U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-KSB

(Mark One)
X Annual Report Under Section 13 or 15(d) of the Securities
- ----- Exchange Act of 1934 (FEE REQUIRED)

For the fiscal year ended December 31, 1999

Transition Report Under Section 13 or 15(d) of the Securities
- ------ Exchange Act of 1934 (NO FEE REQUIRED)

For the transition period from to .

Commission file number 0-12627

Medical Discoveries, Inc.
(Name of small business issuer in its charter)

Utah	87-0407858
(State or other Jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1800 South West Temple, Suite 304, Salt Lake City, Utah 84115
(Address of Principal Executive Offices) (Zip Code)

Issuer's Telephone Number, Including Area Code: (801) 463-9311

Securities Registered under Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock
(Title of Class)

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

Yes X No
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Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB.

The Company had revenues totaling $ 19,830 from operations during the fiscal year ended December 31, 1999.

The aggregate market value of the voting stock held by nonaffiliates of the registrant (24,807,921 shares) is approximately $3,100,990. The aggregate market value has been computed by reference to the average bid and asked prices of such stock ($0.125 per share) as of April 28, 2000 (which date is within 60 days of the filing of this Form 10-KSB/A).

The number of shares outstanding of the issuer's Common Stock as of April 28, 2000 was 26,656,959.

PART I

ITEM 1. BUSINESS OVERVIEW

This annual report contains a number of forward-looking statements, including,

without limitation, statements referring to: future research efforts, competition, government regulation, and funding efforts. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "intends" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words.

There are a number of important factors that could cause actual events or the Company's actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth in this report. The Company does not assume any obligation to update any forward-looking statements made herein.

The Company has made every effort to address Y2K issues in its internal systems and with its suppliers. The Company has completed the transition into the year 2000 without any noticeable events related to Y2K compliance or system problems. As of March 30, 2000, the Company had not identified, nor was aware of, any material Year 2000 issues.

THE COMPANY

Medical Discoveries, Inc. ("MDI" or the "Company") has developed a product (hereafter "MDI-P") that appears to have the ability to destroy certain viruses and bacteria. MDI-P may also have the ability to kill other infectious agents, possibly including pathogenic fungi and parasites. MDI-P may possibly be used as a sterilizing agent for medical and dental instruments. MDI-P may also potentially be used to remove or inactivate infectious agents in human and animal blood-derived products, such as plasma and gamma globulin. The Company has extended its core technology to preliminary investigations of a wide variety of "functional waters" which may have applications in the cosmetic, home water purification and skin care markets.

In addition to its base business, the Company expanded into related technologies in 1999 by forming MDI HealthCare Systems, Inc. ("MDI-HCS"), a wholly owned subsidiary. MDI-HCS seeks to take advantage of various products it has developed in the skin care industry for therapy of scars.

The Company remains committed to its pursuit of establishing MDI-P as an effective anti-bacterial, anti-viral and anti-fungal pharmaceutical for in-vitro and in-vivo applications and to developing MDI-P as an effective liquid chemical sterilant for the sterilization of surgical instruments and as its base business.

MDI is a development stage company. The Company needs to raise additional funding to continue development of its technology and to submit its technology to the Food and Drug Administration(the "FDA") for approval. FDA approval is required for commercialization of the Company's core technology.

RECENT DEVELOPMENTS

In October 1999, the Company signed a letter of intent with an outside investment group. The letter provides for a due diligence investigation. As part of the due diligence efforts discussed below, the Company borrowed $76,000 to maintain operations. If these funds are exhausted before due diligence investigations are completed, the Company will seek additional debt from the funding group. If MDI completes due diligence investigations successfully, MDI and the investment group will form a joint venture to sell MDI-HCS products. The Company plans for the joint venture to generate cash for further development of MDI-P. MDI has also initiated discussions with the investment group for a direct investment in MDI. Under the terms of the joint venture, the investment group will provide funds of $750,000 to the joint venture and will extend a $150,000 line of credit to MDI (of which the Company has previously drawn $76,000). MDI will assign all rights it owns in HCS products to the joint venture. MDI will own 42 percent of the joint venture. The investment group will receive 25,000,000 shares of MDI stock.

THE PRODUCT

The Company's product is referred to as MDI-P. MDI-P stands for "Medical Discoveries, Inc.-Pharmaceutical." In the in-vivo applications, targeted at treating certain human diseases, the MDI-P compound would be administered either intravenously, orally, nasally or topically as required. Electrolysis is the method whereby a certain type of electric current is passed through a chemical solution. The electrical current causes the chemicals in the saline solution to alter, producing a variety of chemical compounds, such as ozone and hypochlorous acid. Different electrical currents produce different concentrations of these and related products. In previously published scientific literature, electrolyzed saline solutions have been shown to have an intense microbicidal effect.

IN VITRO applications, such as the sterilization of surgical instruments, involve the washing and/or submersion of the instrument or material in the MDI-P solution. In the Company's currently proposed protocol for treating human diseases, this electrolyzed solution would be administered intravenously to a

patient in a series of injections over a two-week period. MDI-P could also conceivably be administered orally, nasally, or topically.

Function water has received rapid and intense attention in Japan. In support of this technology, the Japanese government has established a special organization to study the applications for this technology. The name for this organization is the Function Water Foundation. Japan currently has as many as 35 separate companies developing products to make the benefits of function water available for a wide variety of applications. The activity in Japan is an excellent opportunity to develop key relationships that will enhance the company's understanding and development of these technologies as MDI prepares to enter worldwide markets in the future, either separately or in strategic alliance with several of these companies.

PATENTS AND PATENT APPLICATIONS

MDI has been issued the following seven patents:

"Electrically Hydrolyzed Salines as In Vivo Microbicides for Treatment of Cardiomyopathy and Multiple Sclerosis", issued August 2, 1994. This is the original patent filed by MDI.

"Apparatus for Electrolyzing Fluids", issued April 16, 1996. This allows for patent protection for the device which manufactures MDI-P.

"Method for Electrolyzing Fluids", issued October 1, 1996. This covers the methods for using the device to generate MDI-P.

"Electrically Hydrolyzed Salines as Microbicides for In Vitro Treatment of Contaminated Fluids Containing Blood", issued April 22, 1998. This covers the use of MDI-P for blood and blood products sterilization.

"Electrically Hydrolyzed Saline Solution Comprising Reactive Species of Ozone and Chlorine", issued October 7, 1998. This is a patent on the product MDI-P produced by the Company's technology.

"Electrically Hydrolyzed Salines As Microbicides", issued March 24, 1998

"System and Method for Electrolyzing Fluids for use as Antimicorbial Agents", issued December 28, 1999

MDI has two other patents pending which, if allowed, will provide protection for in vivo treatment of microbial infections and the methods used to prepare MDI-P.

In addition, the Company has made use of the Patent Treaty Cooperative to extend its patent protection to countries in the European Union, Canada, Mexico, and Japan.

RESEARCH AND DEVELOPMENT

MDI is a start-up company with limited resources. During the two fiscal years ended December 31, 1998 and 1999 the Company spent $ 415,415 and $ 376,481 respectively on research and development of MDI-P. The Company intends actively to pursue and expand its research efforts as funds will allow. The focus of the initial research is on the use of MDI-P as a broad-spectrum bactericide, anti-fungal agent, human anti-viral agent, and a potential sterilizing agent for blood products. In the future, as funds allow, the Company will also focus its research on the use of MDI-P as a sterilizing agent for dental and medical instruments.

TECHNOLOGY PROTECTION POLICY AND DISCLAIMERS

It is the Company's policy to protect its technology by, among other means, filing patent applications to protect technology which it considers important to the development of its business. The Company will also rely upon trade secrets and improvements, unpatented know-how, and continuing technological innovation to develop and maintain its competitive position. Despite the Company's policy to seek patent protection wherever appropriate, there can be no assurance that the Company's patent applications will result in further patents being issued or that, if issued, the patents will afford protection against competitors with similar technology. There can also be no assurance that any patent issued to the Company will not be infringed or circumvented by others or that others will not obtain patents that the Company would need to license or circumvent. There can be no assurance that licenses, which might be required for the Company's processes or products, would be available on reasonable terms or that patents issued to others would not prevent the Company from developing and marketing its products. In addition, there can be no assurance that the patents, if issued, would be held valid by a court of competent jurisdiction. To the extent the Company also relies upon unpatented trade secrets, there can be no assurance that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to the Company's trade secrets or disclose such technology.

CONFIDENTIALITY POLICY AND DISCLAIMERS

MDI, as a matter of policy, requires its employees, consultants, and advisors to execute a confidentiality agreement upon the commencement of an employment or consulting relationship with the Company. The Company also, as a matter of policy, obtains such confidentiality agreements from appropriate independent parties. The agreements provide that all confidential information developed or made known to the individual during the course of the relationship shall be kept confidential and not be disclosed to others except in specified circumstances. In the case of employees and certain consultants, the agreements contain non-competition clauses and provide that all inventions conceived by the individual shall be the exclusive property of the Company. There can be no assurance, however, that these agreements will provide meaningful protection for the Company's trade secrets in the event of unauthorized use or disclosure of such information.

COMPETITION

The biotechnology and pharmaceutical industries are characterized by rapidly evolving technology and intense competition. The Company's competitors include major pharmaceutical, chemical, and specialized biotechnology companies, many of which have financial, technical, and marketing resources significantly greater than those of the Company. Fully integrated pharmaceutical companies, due to their expertise in research and development, manufacturing, testing, obtaining regulatory approvals, and marketing, as well as their substantially greater financial and other resources, may be the Company's most formidable competitors. In addition, acquisitions by such pharmaceutical companies could enhance the financial and marketing resources of smaller competitors. Furthermore, colleges, universities, governmental agencies, and other public and private research organizations will continue to conduct research and possibly market competitive commercial products on their own or through joint ventures. These institutions are becoming more active in seeking patent protection and licensing arrangements to collect royalties for use of technology that they have developed. These institutions also will compete with the Company in recruiting and retaining highly qualified scientific personnel.

If and when MDI obtains regulatory approval for any of the uses of MDI-P, it must then compete for acceptance in the marketplace. Given that such regulatory approval, especially in the United States, may take a number of years, the timing of the introduction of MDI-P and other products to the market is critical. Other safe and effective drugs and treatments may be introduced into the market prior to the time that the Company is able to obtain approval for the commercialization of MDI-P. In addition, even after such regulatory approval is obtained, competition among products approved for sale may be affected by, among other things, product efficacy, safety, reliability, availability, price, and patent position. There can be no assurance that MDI-P will be competitive if and when introduced into the marketplace for any of its possible uses.

GOVERNMENT REGULATIONS

REGULATIONS GENERALLY. The Company's use of the MDI-P solution in the treatment of HIV and for other human or IN VITRO uses is subject to extensive regulation by United States and foreign governmental authorities. These regulations apply not only to the use of MDI-P itself, but also to the manufacture of the electrolyzer used to create MDI-P. In particular, pharmaceutical treatments are subject to rigorous preclinical and clinical testing and other approval requirements by the FDA in the United States under the federal Food, Drug and Cosmetic Act and by comparable agencies in most foreign countries. Various federal, state and foreign statutes also govern or influence the manufacture, labeling, storage, record keeping, and marketing of such products. Pharmaceutical manufacturing facilities are also regulated by state, local, and other authorities. Obtaining approval from the FDA and other regulatory authorities for a new drug or treatment may take several years and involve substantial expenditures. Moreover, on going compliance with these requirements can require the expenditure of substantial resources. Difficulties or unanticipated costs may been countered by the Company or marketing partners in their respective efforts to secure necessary governmental approvals, which could delay or preclude the Company or its marketing partners from marketing MDI-P.

GOVERNMENT APPROVALS NEEDED FOR COMMERCIALIZATION. For in vivo uses, MDI must conduct preclinical studies to prepare its IND application. If the FDA accepts the IND application, the Company would be allowed to commence a series of clinical trials. Each clinical study must be evaluated by an independent institutional review board ("IRB"). Data from preclinical testing and clinical trials of MDI-P against HIV or as an anti-bacterial agent may eventually be submitted to the FDA in a "New Drug Application" ("NDA") for marketing approval. After the FDA grants approval for the NDA, initial marketing efforts may begin. Each step of the approval process can involve considerable time, money, and effort. At any point, approvals may be withdrawn if compliance with regulatory standards are not maintained. For in vitro uses, the FDA process is significantly less complicated and time consuming. Because the use of MDI-P as a

sterilizing agent does not require the injection of this "new drug" in a human patient, MDI is required by the FDA regulations only to demonstrate in laboratory tests that MDI-P is an effective sterilizing agent. This data is required to be filed with the FDA by MDI in the form of a "510(k) Application." This 510(k) Application is subject to FDA approval, but the time required for such approval is considerably less than the time required for the approval of a "new drug" because extensive clinical data is not required.

OTHER GOVERNMENTAL REGULATIONS. In addition to regulations enforced by the FDA, the Company is also subject in the United States to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act, and other present and potential federal, state and local regulations. Because the Company does not currently produce, use, or otherwise handle hazardous chemicals or produce pollutants in regulated amounts, it is not subject to significant costs of compliance with these environmental laws.

LICENSING, DISTRIBUTION, AND MANUFACTURING

Given the preliminary nature of the Company's research, and given the uncertainty of regulatory approvals and market viability, management of the Company has not yet determined the best course for commercialization of MDI-P in its various potential applications. MDI may seek to commercialize the potential applications of MDI-P either directly or indirectly in contracts with third parties, including larger, established pharmaceutical companies.

EMPLOYEES AND OFFICERS

MDI is currently a development stage company that conducts research primarily through third parties. It currently has one full-time paid employee who is not an officer. Lee Kulas, who has served as a director and as the Company's interim president and CEO since May 1997, resigned as president and CEO to pursue other interests. Me. Kulas subsequently resigned as a director on December 31, 1999. His position as director has not been filled on the board. The Company is currently conducting a search for president and CEO. In April 2000, the board appointed Mr. Scott Wood, currently serving as CFO, to the position of interim president until a search was completed for a permanent president. The officers of the Company are William J. Novick, Ph.D., Vice President and Chief Technical Officer, and Mr. Scott Wood, interim President and Chief Financial Officer. Generally, the officers of the Company have not been paid any regular salaries or bonuses, although the Company occasionally has authorized compensation to certain officers for services rendered and expenses personally incurred on the Company's behalf. The Company accrues amounts due these officers under agreements with the officers. This compensation has generally taken the form of a waiver of the cash exercise price for outstanding stock options to these individuals (see "Executive Compensation" below). It is anticipated that in 2000, given an appropriate level of funding, the Company will begin to pay appropriate current and accrued salaries to its officers.

ITEM 2. PROPERTIES

The Company's principal place of business is located in a small commercial office space at 1800 South West Temple, Suite 304, Salt Lake City, Utah 84116. The Company is currently sub-leasing space. The lease is currently on a month-to-month basis. This space is currently used as corporate headquarters.

ITEM 3. LEGAL PROCEEDINGS

NO LEGAL PROCEEDINGS. The Company is not currently involved in any legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Part II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on the over-the-counter ("OTC") system under the symbol "MLSC". The following table sets forth, for the periods indicated, the closing high and low bid prices for the Common Stock. The prices represent inter-dealer prices, without adjustment for retail markups, markdowns, or commissions and may not represent actual transactions. The National Quotation Bureau, Inc has provided the information.

	BID PRICE	
	HIGH	LOW

Fiscal Year Ended December 31, 1999		
First quarter	0.62	0.30
Second quarter	0.35	0.18
Third quarter	0.21	0.05
Fourth quarter	0.17	0.05
Fiscal Year Ended December 31, 1998		
First quarter	0.25	0.15
Second quarter	0.94	0.15
Third quarter	1.03	0.41
Fourth quarter	0.68	0.31

On December 31, 1999, there were approximately 1,209 record owners of the Company's Common Stock. The Company estimates that the number of beneficial holders is in excess of 2,000.

The Company has never paid a cash dividend and does not anticipate the payment of cash dividends in the foreseeable future. Earnings are expected to be retained to finance the Company's growth. Declaration of dividends in the future will remain within the discretion of the Company's Board of Directors, which will review its dividend policy from time to time.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLAN OF OPERATION

RESULTS OF OPERATIONS: FISCAL YEAR 1999 COMPARED TO FISCAL YEAR 1998.

The Company had revenue of $19,832 as the result of initial commercialization of selected products from its newly formed, wholly owned, consumer products subsidiary MDI HealthCare Systems, Inc in 1999 compared to $18,409 revenue from products in 1998. The Company had interest revenue of $-0- in 1999 compared to $2,515 in 1998 due to capital raised by the Company. Funds raised in equity offerings were placed in low-risk interest-bearing accounts until needed by the Company. The Company spent $376,481 on R&D in 1999 compared to $415,415 in 1998. The majority of research funds were expended in initiating certain US Food and Drug Administration (FDA) required testing for the filing on an Investigational New Drug Application (IND). G&A costs were $575,834 in 1999 compared to $3,028,063 in 1998. The decrease in G&A costs resulted from expenses in 1998 relating to services received where common stock was issued. The Company had interest expense of $51,585 in 1998 compared to $95,041 in 1999.

LIQUIDITY. The Company's net working capital position (current assets less current liabilities) increased to negative $2,356,233 in 1999 from negative $1,629,047, due primarily to increased short-term borrowings and accrued expenses. Of the Company's $2,465,755 in current liabilities, approximately $250,000 results from legal services, approximately $264,000 results from dated payables from a predecessor company, $356,000 results from short-term borrowings from shareholders, and approximately $820,000 results from payables to officers and employees. None of these four groups has made or is expected to make a demand for cash payments until the Company's cash position improves.

PRIVATE PLACEMENTS CLOSED. The Company closed the following private placements during 1999:

In July 1999, the Company issued 13,334 shares of common stock in exchange for $2,000, with shares priced at $0.15 per share.

MDI TRUST FUND NOTES. The company has various notes totaling approximately $290,000 plus accrued interest due to the MDI Investors Trust, against which, at the request of certain beneficiaries of the Trust and in exchange for indemnification by those beneficiaries, MDI has paid approximately $40,000 in the fourth quarter of 1999 and an additional $50,000 in the first quarter of 2000 directly to the beneficiaries of the Trust. MDI will need to raise an additional $200,000 to repay the beneficiaries plus in accrued interest. As of December 31, 1999, accrued interest is estimated at approximately $59,000.

TECHNOLOGY UPDATE

Pharmaceutical Drug Discovery and Development Activities

Due to the Company's cash situation, it has currently suspended testing efforts. As soon as funds become available, the Company will reinstate its testing program.

Over-the-counter, Cosmeceuticals Product Development Activities

In 1999 MDI expanded its technology base to position the Company for revenue producing opportunities in the less regulatory restrictive yet highly profitable fields of scar treatment, wound care and skin repair. Through technologies developed both within the Company through its wholly subsidiary, MDI HealthCare

Systems, Inc., and outside the Company through a licensing distribution agreement with Hattori-Seishi, Ltd, Japan, MDI was able to realize the first commercial products since its inception. These products are proprietary to the Company, utilize a variety of its core technologies and position the Company for strong revenue potential in 1999 and the next millennium.

InvisiScar, an innovative topical silicone gel, and Aqua-Cleanse, an electrolysis technology based disinfecting cleansing pad, have enabled the Company to enter the worldwide $3.5 Billion Skin Care market. In addition, a third product, the Beautification Face Mask, enables the Company to enter the anti-aging, facial beautification market.

The Company

ADDITIONAL FUNDING IS REQUIRED. The Company's current FDA required testing in pursuit of an eventual filing of an IDE will require additional funds estimated to be in the range of $500,000. In addition, the Company's wholly owned subsidiary, MDI HealthCare Systems, Inc. is currently offering a Private Placement in the amount of $2,500,000 to fund the worldwide launching of certain consumer products targeted at scar therapy, wound care and skin repair.

The funds to be raised will be used in the following areas: 1) submission of an IND Application with the FDA for its novel Anti-HIV/AIDS drug, 2) the launch of MDI-HCS, 3) payment of the MDI Trust Fund obligations, 4), the prior debts of the company, and 5) at such time as funds become available, commencement of payment of salaries to Company personnel.

At this time, the Company does not have sufficient cash to support all the required testing for the projects described above. The Company's wholly owned subsidiary, MDI-HCS, has been established to generate revenue through the sales of a variety of products targeted at scar therapy, wound care and skin repair. Management is aggressively pursuing a variety of mechanisms; both private and possibly public stock offerings in order to meet its funding requirements. Additionally, MDI is presently seeking licensing and research funds from companies and private institutions with which MDI seeks to establish cooperative alliances.

ITEM 7. FINANCIAL STATEMENTS

The financial statements are filed at the end of this report and are incorporated herein by reference.

ITEM 8. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

DIRECTORS AND EXECUTIVE OFFICERS

The following table identifies the name, ages, and positions of all directors, officers, and persons nominated by management to become a director.

NAME	AGE	POSITION
David Walker	48	Director, Chairman of the Board
Dr. William J. Novick, Jr.	66	Director, Vice President, Chief Technical Officer
Alvin Zidell	68	Director
Neal Desai, M.D.	50	Director

All current directors are serving one-year terms and are subject to re-election at the annual meeting of shareholders. Officers are elected to serve, subject to the discretion of the Board, until their successors are appointed.

David Walker was appointed to the Board of Directors on May 2, 1996 and was appointed Chairman of the Board on May 10, 1998. He represents a group of investors who recently invested in the Company in a private stock offering. He has been general manager of Sunhaven Farms in Prosser, Washington (a twelve thousand acre agricultural operation) for twenty years. Mr. Walker has a degree in economics from Brigham Young University.

Dr. William J. Novick, Jr. has over thirty years' experience in the pharmaceutical industry. Dr. Novick received his doctoral degree from Duke University in Physiology-Pharmacology with a minor in Biochemistry. For 23 years, Dr. Novick has held position of increasing responsibility with Hoechst-Roussel Pharmaceuticals, Inc. Prior to his retirement in 1993, Dr.

Novick was Senior Director, International Products Development for ten years. He has been cited in 64 publications, where he was named as principal author in 12 of these. Additionally, Dr. Novick is named in 11 patens. Dr. Novick has lectured in various medical schools throughout the United States and Puerto Rico, and internationally in the Soviet Union, India, Italy, France, Germany, and England. Dr. Novick has also consulted on various projects and research for Johnson & Johnson, Fuji Pharmaceuticals, Forrest Labs, Roussel-UCLAF, Paris, Park Davis, Apex Pharmaceuticals, and Pfizer. In addition to his duties as the Company's Chief Technical Officer, Dr. Novick chairs the Medical Scientific Advisory Board.

Alvin Zidell has been a Director of the Company since December 1, 1993. Since February 1, 1996, Mr. Zidell has served as Interim President of the Company. Since April 1, 1989, Mr. Zidell has acted as President of AZ Healthcare Group, a company that develops and sells laser machines. Since April 1, 1992, Mr. Zidell has also acted as a vice president of Dal-Tex Recycling, a paper recycling company, which employs approximately 48 people.

Neal Desai, M.D., joined as a Director in January of 1999. Dr. Desai is a Diplomat of the American Board of Internal Medicine, and is currently in private practice in Burbank, California. Dr. Desai is the owner of Victory Olive Medical Group and has been practicing Internal Medicine in Burbank, California since 1980. He has extensive experience in Internal Medicine and enjoys an excellent reputation in the community for his professional experience and his experience in business and financial dealings. Dr. Desai is one of the founding members and a shareholder of Lakeside IPA, one of the largest IPAs in southern California. He has served as Chairman on numerous boards within the TMMC physician partnership including the Finance Committee and Business Development Committee. Dr. Desai is also active in community charity events and is a member of the BCH Foundation. In addition, Dr. Desai is the founder and president of a successful investment club with 34 members, which has accumulated over $2.5 million in assets with nearly a 40%, annualized return.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities and Exchange Act of 1934 requires the Company's executive officers and directors, and persons who beneficially own more than ten percent of the Company's stock, to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten-percent owners are required by applicable regulations to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely on a review of the copies of such forms furnished to the Company or written representations from certain persons, the Company believes that during the 1999 fiscal year all filing requirements applicable to its current officers and directors were complied with.

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

The following table sets forth the annual compensation for services rendered by certain officers for the fiscal years indicated.

SUMMARY COMPENSATION TABLE
ANNUAL COMPENSATION

Name and Position	Year	Salary	Bonus	Other Annual Comp
Lee F. Kulas	Fiscal 99	-0-	-0-	$50,000 (1)
President and Chief	Fiscal 98	-0-	-0-	$120,000 (1)
Executive Officer	Fiscal 97	-0-	-0-	$90,000 (1)
William Novick	Fiscal 98	-0-	-0-	$40,000 (2)
Chief Technical	Fiscal 97	-0-	-0-	$60,000 (2)
Officer	Fiscal 96	-0-	-0-	$40,000 (2)

(1) All compensation payable to Mr. Kulas has been accrued and has not been paid by the Company. Mr. Kulas separated from the Company in October 1999 and resigned as a director on December 31, 1999.

(2) All compensation payable to Dr. Novick has been accrued and has not been paid by the Company.

The following table sets forth all long-term compensation and all other compensation for the above-named executive officers for the fiscal years indicated.

SUMMARY COMPENSATION TABLE CONTINUED

LONG-TERM (OPTIONS/SARS) AND ALL OTHER COMPENSATION

Name and Position	Year	Options/SARS	All Other Compensation
Lee F. Kulas	Fiscal 99	0	None (1)
President and Chief	Fiscal 98	0	None (1)
Executive Officer	Fiscal 97	0	None
William Novick	Fiscal 99		None
Chief Technical	Fiscal 98	200,000	None
Officer	Fiscal 97	150,000	None

(1) Previously, the Company has granted Mr. Kulas an option for 600,000 shares of stock and agreed to waive the option price to compensate Mr. Kulas for expense he incurred on behalf of the Company. Mr. Kulas exercised these options in December 1998.

COMPENSATION OF DIRECTORS

The Company has no standard arrangements to compensate directors of the Company.

The compensation previously described for Marlin Toombs in the section captioned "Executive Compensation" includes compensation for his services as a director of the Company.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

PRINCIPAL SHAREHOLDERS

The following table sets forth the holdings of Common Stock (the Company's sole class of stock) as of March 31, 1999 by (i) each person who held of record, or was known by the Company to own beneficially, more than five percent of the outstanding Common Stock of the Company, (ii) each director, (iii) each director nominee, and (iv) all directors and officers as a group. Unless otherwise indicated, all shares are owned directly. Common Stock that is "beneficially owned" includes all the Common Stock that the person has the right to acquire within 60 days of March 31, 1999, and stock for which the person has voting rights alone. The percentage ownership for any person assumes that all the stock that could be acquired by that person, by option or warrant exercise or otherwise, is in fact outstanding and that no other stockholder has exercised a similar right to acquire additional shares. The number of shares of stock in this table is 27,803,959 which includes 26,373,625 shares outstanding on March 31, 1999 plus all shares represented by options or warrants currently held by the directors listed in the table.

BENEFICIAL OWNERS OF COMMON STOCK

Names and Addresses of Certain Beneficial Owners	Amount of Beneficial Ownership	Percentage of Class
David Walker Director c/o Medical Discoveries, Inc.	191,538	0.70%
Alvin Zidell Director c/o Medical Discoveries, Inc.	967,000 (1) (2)	3.56%
William Novick, Jr. Director/Vice President c/o Medical Discoveries, Inc.	350,000	1.29%
Neal Desai, M.D. Director c/o Medical Discoveries, Inc.	266,666	0.98%
Scott Wood Officer c/o Medical Discoveries, Inc.	324,500	1.19%
Directors and Executive Officers as a Group (6 persons)	2,099,704	7.72%

(1) Includes shares to which the shareholder has voting rights under a Stock Purchase Agreement ("SPA") with a former director of the Company. The SPA is for 2,800,000 shares purchased in 40 quarterly installments by buyers (including three individuals not on table). Each buyer receives 1/4 of shares. Shares are held by an escrow agent. Shares are released in groups of 70,000 on payment of each installment. Voting proxy for balance of shares held by escrow agent has been granted to the buyers. If buyers default any shares with the escrow agent revert to the seller and proxy for those shares is canceled.

(2) Includes: 296,500 shares owned directly; 297,500 shares for which Mr. Zidell has voting rights under the SPA referred to in footnote (1) above; and options to purchase 373,000 shares that are currently exercisable. Excludes: all shares held by children and other relatives of Mr. Zidell, for which Mr. Zidell disclaims beneficial ownership.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K
(a) Exhibits Required by Item 601 of Regulation S-B.

The following are exhibits to this Form 10-KSB:

EXHIBIT NUMBER	DESCRIPTION
3.1	Articles of Incorporation, as amended June 14, 1994. (1)
3.2	Bylaws, as amended June 14, 1994. (1)
10.1	1993 Incentive Plan, effective April 1, 1993. (1) (2)
10.2	Form of Stock Option Grant under 1993 Incentive Plan. (1) (2)
10.3	Settlement Agreement, dated October 12, 1995, between Dr. Robert E. Morrow and the Company re settlement of lawsuit. (3)
10.4	Agreement, dated March 26, 1996, between Dr. Robert E. Morrow and the Company re termination of royalties. (4)
10.5	Engagement Agreement, dated June 15, 1995, between Robert A. Spira and the Company re financial advisory services. (4)

(1) These exhibits are incorporated by reference to the Company's Form 10-KSB for the fiscal year ended December 31, 1994, to which these exhibits were filed as exhibits with the same exhibit numbers as shown above.

(2) These exhibits are management or compensatory plans, contracts or arrangements required to be filed as exhibits.

(3) This exhibit is incorporated by reference to the Company's Form 8-K, dated October 12, 1995, to which it was originally filed as "Exhibit 10.1."

(4) These exhibits are incorporated by reference to the Company's original filing of Form 10-KSB for the Fiscal Year ended December 31, 1995, to which these exhibits were filed as exhibits with the same exhibit numbers as shown above.

The Company has filed no 8-k reports during the since the previous 10KSB/a filing.

MEDICAL DISCOVERIES, INC.
Consolidated Financial Statements
December 31, 1999 and 1998

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Medical Discoveries, Inc. and Subsidiary, (a development stage company) as of December 31, 1999 and 1998, and the related statements of operations, stockholders' deficit and cash flows for the two years ended December 31, 1999 and cumulative amounts since inception. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material

misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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 Medical Discoveries, Inc. and Subsidiary, (a development stage company) as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the two years then ended and cumulative amounts since inception in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2, the Company's significant losses, a deficit of working capital, lack of significant revenue and a stockholders' deficit raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Salt Lake City, Utah
March 20, 2000

<TABLE>
<CAPTION>

MEDICAL DISCOVERIES, INC. and SUBSIDIARY
(A Development Stage Company)
Consolidated Balance Sheet

	December 31, 1999	December 31, 1998
Assets		
Current assets:		
<S>	<C>	<C>
Cash	$ 10,152	$ 84,847
Accounts receivable	-	2,716
Inventory	99,370	158,225
Prepaid expenses	-	10,973
Total current assets	109,522	256,761
Furniture and equipment	108,521	108,521
Less accumulated depreciation	(79,328)	(39,610)
Net furniture and equipment	29,193	68,911
Other assets	900	1,409
Total assets	$ 139,615	$ 327,081
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 1,780,811	$ 1,368,392
Accrued expenses	108,154	75,154
Current maturities of notes payable	375,807	191,717
Convertible notes payable	200,983	250,983
Total current liabilities	2,465,755	1,886,246
Notes payable	12,000	-
Commitments and contingencies	-	-
Stockholders' deficit:		
Common stock - no par value, authorized 100,000,000		

shares, 26,656,959 shares and 26,373,625 shares issued and outstanding in 1999 and 1998, respectively	9,913,837	9,661,250
Accumulated deficit	(12,139,477)	(11,107,915)
Subscription receivables	(112,500)	(112,500)
Total stockholders' deficit	(2,338,140)	(1,559,165)
Total liabilities and stockholders' deficit	$ 139,615	$ 327,081

accompanying notes to consolidated financial statements. 1

</TABLE>
<TABLE>
<CAPTION>

MEDICAL DISCOVERIES, INC. and SUBSIDIARY
(A Development Stage Company)
Consolidated Statement of Operations

	Years Ended December 31,		Cumulative Amounts Since November 20, 1991 (Date of
	1999	1998	Inception)
Revenues			
<S>	<C>	<C>	<C>
Product revenue and fees	$ 19,832	$ 18,409	$ 126,609
Interest	-	2,515	23,406
Total revenue	19,832	20,924	150,015
Expenses			
Cost of sales	4,038	7,750	7,750
Research and development	376,481	415,415	2,272,291
General and administrative	575,834	3,028,063	7,860,586
License	-	-	1,001,500
Interest	95,041	51,585	194,828
Total expenses	1,051,394	3,502,813	11,336,955
Loss before income taxes and extraordinary item	(1,031,562)	(3,481,889)	(11,186,940)
Income taxes	-	-	-
Forgiveness of debt net of $-0-, income taxes	-	-	1,235,536
Net loss	$ (1,031,562)	$ (3,481,889)	$ (9,951,404)
Loss per share basic and diluted:			
Continuing operations	$ (.04)	$ (.14)	$ (.57)
Extraordinary item	-	-	.06
Net loss per share	$ (.04)	$ (.14)	$ (.51)
Weighted average common shares - basic and diluted	26,515,000	24,283,000	19,672,000

See accompanying notes to consolidated financial statements.

2

</TABLE>

<TABLE>

<CAPTION>

MEDICAL DISCOVERIES, INC. and SUBSIDIARY
(A Development Stage Company)
Consolidated Statement of Stockholders Deficit

	Common Stock		Accumulated	Subscription	
	Shares	Amount	Deficit	Receivables	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance, October 31, 1991	3,500,000	$ 252,997	$ (1,482,514)	$	$ (1,229,517)
Reverse stock split (1 for 2)	(1,750,000)	-	-	-	-
Restatement for reverse acquisition of WPI Pharmaceutical, Inc. by Medical Discoveries, Inc.	-	(252,997)	252,997	-	-
Shares issued in merger of WPI Pharmaceutical and Medical Discoveries, Inc.	10,000,000	135,000	(170,060)	-	(35,060)
Balance at November 20, 1991 (Date of Inception)	11,750,000	135,000	(1,399,577)	-	(1,264,577)
Common stock issued for cash	200,000	100,000	-	-	100,000
Common stock issued for services	500,000	250,000	-	-	250,000
Common stock issued for cash	40,000	60,000	-	-	60,000
Net loss October 31, 1992	-	-	(370,398)	-	(370,398)
Balance, October 31, 1992	12,490,000	545,000	(1,769,975)	-	(1,224,975)
Net loss two months ended December 31, 1992	-	-	(65,140)	-	(65,140)
Balance, December 31, 1992	12,490,000	545,000	(1,835,115)	-	(1,290,115)
Common stock issued for license	2,000,000	1,000,000	-	-	1,000,000
Common stock issued for cash	542,917	528,500	-	-	528,500

See accompanying notes to consolidated financial statements.

</TABLE>

<TABLE>
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MEDICAL DISCOVERIES, INC. and SUBSIDIARY
(A Development Stage Company)
Consolidated Statement of Stockholders Deficit
Continued

	Common Stock		Accumulated	Subscription	
	Shares	Amount	Deficit	Receivables	Total
<S>	<C>	<C>	<C>	<C>	<C>
Common stock issued for					

services	251,450	127,900	-	-	127,900
Common stock issued for $100,000 cash plus services	800,000	400,000	-	-	400,000
Net loss	-	-	(2,271,999)	-	(2,271,999)
Balance, December 31, 1993	16,084,367	2,601,400	(4,107,114)	-	(1,505,714)
Common stock issued for cash	617,237	739,500	-	-	739,500
Common stock issued for services	239,675	239,675	-	-	239,675
Cash contributed	-	102,964	-	-	102,964
Net loss	-	-	(1,223,162)	-	(1,223,162)
Balance, December 31, 1994	16,941,279	3,683,539	(5,330,276)	-	(1,646,737)
Common stock issued for cash	424,732	283,200	-	-	283,200
Common stock issued for services	4,333,547	1,683,846	-	(584,860)	1,098,986
Common stock option issued to satisfy debt restructuring	-	20,000	-	-	20,000
Net loss	-	-	(1,007,522)	-	(1,007,522)
Balance, December 31, 1995	21,699,558	5,670,585	(6,337,798)	(584,860)	(1,252,073)
Common stock issued for cash	962,868	635,000	-	(60,000)	575,000

See accompanying notes to consolidated financial statements.

</TABLE>
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MEDICAL DISCOVERIES, INC. and SUBSIDIARY
(A Development Stage Company)
Consolidated Statement of Stockholders Deficit
Continued

	Common Stock		Accumu-lated	Sub-scription	
	Shares	Amount	Deficit	Receivables	Total
<S>	<C>	<C>	<C>	<C>	<C>
Common stock issued for services	156,539	101,550	-	-	101,550
Common stock canceled	(1,400,000)	(472,360)	-	472,360	-
Common stock issued in settlement of obligations	239,458	186,958	-	-	186,958
Net loss	-	-	(456,466)	-	(456,466)
Balance, December 31, 1996	21,658,423	6,121,733	(6,794,264)	(172,500)	(845,031)
Common stock issued for services and interest	12,500	3,625	-	-	3,625
Common stock issued for cash	311,538	135,000	-	60,000	195,000
Common stock issued in settlement of contract	800,000	200,000	-	-	200,000
Common stock issued from					

exercise of options	87,836	21,959	-	-	21,959
Common stock issued for conversion of notes payable	100,000	25,000	-	-	25,000
Net loss	-	-	(831,762)	-	(831,762)
Balance, December 31, 1997	22,970,297	6,507,317	(7,626,026)	(112,500)	(1,231,209)
Common stock issued for cash	2,236,928	650,000	-	-	650,000
Common stock issued for debt	283,400	56,680	-	-	56,680

See accompanying notes to consolidated financial statements.

MEDICAL DISCOVERIES, INC. and SUBSIDIARY
(A Development Stage Company)
Consolidated Statement of Stockholders Deficit
Continued

	Common Stock		Accumulated	Subscription	
	Shares	Amount	Deficit	Receivables	Total
<S>	<C>	<C>	<C>	<C>	<C>
Common stock options issued for services	-	2,336,303	-	-	2,336,303
Common stock issued for services	683,000	110,750	-	-	110,750
Common stock issued from exercise of warrants	200,000	200	-	-	200
Net loss	-	-	(3,481,889)	-	(3,481,889)
Balance, December 31, 1998	26,373,625	9,661,250	(11,107,915)	(112,500)	(1,559,165)
Common stock issued for:					
Interest	100,000	30,000	-	-	30,000
Cash	13,334	2,000	-	-	2,000
Options exercised and waived option price	170,000	24,000	-	-	24,000
Options issued for services	-	196,587	-	-	196,587
Net loss	-	-	(1,031,562)	-	(1,031,562)
Balance, December 31, 1999	26,656,959	$ 9,913,837	$ (12,139,477)	$ (112,500)	$ (2,338,140)

See accompanying notes to consolidated financial statements.

MEDICAL DISCOVERIES, INC. and SUBSIDIARY
(A Development Stage Company)
Consolidated Statement of Cash Flows

	Cumulative Amounts Since November 20,

	Years Ended December 31,		1991 (Date of
	1999	1998	Inception)
Cash flows from operating activities:			
<S>	<C>	<C>	<C>
Net loss	$ (1,031,562)	$ (3,481,889)	$ (10,739,900)
Adjustments to reconcile net loss to net cash used in operating activities:			
Common stock options issued for services	220,587	2,336,303	2,556,890
Common stock issued for services, expenses, and litigation	30,000	110,750	3,559,986
Reduction of legal costs	-	-	(130,000)
Depreciation	39,718	16,103	80,787
Loss on disposal of property and equipment	-	-	30,364
Gain on debt restructuring	-	-	(1,235,536)
Write-off of receivables	-	(2,716)	193,965
(Increase) decrease in receivables	2,716	(104)	(7,529)
(Increase) decrease in inventory	58,855	(158,225)	(99,370)
Decrease in prepaid expenses	10,973	-	-
(Increase) decrease in other assets	509	1,751	(900)
Increase (decrease) in:			
Accounts payable	412,419	451,658	1,624,902
Accrued expenses	33,000	60,794	129,635
Net cash used in operating activities	(222,785)	(665,575)	(4,036,706)
Cash flows from investing activities:			
Purchase of property and equipment	-	(36,217)	(132,184)
Payments received on note receivable	-	30,586	130,000
Net cash used in investing activities	-	(5,631)	(2,184)
Cash flows from financing activities:			
Payments of convertible notes payable	(50,000)	(40,717)	(90,717)
Increase in notes payable	286,807	145,806	533,613
Payments of notes payable	(90,717)	-	(97,287)
Increase in convertible note payable	-	-	316,700
Contributed equity	-	-	131,374
Common stock issued for cash	2,000	650,200	3,255,359
Net cash provided by financing activities	148,090	755,289	4,049,042

See accompanying notes to consolidated financial statements.

</TABLE>
<TABLE>
<CAPTION>

Consolidated Statement of Cash Flows
Continued

	Years Ended December 31,		Cumulative Amounts Since November 20, 1991 (Date of
	1999	1998	Inception)
<S>	<C>	<C>	<C>
Net (decrease) increase in cash	(74,695)	84,083	10,152
Cash, beginning of period	84,847	764	-
Cash, end of period	$ 10,152	$ 84,847	$ 10,152

</TABLE>

Supplemental disclosure of non-cash investing and financing activities:

In 1998, the Company converted $56,680 of obligations into 283,400 shares of common stock.

Actual amounts paid for interest and income taxes are as follows:

	1999	1998	Cumulative Amounts Since November 20, 1991 (Date of Inception)
Interest	$ 30,000	$ 21,816	$ 88,852
Income taxes	$ -	$ -	$ -

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Organization and Presentation

Medical Discoveries, Inc. (the Company) was organized under the laws of the state of Utah on November 20, 1991, date of inception. On August 6, 1992, the Company entered into an agreement whereby the shareholders of the Company exchanged 100 percent of their common stock for 10,000,000 shares of common stock of WPI Pharmaceutical, Inc. (WPI). The WPI shareholders had 1,750,000 shares following a reverse stock split of one share for two shares. At the time of the transaction the name of WPI was changed to Medical Discoveries, Inc. (MDI). Inasmuch as the 10,000,000 shares of common stock are in excess of 80 percent of the total outstanding common stock of WPI, the transaction is accounted for as a reverse acquisition. The Company is, therefore, deemed to have acquired WPI. At the time of the merger the entity previously known as Medical Discoveries, Inc., ceased. The development stage commenced on November 20, 1991 which is the date of the inception of MDI.

On October 22, 1998 the Company formed a wholly-owned subsidiary MDI HealthCare Systems, Inc. (MDIHC). The financial statements reflect MDI for all periods presented and MDIHC since October 22, 1998. All material intercompany transactions have been eliminated.

The Company has not generated any significant revenue and is, therefore, considered a development stage company as defined in SFAS No. 7. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

Cash and Cash Equivalents

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

Inventory

Inventory is recorded at cost on the first-in, first-out (FIFO) method.

MEDICAL DISCOVERIES, INC. and SUBSIDIARY
(A Development Stage Company)
Notes to Consolidated Financial Statements
Continued

1. Summary of Significant Accounting Policies Continued

Furniture and Equipment
Furniture and equipment are carried at cost. Depreciation is computed using the straight-line method over 3 to 7 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

Income (Loss) Per Common Share
Income (loss) per share of common stock is calculated based on the weighted average number of shares outstanding during the periods. Common stock equivalents and stock options have not been included as they are antidilutive.

Business and Concentration of Credit
The primary purpose of the business is the research and development of the sterilization of medical equipment and an anti-viral treatment for infectious diseases. The Company has no significant revenues and, therefore, no significant trade receivables or extensions of credit.

Fair Value of Financial Instruments
The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Financial instruments subject to possible material market variations from the recorded book value are notes payable to related parties and advances from related parties. There are no material differences in these financial instruments from the recorded book value as of December 31, 1999.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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MEDICAL DISCOVERIES, INC. and SUBSIDIARY
(A Development Stage Company)
Notes to Consolidated Financial Statements
Continued

1. Summary of Significant Accounting Policies Continued

Reclassifications
Certain amounts in the 1998 financial statements have been reclassified in order to conform to the 1999 presentation.

2. Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

The Company has not had significant revenues and is still in the process of developing anti-viral treatments for infectious diseases, skin cleansing products and the sterilization of medical equipment. The Company is hopeful but there is no assurance that the current product development and research will be economically viable. The Company has incurred substantial losses in the development of the product.

The Company is dependent upon the sale of its common stock to satisfy its current cash operating needs. The Company is also looking into the possibility of licensing its technology to an outside unrelated party. Although, management has been successful thus far in raising the needed capital there can be no assurance that the Company and its management will be able to continue to sell sufficient amounts of common stock or enter into license agreements to bring the current product development to a point where it is economically viable. Management intends to meet its cash needs through the issuance of additional shares of common stock, sales of product from its technology and licensing its technology.

3. Notes Payable

The Company has the following notes payable at December 31,:

	1999	1998
Notes payable to shareholders which are currently due and in default. Interest is at 12%. The notes are unsecured	$ 355,807	$ 101,000
Note payable to a company requiring monthly payments of $2,174 including interest at an implied rate of 12%, unsecured	32,000	--
Notes payable to officer of the Company which are due on demand. Interest is at 12%. The notes are unsecured	--	90,717
	$ 387,807	$ 191,717

Current maturities of notes payable are as follows:

Year	Amount
2000	$ 375,807
2001	12,000
	$ 387,807

4. Convertible

The Company has convertible notes payable to a trust. The

Notes Payable	notes have an interest rate of 12%, have a term of three years and were due in 1998. Each $1,000 note is convertible into 667 shares of the Company's common stock.

4.	Convertible Notes Payable Continued	During 1999 and 1998, the Company made payments directly to certain beneficiaries of the Trust. Those payments aggregate $50,000 and $40,717 during 1999 and 1998, respectively, and have been presented in the consolidated financial statements as a reduction of the convertible notes payable.
5.	Related Party Transactions	At December 31, 1999 and 1998, the Company had accounts payable to current and former officers and directors totaling $1,152,450 and $766,750, respectively, for services performed and costs incurred in behalf of the Company. The Company has notes payable to stockholders of the Company aggregating $355,807 and $101,000 at December 31, 1999 and 1998, respectively. Interest expense recorded on these notes was approximately $49,000 and $12,000 for 1998 and 1998, respectively.
6.	Income Taxes	The provision for income taxes for the years ended December 31, 1999 and 1998, is different than amounts which would be provided by applying the statutory federal income tax rate to income before provision for income taxes for the following reasons:

<TABLE>
<CAPTION>

	Years Ended December 31,		Cumulative Amounts Since November 20, 1991 (Date of
	1999	1998	Inception)
<S>	<C>	<C>	<C>
Federal income tax benefit at statutory rate	$ 350,000	$ 1,184,000	$ 3,508,000
Change in valuation allowance	(350,000)	(1,184,000)	(3,508,000)
	$ -	$ -	$ -

</TABLE>

6. Income Taxes Continued

The net timing differences for deferred income tax assets are as follows:

<TABLE>

	1999	1998
<S>	<C>	<C>
Net operating loss carryforward	$ 2,466,000	$ 2,205,000
Stock options	823,000	794,000
Accrued compensation	321,000	261,000
Valuation allowance	(3,610,000)	3,260,000
Net deferred tax asset	$ -	$ -

</TABLE>

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 $7,260,000 which can be utilized to offset future earnings of the Company. The Company also has available approximately $80,000 in research and development credits which expire in 2008. The utilization of the net operating losses and research and development credits are dependent upon the tax laws in effect at the time such losses can be utilized. The losses expire between the years 2007 and 2014. Should the Company experience a change of ownership the utilization of net operating losses could be reduced.

s

7. Stock Options

The Company has an incentive stock option plan wherein 4,000,000 shares of the Company's common stock can be issued. The Company has granted stock options and warrants to certain officers and shareholders of the Company to purchase shares of the Company's common stock. A schedule of the options and warrants is as follows:

<TABLE>
<CAPTION>

	Number of Warrants and Options	Warrant and Option Price Per Share
<S>	<C>	<C>
Outstanding at January 1, 1998	9,780,218	$ .25 to 3.00
Granted	5,943,741	.15 to .75
Exercised	(1,166,400)	.20 to .25
Expired	(5,120,000)	.25 to 5.00
Outstanding at December 31, 1998	9,437,559	.15 to 3.00
Granted	1,880,900	.15 to .25
Exercised	(170,000)	.15 to .20
Expired	(2,996,118)	.15 to 3.00
Forfeited	(2,508,000)	.25 to 1.00

Outstanding at December 31, 1999	5,644,341	$ .25 to .25

</TABLE>

7. Stock Options Continued

In October 1995, the Financial Accounting Standards Board issued Statement of financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123) which established financial accounting and reporting standards for stock-based compensation. The new standard defines a fair value method of accounting for an employee stock option or similar equity instrument. This statement gives entities the choice between adopting the fair value method or continuing to use the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25 with footnote disclosures of the pro forma effects if the fair value method had been adopted. The Corporation has opted for the latter approach. Had compensation expense for the Corporation's stock option plan been determined based on the fair value at the grant date for awards in 1997 and 1996 consistent with the provisions of FAS No. 123, the Corporation's results of operations would have been reduced to the pro forma amounts indicated below:

<TABLE>

	December 31, 1999	December 31, 1998
<S>	<C>	<C>
Net loss - as reported	$ (1,031,562)	$ (3,481,889)
Net loss - pro forma	$ (1,111,682)	$ (4,236,225)
Loss per share - as reported	$ (.04)	$ (.14)
Loss per share - pro forma	$ (.04)	$ (.17)

</TABLE>

The fair value of each option grant is estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

<TABLE>

	December 31, 1999	December 31, 1998
<S>	<C>	<C>
Expected dividend yield	$ -	$ -

Expected stock price volatility	121%	142.2%
Risk-free interest rate	5%	5.0%
Expected life of options	1 to 3 years	10 years

</TABLE>

The weighted average fair value of options granted during 1999 and 1998 are $.08 and $.52, respectively.

7. Stock Options Continued

The following table summarized information about fixed stock options outstanding at December 31, 1999:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$ .25	2,656,000	2.4	$ .25	2,656,000	$ .25
.50 to 1.00	2,828,341	1.0	.76	2,828,341	.76
3.00	160,000	0.3	3.00	160,000	3.00
$.15 to 3.00	5,644,341	1.70	$ .58	5,644,341	$ .58

</TABLE>

8. Commitments

The Company leases its office facility and previous office facility under operating leases The leases require monthly payments of $900 through April 2000.

Approximate future commitments under these leases are as follows:

Year	Amount
2000	$ 3,600

Annual rent expense totaled approximately $10,000 for the years ended December 31, 1999 and 1998.

9 .	Recently Issued Accounting Statements	In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and requires recognition of all derivatives as assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The statement is effective for fiscal years beginning after June 15, 1999. The Company believes that the adoption of SFAS 133 will not have any material effect on the financial statements of the Company.

- ----------

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