Information:

Cash paid for interest	\$ 13,024	\$ 12,146
------------------------	-----------	-----------

Noncash Investing and Financing Activities:

Reclassification of financial instrument to permanent equity	\$ 2,161,045	\$ -
Acquisition of land in exchange for mortgage note payable	2,051,282	-
Exchange of Series A preferred stock for common stock	514,612	-
Release of common stock held in escrow	493,292	123,322
Issuance of warrants in satisfaction of accounts payable	124,565	-
Accrual of return on minority interest	138,014	-
Equipment depreciation capitalized to plantation development costs	20,638	-

See Notes to Consolidated Financial Statements

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
FORMERLY KNOWN AS MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

History

Medical Discoveries, Inc. was incorporated under the laws of the State of Utah on November 20, 1991. Effective as of August 6, 1992, the Company merged with and into WPI Pharmaceutical, Inc., a Utah corporation (“WPI”), pursuant to which WPI was the surviving corporation. Pursuant to the MDI-WPI merger, the name of the surviving corporation was changed to Medical Discoveries, Inc. (“MDI”). MDI’s initial purpose was the research and development of an anti-infection drug know as MDI-P.

On March 22, 2005, MDI formed MDI Oncology, Inc., a Delaware corporation, as a wholly-owned subsidiary to acquire and operate the assets and business associated with the Savetherapeutics transaction. With this transaction, MDI acquired the SaveCream technology and carried on the research and development of this drug candidate. As discussed in Note M, MDI made the decision in 2007 to discontinue further development of these two drug candidates and sell these technologies.

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

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

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

Principles of Consolidation

The consolidated financial statements include the accounts of Global Clean Energy Holdings, Inc., its subsidiaries, and the variable interest entities of GCE Mexico and Asideros. All significant intercompany transactions have been eliminated in consolidation.

Financial Accounting Standards Board Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, (FIN 46(R)), requires that if an entity is the primary beneficiary of a variable interest entity (VIE), the entity should consolidate the assets, liabilities and results of operations of the VIE in its consolidated financial statements. Global Clean Energy Holdings, Inc. considers itself to be the primary beneficiary of GCE Mexico and

Asideros, and accordingly, has consolidated these entities since April 2008, with the equity interests of the unaffiliated investors in GCE Mexico presented as Minority Interests in the accompanying consolidated financial statements.

Development Stage Company

The Company has not yet obtained substantial revenue from its planned principal operations and is, therefore, considered a development stage company as defined in Statement of Financial Accounting Standards (SFAS) No. 7, Accounting and Reporting by Development Stage Enterprises.

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GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
FORMERLY KNOWN AS MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments maturing in three months or less to be cash equivalents.

Concentration of Credit Risk

The Company's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents on deposit in excess of federally-insured limits in the aggregate amount of \$27,891 at December 31, 2008. The Company has maintained its cash balances at what management considers to be high credit-quality financial institutions.

Property and Equipment

As described in Note D, substantially all property and equipment relate to the development of a plantation to cultivate the *Jatropha Curcas* plant. Property and equipment are stated at cost. Depreciation of office equipment is computed using the straight-line method over estimated useful lives of 5 years. Plantation equipment is depreciated using the straight-line method over estimated useful lives of 5 to 15 years and is currently being capitalized as part of plantation development costs. Plantation development costs are being accumulated in the balance sheet during the development period and will be accounted for in accordance with Statement of Position 85-3, Accounting by Agricultural Producers and Agricultural Cooperatives (SOP 85-3). Plantation development costs are not currently being depreciated. Under the provisions of SOP 85-3, land developments and other improvements with indefinite lives are capitalized and not depreciated. Other developments that have a limited life and intermediate-life plants that have growth and production cycles of more than one year are depreciated over their respective lives once they are placed in service. Upon completion of the plantation development, the development costs having a limited life and the costs of cultivating the *Jatropha* plants will be depreciated over the useful lives of the related assets. Land, plantation development costs, and plantation equipment are located in Mexico.

Except for costs incurred during the development period of the plantation, normal maintenance and repair items are charged to costs and expensed as incurred. During the development period, maintenance, repairs, and depreciation of plantation equipment have been capitalized as part of the plantation development costs. The cost and accumulated depreciation of property and equipment sold or otherwise retired are removed from the accounts and gain or loss on disposition is reflected in results of operations.

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

Income Taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and

liabilities and the carryforward of operating losses and tax credits, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance against deferred tax assets is recorded when it is more likely than not that such tax benefits will not be realized. Research tax credits are recognized as utilized.

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GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
FORMERLY KNOWN AS MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue Recognition

Revenue is recognized in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104, Revenue Recognition in Financial Statements. Revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; collectibility is reasonably assured; and title and the risks and rewards of ownership have transferred to the buyer.

Research and Development

Prior to the discontinuation of its bio-pharmaceutical business as discussed in Note M, research and development had been the principal function of the Company. For fiscal years ended December 31, 2006 and earlier, research and development expense included certain costs which were directly associated with the Company's research and development of the Company's anti-infective pharmaceutical, MDI-P, as well as the purchase of the intellectual property assets of Savetherapeutics AG. For the year ended December 31, 2007, research and development costs related to the exchange of common stock for the trade secrets, know-how, etc. of Global Clean Energy Holdings, LLC (See Note C). Research and development costs totaled \$0 and \$986,584 for the years ended December 31, 2008 and 2007, respectively. For years prior to the discontinuation of its bio-pharmaceutical business, research and development costs are included in loss from discontinued operations.

Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income or loss. Foreign currency transactions are primarily undertaken in Euros. Foreign currency balances denominated in Euros relate to the discontinued bio-pharmaceutical business. Consequently, foreign currency gains and losses have been included in loss from discontinued operations. The Company has not entered into derivative instruments to offset the impact of foreign currency fluctuations.

Fair Value of Financial Instruments

The Company estimates that the fair value of all financial instruments at December 31, 2008 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include a) those assumed in

determining the valuation of common stock, warrants, and stock options, b) estimated useful lives of plantation equipment, and c) undiscounted future cash flows for purpose of evaluating possible impairment of long-term assets. It is at least reasonably possible that the significant estimates used will change within the next year.

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GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
FORMERLY KNOWN AS MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basic and Diluted Loss per Share

Basic loss per share is computed on the basis of the weighted-average number of common shares outstanding during the year. Diluted loss per share is computed on the basis of the weighted-average number of common shares and all dilutive potentially issuable common shares outstanding during the year. Common stock issuable upon conversion of debt and preferred stock, common stock held in escrow, stock options and stock warrants have not been included in the loss per share for 2008 and 2007 as they are anti-dilutive. The potentially issuable common shares as of December 31, 2008 and 2007 are as follows:

	December 31,	
	2008	2007
Convertible notes	128,671	128,671
Convertible preferred stock - Series A	-	57,856,000
Convertible preferred stock - Series B	11,818,181	11,818,181
Warrants	29,742,552	31,033,379
Compensation-based stock options and warrants	51,809,083	44,883,000
Common stock held in escrow	4,567,519	22,837,593
	98,066,006	168,556,824

Stock Based Compensation

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

Reclassifications

Certain amounts from the 2007 consolidated balance sheet have been reclassified in the current presentation to conform to the 2008 presentation of current liabilities. These reclassifications had no effect on the total amount of current liabilities or the amount of stockholders' deficit.

Recently Issued Accounting Statements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement is effective for the Company's fiscal year beginning January 1, 2008 for financial assets and liabilities and January 1, 2009 for non-financial assets and liabilities. The adoption of SFAS 157 for financial assets and liabilities on January 1, 2008 did not have a material impact on the Company's financial statements. Management is currently evaluating the impact of SFAS 157 for non-financial assets and liabilities, if any, on the reporting of its financial position and results of operations.

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
FORMERLY KNOWN AS MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS 141(R)), which replaces SFAS 141, Business Combinations. SFAS 141(R) retains the underlying concepts of SFAS 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting, but SFAS 141(R) changed the method of applying the acquisition method in a number of significant aspects. Acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS 141(R) amends SFAS 109 such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS 141(R) would also apply the provisions of SFAS 141(R). Early adoption is not permitted. Management is currently evaluating the effects, if any, that SFAS 141(R) may have on the Company's financial statements. Management does not expect that it will have any immediate effect on the Company's financial statements; however, the revised standard will govern the accounting for any future business combinations that the Company may enter into.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51 (SFAS 160). This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, with earlier adoption prohibited. This statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. It also amends certain of ARB No. 51's consolidation procedures for consistency with the requirements of SFAS 141(R). This statement also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. Management is currently evaluating this new statement. Based on the current consolidated financial statements, if SFAS 160 were effective, the minority interest in the consolidated balance sheet would be presented as noncontrolling interest in Owners' Equity (Deficit), the minority interest in net loss would be included in consolidated net loss in the consolidated statement of operations, and the footnotes would include expanded disclosure regarding the ownership interests of the Company and of the noncontrolling interests.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities. Entities will be required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedge items are accounted for under SFAS No. 133 and its related interpretations; and (c) how derivative instruments and related hedge items affect an entity's financial position, financial performance and cash flows. The provisions of SFAS 161 are effective January 1, 2009. Management is currently evaluating the impact of SFAS 161 on the Company's financial statements.

In June 2008, the FASB ratified EITF Issue No. 07-5, Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock (EITF 07-5). EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including

evaluating the instrument's contingent exercise and settlement provisions. It also clarifies on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. Management is currently evaluating the impact of SFAS 161 on the Company's financial statements.

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NOTE B — BASIS OF PRESENTATION AND GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying financial statements, the Company incurred a net loss applicable to common shareholders of \$1,707,562 during the year ended December 31, 2008, and has incurred losses applicable to common shareholders since inception of the development stage of \$27,146,931. The Company also used cash in operating activities of \$1,004,670 during the year ended December 31, 2008. At December 31, 2008, the Company has negative working capital of \$6,604,039 and a stockholders' deficit of \$5,948,575. Those factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company discontinued its former bio-pharmaceutical business during the quarter ended March 31, 2007. Management plans to meet its cash needs through various means including selling assets related to its former bio-pharmaceutical business, securing financing, entering into joint ventures, and developing a new business model. In order to fund its new operations related to the cultivation of the *Jatropha* plant, the Company sold Series B preferred stock during the quarter ended December 31, 2007 in the amount of \$1,300,000 and issued a secured promissory note under which the Company has borrowings of \$460,000 as of December 31, 2008. The Company is developing a new business operation to participate in the rapidly growing bio-diesel industry. The Company continues to expect to be successful in this new venture, but there is no assurance that its business plan will be economically viable. The ability of the Company to continue as a going concern is dependent on that plan's success. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE C — JATROPHA BUSINESS VENTURE

Having agreed to discontinue its bio-pharmaceutical operations and dispose of the related assets, the Company considered entering into a number of other businesses that would enable it to be able to provide the shareholders with future value. The Company's Board of Directors decided to develop a business to produce and sell seed oils, including seed oils harvested from the planting and cultivation of the *Jatropha curcas* plant, for the purpose of providing feedstock oil intended for the generation of methyl ester, otherwise known as bio-diesel (the "Jatropha Business"). The Company's Board concluded that there was a significant opportunity to participate in the rapidly growing biofuels industry, which previously was mainly driven by high priced, edible oil-based feedstock. In order to commence its new Jatropha Business, the Company entered into various transactions during September and October of 2007, including: (i) hired Richard Palmer, an energy consultant, and a member of Global Clean Energy Holdings LLC ("Global") to act as its new President, Chief Operating Officer and future Chief Executive Officer, (ii) engaged Mobius Risk Group, LLC, a Texas company engaged in providing energy risk advisory services, to provide it with consulting services related to the development of the Jatropha Business, (iii) acquired certain trade secrets, know-how, business plans, term sheets, business relationships, and other information relating to the cultivation and production of seed oil from the *Jatropha* plant for the production of bio-diesel from Global, and (iv) engaged Corporativo LODEMO S.A DE CV to assist with the development of the Jatropha Business in Mexico. Subsequent to entering into these transactions, the Company identified certain real property in Mexico it believed to be suitable for cultivating the *Jatropha* plant. During April 2008, the Company entered into a limited liability company agreement to form GCE Mexico I, LLC (GCE Mexico). In August 2008 the Company terminated the agreement with Mobius Risk Group, LLC. Through Asideros Globales Corporativo (Asideros), a Mexican corporation of which GCE Mexico holds a 99% equity interest and Global Clean Energy Holdings, Inc. holds a 1% equity interest, land has been acquired in Mexico for the

cultivation of the Jatropha plant. All of these transactions are described in further detail in the remainder of this note to the consolidated financial statements.

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Share Exchange Agreement

The Company entered into a share exchange agreement (the Global Agreement) pursuant to which the Company acquired all of the outstanding ownership interests in Global Clean Energy Holdings, LLC, a Delaware limited liability company (Global), on September 7, 2007 from Mobius Risk Group, LLC (Mobius) and from Richard Palmer (Mr. Palmer). Mr. Palmer owns a 13.33% equity interest in Mobius and, as described further in this Note, became the Company's new President and Chief Operating Officer in September 2007 and its Chief Executive Officer in December 2007. Mobius and Mr. Palmer are considered related parties to the Company. Global is an entity that had certain trade secrets, know-how, business plans, term sheets, business relationships, and other information relating to the start-up of a business related to the cultivation and production of seed oil from the seed of the *Jatropha* plant, for the purpose of providing feedstock oil intended for the production of bio-diesel. Under the Global Agreement, the Company issued 63,945,257 shares of its common stock for all of the issued and outstanding membership interests of Global. Of the 63,945,257 shares issued under the Global Agreement, 36,540,146 shares were issued and delivered at the closing of the Global Agreement without any restrictions. The remaining 27,405,111 shares of common stock were, however, held in escrow by the Company, subject to forfeiture in the event that certain specified performance and market-related milestones were not achieved. Upon the satisfaction, from time to time, of the operational and market capitalization condition milestones, the restricted shares would be released by the Company from escrow and delivered to the buyers in accordance with the terms and conditions of the Global Agreement. In the event that all of the milestone conditions were not achieved, the restricted shares that had not been released from escrow would be cancelled by the Company and thereafter cease to be outstanding.

Prior to the exchange of common stock, Global had no tangible assets or operations, but rather had certain trade secrets, know-how, business plans, term sheets, business relationships, and other information relating to the start-up of a business related to the cultivation and production of seed oil from the seed of the *Jatropha* plant. Accordingly, Global was not considered a business in accordance with FASB Emerging Issues Task Force Issue 98-3, Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business. With the exchange of the 36,540,146 shares of common stock, the Company acquired the trade secrets, know-how, business plans, term sheets, business relationships, and other information relating to the start-up of this new business. Accordingly, the Company has recorded research and development expense of \$986,584, or \$0.027 per share, for the value of the shares issued. The closing price of the Company's common stock on September 7, 2007 was \$0.027 per share.

Of the restricted shares issued under the Global Agreement, 13,702,556 shares were to be released from escrow if and when i) certain land lease agreements suitable for the planting and cultivation of *Jatropha curcas* were executed and ii) certain operation management agreements with a third-party land and operations management company with respect to the management, planting and cultivation of *Jatropha curcas* were executed. These restricted shares were to be held in escrow subject to the satisfaction of these milestones, at which time such shares would be released from escrow and delivered to the sellers. The Company has accounted for these potentially issuable shares as share-based compensation under SFAS No. 123(R) for shares of common stock that contain a performance or service condition. The Company has determined the value of these shares to be \$369,969, or \$0.027 per share, and amortized this compensation over four months, the period of time in which the satisfaction of the operational milestones was expected to be fulfilled that would result in the release of the 13,702,556 shares from escrow. For accounting purposes, shares held in escrow are not considered outstanding, but are deemed to be potential dilutive shares for loss per share calculations. During the years ended December 31, 2008 and 2007, the Company amortized and recognized \$21,581 and \$348,388 of share-based compensation related to these shares, respectively. With the acquisition of the

land for the Jatropha Farm in April 2008, the operational milestones were satisfied under the Global Agreement. Consequently, 13,702,556 shares of common stock being held in escrow have been released to the former owners of Global Clean Energy Holdings, LLC.

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The remaining 13,702,555 restricted shares issued under the Global Agreement are to be released from escrow upon satisfaction of certain market capitalization levels (based on the number of outstanding shares at the average closing price of the previous sixty trading days) and average daily trading volume (for the previous sixty trading days). These potentially issuable shares are to be released as follows:

- a. 4,567,518 shares are to be released upon the achievement of \$6 million market capitalization and 75,000 shares of average daily trading volume,
- b. 4,567,518 shares are to be released upon the achievement of \$12 million market capitalization and 100,000 shares of average daily trading volume, and
- c. 4,567,519 shares are to be released upon the achievement of \$20 million market capitalization and 125,000 shares of average daily trading volume.

These restricted shares were placed in escrow subject to the satisfaction of these milestones, at which time such shares are to be released from escrow and delivered to the sellers. On November 30, 2007, the first of these milestones was met and 4,567,518 shares were released from escrow and delivered to the sellers. During May 2008, the second market-related milestones under the Global Agreement were satisfied, which resulted in the release of an additional 4,567,518 shares of common stock being held in escrow. There are 4,567,519 shares of common stock held in escrow at December 31, 2008, which will be released upon the satisfaction of the third market-related milestones. The Company is accounting for these potentially issuable shares as share-based compensation under SFAS No. 123(R), for shares of common stock that contain a market condition. The Company determined the value of these shares to be \$369,969, or \$0.027 per share, and is amortizing this compensation over the periods of time in which the satisfaction of each of the three market capitalization and trading volume milestones is expected to be fulfilled that will result in the release of the 13,702,555 shares from escrow. The Company originally estimated these time periods to be approximately three months for the first tranche of stock and two years for the second and third tranches. For accounting purposes, shares held in escrow are not considered outstanding, but are deemed to be potential dilutive shares for loss per share calculations. During the years ended December 31, 2008 and 2007, the Company amortized and recognized \$165,712 and \$161,860, respectively, of share-based compensation related to these shares.

Palmer Employment Agreement

Effective September 1, 2007, the Company entered into an employment agreement with Richard Palmer pursuant to which the Company hired Mr. Palmer to serve as its President and Chief Operating Officer. Mr. Palmer was also appointed to serve as a director on the Company's Board of Directors to serve until the next election of directors by the Company's shareholders. Upon the resignation of the former Chief Executive Officer on December 21, 2007, Mr. Palmer also became the Company's Chief Executive Officer. The Company 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. The term of employment commenced September 1, 2007 and ends on September 30, 2010, unless terminated in accordance with the provisions of the agreement.

Mr. Palmer's compensation package includes an annual base salary of \$250,000, subject to annual increases based on changes in the Consumer Price Index, and a bonus payment based on Mr. Palmer's satisfaction of certain performance criteria established by the compensation committee of the Company's Board of Directors. The bonus amount in any

fiscal year will not exceed 100% of Mr. Palmer's base salary. Mr. Palmer is eligible to participate in the Company's employee stock option plan and other welfare plans. The Company granted Mr. Palmer an incentive option to purchase up to 12,000,000 shares of its common stock at an exercise price of \$0.03 per share (the trading price on the date the agreement was signed). The options vest upon the Company's achievement of certain market capitalization goals. When the Company's market capitalization reaches \$75 million, the incentive option will vest with respect to 6,000,000 shares. When the Company's market capitalization reaches \$120 million, the incentive option will vest with respect to the remaining 6,000,000 shares. The option expires five years after grant.

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If Mr. Palmer's employment is terminated by the Company without "cause" or by Mr. Palmer for "good reason", he will be entitled to severance payments including 100% of his then-current annual base salary, plus 50% of the target bonus for the fiscal year in which his employment is terminated, and the incentive option to purchase 12,000,000 shares of common stock shall vest following termination of Mr. Palmer's employment.

The Company has accounted for the options under Mr. Palmer's employment agreement as share-based compensation under SFAS No. 123(R), for options to purchase common stock that contain a market condition. The Company valued these options at \$264,000 using the Black-Scholes pricing model. The weighted average fair value of the stock options was \$0.022 per share. The weighted-average assumptions used for the calculation of fair value were risk-free rate of 4.21%, volatility of 116%, expected life of five years, and dividend yield of zero. The Company is amortizing this compensation over the period of time in which the satisfaction of each of the two market capitalization milestones is expected to be fulfilled that will result in the vesting of these stock options. The Company currently estimates these time periods to be three years. During the years ended December 31, 2008 and 2007, the Company amortized and recognized \$88,000 and \$29,652, respectively, of share-based compensation related to these options.

Mobius Consulting Agreement

Concurrent with the execution of the Global Agreement, the Company entered into a consulting agreement with Mobius pursuant to which Mobius agreed to provide consulting services to the Company in connection with the Company's new *Jatropha* bio-diesel feedstock business. The Company engaged Mobius as a consultant to obtain Mobius' experience and expertise in the feedstock/bio-diesel market to assist the Company and Mr. Palmer in developing this new line of operations for the Company. Mobius agreed to provide the following services to the Company: (i) manage and supervise a contemplated research and development program contracted by the Company and conducted by the University of Texas Pan American regarding the location, characterization, and optimal economic propagation of the *Jatropha* plant; and (ii) assist with the management and supervision of the planning, construction, and start-up of plant nurseries and seed production plantations in Mexico, the Caribbean or Central America.

The term of the agreement was twelve months and the scope of work under the agreement has been completed. Mobius supervised the hiring of certain staff to serve in management and operations roles of the Company, or hired such persons to provide similar services as independent contractors. Mobius' compensation for the services provided under the agreement was a monthly retainer of \$45,000. The Company also reimbursed Mobius for reasonable business expenses incurred in connection with the services provided. The agreement contained customary confidentiality provisions with respect to any confidential information disclosed to Mobius or which Mobius received while providing services under the agreement. Under this agreement, the Company has paid Mobius or accrued \$437,279 during the year ended December 31, 2008, of which \$42,155 was expensed as compensation to Mobius and \$395,124 was capitalized as plantation development costs pursuant to AICPA Statement of Position 85-3, Accounting by Agricultural Producers and Agricultural Cooperatives. During the year ended December 31, 2007, the Company paid Mobius or accrued \$191,547, of which \$40,797 was expensed as compensation to Mobius and \$150,750 was capitalized as plantation development costs. The Company owed Mobius \$322,897 and \$50,700 for accrued, but unpaid, compensation and costs as of December 31, 2008 and 2007, respectively.

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LODEMO Agreement

On October 15, 2007, the Company entered into a service agreement with Corporativo LODEMO S.A DE CV, a Mexican corporation (the LODEMO Group). The Company had decided to initiate its Jatropha Business in Mexico, and had 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, the Company entered into the service agreement with the LODEMO Group, a privately held Mexican company with substantial land holdings, significant experience in diesel distribution and sales, liquids transportation, logistics, land development and agriculture.

Under the supervision of the Company's management and Mobius, the LODEMO Group is responsible for the establishment, development, and day-to-day operations of the 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 Company's oil extraction facilities, and the logistics associated with the foregoing. Although the LODEMO Group is responsible for identifying and acquiring the farmland, ownership of the farmland or any lease thereto will be held directly by the Company or by a Mexican subsidiary of the Company. The LODEMO Group will be responsible for hiring and managing all necessary employees. All direct and budgeted costs of the Jatropha Business in Mexico will be borne by the Company.

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. The Company has 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 may be terminated earlier by the Company under certain circumstances. The LODEMO Group will also potentially receive incentive compensation for controlling costs below the annual budget established by the parties, production incentives for increased yield and a sales commission for biomass sales. Under this agreement, the Company has paid the LODEMO Group or accrued \$1,089,554 and \$158,028 during the years ended December 31, 2008 and 2007, respectively, all of which was capitalized as plantation development costs pursuant to AICPA Statement of Position 85-3, Accounting by Agricultural Producers and Agricultural Cooperatives. During the year ended December 31, 2008, the Company issued warrants to acquire 2,076,083 shares of common stock to the LODEMO Group and an affiliated entity in satisfaction of accounts payable in the amount of \$124,565. As of December 31, 2008, the Company had prepaid \$98,159 of plantation development costs to the LODEMO Group. As of December 31, 2007, the Company owed the LODEMO Group \$117,758 for accrued, but unpaid, compensation and costs.

GCE Mexico I, LLC

Effective April 23, 2008, the Company entered into a limited liability company agreement ("LLC Agreement") to form GCE Mexico I, LLC, a Delaware limited liability company (GCE Mexico), with six unaffiliated investors (collectively, the Investors). GCE Mexico was organized primarily to acquire approximately 5,000 acres of farm land (the Jatropha Farm) in the State of Yucatan in Mexico to be used primarily for the (i) cultivation of Jatropha curcas, (ii) the marketing and sale of the resulting fruit, seeds, or pre-processed crude Jatropha oil, whether as biodiesel feedstock, biomass or otherwise, and (iii) the sale of carbon value, green fuel value, or renewable energy credit value (and other similar environmental attributes) derived from activities at the Jatropha Farm.

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Under the LLC Agreement, the Company owns 50% of the issued and outstanding common membership units of GCE Mexico. The remaining 50% of the common membership units was issued to five of the Investors. The Company and the other owners of the common membership interest were not required to make capital contributions to GCE Mexico.

In addition, two of the Investors agreed to invest approximately \$4.2 million in GCE Mexico through the purchase of preferred membership units and through the funding of the purchase of land in Mexico. An aggregate of 1,000 preferred membership units were issued to these two Investors who each agreed to make capital contributions to GCE Mexico of up to \$2,232,624, in installments and as required, to fund the development and operations of the Jatropa Farm. Shortly after entering into the LLC Agreement, the preferred members made an initial capital contribution of \$957,191 toward the development of the Jatropa Farm. Additional capital contributions of \$1,457,960 have been received by GCE Mexico from these Investors during the remainder of the year ended December 31, 2008. The agreement calls for additional contributions from the Investors over and above the initial capital contributions, as requested by management and as required by the operation in 2009 and the following years. Subsequent to December 31, 2008, these Investors have made additional capital contributions of \$1,071,278. These Investors are entitled to earn a preferential 12% per annum cumulative compounded return on the cumulative balance of their preferred membership interest.

These investors also directly funded the purchase of approximately 5,000 acres of land in the State of Yucatan in Mexico by the payment of \$2,051,282. The land was acquired in the name of Asideros and Asideros issued a mortgage in the amount of \$2,051,282 in favor of these two Investors. The mortgage bears interest at the rate of 12% per annum, payable quarterly. The Board has directed that this interest shall continue to accrue until such time as the Board determines that there is sufficient cash flow to pay all accrued interest. The entire mortgage, including any unpaid interest, is due April 23, 2018.

Since the acquisition of the land, approximately 2,500 acres have been improved so far, approximately 750 acres have been planted, and roads and other infrastructure have been developed on the farm. Furthermore, heavy equipment is now in place that will greatly facilitate rapid improvement and planting.

The net income or loss of Asideros is allocated to its shareholders based on their respective equity ownership, or 99% to GCE Mexico and 1% directly to the Company. GCE Mexico has no operations separate from its investment in Asideros. According to the LLC Agreement of GCE Mexico, the net loss of GCE Mexico (composed solely of its share of the operating results of Asideros) is allocated to its members according to their respective investment balances. Accordingly, since the common membership interest did not make a capital contribution, all of the losses have been allocated to the preferred membership interest. The Minority Interest presented in the accompanying consolidated balance sheet includes the carrying value of the preferred membership interests and of the common membership interests owned by the Investors, and excludes any common membership interest in GCE Mexico held by the Company. Accordingly, the Minority Interest is composed of the following elements at December 31, 2008:

Capital contribution from preferred membership interest	\$ 2,415,151
Allocation of net loss of GCE Mexico to the preferred membership interest	(315,115)
Accrual of preferential return for the preferred membership interest	(138,014)
Investment of common membership interest held by	

other Investors, excluding the Company -

Minority Interest \$ 1,962,022

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NOTE D – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2008 and 2007 are as follows:

	2008	2007
Land	\$ 2,051,282	\$ -
Plantation development costs	2,117,061	308,777
Plantation equipment	509,037	-
Office equipment	10,993	1,127
Total cost	4,688,373	309,904
Less accumulated depreciation	(22,296)	(563)
Property and equipment, net	\$ 4,666,077	\$ 309,341

The Company has capitalized farming equipment and costs related to the development of land for farm use in accordance with AICPA Statement of Position 85-3, Accounting by Agricultural Producers and Agricultural Cooperatives. Plantation equipment is depreciated using the straight-line method over estimated useful lives of 5 to 15 years and is currently being capitalized as part of plantation development costs. Plantation development costs are not currently being depreciated. Upon completion of the plantation development, development costs having a limited life and intermediate-life plants that have growth and production cycles of more than one year will be depreciated over the useful lives of the related assets.

Commencing in June 2008, Asideros purchased certain equipment for purposes of rapidly clearing the land, preparing the land for planting, and actually planting the Jatropha trees. The land, plantation development costs, and plantation equipment are located in Mexico.

NOTE E – ACCRUED PAYROLL AND PAYROLL TAXES

Accrued payroll and payroll taxes principally relate to unpaid compensation for officers and directors that are no longer affiliated with the Company. Accrued payroll taxes will become due upon payment of the related accrued compensation. Accrued payroll and payroll taxes are composed of the following:

	December 31, 2008	December 31, 2007
Former Chief Executive Officer, resigned 2007, including \$500,000 under the Release and Settlement Agreement	\$ 570,949	\$ 583,332
Other former Officers and Directors	311,200	311,200
Accrued payroll taxes on accrued compensation to former officers and directors	38,510	38,510
Accrued payroll, vacation, and related payroll taxes for current officers	238,149	17,929
Accrued payroll and payroll taxes	\$ 1,158,808	\$ 950,971

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On August 31, 2007, the Company entered into a Release and Settlement Agreement with Judy Robinett, the Company's then-current Chief Executive Officer. Under the agreement, Ms. Robinett agreed to, among other things, assist the Company in the sale of its legacy assets and complete the preparation and filing of the delinquent reports to the Securities and Exchange Commission. Under the agreement, Ms. Robinett agreed to (i) forgive her potential right to receive \$1,851,805 in accrued and unpaid compensation, un-accrued and pro-rata bonuses, and severance pay and (ii) the cancellation of stock options to purchase 14,000,000 shares of common stock at an exercise price of \$0.02 per share. In consideration for her services, the forgiveness of the foregoing cash payments, the cancellation of the stock options, and settlement of other issues, the Company agreed to, among other things, to pay Ms. Robinett \$500,000 upon the receipt of the cash payment under the agreement to sell the SaveCream Assets to Eucodis. Pursuant to this agreement, Ms. Robinett resigned on December 21, 2007.

NOTE F — DEBT

Secured Promissory Note

In order to fund ongoing operations pending closing of the sale of the SaveCream Assets, the Company entered into a loan agreement with, and issued a promissory note in favor of, Mercator Momentum Fund III, L.P. (Mercator) in September 2007. At that time, Mercator, along with two other affiliates, owned all of the issued and outstanding shares of the Company's Series A Convertible Preferred Stock, and is considered a related party to the Company. The loan is secured by a lien on all of the assets of the Company. Under the loan agreement, interest was originally payable on the loan at a rate of 12% per annum, payable monthly.

Pursuant to the loan agreement, Mercator made available to the Company a secured term credit facility in principal amount of \$1,000,000. The promissory note initially was due and payable on December 14, 2007. As of December 13, 2007, the Company owed Mercator \$250,000 under the loan. Mercator agreed to extend the maturity date of the \$250,000 to February 21, 2008. In March, 2008, the loan was paid down to \$200,000 and the maturity date was extended to June 21, 2008. In May 2008, the Company and Mercator entered into an amendment to the loan agreement, whereby, Mercator loaned the Company and additional \$250,000 increasing the outstanding balance to \$450,000. In connection with the amendment, the interest rate was reduced to 8.68% and the due date was extended to August 19, 2008. Additionally, as part of the amendment, the Company issued Mercator a two-year warrant to purchase 581,395 shares of common stock at \$0.129 per share. For the consideration of increasing the note by \$10,000, the maturity date was further extended to January 13, 2009. On December 9, 2008 these notes were assigned to the limited partners of Mercator. Subsequent to December 31, 2008, these notes were further extended from January 13, 2009 to July 31, 2009 for consideration of increasing the total principal balance of the notes by \$15,000 and increasing the interest rate to 10.68%.

In connection with the closing of the original loan, the Company agreed to (i) the cancellation of certain warrants to purchase 27,452,973 shares of common stock at \$0.1967 per share previously issued to the lender and certain of its affiliates and (ii) the issuance of new warrants to purchase 27,452,973 shares of common stock at \$0.01 per share. The new warrants permit the cash-less exercise of the warrants and expire on September 30, 2013. As more fully described in Note G, the warrants that were cancelled were being accounted for as a liability in the accompanying financial statements because the Company was unable to guarantee that there would be enough shares of common stock to settle other "freestanding instruments." The carrying value of the liability related to these warrants on the date of cancellation was \$62,205. The new warrants that were issued in connection with this loan agreement were also characterized as a liability in these financial statements. The fair value of the new warrants was determined

to be \$691,815, or \$0.0252 per share, using the Black-Scholes pricing model. The weighted-average assumptions used for the calculation of fair value were risk-free interest rate of 4.10%, volatility of 123%, expected life of six years, and dividend yield of zero. On the date of issuance, the fair value of the new warrants has been recorded as (i) a discount to the note in the amount of \$250,000 and (ii) a charge of \$441,815 to “Unrealized Gain (Loss) on Financial Instrument” in the accompanying Consolidated Statement of Operations. The discount to the note was amortized over the original term of the loan agreement from September 7, 2007 to December 14, 2007, and recorded as “interest expense from amortization of discount on secured promissory note” in the amount of \$250,000.

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The proceeds of \$250,000 resulting of the amendment of the loan agreement in May 2008 have been allocated between the promissory note and the warrant based on the relative fair value of each instrument. The fair value of the warrant was estimated on the date of issuance using the Black-Scholes option pricing model. The assumptions used for valuing the warrant were risk-free interest rate of 2.4%, volatility of 168%, expected life of 2.0 years, and dividend yield of zero. The allocation resulted in a \$36,369 discount to the promissory note, which has been amortized as additional interest over the period from May 19, 2008 through the original extended due date of August 19, 2008 under the amendment.

Notes Payable

The Company has notes payable to shareholders in the aggregate amount of \$56,000 at December 31, 2008 and 2007. The notes originated between 1997 and 1999, bear interest at 12%, are unsecured, and are currently in default. Accrued interest on the notes totaled \$78,821 and \$72,091 at December 31, 2008 and 2007, respectively.

Convertible Notes Payable

The Company has convertible notes payable to certain individuals in the aggregate amount of \$193,200 at December 31, 2008 and 2007. The notes originated in 1996, bear interest at 12%, are unsecured, and are currently in default. Each \$1,000 note is convertible into 667 shares of the Company's common stock. Accrued interest on the convertible notes totaled \$248,799 and \$225,552 at December 31, 2008 and 2007, respectively.

Long-Term Liability and Gain on Debt Restructuring

On June 10, 2006, the Company entered into an agreement with a former creditor to forgive certain amounts owed. The balance owed before the agreement was \$229,066. According to the agreement, \$3,975 was paid on the date of the agreement, another \$3,975 was paid on August 13, 2006, and \$131,116 was forgiven. The remaining balance of \$90,000 was to be due and payable immediately upon the Company's receipt of \$1 million in cumulative license revenue from the Company's drug MDI-P in any human indication. The remaining liability of \$90,000 was recorded as Long-Term Liability. As further described in Note M, this liability was extinguished as a result of the sale of MDI-P for less than \$1 million. Accordingly, this liability was no longer owed and was written off in 2007. Additionally, as further described in Note L, the Company entered into a settlement agreement with its former chief executive officer during 2007, which resulted in a gain of \$395,137 on the settlement of compensation owing to her. As a consequence of these two transactions, the Company recorded gain on debt restructuring in the amount of \$485,137 in the accompanying financial statements for the year ended December 31, 2007.

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NOTE G — STOCKHOLDERS' EQUITY

Common Stock

As more fully described in Note C, the Company issued 63,945,257 shares of its common stock for all of the issued and outstanding membership interests of Global Clean Energy Holdings, LLC. Of the 63,945,257 shares issued under the Global Agreement, 36,540,146 shares were issued and delivered at the closing of the Global Agreement without any restrictions and have been recorded in the accompanying financial statements as issued and outstanding. The remaining 27,405,111 shares of common stock were held in escrow by the Company until the achievement of certain operational and market-related milestones. During the year ended December 31, 2007, 4,567,518 shares were released from escrow upon achieving the first market-related milestones. During the year ended December 31, 2008, an additional 18,270,074 shares were released from escrow upon the achievement of the operational milestones and the second market-related milestones. At December 31, 2008, there are 4,567,519 shares still held in escrow pending achievement of the third market-related milestones. Shares held in escrow are not reported in the accompanying financial statements as issued and outstanding.

On September 14, 2007, the Company entered into a one-year agreement with a consultant for investor relations services. Under the agreement, the Company agreed to pay total compensation of \$105,000 over the one-year term. As additional compensation, the Company issued 4,357,298 shares of common stock to the consultant and granted piggyback registration rights for the stock to be registered in connection with the Company's next registration of securities. The issuance of the common stock was expensed as share-based compensation in the amount of \$117,647, or \$0.027 per share on the date of the agreement.

On November 13, 2008, the Company entered into stock purchase agreements with certain individuals for the issuance of 2,777,778 shares of common stock for \$100,000, or \$0.036 per share.

Series A Convertible Preferred Stock, Warrants and Financial Instrument

During the year ended December 31, 2005, the Company issued an additional 30,000 shares of Series A Convertible Preferred Stock and warrants to purchase 22,877,478 shares of common stock for a total offering price of \$3.0 million. In connection with the offering, the Company issued to the placement agent warrants to purchase 1,220,132 shares. Each share of Preferred Stock entitled the holder to convert the share of Preferred Stock into the number of shares of common stock resulting from dividing \$100 by the conversion price.

The conversion feature of the Series A Convertible Preferred Stock had more of the attributes of an equity instrument than of a liability instrument, and thus was not considered a derivative. However, at the time of issuance, the Company was unable to guarantee that there would be enough shares of stock to settle other "freestanding instruments." Accordingly, all of the warrants attached to the convertible preferred stock were measured at their fair value and recorded as a liability in the financial statements. For these same reasons, all other warrants and options outstanding on March 11, 2005 or issued during the remainder of 2005 and through 2007 (except for stock options issued to employees) were measured at their fair value and recorded as additional liability in the financial statements.

At December 31, 2006, the fair value of the financial instrument was \$294,988 based on a Black-Scholes calculation with the weighted-average assumptions for volatility of 138%, risk-free interest rate of 5.0%, an expected life of one year, and a dividend yield of zero. During the year ended December 31, 2007, the Company remeasured the fair value

of the outstanding warrants. At December 31, 2007, the fair value was determined to be \$2,166,514 based on a Black-Scholes pricing calculation with the weighted-average assumptions for volatility of 136%, a risk-free interest rate of 3.7%, an expected life of 7.3 years, and a dividend yield of zero. For the year ended December 31, 2007 the Company recorded an unrealized loss on financial instrument of \$147,636. For the period from December 31, 2007 through January 29, 2008, the fair value of this liability decreased by \$5,469 resulting in a balance of \$2,161,045. On January 29, 2008, the shareholders of the Company approved an increase in the number of authorized shares of common stock from 250 million to 500 million. Consequently, as the result of this amendment to the Company's Articles of Incorporation, the Company is now able to settle all 'freestanding instruments'. Accordingly, the Company reclassified the liability, characterized in the accompanying financial statements as "Financial Instrument", in the amount of \$2,161,045, to permanent equity in January 2008.

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In September 2007, the preferred stockholders converted 5,492 shares of Series A Preferred Stock into 10,983,521 shares of common stock at a conversion price of \$0.05 per share. This preferred stock also did not have any assigned value.

Mercator Momentum Fund, LP; Monarch Pointe Fund, Ltd.; and Mercator Momentum Fund III, LP, each a private investment entity (collectively, the MAG Funds) were the preferred stockholders who purchased all of the shares of the Company's Series A Preferred Convertible Stock in 2004 and in 2005. In connection with the 2005 investment, the Company had agreed to eliminate the conversion price floor of the Series A Stock. The Company failed to file an amendment to the Series A Stock Certificate of Designations of Preferences and Rights for the Series A Stock that would have eliminated the conversion price floor. Accordingly, in connection with an intended conversion of some of their Series A Stock in September 2007, the MAG Funds were required to convert Series A Stock at a conversion price higher than the price that would have applied if the Amendment had been filed as agreed.

On October 22, 2007, the Company executed and entered into a Release and Settlement Agreement (the Release Agreement), with the MAG Funds to settle all losses and damages that MAG may have suffered, and may hereafter suffer, as result of the Company's failure to file the amendment to the Series A Stock Certificate of Designations of Preferences and Rights for the Series A Stock. Pursuant to the Release Agreement, the Company issued to the MAG Funds a ten-year warrant to acquire up to 17,000,000 shares of the Company's common stock at an exercise price of \$0.01 per share, expiring October 17, 2017. The initial warrant price is subject to adjustments in connection with (i) the Company's issuance of dividends in shares of Common Stock, or shares of Common Stock or other securities convertible into shares of Common Stock without consideration, (ii) any cash paid or payable to the holders of Common Stock other than as a regular cash dividend, and (ii) future stock splits, reverse stock splits, mergers or reorganizations, and similar changes affecting common stockholders. The issuance of the warrant has been accounted for as share-based compensation in the amount of \$1,181,890 based on a Black-Scholes pricing calculation with the assumptions for volatility of 141.5%, a risk-free interest rate of 4.57%, an expected life of 10 years, and a dividend yield of zero. The fair value of the warrant has been included in the liability for the financial instrument.

The warrant issued to the MAG Funds contain beneficial ownership limitations, which preclude the MAG Funds from exercising its warrant if, as a result of such conversion or exercise, the MAG Funds would own beneficially more than 9.99% of the Company's outstanding common stock then outstanding. Pursuant to the Release Agreement, the MAG Funds released the Company from any and all claims, past, present or future, relating to the losses or the Company's failure to file the amendment. In addition, MAG has agreed not to pursue litigation against the Company in connection with the losses or the Company's failure to file the amendment.

Effective April 18, 2008, the Company entered into an exchange agreement (the Exchange Agreement) with Mercator Momentum Fund, L.P., Mercator Momentum Fund III, L.P., and Monarch Pointe Fund, Ltd. (collectively, the MAG Funds), comprising all of the holders of the Company's Series A Convertible Preferred Stock (the Series A Stock). Pursuant to the Exchange Agreement, the MAG Funds agreed to exchange 28,928 shares of the Series A Stock, constituting all of the issued and outstanding shares of the Series A Stock, for an aggregate of 28,927,000 shares of the Company's common stock. The exchange ratio was determined by dividing the \$100 purchase price of the preferred shares by \$0.10 per share of common stock.

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Prior to the Exchange Agreement, the Series A Stock had been convertible at a price equal to 75% of the “Market Price”, as defined in the Certificate of Designations of Preferences and Rights of the Series A Stock. The conversion price could not exceed \$0.1967 and had a conversion price floor of \$0.05. On April 18, 2008, the closing price of the Company’s common stock was \$0.10 and the “Market Price” would have been \$0.045 per share. In connection with the Exchange Agreement, the Company agreed to waive the limitation that the MAG Funds could not own more than 9.99% of the Company’s outstanding common stock as a concession for the MAG Funds agreeing to a conversion price that was more favorable to the Company.

Series B Preferred Stock

In order to obtain additional working capital, on November 6, 2007, the Company entered into a Securities Purchase Agreement with two accredited investors, pursuant to which the Company 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, less offering costs of \$9,265. Each share of the Series B Shares has a stated value of \$100. The Company collected \$1,225,000 of the proceeds from the sales of the Series B Preferred Stock in 2007. The remaining proceeds of \$75,000 were collected in February 2008, and are reflected as a subscription receivable in the accompanying Balance Sheet at December 31, 2007.

The Series B Shares may, at the option of each holder, be converted at any time or from time to time into 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 per share by the conversion price then in effect. The initial conversion price per share for the Series B Shares is \$0.11, which is subject to adjustment for certain events, including stock splits, stock dividends, combinations, or other recapitalizations affecting the Series B Shares.

Each holder of Series B Shares is entitled to the number of votes equal to the number of shares of 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 the Company’s 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 the Company then available for distribution to shareholders.

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

NOTE H — INCOME TAXES

Income taxes are provided for temporary differences between financial and tax bases of assets and liabilities. The following is a reconciliation of the amount of benefit that would result from applying the federal statutory rate to pretax loss with the benefit from income taxes for the years ended December 31, 2008 and 2007:

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	2008	2007
Federal income tax benefit at statutory rate of 34%	\$ 581,000	\$ 1,501,000
State income tax, net of federal benefit	102,000	265,000
Unrealized gain (loss) on financial instrument	2,000	(59,000)
Foreign currency translation adjustment	43,000	(119,000)
Amortization of discount on notes payable	(15,000)	(100,000)
Share-based compensation, net	(147,000)	(764,000)
Expiration of operating loss and research credit carryforwards	(511,000)	(164,000)
Adjustment of operating loss carryforwards	-	1,627,000
Research and development	-	(395,000)
Other differences	(1,000)	(4,000)
Change in valuation allowance	(54,000)	(1,788,000)
	\$ -	\$ -

The components of deferred tax assets and liabilities are as follows at December 31, 2008 and 2007, using a combined deferred income tax rate of 40%:

	2008	2007
Net operating loss carryforward	\$ 9,483,000	\$ 9,534,000
Research and development credits	-	80,000
Share-based compensation	716,000	714,000
Accrued compensation	511,000	408,000
Deferred revenue	-	(80,000)
Valuation allowance	(10,710,000)	(10,656,000)
Net deferred tax asset	\$ -	\$ -

Inasmuch as it is not possible to determine when or if the net operating losses will be utilized, a valuation allowance has been established to offset the benefit of the utilization of the net operating losses.

The Company has available net operating losses of approximately \$23,700,000 which can be utilized to offset future earnings of the Company. The utilization of the net operating losses are dependent upon the tax laws in effect at the time such losses can be utilized. The loss carryforwards expire between the years 2009 and 2028. Should the Company experience a significant change of ownership, the utilization of net operating losses could be reduced.

NOTE I – CONSULTING AGREEMENTS

In February 2007, the Company engaged the Emmes Group, a consulting firm, to assist it in resolving its financial issues, to obtain advice regarding any strategic alternatives that may be available to it, and to prevent the Company from losing all of its assets in bankruptcy. The Executive Vice President and Managing Director of the Emmes Group was appointed to be a director of the Company in August 2007. The Company explored a number of transactions that would (i) prevent the Company's shareholders from losing their entire investment in the Company and (ii) enable the Company to repay some of its currently outstanding debts and liabilities. The consulting agreement had a term of one year. As compensation for its services, the consultant received \$15,000 per month plus a warrant to purchase 5,000,000 shares of the Company's common stock. The warrant has an exercise price of \$0.03 per share, contains a cash-less exercise provision, and expires ten years from date of issue. The Company valued this warrant at \$146,000

using the Black-Scholes pricing model. The weighted average fair value of the stock options was \$0.0292 per share. The weighted-average assumptions used for the calculation of fair value were risk-free interest rate of 4.84%, volatility of 134%, expected life of ten years, and dividend yield of zero. The fair value of the warrant was expensed as share-based compensation on the date of issue. The fair value of the warrant was included in the liability for the financial instrument.

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In February 2007, the Company entered into another consulting agreement with an individual to assist it in the preparation of financial statements and reporting to the SEC. The consulting agreement had a term of one year. As compensation for its services, the consultant was to receive \$10,000 per month plus a warrant to purchase 5,000,000 shares of the Company's common stock. The warrant has an exercise price of \$0.03 per share, contains a cash-less exercise provision, and expires ten years from date of issue. The Company valued this warrant at \$146,000 using the Black-Scholes pricing model. The weighted average fair value of the stock options was \$0.0292 per share. The weighted-average assumptions used for the calculation of fair value were risk-free interest rate of 4.84%, volatility of 134%, expected life of ten years, and dividend yield of zero. The fair value of the warrant was expensed as share-based compensation on the date of issue. The fair value of the warrant was included in the liability for the financial instrument. This consulting agreement was terminated in May 2007. Since the consulting agreement was terminated prior to its expiration date, the Company's obligations under the consulting agreement, if any, for the period after the termination date are unclear. No demand for any additional compensation has been made against the Company under the consulting agreement.

NOTE J – EMPLOYMENT AGREEMENT

On March 20, 2008, the Company entered into an employment agreement with Bruce K. Nelson pursuant to which the Company hired Mr. Nelson to serve as its Executive Vice-President and Chief Financial Officer effective April 1, 2008. The initial term of employment commenced March 20, 2008 and continues through March 20, 2010. Thereafter, the term of employment shall automatically renew for successive one-year periods unless otherwise terminated in accordance with the employment agreement.

Mr. Nelson's compensation package includes a base salary of \$175,000, subject to annual increases based on the Consumer Price Index for the immediately preceding 12-month period, and a bonus payment based on Mr. Nelson's satisfaction of certain performance criteria established by the compensation committee of the Company's Board of Directors. The bonus amount in any fiscal year will not exceed 100% of Mr. Nelson's base salary. Mr. Nelson is eligible to participate in the Company's employee stock option plan and other benefit plans.

The Company granted Mr. Nelson an option (the Initial Option) to acquire up to 2,000,000 shares of the Company's common stock at an exercise price of \$0.05. The Initial Option vests in tranches of 500,000 shares after 90 days, nine months, fifteen months, and two years of the employment term. The Initial Option expires after 10 years. The Company also granted Mr. Nelson an option (the Performance Option) to acquire up to 2,500,000 shares of the Company's common stock at an exercise price of \$0.05, subject to the Company's achievement of certain market capitalization goals. The Performance Option expires after five years.

The Company was permitted to terminate Mr. Nelson's employment on the first anniversary of the employment term, provided that the Company pay Mr. Nelson three (3) months salary if such termination was without "cause." If Mr. Nelson's employment is terminated by the Company without "cause" or by Mr. Nelson for "good reason" after the first anniversary of the employment term, Mr. Nelson will be entitled to receive severance payments including (i) an amount equal to his unpaid salary through the end of the second year of the employment agreement, and (ii) 100% of Initial Option shall vest, to the extent not already vested.

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The Company has accounted for the options under Mr. Nelson's employment agreement as share-based compensation under SFAS No. 123(R). The Company valued these options at \$189,500 using the Black-Scholes pricing model. The weighted average fair value of the stock options was \$0.042 per share. The weighted-average assumptions used for the calculation of fair value were risk-free rate of 2.38%, volatility of 127%, expected life of 5.2 years, and dividend yield of zero. The Company is amortizing this compensation over the vesting period for the Initial Option and over the period of time in which the satisfaction of market capitalization milestones for the Performance Option are expected to be fulfilled that will result in the vesting of these stock options. The Company currently estimates these time periods to be three years for the Performance Options. During the year ended December 31, 2008, the Company amortized and recognized \$91,346 of share-based compensation related to these options.

NOTE K – STOCK OPTIONS AND WARRANTS

Stock Options and Compensation-Based Warrants

The Company has two incentive stock option plans wherein 24,000,000 shares of the Company's common stock are reserved for issuance thereunder. As of December 31, 2008, 300,000 shares remain available under these plans. As more fully described in Notes C, G, I, and J, the Company has issued stock options and compensation-based warrants during the years ended December 31, 2008 and 2007 to acquire 4,500,000 and 39,000,000 million shares, respectively, of the Company's common stock. Additionally, during the year ended December 31, 2008, the Company issued warrants to acquire 2,076,083 shares of common stock to Lodemo and an affiliated entity in satisfaction of accounts payable in the amount of \$124,565. The Company also granted options to acquire 700,000 shares of common stock to independent contractors during the year ended December 31, 2008. During the year ended December 31, 2007, as more fully described in Note L, the Company canceled an option to acquire 14,000,000 shares of common stock pursuant to a settlement agreement with the Company's former chief executive officer. No income tax benefit has been recognized for share-based compensation arrangements and no compensation cost has been capitalized in the balance sheet.

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A summary of the status of options and compensation-based warrants at December 31, 2008 and 2007, and changes during the years then ended is presented in the following table:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2006	19,883,000	\$ 0.05		
Granted	39,000,000	0.02		
Expired	-	-		
Cancelled	(14,000,000)	0.02		
Outstanding at December 31, 2007	44,883,000	0.03		
Granted	7,276,083	\$ 0.04		
Expired	-	-		
Outstanding at December 31, 2008	52,159,083	\$ 0.03	6.4 years	\$ 316,141
Exercisable at December 31, 2008	36,134,083	\$ 0.03	7.4 years	\$ 316,141

At December 31, 2008, 80,000 of the options outstanding have no stated contractual life. Except for warrants issued in satisfaction of accounts payable, the fair value of each stock option grant and compensation-based warrant is estimated on the date of grant or issuance using the Black-Scholes option pricing model. In the case of the warrants issued in satisfaction of accounts payable, the warrants were valued at the amount of the accounts payable satisfied. The weighted-average fair value of stock options and compensation-based warrants issued during the year ended December 31, 2008 was \$0.039. The weighted-average assumptions used for options granted and compensation-based warrants issued during the year ended December 31, 2008 were risk-free interest rate of 2.2%, volatility of 132%, expected life of 4.9 years, and dividend yield of zero. The weighted-average fair value of stock options and compensation-based warrants issued during the year ended December 31, 2007 was \$0.045. The weighted-average assumptions used for options granted and compensation-based warrants issued during the year ended December 31, 2007 were risk-free interest rate of 4.5%, volatility of 132%, expected life of 8.5 years, and dividend yield of zero. The assumptions employed in the Black-Scholes option pricing model include the following. The expected life of stock options represents the period of time that the stock options granted are expected to be outstanding prior to exercise. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S. Treasury constant maturities rate for the expected life of the related stock options. The dividend yield represents anticipated cash dividends to be paid over the expected life of the stock options.

Share-based compensation from all sources recorded during the years ended December 31, 2008 and 2007 was \$371,439 and \$3,118,021, respectively. Share-based compensation has been included in the accompanying Consolidated Statements of Operations as follows:

Period Reported	General and Administrative Expense	Research and Development Expense	Loss from Discontinued Operations	Total
Year ended December 31, 2008	\$ 371,439	\$ -	\$ -	\$ 371,439
Year ended December 31, 2007	2,014,637	986,584	116,800	\$ 3,118,021

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As of December 31, 2008, there is approximately \$295,000 of unrecognized compensation cost related to stock-based payments that will be recognized over a weighted average period of approximately 1.6 years.

Stock Warrants

A summary of the status of the warrants granted at December 31, 2008 and 2007, and changes during the years then ended is presented in the following table:

	Shares Under Warrant	Weighted Average Exercise Price
Outstanding at December 31, 2006	38,973,861	\$ 0.19
Issued	29,161,157	0.01
Cancelled	(29,161,157)	0.20
Expired	(7,940,482)	0.15
Outstanding at December 31, 2007	31,033,379	0.02
Issued	581,395	0.13
Expired	(1,872,222)	0.18
Outstanding at December 31, 2008	29,742,552	\$ 0.01

NOTE L – RELEASE AND SETTLEMENT AGREEMENT WITH CHIEF EXECUTIVE OFFICER

On August 31, 2007, the Company entered into a Release and Settlement Agreement with Judy Robinett, the Company's then-current Chief Executive Officer, pursuant to which Ms. Robinett agreed to continue to act as the Company's transitional Chief Executive Officer. Under the agreement, Ms. Robinett agreed to, among other things, assist the Company in the sale of its legacy assets, complete the preparation and filing of the delinquent reports to the Securities and Exchange Commission (the SEC) that related to the periods prior to the appointment of Mr. Palmer, and provide certain shareholder and creditor related services. Upon the completion of the foregoing matters, in particular the filing of the delinquent reports to the SEC, Ms. Robinett was to resign, and Mr. Palmer was to thereafter assume the office of Chief Executive Officer. Under the agreement, Ms. Robinett agreed to (i) forgive her potential right to receive \$1,851,805 in accrued and unpaid compensation, un-accrued and pro-rata bonuses, and severance pay and (ii) the cancellation of stock options to purchase 14,000,000 shares of common stock at an exercise price of \$0.02 per share. In consideration for her services, the forgiveness of the foregoing cash payments, the cancellation of the foregoing stock options, and settlement of other issues, the Company agreed to (a) pay Ms. Robinett \$500,000 upon the receipt of the Eucodis cash payment under the agreement to sell the SaveCream Assets, (b) pay Ms. Robinett a commission of fifteen percent of the gross proceeds received by the Company from the sale of the MDI-P asset, (c) pay Ms. Robinett \$20,833 in monthly salary for serving as transitional Chief Executive Officer of the Company during the period from April 1, 2007 until the effective date of her resignation, and (d) permit Ms. Robinett to retain some of her previously granted incentive stock options in such an amount allowing her to purchase up to two million shares of common stock, which options shall continue to have the same terms and conditions as currently in existence, including an option price of \$0.01 per share and expiration date of December 31, 2112. Pursuant to this agreement, Ms. Robinett resigned on December 21, 2007. As a consequence of the settlement agreement, the Company i) has recorded a gain on the settlement of debt of \$395,137, representing the difference between Ms. Robinett's accrued compensation and the settlement amount of \$500,000, and ii) has cancelled her option to purchase 14,000,000 shares

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NOTE M – DISCONTINUED OPERATIONS

Prior to 2007, the Company was a developmental-stage bio-pharmaceutical company engaged in the research, validation, development and ultimate commercialization of two drugs known as SaveCream and MDI-P. SaveCream is a drug candidate that the Company was developing to reduce breast cancer tumors. MDI-P was a drug candidate being developed as an anti-infective treatment for bacterial infections, viral infections and fungal infections. During the three months ended March 31, 2007, the Board of Directors determined that it could no longer fund the development of these drug candidates and could not obtain additional funding for these drug candidates. The Board evaluated the value of its developmental stage drug candidates and in March 2007, the Board determined that the best course of action was to discontinue further development of these drug candidates and sell these technologies.

Plan to Sell SaveCream Assets

On March 8, 2007, the Company entered into a binding letter of intent with Eucodis Pharmaceuticals Forschungs und Entwicklungs GmbH, an Austrian company (Eucodis), regarding their intent to proceed with the evaluation, negotiation, and execution of a sale and purchase agreement related to certain assets of the Company. On July 6, 2007, the Company entered into a sale and purchase agreement (the Asset Sale Agreement) with Eucodis, pursuant to which Eucodis agreed to acquire certain assets of the Company in consideration for a cash payment and the assumption by Eucodis of certain indebtedness of the Company. The assets to be acquired by Eucodis pursuant to the Asset Sale Agreement included all of the Company's 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. In addition, at the closing of the sale, the Company was to assign to Eucodis all of its 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) and their rights under certain other contracts relating to SaveCream. The sale to Eucodis was scheduled to close at the end of January 2008 after the Company's shareholders approved the sale. On January 29, 2008, the shareholders of the Company approved the transaction. Shortly before the scheduled closing, Eucodis informed the Company that it was unable to complete the transaction as agreed because it had insufficient funds and needed to obtain additional financing.

The Company thereafter commenced discussions with Eucodis regarding the possibility of obtaining financing and possibly deferring the closing of the sale. However, as of February 27, 2008, Eucodis still had not obtained sufficient financing to complete its purchase of the SaveCream technology. Accordingly, on February 27, 2008, the Company delivered to Eucodis a letter formally notifying Eucodis that the Asset Agreement had been terminated. On February 29, 2008, Eucodis informed the Company that (i) it was completing an agreement for financing, which financing would provide Eucodis with sufficient funds to purchase the SaveCream assets for the purchase price, and substantially on the terms set forth in the Asset Sale Agreement, and (ii) that it still desired to complete the transaction contemplated by the Asset Sale Agreement. On February 29, 2008, the Company prepared a letter agreement again agreeing to sell the SaveCream assets to Eucodis on substantially the terms set forth in the Asset Sale Agreement (as amended). Under the letter agreement, the sale to Eucodis was scheduled to occur at such time as Eucodis completed its financing, but in no event later than April 30, 2008. As of April 30, 2008, Eucodis had not completed its financing, therefore, the Asset Sale Agreement, as amended by the Letter Agreement, terminated on its own terms. The Company continued discussions with Eucodis and explored other potential purchasers of SaveCream. All discussions and agreements with Eucodis were terminated in July 2008 due to their inability to obtain their own pending financing. As a result of the failed funding of Eucodis, they were forced to cease their operations. However, the

principal of Eucodis has agreed to continue to work with the Company in connection with the sale of the Company's legacy assets.

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The Company has engaged investment banking firms to expedite the sale of the SaveCream asset. The Company continues to seek interested parties that may purchase the asset. However, the recent contraction of the capital markets has negatively impacted the abilities for several potential purchasers to consummate a purchase. Although, management is continuing to taking steps to market and sell the SaveCream assets to potential buyers, no assurance can be given that this sale will actually be completed in the near future, or ever. Due to the inability of the engaged investment bankers to facilitate a sales transaction of the asset, the Company has terminated the engagement of the investment banking firms.

Agreement to Sell MDI-P

The Company also entertained various offers to purchase the Company's rights to the assets related to the MDI-P compound. On August 9, 2007, the Company sold the MDI-P related assets for \$310,000 in cash realizing a gain of \$258,809. The sale included the patents, name, and other intellectual property, research results and test data, production units and equipment, and other assets related to this technology. No liabilities were assumed by the purchaser in this transaction. A liability in the amount of \$90,000 was extinguished due to the sale. This extinguished liability was only payable when the Company received \$1 million in cumulative license revenue from the MDI-P compound in any human indication. Due to the sale of MDI-P for less than \$1 million, this liability was no longer owed and was written off.

Accounting for Discontinued Operations

Pursuant to accounting rules for discontinued operations, the Company has classified all revenue and expense related to the operations, assets, and liabilities of its bio-pharmaceutical business as discontinued operations. For all periods prior to March 2007, the Company has reclassified all revenue and operating expenses to discontinued operations, except for estimated general corporate overhead, because all of its operations related to the discontinued technologies. For the year ended December 31, 2007, revenues of \$200,000 are included in the Loss from Discontinued Operations and the Company has recorded a gain from the sale of MDI-P of \$258,809. For the year ended December 31, 2008, the Income from Discontinued Operations consists of the foreign currency transaction gains in the amount of \$107,369 related to current liabilities associated with the discontinued operations that are denominated in euros, less \$40,259 of expenses related to the SaveCream asset. The assets that were under contract to be sold to Eucodis have no carrying value in the accompanying balance sheet, while the liabilities that were to be assumed in the planned sale were formerly segregated in the balance sheets and were previously characterized as Current Liabilities Associated with Assets Held for Sale. As a consequence of the termination of the Asset Sale Agreement in 2008, these current liabilities have been reclassified into the captions Research and Development Obligation and Accounts Payable, as appropriate. The Company has not recorded any gain or loss through December 31, 2008 associated with the planned sale of the SaveCream assets.

Transactions Related to the SaveCream Asset Purchase

On March 16, 2005, the Company completed the purchase of the intellectual property assets (the "Assets") of Savetherapeutics AG, a German corporation in liquidation in Hamburg, Germany ("SaveT"). The Assets consisted primarily of patents, patent applications, pre-clinical study data and clinical trial data concerning SaveCream, a developmental-stage topical aromatase inhibitor treatment for breast cancer. The purchase price of the Assets was €2,350,000, payable as follows: €500,000 at closing, €500,000 upon conclusion of certain pending transfers of patent and patent application rights from the inventors to the Company, and the remaining €1,350,000 upon successful

commercialization of the Assets.

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GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
FORMERLY KNOWN AS MEDICAL DISCOVERIES, INC.
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The pending transfers of patent and patent application rights have not occurred. The Company has deemed the transfers are reasonably likely to occur due to existing contractual commitments of the inventors and the reasonably likely success of the Company's action in German court proceeding to affect these transfers. Accordingly, the Company has recorded the second €500,000 payment as Research and Development Obligation in these financial statements. In July 2006 the Company entered into a co-development and license agreement with Eucodis, which provided for up-front licensing fees and milestone payments in excess of the €1,350,000 threshold for successful commercialization of the Assets. Accordingly, in the year ended December 31, 2006 the Company recorded the final €1,350,000 purchase price payment as Research and Development Obligation in the accompanying financial statements. The total obligation of €1,850,000 is included in current liabilities in the amount of \$2,607,945 and \$2,701,555, based on exchange rates in effect at December 31, 2008 and 2007, respectively.

On March 27, 2009, the Company was informed by German counsel that pending action in German courts appears to be settled in favor of the Company.

NOTE N – SUBSEQUENT EVENTS

Acquisition of Jatropha Farm in Belize

On October 29, 2008, the Company entered into a Stock Purchase Agreement with the four shareholders of Technology Alternatives Limited (TAL), a company formed under the Laws of Belize. TAL owns and operates a 400 acre farm in subtropical Belize, Central America, that currently is producing Jatropha. TAL has also been performing plant science research and has been providing technical advisory services for propagation of Jatropha for a number of years.

The shareholders of TAL are unaffiliated persons residing in the United Kingdom. Pursuant to the Stock Purchase Agreement, the Company will acquire 100% of the issued and outstanding shares of TAL for common stock in the Company, thereby making TAL a wholly-owned subsidiary of the Company. It is anticipated that the Company will issue 8,952,756 common shares in exchange for all of the outstanding shares of TAL. In addition to receiving the Company's shares, the sellers will be repaid the promissory notes previously issued to them by TAL. However, as of March 27, 2009 all conditions precedent required for the exchange of consideration had not been satisfied, and shares have not been issued. Consequently, this transaction is not reflected in the Company's financial statements dated as of December 31, 2008.

Furthermore, the seller had an obligation to maintain the asset in accordance with the Stock Purchase Agreement and failed to do so. Therefore, the sellers have agreed to decrease the acquisition price and to decrease the principal amounts of the promissory notes.

The selling shareholders had previously made loans to TAL to fund the operations of TAL. As of October 29, 2008 the transaction contemplated by the Stock Purchase Agreement, the remaining outstanding balance of these loans, in the aggregate, was determined to be \$453,611. To reflect the current value of TAL, these notes will be reduced to \$303,611 at closing. At the closing, the promissory notes evidencing these loans will be replaced by new promissory notes issued by TAL to the selling shareholders. The new notes have the following terms: (i) Interest free for 90 days; (ii) Interest accrues at an annual rate of 8% per annum commencing on the 91st day after the issuance of the notes; (iii) Interest accrues until maturity; (iv) The entire remaining unpaid balance of the notes is due and payable on August 31, 2009; (v) TAL and/or the Company may prepay the notes at any time without penalty, and the Company is

required to prepay the notes if and when it receives future funding in an amount that, in the Company's reasonable discretion, is sufficient to permit the prepayment of the notes without adversely affecting the Company's operations or financial condition. The new notes are secured by the deed of legal mortgage on the 400 acre farm owned by TAL. Accordingly, in the event that TAL defaults under the notes, the selling shareholders will have the right to foreclose on the 400 acre Jatropha farm.

The acquisition will be accounted for under the purchase method of accounting and the results of operations of TAL will be consolidated with the results of operations of the Company from the date of acquisition.