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 December 31, 1998

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.01 per share
(Title of Class)

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 December 31, 1998, the Registrant had outstanding 41,514,467 shares of Common Stock, $.01 par value.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CELSION CORPORATION
BALANCE SHEETS
December 31, 1998 and September 30, 1998

ASSETS

Current assets:	12/31/1998	9/30/1998
Cash and cash equivalents	$100,114	$ 54,920
Accounts receivable	1,812	1,812

Inventories	42,059	42,059
Prepaid expenses	45,013	76,944
Other current asset	--	--
Total current assets	188,998	175,735
Property and equipment - at cost:		
Furniture and office equipment	195,794	195,794
Laboratory and shop equipment	47,048	47,048
	242,842	242,842
Less accumulated depreciation	215,253	212,029
Net value of property and equipment	27,588	30,813
Other assets:		
Patent licenses (net of accumulated amortization of $ 69,718 and $65,760 on 12/31/1998 and 9/30/1998, respectively)	120,232	124,190
Total assets	$336,819	$330,738

LIABILITIES AND STOCKHOLDERS' EQUITY

	12/31/1998	9/30/1998
Current liabilities:		
Accounts payable - trade	$ 1,125,309	$ 1,034,767
Notes payable - other	109,041	132,778
Notes payable-related parties	0	146,041
Accrued interest payable - related parties	544	150,020
Accrued interest payable - other	297,493	127,538
Accrued compensation	522,572	470,220
Accrued professional fees	100,000	100,000
Other accrued liabilities	51,921	13,639
Deferred revenues	114,778	--
Capital lease - current	1,118	1,083
Total current liabilities	2,322,776	2,176,086
Long term liabilities:		
Capital Leases- Long Term	5,504	5,719
Total long-term liabilities	5,504	--
Total liabilities	2,328,280	2.181,805
Stockholders' deficit:		
Capital stock - $.01 par value; 100,000,000 shares authorized, 41,514,467 and 39,945,826 issued and outstanding for 12/31/1998 and 9/30/1998, respectively	415,145	399,458
Additional paid-in capital	17,605,399	17,213,485
Accumulated deficit	(20,012,005)	(19,464,010)
Total stockholders' deficit	(1,991,461)	(1,851,067)
Total liabilities and shareholders' deficit	$ 336,819	$ 330,738

See accompanying notes.

CELSION CORPORATION
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31,	
	1998	1997
Revenue:		
Hyperthermia sales and parts	--	--
Total revenue	--	--
Cost of sales	--	--
Gross profit (loss)	--	--
Operating expenses:		
Selling, general and administrative*	$ 357,577	$ 725,058
Research and development	167,101	102,844
Total operating expenses	524,679	827,902
(Loss) Income from operations	(524,679)	(827,902)
Loss in investment fund	--	--
Other(expense) income	--	6,255
Interest expense	(23,314)	(35,525)
(Loss) Income before income taxes	(547,993)	(857,172)
Income taxes	--	--
Net (loss) income	(547,993)	(857,172)
Net (loss)income per common share (basic)	($ 0.014)	($ 0.028)
Weighted average shares outstanding	40,595,255	30,802,001

See accompanying notes.

CELSION CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended December 31,	
	1998	1997
Cash flows from operating activities:		
Net (loss) income	$ (547,993)	$ (857,172)
Noncash items included in net (loss) income:		
Loss in investment fund	--	--
Depreciation and amortization	7,182	3,876
Bad debt expense	--	(54,313)
Net changes in:		
Accounts receivable	--	--
Inventories	--	(19,362)
Prepaid expenses	31,931	(210)
Accounts payable-trade	90,540	(37,997)
Accrued interest payable - related parties	233	(52,911)
Accrued interest payable - other	20,246	(61,984)
Accrued compensation	68,346	53,150
Accrued professional fees	--	(151,648)
Other accrued liabilities and deferred revenue	22,288	41,864
Net cash (used) provided by operating activities	(307,226)	(1,136,707)
Cash flows from investing activities:		
Purchase of property and equipment	--	(7,400)
Net cash provided (used) by investing activities	--	(7,400)
Cash flows from financing activities:		
Payment on notes payable (net)	(55,000)	(885,040)
Payment on capital leases (net)	(181)	--
Proceeds of stock issuances	407,600	1,794,405
Net cash provided by financing activities	352,419	909,365
Net increase(decrease) in cash	45,193	(234,742)
Cash at beginning of period	54,921	267,353
Cash at end of the period	$ 100,114	$ 32,611

See accompanying notes.

CELSION CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The information presented for the three month periods ended December 31, 1997 and December 31, 1998 is unaudited, but includes adjustments (consisting only of normal recurring accruals) that Celsion Corporation (the "Company") management believes to be necessary for the fair presentation of results for the periods presented. The September 30, 1998 balance sheet was derived from audited financial statements. These financial statements should be read in conjunction with the Company's audited annual statements for the year ended September 30, 1998, which were included as part of the Company's Report on Form 10-K.

Note 2. Common Stock Outstanding and Per Share Information

For the quarters ended December 31, 1997 and 1998, 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 12/31/1998 and 9/30/1998 are as follows:

	12/31/1998	9/30/1998
Materials	$5,059	$5,059
Work - in - process	-	-
Finished products	37,000	37,000
	$42,059	$42,059

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

The statements in this report that relate to future plans, events or performance are forward-looking statements. Actual results, events or performance may differ materially due to a variety of factors, including the factors described on the Form 10-K for the year ended September 30, 1998. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Overview

Celsion Corporation (the "Company") has been engaged in developing and marketing minimally invasive thermotherapy devices utilized in the treatment of cancer as well as genitourinary diseases associated with benign growth of the prostate in older males, the most common being benign prostatic hyperplasia ("BPH"). Thermotherapy (also known as hyperthermia), or heat therapy, is a historically recognized successful method of treatment. In modern thermotherapy, a controlled heat dose is targeted to treatment sites using microwave and/or other energy for therapeutic benefits. Thermotherapy is a clinically established, adjuvant modality for at least doubling tumor response to radiation therapy or chemotherapy. However, delivering the necessary heat within the body without damaging surrounding tissue has been a major impediment to the use of thermotherapy for deep seated disease. The Company has an exclusive license from the Massachusetts Institute of Technology ("MIT") for adaptive phase array ("APA") technology which the Company believes will overcome this problem. This technology, originally developed for the Strategic Defense Initiative (Star Wars) plans of the Department of Defense, applies adaptive phased arrays of microwave energy in conjunction with traditional radiation or chemotherapy for the deep heating of breast, prostate and other deep seated cancers.

The Company will be concentrating its business on the development of two recently acquired technologies: (i) from MIT, APA targeting of microwave energy, which the Company believes will have broad cancer and other medical applications, and (ii) balloon catheter technology for enhanced thermotherapy of BPH and other genitourinary tract conditions. While the balloon catheter technology is related to the Company's previous BPH thermotherapy devices, the Company believes the APA technology has the potential to serve as the core technology for a broad array of medical devices, and accordingly the Company will devote most of its resources to the exploitation of the APA technology.

Results of Operations

Three Months Ended December 31, 1997 and 1998

The Company is concentrating on the development of the new technologies it recently acquired to significantly expand the capabilities and market for its products and has ceased active sales of its current equipment. The Company therefore did not receive any revenue in the three months ended December 31, 1997 and 1998. With the focus on the development and marketing of the new thermotherapy systems utilizing the patented technologies, the Company anticipates that most of its future revenue will be generated by treatments administered utilizing its thermotherapy systems and the sales of disposable kits. Revenue from the new technologies is not expected until the new technologies are developed and approved for sale by governmental regulatory agencies.

Given the lack of sales and sales efforts in the quarter ended December 31, 1997 and 1998, there were no cost of sales in the quarters.

Research and development expense increased to $167,101 in the three months ended December 31, 1998 from $102,844 in the three months ended December 31, 1997 due to increased emphasis on technology enhancements. The Company expects to significantly increase its expenditures for research and development to fund the development or enhancement of products by incorporating the APA technology and the MMTC technology.

Selling, general and administrative expenses decreased substantially to $357,577 in the three months ended December 31, 1998 from $725,058 in the three months ended December 31, 1997. The higher expenses during the quarter ending December 31, 1997 were primarily due to the increase in consulting and legal expenses, and compensation expenses, including $234,375 in compensation expense recorded for the 250,000 shares of common stock issued to Spencer Volk. The Company expects selling and marketing expense to increase substantially as it expands its advertising and promotional activities and increases its marketing and sales force, in anticipation of the commercialization of its new thermotherapy systems.

Interest expense decreased to $23,314 in the three months ended December 31, 1998 from $35,525 in the three months ended December 31, 1997. The decrease was due to the repayment on certain notes.

The net loss for the quarter ended December 31, 1998 was $547,993. The loss per share was $0.014. Operating losses will continue while the Company is developing its new equipment. Losses thereafter will depend upon a number of factors including the market acceptance of the new technologies.

Liquidity and Capital Resources

Since inception, the Company's expenses have significantly exceeded its revenues, resulting in an accumulated deficit of $20,012,005 and a shareholders' deficit of $1,991,461 at December 31, 1998. The Company has funded its operations primarily through the sale of equity securities. At December 31, 1998, the Company had cash, cash equivalents and short-term investments aggregating approximately $100,114. Net cash used in the Company's operating activities was $301,226 for the three months ended December 31, 1998.

The Company has incurred negative cash flows from operations since its inception, and has expended, and expects to continue to expend in the future, substantial funds to complete its planned product development efforts, including seeking FDA approval for the domestic sale of the Company's products, expand its sales and marketing activities. The Company expects that its existing capital resources will not be adequate to fund the Company's operations through the next twelve months. The Company is dependent on raising additional capital to fund its development of technology and to implement its business plan. Such dependence will continue at least until the Company begins marketing its new technologies.

The Company's future capital requirements and the adequacy of available funds will depend on numerous factors, including: the successful commercialization of the thermotherapy systems; progress in its product development efforts; the magnitude and scope of such efforts; progress with preclinical studies and clinical trials; the cost and timing of manufacturing scale- up; the development of effective sales and marketing activities; the cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights; the emerging of competing technological and market developments; and the development of strategic alliances for the marketing of the Company's products. To the extent that funds generated from the Company's operations are insufficient to meet current or planned operating requirements, the Company will be required to obtain additional funds through equity or debt financing, strategic alliances with corporate partners and others, or through other sources. The Company completed a $1 million private placement on February 3, 1999. These funds should allow the company to continue Phase I BPH clinical trials and begin Phase I clinical trials for the Company's Breast Cancer Treatment System. The Company does not have any other committed sources of additional financing, and there can be no assurance that additional funding, if necessary, 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. If adequate funds are not available, the Company's business, financial condition and results of operations will be materially and adversely effected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company was named as a defendant in a lawsuit filed by Eastwell Management Services, Ltd. ("Eastwell") in the United States District Court for the District of Maryland claiming, inter alia, breach of contract. On December 19, 1998, the U.S. District Court of Maryland found in favor of Celsion. In a related decision, the U.S. District Court of Maryland also found in favor of Celsion regarding its countersuit, entering a judgement against Eastwell in the amount of $100,000. The Company intends to pursue all legal avenues available to collect the $100,000. Eastwell has filed an appeal of the case, which is now pending with the U.S.
District Court.

Item 2. Change in Securities

During the quarter ended December 31, 1998, the Company issued the following securities without registration under the Securities Act of 1933:

1. The Company issued 448,641 shares to eight persons for compensation for various services provided to the Company totaling approximately $95,600. The issuance was made to a limited number of accredited investors. The Company believes the issuance was exempt from registration under the Securities Act pursuant to Sections 3(a)(9), 4(2) or 4(6) of the Securities Act and Regulation D promulgated thereunder.

2. The Company issued 200,000 shares to Spencer Volk, the President of the Company upon conversion of an outstanding note in the amount of $50,000. The Company believes the issuance was exempt from registration under the Securities Act pursuant to Section 4(2) or 4(6) of the Securities Act and Regulation D promulgated thereunder.

3. The Company issued 920,000 shares to eight accredited investors for cash consideration totaling $230,000. The issuance was made to a limited number of accredited investors. The Company believes the issuance was exempt from registration under the Securities Act as sales to limited numbers of accredited investors pursuant to Sections 4(2) or 4(6) of the Securities Act and Regulation D promulgated thereunder.

Item 3. Defaults upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

11. Computation of per share earnings.

27. Financial Data Schedule.

(b) Reports on Form 8-K.

No report on Form 8-K was filed during the period reported upon.

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: February 12, 1999

CELSION CORPORATION
(Registrant)

By: /s/Spencer J. Volk

Spencer J. Volk
President

By: /s/John Mon

John Mon
Treasurer

EXHIBIT 11

CELSION CORPORATION
COMPUTATION OF EARNINGS PER SHARE

	Three Months Ended December 31,	
	1998	1997
Net (loss) income	($ 547,993)	($ 857,172)
Net (loss) income per common share	(0.014)	($ 0.028)
Weighted average shares outstanding	40,595,255	30,802,001

5

3-MOS
SEP-30-1998
OCT-01-1998
DEC-31-1998
100114
0
1812
0
42059
188998
242842
215253
336819
2322776
0
0
0
415145
(2406610)
336819
0
0
0
0
524679
0
23314
(547993)
0
(547993)
0
0
0
(547993)
(0.014)
(0.014)