SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2001

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
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 of incorporation or organization)	(I.R.S. Employer Identification No.)

738 Aspenwood Lane, Twin Falls, Idaho 83301
(Address of principal executive offices)

(208) 736-1799
(Issuer's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 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 ___

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: As of June 30, 2001, there were 32,768,917 shares of the issuer's Common Stock outstanding.

Transitional Small Business Disclosure Format (check one): Yes ___ No X

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following financial statements are filed with this report:

Condensed Consolidated Balance Sheet as of June 30, 2001, (unaudited) and December 31, 2000

Condensed Consolidated Statements of Operations for the three-month periods ended June 30, 2001 (unaudited) and June 30, 2000 (unaudited) and cumulative amounts since inception through June 30, 2001 (unaudited)

Condensed Consolidated Statements of Cash Flows for the three-month periods ended June 30, 2001 (unaudited) and June 30, 2000 (unaudited) and cumulative amounts since inception through June 30, 2001 (unaudited)

Notes to Unaudited Financial Statements

MEDICAL DISCOVERIES, INC.

(A DEVEOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEET
As of June 30, 2001 (Unaudited) and December 31, 2000

<TABLE>
<CAPTION>

	June 30, 2001	December 31, 2000
<S>	<C>	<C>
Current assets		
Cash	$ 14,582	$ 19,781
Total current assets	14,582	19,781
Equipment, at cost, net of accumulated depreciation	1,956	4,614
Total assets	$ 16,538	$ 24,395
Current liabilities		
Accounts payable	$ 1,530,230	$ 1,509,679
Accrued interest	282,640	192,716
Current portion of notes payable	1,051,717	520,807
Convertible notes payable	193,200	193,200
Total current liabilities	3,057,787	2,416,402
Stockholders' deficit		
Escrow receivable	(252,300)	(384,600)
Common stock, no par value, authorized 100,000,000 shares; 32,768,917 and 32,075,421 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively	10,497,047	10,413,837
Accumulated deficit	(13,285,996)	(12,421,244)
Total stockholders' deficit	(3,041,249)	(2,392,007)
	$ 16,538	$ 24,395

</TABLE>

MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
As of June 30, 2001 (Unaudited) and June 30, 2000 (Unaudited),
and Cumulative Amounts (Unaudited)

<TABLE>
<CAPTION>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		Since November 20, 1991 (Date of Inception)
	2001	2000	2001	2000	
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	$ --	$ --	$ --	$ 7,620	$ 134,104
Cost of goods sold	--	--	--	2,511	10,526
Gross profit	--	--	--	5,109	123,578
Research and development expenses	132,300	--	132,300	--	2,521,741
Inventory writedown	--	--	--	--	96,859
Impairment loss	--	--	--	--	9,709

License	--	--	--	--	1,001,500
General and administrative expenses	557,163	43,132	642,528	92,691	8,757,881
	------------	------------	------------	------------	------------
Operating loss	(689,463)	(43,132)	(774,828)	(87,582)	(12,264,112)
Other income (expense)					
Interest income	--	--	--	--	23,406
Other income	--	--	--	--	268,926
Interest expense	(45,739)	(15,265)	(89,924)	(29,897)	(361,679)
	------------	------------	------------	------------	------------
	(45,739)	(15,265)	(89,924)	(29,897)	(69,347)
Loss before income taxes and extraordinary item	(735,202)	(58,397)	(864,752)	(117,479)	(12,333,459)
Income taxes	--	--	--	--	--
Forgiveness of debt net of $0 income taxes	--	--	--	--	1,235,536
	------------	------------	------------	------------	------------
Net loss available to shareholders	$ (735,202)	$ (58,397)	$ (864,752)	$ (117,479)	$(11,097,923)
	============	============	============	============	============
Net loss per share					
Continuing operations	$ 0.02	$ (0.00)	$ 0.03	$ (0.00)	$ (0.57)
Extraordinary item	--	--	--	--	0.06
	------------	------------	------------	------------	------------
Net loss per share	$ 0.02	$ (0.00)	$ 0.03	$ (0.00)	$ (0.52)
	============	============	============	============	============
Weighted average shares outstanding	32,570,684	26,657,000	32,325,804	26,657,000	21,486,875

</TABLE>

MEDICAL DISCOVERIES, INC.
(A DEVEOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
As of June 30, 2001 (Unaudited) and June 30, 2000 (Unaudited), and Cumulative Amounts (Unaudited)

<TABLE>
<CAPTION>

	For the Six Months Ended June 30,		Cumulative Amounts Since November 20, 1991 (Date of Inception)
	2001	2000	
<S>	<C>	<C>	<C>
Cash flows from operating activities			
Net loss	$ (864,752)	$ (58,397)	$(11,886,419)
Adjustments to reconcile net loss to net cash used by operating activities			
Common stock issued for research costs	--	--	115,400
Common stock options issued for services	--	--	2,556,890
Common stock issued for services, expenses, and litigation	64,120	--	3,624,106
Reduction of stock subscriptions receivable from research and development	132,300	--	132,300
Reduction of legal costs	--	--	(130,000)

Notes payable issued for mediation	385,000	--	385,000
Depreciation	2,658	2,771	98,315
Write-off of subscription receivables	--	--	112,500
Impairment loss on assets	--	--	9,709
Loss on disposal of equipment	--	--	30,364
Gain on debt restructuring	--	--	(1,235,536)
Write-off of receivables	--	--	193,965
Changes in assets and liabilities			
Accounts receivable	--	--	(7,529)
Inventory	--	2,511	--
Other assets	--	900	--
Accounts payable	20,551	8,811	1,374,321
Accrued expenses	89,924	14,500	304,121
Net cash used by operating activities	(170,199)	(28,904)	(4,322,493)
Cash flows from investing activities			
Purchase of equipment	--	--	(132,184)
Payments received on note receivable	--	--	130,000
Net cash used by investing activities	--	--	(2,184)
Cash flows from financing activities			
Contributed equity	--	--	131,374
Issuance of common stock	--	--	3,255,359
Payments on notes payable	(35,000)	--	(132,287)
Proceeds from notes payable	200,000	20,000	866,613
Payments on convertible notes payable	--	--	(98,500)
Proceeds from convertible notes payable	--	--	316,700
Net cash provided by financing activities	165,000	20,000	4,339,259
Net increase (decrease) in cash	(5,199)	(8,904)	14,582
Cash, beginning of period	19,781	10,152	--
Cash, end of period	$ 14,582	$ 1,248	$ 14,582
Supplemental disclosures of cash flow information			
Noncash investing and financiang activities			
Conversion of notes payable to common stock	$ 19,090		

</TABLE>

MEDICAL DISCOVERIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1. UNAUDITED INTERIM FINANCIAL STATEMENTS.

The accompanying unaudited financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments and disclosures necessary to a fair presentation of these financial statements have been included. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2000 Annual Report on Form 10-KSB for the year ended December 31, 2000, as filed with the Securities and Exchange Commission. Certain reclassifications and other corrections for rounding have been made in prior period financial statements to conform to the current period presentation. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation.

NOTE 2. GOING CONCERN CONSIDERATIONS.

The Company's recurring losses from the Company's development-stage activities in current and prior years raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible effects on the recoverability and classification of assets or amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern. The Company is attempting to raise additional capital to sustain operations. However, there can be no assurance that these plans will be successful.

NOTE 3. CONTINGENCIES REGARDING HARVEST JV AGREEMENT.

As of June 28, 2000, the Company, an outside investment group (Harvest Group, L.L.C. ("Harvest")), and Hydromedics, Inc. ("Hydromedics"), a corporation formed by Harvest and two other investors, entered into a so-called JV Agreement (the "JV Agreement"). The JV Agreement contemplated that the Company would (1) assign to Hydromedics its rights to certain skin care products, (2) issue 13,000,000 shares to Harvest, and (3) seek to appoint two Harvest representatives to the Company's Board of directors. In return, Hydromedics would (1) issue 2,000,000 of its shares to the Company, (2) assume certain obligations of the Company associated with the skin care products to be transferred, and (3) market the skin care products. As for Harvest's obligations, the JV Agreement contemplated that Harvest would (1) assign to the Company 20,000,000 of its previously-owned Hydromedics shares and (2) make available to the Company a $150,000 line of credit. Finally, the JV Agreement contemplated certain post-closing obligations including (1) Harvest making an additional investment in Hydromedics in exchange for 30,000,000 shares of Hydromedics stock, (2) Harvest assigning 20,000,000 of such shares to the Company, and (3) the Company issuing an additional 12,000,000 shares of its stock to Harvest. In total, the transactions contemplated by the JV Agreement would result in the Company owning approximately 40% of Hydromedics and Harvest owning 25,000,000 new shares of the Company's stock (which, if issued, would equal approximately 44% of the Company's total outstanding stock).

The JV Agreement provided that the transactions contemplated above were to have closed on June 28, 2000. However, no closing occurred on June 28, 2000 or since and the Company has taken the position that the transactions contemplated by the JV Agreement have not been consummated. Months later, Harvest and Hydromedics attempted to tender partial performance under the JV Agreement. The Company rejected that tender and has taken the position that the JV Agreement is no longer enforceable by any of the parties because no party timely or completely tendered performance.

On December 26, 2000, Harvest demanded arbitration of the dispute pursuant to terms of the JV Agreement. In its arbitration demand, Harvest sought specific performance of the JV Agreement or damages in excess of $1 million.

On August 10, 2001, the Company and Harvest reached a tentative, mediated settlement. The tentative settlement, which has not yet been documented, provides, among other terms, for the Company to deliver to Harvest a non-interest bearing, convertible promissory note in the principal sum of $500,000 due in approximately nine months.

Under the tentative agreement, the note and other terms will be in full satisfaction of all current amounts owing on loans from Harvest and all of Harvest's other claims against the Company. Once a definitive agreement has been reached, more specific details will be disclosed. In the meantime, the Company has accrued the $500,000 as a payable as of June 30, 2001 in lieu of the $115,000 in notes payable that would otherwise have been accrued.

If for whatever reason the tentative settlement falls through and a court or arbitrator were to force the Company and the other parties to specifically perform the transactions contemplated by the JV Agreement, the Company's shareholders could suffer significant dilution because the value of the consideration the Company will receive under the JV Agreement could be substantially less than the current market value of the stock to be issued to Harvest. In addition, specific performance could result in significant changes to the Company's financial statements, especially if the JV Agreement were deemed to have been consummated during a period already reported. The financial statements do not include any adjustments or reserves to reflect the possible effects of such a result.

NOTE 4. COMMITMENT REGARDING PEREGRINE STOCK.

Peregrine Properties, LLC, a Utah limited liability company ("Peregrine"), has entered into an agreement to provide $500,000 to the Company to fund testing and research steps necessary to continue development of MDI-P. The studies will be funded through an escrow agent. As of June 30, 2001, the Company has deposited in escrow a single certificate for 5.5 million shares of common stock for these purposes. As of June 30, 2001, Peregrine had funded $250,800 to the escrow, of which $247,700 had been disbursed and recorded as research and development expense on the financial statements of the Company. Of this amount, $132,300 has been disbursed and recorded as research and development expense in the six months ended June 30, 2001. The remaining $252,300 to be expended under the agreement has been recorded on the balance sheet in equity under the caption "escrow receivable." As expenditures are made from the escrow for research and development, the expenses will be recorded on the books of the Company with a corresponding reduction in the escrow receivable. Upon completion of the studies, the escrow agent will disburse the 5.5 million shares to Peregrine and will disburse the research results to the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The purpose of this section is to discuss and analyze the Company's consolidated financial condition, liquidity and capital resources, and results of operations. This analysis should be read in conjunction with the financial statements and notes thereto at pages 2 through 7 and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000 (the "2000 10-KSB").

This section contains certain forward-looking statements that involve risks and uncertainties, including statements regarding the Company's plans, objectives, goals, strategies and financial performance. The Company's actual results could differ materially from the results anticipated in these forward-looking statements as a result of factors set forth under "Cautionary Statement for Forward-Looking Information" below and elsewhere in this report.

OVERVIEW

Medical Discoveries, Inc. (the "Company" or "MDI") has developed a product (hereafter "MDI-P") that appears to have the ability to destroy certain viruses, bacteria and fungi. 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 is 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 a variety of applications.

MDI is a development stage company. To date, the Company has not generated significant revenues from operations or realized a profit. The Company is presently investing all of its resources in the testing, development and commercialization of MDI-P and its other technologies. The Company is attempting to raise additional funding to continue development of its technologies and to submit its technologies to appropriate regulatory agencies to secure approvals when required for the marketing and use of its products.

RECENT EVENTS

On August 10, 2001, the Company and Harvest Group, L.L.C. ("Harvest") reached a tentative, mediated settlement in the case initiated by Harvest last December concerning the parties' failed joint venture. The tentative settlement, which has not yet been documented, provides, among other terms, for the Company to deliver to Harvest a non-interest bearing, convertible promissory note in the principal sum of $500,000 due in approximately nine months. Under the tentative agreement, the note and other terms will be in full satisfaction of all current amounts owing on loans from Harvest and all of Harvest's other claims against the Company. Once a definitive agreement has been reached, more specific details will be disclosed. In the meantime, the Company has accrued the $500,000 as a payable as of June 30, 2001 in lieu of the $115,000 in notes payable that would otherwise have been accrued.

RESULTS OF OPERATIONS

REVENUES AND GROSS PROFIT. The Company did not book any revenues for the six months ended June 30, 2001, and booked only $7,620 in revenues for the six months ended June 30, 2000. The Company does not anticipate booking significant revenues in the near future as it continues to focus on getting products to market.

OPERATING EXPENSES AND OPERATING LOSS. The Company spent $132,300 on research and development during the six months ended June 30, 2001. By comparison, it did not spend any funds during the six months ended June 30, 2000. The increase was due to the toxicity studies the Company is completing. The Company's general and administrative expenses increased in the first half of 2001 to $642,528, as compared with $92,691 during the six months ended June 30, 2000. This increase was due primarily to higher travel, salary, accounting and legal expenses as the Company strengthens its management infrastructure and progresses toward commercialization of key products and the accrual of an additional $385,000 as a result of the tentative settlement with Harvest. As a result of the foregoing, the Company sustained an operating loss of $774,828 for the six months ended June 30, 2001, as compared with an operating loss of $87,582 for the same period of 2000.

OTHER INCOME/EXPENSE AND NET LOSS. The Company incurred interest expenses of $89,924 for the six months ended June 30, 2001, as compared with $29,897 in such expenses for the same period of 2000. The increase in interest expense reflects the Company's need to operate on short-term, high-interest borrowings while it continues to seek significant equity investment. In sum, the Company's net loss for the first half of 2001 was $864,752, or a loss of $0.03 per fully diluted share. For the six months ended June 30, 2000, the Company sustained a net loss of $117,479, a loss of less than $0.01 per fully diluted share.

FUTURE EXPECTATIONS. Management expects the Company will operate at a loss for several more years while it continues to study, gain regulatory approval of and commercialize its technologies. If the Company is successful in raising additional capital, the Company will likely spend more during the remainder of 2001 in research and development and general and administrative expenses, and thereby sustain greater resulting losses, than it has in recent years.

LIQUIDITY AND CAPITAL RESOURCES

The Company will require significant additional funding to continue to develop, research and seek regulatory approval of its technologies. In addition, the Company cannot survive, even in the near term, without immediate additional funding for operations. The Company does not currently generate any cash from operations and has no credit facilities in place or available. Currently, the Company is funding operations through short-term loans from shareholders and others. The Company is currently funding its research activities with funds from Peregrine Properties, LLC.

Management is seeking to raise substantial additional funds in private stock offerings in order to meet its near-term and long-term funding requirements. While management is optimistic that it can raise such funds, the Company has not always been successful in doing so in recent years. Given that the Company is still in an early development stage and does not have revenues from operations, raising equity financing is difficult. In addition, any additional equity financing will have a substantial dilutive effect to the Company's current shareholders.

CAUTIONARY STATEMENT FOR FORWARD LOOKING INFORMATION

Certain information set forth in this report contains "forward-looking statements" within the meaning of federal securities laws. Forward looking statements include statements concerning plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, and financing needs of the Company and other information that is not historical information. When used in this report, the words "estimates," "expects,"

"anticipates," "forecasts," "plans," "intends," "believes" and variations of such words or similar expressions are intended to identify forward-looking statements. Additional forward-looking statements may be made by the Company from time to time. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are also expressly qualified by these cautionary statements.

The Company's forward-looking statements are based upon the Company's current expectations and various assumptions. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that management's expectations, beliefs and projections will result or be achieved or accomplished. The Company's forward-looking statements apply only as of the date made. The Company undertakes no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

There are a number of risks and uncertainties that could cause actual results to differ materially from those set forth in, contemplated by or underlying the forward-looking statements contained in this report. Those risks and uncertainties include, but are not limited to, our lack of significant operating revenue to date, our need for substantial and immediate additional capital, the fact that we may dilute existing shareholders through additional stock issuances, the extensive governmental regulation to which we are subject, the fact that our technologies remain unproven, the intense competition we face from other companies and other products, and our reliance upon potentially inadequate intellectual property. Those risks and certain other uncertainties are discussed in more detail in the 2000 10-KSB. There may also be other factors, including those discussed elsewhere in this report, that may cause the Company's actual results to differ from the forward-looking statements. Any forward-looking statements made by or on behalf of the Company should be considered in light of these factors.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to ongoing litigation with Harvest Group, L.L.C. concerning a so-called "JV Agreement" dated as of June 28, 2000. As disclosed under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Events" above, the parties reached a tentative settlement of this matter on August 10, 2001.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are filed with this report:

None.

(b) Reports on 8-K.

None

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.

/S/ JUDY M. ROBINETT

Judy M. Robinett
Chief Executive Officer

Date: August 14, 2001