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 Quarterly Period ended June 30, 2000

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 000-14242

CELSION CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	52-1256615
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

10220-I Old Columbia Road, Columbia, Maryland 21046-1705

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (410) 290-5390

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

As of June 30, 2000, the Registrant had outstanding 64,033,831 shares of Common Stock, $.01 par value.

PART I - FINANCIAL INFORMATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CELSION CORPORATION

BALANCE SHEETS

June 30, 2000 and September 30, 1999

ASSETS

	6/30/2000	9/30/1999
Current assets:		
Cash and cash equivalents	$10,089,917	$ 1,357,464
Accounts receivable	1,812	1,812
Inventories	22,059	22,059
Prepaid expenses	135,025	3,520
Other current assets		
	123,535	39,203
Total current assets		
	10,372,348	1,424,058
Property and equipment - at cost:		
Furniture and office equipment	257,898	203,156
Laboratory and shop equipment	47,983	47,983
	305,881	251,139
Less accumulated depreciation	241,560	224,874
Net value of property and equipment	64,321	26,265
Other assets:		
Patent licenses (net of amortization)	96,489	108,361
Total other assets	96,489	108,361
Total assets	$10,553,158	$ 1,558,684

LIABILITIES AND STOCKHOLDERS' EQUITY

	6/30/2000	9/30/1999
Current liabilities:		
Accounts payable - trade	$105,781	$130,792
Notes payable-related parties	-	10,000
Notes payable-other	114,778	114,778
Current Portion of Capital Leases	-	1,292
Accrued interest payable - related parties	-	13,800
Accrued interest payable - other	155,373	155,373
Accrued compensation	-	91,009
Other accrued liabilities	26,151	88
Total current liabilities	402,083	517,132
Long term liabilities:		
Long term debt	-	-
Total long-term liabilities	-	4,427
Total liabilities	402,083	521,559
Stockholders equity:		
Capital stock - $.01 par value; 100,000,000 shares authorized, 64,033,831 and 53,370,498 issued and outstanding for 6/30/2000 and 9/30/1999, respectively.	640,338	533,705
Preferred stock - $1,000 par value, 4,853 and 0 shares issued and outstanding as of 6/30/2000 and 9/30/1999, respectively.	4,852,500	-
Preferred Stock Dividend to be distributed	80,875	-
Additional paid-in capital	29,417,937	22,403,622
Accumulated deficit	(24,860,575)	(21,900,202)
Total stockholders' equity	10,131,075	1,037,125
Total liabilities and shareholders equity	$ 10,533,158	$ 1,558,684

See accompanying notes.

CELSION CORPORATION

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months Ended June 30,		Nine Months Ended June 30	
	2000	1999	2000	1999
Revenue:				
Hyperthermia sales and parts	$ --	$ --	3,465	$ --
Total revenue	--	--	3,465	--
Cost of sales	--	--	--	--
Gross profit	--	--	3,465	--
Operating expenses:				
Selling, general and administrative	460,233	207,168	1,216,002	853,470
Research and development	644,106	219,976	1,876,943	683,604
Total operating expenses	1,104,339	427,144	3,092,945	1,537,074
(Loss) Income from operations	(1,104,339)	(427,144)	(3,089,480)	(1,537,074)
Other(expense) income	--	--	--	--
Interest income (expense)	142,040	(427)	209,982	(51,391)
(Loss) Income before income taxes	(962,299)	(427,571)	(2,879,498)	(1,588,465)
Income taxes	--	--	--	--
Net (loss) income	($ 962,299)	($ 427,571)	($ 2,879,498)	($ 1,588,465)
Net (loss)income per common share	($ 0.02)	($ 0.01)	($ 0.05)	($ 0.04)
Weighted average shares outstanding	63,050,849	46,914,625	57,790,252	43,787,113

See accompanying notes.

CELSION CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended June 30, 2000	1999
Cash flows from operating activities:		
Net loss	($ 2,879,498)	($ 1,588,465)
Noncash items included in net loss:		
Depreciation and amortization	28,558	21,312
Bad debt expense	--	--
Net changes in:		
Accounts receivable	--	(1,211)
Inventories	--	--
Other current assets	(84,333)	(21,594)
Prepaid expenses	(131,505)	57,264
Accounts payable-trade	(25,010)	(942,825)
Accrued interest payable - related parties	--	233
Accrued interest payable - other	(13,800)	(108,073)
Accrued compensation	(91,009)	(364,793)
Accrued professional fees	--	(100,000)
Other accrued liabilities	26,063	(17,519)
Net cash used by operating activities	(3,170,534)	(3,065,671)
Cash flows from investing activities:		
Purchase of property and equipment	(54,742)	(935)
Net cash used by investing activities	(54,742)	(935)
Cash flows from financing activities:		
Payment on notes (net)	(10,000)	(154,040)
Payments- capital equipment lease	(5,719)	(813)
Proceeds of stock issuances	11,973,448	4,033,200
Net cash provided by financing activities	11,957,728	3,878,347
Net increase in cash	8,732,452	811,741
Cash at beginning of period	1,357,464	54,920
Cash at end of the period	10,089,917	$ 866,661
Schedule of noncash investing and financing transactions: Conversion of debt and accrued interest payable, and compensation through issuance of common stock	$ 681,224	$ 1,040,932

See accompanying notes.

CELSION CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying unaudited financial statements, of Celsion Corporation (the "Company"), have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals considered necessary for a fair presentation, have been included in the accompanying unaudited financial statements. Operating results for the nine months ended June 30, 2000 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2000. For further information, refer to the consolidated financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1999.

Note 2. Common Stock Outstanding and Per Share Information

For the quarters ended June 30, 2000 and 1999, per share data is based on the weighted average number of shares of Common Stock outstanding. Outstanding warrants and options which can be converted into Common Stock are not included as their effect is antidilutive.

Note 3. Inventories

Inventories are carried at the lower of actual cost or market, and cost is determined using the average cost method. The components of inventories on June 30, 2000 and September 30, 1999 are as follows:

	June 30, 2000	September 30, 1999
Materials	$5,059	$5,059
Finished products	17,000	17,000
	$22,059	$22,059

Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIALCONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Statements and terms such as "expect", "anticipate", "estimate", "plan", "believe" and words of similar import, regarding the Company's expectations as to the development and effectiveness of its technology, the potential demand for its products, and other aspects of its present and future business operations, constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes that its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, the Company cannot guarantee that actual results will not differ materially from its expectations. Factors which could cause actual results to differ from expectations include, but are not limited to, those referred to in the following paragraph and in the discussion under "Liquidity and Capital Resources."

General

Since inception, the Company has incurred substantial operating losses. The Company expects operating losses to continue and possibly increase in the near term and for the foreseeable future as it continues its product development efforts, conducts clinical trials and undertakes marketing and sales activities for new products. The Company's ability to achieve profitability is dependent upon its ability successfully to integrate new technology into its thermotherapy systems, conduct clinical trials, obtain governmental approvals, and manufacture, market and sell its new products. Major obstacles facing the Company over the last several years have included inadequate funding, a negative net worth, and the slow development of the thermotherapy market due to technical shortcomings of the thermotherapy equipment available commercially. The Company has not continued to market its older thermotherapy system, principally because of the system's inability to provide heat treatment for other than surface and sub-surface tumors, and has concentrated its efforts on a new generation of thermotherapy products.

The operating results of the Company have fluctuated significantly in the past on an annual and a quarterly basis. The Company expects that its operating results will fluctuate significantly from quarter to quarter in the future and will depend on a number of factors, many of which are outside the Company's control.

Results of Operations

Comparison of Nine Months Ended June 30, 2000 and Nine Months Ended June 30, 1999

Product sales for the nine months ended June 30, 2000 were only $3,465 as compared to none for the same period in 1999. The limited revenue in the current period resulted from a parts reorder for older, previously sold equipment. Product revenues are not expected until development of equipment incorporating the Company's new technologies is completed and such equipment is clinically tested and receives necessary approvals from governmental regulatory agencies.

Research and development expense increased by 175% to $1,876,943 for the nine months ended June 30,2000 from $683,604 for the comparable period ended June 30, 1999. The increase of $1,193,339 in the nine months ended June 30, 2000 was attributable to the issuance of shares of Common Stock to Duke University under a license agreement for thermoliposome technology, research on thermoliposome technology during the period, expenditures for its Phase I breast cancer trials at Harbor UCLA Medical Center and Columbia Hospital, expenditures for the Company's upcoming Phase II BPH and Breast Cancer trials, and payments made to Sloan-Kettering Cancer Institute for licensing of it's gene therapy technology during the period ended June 30, 2000. The Company expects expenditures on research and development expenses to increase for the remainder of the fiscal year as it completes Phase I of the BPH clinical trials and begins Phase II clinical trials for its breast cancer and BPH treatment systems.

Selling, general and administrative expense increased by 43% to $1,216,002 for the nine months ended June 30, 2000 from $853,470 from the comparable period ended June 30, 1999. The increase of approximately $362,532 was due primarily to increased legal and financial services associated with the Company's recent securities offerings and technology licensing, increased office staffing, costs associated with the Company's annual meeting, and to increased public relations activities.

Due mainly to the increase in the expenditures listed above for the nine months ending June 30, 2000, the loss from operations for the period rose by $1,552,406 to ($3,089,480) from $(1,537,074) in the prior year.

Interest income net of interest expense increased to $209,982 for the nine months ended June 30, 2000 from ($51,391) for the comparable period ended June 30, 1999. The $261,373 increase was due to the high cash balances invested in money market instruments and time deposits. Since the Company has currently no revenues, these balances will decrease as the Company draws on its cash reserves to pay for the Company's on going operations.

Comparison of Three Months Ended June 30, 2000
and Three Months Ended June 30, 1999

Research and development expense increased by 192% to $644,106 for the three months ended June 30, 2000 from $219,976 from the comparable periods ended June 30, 1999. The increase of $424,130 for the three months ended June 30, 2000 was attributable to expenditures for its Phase I breast cancer trials at Harbor UCLA Medical Center and Columbia Hospital, and expenditures for the Company's upcoming Phase II Breast and BPH clinical trials, and payments made to Sloan-Kettering Cancer Institute for licensing of its gene therapy technology during the period ended June 30, 2000. The Company expects expenditures on research and development expenses to increase for the remainder of the fiscal year as it completes Phase I of the BPH clinical trials and begins Phase II clinical trials for its breast cancer and BPH treatment systems.

Selling, general and administrative expense increased by 122% to $460,233 for the three months ended June 30, 2000 from $207,168 from the comparable period ended June 30, 1999. The increase of approximately $253,065 was due primarily to increased legal and financial services, increased office staffing, costs associated with the Company's annual meeting, and to increased public relations activities.

Due mainly to the increase in the expenditures listed above for the three months ending June 30, 2000, the loss from operations for the period rose by $677,195 to ($1,104,339) from $(427,144) in the prior year.

Interest income net of interest expense increased to $142,040 for the three months ended June 30, 2000 from ($427) for the comparable period ended June 30, 1999. The $142,467 increase was due to the high cash balances invested in money market instruments and time deposits. Since the Company has currently no revenues, these balances will decrease as the Company draws on its cash reserves to pay for the Company's on going operations.

Liquidity and Capital Resources

Since inception, the Company's expenses have significantly exceeded its revenues, resulting in an accumulated deficit of $24,860,575 at June 30, 2000. The Company has incurred negative cash flows from operations since its inception, and has funded its operations primarily through the sale of equity securities. As of June 30, 2000, the Company had cash of $10,089,917 and total current assets of $10,372,348 compared with current liabilities of $402,083 resulting in a working capital surplus of $9,970,265. As of September 30, 1999, the Company had $1,357,464 in cash and total current assets of $1,424,058 compared with current liabilities of $517,132, which resulted in a working capital surplus of $902,499 at fiscal year-end. Net cash used in the Company's operating activities was $3,170,534 for the nine months ending June 30, 2000. The increase in working capital is due to the closing of a private placement offering on January 31, 2000 netting the Company approximately $4,200,000, exercise of warrants (primarily Series 700 and 800) during the period from which the Company received $5,467,118, and during the current quarter, the exercise of warrants (primarily Series 500 and 550) from which the Company received $1,588,889.

The Company does not have any bank financing arrangements and has funded its operations in recent years primarily through private placement offerings. For all of fiscal year 2000, the Company expects to expend a total of about $4 million for breast cancer and BPH clinical testing and for corporate overhead, which will be funded from its current resources. The foregoing amounts are estimates based upon assumptions as to the availability of funding, the scheduling of institutional clinical research and testing personnel, the timing of clinical trials and other factors, not all of which are fully predictable. Accordingly, estimates and timing concerning projected expenditures and programs are subject to change.

The Company's dependence on raising 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 depend upon numerous factors, including the successful commercialization of the thermotherapy systems, progress in its product development efforts, progress with preclinical studies and clinical trials, 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. 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 does not have any committed sources of additional financing, and cannot guarantee that additional funding will be available on acceptable terms, if 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company has commenced an action in the United States District Court for the District of Maryland against Warren C. Stearns, a former Company director, Mr. Stearn's management company, SMC, and a number of Mr. Stearns' family members and colleagues who hold certain Celsion warrants (the "Stearns Warrants") for the purchase of approximately 3.4 million Celsion shares. The Stearns Warrants were intended as compensation for certain investment banking, brokerage and financing services rendered and to be rendered and to be rendered by Mr. Stearns and SMC. The Company and its attorneys have reviewed the circumstances surrounding the issuance of Stearns Warrants and the services which were performed or purported to be performed by Mr. Stearns and SMC, and have concluded that the Stearns Warrants should be rescinded. The Company believes that the issuance of the Stearns Warrants was in violation of Section 15 of the Securities and Exchange Act of 1934 and constitudes a voidable transaction under the provisions of Section 29 of such Act.

The defendants in the litigation have moved to dismiss the complaint on various technical grounds, including statue of limitations. The Company is opposing this motion and intends to prosecute the litigation vigorously.

Item 2. Change in Securities

During the quarter ended June 30, 2000, the Company issued the following securities without registration under the Securities Act of 1933, as amended (the "Securities Act"):

1. The Company issued a total of 3,380,616 shares of Common Stock upon the exercise of outstanding options and warrants, of Series 500 and 550 warrants, for total cash consideration of $1,588,889, an average exercise price of $0.47 per share. The shares issued to the holders of such options and warrants consisted of restricted stock endorsed with the Company's standard restricted stock legend, with a stop transfer instruction recorded by the transfer agent. Accordingly, the Company views the shares issued as exempt from registration under Sections 4(2) and/or 4(6) of the Securities Act.

2. During the current quarter, the Company issued a total of 48,530 shares of Common Stock to two consultants in lieu of cash fees for services rendered valued at $77,330. The shares issued to the consultants consisted of restricted stock endorsed with the Company's standard restricted stock legend, with a stop transfer instruction recorded by the transfer agent. Accordingly, the Company views the shares issued as exempt from registration under Sections 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 Securities Holders

None.

Item 5. Other Information

During the quarter ended June 30, 2000 the Company entered into an employment agreement with Dennis Smith, who was formally employed with the Company as an engineer from 1985 to 1995. Mr. Smith will manage the Medical Systems Division and will report to Dr. Augustine Y. Cheung, Chief Scientific Officer.

Also, the Company has been taking steps to increase its key personnel resources. In addition to adding administrative assistants, the Company has been negotiating with candidates for executive-level positions in medical and pharmaceutical product development and in medical systems engineering. Proposed formal agreements are under consideration and it is expected that one or more new executives will join the Company during the fourth fiscal quarter.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

11. Computation of per share earnings.

(b) Reports on Form 8-K.

Form 8-K was filed on February 3, 2000, reporting on the completion of a recent private placement financing and a related capitalization change, new executive employment agreements and commencement of clinical trials. No financial statements were filed with the Form 8-K.

SIGNATURES

Pursuant to the requirements 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.

DATE: August 14, 2000

CELSION CORPORATION
(Registrant)

By: /s/ Spencer J. Volk

Spencer J. Volk
President and Chief Executive Officer

By: /s/ John Mon

John Mon
Treasurer and Chief Accounting Officer

EXHIBIT 11

CELSION CORPORATION

COMPUTATION OF EARNINGS PER SHARE

	Nine Months Ended June 30, 2000	Nine Months Ended June 30, 1999
Net (loss) income	($ 2,879,498)	($ 1,588,465)
Net (loss) income per common share*	($ 0.05)	($ 0.04)
Weighted average shares outstanding	57,790,252	43,787,113

* Common stock equivalents have been excluded from the calculation of net loss per share as their inclusion would be anti-dilutive.

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APR-01-2000
JUN-30-2000
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