

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 September 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)

(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: 22,050,150

as of July 31, 1997

Transitional Small Business Disclosure Format (check one)

Yes No
=== ===

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following financial statements are filed with this report:

Balance Sheets as of Sept. 30, 1997 (unaudited) and December 31, 1996.

Statements of Operations for the Three-Month Periods ended
Sept. 30, 1997 (unaudited) and Sept. 30, 1996 (unaudited)

and the Nine-Month Periods ended Sept. 30, 1997 (unaudited) and Sept. 30, 1996 (unaudited) and since inception through Sept. 30, 1997 (unaudited).

Statements of Cash Flows for the Nine-Month Periods ended Sept. 30, 1997 (unaudited) and Sept. 30, 1996 (unaudited).

Notes to Unaudited Financial Statements

MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET
AS OF SEPTEMBER 30, 1997 AND SEPTEMBER 30, 1996
(UNAUDITED)

	Sept. 30, 1997	Dec. 31, 1996
	-----	-----
CURRENT ASSETS		
Cash	\$ 45,840	\$ 25,307
Accounts receivable	42,696	46,784
Prepaid expenses	14,946	10,780
	-----	-----
Total Current Assets	103,482	82,871
PROPERTY AND EQUIPMENT		
Equipment	95,862	74,231
Less: Accumulated depreciation	(28,449)	(16,181)
	-----	-----
Net Property and Equipment	67,413	58,050
OTHER ASSETS		
Deposits	2,220	1,170
Note receivable	0	30,586
	-----	-----
Total Other Assets	2,220	31,756
Total Assets	\$ 173,115	\$ 172,677
	=====	=====
CURRENT LIABILITIES		
Accounts payable	\$ 800,276	\$ 670,166
Accrued interest	20,695	26,039
Short term notes payable	103,349	0
Current maturities of notes payable	0	2,795
	-----	-----
Total Current Liabilities	924,320	699,000
LONG TERM LIABILITIES		
Notes payable	316,700	318,708
	-----	-----
Total Long Term Liabilities	316,700	318,708
TOTAL LIABILITIES		
	1,241,020	1,017,708
	-----	-----
STOCKHOLDERS' EQUITY		
Common Stock, no par value, authorized 100,000,000 shares; 22,050,150 shares issued and outstanding at Sept. 30, 1997	6,319,233	6,121,733
Retained deficit	(7,214,638)	(6,794,264)
Subscription receivables	(172,500)	172,500
	-----	-----
Total Stockholders' Equity	(1,067,905)	(845,031)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 173,115	\$ 172,677
	=====	=====

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

<TABLE> <S>	<C>	<C>	<C>	<C>	<C>
	For the three months ended Sept. 30,	1996	For the nine months ended Sept. 30,	1996	Cumulative Amounts since November 20, 1991 (date of inception)
	-----	-----	-----	-----	-----
	1997	1996	1997	1996	-----
	-----	-----	-----	-----	-----

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	50,407	49,794	80,071	200,042	1,737,127
General and administrative	79,577	137,694	298,298	717,220	4,268,084
Total Expenses	129,984	187,488	378,369	917,262	7,006,711
NET LOSS FROM OPERATIONS	(129,984)	(187,488)	(378,369)	(917,262)	(6,898,511)
OTHER INCOME / (EXPENSE)	(10,775)	(10,225)	(42,005)	(22,292)	(102,086)
LOSS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(140,759)	(197,713)	(420,374)	(939,554)	(7,000,597)
INCOME TAXES	0	0	0	0	0
LOSS BEFORE EXTRAORDINARY ITEM	(140,759)	(197,713)	(420,374)	(939,554)	(7,000,597)
FORGIVENESS OF DEBT	0	0	0	673,486	1,235,536
NET LOSS	\$ (140,759)	\$ (197,713)	\$ (420,374)	\$ (266,067)	\$ (5,765,061)
INCOME / (LOSS) PER SHARE					
Loss from continuing operations	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.40)
Gain from debt forgiveness	0.00	0.00	0.00	0.03	0.07
Income / (loss) per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.33)
WEIGHTED AVERAGE NUMBER OF SHARES					
	22,060,975	21,593,715	21,873,600	22,066,709	17,296,568

</TABLE>

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

	For the nine months ended Sept. 30,		Cumulative Amounts since November 20, 1991 (date of inception)
	1997	1996	
OPERATING ACTIVITIES			
Net income (loss) for the period	\$ (420,374)	\$ (266,067)	\$ (5,765,061)
Add non-cash items			
Common stock issued for services and license	0	313,508	3,215,611
Reduction of legal costs	0	0	(130,000)
Depreciation	12,268	9,311	29,909
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	34,675	31,566	27,146
Prepaid Expenses	(4,166)	51,035	(14,946)
Other assets	(1,050)	0	(2,220)
Increase (decrease) in:			
Accounts payable	130,110	52,227)	594,366
Accrued expenses	(5,344)	9,678	42,176
Short term notes payable	103,349	0	103,349
Net Cash from Operations	(150,532)	(472,228)	(2,934,911)
INVESTING ACTIVITIES			
Purchases of equipment	(21,631)	(19,611)	(95,491)
Payments received on note receivable	0	0	52,629
Net Cash from Investing Activities	(21,631)	(19,611)	(42,862)

FINANCING ACTIVITIES			
Payment of notes payable	(4,803)	0	(8,161)
Increase in notes payable	0	12,545	316,700
Equity contributed	0	0	131,374
Proceeds from issuance of common stock	197,500	485,000	2,583,700
	-----	-----	-----
Net Cash from Financing Activities	192,697	497,545	3,023,613
	-----	-----	-----
NET INCREASE / (DECREASE) IN CASH	20,534	5,706	45,840
CASH, BEGINNING PERIOD	25,306	37,833	0
CASH ENDING PERIOD	\$ 45,840	\$ 43,539	\$ 45,840
	=====	=====	=====

MEDICAL DISCOVERIES, INC.

NOTES TO FINANCIAL STATEMENTS
September 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 September 30, 1997 and the results of operations and changes in financial position for the nine-month period ended September 30, 1997. The results of operations for the nine months ended September 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.

OPERATIONS AND LIQUIDITY.

MDI had no revenue for the period from January 1, 1997 to September 30, 1997 compared to no revenue for the same period in 1996. The company is in the process of developing its technology for commercialization. MDI reduced its year-to-date general and administrative expense to \$79,577 from \$137,694 in 1997 compared to 1996 by increased efficiencies in its operations. Funding for on-going operations is discussed in the "Additional Funding is Required" section below.

DEVELOPMENT OF NEW/IMPROVED TECHNOLOGY.

During the last quarter, the Company has developed significant improvements to its core technologies. Among these improvements (which are in the process of patent applications) is the capability to develop a wide variety of "functional water" solutions in addition to the original MDI-P solution.

These new classes of "functional waters" enable the Company to aggressively pursue several new markets with a wide variety of applications. Included among these new target markets are applications in the cosmetic industry, home water purification, and "bottled waters".

These new markets represent significant revenue generating opportunities for the Company in the near term, and the Company is presently developing the appropriate infrastructure to aggressively pursue these markets.

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

STRATEGIC ALLIANCE.

MDI has agreed in principle and signed a letter of intent to enter into a strategic alliance with Advanced H2O of San Francisco, California. Advanced H2O is a privately held company specializing in the commercialization of systems which produce varying types of "functional water".

MANAGEMENT AND SCIENTIFIC BOARD CHANGES

Mr. Aaron Etra, Esq. has agreed to accept appointment to the Company's Board of Directors. Since 1981, Mr. Etra has been President of Investors & Developers Associates, Inc., a corporation engaged in the following activities: merchant developers of commercial, residential and industrial

property in the U.S.; brokerage and property management; managing and financing ventures internationally; domestic and international trading and commerce; technology transfer; business advisors and counselors. Previously, Mr. Etra was an attorney with Fried, Harris, Shriver & Jacobson (New York and London), and Etra & Etra (New York). Additionally, he has served as Managing Director, International Advisory Group-New York and London; Hollander Concern-Stockholm, Paris, London. Mr. Etra also served in the Cabinet of Director-General, International Labor Organization, Geneva, Switzerland. Mr. Etra has been a lecturer at Columbia University (New York), University of Malawi (Blantyre, Malawi) and the Center for International Studies (New York University). Mr. Etra received his Juris Doctorate in law from Columbia University, his LL.M. from New York University, and his B.A. for Yale University, and studied at the Hague Academy of International Law. Mr. Etra also serves as a director and officer of several U.S., Dutch, U.K., and Australian companies engaged in industrial, retailing, trading, licensing, property and financial services.

The Company has agreed to terms with Edward Alexander, Principle of Advanced H2O, to join MDI as Vice President, and to serve on the Board of Directors. Mr. Alexander will provide the Company with expertise in the areas of product, market applications and technology development in the consumer products applications of "Functional waters".

The Company has engaged the services of Augustino Vittadini as a consultant in the areas of Market Development, specifically focusing on commercializing opportunities in the consumer products areas. In addition, Mr. Vittadini has agreed to server on the Company's Board of Directors. Mr. Vittadini will focus his expertise and efforts in assisting the Company in commercializing its "functional waters" in the areas of cosmetic and other consumer applications.

PATENT ACTIVITY.

The Company was notified by the US Patent Office that another patent for its MDI-P technology was issued. This latest patent is No. 5,674,537: "Electrolyzed Saline Solution Containing Concentrated Amounts of Ozone and Chlorine Species". This brings to five the current number of patents issued for the Company's core technologies. Additionally, the Company received notice of allowance of another patent from the US Patent Office for the use of MDI-P "Electrically Hydrolyzed Salines as Microbicides".

JAPANESE MARKET OPPORTUNITIES AND ANALYSIS.

MDI has initiated discussions regarding licensing and other business development relationships with several Japanese companies. The Japanese market is in already in full scale commercialization of "functional waters" for a wide variety of applications including: water purification, waste water treatment, food processing and sterilization, and agricultural applications. To date, there has been limited activity in the area of medical applications of "functional waters". MDI is actively discussing potential alliances with several Japanese companies to jointly collaborate in this area using the Company's patented technologies and drawing on its experience in the medical area with its Scientific Advisory Board.

Recently, MDI was invited to present an update of its research activities at the Society for Water Design in Tokyo, Japan. As a result of the material presented at this meeting, MDI has been invited to meet with several Japanese companies in December to discuss possible areas of mutual interest and collaboration.

In December, the Company will present additional scientific research at the Functional Water Foundation Annual Congress to be held in Tokyo.
FUNCTIONAL WATER SOCIETY OF NORTH AMERICA/FOUNDING MEMBER.

In late October, MDI agreed to become a founding member of the newly created Functional Water Society of North America. The Functional Water Society of North America is a non-profit organization for research in the science of electrolyzed water. This organization is dedicated to contributing to the scientific exploration of "functional water" for the benefit of health and the environment. As a founding member, MDI will play an active role in the investigation, understanding, and promotion of the benefits of "functional waters". The Advisory Committee is focused on the development of "functional waters" in the following areas: Agriculture, Chemistry, Dentistry, Environmental, Food Science, Geriatrics, Immunobiology, Hydrotherapy, Japan and Russian Issues, Medical, Systems Engineering, Water and Life, Water Physics, and Veterinary Medicine.

ADDITIONAL FUNDING IS REQUIRED.

MDI needs to raise additional capital to fund its 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. On November 1997, MDI negotiated a general release with Spira and Associates in exchange for 800,000 shares of common stock. The Company had retained Spira and Associates in 1995 to assist in funding and to provide general consulting in exchange for two issuances of stock (the first issuance due upon execution of the agreement and the second due in the future based on certain criteria). The Company and Spira and Associates had terminated their relationship in 1996 and the second stock issuance of 1,240,000 shares was voided. Spira and Associates has agreed to accept 800,000 shares of common stock in lieu of the second issuance of stock due under the original agreement.

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 FINANCIAL INFORMATION EXTRACTED FROM MEDICAL DISCOVERIES, INC. SEPTEMBER 30, 1997 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1997
<PERIOD-END>	SEP-30-1997
<CASH>	45,840
<SECURITIES>	0
<RECEIVABLES>	42,696
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	103,482
<PP&E>	95,862
<DEPRECIATION>	28,449
<TOTAL-ASSETS>	173,115
<CURRENT-LIABILITIES>	924,320
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	6,319,233
<OTHER-SE>	(7,387,138)
<TOTAL-LIABILITY-AND-EQUITY>	173,115
<SALES>	0
<TOTAL-REVENUES>	0
<CGS>	0
<TOTAL-COSTS>	378,369
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	42,005
<INCOME-PRETAX>	(420,374)
<INCOME-TAX>	0
<INCOME-CONTINUING>	(420,374)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(420,374)
<EPS-PRIMARY>	(0.02)
<EPS-DILUTED>	(0.02)

</TABLE>