

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

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For the quarterly period ended June 30, 2000

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

MEDICAL DISCOVERIES, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Utah 87-0407858

(State or other jurisdiction (I.R.S. Employer Identification No.)  
of incorporation or organization)

1800 South West Temple, Suite 304, Salt Lake City, Utah 84115

(Address of principal executive offices)

(801) 463-9311

(Issuer's Telephone Number)

N/A

(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

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  No  
=== ===

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant has filed all documents and reports  
required to be filed by Sections 12, 13, or 15(d) of the Exchange Act  
after the distribution of securities under a plan confirmed by a court.  
 Yes  No  
=== ===

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's  
classes of common equity, as of the latest practicable date: 26,656,959  
as of July 31, 2000.

Transitional Small Business Disclosure Format (check one)

Yes  No  
=== ===

PART I  
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following consolidated financial statements are filed with this report:

Balance Sheet as of June 30, 2000 (unaudited) and December 31, 1999  
(unaudited)

Statements of Operations for the three-month and six-month periods

ended June 30, 2000 (unaudited) and June 30, 1999 (unaudited) and cumulative amounts since inception through June 30, 2000 (unaudited)

Statements of Cash Flows for the six-month periods ended June 30, 2000 (unaudited) and June 30, 1999 (unaudited) and cumulative amounts since inception through June 30, 2000 (unaudited)

Notes to Unaudited Consolidated Financial Statements

MEDICAL DISCOVERIES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED BALANCE SHEET  
AS OF JUNE 30, 2000 AND DECEMBER 31, 1999  
(UNAUDITED)

	June 30, 2000	December 31, 1999
	-----	-----
CURRENT ASSETS		
Cash	\$ 209	\$ 10,152
Inventory	96,859	99,370
	-----	-----
Total Current Assets	97,068	109,522
PROPERTY AND EQUIPMENT		
Equipment	108,521	108,521
Less: Accumulated depreciation	(84,984)	(79,328)
	-----	-----
Net Property and Equipment	23,537	29,193
OTHER ASSETS	0	900
	-----	-----
Total Assets	\$ 120,605	\$ 139,615
	=====	=====
CURRENT LIABILITIES		
Accounts payable	\$1,782,279	\$1,780,811
Accrued interest	137,154	108,154
Current maturities of:		
Notes payable	455,807	387,807
Convertible notes payable	200,983	200,983
	-----	-----
Total Current Liabilities	2,576,223	2,477,755
STOCKHOLDERS' EQUITY		
Common Stock, no par value, authorized 100,000,000 shares; 26,656,959 shares issued and outstanding at June 30, 2000	9,913,837	9,913,837
Retained deficit	(12,256,955)	(12,139,477)
Subscription receivables	(112,500)	(112,500)
	-----	-----
Total Stockholders' Equity	(2,455,618)	(2,338,140)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 120,605	\$ 139,615
	=====	=====

<TABLE>  
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MEDICAL DISCOVERIES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE PERIODS ENDED JUNE 30, 2000 AND JUNE 30, 1999 AND CUMULATIVE AMOUNTS  
(UNAUDITED)

	For the three months ended June 30,		For the six months ended June 30,		Cumulative Amounts since November 20, 1991 (date of inception)
	2000	1999	2000	1999	
	-----	-----	-----	-----	-----
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REVENUE					
Revenue and fees	\$ 0	\$ 0	\$ 7,620	\$ 0	\$ 134,229
Interest	0	0	0	0	23,406
	-----	-----	-----	-----	-----
Total Revenue	0	0	7,620	0	150,015
COST OF GOODS SOLD	0	0	2,511	0	10,261
	-----	-----	-----	-----	-----
GROSS MARGIN	0	0	5,109	0	147,374

EXPENSES					
License	0	0	0	0	1,001,500
Research and development	0	306,736	0	365,373	2,272,535
General and administrative	43,132	79,144	92,691	182,791	7,953,033
	-----	-----	-----	-----	-----
Total Expenses	43,132	385,880	92,691	548,164	11,227,068
	-----	-----	-----	-----	-----
NET LOSS FROM OPERATIONS	( 43,132)	(385,880)	( 87,582)	(548,164)	(11,079,694)
	-----	-----	-----	-----	-----
OTHER INCOME / (EXPENSE)	(15,265)	(14,364)	(29,897)	(58,758)	(224,725)
	-----	-----	-----	-----	-----
LOSS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	( 58,397)	(400,244)	(117,479)	(606,922)	(11,304,419)
	-----	-----	-----	-----	-----
INCOME TAXES	0	0	0	0	0
	-----	-----	-----	-----	-----
LOSS BEFORE EXTRAORDINARY ITEM	( 58,397)	(400,244)	(117,479)	(606,922)	(11,550,796)
	-----	-----	-----	-----	-----
FORGIVENESS OF DEBT	0	0	0	0	1,235,536
	-----	-----	-----	-----	-----
NET LOSS	\$ ( 58,397)	\$ (400,244)	\$ (117,479)	\$ (606,922)	\$ (10,068,883)
	=====	=====	=====	=====	=====
INCOME / (LOSS) PER SHARE					
Loss from continuing operations	\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.02)	\$ (0.57)
Gain from debt forgiveness	0.00	0.00	0.00	0.00	0.06
	-----	-----	-----	-----	-----
Income / (loss) per share	\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.02)	\$ (0.51)
	=====	=====	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES					
	26,657,000	26,480,000	26,657,000	26,477,000	19,879,000
	=====	=====	=====	=====	=====

</TABLE>

MEDICAL DISCOVERIES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIODS ENDED JUNE 30, 2000 AND JUNE 30, 1999 AND CUMULATIVE AMOUNTS  
(UNAUDITED)

	For the six months ended June 30,		Cumulative Amounts since November 20, 1991 (date of inception)
	2000	1999	-----
OPERATING ACTIVITIES			
Net income (loss) for the period	\$ (117,478)	\$ (606,922)	\$ (10,857,378)
Add non-cash items			
Common stock options issued for services			2,556,890
Common stock issued for services and license	0	30,000	3,559,986
Reduction of legal costs	0	0	(130,000)
Depreciation	5,656	5,981	86,443
Loss on disposal of equipment	0	0	30,364
Gain on debt restructuring	0	0	(1,235,536)
Write-off receivables	0	0	193,965
Decrease (increase) in:			
Receivables	0	(106)	7,529
Inventory	2,511	(2,595)	( 96,859)
Prepaid Expenses	0	8,232	0
Other assets	900	509	0
Increase (decrease) in:			
Accounts payable	1,468	373,334	1,626,370
Accrued expenses	29,000	(2,561)	158,635
	-----	-----	-----
Net Cash from Operations	(77,943)	(194,128)	(4,114,649)
INVESTING ACTIVITIES			
Purchases of equipment	0	0	(132,184)
Payments received on note receivable	0	0	130,000
	-----	-----	-----
Net Cash from Investing Activities	0	0	(2,184)

FINANCING ACTIVITIES			
Increase in notes payable	68,000	160,000	601,613
Payment of notes payable	0	(50,000)	(188,004)
Increase in notes payable	0	0	316,700
Equity contributed	0	0	131,374
Proceeds from issuance of common stock	0	0	3,255,359
	-----	-----	-----
Net Cash from Financing Activities	68,000	110,000	4,117,042
	-----	-----	-----
NET INCREASE / (DECREASE) IN CASH	( 9,943)	(84,128)	209
CASH, BEGINNING PERIOD	10,152	84,847	0
	-----	-----	-----
CASH ENDING PERIOD	\$ 209	\$ 719	\$ 209
	=====	=====	=====

MEDICAL DISCOVERIES, INC.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2000

NOTES TO UNAUDITED FINANCIAL STATEMENTS

The unaudited financial statements include the accounts of Medical Discoveries, Inc. and include all adjustments which are, in the opinion of management, necessary to present fairly the financial position as of June 30, 2000 and the results of operations and changes in financial position for the three-month and six-month periods ended June 30, 2000. The results of operations for the three-month and six-month periods ended June 30, 2000 are not necessarily indicative of the results to be expected for the entire year.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

OPERATIONS AND LIQUIDITY.

MDI booked \$7,620 revenue for the three-month period from January 1, 2000 to March 31, 2000 and \$0 revenue for the three-month period ended June 30, 2000 compared to \$ 0 revenue for the three month period from January 1, 1999 to March 31, 1999 and \$0 revenue for the three-month period ended June 30, 1999. The revenue resulted from sales of MDI HealthCare Systems (MDI-HCS) inventory to Advanced Sales Corporation ("ASC"). ASC has initiated sales of MDI-HCS products as described in "Related Events" below.

MDI spent \$0 in research and development costs during the first six months of 2000 compared to \$365,373 for the same period in last year. The absence of research and development work during the first six months of 2000 is a result of the unavailability of funds to conduct research. MDI reduced its General and Administrative expense to \$92,691 from \$182,791. Funds to support operations came from loans from MDI's investment partner described in "Subsequent Events" below.

The Funding for on-going operations is discussed in the "Additional Funding is Required" section below.

ADDITIONAL FUNDING IS REQUIRED

Management intends to raise substantial additional funds in private stock offerings in the near future in order to meet its near-term funding

requirements. In the future, management anticipates the need to raise substantial additional funds in public stock offerings as well. It is anticipated that shareholders may experience substantial dilution due to the current financial position of the Company. The funds to be raised will be used in the following areas: 1) the launch of MDI-HCS, 2) continued research for MDI-P, 3) payment and payment arrangements for the Company's obligations, 4) commencement of payment of salaries to Company personnel, and 5) at such time as funds become available, payment of prior debts of the Company.

SUBSEQUENT EVENTS

On June 16, 2000, the Board of MDI approved a resolution to accept the investment proposal from an outside investment group based on a letter of intent signed in October 1999 and disclosed in the Company's previous 10KSB for the 1999 fiscal year. The agreement between MDI and the outside investment group was executed in July 2000. The letter of intent provides for a joint venture between MDI and the outside investment group to sell MDI-HCS products. The entity to be created by the joint venture is Advanced Sales Corporation or ASC as noted above in the Operations and Liquidity section. The outside investment group has formed

Advanced Sales Corporation and in anticipation of the joint venture agreement, MDI and ASC executed an agreement in the fourth quarter of 1999 that allows ASC to market MDI-HCS products. The term of this agreement was for 120 days and was renewable on a monthly basis. The agreement was an interim step pending completion of joint venture agreement between MDI and the outside investment group.

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 agreement, 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 drawn \$100,000). 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 investment group signed the joint venture agreement in July 2000.

Scott Wood, the Company's chief financial officer and acting president, resigned effective July 31, 2000. Mr. Wood remains available to the Company on an "as needed" basis.

#### RELATED EVENTS

ASC (the JV company of which MDI holds a 42 percent ownership) has launched sales of MDI-HCS products. ASC introduced several HCS products at a trade show in Las Vegas in June 2000. Reception for the MDI-HCS products was positive. ASC recorded sales of a little more than \$3,000 during the three-day show and was able to sign many distributors.

#### ADDITIONAL FUNDING IS REQUIRED

Management intends to raise substantial additional funds in private stock offerings in the near future in order to meet its near-term funding requirements. In the future, management anticipates the need to raise

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

#### FORWARD LOOKING STATEMENTS

With the exception of the actual reported financial results and other historical information, the statements made in the Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report are forward looking statements that involve risks and uncertainties that could affect actual future results. Such risks and uncertainties include, but are not limited to: the regulatory environment, the technical and engineering risks associated with new product development, the availability of funding, the cooperation of the Company's creditors, the ability of the Company to attract and retain competent personnel, market acceptance of MDI products, favorable negotiations with partners in the proposed joint venture, the presence of possible competitors, and competing technologies.

## PART II

### OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

The Company is not currently involved in any litigation and there has been no change in any with regard to any potential legal dispute since the filing of the Company's 10Q for the quarter ended March 31, 2000.

#### ITEM 2. CHANGES IN SECURITIES

N/A

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

N/A

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

N/A

#### ITEM 5. OTHER INFORMATION

N/A

ITEM 6. 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-QSB.

EXHIBIT NUMBER	DESCRIPTION
-----	-----
27	Financial Data Schedule.

(b) Reports on Form 8-K

N/A

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEDICAL DISCOVERIES, INC.

Date: August 30, 2000

/s/ David Walker  
-----  
Chairman of the Board  
Officer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MEDICAL DISCOVERIES, INC. JUNE 30, 1999 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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