UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the period ended April 30, 1998
OR
[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission file number 0-20772

CYPROS PHARMACEUTICAL CORPORATION
(Exact name of registrant as specified in its charter)

California	33-0476164
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2714 Loker Avenue West Carlsbad, California (Address of principal executive offices)	(Zip Code) 92008

Registrant's telephone number, including area code: (760) 929 9500

Indicate by mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
[X] YES [ ] NO

As of June 8, 1998, the Registrant had 15,696,570 shares of Common Stock, no par value, outstanding.

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* No information provided due to inapplicability of item.

PART I.

Item 1. Financial Statements

Cypros Pharmaceutical Corporation
Balance Sheets

	April 30,	July 31,

	1998 (Unaudited)	1997 (Note)
Assets		
Current assets:		
Cash and cash equivalents	$3,698,556	$5,101,710
Short-term investments, held to maturity	10,767,962	9,465,561
Accounts receivable	378,473	355,425
Inventories	109,274	93,177
Prepaid expenses and other current assets	143,289	75,038
Total current assets	15,097,554	15,090,911
Property, equipment and leasehold improvements, net	953,542	675,686
Purchased technology, net	4,387,834	5,060,875
Deferred financing costs, net	3,120	259,127
Licenses and patents, net	187,056	162,592
Other assets	313,700	95,525
Total assets	$20,942,806	$21,344,716
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	299,646	$365,386
Accrued compensation	166,640	121,605
Other accrued liabilities	29,643	118,658
Purchased asset obligations	-	1,272,000
Current portion of long-term debt	48,505	41,367
Current portion of capital lease obligations	89,318	106,206
Current portion of lease obligations,net	19,722	-
Current portion of sublease obligation, net	1,917	13,142
Total current liabilities	655,391	2,038,364
Long-term debt	106,633	-
Capital lease obligations	84,050	148,787
Sublease obligation	31,885	59,407
Deferred rent	80,402	44,789
Mandatorily convertible notes	48,300	4,027,461
Shareholders' equity:		
Common stock, 30,000,000 shares authorized, 15,696,570 and 13,650,405 shares issued and outstanding as of April 30, 1998 and July 31,1997 respectively	41,218,293	32,344,793
Deferred compensation	(96,717)	(161,950)
Accumulated deficit	(21,185,431)	(17,156,935)
Total shareholders' equity	19,936,145	15,025,908
Total liabilities and shareholders' equity	$20,942,806	$21,344,716

Note: The balance sheet at July 31, 1997 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes.

Cypros Pharmaceutical Corporation
Statements of Operations
(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	1998	1997	1998	1997
Net sales	$824,399	$717,658	$2,511,860	$1,672,454
Cost of sales	202,751	148,154	578,469	388,016
Gross profit	621,648	569,504	1,933,391	1,284,438

Operatingexpenses:				
Sales and marketing	331,022	287,212	1,008,779	706,850
General and administrative	736,978	599,111	2,229,854	1,920,045
Clinical testing and regulatory	761,449	441,767	1,770,827	1,342,200
Research and development	216,977	234,578	667,609	720,668
Depreciation and amortization	293,568	293,989	904,706	772,029
Total operating expenses	2,339,994	1,856,657	6,581,775	5,461,792
Loss from operations	(1,718,346)	(1,287,153)	(4,648,384)	(4,177,354)
Research grant income	46,193	-	118,701	79,490
Interest and other income, net	234,867	138,486	757,194	523,199
Amortization of discount and costs on mandatorily convertible notes	(30,317)	(322,347)	(256,007)	(1,673,046)
Net loss	$(1,467,603)	$(1,471,014)	$(4,028,496)	$(5,247,711)
Netloss per share:				
Basic and diluted	$ (0.09)	$ (0.12)	$ (0.27)	$ (0.44)
Weighted average shares outstanding:				
Basic and diluted	15,644,114	12,431,095	15,020,087	11,880,209

See accompanying notes.

Cypros Pharmaceutical Corporation

Statements of Cash Flows
(Unaudited)
Nine Months Ended April 30,

	1998	1997
Operating activities		
Net loss	$(4,028,496)	(5,247,711)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred compensation	251,996	283,519
Depreciation and amortization	912,026	772,029
Amortization of discount and costs on mandatorily convertible notes	256,007	1,673,046
Deferred rent	55,335	9,996
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(23,048)	(276,205)
Inventories	(16,097)	37,729
Prepaid expenses and other current assets	(68,251)	(62,844)
Accounts payable	(65,740)	170,626
Accrued liabilities	(115,980)	116,679
Net cash flows used in operating activities	(2,842,248)	(2,523,136)
Investing activities		
Payment for business acquisition	-	(2,286,642)
Short-term investments	(1,302,401)	(4,830,596)

Installment payment for purchased technology	(1,200,000)	-
Purchase of property, equipment and leasehold improvements	(494,496)	(152,298)
Increase in licenses and patents	(46,809)	(71,533)
Increase in deposits and other assets	(218,175)	(7,940)
Net cash flows used in investing activities	(3,261,881)	(7,349,009)
Financing activities		
Decrease in sublease obligation, net	(38,747)	-
Proceeds from exercise of B Warrants	4,707,576	-
Issuance of long-term debt	115,267	-
Repayments of long-term debt	(1,496)	(74,461)
Issuance of Common Stock, net	-	4,721,069
Repayments of capital lease obligations	(81,625)	(67,811)
Net cash flows provided by financing activities	4,700,975	4,578,797
Decrease in cash and cash equivalents	(1,403,154)	(5,293,348)
Cash and cash equivalents at beginning of period	5,101,710	8,306,752
Cash and cash equivalents at end of period	$3,698,556	$3,013,404
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 124,005	$ 40,362
Noncash investing and financing activities:		
Equipment financed under capital leases	$ -	$ 79,992
Issuance of purchased asset obligation in business acquisition	$ _	$1,200,000
Notes converted to common stock	$3,979,161	$3,326,938

See accompanying notes.

CYPROS PHARMACEUTICAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Organization and Business Activity

Cypros Pharmaceutical Corporation (the "Company") is engaged in the development and marketing of acute-care, hospital-based products. The Company is currently marketing three products, Ethamolin, Glofil and Inulin, expects to launch two burn and wound care products using the Company's DIMAC technology within the next year and is developing two drugs, Cordox (formerly CPC111) and Ceresine. The Company's pre-clinical and clinical development programs focus on cytoprotective drugs designed to reduce ischemia (low blood flow) induced tissue damage in acute-care settings. The Company expects to be in late-phase clinical trials in 1998.

Basis of Presentation

The unaudited financial statements for the three and nine months ended April 30, 1998 and 1997 have been prepared on the same basis as the Company's audited financial statements for the year ended July 31, 1997 and reflect all adjustments (consisting only of normal recurring accruals) which are, in the opinion of management, necessary for the fair presentation of the results of the interim periods presented. Results for the interim periods are not necessarily indicative of the results for the entire year.

For more complete financial information, these financial statements should be read in conjunction with the audited financial statements and the related notes thereto for the year ended July 31, 1997 included in the Company's Annual Report on Form 10-K.

The Company has experienced significant quarterly fluctuations in operating results and increases in expenses and losses since inception and it expects these fluctuations, expenses and losses will continue.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market and is comprised of raw materials of $2,435 and finished goods of $106,839.

Revenue Recognition

Revenues from product sales of whole vials of Glofil and Inulin are recognized upon shipment. Revenues from Glofil unit dose sales are recognized upon receipt by the Company of monthly sales reports from Syncor, the exclusive marketing agent for Glofil in this form.

Sales are reported net of returns during the period in which product is shipped. These sales are subsequently adjusted for discounts and allowances due to contractual discounts on certain pharmaceuticals under contracts with hospitals and hospital buying groups. For the nine-month period ending April 30, 1998, such discounts and allowances totaled $84,873.

The Company's policy is not to accept returns of product sold. Certain contracts with wholesale drug distributors provide for product returns if the product is within a certain number of months of expiration. To date, the Company has experienced few returns.

Net Loss Per Share Data

In the second quarter of the fiscal year ended July 31, 1998, the Company adopted the provisions of Financial Accounting Standards Board Statement No.128, "Earnings Per Share" ("Statement 128"). Statement 128 redefines the standards for computing and presenting earnings per share, previously promulgated by Accounting Principles Board Opinion No. 15, "Earnings Per Share". Under Statement 128, basic loss per share is based on net loss for the relevant period, divided by the weighted average number of common shares outstanding during the period. Diluted loss per share is based on net loss for the relevant period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share also gives effect to all potential dilutive common shares outstanding during the period such as options, warrants, and convertible securities, and contingently issuable shares. All potential dilutive common stock equivalents have been excluded from the calculation of diluted loss per share as their inclusion would have been antidilutive.

RECENTLY-ISSUED ACCOUNTING STANDARDS

Comprehensive Income

Effective August 1, 1998, the Company will adopt Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. "Comprehensive Income" is defined as the change in equity during the period from transactions and other events and circumstances from non-owner sources. Net income and other comprehensive income, including unrealized gains and losses on investments, shall be reported, net of their related tax effect, to arrive at comprehensive income. The Company's comprehensive net loss and net loss are the same, and therefore, the adoption of SFAS 130 will not have an impact on the Company's financial statements.

Segment Information

Effective August 1, 1998, the Company will adopt Statement of Financial Accounting Standard No.131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 redefines segments and requires companies to report financial and descriptive information about their operating segments. The Company has determined that it operates in one business segment and therefore the adoption of SFAS 131 will not affect the Company's financial statements.

Pensions and Other Post Retirement Benefits

Effective August 1,1998, the Company will adopt Statement of Financial Accounting Standard No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("SFAS 132"). SFAS 132 revises current disclosures for employers' disclosures for pensions and other post retirement benefit plans. The Company does not currently have a pension plan, and therefore, the adoption of SFAS 132 did not affect the Company's financial statements.

Reclassifications

Certain previously reported amounts have been reclassified to conform with the 1998 presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. Actual results could differ from those estimates.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Except for the historical information contained herein, the following discussion contains forward-looking statements that involve risks and uncertainties, including statements regarding the period of time during which the Company's existing capital resources and income from various sources will be adequate to satisfy its capital requirements. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include but are not limited to, those discussed in this section, as well as in the sections entitled "Business", "Licenses", "Manufacturing", "Sales and Marketing", "Competition", "Government Regulation", "Patents and Proprietary Rights" of the Company's Annual Report (Form 10K) for the fiscal year ended July 31, 1997 and those discussed in the S-3 Registration Statement File No. 333-25661 filed with U.S. Securities and Exchange Commission, as well as those discussed in any documents incorporated by reference herein or therein.

The Company was founded in 1990, commenced its research and development activities in 1991, completed an initial public offering (the "IPO") in November 1992, commenced clinical trials in December 1994, acquired two FDA-cleared products, Glofil and Inulin, in August 1995, acquired a third FDA-cleared product, Ethamolin, in November 1996, and acquired the DIMAC technology and two related FDA-cleared products in November 1997. The Company has sustained an accumulated deficit of $21,185,431 from inception through April 30, 1998. As the Company will not have positive net operating cash flow for the next few years and the Company's sales and marketing, research and development, clinical testing and regulatory and general and administrative expenses during these years will be substantial and increasing, the Company expects to incur increasing losses for the foreseeable future.

Results of Operations

Three Months Ended April 30, 1998 Versus Three Months Ended April 30, 1997

During the quarter ended April 30, 1998, the Company reported sales of $824,399, a 14.9% increase over the $717,658 reported in the prior-year period, principally due to continued strong Ethamolin sales, and a gross profit on sales of $621,648, a 9.2% increase over the $569,504 reported in the prior-year period. During the quarter, the Company's largest Glofil customer informed the Company that it will soon terminate two clinical trials which require Glofil to be used as part of their protocols. The Company expects the loss of sales to this customer to slow the rate of overall sales growth for the next six to nine months.

As a percent of sales, the gross margin in the current quarter was 75.4% compared to 79.4% in the prior-year period, as the high gross profit margin on Ethamolin was offset by costs incurred by the Company in entering into a joint venture with another company to manufacture Glofil. The Company expects the new manufacturing facility (a) to lower the Glofil cost of sales and (b) to ship product by the middle of fiscal year 1999. Total operating expenses increased 26.0% during the quarter to $2,339,994 from $1,856,657 during the prior-year quarter. Sales and marketing expense increased by more than 15.3% principally due to increased promotional costs for Glofil. General and administrative expense increased 23.0% principally due to the salary expense of the DIMAC project manager, the reimbursement of legal fees in connection with the acquisition of the DIMAC technology, and consulting, travel and other expenses related to the DIMAC manufacturing scale-up.

During the current quarter, grant income increased 100%, as the Company received a new grant which it did not have in the previous year's quarter.

Net interest and other income for the current quarter increased more than 69.6% to $234,867 from $138,486 during the prior-year quarter, principally because the Company had a larger investment portfolio during the current quarter (as a result of the March 1997 common stock private placement and the November 1997 exercises of the Company's Redeemable Class B Warrants) which yielded more interest income.

Amortization of discount and costs on mandatorily convertible notes (the "Notes") decreased 90.6% to $30,317 in the current quarter from $322,347 in the prior-year quarter principally as a result of the fact that the amortization of discounts on the Notes was allocated over the lock-up periods for the Noteholders which began on the date of closing of the transactions in April and July 1996 and ended on the first possible conversion dates which ranged from January 1997 to July 1997. Thus, all of the amortization of the discount was recognized by the end of fiscal 1997, and the current quarter's amortization relates completely to deferred financing costs.

The financing costs of the Notes are amortized as Notes are converted in proportion to the percentage of outstanding Notes converted, but no less than on a straight-line basis over the three-year maturity of the Notes. At the end of the current quarter only $3,120 of these costs remained to be amortized. The decline in this amortization expense is the principal reason for the decreased net loss for the quarter of $1,467,603 (or $.09 per share), compared to a loss of $1,471,014 (or $.12 per share) for the prior-year quarter. During the current quarter, $466,100 in principal amount of the Notes was exercised into 157,618 shares of Common Stock and $48,300 in principal amount remained outstanding as of April 30,1998.

Nine Months Ended April 30, 1998 Versus Nine Months Ended April 30, 1997

During the nine months ended April 30, 1998, the Company reported sales of $2,511,860, a 50.2% increase over the $1,672,454 reported in the prior-year period, principally due to the acquisition of Ethamolin, and a gross profit on sales of $1,933,391, a 50.5% increase over the $1,284,438 reported in the prior-year period. As a percent of sales, the gross margin in the current period was 77.0% compared to

76.8% in the prior-year period.

Total operating expenses increased 20.5% during the current period to $6,581,775 from $5,461,792 during the prior-year period. Sales and marketing expense accounted for 27.0% of the increase in total operating expenses, as it increased 42.7% to $1,008,779 from $706,850 principally due to increased salary expense and increased promotional costs for Glofil. General and administrative expense accounted for 27.7% of the increase in total operating expenses,increasing 16.1% to $2,229,854 from $1,920,045 principally due to increased investor relations programs. Clinical testing and regulatory expense increased by more than 31.9% to $1,770,827 from $1,342,200 principally due to increased salary expense and certain toxicology studies on the clinicalprograms. Depreciation and amortization expense increased more than 17.2% to $904,706 from $772,029, principally due to increased amortization of purchased technology related to the acquisition of Ethamolin. The current period expense reflects nine months of such amortization, while the prior period only reflects six months of such expense, since the acquisition occurred in November 1996.

In addition, net interest and other income for the current period increased 44.7% to $757,194 from $523,199 during the prior-year period for the reasons set forth in the three-month analysis.

Amortization of discount and costs on mandatorily convertible notes (the "Notes") decreased 84.7% to $256,007 in the current period from $1,673,046 in the prior-year period for the same reason discussed above in the three-month analysis. The decline in this expense is the principal reason for the decreased net loss for the nine months of $4,028,496 (or $.27 per share), compared to a loss of $5,247,711 (or $.44 per share) for the prior-year period.

Liquidity and Capital Resources

The Company has principally funded its activities to date through various issuances of equity securities, which have raised total net proceeds of $30.3 million, as well as product sales.

At April 30, 1998, the Company had cash, cash equivalents and short-term investments of $14,466,518 compared to $14,567,271, at July 31,1997. At April 30, 1998, working capital was $14,442,163, compared to $13,052,547 at July 31, 1997. The increase in both balance sheet items was principally due to the receipt of the proceeds from the exercise of the Redeemable Class B Warrants.

The Company expects that its cash needs will increase significantly in future periods due to expansion of research and development programs, increased clinical testing activity, growth of administrative, clinical and laboratory staff and expansion of facilities to accommodate increased numbers of employees. The Company's management believes that the Company's working capital will be sufficient to fund the operations of the Company for more than two years dependent, in part, on the timing of the commencement of each phase of the clinical trials on Cordox and Ceresine and the funding priorities that it gives its various research programs, the results of clinical tests and research programs; competing technological and market developments; the time and costs involved in obtaining regulatory approvals and in obtaining, maintaining and enforcing patents; the cost of product acquisitions, the delay in scaling up manufacturing operations, the growth in sales of the acquired products and their resulting cash flows and other factors.

The Company is funding a significant portion of its operating expenses through cash flow from product sales, but expects to seek additional funds through exercises of its currently outstanding options and warrants, public or private equity financings, collaborations or from other sources. There can be no assurance that additional funds can be obtained on desirable terms or at all. The Company may seek to raise additional capital whenever conditions in the financial markets are favorable, even if the Company does not have an immediate need for additional cash at that time.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Carlsbad, County of San Diego, State of California, on the 8th day of June, 1998.

CYPROS PHARMACEUTICAL CORPORATION

By /s/ Paul J. Marangos
- --------------------------
Paul J. Marangos
Chairman of the Board,
President and Chief Executive Officer

/s/ David W. Nassif
- --------------------------
David W.Nassif
Senior Vice President, Chief Financial Officer
and Secretary
(Principal Financial and Accounting Officer)

[ARTICLE] 5
[LEGEND]
This schedule contains summary financial information extracted from the
Form 10Q for the Period Ended April 30, 1998 and is qualified to its
entirety by reference to such financial statements
[/LEGEND]

[PERIOD-TYPE]	9-MOS
[FISCAL-YEAR-END]	JUL-31-1998
[PERIOD-END]	APR-30-1998
[CASH]	3,698,556
[SECURITIES]	10,767,962
[RECEIVABLES]	378,473
[ALLOWANCES]	0
[INVENTORY]	109,274
[CURRENT-ASSETS]	143,289
[PP&E]	8,317,394
[DEPRECIATION]	(2,788,962)
[TOTAL-ASSETS]	20,942,806
[CURRENT-LIABILITIES]	655,391
[BONDS]	270,868
[PREFERRED-MANDATORY]	0
[PREFERRED]	0
[COMMON]	41,218,293
[OTHER-SE]	(21,185,431)
[TOTAL-LIABILITY-AND-EQUITY]	20,942,806
[SALES]	2,511,860
[TOTAL-REVENUES]	3,456,418
[CGS]	578,469
[TOTAL-COSTS]	7,160,244
[OTHER-EXPENSES]	267,315
[LOSS-PROVISION]	0
[INTEREST-EXPENSE]	57,355
[INCOME-PRETAX]	(4,028,496)
[INCOME-TAX]	0
[INCOME-CONTINUING]	(4,028,496)
[DISCONTINUED]	0
[EXTRAORDINARY]	0
[CHANGES]	0
[NET-INCOME]	(4,028,496)
[EPS-PRIMARY]	(0.27)
[EPS-DILUTED]	(0.27)