

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, 1996

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)

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

(Address of principal executive offices)

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(801) 273-7388

(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: 21,361,786
as of July 26, 1996. -----

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 June 30, 1996 (unaudited) and June 30, 1995 (unaudited)

Statements of Operations for the Three-Month and Six-Month Periods ended June 30, 1996 (unaudited) and June 30, 1995 (unaudited) and since inception through June 30, 1996 (unaudited)

Statements of Cash Flows for the Six-Month Periods ended June 30, 1996 (unaudited) and June 30, 1995 (unaudited)

Notes to Unaudited Financial Statements

<TABLE> MEDICAL DISCOVERIES, INC.

(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEET

AS OF JUNE 30, 1996 AND JUNE 30, 1995

(UNAUDITED)

	June 30, 1996 -----	June 30, 1995 -----	
<S>			<C>
CURRENT ASSETS			<C>
Cash	\$ 139,709		\$ 75,363
Accounts Receivable	44,639		12,500

Total Current Assets	184,348		87,863
PROPERTY AND EQUIPMENT			
Equipment	63,129		42,092
Less: Accumulated Depreciation	(9,148)		(17,320)

Net Property and Equipment	53,981		24,772
OTHER ASSETS			
Deposits	1,170		0
Note receivable	54,527		0
Deferred Federal R&D Tax Credits	0		118,561
License Agreement and Marketing Rights	0		10,000

Total Other Assets	55,697		128,561
Total Assets	\$ 294,026		\$ 241,196
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CURRENT LIABILITIES		
Accounts Payable	\$ 508,434	\$ 103,081
Medical care deposits	0	6,833
Accrued interest	9,400	0
Current maturities of notes payable	2,618	0

Total Current Liabilities	520,452	109,941
LONG TERM LIABILITIES		
Notes payable	320,492	750,000

Total Long Term Liabilities	320,492	750,000

TOTAL LIABILITIES	840,944	859,944

STOCKHOLDERS' EQUITY

Common Stock, no par value,

LOSS BEFORE INCOME TAXES AND EXTRAOR- DINARY ITEM	(498,809)	(90,563)	(741,839)	(190,645)	(6,242,110)
INCOME TAXES	-	-	0	0	0
LOSS BEFORE EXTRAORDI- NARY ITEM	(498,809)	(90,563)	(741,839)	(190,645)	(6,242,110)
FORGIVENESS OF DEBT	-	-	673,486	-	1,235,536
NET INCOME	\$ (498,809)	\$ (90,563)	\$ (68,353)	\$ (190,645)	\$ (5,006,574)

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INCOME/(LOSS) PER SHARE					
Loss from continuing operation	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.37)
Gain from debt for- giveness	-	-	0.03	-	0.07
Income/(loss) per share	\$ (0.02)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.30)

WEIGHTED AVERAGE NUMBER OF SHARES	\$22,603,903	\$17,092,498	\$22,308,461	\$17,414,418	\$16,746,028
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MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 1996 AND JUNE 30, 1995
(UNAUDITED)

Cumulative			
For the six months ended June 30,		Amounts since November 20,	
-----	-----	1991 (date of inception)	-----
1996	1995		
-----	-----	-----	-----

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OPERATING ACTIVITIES			
Net Income (Loss) for the period	\$ (68,353)	\$ (190,645)	\$ (5,006,574)
Add non-cash items			
Depreciation	5,915	4,043	10,608
Common stock issued for services and royalty repurchase	199,050		3,215,611
Loss on disposal of equipment			6,330
Gain on Debt Restructuring	(673,486)		(1,235,536)
-----	-----	-----	-----
Net Cash from Operations	(536,874)	(186,602)	(3,009,561)
WORKING CAPITAL CHANGES			
Decrease (increase) in Accounts Receivable	20,796	(12,500)	87,270
Decrease (increase) in Prepaid Expenses	65,860		0
Decrease (increase) in Other Assets			(1,170)
Increase (decrease) in:			0
Advances to shareholders'			0
Accounts payable	(28,060)	(28,607)	263,067
Accrued Interest	2,365		2,365
Accrued Expenses		6,832	28,577
-----	-----	-----	-----
Net Cash from Working Capital Changes	60,961	(34,275)	380,109

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INVESTING ACTIVITIES			
Purchases of Equipment	\$ (10,685)	(3,000)	\$ (62,758)
-----	-----	-----	-----
Net Cash from Investing Activities	(10,685)	(3,000)	(62,758)
FINANCING ACTIVITIES			
Payment of notes payable			(802)
Increase in notes payable	13,989		315,689
Equity contributed			131,374
Proceeds from issuance of common stock	574,458	283,200	2,385,658
-----	-----	-----	-----
Net Cash from Financing Activities	588,447	283,200	2,831,919
-----	-----	-----	-----
NET INCREASE / (DECREASE) IN CASH	101,876	59,323	139,709
CASH, BEGINNING PERIOD	37,833	16,040	0
CASH ENDING PERIOD	\$ 139,709	\$ 75,363	\$ 139,709
=====	=====	=====	=====

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MEDICAL DISCOVERIES, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 1996

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, 1996 and the results of operations and changes in financial position for the three-month and six-month periods ended June 30, 1996. The results of operations for the six months ended June 30, 1996 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.

NON-CASH TRANSACTIONS. The Company had several significant non-cash transactions which were recorded in the second quarter. These events were developed to allow the Company to resolve certain outstanding issues for little or no cash disbursements. A long-standing legal dispute was settled by issuance of stock valued at \$97,500 in lieu of cash. The obligation for commissions due on equity raised was paid by issuance of stock valued at \$8,000 in lieu of cash. Payment for the organization of and services rendered by the Scientific Advisory Board and others were paid by issuance of stock valued at \$87,000 in lieu of cash. Previously existing debt obligations totalling \$89,458 were settled by issuance of stock valued in lieu of cash. Of the loss of \$498,809 reported in the second quarter, \$192,500 was a result of stock issuances for 245,000 shares of stock (1.07 percent of the outstanding shares) and represents no cash disbursements by the company.

CONTINUING RESEARCH. The Company is continuing its research and development of MDI-P. The Company's current focus is to seek commercialization of MDI-P as a sterilizing agent. Beyond that, the Company will continue its research into the use of MDI-P against HIV and as an anti-bacterial agent. At the same time, the Company will continue its joint research into removing or inactivating infectious agents in blood-derived products and in treating livestock diseases. Each of these objectives is discussed separately below.

MDI-P AS A STERILIZING AGENT. Management of the Company intends to seek commercialization of MDI-P as a sterilizing agent. The reason for this priority is that such use can be approved by the FDA relatively quickly. The Company will likely seek an alliance with a large pharmaceutical company in this regard to assist MDI in the manufacturing and marketing of these sterilizers. SterilMed, an affiliate of Cooley & Cooley and the company who originally financed the initial research into the use of MDI-P as a

sterilizing agent, has a first right of negotiation in this regard. How these sterilizers will be marketed is still undecided, but will be determined once a marketing partner is identified. Management believes that this use can be commercialized in the near future, but given that the FDA must approve the application, there is no guarantee that such approval will be obtained soon, if at all.

MDI-P AGAINST HIV. The Company is in the early stages of seeking FDA approval for the use of MDI-P on patients with HIV and AIDS. The Company submitted a pre-IND information package to the FDA, to which the FDA responded by letter, dated August 30, 1994, indicating that certain additional information and testing data should be included in the IND Application. The letter also suggests items to assist the Company in designing the proposed initial clinical development plan for a Phase I trial. The Company intends to pursue the recommendations of the FDA in making an IND Application. If and when the IND Application is approved, the Company plans to seek acceleration of these clinical trials under the FDA guidelines for drugs and treatments for life-threatening diseases. The Company expects such acceleration will be allowed by the FDA, but there is no assurance that this will occur. In any event, the Company expects the clinical trials for the use of MDI-P on patients with HIV and AIDS to take a substantial amount of time to complete. The Company expects that a New Drug Application ("NDA") to the FDA will be submitted in a number of years.

MDI-P AS AN ANTI-BACTERIAL AGENT. The Company has conducted preliminary tests on the use of MDI as a potential broad spectrum anti-bacterial agent. The Company's management will likely seek an alliance with a major pharmaceutical company in this regard to market and distribute MDI-P for this purpose. That partner would also assist the Company in obtaining FDA approval for such use. The Company expects that an NDA to the FDA will be submitted in a number of years.

OTHER RESEARCH EFFORTS. The Company intends to pursue its cooperative research efforts with two major United States based pharmaceutical/ biotechnology companies to evaluate the use of MDI-P in treating certain livestock diseases and removing or inactivating infectious agents in blood derived products. While preliminary research has been sufficiently positive to encourage continued joint research efforts in this area, the Company does not know whether such research will lead to commercialization of such uses. If the joint research efforts are ultimately successful in establishing that such uses of MDI-P are commercially viable, MDI intends to fully cooperate with the pharmaceutical companies' efforts at commercialization and derive revenues from the sale of MDI-P to these companies. Beside the objectives described above, the Company intends to conduct further research and to seek regulatory approval in the United States and abroad for the testing and commercial use of MDI-P on other human diseases and ailments.

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PATENT APPLICATIONS. Recently, the Company filed a patent application for a method of treating blood and blood products in vitro to inactivate bacteria and viruses. The Company has received informal indication from the U.S. Patent office that the application is in condition for allowance. Thus, the Company anticipates that a patent will be issued on its application in the next six months. During the next twelve months, the Company will continue to seek expanded patent protection for the use of MDI-P on a variety of diseases and ailments. The Company intends to seek patent protection both in the United States and abroad.

ADDITIONAL FUNDING IS REQUIRED. The Company's planned research and testing will require substantial additional funds. At this time, the Company does not have sufficient cash to support all the required testing for the projects described above. Management intends to raise substantial additional funds in both private and possibly public stock offerings in the future in order to meet its future funding requirements. Additionally, MDI will seek licensing and research funds from the companies with whom MDI may establish a relationship. As additional funds are raised or revenues received, the Company intends to commence paying salaries to its officers and to lease appropriate office space. 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.

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PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the Company's 10-KSB filed April 13, 1996, the Company reported a potential dispute involving Robert A. Spira, John J. Carella, and other parties. The Company has had discussions with and has provided extensive information to Jonathan D. Deily, the trustee of the MDI Investors Trust, in response to his allegations that MDI had used the proceeds of the Trust outside the bounds of the Trust budget. The Company's analysis of its use of these proceeds demonstrates that the Trust funds were properly applied. Mr. Deily currently is reviewing the documentation that MDI sent to him. The Company's management is otherwise attempting to cooperate with Mssrs. Spira, Carella, and Deily to resolve any outstanding disputes.

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

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

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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, 1996

MARLIN TOOMBS

Vice President
(Principal Financial Officer)

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