

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q/A  
Amendment No. 2

(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, 1996

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 (I.R.S. Employer Identification No.)  
incorporation or organization)

1827 Pacific Street  
Brooklyn, New York

11233

-----  
(Address of Principal executive officer) (Zip Code)

(718) 467-7500

-----  
(Registrants 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 12, 1996, the registrant had 9,588,353 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) JUNE 30, 1996	DECEMBER 31 1995
CURRENT ASSETS		
Cash	111	\$ 353
Accounts Receivable - trade, net of allowances for doubtful accounts of \$288 and \$280 1996 and 1995, respectively	1,672	1,689
Inventories	7,114	7,716
Prepaid insurance and other current assets	653	656
Total current assets	----- 9,550	----- 10,414
PROPERTY PLANT & EQUIPMENT, NET	6,900	7,394
OTHER ASSETS	1,392	1,054
	-----	-----
	\$ 17,842	18,862
	=====	=====

The accompanying notes are an integral part of these statements

## HALSEY DRUG CO., INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	(UNAUDITED)	
	JUNE 30, 1996	DECEMBER 31, 1995
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank overdraft	567	\$ 213
Due to banks	3,395	3,395
Current maturities of long-term debt	200	200
Convertible subordinated debentures	7,388	7,347
Department of Justice settlement	2,089	2,000
Accounts payable	3,401	2,546
Accrued expenses and other liabilities	2,654	1,867
Advances from minority stockholders	206	206
Income taxes payable	28	33
	-----	-----
Total current liabilities	19,928	17,807
LONG-TERM DEBT	2,647	2,595
CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock - \$.01 par value; authorized 20,000,000, shares; issued and outstanding 9,582,354 shares at June 30, 1996 and 8,973,459 shares at December 31, 1995	95	90
Additional paid-in capital	15,954	14,459
Accumulated deficit	(19,738)	(14,989)
	-----	-----
Less: Treasury stock - at cost (474,603 shares)	(3,689)	(440)
	(1,044)	(1,100)
	-----	-----
Total stockholders' equity	(4,733)	(1,540)
	-----	-----
	\$17,842	\$ 18,862
	=====	=====

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

FOR THE SIX MONTHS ENDED

FOR THE THREE MONTHS ENDED

	JUNE 30,		JUNE 30,	
	1996	1995	1996	1995
Net Sales	\$7,643	\$11,756	\$3,477	\$4,883
Cost of goods sold	7,740	8,819	3,991	3,705
Gross(loss) profit	(97)	2,937	(514)	1,178
Research & Development	629	307	271	151
Selling, general and administrative expenses	3,144	2,981	1,767	1,443
Loss from operations	(3,870)	(351)	(2,552)	(416)
Gain on the sale of assets	----	2,288	--	--
Other income	4	6	--	4
Interest expense	883	(439)	(444)	(211)
(Loss)earnings before income taxes	(4,749)	1,504	(2,996)	(623)
Provision for income taxes	---	296	--	-
NET (LOSS)EARNINGS	(\$ 4,749)	\$1,208	(\$ 2,996)	(\$623)
Net (loss)earnings per common share	(\$0.47)	\$0.15	(\$ 0.26)	(\$0.08)
Weighted average number of outstanding shares	10,179,172	7,884,986	11,375,177	8,109,537

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	
	1996	1995
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)Earnings	(\$4,749)	\$1,208
Adjustments to reconcile net (loss)earnings to net cash used in operating activities		
Depreciation and amortization	1,193	799
Gain on sale of assets	--	(2,288)
Accrued Department of Justice interest	89	31
Deferred income taxes	--	296
Changes in assets and liabilities		
Accounts receivable	17	723
Inventories	602	(219)
Prepaid insurance and other current assets	3	(41)
Accounts payable	855	(1,332)
Accrued expenses	787	94
Income taxes payable	(5)	(169)
Total adjustments	3,541	(2,106)

Net cash used in operating activities	(1,208)	(898)
	-----	-----
Cash flows from investing activities		
Capital expenditures	(360)	(180)
Increase in other assets	(574)	
Proceeds from sale of assets	--	2,000
	-----	-----
Net cash (used in)provided by investing activities	(934)	1,820
	-----	-----
Cash flows from financing activities		
Payment of long term debt		(1,044)
Proceeds from issuance of common stock	1,556	
Payment to Department of Justice	(10)	(80)
Bank overdraft	354	424
Advances from former minority stockholder	--	(212)
	-----	-----
Net cash (used in) provided by financing activities	1900	(912)
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(242)	10
	-----	-----
Cash and cash equivalents at beginning of period	353	28
	---	--
Cash and cash equivalents at end of period	\$111	\$38
	=====	=====

The accompanying notes are an integral part of these statements.

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HALSEY DRUG CO., INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 1996  
Amounts in thousands except per share data  
(UNAUDITED)

	COMMON STOCK \$ .01 PAR		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY STOCK AT COST		
	SHARES	AMOUNT			SHARES	AMOUNT	TOTAL
Balance at December 31, 1995	8,973,459	\$ 90	\$ 14,459	(\$ 14,989)	(500,000)	(\$1,100)	\$ (1,540)
Net loss for the six months ended June 30, 1996				(4,749)			(4,749)
Issuance of shares as settlement	49,166		228		25,397	56	284
Exercise of warrants of convertible debentures	524,400	5	1,154				1,159
Exercise of stock options	35,329		113				113
	-----	--	-----	-----	-----	-----	-----
Balance at June 30, 1996	9,582,354	\$ 95	15,954	(\$19,738)	(474,603)	(\$1,044)	(\$4,733)
	=====	==	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

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(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 for the three month and six month periods ended June 30, 1996 have been made, but the financial results for the six month and three month periods ended June 30, 1996 are not necessarily indicative of the results that may be expected for the full year ended December 31, 1995. 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, 1995 included in the Company's Annual Report on Form 10-K.

Note 2 - INVENTORIES

(Amounts in thousands)

Inventories consists of the following:

	June 30, 1996	December 31, 1995
Finished Goods	\$ 1,996	\$ 2,491
Work in Process	1,747	1,398
Raw Materials	3,371	3,827
	-----	-----
	\$ 7,114	\$ 7,716
	=====	=====

NOTE 3 -DEBT

The Company's Credit Agreement with its banks expired on March 31, 1996, at which time the Company was required to repay all outstanding principal plus any accrued interest, or approximately \$ 3,395,000 and \$31,000 of accrued interest which was paid from an escrow account. In August 1996, the Company and its banks (the "Banks") amended the Credit Agreement as a result of the consummation of the August private Offering as subsequently discussed in Note 5. As consideration for waiving any breach of default under the Credit Agreement as a result of the August Private Offering, the Banks received \$391,614 of the proceeds as payment for interest fees and principal and increased the monthly agency fee to \$4000 and the accrual of the extension fees, due the earlier of December 31, 1996 or when the loan is paid.

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Borrowings under lines of credit and long-term debt consist of the following at June 30, 1996 and December 31, 1995.

(Amounts in thousands)

	1996	1995
	----	----
Convertible subordinated promissory note	\$ 1,447	\$ 1,395
Subordinated promissory note	1,400	1,400
	-----	-----
	2,847	2,795
Less current maturities	200	200
	----	----
	\$ 2,647	\$ 2,595
	=====	=====

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. One of these complaints seeks recovery paid by the insurance carrier to settle one of these lawsuits. The Complaint requests not less than \$75,000 in damages and payment by the Company of a \$25,000 deductible, and a declaration that this claim and other similar claims are not covered under their policy. The Company and the insurance carrier have agreed to a settlement pursuant to which the Company is required to pay \$25,000 with respect to the claim, not including an undisputed \$25,000 deductible which the Company is also required to pay over a three month period. The settlement agreement has not been executed as of the current date.

A lawsuit has been filed by the minority shareholders of H. R. Cenci Laboratories, Inc. ("Cenci") and Cenci Powder Products, Inc. ("Cenci Powder") against the Company and several of the officers of the Company. The lawsuit alleges that the Company has breached several representations made during the course of negotiations leading to the Company's purchase of 51% of the stock of Cenci. This action seeks unspecified compensatory damages, as well as punitive damages, rescission, specific performance, reformation and a declaration as to what amount, if any, is owed to plaintiff. The Company has retained California counsel to represent its interests. The parties have recently concluded conducting document and deposition discovery. Counsel for the Company moved for a summary judgment on April 30, 1996. At this preliminary stage the Company is unable at this time to predict with reasonable certainty the ultimate outcome of this matter with reasonable certainty and, accordingly, no provision has been made for any potential costs relating to this matter.

The Company was named a defendant in a complaint by the Company's labor union funds which seeks sums, approximately \$272,000, allegedly owed to these funds under the Company's collective bargaining agreement. In April 1996, the Company and the labor union funds agreed to settle the action which obligates the Company to remain current on its obligations and to pay portions of the alleged arrears in installments. The payment due June 29, 1996 has paid as of this date.

#### NOTE 5 -SUBSEQUENT EVENTS

The Company consummated a private offering (the "August Offering") of 250 units ( "August Units" ) of securities on August 6, 1996 for an aggregate purchase price of \$2,500,000. Each Unit consisted of (i) a 10% convertible subordinated debenture in the principal amount of \$ 10,000 (the "Debentures") issued at par and (ii) 461 redeemable common stock purchase warrants( "Warrants" ).

The Debentures will become due and payable as to principal five years from the date of issuance. Interest, at the rate of 10% per annum, is payable on a quarterly basis. The Debentures are convertible at any time after issuance into shares ( the "Conversion Shares" ) of common stock, \$ .01 par value per share (the "Common Stock"), of the Company at a conversion price (the " Conversion Price" ) of \$ 3.25 per share, subject to adjustment.

Each Redeemable Warrant entitles the holder to purchase one share of Common Stock ( the "Warrant Shares" and collectively with the conversion shares, the underlying shares ) for \$ 3.25 subject to adjustment, during the five year period commencing on the date of issuance. The Warrants are redeemable by the Company at a price of \$ .01 per Warrant at any time commencing one year after issuance, upon not less than 30 days prior written notice, if the last sale price of the Common Stock on the American Stock Exchange, Inc. ( the "Exchange" ) following such one year anniversary equals or exceeds \$ 3.25 per share ( the "Threshold" ), subject to adjustment, for the 20 consecutive trading days ending on the third day prior to the notice of redemption to holders.

The net proceeds of the Offering was approximately \$ 2,160,000. The Company was required to use \$391,000 of such net proceeds to repay a portion of its bank debt, accrued interest and legal fees as discussed in Note 3. The Company intends to utilize the balance of the net proceeds of the Offering for the

following purposes: for registration of the Underlying Shares under the Securities Act; for working capital; for the purchase of equipment; for research and development expenses.

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)	PERCENTAGE OF NET SALES		PERCENTAGE CHANGE YEAR-TO- YEAR INCREASE (DECREASE)
	1996 %	1995 %	1996 AS COMPARED TO 1995 %	1996 %	1995 %	1996 AS COMPARED TO 1995 %
Net Sales	100.0	100.0	(35.0)	100.0	100.0	(28.8)
Cost of Goods	101.3	75.0	(12.2)	114.8	(75.9)	7.7
Gross Profit	(1.3)	25.0	(103.3)	(14.8)	24.1	143.6)
Research & Development	8.2	2.6	104.9	7.8	3.1	79.5
Selling, General and administrative expenses	41.1	25.4	5.5	50.9	29.6	22.4
Earnings (loss) from operations	(50.6)	(3.0)	(1,002.6)	(73.5)	(8.5)	(513.4)
Gain on the sale of assets	--	19.4	(100.0)	--	--	--
Other income	.1	.1	(16.7)		.1	(75.0)
Interest expense	11.6	(3.7)	101.1	12.8	4.3	110.4
(Loss) Earnings before income taxes	(62.1)	12.7	(415.8)	(86.3)	(12.8)	(380.7)
Provision for income taxes	-	2.5	(99.7)	--	--	--
Net earnings (loss)	(62.1)	10.2	(493.1)	(86.3)	(12.8)	(380.7)

SIX MONTHS ENDED JUNE 30, 1996 VS SIX MONTHS ENDED JUNE 30, 1994

NET SALES

The Company's net sales for the six months ended June 30, 1996 of \$7,643,000 represents a decrease of \$4,113,000 (35.0%) as compared to net sales for the six months ended June 30, 1995 of \$11,756,000. The decrease in 1996 is attributable



to the reduction in shipments of tablet products due to the sale at the end of the first quarter of 1995 by the Company of the tablets ANDA to Mallinckrodt which is partially offset by manufacturing revenue that the Company is receiving as part of its agreement with Mallinckrodt. In addition, the decrease is the result of price reductions as a result of increased competition during the current year.

#### COST OF GOODS SOLD

For the six months ended June 30, 1996, cost of goods sold of \$7,740,000 represents a decrease of approximately \$1,079,000 as compared to \$8,819,000 for the six months ended June 30, 1995. The decrease for 1996 is attributable to the reduction in shipments of tablet products due to the sale at the end of the first quarter of 1995 by the Company of the tablets ANDA combined with significant reductions in manufacturing costs of personnel and other expenses. In addition during the current year, the Company effected price reductions as a result of increased market competition. The Company's gross margin as a percentage of sales for the six months ended June 30, 1996 was (1.3%) as compared to 25.0% for the six months ended June 30, 1995.

#### RESEARCH AND DEVELOPMENT EXPENSES

For the six months ended June 30, 1996, research and development expenses of \$629,000 increased by \$322,000 as compared to research and development expenses in 1995 of \$ 307,000. The Company has engaged in a research and development plan which includes the reintroduction of products suspended from shipment and the submission of several new products to the FDA as soon as permitted.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses as a percentage of sales for the six months ended June 30, 1996 and 1995 were 41.1% and 25.4%, respectively. These expenses increased by approximately \$163,000 as compared to 1995. This increase in expenses is attributable to increased legal expenses, professional fees and rent.

#### GAIN ON SALE OF ASSETS

On March 21, 1995, the Company sold the tablets ANDA and certain equipment used in the production of the Tablets for up to \$5.4 million to Mallinckrodt. The Company received \$500,000 of the proceeds in July 1994. Mallinckrodt also paid the Company \$2,000,000 on March 21, 1995 and the remainder will be payable as follows: (i) \$1,000,000 upon the Company receiving general clearance from the FDA for unrestricted operations at its Brooklyn facility and written notice from the FDA that it is in compliance with certain provisions of the consent decree dated June 29, 1993 and (ii) \$1,900,000 at the earlier of (a) Mallinckrodt receiving certain authorizations from the FDA or (b) September 21, 1997. ("Deferred Payments"). Mallinckrodt also agreed to defer \$1,200,000 of the Company's trade debt due to an affiliate of Mallinckrodt. For the six months ended June 30, 1995, the Company recorded a gain of \$2,288,000 for the sale of the ANDA and related equipment net of expenses related to the sale. If prior to the time it is possible for Mallinckrodt to commence production under the Tablets ANDA or any new Tablets ANDA at its own facility, and the Company ceases or is forced to cease or substantially curtail production under the Tablet ANDA, as a consequence of (I) any action or communication by the FDA or any other regulatory or governmental authority or (ii) any financial or other business difficulty, then

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Mallinckrodt has the right to cancel payment of any yet unpaid portion of the Deferred Payment(\$1.9 million) and shall further have the right to a full refund of any portion of the Deferred Payment already made to the Company.

The Company has revised the gain recorded on the sale of assets to Mallinckrodt and will not recognize the Deferred Payment until the earlier of (a) Mallinckrodt receiving certain authorizations from the FDA or (b) March 31, 1998. The effect of the adjustments on the accompany financial statements is as follows(In thousands, except for per share amounts):

As of June 30 1996:

In thousands except for per share amounts	1996		1995	
	As Previously reported	As restated	As Previously reported	As restated
Net earnings			3,108	1,208
Net earnings per common share			\$ .39	\$ .15
Long-term receivable	1,900	-----	1,900	-----
Accumulated deficit	17,838	19,738	13,089	14,989

#### INTEREST EXPENSE

Interest expense for 1996 increased by \$444,000 as compared to 1995 as a result of the private placements of convertible subordinated debentures consummated in July and November 1995 combined with the notes from Mallinkrodt and Zatpack.

#### PROVISION FOR INCOME TAXES

In 1995, the Company had a tax provision of \$296,000 as a result of available net operating loss carryforwards. In 1996, the Company has no tax benefit since the available loss carryback to prior years was utilized by the net operating loss for 1993 carryback to the prior years.

#### NET (LOSS) EARNINGS

For the six months ended June 30, 1996, the Company had a net loss of \$4,749,000 as compared to a net earnings of \$1,208,000 for the six months ended June 30, 1995. The decrease in net earnings is attributable to the gain on the sale of assets of \$ 2,288,000, net of the tax provision of \$ 296,000 , or \$1,992,000 combined with a reduction in sales as a result of reduced volume and increased price reductions in an effort to meet increased competition.

#### THREE MONTHS ENDED JUNE 30, 1996 Vs THREE MONTHS ENDED JUNE 30, 1995

##### NET SALES

The Company's net sales for the three months ended June 30, 1996 of \$3,477,000 represents a decrease of \$1,406,000 (28.8%) as compared to net sales for the three months ended June, 1995 of \$4,883,000. The decrease in 1996 is attributable to the reduction in prices and increases in discounts due to intensely increased market competition.

##### COST OF GOODS SOLD

For the three months ended June 30, 1996, cost of goods sold \$3,991,000 or an increase of approximately \$286,000 as compared to the three months ended June 30, 1995. The increase for 1996 is attributable to increases in unabsorbed manufacturing costs which include costs of certain subsidiary operations which are not generating revenues at the current time as originally anticipated.

##### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses as a percentage of sales for the three months ended June 30, 1996 and 1995 were 50.9% and 29.6%, respectively. These expenses increased by approximately \$163,000 or 5.5% as compared to 1995. This increase in expenses is attributable to increased legal expenses, professional fees and rent.

#### NET (LOSS) EARNINGS

For the three months ended June 30, 1996, the Company had a net loss of \$2,996,000 as compared to a net loss of \$623,000 for the three months ended June 30, 1995. This increase is attributable to price reductions and discounts during the current year in an effort to meet increased competition combined with unabsorbed manufacturing costs and increases in expenses incurred for certain subsidiary operations without any revenue being generated at the current time.

#### LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1996, the Company had cash and cash equivalents of \$111,000 as compared to \$353,000 at December 31, 1995. The Company had a working capital deficiency at June 30, 1996 of \$10,376,000 and \$7,393,000 at December 31, 1995. The amount at June 30, 1996 has been adjusted as a result of the reclassification of the convertible subordinated debentures as long-term. In August of 1996, the Company signed an agreement with its banks which granted waivers for the outstanding defaults and extended the bank agreement termination date to December 31, 1996. As a result of the Company not being in default under its bank agreement, the convertible subordinated debentures have been reclassified as long-term debt.

As a result of the decline in shipments of solid dosage products from the Company's Brooklyn plant following the entry of the consent decree, and as a result of the lack of available borrowing under the Company's credit agreement, the Company's liquidity position has been materially adversely affected since June 30, 1993 and the Company's capital resources have been severely limited. The Company has actively sought to reduce its operating costs at the Brooklyn plant, where it has made significant reductions in personnel. In addition, the Company's liquidity position has been affected since the second half of 1994 by the discontinuance of shipments of liquid products from its Cenci subsidiary as a result of a review completed by the Company of this liquid operation. In an effort to reduce the loss from lower revenues at this subsidiary, the Company has reduced its operating costs at Cenci through significant reductions of personnel and other expenses however, the Company is still incurring operating costs which are not being offset by revenues at this time.

As previously indicated, the Company has continued to actively pursue financing as is indicated in Note 5 which discloses the completion of a private placement of convertible debentures with warrants. However, there can be no assurance that the Company will be able to obtain any such additional financing on commercially acceptable terms to replace the existing bank debt.

As described in Note 5 to the financial statements, the Company consummated a private offering, the net proceeds of the Offering was approximately \$2,160,000. The Company was required to use \$391,000 of such net proceeds to repay a portion of its bank debt, accrued interest and legal fees as discussed in Note 3. The Company intends to utilize the balance of the net proceeds of the Offering for the following purposes: for working capital; for registration of the Underlying Shares under the Securities Act; for the purchase of equipment; for research and development expenses.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits:  
Form of 10% Convertible Subordinated Debenture Form of Redeemable  
Common Stock Purchase Warrant Letter Agreement, dated August 6,  
1996, among Halsey Drug Co., Inc., The Chase Manhattan Bank, N.A.,  
The Bank of New York and Israel Discount Bank of New York.  
  
Financial Data Schedule
- (b) Reports on Form 8-K

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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: October 3, 1996

By: /s/ Rosendo Ferran  
-----  
Rosendo Ferran  
President and Chief  
Executive Officer

Date: October 3, 1996

By: /s/ Robert J. Mellage  
-----  
Robert J. Mellage  
Corporate Controller

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<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AT JUNE 30, 1996 (UNAUDITED) AND THE CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED JUNE 30, 1996 (UNAUDITED) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<NET-INCOME>		(4,749)
<EPS-PRIMARY>		(0.47)
<EPS-DILUTED>		0