UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)
[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the period ended January 31, 1999
OR
[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission file number 0-20772

CYPROS PHARMACEUTICAL CORPORATION
(Exact name of registrant as specified in its charter)

California	33-0476164
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2714 Loker Avenue West
Carlsbad, California 92008
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(760) 929-9500

Indicate by mark whether the Registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act 1934 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.
[X] YES [ ] NO

As of March 15, 1999, the Registrant had 15,711,877 shares of Common Stock, no par value, outstanding.

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* No information provided due to inapplicability of item.

PART I.
Item 1. Financial Statements
Cypros Pharmaceutical Corporation

Balance Sheets

	January 31 1999 (Unaudited)	July 31, 1998 (Note)
Assets		
Current assets:		
Cash and cash equivalents	$ 2,937,680	$ 3,015,890
Short-term investments, held to maturity	7,591,806	10,428,580
Accounts receivable	429,893	516,886
Inventories	171,130	83,078
Prepaid expenses and other current assets	179,552	214,765
Total current assets	11,310,061	14,259,199
Property, equipment and leasehold improvements, net	1,094,240	1,063,566
Purchased technology, net	3,714,794	4,163,487
Licenses and patents, net	171,195	176,927
Other assets	272,456	72,461
Total assets	$16,562,746	$19,735,640
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 286,853	$ 551,191
Accrued compensation	151,330	125,434
Other accrued liabilities	19,221	15,641
Current portion of long-term debt	100,754	97,477
Current portion of capital lease obligations	112,681	91,740
Total current liabilities	670,839	881,483
Long-term debt	8,778	59,408
Capital lease obligations	190,258	157,656
Deferred rent	125,364	125,761
Shareholders' equity:		
Common stock, 30,000,000 shares authorized, 15,711,877 shares issued and outstanding at January 31, 1999 (unaudited) and July 31, 1998	41,458,734	41,328,470
Deferred compensation	(69,367)	(87,334)
Accumulated deficit	(25,821,860)	(22,729,804)
Total shareholders' equity	15,567,507	18,511,332
Total liabilities and shareholders' equity	$16,562,746	$19,735,640

Note: The balance sheet at July 31, 1998 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes.

Cypros Pharmaceutical Corporation
Statements of Operations
(Unaudited)

	Three Months Ended January 31		Six Months Ended January 31,	
	1999	1998	1999	1998
Net sales	$ 606,701	$ 916,045	$ 1,247,055	$ 1,687,461
Cost of sales	194,276	207,698	354,754	375,642
Gross profit	412,425	708,347	892,301	1,311,819
Operating expenses:				
Sales and marketing	406,840	321,137	812,468	677,833
General and administrative	736,034	791,136	1,428,845	1,492,876
Clinical testing				

and regulatory	556,567	552,476	1,235,941	1,009,378
Pre-clinical research and development	148,447	197,659	298,583	450,632
Depreciation and amortization	299,944	310,707	611,241	611,138
Total operating expenses	2,147,832	2,173,115	4,387,078	4,241,857
Loss from operations	(1,735,407)	(1,464,768)	(3,494,777)	(2,930,038)
Research grant income	-	47,471	10,871	72,508
Interest and other income, net	162,155	287,736	350,445	522,327
Sublease income, net	20,703	-	41,405	-
Amortization of discount and costs on mandatorily convertible notes	-	(39,001)	-	(225,690)
Net loss	$(1,552,549)	$(1,168,562)	$(3,092,056)	$(2,560,893)
Net loss per share, basic and diluted	$ (0.10)	$ (0.08)	$ (0.20)	$ (0.17)
Shares used in computing net loss per share, basic and diluted	15,711,877	15,412,010	15,711,877	14,718,360

See accompanying notes.

Cypros Pharmaceutical Corporation
Statements of Cash Flows
(Unaudited)

	Six Months Ended January 31,	
	1999	1998
Operating activities		
Net loss	(3,092,056)	(2,560,893)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred compensation	148,231	175,062
Depreciation and amortization	623,558	613,919
Amortization of discount and costs on mandatorily convertible notes	-	225,690
Deferred rent	(397)	22,861
Gain on the sale of equipment	(5,752)	-
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	86,993	(73,803)
Inventories	(88,052)	(34,991)
Prepaid expenses	27,995	(359,373)
Other current assets	7,218	50,038
Accounts payable	(264,338)	(23,640)
Accrued liabilities	29,476	(155,280)
Net cash flows used in operating activities	(2,527,124)	(2,120,410)
Investing activities		
Purchases of short-term investments	(3,107,517)	(10,944,250)
Maturities of short-term investments	5,944,291	10,391,371
Installment payment for purchased technology	-	(1,200,000)
Proceeds from the sale of equipment	11,000	-
Purchase of property, equipment and leasehold improvements	(195,411)	(470,545)
Increase in licenses and patents	(9,644)	(46,809)
Increase in other assets	(199,995)	(221,111)

Net Cash flows provided by (used in) investing activities	2,442,724	(2,491,344)
Financing activities		
Increase in short-term debt	-	270,979
Proceeds from exercise of B Warrants	-	4,707,576
Proceeds from long-term debt	4,574	112,001
Repayments of long-term debt	(51,927)	-
Proceeds from capital lease obligations	104,030	-
Repayments of capital lease obligations	(50,487)	(53,526)
Net cash flows provided by financing activities	6,190	5,037,030
(Decrease)Increase in cash and cash equivalents	(78,210)	425,276
Cash and cash equivalents at beginning of period	3,015,890	5,101,710
Cash and cash equivalents at end of period	$ 2,937,680	$ 5,526,986
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 26,316	$ 113,569
Noncash investing and financing activities:		
Equipment financed under capital lease obligations	$ 104,030	$ -
Notes converted to common stock	$ -	$ 3,513,061

See accompanying notes.

CYPROS PHARMACEUTICAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)

1. Organization and Summary of Significant Accounting Policies

Organization and Business Activity

Cypros Pharmaceutical Corporation (the "Company") is engaged in the development and marketing of acute-care, hospital-based products. The Company is currently marketing three products, Ethamolin, Glofil and Inulin, expects to launch two burn and wound care products using the Company's Dermaflo technology within the next year and is developing two drugs, Cordox and Ceresine. The Company's pre-clinical and clinical development programs focus on cytoprotective drugs designed to reduce ischemia (low blood flow) induced tissue damage in acute-care settings. The Company has commenced a Phase III clinical trial of Cordox in sickle cell anemia crisis patients.

Basis of Presentation

The unaudited financial statements for the three and six months ended January 31, 1999 and 1998 have been prepared on the same basis as the Company's audited financial statements for the year ended July 31, 1998 and reflect all adjustments (consisting only of normal recurring accruals) which are, in the opinion of management, necessary for the fair presentation of the results of the interim periods presented. Results for the interim periods are not necessarily indicative of the results for the entire year.

For more complete financial information, these financial statements should be read in conjunction with the audited financial statements and the related notes thereto for the year ended July 31, 1998 included in the Company's Annual Report on Form 10-K.

The Company has experienced significant quarterly fluctuations in operating results and increases in expenses and losses since inception and it expects these fluctuations, increasing expenses and losses will continue.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method)

or market and is comprised of raw materials of $21,634 and finished goods of $149,496.

Revenue Recognition

Revenues from product sales of whole vials of Glofil and Inulin are recognized upon shipment. Revenues from Glofil unit sales are recognized upon receipt by the Company of monthly sales reports from Syncor, the exclusive marketing agent for Glofil in this form.

Sales are reported net of returns during the period in which product is shipped. These sales are subsequently adjusted for discounts and allowances due to contractual discounts under certain contracts with hospitals and hospital buying groups. At January 31, 1999, such discounts and allowances totaled $72,826.

The Company's policy is not to accept returns of product sold. However, certain contracts with wholesale drug distributors provide for product returns if the product is within a certain number of months of expiration. To date, the Company has experienced few returns.

Net Loss Per Share Data

Under Financial Accounting Standards Board Statement No. 128, "Earnings Per Share", basic and diluted loss per share is based on net loss for the relevant period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share also gives effect to all potential dilutive common shares outstanding during the period such as options, warrants, and convertible securities, and contingently issuable shares. All potential dilutive common stock equivalents have been excluded from the calculation of diluted loss per share as their inclusion would have been antidilutive.

2. Recently-Issued Accounting Standards

Comprehensive Income

Effective August 1, 1998, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 130, "Reporting Comprehensive Income". SFAS No. 130 requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. "Comprehensive Income" is defined as the change in equity during the period from transactions and other events and circumstances from non-owner sources. Net income and other comprehensive income, including unrealized gains and losses on investments, shall be reported, net of their related tax effect, to arrive at comprehensive income. The Company's comprehensive net loss and net loss are the same, and therefore, the adoption of SFAS No.130 did not have an impact on the Company's financial statements.

Segment Information

Effective August 1, 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 131 redefines segments and requires companies to report financial and descriptive information about their operating segments. The Company has determined that it operates in one business segment and therefore the adoption of SFAS No. 131 does not affect the Company's financial statements.

Reclassifications

Certain previously reported amounts have been reclassified to conform with the 1998 presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. Actual results could differ from those estimates.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Except for the historical information contained herein, the following discussion contains forward-looking statements that involve risks and uncertainties, including statements regarding the period of time during which the Company's existing capital resources and income from various sources will be adequate to satisfy its capital requirements. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include but are not limited to, those discussed in this section, as well as in the sections entitled "Business", "Licenses", "Manufacturing", "Sales and Marketing", "Competition", "Government Regulation", "Patents and Proprietary Rights" of the Company's Annual Report (Form 10-K) for the fiscal year ended July 31, 1998 and those

discussed in the S-3 Registration Statement File No. 333-25661 filed with U.S. Securities and Exchange Commission, as well as those discussed in any documents incorporated by reference herein or therein.

The Company was founded in 1990, commenced its research and development activities in 1991, completed an initial public offering (the "IPO") in November 1992, commenced clinical trials in December 1994, acquired two FDA-cleared products, Glofil and Inulin, in August 1995, acquired a third FDA-cleared product, Ethamolin, in November 1996, and acquired the Dermaflo topical burn/wound care technology and two FDA-cleared products, Neoflo and Sildaflo, in November 1997. The Company has sustained an accumulated deficit of $25,821,860 from inception through January 31, 1999. As the Company will not have positive net operating cash flow for the next few years and the Company's sales and marketing, research and development, clinical testing and regulatory and general and administrative expenses during these years will be substantial and increasing, the Company expects to incur increasing losses for the foreseeable future.

Results of Operations

Three Months Ended January 31, 1999 and 1998

During the quarter ended January 31, 1999, the Company reported sales of $606,701, a 33.8% decrease from the $916,045 reported in the prior-year period, principally due to increasing competition in the market served by Ethamolin and the expected decline in Glofil sales volume due to the termination of a customer's two clinical trials which required Glofil to be used as part of their protocols. The decrease in sales for the period also caused a 41.8% decrease in gross profit on sales to $412,425 from the $708,347 reported in the prior-year period.

As a percent of sales, the gross margin in the current quarter was 68.0% compared to 77.3% in the prior-year period. This decrease is principally due to a price increase by the supplier of finished Glofil vials to the Company, increased chargeoffs of expired Glofil vials due to declining sales, and allocations of facility rent and quality assurance and quality control expenses to cost of goods sold in the current period.

Total operating expenses decreased 1.2% during the quarter to $2,147,832 from $2,173,115 during the prior-year quarter. Sales and marketing expense increased by more than 26.7% principally due to the hiring of additional personnel, the cost of a study to expand the market for Ethamolin, the cost of a clinical study of Glofil to prove the viability of a 45-minute test, and regulatory consulting expense related to these studies. General and administrative expense decreased 7.0% principally due to decreases in investor relations and business development activities. Pre-clinical research and development expense decreased 24.9% principally due to decreases in salaries, rent and grant expenditures.

In addition, net interest and other income for the current quarter decreased 43.6% to $162,155 from $287,736 during the prior-year quarter, principally because the Company had a larger investment portfolio during the prior-year quarter, which yielded more interest income.

The Company did not receive any new Small Business Innovation Research grants during the current period, and therefore, there was a 100% decline in grant income for the quarter ended January 31, 1999.

The amortization of the discount and costs on the Company's mandatorily convertible notes was completed in the previous year, and therefore, there were no such expenses for the quarter ended January 31, 1999.

Six Months Ended January 31, 1999 and 1998

During the six months ended January 31, 1999, the Company reported sales of $1,247,055, a 26.1% decrease over the $1,687,461 reported in the prior-year period, and a gross profit on sales of $892,301, a 32.0% decrease over the $1,311,819 reported in the prior-year period. As a percent of sales, the gross margin in the current period was 71.6% compared to 77.7% in the prior-year period. These decreases occurred for the same reasons discussed above under the three-month analysis.

During the six months ended January 31, 1999, the Company sustained a loss of $3,092,056 (or $.20 per share, basic and diluted), compared to a loss of $2,560,893 (or $.17 per share, basic and diluted) for the prior-year period, as overall operating expenses increased. Total operating expenses increased 3.4% during the current period to $4,387,078 from $4,241,857 during the prior-year period. Sales and marketing expense increased 19.9% primarily due to the same reasons as set forth in the three-month analysis above. General and administrative expense decreased 4.3% due to decreases in investor relations and business development activities and securities fees. Clinical testing and regulatory expense increased by more than 22.4%,

principally due to costs incurred with the Phase III trial of Cordox in sickle cell anemia crisis patients. Pre-clinical research and development expenditures decreased 33.7%, principally due to decreases in salaries, rent and grant expenditures.

In addition, net interest and other income for the current period decreased more than 32.9% to $350,445 from $522,327 during the prior-year period, principally for the reason set forth in the three-month analysis above.

Grant income declined 85% during the current period to $10,871 from $72,508, as there was only one grant in process (versus two during the prior-year period) and it was completed prior to the end of the current period. The pre-clinical research and development expense for the current period includes expenses incurred in connection with the completed grant.

The amortization of the discount and costs on the Company's mandatorily convertible notes was completed in the previous year, and therefore, there was a 100% decline in the expenses related to this amortization for the six months ending January 31, 1999.

Liquidity and Capital Resources

The Company has principally funded its activities to date through various issuances of equity securities, which have raised total net proceeds of $35 million, as well as product sales.

At January 31, 1999, the Company had cash, cash equivalents and short-term investments of $10,529,486, compared to $13,444,470 at July 31, 1998. At January 31, 1999, working capital was $10,639,222, compared to $13,377,716 at July 31, 1998. The decline in these balance sheet items is principally due to the cash used to fund the net loss of the Company.

The Company expects that its cash needs will increase significantly in future periods due to expansion of research and development programs, increased clinical testing activity, growth of administrative, clinical and laboratory staff and expansion of facilities to accommodate increased numbers of employees. The Company's management believes that the Company's working capital will be sufficient to fund the operations of the Company for approximately two years dependent, in part, on the timing of the commencement of each phase of the clinical trials on Cordox and Ceresine and the funding priorities that it gives its various research programs, the results of clinical tests and research programs; competing technological and market developments; the time and costs involved in obtaining regulatory approvals and in obtaining, maintaining and enforcing patents; the cost of product acquisitions: the delay in scaling up manufacturing operations; the growth in sales of the acquired products and their resulting cash flows; and other factors.

The Company is funding a significant portion of its operating expenses through cash flow from product sales, but expects to seek additional funds through public or private equity financings, collaborations, Small Business Innovation Research grants or from other sources. There can be no assurance that additional funds can be obtained on desirable terms or at all. The Company may seek to raise additional capital whenever conditions in the financial markets are favorable, even if the Company does not have an immediate need for additional cash at that time.

Impact of the Year 2000 Issue

The Year 2000 problem is the result of computer applications being written using two digits rather than four digits to define the applicable year. Any of the Company's computer applications (and computer applications used by any of the Company's customers, collaborators and manufacturers) that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing disruption of operations.

The Company has modified or replaced portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. The costs associated with such modifications were not materially significant. The Company believes that, with these modifications to existing software and conversions to new software, the Year 2000 problem will not pose significant operational problems for its computer systems. However, because of the many uncertainties associated with Year 2000 compliance issues, and because the Company's assessment is necessarily based on information from third-party customers, collaborators and manufacturers, there can be no assurance that the Company's assessment is correct or as to the materiality or effect of any failure of such assessment to be correct.

The Company has initiated a program to determine whether the computer applications of its significant customers, collaborators and manufacturers will be upgraded in a timely manner. The Company has not completed its review and it is unknown whether the computer

applications of its customers, collaborators and manufacturers will be Year 2000 compliant. The Company has not determined the extent to which any disruption in the computer applications of third parties caused by the Year 2000 issues will affect the Company's operations, and has no contingency plans in the event of any such disruption. However, any disruptions in payments by customers or in the manufacture of the Company's products could have a material adverse effect upon the Company's business, financial condition and results of operations.

Part II.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its annual meeting of shareholders on February 16, 1999. The following matters received the votes for, votes against, abstentions and broker non-votes set forth across from them at the meeting:

[ARTICLE] 5
[LEGEND]
This schedule contains summary financial information extracted from
the Form 10-Q for the Period Ended January 31, 1999 and is qualified
in its entirety by reference to such financial statements.
[/LEGEND]

[PERIOD-TYPE]	6-MOS
[FISCAL-YEAR-END]	JUL-31-1999
[PERIOD-END]	JAN-31-1999
[CASH]	2,937,680
[SECURITIES]	7,591,806
[RECEIVABLES]	429,893
[ALLOWANCES]	0
[INVENTORY]	171,130
[CURRENT-ASSETS]	179,552
[PP&E]	2,070,118
[DEPRECIATION]	(975,878)
[TOTAL-ASSETS]	16,562,746
[CURRENT-LIABILITIES]	670,839
[BONDS]	199,036
[PREFERRED-MANDATORY]	0
[PREFERRED]	0
[COMMON]	41,458,734
[OTHER-SE]	(25,891,227)
[TOTAL-LIABILITY-AND-EQUITY]	16,562,746
[SALES]	1,247,055
[TOTAL-REVENUES]	1,247,055
[CGS]	354,754
[TOTAL-COSTS]	4,387,078
[OTHER-EXPENSES]	66,373
[LOSS-PROVISION]	0
[INTEREST-EXPENSE]	20,191
[INCOME-PRETAX]	(3,092,056)
[INCOME-TAX]	0
[INCOME-CONTINUING]	(3,092,056)
[DISCONTINUED]	0
[EXTRAORDINARY]	0
[CHANGES]	0
[NET-INCOME]	(3,092,056)
[EPS-PRIMARY]	(0.20)
[EPS-DILUTED]	(0.20)