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, 1998

OR

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

For the transition period from to

COMMISSION FILE NUMBER 1-10113

HALSEY DRUG CO., INC.
(Exact name of registrant as specified in its charter)

New York	11-0853640
(State or other Jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

695 N. Perryville Rd.	
Rockford, IL	61107
(Address of Principal executive offices)	(Zip Code)

(815) 399 - 2060
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

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 50 days.

YES X NO
----- -----

As of August 13, 1998 the registrant had 13,794,756 Shares of Common Stock, $.01 par value, outstanding.

HALSEY DRUG CO., & SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

PART II OTHER INFORMATION

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HALSEY DRUG CO., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	JUNE 30, 1998 (UNAUDITED)	DEC. 31, 1997
CURRENT ASSETS		
Cash and cash equivalents	$ 3,614	$ 26
Accounts Receivable - trade, net of allowances for doubtful accounts of $50 and $ 542 at June 30, 1998 and December 31, 1997, respectively	927	62
Other receivable	--	--
Inventories	5,109	2,456
Prepaid insurance and other current assets	160	274
Total current assets	9,810	2,818
PROPERTY PLANT & EQUIPMENT, NET	4,698	4,630
OTHER ASSETS	3,710	219
TOTAL ASSETS	$18,218	$ 7,667

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

HALSEY DRUG CO., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	JUNE 30, 1998 (UNAUDITED)	DEC. 31, 1997
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Bank overdraft	$ --	$ 159
Due to banks	--	2,476
Notes payable	3,062	4,825
Convertible subordinated debentures	--	2,244
Department of justice settlement	300	200
Accounts payable	1,358	6,086
Accrued expenses	5,383	7,644
Deferred gain	--	1,900
Total current liabilities	10,103	25,534
LONG-TERM DEBT	30,125	1,990
CONTINGENCIES	—	—
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock - $.01 par value; authorized 40,000,000, shares; issued and outstanding 14,217,051 shares at June 30,1998 and 14,029,713 shares at December 31, 1997	142	140
Additional paid-in capital	28,169	25,489
Accumulated deficit	(49,332)	(44,497)
	(21,021)	(18,868)
Less: Treasury stock - at cost -(439,603 shares at June 30, 1998 and December 31, 1997)	(989)	(989)
Total stockholders' equity (deficit)	(22,010)	(19,857)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 18,218	$ 7,667

The accompanying notes are an integral part of these statements

HALSEY DRUG CO., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(Amounts in thousands except per share data)

	June 30			
	For the six months ended		For the three months ended	
	1998	1997	1998	1997
Net sales	$ 4,116	$ 5,052	$ 2,221	$ 2,209
Cost of goods sold	6,290	7,355	2,958	3,250
Gross profit (loss)	(2,174)	(2,303)	(737)	(1,041)
Research & development	452	483	231	318
Selling, general and administrative expenses	3,208	2,682	1,621	1,222
Loss from operations	(5,834)	(5,468)	(2,589)	(2,581)
				66
Other income	1,968	--		--
Interest expense, net	969	537	531	277
Loss before income taxes	(4,835)	(6,005)	(3,054)	(2,858)
Provision for income taxes ..	--	--	--	--
Net loss	$ (4,835)	$ (6,005)	$ (3,054)	$ (2,858)
Net loss per common share ...	(0.35)	(0.45)	(0.22)	(0.21)
Average number of outstanding shares	13,756,600	13,246,077	13,777,258	13,515,063

The accompanying notes are an integral part of these statements

HALSEY DRUG CO., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

Amounts in thousands	SIX MONTHS ENDED June 30 1998	1997
Cash flows from operating activities		
Net loss	$ (4,835)	$ (6,005)
Adjustments to reconcile net loss to net cash used in operating activities	816	854
Depreciation and amortization		
Provision for loss on accounts receivable	(492)	--
Loss on disposal of assets	93	--
Changes in assets and liabilities		
Accounts receivable	(373)	(404)
Other receivable	--	1,000
Inventories	(2,653)	(714)
Prepaid insurance and other current assets	114	(153)
Accounts payable	(4,728)	(329)
Deferred gain	(1,900)	--
Accrued expenses	(2,438)	2,022
Total adjustments	(11,561)	2,276
Net cash used in operating activities	(16,396)	(3,729)
Cash flows from investing activities		
Capital expenditures	(724)	36
(Decrease) increase in other assets	(896)	(3)
Net cash used in investing activities	(1,620)	(33)
Cash flows from financing activities		
Increase (decrease) in notes payable	(1,763)	3,900
Decrease in amount due to banks	(2,476)	(719)
Issuance of common stock for payment of interest	202	112
Exercise of warrants of convertible debentures	--	72
Exercise of stock options	--	305
Issuance of convertible subordinated debentures	25,800	--
Proceeds from issuance of treasury stock	--	100
Increase (decrease) in bank overdraft	(159)	10
Net cash provided by financing activities	21,604	3,780
Net (decrease) increase in cash and cash equivalents	3,588	84
Cash and cash equivalents at beginning of period	26	118
Cash and cash equivalents at end of period	$ 3,614	$ 202

Supplemental disclosure of noncash activities:

For the 6 months ended June 30, 1998

The Company issued 110,658 shares of common stock as payment for an outstanding note payable in the amount of $214,000 and accrued interest of $1,782.

The Company issued 76,680 shares of common stock as payment for $201,886 of accrued interest.

The accompanying notes are an integral part of these statements

HALSEY DRUG CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY(DEFICIT)

SIX MONTHS ENDED JUNE 30, 1998

(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

(UNAUDITED)

	COMMON STOCK, $.01 PAR VALUE		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY STOCK, AT COST		TOTAL
	SHARES	AMOUNT			SHARES	AMOUNT	
Balance January 1, 1998	14,029,713	$ 140	$ 25,489	$ (44,497)	(439,603)	$ (989)	$ (19,857)
Net Loss for the six months ended June 30, 1998				(4,835)			(4,835)
Conversion of notes payable	110,658	2	215				217
Issuance of shares as payment of interest	76,680	--	202				202
Deferred debt discount on warrants issued with convertible debentures			2,263				2,263
Balance at June 30, 1998	14,217,051	$ 142	$ 28,169	$ (49,332)	(439,603)	$ (989)	$ (22,010)

The accompanying notes are an integral part of this statement

HALSEY DRUG CO., INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Halsey Drug Co., Inc. and subsidiaries (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 Rule 10-01 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 considered necessary to present fairly the financial position, results of operations and changes in cash flows for the six months ended June 30, 1998 have been made. The results of operations for the six months period ended June 30, 1998 are not necessarily indicative of the results that may be expected for the full year ended December 31, 1998. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto for the year ended December 31, 1997 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

As of June 30, 1998, the Company had a working capital deficiency of approximately $293,000 and an accumulated deficit of approximately $49,332,000. The Company incurred a loss of approximately $4,835,000 during the six months ended June 30, 1998.

Note 2 - Inventories

Inventories consists of the following:

	(Amounts in thousands)	
	June 30, 1998	December 31, 1997
Finished Goods	$2,396	$ 789
Work in Process	654	263
Raw Materials	2,059	1,404
	$5,109	$2,456

NOTE 3 - Debt

Borrowings under long-term debt consist of the following at June 30, 1998 and December 31, 1997.

	(Amounts in thousands)	
	1998	1997
Convertible debentures	$ 28,300	$ 2,500
Subordinated primissory notes	62	1,125
Other	2,063	5,890
	30,425	9,515
Less current maturities	(300)	(7,525)
	$ 30,125	$ 1,990

NOTE 4 - Contingencies

The Company currently is a defendant in several lawsuits involving product liability claims. The Company's insurance carriers have assumed the defense for all product liability and other actions involving the Company. The final outcome of these lawsuits cannot be determined at this time, and accordingly, no adjustment has been made to the consolidated financial statements.

The Company is currently a defendant in a lawsuit claiming breach of its obligations under a joint venture agreement with the plaintiff concerning development and sale of a single product. The plaintiff is seeking monetary damages of $20,000,000. The Company believes that the allegations contained in the lawsuit are without basis in fact. As this lawsuit is in the preliminary stages, the final outcome cannot be determined at this time and, accordingly, no adjustment has been made to the Company's consolidated financial statements.

Note 5 - Comprehensive Income

The Company adopted the provisions of Statement of Financial Accounting Standards No. 130 (SFAS 130), Reporting Comprehensive Income, in the first quarter of 1998, which requires companies to disclose comprehensive income separately of net income from operations. Comprehensive income is defined as the change in equity during the period from transactions and other events and circumstances from non-ownership sources. It includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners. The adoption of this statement had no effect on the Company for the six months ended June 30, 1998 or 1997.

HALSEY DRUG CO., INC. AND SUBSIDIARIES

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

	Six months ended June 30			Three months ended June 30		
	Percentage of Net Sales		Percentage Change Year-to-Year Increase (decrease) 1998 as compared to 1997	Percentage of Net Sales		Percentage Change Year to-Year Increase (decrease) 1998 as compared to 1997
	1998	1997		1998	1997	
Net Sales	100.0	100.0	(18.5)	100.0	100.0	(0.5)
Cost of goods sold	152.8	145.6	(14.5)	133.2	147.1	(9.0)
Gross profit(loss)	(52.8)	(45.6)	(5.6)	(33.2)	(47.1)	(29.2)
Research & Development	10.9	9.6	(6.4)	10.4	14.4	(27.4)
Selling, general and administrative expenses	77.9	53.0	19.6	73.0	55.3	32.7
Loss from Operations	(141.7)	(108.2)	6.7	(116.6)	(116.8)	0.3
Other income	47.8	--	--	3.0	--	--
Interest expense, net	23.5	10.7	80.4	23.9	12.5	91.7
Loss before income taxes	(117.4)	(118.9)	(19.5)	(137.5)	(129.4)	6.9
Provision for income taxes	--	--	--	--	--	--
Net loss	(117.4)	(118.9)	(19.5)	(137.5)	(129.4)	6.9

SIX MONTHS ENDED JUNE 30, 1998 VS. SIX MONTHS ENDED JUNE 30, 1997

Net Sales

The Company's net sales for the six months ended June 30, 1998 of $4,116,000 represents a decrease of $936,000 (18.5%) as compared to net sales for the six months ended June 30, 1997 of $5,052,000. This decrease is a result of a lack of sufficient working capital necessary to purchase raw materials. Additionally, certain raw materials were in short supply and could not be obtained. Without adequate inventory, the Company was unable to effectively market its products.

Cost of Goods Sold

For the six months ended June 30, 1998, cost of goods sold of $6,290,000 decreased as compared to the six months ended June 30, 1997 of $7,355,000. This is attributable to a reduction in sales combined with certain reductions in manufacturing costs primarily in direct and indirect labor. Gross margin as a percentage of sales for the six months ended June 30, 1998 was (52.8%) as compared to (45.6)% for the six months ended June 30, 1997. This is attributable to a reduction in sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales for the six months ended June 30, 1998 and 1997 were 77.9% and 53.1%, respectively. The increase is due to additional personnel costs primarily in regulatory and sales as well as increased legal expenses.

Research and Development Expenses

Research and development expenses as a percentage of sales for the six months ended June 30, 1998 and 1997 were 11.0% and 9.6%, respectively. The Company's research and development program continues to concentrate its efforts toward the submission of new products to the FDA. The Company currently has three Abbreviated New Drug Applications (ANDA's) on file with the FDA and anticipates filing an additional seven ANDA's before the year end.

Net Earnings (Loss)

For the six months ended June 30, 1998, the Company had net loss of $4,835,000 as compared to a net loss of $6,005,000 for the six months ended June 30, 1997. Included in results for the six months ended June 30, 1998 is other income of $1,900,000 that had been recorded in September, 1997 as a deferred gain on the sale of certain assets to Mallinckrodt Chemical Products, Inc. ("Mallinckrodt"). This transaction contained certain future requirements that were met in the first quarter of 1998.

THREE MONTHS ENDED JUNE 30, 1998 VS THREE MONTHS ENDED JUNE 30, 1997

Net Sales

The Company's net sales for the three months ended June 30, 1998 of $2,221,000 represents a increase of $12,000 (0.5%) as compared to net sales for the three months ended June 30, 1997 of $2,209,000.

Cost of Goods Sold

For the three months ended June 30, 1998, cost of goods sold decreased by approximately $292,000 as compared to the three months ended June 30, 1997. The decrease for 1998 is attributable to a reduction in certain manufacturing costs primarily direct and indirect labor.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales for the three months ended June 30, 1998 and 1997 were 73.0% and 55.3%, respectively. The increase is due to additional personnel costs primarily in regulatory and sales as well as increased legal expenses.

Research and Development Expenses

Research and development expenses as a percentage of sales for the three months ended June 30, 1998 and 1997 was 10.4% and 14.4%, respectively. The Company's research and development program continues to concentrate its efforts toward the submission of new products to the FDA. The Company currently has three Abbreviated New Drug Applications (ANDA's) on file with the FDA and anticipates filing an additional seven ANDA's before the year end.

Net Earnings (Loss)

For the three months ended June 30, 1998, the Company had a net loss of $3,054,000 as compared to a net loss of $2,858,000 for the three months ended June 30, 1997. This increase is attributable to additional selling, general and administrative costs as well as higher interest costs associated with the 5% convertible debentures issued in 1998.

Year 2000 Issue

The "Year 2000" date conversion issue is the result of computer programs being written using two digits rather than four digits to define an applicable year within a computer system. The Company has recently conducted a review of its computer systems and in conjunction with a program to perform an overall upgrade of its management and accounting computer systems, has installed new hardware and software that will function properly with respect to the Year 2000 Issue. Management has estimated the cost of this overall program to be approximately $160,000 which is expected to be completed during the fiscal year.

Liquidity and Capital Resources

At June 30, 1998, the Company had cash and cash equivalents of $3,614,000 as compared to $26,000 at December 31, 1997. The Company had a working capital deficiency at June 30, 1998 of $293,000 and $22,716,000 at December 31, 1997.

On March 10, 1998, the Company completed a private offering of securities. The securities issued in the Offering consisted of 5% convertible senior secured debentures and common stock purchase warrants exercisable for an aggregate of 4,202,020 shares of the Company common stock. The net proceeds to the Company from the Offering, after the deduction of related Offering expenses, was approximately $19.6 million. In addition, in accordance with the terms of the Debenture and Warrant Purchase Agreement pursuant to which the Offering was completed, the Company granted the Galen Investor Group an option to invest an additional $5 million in the Company at any time within eighteen months from the date of the closing of the Offering in exchange for Debentures and Warrants having terms identical to those issued in the Offering (the "Galen Option"). In June 1998, the

Galen Investor Group exercised this option.

The net proceeds of the Offering have, in large part, been used to satisfy a substantial portion of the Company's liabilities and accounts payable. Such liabilities include the full satisfaction of the Company's Bank indebtedness and related fees, payment to the landlord of the Brooklyn facility and satisfaction of outstanding judgements and liens. Such repayments have allowed the Company to avoid the threatened foreclosure sale by its Banks of the Indiana facility securing such indebtedness. Additionally, pursuant to agreements reached with other large creditors in anticipation of the completion of the Offering, including the Company's landlord and the Department of Justice, the Company has been able to bring these creditors current and is in compliance with installment payment agreements providing favorable terms to the Company. Satisfaction of the Company's current obligations to its landlord of the Brooklyn facility for accrued and unpaid rent, penalties and expenses has allowed the Company to renegotiate its lease and avoid eviction. The Offering proceeds has also allowed the Company to satisfy its outstanding state and Federal payroll tax obligations and meet current payroll tax obligations.

The net proceeds from the exercise of the Galen Option have been used, in large part, to fund working capital, including the purchase of raw materials, payroll expenses and other Company expenses.

In addition to the net proceeds from the exercise of the Galen Option, the Company has secured bridge financing from Galen Partners III, L.P., Galen Partners International III, L.P and Galen Employee Fund III, L.P. (collectively, the "Galen Group") in the amount of up to $1,000,000, having a term of 90 days (the "Bridge Loan"). The Bridge Loan bears interest at 10% per annum and is secured by a first lien on all of the Company's assets. In consideration for the Bridge Loan, the Company issued seven-year warrants to the Galen Group to purchase an aggregate of 50,000 shares of the Company's common stock at an exercise price of $2.31 per share. The Warrants are substantially identical to those issued in the Offering.

The Bridge Facility was secured by the Company in order to provide necessary working capital pending the Company's obtaining a secured line of credit from a banking institution. The Company is in the process of negotiating with a banking institution to secure a $10 million line of credit. There can be no assurance, however, that the Company will be able to obtain such financing on commercially acceptable terms. In the event the Company were unsuccessful in obtaining such financing, the Company would be required to explore other sources of working capital, including the issuance of debt and/or equity securities or a joint venture or other marketing alliance. No assurance can be given that such sources of working capital could be secured on acceptable terms, if at all. Failure to obtain a line of credit or alternative sources of financing in the near term will materially adversely affect the Company's working capital position and financial condition and results of operations.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company has been named as a defendant in a complaint filed with the United States District Court, Eastern District of New York on June 30, 1998 (the "Complaint") by Quality Products & Services, L.L.C. The Complaint alleges the existence of a Joint Venture Agreement between the Plaintiff and the Company concerning the development, manufacturing and marketing of a single product. The Complaint also alleges that the Company has breached the Agreement by failing to satisfy its respective obligations defined in the Agreement. The Complaint seeks monetary damages of approximately $20 million. The Company believes that the allegations contained in the Complaint are without basis in fact, and that it has meritorious defenses to each of the allegations. The Company has retained counsel and intends to vigorously defend this action and to date has filed an Answer and Counterclaim to the Complaint.

Item 2. Changes in Securities and Use of Proceeds

On March 10, 1998, the Company consummated a private offering of securities for an aggregate purchase price of $20.8 million (the "Offering"). The securities issued in the Offering consisted of 5.0% convertible senior secured debentures (the "Debentures") and common stock purchase warrants (the "Warrants") exercisable for an aggregate of 4,202,020 shares of the Company's common stock, $.01 par value per share (the "Common Stock"). The Debentures and Warrants were issued by the Company pursuant to a certain Debenture and Warrant Purchase Agreement dated March 10, 1998 (the "Purchase Agreement") by and among the Company, Galen Partners III, L.P., Galen Partners International III, L.P., Galen Employee Fund III, L.P. (collectively 'Galen") and each of the Purchasers listed on the signature page thereto (inclusive of Galen, collectively, the "Galen Investor Group").

In accordance with the terms of the Purchase Agreement, the Company granted the Galen Investor Group an option to invest an additional $5 million in the Company at any time within eighteen months from the date of the closing of the Offering in exchange for debentures and warrants having terms identical to those issued in the Offering (the "Galen Option"). During June 1998, the Galen Investor Group exercised its option resulting in the issuance by the Company of 5% convertible senior secured debentures in the principal amount of $5 million and 1,010,100 warrants, 505,050 of which are exercisable at $1.50 per share and 505,050 of which are exercisable at $2.375 per share.

Each of the Purchasers comprising the Galen Investor Group were accredited investors as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Act"). The Debentures and Warrants issued in the Offering and pursuant to the Galen Option were issued without registration under the Act in reliance upon Section 4(2) of the Act and Regulation D promulgated thereunder.

Reference is made to the Company's Current report on Form 8-K as filed with the Securities Exchange Commission on March 24, 1998 for a description of the terms and provisions of the Debentures, the Warrants and the Purchase Agreement.

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

The Company's 1998 Annual Meeting of Shareholders was held on Tuesday, June 30, 1998 for the following purposes:

1. To elect eight directors to the Company's Board of Directors to hold office until the 1999 Annual Meeting of Shareholders ("Proposal 1");

2. To authorize an amendment to the Company's Certificate of Incorporation (the "Charter") to increase the number of authorized shares of its common stock from 20,000,000 share to 40,000,000 shares ("Proposal 2");

3. To authorize an amendment to the Company's Charter to entitle the holders of the Company's 5% convertible senior secured debentures due March 15, 2003 to vote on all matters submitted to a vote of shareholders of the Company, voting together with holders of common stock as one class ("Proposal 3");

4. To adopt the Company's 1998 Stock Option Plan ("Proposal 4"); and

5. To ratify the appointment of Grant Thornton LLP as independent auditors of the Company for the fiscal year ending December 31, 1998 ("Proposal 5").

The voting as to each Proposal was as follows:

PROPOSAL 1

Name	For	Withheld
William Skelly	11,072,281	111,697
Michael K. Reicher	11,072,281	111,697
Alan J. Smith, Ph.D.	11,072,281	111,697
William A. Sumner	11,072,281	111,697
Bruce F. Wesson	11,072,281	111,697
Srini Conjeevaram	11,072,281	111,697
Zubeen Shroff	11,072,281	111,697
Peter A. Clemens	11,072,281	111,697

PROPOSAL 2

For	Against	Abstain
10,995,171	167,308	21,499

PROPOSAL 3

For	Against	Abstain	Broker Non-Votes
7,848,540	135,490	26,444	3,172,504

PROPOSAL 4

For	Against	Abstain	Broker Non-Votes
7,538,114	440,332	33,028	3,172,504

PROPOSAL 5

For	Against	Abstain
11,142,106	16,861	25,011

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

(a) Exhibits. The exhibits required to be filed as part of this report on Form 10-Q are listed in the attached Index.

(b) Reports on Form 8-K. None.

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.

HALSEY DRUG CO., INC.

Date: August 13, 1998

BY: /s/Michael K. Reicher

Michael K. Reicher
President and Chief
Executive Officer

Date: August 13, 1998

BY: /s/ Peter A. Clemens

Peter A. Clemens
Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
27	Financial Data Schedule, which is submitted electronically to the Securities and Exchange Commission for information only and not filed.

5

This schedule contains summary financial information extracted from the Condensed Consolidated Statements of Financial Condition at June 30, 1997 (Unaudited) and the Condensed Consolidated Statement of Income for the Six Months Ended June 30, 1997 (Unaudited) and is qualified in its entirety by reference to such financial statements.

1,000

6-MOS
DEC-31-1998
JUN-30-1998
3,614
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977
50
5,109
9,810
18,617
13,919
18,218
10,103
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142
(22,152)
18,218
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4,116
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6,290
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