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 SEPTEMBER 30, 1999

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 NOVEMBER 12, 1999 THE REGISTRANT HAD 14,389,908 SHARES OF COMMON STOCK, $.01 PAR VALUE, OUTSTANDING.

HALSEY DRUG CO., & SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HALSEY DRUG CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS)	(UNAUDITED) 1999 SEPTEMBER 30	1998 DECEMBER 31
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	$ 2,391	$ 1,850
ACCOUNTS RECEIVABLE - TRADE, NET OF ALLOWANCES FOR DOUBTFUL ACCOUNTS OF $79 AND $ 280 AT SEPTEMBER 30, 1999 AND DECEMBER 31, 1998, RESPECTIVELY	1,839	1,439
OTHER RECEIVABLES	23	--
INVENTORIES	3,993	6,354
PREPAID INSURANCE AND OTHER CURRENT ASSETS	183	148
TOTAL CURRENT ASSETS	8,429	9,791
PROPERTY PLANT & EQUIPMENT, NET	4,299	4,787
OTHER ASSETS	1,235	1,335
	$13,963	$15,913

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

(AMOUNTS IN THOUSANDS)	(UNAUDITED) 1999 SEPTEMBER 30	1998 DECEMBER 31
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
CONVERTIBLE BRIDGE LOANS	$ --	$ 7,533
NOTES PAYABLE	2,575	2,817
DEPARTMENT OF JUSTICE SETTLEMENT	300	300
ACCOUNTS PAYABLE	1,215	1,834
ACCRUED EXPENSES	3,436	3,972
TOTAL CURRENT LIABILITIES	7,526	16,456
CONVERTIBLE DEBENTURES	42,801	26,187
OTHER LONG-TERM DEBT	2,039	2,223
CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY (DEFICIT)		
COMMON STOCK - $.01 PAR VALUE; AUTHORIZED 80,000,000 SHARES AT SEPTEMBER 30, 1999 AND 40,000,000 AT DECEMBER 31, 1998; ISSUED AND OUTSTANDING 14,360,490 SHARES AT SEPTEMBER 30,1999 AND 14,003,609 SHARES AT DECEMBER 31, 1998	148	144
ADDITIONAL PAID-IN CAPITAL	31,617	29,113
ACCUMULATED DEFICIT	(69,179)	(57,221)
	(37,414)	(27,964)
LESS: TREASURY STOCK - AT COST -(439,603 SHARES AT SEPTEMBER 30, 1999 AND DECEMBER 31, 1998)	(989)	(989)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(38,403)	(28,953)
	$ 13,963	$ 15,913

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	SEPTEMBER 30 FOR THE NINE MONTHS ENDED 1999	1998	FOR THE THREE MONTHS ENDED 1999	1998
NET SALES	$ 8,259	$ 6,298	$ 2,468	$ 2,182
COST OF GOODS SOLD	11,210	9,901	3,786	3,611
GROSS PROFIT (LOSS)	(2,951)	(3,603)	(1,318)	(1,429)
RESEARCH & DEVELOPMENT	685	789	330	337
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	5,545	4,860	2,021	1,652
LOSS FROM OPERATIONS	(9,181)	(9,252)	(3,669)	(3,418)
OTHER INCOME	66	1,983	12	15
INTEREST EXPENSE, NET	2,843	1,492	1,015	523
LOSS BEFORE INCOME TAXES	(11,958)	(8,761)	(4,672)	(3,926)
PROVISION FOR INCOME TAXES	--	--	--	--
NET LOSS	($ 11,958)	($ 8,761)	($ 4,672)	($ 3,926)
NET LOSS PER COMMON SHARE	(0.84)	(0.64)	(0.33)	(0.28)
AVERAGE NUMBER OF OUTSTANDING SHARES	14,304,301	13,756,600	14,359,855	13,777,258

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

HALSEY DRUG CO., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

AMOUNTS IN THOUSANDS	NINE MONTHS ENDED SEPTEMBER 30 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
NET LOSS	($11,958)	($ 8,761)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
DEPRECIATION AND AMORTIZATION	970	1,274
PROVISION FOR LOSS ON ACCOUNTS RECEIVABLE	(201)	(492)
CHANGES IN ASSETS AND LIABILITIES		
ACCOUNTS RECEIVABLE	(199)	(127)
OTHER RECEIVABLE	(23)	--
INVENTORIES	2,361	(2,637)
PREPAID INSURANCE AND OTHER CURRENT ASSETS	(35)	64
ACCOUNTS PAYABLE	(619)	(5,121)
DEFERRED GAIN	--	(1,900)
ACCRUED EXPENSES	(720)	(2,645)
TOTAL ADJUSTMENTS	1,534	(11,584)
NET CASH USED IN OPERATING ACTIVITIES	(10,424)	(20,345)
CASH FLOWS FROM INVESTING ACTIVITIES		
CAPITAL EXPENDITURES	(482)	(868)
(DECREASE) INCREASE IN OTHER ASSETS	100	(1,539)
NET CASH USED IN INVESTING ACTIVITIES	(382)	(2,407)
CASH FLOWS FROM FINANCING ACTIVITIES		
INCREASE (DECREASE) IN NOTES PAYABLE	(242)	(108)
DECREASE IN AMOUNT DUE TO BANKS	--	(2,476)
ISSUANCE OF COMMON STOCK FOR PAYMENT OF INTEREST AND PAYABLE AND WARRANT EXERCISE	565	258
ISSUANCE OF CONVERTIBLE SUBORDINATED DEBENTURES	11,024	25,800
INCREASE (DECREASE) IN BANK OVERDRAFT	--	(159)
NET CASH PROVIDED BY FINANCING ACTIVITIES	11,347	23,315
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	541	563
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,850	26
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,391	$ 589

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 1999

THE COMPANY ISSUED 328,314 SHARES OF COMMON STOCK AS PAYMENT FOR ACCOUNTS PAYABLE IN THE AMOUNT OF $54,000 AND ACCRUED INTEREST OF $461,517.

THE COMPANY ISSUED 28,571 SHARES OF COMMON STOCK FOR THE EXERCISE OF A WARRANT.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

HALSEY DRUG CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

NINE MONTHS ENDED SEPTEMBER 30, 1999

AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA

(UNAUDITED)

	COMMON STOCK, $.01 PAR VALUE		ADDITIONAL PAID-IN	ACCUMULATED	TREASURY STOCK, AT COST		
	SHARES	AMOUNT	CAPITAL	DEFICIT	SHARES	AMOUNT	TOTAL
BALANCE JANUARY 1, 1999	14,443,208	$144	$29,113	($ 57,221)	439,603	($ 989)	($ 28,953)
NET LOSS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999				(11,958)			(11,958)
ISSUANCE OF SHARES AS PAYMENT OF INTEREST	300,562	3	459				462
DEFERRED DEBT DISCOUNT ON WARRANTS ISSUED WITH CONVERTIBLE DEBTEDNESS			1,943				1,943
EXERCISE OF WARRANT	28,571	1	48				49
ISSUANCE OF SHARES AS PAYMENT OF TRADE PAYABLES	27,752	--	54				54
BALANCE AT SEPTEMBER 30, 1999	14,800,093	$148	$31,617	($ 69,179)	439,603	($ 989)	($ 38,403)

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 nine months ended September 30, 1999 have been made. The results of operations for the Nine months period ended September 30, 1999 are not necessarily indicative of the results that may be expected for the full year ended December 31, 1999. 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, 1998 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

As of September 30, 1999, the Company had working capital of approximately $903,000 and an accumulated deficit of approximately $69,179,000. The Company incurred a loss of approximately $11,958,000 during the nine months ended September 30, 1999.

As of November 15, 1999, the Company had approximately $800,000 in cash reserves available to fund operations. The Company estimates that such cash reserves combined with internally generated cash flow will be sufficient to fund operations for approximately 30 days. In order to fund continued operations, the Company is actively seeking alternative sources of financing, including a possible sale or license arrangement relating to a product for which the Company has filed for approval with the U.S. Food and Drug Administration. No assurance can be given, however, that the Company will be successful in concluding a sale or licensing arrangement for this product on acceptable terms. Failure to complete a sale or licensing transaction as described, or an alternative financing transaction within the next 30 days will have a material adverse effect on the Company's working capital position, financial condition and results of operations. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

NOTE 2 - INVENTORIES

(AMOUNTS IN THOUSANDS)

INVENTORIES CONSISTS OF THE FOLLOWING:

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
FINISHED GOODS	$ 965	$2,675
WORK IN PROCESS	979	1,166
RAW MATERIALS	2,049	2,513
	$3,993	$6,354

NOTE 3 - DEBT

BORROWINGS UNDER OTHER LONG-TERM DEBT CONSIST OF THE FOLLOWING AT SEPTEMBER 30, 1999 AND DECEMBER 31, 1998.

	(AMOUNTS IN THOUSANDS) 1999	1998
DEPARTMENT OF JUSTICE SETTLEMENT	$ 1,725	$ 1,975
OTHER	614	548
	2,339	2,523
LESS CURRENT MATURITIES	(300)	(300)
	2,039	2,223

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.

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 1999, 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 nine months ended September 30, 1999 or 1998.

HALSEY DRUG CO., INC. AND SUBSIDIARIES

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

	NINE MONTHS ENDED SEPTEMBER 30			THREE MONTHS ENDED SEPTEMBER 30		
	PERCENTAGE OF NET SALES		PERCENTAGE CHANGE YEAR-TO-YEAR INCREASE (DECREASE) 1999 AS COMPARED TO	PERCENTAGE OF NET SALES		PERCENTAGE CHANGE YEAR TO-YEAR INCREASE (DECREASE) 1999 AS COMPARED TO
	1999	1998	1998	1999	1998	1998
NET SALES	100.0	100.0	31.1	100.0	100.0	13.1
COST OF GOODS SOLD	135.7	157.2	13.2	153.4	165.5	4.8
GROSS PROFIT (LOSS)	(35.7)	(57.2)	(18.1)	(53.4)	(65.5)	(7.8)
RESEARCH & DEVELOPMENT	8.3	12.5	(13.2)	13.4	15.4	(2.1)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	67.2	77.2	14.1	81.9	75.7	22.3
LOSS FROM OPERATIONS	(111.2)	(146.9)	(.8)	(148.7)	(156.6)	7.3
OTHER INCOME	.8	31.5	(96.7)	.5	.7	(20.0)
INTEREST EXPENSE, NET	34.4	23.7	90.5	41.1	24.0	94.1
LOSS BEFORE INCOME TAXES	(144.8)	(139.1)	36.5	(189.3)	(179.9)	19.0
PROVISION FOR INCOME TAXES	--	--	--	--	--	--
NET LOSS	(144.8)	(139.1)	36.5	(189.3)	(179.9)	19.0

- --
Nine months ended September 30, 1999 vs. Nine months ended September 30, 1998
- --

Net Sales

The Company's net sales for the nine months ended September 30, 1999 of $8,259,000 represents an increase of $1,961,000 (31.1%) as compared to net sales for the nine months ended September 30, 1998 of $6,298,000. This increase is a result of recapturing market share that had been lost in the prior year because the Company lacked working capital in the first quarter of 1998 to maintain sufficient inventories for sale. Further, the sales increase reflects aggressive selling efforts by the Company's sales force.

Cost of Goods Sold

For the nine months ended September 30, 1999, cost of goods sold of $11,210,000 increased as compared to the nine months ended September 30, 1998 of $9,901,000. This is attributable to greater manufacturing activity associated with the sales increase as well as the addition of manufacturing overhead costs from the March, 1999 acquisition of the Congers manufacturing facility. Gross margin as a percentage of sales for the nine months ended September 30, 1999 was (35.7)% as compared to (57.2)% for the nine months ended September 30, 1998. This is attributable to the leverage of the Company's fixed overhead costs from increased sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales for the nine months ended September 30, 1999 and 1998 were 67.2% and 77.2%, respectively. Overall these expenses in the first nine months of 1999 increased $685,000 over the same period in 1998. The increase is primarily attributable to the increased costs of litigation ($180,000), professional services ($65,000), selling expenses ($325,000) and general and administrative expenses associated with the Congers manufacturing facility ($115,000).

Research and Development Expenses

Research and development expenses as a percentage of sales for the nine months ended September 30, 1999 and 1998 were 8.3% and 12.5%, respectively. The Company's research and development program is concentrating its efforts in three areas.

First, the Company is performing the necessary regulatory steps to effect the transfer of the products obtained from Barr Laboratories in April 1999 to the Company. The Company expects to have completed the process for one of these products by the end of 1999 with additional six products expected to be submitted to the FDA for approval in 2000.

Second, the Company is continuing development efforts relating to certain active pharmaceutical ingredients (API's). The Company currently manufactures two API's and has a third under development.

Finally, the Company is proceeding with the development of products, apart from those obtained from Barr Laboratories, for submission to the FDA. The Company currently has one Abbreviated New Drug Application (ANDA) on file with the FDA and expects to file an additional seven within the next twelve months.

Net Earnings (Loss)

For the nine months ended September 30, 1999, the Company had net loss of $11,958,000 as compared to a net loss of $8,761,000 for the nine months ended September 30, 1998. Included in results for the nine months ended September 30, 1998 was a one time gain 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. Also, the 1999 results include additional interest expense of $1,351,000 resulting from the issuance of debentures during 1998 and 1999.

- --
Three months ended September 30, 1999 vs. Three months ended September 30, 1998
- --

Net Sales

The Company's net sales for the three months ended September 30, 1999 of $2,468,000 represents a increase of $286,000 (13.1%) as compared to net sales for the three months ended September 30, 1998 of $2,182,000. The increase resulted from greater market penetration due to aggressive selling efforts in 1999.

Cost of Goods Sold

For the three months ended September 30, 1999, cost of goods sold increased by approximately $175,000 as compared to the three months ended September 30, 1998. The increase for 1999 is attributable to greater manufacturing activity associated with the sales increase. Gross margin as a percentage of net sales for the three months ended September 30, 1999 was (53.4)% compared to (65.5)% for the three months ended September 30, 1998.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales for the three months ended September 30, 1999 and 1998 were 81.9% and 75.7%, respectively. The increase of $369,000 is due primarily to increased costs of litigation ($204,000), professional services ($75,000) and general and administrative expenses associated with the Congers manufacturing facility ($90,000).

Research and Development Expenses

Research and development expenses as a percentage of sales for the three months ended September 30, 1999 and 1998 was 13.4% and 15.4%, respectively. The Company's research and development program is concentrating its efforts in three areas.

First, the Company is performing the necessary regulatory steps to effect the transfer of the products obtained from Barr Laboratories in April 1999 to the Company. The Company expects to have completed the process for one of these products by the end of 1999 with additional six products expected to be submitted to the FDA for approval in 2000.

Second, the Company is continuing development efforts relating to certain active pharmaceutical ingredients (API's). The Company currently manufactures two API's and has a third under development.

Finally, the Company is proceeding with the development of products, apart from those obtained from Barr Laboratories, for submission to the FDA. The Company currently has one Abbreviated New Drug Application (ANDA) on file with the FDA and expects to file an additional seven within the next twelve months.

Net Earnings (Loss)

For the three months ended September 30, 1999, the Company had a net loss of $4,672,000 as compared to a net loss of $3,926,000 for the three months ended September 30, 1998. This increase is attributable to lower gross margins as well as higher interest costs associated with the 5% convertible debentures issued in 1998 ($492,000).

Liquidity and Capital Resources

At September 30, 1999, the Company had cash and cash equivalents of $2,391,000 as compared to $1,850,000 at December 31, 1998. The Company had working capital of $903,000 at September 30, 1999 and a working capital deficiency of ($6,665,000)at December 31, 1998.

On May 26, 1999, the Company consummated a private offering of securities for an aggregate purchase price of up to $22.8 million (the "Oracle Offering"). The securities issued in the Offering consisted of 5% convertible senior secured debentures (the "1999 Debentures") and common stock purchase warrants (the "1999 Warrants"). The 1999 Debentures and 1999 Warrants were issued by the Company pursuant to a certain Debenture and Warrant Purchase Agreement dated May 26, 1999 (the "Oracle Purchase Agreement") by and among the Company, Oracle Strategic Partners, L.P. ("Oracle") and such other investors in the Company's March 10, 1998 offering electing to participate in the Oracle Offering (inclusive of Oracle, collectively, the "Oracle Investor Group").

The 1999 Debentures were issued at par and will become due and payable as to principal on March 15, 2003. Approximately $12.8 million in principal amount of the 1999 Debentures were issued on May 26, 1999. Interest on the principal amount of the 1999 Debentures, at the rate of 5% per annum, will be payable on a quarterly basis.

The 1999 Debentures are convertible into shares of the Company's common stock at a conversion price of $1.404 per share, for an aggregate of up to approximately 16,283,694 shares of the Company's common stock. The 1999 Warrants are exercisable for an aggregate of approximately 4,618,702 shares of the Company's common stock. Of such warrants, 2,309,351 warrants are exercisable at $1.404 per share and the remaining 2,309,351 warrants are exercisable at $2.285 per share. The 1999 Debentures are 1999 Warrants are convertible and exercisable, respectively, for an aggregate of approximately 20,902,396 of the Company's common stock.

Of the $22.8 million to be invested pursuant to the Oracle Purchase Agreement, $5 million was funded by Oracle on May 26, 1999, the closing date of the Oracle Purchase Agreement, with an additional $10 million to be funded by Oracle in two (2) installments of $5 million each. The first installment of the additional $10 million Oracle investment was funded on July 27, 1999. The remaining $5 million Oracle investment to be made pursuant to the Oracle Purchase Agreement is required to be funded upon the receipt of approval from the U.S. Food and Drug Administration for a product for which an abbreviated new drug application has been filed with the FDA. The Company anticipates that this condition will be satisfied during the first quarter of 2000. In the event the Company does not receive FDA approval for such product on or before March 31, 2000, Oracle is under no obligation to fund the final $5 million investment.

In addition to the $10 million investment made by Oracle to date, approximately $7,037,000 of the 1999 Debentures issued pursuant to the Oracle Purchase Agreement were issued in exchange for the surrender of a like amount of principal and accrued interest outstanding under the Company's convertible promissory notes issues pursuant to various bridge loan transactions with Galen Partners III, L.P., Galen Partners International III, L.P., Galen Employee Fund III, L.P. (collectively, "Galen") and certain other investors in the aggregate amount of $10,104,110 during the period from August, 1998 through and including May, 1999 (the "Galen Bridge Loans"). The remaining balance of the Galen Bridge Loans in the principal amount of $3,495,001 plus accrued and unpaid interest was satisfied with a portion of the proceeds of the second $5 million installment of Oracle's investment funded on July 27, 1999.

On November 15, 1999 the Company received a commitment from Galen to extend bridge financing of $500,000 (the "1999 Bridge Loan"). The 1999 Bridge Loan will have a 30 day term and bear interest at the fixed rate of 18% per annum, payable at maturity. The 1999 Bridge Loan commitment provides that if the 1999 Bridge Loan is not paid in full at maturity, the Company is obligated to issue common stock purchase warrants exercisable for 25,000 shares of common stock having an exercise price of $1.47 per share.

As of November 15, 1999, after giving effect to the 1999 Bridge Loan, the Company had approximately $800,000 in cash reserves available to fund operations. The Company estimates that such cash reserves combined with internally generated cash flow will be sufficient to fund operations for approximately 30 days. The final $5 million installment to be funded by Oracle pursuant to the Oracle Purchase Agreement is not required to be funded until the receipt of approval from the FDA for a designated product for which an abbreviated new drug application has been filed. Based on recent correspondence from the FDA relating to such product, the Company does not anticipate receipt of approval for the product until later in the first quarter of 2000. In order to fund operations prior to the receipt of the final $5 million investment by Oracle, of which there can be no assurance, the Company is actively seeking alternative sources of financing, including a possible sale or license arrangement relating to a product for which the Company has filed for FDA approval. No assurance can be given, however, that the Company will be successful in concluding a sale or licensing arrangement for this product on acceptable teams. Failure to complete a sale or licensing transaction as described, or an alternative financing transaction within the next 30 days will have a material adverse effect on the Company's working capital position and financial condition and on the Company's ability to continue operations.

YEAR 2000 COMPLIANCE

The Company is aware of issues associated with the programming code in existing computer system as the Year 2000 approaches and has undertaken a compliance program to assess the Company's potential exposure to business interruptions due to the possible Year 2000 computer software failures, including necessary remediation and testing. In 1999, the Company installed a new information system, including hardware and software, which the Company believes, based on its testing, is Year 2000 complaint.

The Company is dependent upon its customers and suppliers in meeting its ongoing business needs. The Company's Year 2000 program includes identifying these third parties and determining, based on both written and verbal communication, that they are either in compliance or expect to be in compliance. Lack of compliance by a third party on whom the Company depends for critical goods or services could have a material adverse effect on the Company's operations in the absence of the third party's ability to meet the Company's needs through a contingency plan or the Company's ability to obtain the goods or services elsewhere.

Currently, the Company believes the largest area of exposure concerning the Year 2000 lies with third party suppliers of raw materials especially those locate in foreign countries. The contingency plan to mitigate the disruption among these suppliers includes the buildup of critical raw material inventories. However, the extent to which this may be required has not yet been determined and therefore the cost and ability to accumulate such inventories cannot be estimated at this time.

In the event the Year 2000 issues were to disrupt the Company and its operations, such disruption may have a material impact on the Company and its results of operations. Given that no significant issues have arisen based on assessments to date, the Company has identified a preliminary contingency plan and is prepared to make necessary corrections to its systems in the event a problem should occur. The Company will continue to assess the Year 2000 compliance issue on an on-going basis in an effort to resolve any Year 2000 issues in a timely manner.

PART II OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On July 27, 1999, the Company issued securities in a private offering to Oracle pursuant to the Oracle Purchaser Agreement. The securities issued consisted of 5% convertible senior secured debentures (the "1999 Debentures") in the principal amount of $5 million and common stock purchase warrants (the "1999 Warrants"). The 1999 Debentures and the 1999 Warrants are convertible and exercisable, respectively, for an aggregate of 4,571,354 shares of the Company's common stock, $.01 par value per share (the "Common Stock").

During the quarter ended September 30, 1999, the Company issued an aggregate of 328,314 shares of Common Stock in satisfaction of accounts payable in the amount of $54,000 and accrued interest on the Company's outstanding 5% convertible senior secured debentures issued in March and June 1998, and May 1999 (the "Convertible Debentures"). The Company also issued 28,571 shares of Common Stock upon exercise of an outstanding common stock purchases warrant (the "Warrant").

Each of the Oracle, the holders of the account payable, the holders of the Convertible Debentures for which interest payments were made in Common Stock and the holder of the Warrant are accredited investors as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Act"). The 1999 Debentures and 1999 Warrants, and the Common Stock issued in satisfaction of the account payable and interest payments under the Convertible Debentures and upon exercise of the Warrant were issued without registration under the Act in reliance upon Section 4(2) of the Act and Regulation D promulgated thereunder.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's 1999 Annual Meeting of Shareholders was held on Thursday, August 19, 1999 for the following purposes:

1. To elect nine directors to the Company's Board of Directors to hold office until the 2000 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 the common stock from 40,000,000 shares to 80,000,000 shares ("Proposal 2");

3. To authorize an amendment to the Company's Charter to increase the size of the Company's Board of Directors from a maximum of eight (8) to a maximum of eleven (11) directors ("Proposal 3");

4. 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, issued pursuant to the Oracle Purchase Agreement 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 4");

5. To authorize the issuance of up to 20,902,396 shares common stock upon conversion of the convertible debentures and warrants issued pursuant to the Oracle Purchase Agreement to the extent the issuance of such shares of common stock exceeds 19.9% of the Company's issued and outstanding common stock on May 26, 1999 ("Proposal 5");

6. To adopt an amendment to the Company's 1998 Stock Option Plan to increase the number of shares available for issuance under the plan ("Proposal 6"); and

7. To ratify the appointment of Grant Thornton LLP as independent auditors of the Company for the fiscal year ending December 31, 1999 ("Proposal 7").

The voting as to each Proposal was as follows:

Proposal 1

Name	For	Withheld
William Skelly	27,977,774	376,862
Michael Reicher	27,979,324	375,312
Alan Smith, Ph.D.	27,977,574	377,062
William Sumner	27,977,574	377,062
Bruce Wesson	27,977,274	377,362
Srini Conjeevaram	27,977,274	377,362
Zubeen Shroff	27,977,274	376,362
Peter A. Clemens	27,977,774	376,862
Joel Liffman	27,977,774	376,862

Proposal 2

For	Against	Abstain
28,097,272	246,621	10,743

Proposal 3

For	Against	Abstain	Broker Non-Votes
27,996,447	139,526	14,309	204,354

Proposal 4

For	Against	Abstain	Broker Non-Voters
21,423,179	380,686	31,486	6,519,285

Proposal 5

For	Against	Abstain	Broker Non-Voters
21,271,909	311,497	47,951	6,723,639

Proposal 6

For	Against	Abstain	Broker Non-Voters
27,159,324	932,549	58,409	204,354

Proposal 7

For	Against	Abstain
28,265,947	44,164	44,525

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) 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.

Date: November 12, 1999

HALSEY DRUG CO., INC.

By: /s/ Michael K. Reicher

Michael K. Reicher
President and Chief
Executive Officer

By: /s/ Peter A. Clemens

Peter A. Clemens
VP & 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.

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This schedule contains summary financial information extracted from the Condensed Consolidated Statement of Financial Condition At September 30, 1998 (Unaudited) and the Condensed Consolidated Statement of Income for the Nine Months Ended September 30, 1998 (Unaudited) and is qualified in its entirety by reference to such financial statements.

1,000

9-MOS
DEC-31-1999
SEP-30-1999
2,391
0
1,918
79
3,993
8,429
19,654
15,355
13,963
7,526
0
0
0
148
(38,551)
13,963
8,259
8,259
11,210
11,210
6,230
0
2,843
(11,958)
0
(11,958)
0
0
0
(11,958)
(0.84)
(0.84)