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

FORM 10-QSB

/X/ QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _______________TO ___________________

COMMISSION FILE NO. 0 - 33219

BIOKEYS PHARMACEUTICALS, INC.
(Exact name of small business issuer in its charter)

DELAWARE	84-1318182
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

9948 HIBERT ST., SUITE 100 SAN DIEGO, CALIFORNIA	92131
(Address of principal executive offices)	(Zip Code)

Issuer's telephone (858) 271-9671

Number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

15,574,965 shares of Common Stock as of June 30, 2002

transitional Small Business Disclosure Format (Check One): Yes [ ] No [x]

FORWARD LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. These forward-looking statements include, but are not limited to, statements about our strategy, our research and development efforts, our potential products, our license rights and the sufficiency and anticipated sources of our cash and other resources. These forward-looking statements are generally identified by words such as "expect," "anticipate," "intend," "believe," "hope," "assume," "estimate," "plan," "will" and other similar words and expressions. Text containing these forward-looking statements may be found in "Management's Discussion and Analysis," as well as at other locations in this report. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those contemplated in the forward-looking statements. We undertake no obligation to publicly release any revisions to the forward-looking statements or to reflect events or circumstances after the date of this document.

PART I --- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The Consolidated Financial Statements of Biokeys Pharmaceuticals, Inc. for the three and six months ended June 30, 2002 include:

* Consolidated Balance Sheets as of June 30, 2002 (unaudited) and December 31, 2001
* Consolidated Statements of Operations for the three and six months ended June 30, 2002 and 2001, and for the period from inception (June 12,1996) through June 30, 2002 (unaudited).
* Consolidated Statements of Cash Flows for the six months ended June 30, 2002 and 2001, and for the period from inception (June 12,1996) through June 30, 2002 (unaudited).
* Notes to Consolidated Financial Statements

BIOKEYS PHARMACEUTICALS, INC. AND SUBSIDIARY

(A Development Stage Enterprise)

Consolidated Financial Statements

Six months ended June 30, 2002 and 2001

(Unaudited)

BIOKEYS PHARMACEUTICALS, INC. AND SUBSIDIARY

(A Development Stage Enterprise)

Consolidated Balance Sheets

	JUNE 30, 2002 (UNAUDITED)	DECEMBER 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 56,446	164,476
Advances to employees	33,433	29,872
Note receivable - related party (note 7)	36,990	35,993
Total current assets	126,869	230,341
Property and equipment, net (note 3)	12,404	13,612
Other assets, net	16,053	34,053
Total assets	$ 155,326	278,006
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 580,302	430,216
Accrued salary and related taxes	300,680	303,837
Accrued dividends payable	263,518	128,000
Notes payable (note 4)	291,774	54,439
Total current liabilities	1,436,274	916,492
Shareholders' equity (deficit) (notes 5 and 6):		
Series A convertible preferred stock, $0.01 par value. Authorized 8,000 shares; issued and outstanding, 3,337 shares on June 30, 2002 and December 31, 2001 (aggregate liquidation preference $3,337,000 on June 30, 2002 and December 31, 2001)	33	33
Series B convertible preferred stock, $0.01 par value. Authorized 300,000 shares; issuable, 200,000 shares on June 30, 2002 (aggregate liquidation preference $300,000 on June 30, 2002)	2,000	--
Common stock, $0.001 par value. Authorized 50,000,000 shares; issued and outstanding, 15,574,965 shares on June 30, 2002 and 15,005,191 shares on December 31, 2001	15,575	15,005
Additional paid-in capital	24,181,141	23,389,818
Deficit accumulated during the development stage	(25,479,697)	(24,043,342)
Total shareholders' equity (deficit)	(1,280,948)	(638,486)
Commitments and contingencies (notes 4, 5, 6, 10, and 11)		
Total liabilities and shareholders' equity (deficit)	$ 155,326	278,006

See accompanying notes to consolidated financial statements.

BIOKEYS PHARMACEUTICALS, INC. AND SUBSIDIARY

(A Development Stage Enterprise)
Consolidated Statements of Operations
(unaudited)

	THREE MONTHS ENDED JUNE 30, 2002	THREE MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2002	SIX MONTHS ENDED JUNE 30, 2001	INCEPTION (JUNE 12, 1996) THROUGH JUNE 30, 2002
Net sales	$ --	--	--	--	174,830
Cost of goods sold	--	--	--	--	51,094
Gross margin	--	--	--	--	123,736
Grant revenue	--	--	--	--	80,338
Interest income	559	8,758	1,059	28,741	89,754
	559	8,758	1,059	28,741	293,828
Operating expenses:					
Research and development	146,449	441,670	184,627	509,544	3,882,590
General and administrative	397,484	805,109	969,249	1,052,827	6,410,477
Depreciation and amortization (notes 2 and 4)	128,272	1,902,367	256,758	3,804,734	9,918,386
Interest expense	13,465	--	26,780	--	150,788
Impairment loss - write off of goodwill (note 2)	--	--	--	--	5,702,130
Equity in loss of subsidiary	--	--	--	--	178,936
Total operating expenses	685,670	3,149,146	1,437,414	5,367,105	26,243,307
Loss before cumulative effect of change in accounting principle	(685,111)	(3,140,388)	(1,436,355)	(5,338,364)	(25,949,479)
Cumulative effect of change in accounting principle	--	--	--	--	(25,821)
Net loss	$ (685,111)	(3,140,388)	(1,436,355)	(5,338,364)	(25,975,300)
Loss per common share - basic and diluted (note 9)	$ (0.05)	(0.22)	(0.10)	(0.37)	

See accompanying notes to consolidated financial statements

BIOKEYS PHARMACEUTICALS, INC. AND SUBSIDIARY
(A Development Stage Enterprise)
Consolidated Statements of Cash Flows
(unaudited)

	SIX MONTHS ENDED JUNE 30, 2002	SIX MONTHS ENDED JUNE 30, 2001	INCEPTION (JUNE 12, 1996) THROUGH JUNE 30, 2002
Cash flows from operating activities:			
Net loss	$(1,436,355)	(5,338,364)	(25,975,300)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,208	3,804,734	9,608,397
Amortization of debt discount	237,335	--	291,774
Impairment loss - write off of goodwill	--	--	5,702,130
Expenses paid by warrants	36,072	--	203,210
Expenses paid by preferred stock	68,250	--	204,750
Expenses related to stock warrants issued	289,262	115,000	901,262
Expenses paid by issuance of common stock	5,504	375,000	603,984
Equity in loss of subsidiary	--	--	178,936
Write-off of license agreement	--	--	152,866
Cumulative effect of change in accounting principle	--	--	25,821
Changes in assets and liabilities, net of effect of acquisitions:			
(Increase) decrease in other assets	13,442	68,751	(129,815)
Increase in accounts payable and accrued liabilities	146,929	71,677	222,272
Increase in sponsored research payable and license obligation	--	--	924,318
Net cash used in operating activities	(638,353)	(903,202)	(7,085,395)
Cash flows from investing activities:			
Purchase of certificate of deposit	--	--	(1,016,330)
Maturity of certificate of deposit	--	476,086	1,016,330
Purchases of property and equipment	--	(13,388)	(103,723)
Payment on obligation under license agreement	--	--	(106,250)
Cash acquired in acquisition of subsidiary	--	--	64,233
Issuance of note receivable - related party	--	--	(35,000)
Payments on note receivable	--	--	370,000
Advance to subsidiary	--	--	(90,475)
Cash transferred in rescission of acquisition	--	--	(19,475)
Cash received in rescission of acquisition	--	--	230,000
Net cash provided by investing activities	--	462,698	309,310
Cash flows from financing activities:			
Proceeds from sale of preferred stock	300,000	--	3,500,000
Proceeds from sale of common stock	--	--	1,935,965
Proceeds from exercise and sale of warrants	230,323	47,741	278,064
Repurchase of warrants	--	(55,279)	(55,279)
Payment of financing and offering costs	--	--	(98,976)
Payments of notes payable and long-term debt	--	--	(71,961)
Proceeds from issuance of notes payable and detachable warrants	--	--	1,344,718
Net cash provided by (used in) financing activities	530,323	(7,538)	6,832,531
Net increase (decrease) in cash and cash equivalents	(108,030)	(448,042)	56,446
Cash and cash equivalents at beginning of period	164,476	467,878	--
Cash and cash equivalents at end of period	$ 56,446	19,836	56,446

See accompanying notes to consolidated financial statements

BIOKEYS PHARMACEUTICALS, INC. AND SUBSIDIARY

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

June 30, 2002

(unaudited)

(1) DESCRIPTION OF THE COMPANY AND BASIS OF PRESENTATION

Biokeys Pharmaceuticals, Inc., a Delaware corporation, (the Company) is a development stage enterprise, which conducts biomedical research and development focused on treatments for cancer and certain viral infections, including HIV. The Company currently does not market any product. Through its license agreements with University of Texas M.D. Anderson Cancer Center (M.D. Anderson) and University of Southern California (USC), the Company has rights to drug candidates in varying early stages of development.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, the interim statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These interim unaudited consolidated financial statements should be read in conjunction with the Company's annual financial statements and related notes in the Company's Form 10-KSB.

In the opinion of management, the accompanying unaudited financial statements contain all necessary adjustments (consisting only of normal recurring adjustments) to present fairly the Company's financial position, results of operations and cash flows for the interim periods presented.

Operating results for the three months and six months ended June 30, 2002 are not necessarily indicative of the results expected for any other interim period or for the entire year.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Company include the accounts of Biokeys Pharmaceuticals, Inc. and its wholly owned subsidiary, Biokeys, Inc. All intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

 (Continued)

The most significant accounting estimates relate to valuing equity transactions. The values assigned to stock warrants granted to non-employees are accounted for in accordance with SFAS No. 123 and Emerging Issues Task Force (EITF) 96-18, ACCOUNTING FOR EQUITY INSTRUMENTS THAT ARE ISSUED TO OTHER THAN EMPLOYEES FOR ACQUIRING, OR IN CONJUNCTION WITH SELLING, GOODS OR SERVICES, which require that such costs be measured at the end of each reporting period to account for changes in the fair value of the Company's common stock until the options or warrants are vested. The Company values warrants using the Black-Scholes pricing model. Common stock is valued using the market price of common stock on the measurement date as defined in EITF 96-18. Preferred stock is valued at its liquidation value.

ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for employee stock-based compensation, and includes the required footnote disclosures of Statement of Financial Accounting Standards No. 123 in its audited financial statements included in the Company's Form 10-KSB.

The Company accounts for nonemployee stock-based compensation in accordance with EITF 96-18. Amounts are based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

CASH EQUIVALENTS

Highly liquid investments purchased with original maturities of three months or less are considered to be cash equivalents.

GOODWILL

Goodwill (excess of purchase price over fair value of net assets acquired) was being amortized using the straight-line method over two years. The Company recorded amortization of goodwill of $1,900,709 and $3,801,418 during the three months and six months ended June 30, 2001. Through December 31, 2001, the Company had not been able to raise sufficient capital to ensure future funding of its research and development; consequently, the Company reviewed the carrying value of goodwill for impairment and reduced its carrying value to zero through a noncash charge of $5,702,130 at December 31, 2001.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. The costs of improvements that extend the lives of the assets are capitalized. Repairs and maintenance are expensed as incurred.

DEFERRED FINANCING COSTS

Costs associated with arranging debt financing are deferred and amortized using the effective interest method over the term of the notes payable.

(Continued)

DEBT DISCOUNT

The discount on notes payable is being amortized using the effective interest method through the stated due date.

RESEARCH AND DEVELOPMENT COSTS

All research and development costs are expensed as incurred and include Company-sponsored research and development.

LICENSE AGREEMENTS

Costs of license agreements for patent rights and technology rights that currently have no alternative future uses are expensed as research and development costs.

IMPAIRMENT OF LONG-LIVED ASSETS

In the event that facts and circumstances indicate that property and equipment and intangible or other noncurrent assets may be impaired, an evaluation of the recoverability of currently recorded costs will be made. If an evaluation is required, the estimated value of undiscounted future net cash flows associated with the asset is compared to the asset's carrying value to determine if impairment exists. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

INCOME TAXES

Income taxes are accounted for using the asset and liability method under which deferred tax assets and liabilities are recognized for estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax expense or benefit is recognized as a result of the change in the asset or liability during the period.

SUPPLEMENTARY CASH FLOW INFORMATION

Noncash investing and financing transactions excluded from the statements of cash flows for the six months ended June 30, 2002 and 2001 are accrued Series A preferred stock dividends payable of $135,518 and $128,000, respectively.

 (Continued)

NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141, BUSINESS COMBINATIONS (SFAS No. 141) which eliminates the pooling of interests method of accounting and requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method. Adoption of SFAS No. 141 did not have an impact on the Company's financial condition or results of operations.

The FASB also issued Statement of Financial Accounting Standards No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS (SFAS No. 142), which was effective for the Company as of January 1, 2002. SFAS No. 142 requires that goodwill and other intangible assets with indefinite lives no longer be amortized. SFAS No. 142 further requires that the fair value of goodwill and other intangible assets with indefinite lives be tested for impairment upon adoption of this statement, annually and upon the occurrence of certain events and be written down to fair value if considered impaired. Adoption of SFAS No. 142 did not have an impact on the Company's financial condition or results of operations because, as of December 31, 2001, it had no goodwill or other intangible assets with indefinite lives.

The FASB issued Statement of Financial Accounting Standards No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS (SFAS No. 143), which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement applies to all entities that have legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, or normal use of the assets. SFAS No. 143 will be effective for the Company as of January 1, 2003. The Company does not expect the adoption of SFAS No. 143 will have a significant impact on its financial condition or results of operations.

The FASB issued Statement of Financial Accounting Standards No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS (SFAS No. 144), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS No. 144 supersedes SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, it retains many of the fundamental provisions of that statement. SFAS No. 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, REPORTING THE RESULTS OF OPERATIONS - REPORTING THE EFFECTS OF DISPOSAL OF A SEGMENT OF A BUSINESS, AND EXTRAORDINARY, UNUSUAL, AND INFREQUENTLY OCCURRING EVENTS AND TRANSACTIONS, for the disposal of a segment of a business. SFAS No. 144 was effective for the Company as of January 1, 2002. Adoption of SFAS No. 144 did not have an impact on the Company's financial condition or results of operations.

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The FASB issued Statement of Financial Accounting Standards No. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44, AND 64, AMENDMENT OF FASB STATEMENTS NO. 13 AND TECHNICAL CORRECTIONS (SFAS No. 145), which provides guidance for income statement classification of gains and losses on extinguishments of debt and accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 will be effective for the Company on January 1, 2003. The Company does not expect the adoption of SFAS No. 145 will have a significant impact on its financial condition or results of operations.

The FASB issued Statement of Financial Accounting Standards No. 146, ACCOUNTING FOR EXIT OR DISPOSAL ACTIVITIES (SFAS No. 146), which addresses significant issues regarding the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are currently accounted for pursuant the guidance set forth in EITF Issue No. 94-3, LIABILITY RECOGNITION OF CERTAIN EMPLOYEE TERMINATION BENEFITS AND OTHER COSTS TO EXIT AN ACTIVITY. SFAS No. 146 will be effective for the Company on January 1, 2003. The Company does not expect the adoption of SFAS No. 146 will have a significant impact on its financial condition or results of operations.

(3) PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2002 and December 31, 2001 were as follows:

	USEFUL LIVES	JUNE 30, 2002	DECEMBER 31, 2001
Office furniture and equipment	5 years	$ 32,198	32,198
Computer software and equipment	3 years	9,160	9,160
		41,358	41,358
Less accumulated depreciation and amortization		(28,954)	(27,746)
		$ 12,404	13,612

(4) NOTES PAYABLE

In October and December 2001, the Company issued notes payable totaling $300,000 and $150,000 respectively. The notes bear interest at 12% and are due on the earlier of November 1, 2002 or the date of receipt by the Company of gross proceeds of at least $600,000 from private placement offerings. Interest accrues at 12% annually and will be paid in shares of common stock when the notes are repaid, based on the five-day average closing price of common stock preceding the date when interest is due. The notes were issued with detachable warrants to purchase a total of 450,000 shares of common stock through November 2006 at an exercise price of $4.00 per share through December 31, 2002, and thereafter at an exercise price that will be fixed at the higher of $2.50 or the average closing price of the Company's common stock during the 20 trading days prior to December 31, 2002, not to exceed $4.00 per share.

The entire proceeds of $450,000 were allocated to the warrants. The fair value of the warrants, calculated using the Black-Scholes pricing model, is greater than the proceeds. Of the original debt discount of $450,000, $118,668 and $237,335 was amortized during the three months and six months ended June 30, 2002, respectively, and the debt is reported at $291,774, net of debt discount of $158,226, at June 30, 2002. The discount is being amortized to the redemption value of the debt through the stated due date of the notes payable.

(5) PREFERRED STOCK

Shares of Series A 8% Convertible Preferred Stock are convertible into common stock at $4.00 per share. The preferred stock has a liquidation preference of $1,000 per share plus accrued and unpaid dividends, carries cumulative dividends at 8% per annum payable semi-annually, and provides for future adjustments in conversion price if specified dilutive events take place. The preferred stock is redeemable at the option of the Company at any time the closing price of common stock remains at a level of at least $8 per share for 20 consecutive days if the Company is listed on the American Stock Exchange or NASDAQ at such time, with the redemption price being equal to the liquidation preference. In addition, at any time after July 1, 2003, the Company may call all or any portion of the outstanding preferred stock for redemption on at least 30 days' notice, at a redemption price equal to 105% of the liquidation preference plus all accrued and unpaid dividends.

The Company entered into an agreement with a corporate investor under which the investor purchased, for $300,000 in cash in April 2002, 200,000 shares of a new class of Series B Convertible Preferred Stock which will be authorized and issued by the Company. The new Series B shares will have a par value of $0.01 per share and a liquidation preference of $1.50 per share and, at the election of the investor, will be convertible into shares of common stock on a share for share basis after a date to be determined. Under the agreement with the investor, the Company will be obligated to issue and deliver the new Series B shares to the investor, as well as five-year warrants entitling the investor to purchase, after a date to be determined, up to 50,000 shares of the Company's common stock at an exercise price of $2.50 per share.

(6) EQUITY TRANSACTIONS

In February 2001, the Company granted 100,000 shares of common stock to a consulting firm for financial consulting services to be provided in 2001. The Company recognized the value of these shares, $375,000, as a noncash charge to expense during 2001.

In May 2001, the Company repurchased warrants to purchase 50,254 shares of common stock and sold the same warrants in June 2001. The warrants have an exercise price of $0.49 per share.

In August 2001, two warrant holders exercised warrants through a cashless exercise. Warrants to purchase a total of 271,758 shares of common stock were exchanged for a total of 218,493 shares of common stock.

In October 2001, the Company issued 93,421 shares of common stock valued at $213,000 to pay dividends on the Series A convertible preferred stock through June 30, 2001.

In December 2001, the Company entered into a consulting agreement with a third party for financial consulting services. The services are being paid through the issuance of 273 shares of Series A preferred stock, 12,585 shares of common stock, and five-year warrants to purchase 34,125 shares of common stock at an exercise price of $5.00 per share. The compensation vests 50% in December 2001 and 50% in December 2002. The Company recognized the value of 50% of these equity instruments, $179,911, as a noncash charge to expense in 2001. The warrants were valued using the Black-Scholes pricing model. Common stock was valued using the market price of common stock as defined in EITF 96-18. Series A preferred stock was valued at the liquidation value of $1,000 per share. The Company will measure the costs at the end of each reporting period, until the second vesting date in December 2002, to account for changes in the fair value of the unvested equity instruments. The Company recognized expense of $43,724 and $87,452 for the three and six months ended June 30, 2002, respectively.

In March 2002, the Company transferred warrants which had previously been held in escrow to three investors who immediately exercised the warrants for the purchase of a total of 229,573 shares of common stock at $0.49 per share. The Company recognized general and administrative expense of $289,262, which represents the difference between the fair value and exercise price on the date of the transfer.

In April 2002, warrants to purchase a total of 240,000 shares of common stock at $.49 per share were exercised.

In June 2002, a warrant holder exercised warrants through a cashless exercise. Warrants to purchase a total of 144,435 shares of common stock were exchanged for a total of 100,201 shares of common stock.

At June 30, 2002, there were outstanding warrants to purchase a total of 3,166,992 shares of common stock as follows:

WARRANTS	EXERCISE PRICE	EXPIRATION DATE
80,404	$ 0.49	August 2002
100,506	0.49	May 2003
400,000	5.00	August 2003
862,078	0.49	December 2003
17,125	4.00	December 2003
620,622	0.49	September 2005
66,666	3.00	April 2006
502,528	0.49	June 2006
450,000	4.00*	November 2006
17,063	5.00	December 2006
50,000	2.50	April 2007

*Subject to repricing, see note 4.

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(7) NOTE RECEIVABLE - RELATED PARTY

In August 2001, the Company loaned $35,000 to a company whose owner is also the co-founder of Biokeys, Inc. The note accrues interest at prime plus one percent (5.75% at June 30, 2002). The note receivable on the consolidated balance sheet includes accrued interest. The note was repaid with interest in July 2002.

(8) INCOME TAXES

Significant components of income tax expense for the three months and six months ended June 30, 2002 and 2001 are as follows:

		THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
		2002	2001	2002	2001
Deferred tax benefit	$	160,094	165,826	285,187	259,879
Increase in valuation allowance for deferred tax assets		(160,094)	(165,826)	(285,187)	(259,879)
Income tax expense	$	--	--	--	--

The tax effects of temporary differences that give rise to deferred tax assets at June 30, 2002 and December 31, 2001 are as follows:

		JUNE 30, 2002	DECEMBER 31, 2001
Net operating loss carryforward	$	3,730,083	3,436,311
Organization costs and license agreement, due to differences in amortization		35,953	44,538
Total deferred tax assets		3,766,036	3,480,849
Less valuation allowance		(3,766,036)	(3,480,849)
Net deferred tax assets	$	--	--

At June 30, 2002, the Company had an unused net operating loss carryforward of approximately $10,971,000 for tax reporting purposes, which expires in 2011 through 2012 and 2018 through 2022.

(9) NET LOSS PER COMMON SHARE

The computation of basic and diluted net loss per share for the three months and six months ended June 30, 2002 and 2001 is as follows:

		THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
		2002	2001	2002	2001
Numerator:					
Net loss	$	(685,111)	(3,140,388)	(1,436,355)	(5,338,364)
Less preferred stock dividends		(68,778)	(64,000)	(135,518)	(128,000)
Numerator for basic and diluted loss per share	$	(753,889)	(3,204,388)	(1,571,873)	(5,466,364)
Denominator for basic and diluted loss share - weighted average shares		15,445,457	14,660,672	15,241,781	14,624,283
Loss per common share - basic and diluted	$	(0.05)	(0.22)	(0.10)	(0. 37)

Net loss per common share is calculated according to Statement of Financial Accounting Standards No. 128, EARNINGS PER SHARE, using the weighted average number of shares of common stock outstanding during the period. Potentially dilutive shares relating to warrants and convertible preferred stock were not included in the computation of net loss per common share - diluted, as their effect would have been antidilutive.

(10) OPERATIONAL STATUS

The accompanying consolidated financial statements have been prepared on a going-concern basis which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. The Company has incurred losses since inception and had a net loss of $1,436,355 for the six months ended June 30, 2002.

To date, the Company has been principally engaged in licensing and research and development efforts. The Company has no current revenues, is not marketing any products, and projects a loss from operations for 2002. The Company will require additional capital, which it intends to obtain through equity and debt offerings and/or strategic partnership in order to continue to operate its business. The Company's ability to meet its obligations as they become due and to continue as a going concern must be considered in light of the expenses, difficulties and delays frequently encountered in operating a new business, particularly since the Company will focus on research, development and unproven technology which may require a lengthy period of time and substantial expenditures to complete. Even if the Company is able to successfully develop new products or technologies, there can be no assurance that the Company will generate sufficient revenues from the sale or licensing of such products and technologies to be profitable. Management believes that the Company's ability to meet its obligations as they become due and to continue as a going concern are dependent upon obtaining additional financing.

(11) LITIGATION

In the normal course of business, the Company may become subject to lawsuits and other claims and proceedings. Such matters are subject to uncertainty and outcomes are not predictable with assurance. Management is not aware of any pending or threatened lawsuit or proceeding that would have a material adverse effect on the Company's financial position, liquidity or results of operations.

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

GENERAL

Biokeys Pharmaceuticals, Inc., a Delaware corporation formerly known as BioQuest, Inc. (the "Company" or "we"), is a development stage enterprise which conducts biomedical research and development focused on treatments for cancer and certain viral infections, including HIV. The Company currently does not market any product. Through its license agreements with the University of Texas M.D. Anderson Cancer Center and the University of Southern California, the Company has rights to drug candidates in varying early stages of development.

On October 10, 2000, a wholly-owned subsidiary of BioQuest, Inc. merged with Biokeys, Inc., a Delaware corporation, the Company changed its name from BioQuest, Inc. to Biokeys Pharmaceuticals, Inc. and the shareholders of Biokeys, Inc. became stockholders of the Company. For financial reporting purposes, the merger was accounted for as a purchase and the Company was considered the acquirer for accounting purposes.

As a development-stage biomedical research company, we have not yet generated any revenues from our anticancer and antiviral drug candidates and have had no earnings since inception. Our expenses from inception have related to costs incurred in research activities for the development of our drug candidates and administrative expenses required to support these efforts. As of June 30, 2002 we have an accumulated development-stage deficit of $(25,479,697), which includes charges totaling $15,205,675 during 2000 and 2001 for amortization of goodwill and an impairment loss resulting in a write-off of the goodwill resulting from the merger with Biokeys, Inc.

We expect losses to continue for the foreseeable future, and such losses will likely increase as we approach human clinical trials for our CoFactor drug and our HIV drugs. Future profitability will be dependent upon our ability to complete the development of our pharmaceutical products, obtain necessary regulatory approvals and effectively market such products. Also, the Company, which has only limited resources, will be required to establish agreements with other parties for the clinical testing, manufacturing, commercialization and sale of its products.

The Company's efforts are currently being hampered by a lack of working capital, and we will need to obtain significant additional financing in order to conduct clinical trials and support our operations, as discussed below under "Liquidity and Capital Resources." The Company is subject to the risks of not being able to arrange such financing and the other risk factors listed under "Management's Discussion and Analysis - Risk Factors" in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001.

CRITICAL ACCOUNTING POLICIES

VALUATION OF EQUITY TRANSACTIONS

The most significant accounting estimates relate to valuing equity transactions. The values assigned to stock options or warrants granted to non-employees are accounted for in accordance with SFAS No. 123 and Emerging Issues Task Force ("EITF") 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," which require that such costs be measured at the end of each reporting period to account for changes in the fair value of the Company's common stock until the options or warrants are vested.

Series A preferred stock is valued at the liquidation preference of $1,000 per share and Series B preferred stock is being valued at its liquidation preference of $1.50 per share. Common stock is valued using the market price of common stock on the measurement date as defined in EITF 96-18. The Company values warrants using the Black-Scholes pricing model. The model considers a number of factors, including the market price and expected volatility of our common stock at the date of measurement or re-measurement. The expense related to all equity transactions is amortized over the vesting period of the related equity instruments.

The amount of compensation expense we record in future periods could fluctuate significantly from period to period as a result of: (a) the periodic re-measurement of equity instruments from non-employees principally as a result of fluctuations in the market price of our common stock; (b) the method and period over which the value is amortized as charges to operations; (c) additional equity instruments granted; and (d) subsequent forfeitures or cancellations of unvested instruments.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs consist of costs incurred for Company-sponsored as well as collaborative research and development activities. These costs include direct and research-related overhead expenses and are expensed as incurred. Patent costs and technology license fees for technologies that are utilized in research and development and have no alternative future use are expensed when incurred.

THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2002

The Company continued to have no revenues and only minimal interest income in the calender quarter and six months ended June 30, 2002, compared with $28,741 of interest income for the six months ended June 30, 2001, earned on the balance of funds from the Company's 2000 private placement which were applied to operations.

During the second quarter of 2002, we continued our research and development efforts in connection with our CoFactor product for colorectal cancer and our EradicAide and BlockAide products for HIV/AIDS. We incurred research and development expenses of $146,449 for the quarter, down from $509,544 in the year-earlier period. The earlier period reflected a front-end payment of $407,245 on account of the Company's Sponsored Research Agreement No. 4 for research being conducted for the Company at University of Texas M.D. Anderson Cancer Center. Such research provided further pre-clinical data on the Company's EradicAide and BlockAide HIV therapeutic products under development.

General and Administrative expenses for the second quarter of 2002 decreased to $397,484 from $805,109 in the year-earlier period. The year-earlier period included a non-cash expense of $359,375 in the second quarter of 2001 relating to a consulting agreement for which the Company issued 100,000 shares of its common stock. General and administrative expenses for the six months ended June 30, 2002 were $969,249 compared to $1,052,827 in the year-earlier period. During the first quarter of 2002, the Company incurred a non-cash expense of $289,262 resulting from the transfer and exercise in March 2002 of escrowed warrants, originally issued in 2000 at an exercise price of $0.49, in order to generate working capital for the Company.

Depreciation and amortization amounted to $128,272 for the second quarter and $256,758 for the six-month period ended June 30, 2002, compared with $1,902,367 for the three months and $3,804,734 for the six months ended June 30, 2001. The larger amounts in 2001 included quarterly goodwill amortization expense of $1,900,709 resulting from the October 2000 merger with Biokeys, Inc., which expense is now eliminated for periods subsequent to December 31, 2001 because of a write down of the carrying value of such goodwill through a non-cash charge of $5,702,130 as of December 31, 2001. During the second quarter and six months ended June 30, 2002, the Company amortized debt discount of $118,668 and $237,335 relating to $450,000 of notes payable that were issued in the fourth quarter of 2001.

Interest expense amounted to $13,465 for the three months and $26,780 for the six months ended June 30, 2002, compared with no such expense in the year-earlier periods, as interest was accrued on $450,000 of notes issued to investors in late 2001 to obtain working capital. Debt discount related to the $450,000 of notes payable is being amortized through the stated due date of November 1, 2002, and amortization of debt discount recorded during 2002 is discussed above.

As a result of the substantial reduction in amortization expense primarily related to goodwill resulting from the merger with Biokeys, Inc. and the other factors noted above, the Company's loss for the second quarter declined to $(685,111) from a loss of $(3,140,388) for the year-earlier period, and the loss per share decreased to $(0.05) from $(0.22) per share in the year-earlier period. For the six-month period, the loss declined to $(1,436,355) or $(0.10) per share from $(5,338,367) or $(0.37) per share in the first half of 2001.

LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred negative cash flows since its inception, and has funded its activities primarily through short-term loans and sales of equity securities. As of June 30, 2002, cash amounted to $56,446, compared with $164,476 on December 31, 2001.

The Company does not have any bank or any other commercial financing arrangements. The Company's operations since the merger with Biokeys, Inc. have been funded primarily from the proceeds of its overseas private placement offering consummated in August and September 2000, by which the Company raised a total of $3.2 million through the issuance of its Series A 8% Convertible Preferred Stock.

As previously reported, the Company intends to move its CoFactor product into human clinical trials in the U.S., since the FDA has approved the Company's Investigational New Drug Application ("IND") for Phase II studies. Also, the Company intends to seek approval and begin trials in Sweden for Phase II and Phase III testing of CoFactor during the second half of 2002. In addition, the Company intends to pursue a study of its BlockAide drug candidate for HIV/AIDS beginning during the second half of 2002, and plans to file an IND for its EradicAide product for HIV/AIDS by early 2003. The Company will need, and continues to seek, significant funding to conduct these trials and studies, either through a commercial partnership, additional financing, or a combination of both, the cost of which is expected to total between $8 million and $10 million for both product groups over the next 18 months.

In the second quarter, we were able to obtain $300,000 in funding from the sale of Series B Convertible Preferred Stock to a corporate investor, and $117,600 in funding through the exercise of outstanding warrants. We believe our current resources are sufficient to fund our general and administrative overhead until the end of September 2002, at which time we will need to obtain additional financing of approximately $1,000,000 to cover corporate overhead, including accounts payable, through the first quarter of 2003. We are seeking the additional resources required to fund the research projects described above, as well as general and administrative expenses, and such activities can proceed only after such financing is available. We are currently formulating plans for such financing and, while the Company is actively seeking such financing, no commitments have been obtained. The Company raised approximately $450,000 through the issuance of short-term notes and warrants to nine accredited investors in October and December 2001. The notes mature November 1, 2002, and the Company will be required to negotiate an extension of such maturity date or make other provision for the disposition of the notes in connection with seeking additional financing for 2002 and 2003.

The Company will be required to obtain such funding through equity or debt financing, strategic alliances with corporate partners and others, or through other sources not yet identified. The Company cannot guarantee that additional funding will be available on acceptable terms, or at all. If adequate funds are not available, the Company may be required to delay, scale-back or eliminate certain aspects of its operations or attempt to obtain funds through arrangements with collaborative partners or others that may require the Company to relinquish rights to certain of its technologies, product candidates, products or potential markets.

The Company's dependence on obtaining additional capital will continue at least until the Company is able to begin marketing its new technologies. The Company's future capital requirements and the adequacy of its financing will depend upon numerous factors, including the successful commercialization of the Company's drug candidates, progress in its product development efforts, progress with preclinical studies and clinical trials, government grants, the cost and timing of production arrangements, the development of effective sales and marketing activities, the cost of filing, prosecuting, defending and enforcing intellectual property rights, competing technological and market developments, and the development of strategic alliances for the marketing of its products.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

[None]

ITEM 2. CHANGES IN SECURITIES.

AUTHORIZATION OF SERIES B CONVERTIBLE PREFERRED STOCK

In April 2002, the Company entered into a preliminary agreement (the "Preliminary Agreement") with a corporate investor under which the investor agreed to subscribe for 200,000 shares of a new class of Series B Convertible Preferred Stock to be authorized and issued by the

Company. The Preliminary Agreement contemplated an initial subscription payment of $300,000, which was received by the Company in April 2002, with an option to purchase additional shares of Series B Preferred Stock. The subscription also included the issuance 5-year warrants entitling the investor to purchase up to 50,000 shares of the Company's Common Stock at an exercise price of $2.50 per share. The Company also granted the investor a right of first refusal to serve as a provider of an oral delivery system for future company products, which expired in June 2002.

The Preliminary Agreement was to be replaced with more detailed and definitive agreements. However, the Company and the corporate investor have agreed not to proceed with such definitive agreements. Accordingly, the Company will be required to issue 200,000 shares of the Series B Convertible Preferred Stock and 50,000 warrants to the investor, which issuance is expected to take place in the third quarter.

During the second quarter, the Company received $117,600 in funding from the exercise of outstanding warrants for the purchase of a total of 240,000 shares of Common Stock. Such warrants were transferred from Dr. Francis O'Donnell, a stockholder of the Company and a director of its Biokeys, Inc. subsidiary, to accredited investors who agreed to exercise such warrants as a means of providing cash for the Company's working capital needs. The warrants were contributed for the benefit of the Company by Dr. O'Donnell, who received no consideration from the Company or the investors in connection with the transfer.

The warrants, and the shares being issued to the investors described above, were delivered under agreements containing appropriate investment representations, were endorsed with the Company's restricted stock legend, and are subject to a stop transfer instruction recorded by the transfer agent. Accordingly, the Company views the warrants and such shares as exempt from registration under Section 4(2) and/or 4(6) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

No matter was submitted to a vote of securities holders, through solicitation of proxies or otherwise, during the first six months of 2002.

ITEM 5. OTHER INFORMATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, copies of certifications of the Company's Chief Executive Officer and Chief Financial Officer with respect to the financial statements included with this report are appended as Exhibits 99.1 and 99.2, filed with this report.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following Exhibits are incorporated by reference pursuant to Rule 12b-23 of the Securities and Exchange Commission:

Exhibit Number		Description
2.1	o	Agreement and Plan of Merger dated May 19, 2000 among BioQuest, Inc.; BioQuest Acquisition Corp.; and Biokeys, Inc.
3.1	o	Certificate of Amendment of Certificate of Incorporation of BioQuest, Inc. - October 12, 2000
3.2	o	Certificate of Amendment of Certificate of Incorporation of BioQuest, Inc. - October 12, 2000
3.3	o	Certificate of Merger of BioQuest Acquisition Corp. into Biokeys, Inc. - October 12, 2000
3.4	o	Certificate of Incorporation of BioQuest Acquisition Corp. - May 19, 2000
3.6	o	Amended and Restated Bylaws of Biokeys Pharmaceuticals, Inc.
4.1	o	Certificate of Designation of BioQuest, Inc. - September 11, 2000
10.1	*	Patent and Technology License Agreement with M.D. Anderson - June, 1996 (Request for confidential treatment of certain data)
10.2	*	Amendment to M.D. Anderson Licensing Agreement June 15, 2000 (Request for confidential treatment of certain data)
10.3	*	Option and License Agreement with USC - June 23, 1998 (Co Factor and Selone) (Request for confidential treatment of certain data)
10.4	o	Amendment to Option and License Agreement with USC dated August 16, 2000

(Co Factor and Selone) (Request for confidential treatment of certain data)
10.5* Option and License Agreement with USC dated August 17, 2000 (Thiovir) (Request for confidential treatment of certain data)
10.6 o Employment Agreement with Warren C. Lau
11.1 o Statement Regarding Computation of Per Share Earnings
24.1 o Powers of Attorney (included on signature pages)

o Filed with Form 10-SB (October 2, 2001)

* Refiled with amendment on Form 10-SB/A (January 11, 2002)

(b) The following exhibits are being filed with this report:

99.1 and 99.2 Certifications of Chief Executive Officer and Chief Financial Officer

(2) No reports on Form 8-K were filed during the quarter ended June 30, 2002.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 19, 2002   BIOKEYS PHARMACEUTICALS, INC.

By: /s/ LOUIS R. REIF

Louis R. Reif, Chairman and Chief Executive Officer

By: /s/ WARREN C. LAU

Warren C. Lau, President and Chief Financial Officer

EXHIBIT 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Biokeys Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Louis R. Reif, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ LOUIS R. REIF

Louis R. Reif
Chief Executive Officer
August 19, 2002

EXHIBIT 99.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Biokeys Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Warren C. Lau, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ WARREN C. LAU

Warren C. Lau
Chief Financial Officer
August 19, 2002