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, 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 AUGUST 13, 1999 THE REGISTRANT HAD 14,350,648 SHARES OF COMMON STOCK, $.01 PAR VALUE, OUTSTANDING.

HALSEY DRUG CO., & SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HALSEY DRUG CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Amounts in thousands)	1999 JUNE 30	1998 DECEMBER 31
CURRENT ASSETS		
Cash and cash equivalents	$ 4,459	$ 1,850
Accounts Receivable - trade, net of Allowances for doubtful accounts of $96 and $ 280 at June 30, 1999 and December 31, 1998, respectively	1,658	1,439
Other receivable	28	--
Inventories	4,751	6,354
Prepaid insurance and other current assets	174	148
Total current assets	11,070	9,791
PROPERTY PLANT & EQUIPMENT, NET	4,249	4,787
OTHER ASSETS	1,375	1,335
	$16,859	$15,913

The accompanying notes are an integral part of these statements

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

(UNAUDITED)

(Amounts in thousands)	1999 JUNE 30	1998 DECEMBER 31
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Convertible bridge loans	$ 3,495	$ 7,533
Notes payable	2,763	2,817
Department of justice settlement	300	300
Accounts payable	1,180	1,834
Accrued expenses	3,492	3,972
Total current liabilities	11,230	16,456
CONVERTIBLE DEBENTURES	39,322	26,187
OTHER LONG-TERM DEBT	2,118	2,223
CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock - $.01 par value; authorized 40,000,000, shares; issued and outstanding 14,301,685 shares at June 30,1999 and 14,003,609 shares at December 31, 1998	147	144
Additional paid-in capital	29,537	29,113
Accumulated deficit	(64,506)	(57,221)
	(34,822)	(27,964)
Less: Treasury stock - at cost -(439,603 shares at June 30, 1999 and December 31, 1998)	(989)	(989)
Total stockholders' equity (deficit)	(35,811)	(28,953)
	$ 16,859	$ 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

	June 30			
	For the six months ended		For the three months ended	
	1999	1998	1999	1998
Net sales	$ 5,791	$ 4,116	$ 2,567	$ 2,221
Cost of goods sold	7,424	6,290	3,776	2,958
Gross profit(loss)	(1,633)	(2,174)	(1,209)	(737)
Research & development	355	452	179	231
Selling, general and administrative expenses	3,524	3,208	1,703	1,621
Loss from operations	(5,512)	(5,834)	(3,091)	(2,589)
Other income	54	1,968	51	66
Interest expense, net	1,828	969	970	531
Loss before income taxes	(7,286)	(4,835)	(4,010)	(3,054)
Provision for income taxes	--	--	--	--
Net loss	$ (7,286)	$ (4,835)	$ (4,010)	$ (3,054)
Net loss per common share	(0.51)	(0.35)	(0.28)	(0.22)
Average number of outstanding shares	14,276,064	13,756,600	14,294,070	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	SIX MONTHS ENDED JUNE 30	
	1999	1998
Cash flows from operating activities		
Net loss	$ (7,286)	$ (4,835)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	657	816
Provision for loss on accounts receivable	(184)	(64)
Changes in assets and liabilities		
Accounts receivable	(35)	(373)
Other receivable	(28)	--
Inventories	1,603	(2,653)
Prepaid insurance and other current assets	(26)	114
Accounts payable	(654)	(4,728)
Deferred gain	--	(1,900)
Accrued expenses	(585)	(2,438)
Total adjustments	748	(11,561)
Net cash used in operating activities	(6,538)	(16,396)
Cash flows from investing activities		
Capital expenditures	(119)	(724)
(Decrease) increase in other assets	(204)	(896)
Net cash used in investing activities	(323)	(1,620)
Cash flows from financing activities		
Increase (decrease) in notes payable	(54)	(1,763)
Decrease in amount due to banks	--	(2,476)
Issuance of common stock for payment of interest and payable	427	202
Issuance of convertible subordinated debentures	9,097	25,800
Increase (decrease) in bank overdraft	--	(159)
Net cash provided by financing activities	9,470	21,604
Net (decrease) increase in cash and cash equivalents	2,609	3,588
Cash and cash equivalents at beginning of period	1,850	26
Cash and cash equivalents at end of period	$ 4,459	$ 3,614

Supplemental disclosure of noncash activities:

For the 6 months ended June 30, 1999

The Company issued 297,076 shares of common stock as payment for accounts payable in the amount of $30,000 and accrued interest of $398,000.

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, 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 six months ended June 30, 1999				(7,286)			(7,286)
Issuance of shares as payment of interest	280,170	3	395				398
Issuance of shares as payment of trade payables	17,906	--	30				30
Balance at June 30, 1999	14,741,284	$ 147	$ 29,538	$ (64,507)	439,603	$ (989)	$ (35,811)

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, 1999 have been made. The results of operations for the six months period ended June 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 June 30, 1999, the Company had a working capital deficiency of approximately $160,000 and an accumulated deficit of approximately $64,507,000. The Company incurred a loss of approximately $7,286,000 during the six months ended June 30, 1999.

NOTE 2 - INVENTORIES

Inventories consists of the following:

(AMOUNTS IN THOUSANDS)

	JUNE 30, 1999	DECEMBER 31, 1998
Finished Goods	$ 2,396	$ 2,675
Work in Process	990	1,166
Raw Materials	2,369	2,513
	$ 4,751	$6,354

NOTE 3 - DEBT

Borrowings under long-term debt consist of the following at June 30, 1999 and December 31, 1998.

	(AMOUNTS IN THOUSANDS)	
	1999	1998
Department of Justice Settlement	$ 1,825	$ 1,975
Other	593	548
	2,418	2,523
Less current maturities	(300)	(300)
	2,118	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.

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 the final outcome of this lawsuit cannot be determined at this time, 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 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, 1999 or 1998.

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) 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	40.7	100.0	100.0	15.6
Cost of goods sold	128.2	152.8	18.0	147.1	133.2	27.7
Gross profit(loss)	(28.2)	(52.8)	(24.9)	(47.1)	(33.2)	64.0
Research & Development	6.1	11.0	(21.5)	7.0	10.4	(22.5)
Selling, general and administrative expenses	60.9	77.9	9.9	66.3	73.0	5.1
Loss from Operations	(95.2)	(141.7)	(5.5)	(120.4)	(116.6)	19.4
Other income	.9	47.8	(97.2)	2.0	3.0	(22.7)
Interest expense, net	31.6	23.5	88.6	37.8	23.9	82.7
Loss before income taxes	(125.8)	(117.5)	50.7	(156.2)	(137.5)	31.3
Provision for income taxes	--	--	--	--	--	--
Net loss	(125.8)	(117.5)	50.7	(156.2)	(137.5)	31.3

SIX MONTHS ENDED JUNE 30, 1999 VS SIX MONTHS ENDED JUNE 30, 1998

NET SALES

The Company's net sales for the six months ended June 30, 1999 of $ 5,791,000 represents an increase of $1,675,000 (40.7%) as compared to net sales for the six months ended June 30, 1998 of $4,116,000. 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 six months ended June 30, 1999, cost of goods sold of $7,424,000 increased as compared to the six months ended June 30, 1998 of $6,290,000. 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, New York manufacturing facility. Gross margin as a percentage of sales for the six months ended June 30, 1999 was (28.2%) as compared to (52.8)% for the six months ended June 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 six months ended June 30, 1999 and 1998 were 60.9% and 77.9%, respectively. Overall these expenses in the first six months of 1999 increased $316,000 over the same period in 1998. The increase is primarily attributable to the increased costs of litigation ($175,000) and professional services ($80,000).

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses as a percentage of sales for the six months ended June 30, 1999 and 1998 were 6.1% and 11.0%, 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 an 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 six months ended June 30, 1999, the Company had net loss of $7,286,000 as compared to a net loss of $4,835,000 for the six months ended June 30, 1998. Included in results for the six months ended June 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 $859,000 resulting from the issuance of debentures in March and June, 1998.

THREE MONTHS ENDED JUNE 30, 1999 VS THREE MONTHS ENDED JUNE 30, 1998

NET SALES

The Company's net sales for the three months ended June 30, 1999 of $2,567,000 represents a increase of $346,000 (15.6%) as compared to net sales for the three months ended June 30, 1998 of $2,221,000. The increase resulted from greater market penetration due to aggressive selling efforts in 1999.

COST OF GOODS SOLD

For the three months ended June 30, 1999, cost of goods sold increased by approximately $818,000 as compared to the three months ended June 30, 1998. The increase for 1999 is attributable to a reduction in gross margins as competitive pressures forced the Company to reduce selling prices to maintain market share. Gross margin as a percentage of net sales for the three months ended June 30, 1999 was (47.1%) compared to (28.7%) for the three months ended June 30, 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses as a percentage of sales for the three months ended June 30, 1999 and 1998 were 66.3% and 63.1%, respectively. The increase of $82,000 is due primarily to increased costs of litigation ($25,000) and professional services ($30,000).

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses as a percentage of sales for the three months ended June 30, 1999 and 1998 was 7.0% and 9.0%, 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 an 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 June 30, 1999, the Company had a net loss of $4,010,000 as compared to a net loss of $3,054,000 for the three months ended June 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 ($439,000).

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1999, the Company had cash and cash equivalents of $4,459,000 as compared to $1,850,000 at December 31, 1998. The Company had a working capital deficiency of $160,000 and $6,665,000 at June 30, 1999 and December 31, 1998, respectively.

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. (the "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 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 later to occur of (i) the Company's receipt of shareholder approval of various proposals described in the Company's Proxy Statement in connection with its 1999 Annual Meeting of Shareholders, each of which relate to the Oracle Offering, and (ii) 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 fourth quarter of 1999. 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 Oracle investments made 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 "Bridge Loans"). The remaining balance of the 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.

The net proceeds from the issuance of the 1999 Debentures and 1999 Warrants pursuant to the Oracle Purchase Agreement, in addition to satisfying the principal and accrued interest under the Bridge Loans, provided the Company with a necessary source of working capital. Assuming the funding of the final $5 million installment by Oracle pursuant to the Oracle Purchase Agreement, of which there can be no assurance, the Company anticipates that it will have sufficient cash reserves to satisfy its working capital requirements for at least the next 12 months. The Company is also seeking to secure a senior revolving line of credit from a banking institution in the principal amount of $5 million. There can be no assurance, however, that the Company will be able to obtain a revolving credit facility on acceptable terms. Failure to obtain the final $5 million investment from Oracle as described above, a bank line of credit in the principal amount of $5 million or an alternative source of financing of a comparable amount in the near term will materially adverse affect the Company's working capital position and financial condition and results of 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 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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

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"). Securities issued in the offering consisted of 5% convertible senior secured debentures (the "1999 Debentures") and common stock purchase warrants (the "1999 Warrants") exercisable for an aggregate of approximately 20,902,396 shares of the Company's common stock, $.01 par value per share (the "Common Stock"). 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, Galen and each of the purchasers listed on the signature page thereto (inclusive of Oracle, collectively, the "Oracle Investor Group").

During the quarter ended June 30, 1999, the Company issued an aggregate of 297,076 shares of the Company's common stock in satisfaction of accounts payable in the amount of $30,000 and accrued interest on the Company's outstanding 5% convertible senior secured debentures issued in March and June 1998 (the "Convertible Debentures").

Each of the purchasers comprising the Oracle Investor Group and the holders of the Convertible Debentures for which interest payments were made in Common Stock 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 interest payments under the Convertible Debentures were issued without registration under the Act in reliance upon Section 4(2) of the Act and Regulation D promulgated thereunder.

The Company is required under the New York Business Corporation Law and the rules of the American Stock Exchange to obtain shareholder approval to, among other items, authorize the issuance of the common stock issuable upon conversion of the 1999 Debentures and exercise of the 1999 Warrants. Such proposals have been included in the Company's Proxy Statement for its 1999 Annual Meeting of Shareholders scheduled for August 19, 1999.

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.

HALSEY DRUG CO., INC.

Date: August 13, 1999	BY: /s/ Michael K. Reicher ---------------------------- MICHAEL K. REICHER PRESIDENT AND CHIEF EXECUTIVE OFFICER
Date: August 13, 1999	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 JUNE 30, 1998 (UNAUDITED) AND THE CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 1998 (UNAUDITED) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS
DEC-31-1999
JUN-30-1999
4,459
0
1,754
96
4,751
11,070
19,292
15,043
16,859
11,230
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147
(35,811)
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5,791
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7,424
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1,828
(7,286)
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(7,286)
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0
(7,286)
(0.51)
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