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

(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, 1997
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:
(619) 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 13, 1997, the Registrant had 12,217,531 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, 1997 (Unaudited)	July 31, 1996 (Note)
Assets		
Current assets:		
Cash and cash equivalents	$ 4,172,007	$8,306,752
Short-term investments	7,662,930	7,690,297
Accounts receivable	280,103	149,626
Inventory	104,574	63,386
Prepaid expenses	173,470	61,409
Total current assets	12,393,084	16,271,470
Property, equipment and leasehold improvements, net	622,110	608,206
Purchased technology, net	5,509,569	2,629,427
[Deferred financing costs	428,961	520,011]
Licenses and patents, net	137,303	111,231
Deposits and other assets, net	119,274	126,180
[Total assets	$ 19,210,301	$20,266,525]
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 317,061	$ 119,092
Other accrued liabilities	451,383	387,612
Purchased asset obligation	1,224,000	200,000
Current portion of capital lease obligations	103,688	81,035
Current portion of long-term debt	91,008	99,282
Total current liabilities	2,187,140	887,021
Capital lease obligations	201,467	187,265
Deferred rent	128,169	120,411
Long-term debt	-	41,367
[Mandatorily convertible notes	7,660,481	6,395,574]
[Shareholders' equity:		
Common stock, 30,000,000 shares authorized, 11,613,748 shares issued and outstanding as of January 31, 1997 and July 31, 1996	23,455,450	23,421,428]
Deferred compensation	(163,477)	(304,309)
[Accumulated deficit	(14,258,929)	(10,482,232)]
[Total shareholders' equity	9,033,044	12,634,887]
[Total liabilities and shareholders' equity	$ 19,210,301	$ 20,266,525]

Note: The balance sheet at July 31, 1996 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,	
	1997	1996	1997	1996
Net sales	$587,665	$353,990	$ 954,796	$578,718
Cost of sales	134,741	141,344	239,862	195,069
Gross profit	452,924	212,646	714,934	383,649
Operating expenses:				
Sales and marketing	257,182	76,710	419,638	114,332
General and administrative	699,423	396,788	1,320,934	773,004
Clinical testing and regulatory	560,983	391,773	900,433	711,774
Research and development	271,004	221,655	486,090	414,929
Depreciation and amortization	290,154	148,347	478,040	295,792
Total operating expenses	2,078,746	1,235,273	3,605,135	2,309,831
Loss from operations	(1,625,822)	(1,022,627)	(2,890,201)	(1,926,182)
Research grant income	32,090	91,434	79,490	165,926
Interest income, net	100,217	190,733	384,713	379,316
[Amortization of discount and costs on mandatorily convertible notes	(674,184)	-	(1,350,699)	-
[Net loss	$(2,167,699)	$(740,460)	$(3,776,697)	$(1,380,940)]) 7))]
[Net loss per share	$ (0.19)	$ (0.06)	$ (0.33)	$ (0.12)]
Shares used in computing net loss per share	11,613,748	11,419,590	11,613,748	11,390,301

See accompanying notes.

Cypros Pharmaceutical Corporation

Statements of Cash Flows
(Unaudited)

	Six Months Ended January 31,	
	1997	1996

Operating activities		
[Net loss	$(3,776,697)	$(1,380,940)]
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred compensation	174,854	96,509
Compensation expense related to warrant issuances	-	74,082
[Amortization of discount and costs on mandatorily convertible notes	1,350,699	-]
Depreciation and amortization	478,040	295,792
Deferred rent expense	7,758	2,222
Changes in operating assets and liabilities; net of effects from acquisitions:		
Accounts receivable	(130,477)	(229,557)
Inventory	31,406	(40,902)
Prepaid expenses	(112,061)	(108,070)
Accounts payable	197,969	8,474
Other current liabilities	93,029	292,397
Net cash flows used in operating activities	(1,685,480)	(989,993)
Investing activities		
Payment for purchase of acquired business	(2,286,642)	(1,835,356)
Short-term investments	27,367	2,701,802
Note receivable	-	(1,000,000)
Purchase of property, equipment and leasehold improvements	(59,269)	(60,360)
(Increase)/decrease in licenses and patents	2,266	(6,597)
Increase in deposits and other assets	(40,209)	(18,411)
Net cash flows used in investing activities	(2,356,487)	(218,922)
Financing activities		
Issuance of common stock, net	-	869,749
Repurchase and retirement of common stock	-	(1,540,000)
Repayments of long-term debt	(49,641)	(49,642)
Principal payments under capital lease obligations	(43,137)	(14,307)
Net cash flows used in financing activities	(92,778)	(734,200)
Decrease in cash and cash equivalents	(4,134,745)	(1,943,115)
Cash and cash equivalents at beginning of period	8,306,752	5,026,745
Cash and cash equivalents at end of period	$ 4,172,007	$ 3,083,630
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 26,932	$ 17,955
Non-cash investing and financing activities:		
Issuance of common stock in business acquisition	$ -	$ 1,032,309
Issuance of purchased asset obligation in business acquisitions	$ 1,200,000	$ 200,000
Equipment financed under capital leases	$ 79,992	$ 26,553

See accompanying notes.

CYPROS PHARMACEUTICAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

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.

On November 4, 1996, the Company acquired the New Drug Application, the U.S. trademark for Ethamolin Injection (the "Ethamolin Assets") and the finished goods inventory on hand at closing from Schwarz Pharma, Inc., a Delaware corporation. The acquisition was accounted for using the purchase method. The total purchase price was $3,286,642, of which the Company paid $2,086,642 in cash and issued a $1,200,000 note bearing interest at 8% per annum at closing. The principal and accrued interest on the note are due and payable on November 3, 1997. Repayment of the principal and interest on the note is secured by the Ethamolin Assets. The Company used its working capital to make the cash payment at closing.

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's two clinical programs, CPC-111 and CPC-211, are in various Phase II trials for cardiovascular and neurological disorders.

Basis of Presentation

The unaudited financial statements for the three and six months ended January 31, 1997 and 1996 have been prepared on the same basis as the Company's audited financial statements for the year ended July 31, 1996 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, 1996 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, 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 $24,570 and finished goods of $80,004.

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 on certain pharmaceuticals under contracts with hospitals and hospital buying groups. At January 31, 1997, such discounts and allowances totalled $11,991.

Net Loss Per Share

Net loss per share is computed using the weighted average number of common shares outstanding during the periods.

Reclassifications

Certain previously reported amounts have been reclassified to conform with the 1997 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.

2. Subsequent Events

On March 5, 1997, the Company entered into private placement agreements for $5 million of the Company's Common Stock, no par value, under SEC Regulation D. The placement was sold to two institutions led by the President and Fellows of Harvard College.

The closing of the transaction is conditioned upon the effectiveness of a registration statement which has been filed by the Company covering resale of the acquired shares by the purchasers.

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, 1996 and those discussed in the S-3 Registration Statement File No. 333-17501 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 and acquired two FDA-cleared products, Glofil and Inulin, in August 1995. The Company has sustained an accumulated deficit of $12,908,230 from inception through January 31, 1997. As the Company will not have significant 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, 1997 Versus Three Months Ended January 31, 1996

During the quarter ended January 31, 1997, the Company reported sales of $587,665, a 66% increase over the $353,990 reported in the prior-year period, principally due to the acquisition of Ethamolin, and a gross profit on sales of $452,924, a 113% increase over the $212,646 reported in the prior-year period. As a percent of sales, the gross margin in the current quarter was 77% compared to 60% in the prior-year period. Without the effect of the recall of a lot of Inulin, the gross margin for the prior-year period would have been 72%.

[For the quarter, the Company sustained a loss of $2,167,699 (or $.19 per share), compared to a loss of $740,460 (or $.06 per share) for the prior-year quarter, as expenses increased in all operating areas. Sales and marketing expense increased by more than 235% principally due to the tripling of the field sales force, the hiring of a product manager, executive search fees relating to these hires and increased travel expense by sales and marketing personnel. General and administrative expense increased more than 76% principally due to the launch of a substantial investor relations program, the payment of 1996 and 1997 annual product user fees to the Food and Drug Administration for Glofil and Inulin, and increased payroll expense. Clinical testing and regulatory expense increased more than 43% principally due to increased enrollment at the various sites for the Phase II trials of CPC-111 and CPC-211. Depreciation and amortization expense increased more than 95% principally due to the amortization of the purchased technology related to the acquisition of Ethamolin during the current quarter.]

During the current quarter, research grant income decreased 65%, principally due to the prior-year quarter receiving income from

a Phase II SBIR grant that was completed in September 1996. The research and development expense for the quarter includes expenses incurred in connection with the grant.

In addition, net interest income for the current quarter declined more than 47% principally due to interest income received in the prior-year quarter from fees and interest on a loan that the Company made during that quarter which was subsequently repaid, coupled with interest expense during the current quarter accruing on the promissory note issued to Schwarz Pharma as part of the acquisition of Ethamolin.

Six Months Ended January 31, 1997 Versus Six Months Ended January 31, 1996

During the six months ended January 31, 1997, the Company reported sales of $954,796, a 65% increase over the $578,718 reported in the prior-year period, principally due to the acquisition of Ethamolin, and a gross profit on sales of $714,934, an 86% increase over the $383,649 reported in the prior-year period, principally because the gross profit in the prior-year period was adversely affected by the recall of a lot of Inulin. As a percent of sales, the gross margin in the current period was 75% compared to 66% in the prior-year period. Without the effect of the recall of the Inulin lot, the gross margin for the prior-year period would have been 74%.

[During the six months ended January 31, 1997, the Company sustained a loss of $3,776,697 (or $.33 per share), compared to a loss of $1,380,940 (or $.12 per share) for the prior-year period, as expenses in all operating areas. Sales and marketing expense increased more than 267% for the reasons set forth in the three-month analysis above. General and administrative expense increased 71% for the reasons set forth in the three-month analysis above in addition to a one-time payment of $100,000 to a financial advisor in September 1996. Clinical testing and regulatory expense increased by more than 26% principally due to increased payments to clinical research organizations managing two of the Company's Phase II clinical trials and increased usage of consultants to perform clinical monitoring, data base management and statistical analysis functions. Depreciation and amortization expense increased more than 61% for the reason set forth in the three-month analysis above.]

During the current six-month period, research grant income declined more than 52% for the reason set forth in the three-month analysis above. The research and development expense for the current six-month period includes expenses incurred in connection with the SBIR grants.

Liquidity and Capital Resources

The Company has principally funded its activities to date through its initial public offering ("IPO") in November 1992, which raised net proceeds of $5,951,000, subsequent exercises of its Redeemable Class A Warrants in 1994 and early 1995, which raised net proceeds of $10,497,000, exercises by the underwriter of the IPO of its unit purchase options (and the Redeemable Class A Warrants within such options), which raised net proceeds of $1,681,000, that it had received as part of its compensation for the IPO, and three private placements of mandatorily convertible notes during April and July 1996, which raised $7,464,000. At January 31, 1997, the Company had cash, cash equivalents and short-term investments of $11,834,937 compared to $15,997,049 at July 31, 1996. At January 31, 1997, working capital was $10,205,944, compared to $15,384,449 at July 31, 1996.

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 more than two years dependent, in part, on the timing of the commencement of each phase of the clinical trials on CPC-111 and CPC-211 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 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 exercises of its currently outstanding options and warrants, public or private equity financings, collaborations 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.

Part II.

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

The Company held its annual meeting of shareholders on January 28, 1997. The following matters received the votes for, votes against, abstentions and broker non-votes set forth across from them at the meeting:

	Vote For	Votes Against	Abstensions	Broker Non-Votes	For	Against	ns	r
(1) Election of Directors to hold office until the 1998 Annual Meeting of Shareholders								
Paul J. Marangos	8,872,294	7,589	0	0				
Robert F. Allnutt	8,868,693	11,190	0	0				
Digby W. Barrios	8,875,793	4,090	0	0				
Virgil Thompson	8,875,693	4,190	0	0				
Robert A. Vukovich	8,865,797	14,086	0	0				
(2) Ratification of the selection of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending July 31, 1997	8,860,284	5,100	4,499	10,000				

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.
No exhibits are included in this report.

(b) Reports on Form 8-K.
A report on Form 8-K/A, pertaining to Item 7, "Financial Statements and Exhibits", was filed by the Company on January 16,1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Carlsbad, County of San Diego, State of California, on the 5th day of August, 1997.

CYPROS PHARMACEUTICAL CORPORATION
/s/----------
By Paul J. Marangos
Chairman of the Board,
President and Chief Executive Officer

/s/----------
By David W. Nassif
Vice President, Chief Financial Officer
and Secretary
(Principal Financial and Accounting Officer)

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JUL-31-1997
JAN-31-1997
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