

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 1997

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)

2985 North 935 East, Suite 9, Layton, UT 84041

(Address of principal executive offices)

(801) 771-0523

(Issuer's Telephone Number)

2040 East Murray-Holladay Road, Suite 116, Salt Lake City, UT 84117

(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. X 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: 22,050,150

as of July 31, 1997

Transitional Small Business Disclosure Format (check one)

Yes X No
=== ===

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following financial statements are filed with this report:

Balance Sheets as of June 30, 1997 (unaudited) and June 30, 1996
(unaudited)

Statements of Operations for the Three-Month Periods ended June 30, 1997 (unaudited) and June 30, 1996 (unaudited) and the Six-Month Periods ended June 30, 1997 (unaudited) and June 30, 1996 and since inception through June 30, 1997 (unaudited).

Statements of Cash Flows for the Six-Month Periods ended June 30, 1997 (unaudited) and June 30, 1996 (unaudited)

Notes to Unaudited Financial Statements

MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEET

AS OF JUNE 30, 1997 AND JUNE 30, 1996
(UNAUDITED)

	June 30, 1997	June 30, 1996
	-----	-----
CURRENT ASSETS		
Cash	\$ 20,515	\$ 25,307
Accounts receivable	49,033	46,784
Prepaid expenses	2,692	10,780
	-----	-----
Total Current Assets	72,240	82,871
PROPERTY AND EQUIPMENT		
Equipment	79,313	74,231
Less: Accumulated depreciation	(23,809)	(16,181)
	-----	-----
Net Property and Equipment	55,504	58,050
OTHER ASSETS		
Deposits	2,260	1,170
Note receivable	5,493	30,586
	-----	-----
Total Other Assets	7,753	31,756
Total Assets	\$ 135,497	\$ 172,677
	=====	=====
CURRENT LIABILITIES		
Accounts payable	\$ 731,552	\$ 670,166
Accrued interest	9,973	26,039
Short term notes payable	51,000	0
Current maturities of notes payable	2,924	2,795
	-----	-----
Total Current Liabilities	795,449	699,000
LONG TERM LIABILITIES		
Notes payable	317,194	318,708
	-----	-----
Total Long Term Liabilities	317,194	318,708
	-----	-----
TOTAL LIABILITIES	1,112,643	1,017,708
	-----	-----
STOCKHOLDERS' EQUITY		
Common Stock, no par value, authorized 100,000,000 shares; 22,050,150 shares issued and outstanding at June 30, 1997	6,269,233	6,121,733
Retained deficit	(7,073,879)	(6,794,264)
Subscription receivables	(172,500)	172,500
	-----	-----
Total Stockholders' Equity	(977,146)	(845,031)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 135,497	\$ 172,677
	=====	=====

MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF OPERATIONS

FOR THE PERIODS ENDED JUNE 30, 1997 AND JUNE 30, 1996
(UNAUDITED)

<TABLE>
<S>

<C>

<C>

<C>

<C>

<C>

For the three months
ended June 30,

For the six months
ended June 30,

Cumulative
Amounts since
November 20,

	1997	1996	1997	1996	1991 (date of inception)
REVENUE					
Clinical fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 108,200
Total Revenue	0	0	0	0	108,200
EXPENSES					
License	0	0	0	0	1,001,500
Research and development	29,363	89,517	29,664	150,248	1,736,720
General and administrative	57,037	403,007	218,721	579,525	4,188,507
Total Expenses	86,400	492,524	248,385	729,773	6,926,727
NET LOSS FROM OPERATIONS	(86,400)	(492,524)	(248,385)	(729,773)	(6,818,527)
OTHER INCOME / (EXPENSE)	(19,703)	(6,285)	(31,230)	(12,066)	(91,311)
LOSS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(106,103)	(498,809)	(279,615)	(741,839)	(6,909,838)
INCOME TAXES	0	0	0	0	0
LOSS BEFORE EXTRAORDINARY ITEM	(106,103)	(498,809)	(279,615)	(741,839)	(6,909,838)
FORGIVENESS OF DEBT	0	0	0	673,486	1,235,536
NET INCOME	\$(106,103)	\$ 498,809	\$(279,615)	\$(68,353)	\$(5,674,302)
INCOME / (LOSS) PER SHARE					
Loss from continuing operations	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.36)
Gain from debt forgiveness	0.00	0.00	0.00	0.03	0.06
Income / (loss) per share	\$(0.00)	\$(0.02)	\$(0.01)	\$ 0.00	\$(0.29)
WEIGHTED AVERAGE NUMBER OF SHARES	21,879,944	22,603,903	21,778,359	22,308,461	19,267,551

</TABLE>

MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 1997 AND JUNE 30, 1996
(UNAUDITED)

	For the six months ended June 30,	Cumulative Amounts since November 20,	
	1997	1996	1991 (date of inception)
OPERATING ACTIVITIES			
Net income (loss) for the period	\$ (279,615)	\$ (68,353)	\$ (5,674,302)
Add non-cash items			
Common stock issued for services and license	0	199,050	3,215,611
Reduction of legal costs	0	0	(130,000)
Depreciation	7,628	5,915	25,269
Loss on disposal of equipment	0	0	6,330
Gain on debt restructuring	0	(673,486)	(1,235,536)
Write-off receivables	0	0	193,965
Decrease (increase) in:			
Receivables	22,485	20,796	15,316
Prepaid Expenses	8,088	65,860	(2,692)
Other assets	(1,090)	0	(2,260)
Increase (decrease) in:			
Accounts payable	61,386	(28,060)	575,642
Accrued expenses	(16,066)	2,365	31,454
Short term notes payable	51,000	0	51,000
Net Cash from Operations	(145,824)	(475,913)	(2,930,203)
INVESTING ACTIVITIES			
Purchases of equipment	(5,082)	(10,685)	\$(78,942)

Payments received on note receivable	0	0	52,629
	-----	-----	-----
Net Cash from Investing Activities	(5,082)	(10,685)	(26,313)
FINANCING ACTIVITIES			
Payment of notes payable	(1,385)	0	(4,743)
Increase in notes payable	0	13,989	316,700
Equity contributed	0	0	131,374
Proceeds from issuance of common stock	147,500	574,485	2,533,700
	-----	-----	-----
Net Cash from Financing Activities	146,115	588,474	2,977,031
	-----	-----	-----
NET INCREASE / (DECREASE) IN CASH	(4,791)	101,876	20,515
CASH, BEGINNING PERIOD	25,306	37,833	0
CASH ENDING PERIOD	\$ 20,515	\$ 139,709	\$ 20,515
	=====	=====	=====

MEDICAL DISCOVERIES, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 1997

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, 1997 and the results of operations and changes in financial position for the six-month period ended June 30, 1997. The results of operations for the six months ended June 30, 1997 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.

DIRECTOR OF APPLICATIONS RESEARCH.

As MDI moves into the pre-clinical, pre-commercialization phase of its product development, it is an absolute necessity that the company establishes a well organized, thoroughly documented approach to investigating research applications, identifying research sites, and effectively monitoring progress. This requires that the company hire a proven scientist with a strong background in biochemical and bacteriological research; someone who is adept in the clinical research setting, as well as possessing an astute scientific mind. MDI is pleased to announce that John Griesgraber has accepted the newly created position of Director of Applications Research. Mr. Griesgraber brings experience in the fields of scientific research, product development and biochemical research as related to metabolic disease states. He was formerly President, Founder and co-owner of Terra Marine Bio-chemical. Bio-organics and chemical processes for international distribution. Previously, he held positions as a Research Associate at the University of California, San Diego, the Salk Institute, La Jolla, California, and was an Applications Engineer at IVAC Corporation during its early stages of development and growth. Mr. Griesgraber's knowledge, experience and familiarity with wound planning, organization and implementation brings renewed vigor to Dr. Novick's USA Scientific Research Team.

SCIENTIFIC RESEARCH AND DEVELOPMENT PROGRAM IN JAPAN.

"Electrically hydrolyzed saline" ("Function Water" as it is known in Japan) 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. MDI must be aware, active and involved with respect to this technological development. The company has therefore appointed Shouji Kubota, Ph.D., to head up MDI's Scientific Research and Development program in Japan. Dr. Kubota's reputation is well established and widely respected. He is a specialist in the understanding and development of electrically hydrolyzed saline solutions (Function Water), and has published an authoritative text on this subject. Dr. Kubota is currently the president of The Society for the Study of water Design. This Society was established in 1987, for the purpose of investigating and developing the potential and future applications of Function Water. Dr. Kubota has been president of this Society since 1995.

Previously, Dr. Kubota was with the Hitachi Institute of Hitachi Seisakusho where he had a distinguished 25 year career. He is also Adjunct Professor in the Engineering Department at Ibaragi University, and serves as vice-president of the Society of Subtle Energy Institute.

ADDITION TO MDI'S MEDICAL SCIENTIFIC ADVISORY BOARD.

MDI has added Dr. Dennis E. Winson, DDS to MDI's Medical Scientific Advisory Board. Dr. Winson is Associate Professor in the Department of Periodontics at the University of Maryland, and maintains his clinical practice in Bethesda. Dr. Winson is an Officer in the American Academy of Periodontology, and has been on its Board of Trustees since 1990. Dr. Winson's Expertise in the field of periodontal disease and dentistry is a valuable addition to our scientific and research efforts as MDI investigates potential applications of its technologies in the dental area of medicine.

APPOINTMENT OF REGULATORY AFFAIRS CONSULTANT.

The strength of MDI will, undoubtedly, be based not only on its abilities to further develop and refine its core technologies, but also to produce revenue generating opportunities for the company. In order to achieve revenues, MDI must chart a timely and an effective course in order to obtain FDA approval for the sales of its products in the United States. To this end, the company has engaged the services of Dr. Jur Strobos, MD, Esquire, of the law firm of Greenberg and Traurig, Washington, DC, to assist MDI as its Regulatory Affairs consult. Dr. Strobos received his medical degree from the University of Chicago, and has over twenty years experience in Medicine at both Georgetown University and George Washington University School of Medicine. In 1987, Dr. Strobos received his Juris Doctorate from the University of Pennsylvania and insurance litigation, and Food And Drug Administrative Law. From 1992 to 1995 Dr. Strobos was Director, Policy Research Staff, Office of Policy for the US Food and Drug Administration. At Greenberg and Traurig, Dr. Strobos' expertise is in the area of regulatory approvals as it pertains to biotechnology and pharmaceutical applications.

These new appointments and changes in MDI's science and technology group will strengthen and advance the company's core technologies with a strong, effective and focused professional program under the overall leadership and guidance of Dr. Novick and his USA and Japanese teams.

PATENT ACTIVITY.

Recently MDI received notification from the United States Patent Office that yet another patent is pending on the company's core technologies. The latest Continuation In Part (CIP) is entitled: "System and Method For Electrolyzing Fluids for Use as Anti-Microbial Agents". This latest news brings a total of 3 patents to the company, adding strength on which MDI can build and protect its business.

ADDITIONAL FUNDING IS REQUIRED.

It is clear that MDI will need to raise additional capital to fund our FDA and international regulatory approvals process. Additionally, each of the research and testing programs in progress continues to show promise and generate valuable scientific data, and therefore, requires appropriate levels of funding. Management intends to raise substantial additional funds in private stock offerings in the near future in order to meet its near-term funding requirements with a special emphasis in Japan. In the future, management anticipates the need to raise substantial additional funds in public stock offerings as well. As additional funds are raised, the Company intends to commence paying salaries to its officers. The Company also intends at that time to hire additional technical and administrative personnel. The bulk of any additional funding will likely be spent on continued research, testing, and patent protection with respect to MDI-P.

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 10QSB for the period ended June 30, 1996.

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 14, 1997

/s/ Lee F. Kulas

President and Chief Executive Officer

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM MEDICAL DISCOVERIES,
INC. JUNE 30, 1997 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY
REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<S>

<C>

<PERIOD-TYPE>

6-MOS

<FISCAL-YEAR-END>

DEC-31-1997

<PERIOD-END>

JUN-30-1997

<CASH>

20,515

<SECURITIES>

0

<RECEIVABLES>

49,033

<ALLOWANCES>

0

<INVENTORY>

0

<CURRENT-ASSETS>

72,240

<PP&E>

79,313

<DEPRECIATION>

(23,809)

<TOTAL-ASSETS>

135,497

<CURRENT-LIABILITIES>

795,449

<BONDS>

0

<PREFERRED-MANDATORY>

0

<PREFERRED>

0

<COMMON>

6,269,233

<OTHER-SE>

(7,246,379)

<TOTAL-LIABILITY-AND-EQUITY>

135,497

<SALES>

0

<TOTAL-REVENUES>

0

<CGS>

0

<TOTAL-COSTS>

248,385

<OTHER-EXPENSES>

0

<LOSS-PROVISION>

0

<INTEREST-EXPENSE>

31,230

<INCOME-PRETAX>

(279,615)

<INCOME-TAX>

0

<INCOME-CONTINUING>

0

<DISCONTINUED>

0

<EXTRAORDINARY>

0

<CHANGES>

0

<NET-INCOME>

(279,615)

<EPS-PRIMARY>

(0.01)

<EPS-DILUTED>

(0.01)

</TABLE>