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 Quarterly Period ended March 31, 2002

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: 000-14242

CELSION CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware	52-1256615
State or Other Jurisdiction of Incorporation or Organization	(I.R.S. Employer Identification No.)

10220-I Old Columbia Road, Columbia, Maryland	21046-1705
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code (410) 290-5390

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 90 days. Yes X No ____

As of May 14, 2002, the Registrant had outstanding 89, 849, 847 shares of Common Stock, $.01 par value.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

Index to Financial Statements

CELSION CORPORATION
BALANCE SHEETS
March 31, 2002 and September 30, 2001

ASSETS

	March 31, 2002 (Unaudited)	September 30, 2001
Current assets:		
Cash and cash equivalents	$3,530,095	$2,510,136
Accounts receivable - trade	2,475	1,205
Inventories	47,730	--
Prepaid expenses	50,102	--
Total current assets	3,630,402	2,511,341
Property and equipment - at cost:		
Furniture and office equipment	252,572	229,643
Laboratory and shop equipment	89,354	87,193
	341,926	316,836
Less accumulated depreciation	155,227	127,556
Net value of property and equipment	186,699	189,280
Other assets:		
Deposits	395,603	179,537
Patent licenses (net of amortization)	68,788	76,703
Total other asset	464,391	106,240
Total assets	$4,281,492	$2,956,861

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2002 (Unaudited)	September 30, 2001
Current liabilities:		
Accounts payable - trade	$ 450,239	$ 145,520
Other accrued liabilities	225,142	126,921
Total current liabilities	675,381	272,441
Long-term Liabilities:		
Security deposit	--	15,203
Total liabilities	675,381	287,644
Stockholders' equity:		
Capital stock $.01 par value;150,000,000 shares authorize 89,749,847 and 76,876,761 shares issued and outstanding at March 31, 2002 and September 30, 2001, respectively	897,498	768,768
Series A 10% Convertible Preferred Stock -- $1,000 par value, 7,000 shares authorized, 1,086 and 1,099 shares issued and outstanding at March 31, 2002 and September 30, 2001, respectively	1,085,875	1,099,584
Additional paid-in capital	40,667,825	34,406,022
Accumulated deficit	(39,045,087)	(33,605,157)
Total stockholders' equity	3,606,111	2,669,217
Total liabilities and stockholders' equity	$ 4,281,492	$ 2,956,861

See accompanying notes.

CELSION CORPORATION
STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001	Six Months Ended March 31, 2002	Six Months Ended March 31, 2001
Revenue:				
Hyperthermia sales and parts ...	$ --	$ 1,858	$ --	$ 1,858
Total revenue	--	1,858	--	1,858
Cost of sales	--	--	--	--
Gross profit	--	1,858	--	1,858
Operating expenses:				
General and administrative	1,998,406	982,792	2,539,653	1,913,951
Research and development	1,759,775	669,820	2,882,996	1,248,321
Total operating expenses ..	3,758,181	1,652,612	5,422,649	3,162,272
Loss from operations	(3,758,181)	(1,650,754)	(5,422,649)	(3,160,414)
Loss on disposal of property ...... and equipment	(1,825)	--	(1,825)	--
Interest income	18,749	94,833	29,809	207,406
Loss before income taxes	(3,741,257)	(1,555,871)	(5,394,665)	(2,953,008)
Income taxes	--	--	--	--
Net loss	$ (3,741,257)	$ (1,555,871)	$ (5,394,665)	$ (2,953,008)
Net loss per common share (basic) .	$ (0.04)	$ (0.02)	$ (0.06)	$ (0.04)
Weighted average shares outstanding	89,291,710	71,109,723	84,008,495	67,775,376

See accompanying notes.

CELSION CORPORATION

STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended March 31, 2002	2001
Cash flows from operating activities:		
Net loss	$(5,394,665)	$(2,953,008)
Noncash items included in net loss:		
Depreciation and amortization	39,091	30,498
Common stock and stock options issued for operating expenses	266,829	313,591
Preferred shares converted into common stock	--	216,416
Legal settlement expense	476,724	--
Loss on disposal of property and equipment ..	1,825	--
Net changes in:		
Accounts receivable	(1,270)	7,136
Inventories	(47,730)	(4,455)
Prepaid expenses	(50,102)	(83,111)
Other assets	(216,066)	(100,000)
Accounts payable - trade	304,719	(5,282)
Accrued interest payable	--	(155,373)
Other liabilities	83,018	5,294
Net cash used by operating activities ...	(4,537,627)	(2,728,294)
Cash flows from investing activities:		
Purchase of property and equipment	(30,420)	(74,652)
Net cash used by investing activities	(30,420)	(74,652)
Cash flows from financing activities:		
Proceeds of stock issuances	5,588,006	115,000
Net cash provided by financing activities	5,588,006	115,000
Net increase (decrease) in cash	1,019,959	(2,687,946)
Cash at beginning of period	2,510,136	8,820,196
Cash at end of the period	$ 3,530,095	$ 6,132,250

See accompanying notes.

CELSION CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying unaudited condensed financial statements of Celsion Corporation (the "Company"), have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals considered necessary for a fair presentation, have been included in the accompanying unaudited financial statements. Operating results for the six months ended March 31, 2002 are not necessarily indicative of the results that may be expected for any other interim period or for the full year ending September 30, 2002. For further information, refer to the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001.

Note 2. Common Stock Outstanding and Per Share Information

For the quarters and six-month periods ended March 31, 2002 and 2001, per share data is based on the weighted average number of shares of Common Stock outstanding. Outstanding warrants and options that can be converted into Common Stock are not included, as their effect is anti-dilutive.

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

Forward-Looking Statements

Statements and terms such as "expect", "anticipate", "estimate", "plan", "believe" and words of similar import, regarding the Company's expectations as to the development and effectiveness of its technologies, the potential demand for its products, and other aspects of its present and future business operations, constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes that its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, the Company cannot guarantee that actual results will not differ materially from its expectations. In evaluating such statements, readers should specifically consider the various factors contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001, which could cause actual results to differ materially from those indicated by such forward-looking statements, including those set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations--Risk Factors", as well as those set forth below and elsewhere in this Report.

General

Since inception, the Company has incurred substantial operating losses. The Company expects operating losses to continue and possibly increase in the near term and for the foreseeable future as it continues its product development efforts, conducts clinical trials and undertakes marketing and sales activities for new products. The Company's ability to achieve profitability is dependent upon its ability successfully to integrate new technology into its thermotherapy systems, conduct clinical trials, obtain governmental approvals, and manufacture, market and sell its new products. Major obstacles facing the Company over the last several years have included inadequate funding, a negative net worth, and the slow development of the thermotherapy market due to technical shortcomings of the thermotherapy equipment available commercially. The Company has not continued to market its older thermotherapy system, principally because of the system's inability to provide heat treatment for other than surface and sub-surface tumors, and has concentrated its efforts on a new generation of thermotherapy products.

The operating results of the Company have fluctuated significantly in the past on an annual and a quarterly basis. The Company expects that its operating results will fluctuate significantly from quarter to quarter in the future and will depend on a number of factors, many of which are outside the Company's control

Results of Operations

Comparison of Three Months Ended March 31, 2002 and Three Months Ended March 31, 2001

There were no product sales for the three months ended March 31, 2002. No product revenues are expected until the Company's equipment incorporating new technologies receives the necessary approvals from governmental regulatory agencies. The new equipment is currently in pivotal Phase II clinical testing.

General and administrative expense increased by 103%, to $1,998,406 for the three months ended March 31, 2002, from $982,792 for the comparable period in 2001. The increase of $1,015,614 was due to several factors. First, the Company incurred costs associated with settlement of its ongoing lawsuit with Warren C. Stearns and his associates. Under the terms of the settlement, Celsion issued to the Stearns group certain common stock purchase warrants that were at issue in the litigation, together with additional warrants as compensation for relinquishment of certain anti-dilution rights under the disputed warrants and up to $265,000 in cash to reimburse Stearns for costs incurred up to the settlement date. Second, during this quarter, the Company accrued the remaining amounts due to Spencer J. Volk, its former President and Chief Executive Officer, under the terms of the agreement governing his retirement. Finally, the Company incurred consulting costs related to the exploration of the feasibility of setting up a business in China (including Hong Kong, Taiwan and Macao). These increased costs were partially offset by the allocation of general expenses (including rent, utilities, office services, etc.) between administration and research and development.

Research and development expense increased by 163%, or $1,089,955, to $1,759,775 for the current period from $669,820 for the three months ended March 31, 2001. This increase was due to the allocation of general expenses discussed above, the cost of benign prostatic hyperplasia ("BPH") clinical trials, establishment of a clinical monitoring team and engineering costs related to commercializing the design of the BPH device. The Company expects expenditures on research and development to increase for the remainder of the current fiscal year as it completes its BPH Phase II clinical trials, submits the data to the Food and Drug Administration (the "FDA") in connection with its application for pre-marketing approval and undertakes the approval process. Additionally the Company intends to accelerate its Phase II breast cancer clinical trials and has submitted to the FDA Investigational New Drug applications, and potentially to initiate Phase I clinical trials, for several indications for its Doxorubicin-laden heat activated liposomes.

The increased expenditures, discussed above, resulted in an increase in the loss from operations for the three-month period ended March 31, 2002 of $2,107,427, to ($3,758,181) from ($1,650,754) in the comparable period during the prior fiscal year.

Comparison of Six Months Ended March 31, 2002 and Six Months Ended March 31, 20001

There were no product sales for the six months ended March 31, 2002. No product revenues are expected until the Company's equipment incorporating new technologies receives the necessary approvals from governmental regulatory agencies. The new equipment is currently in pivotal Phase II clinical testing.

General and administrative expense increased by 33%, to $2,539,653, for the six months ended March 31, 2002, from $1,913,951 for the comparable period in 2001. The increase of $625,702 was due to several factors. First, the Company incurred costs associated with settlement of its ongoing lawsuit with Warren C. Stearns and his associates. Under the terms of the settlement, Celsion issued to the Stearns group certain common stock purchase warrants that were at issue in the litigation, together with additional warrants as compensation for relinquishment of certain anti-dilution rights under the disputed warrants and up to $265,000 in cash to reimburse Stearns for costs incurred up to the settlement date. Second, the Company accrued the remaining amounts due to Spencer J. Volk, its former President and Chief Executive Officer, under the terms of the agreement governing his retirement. Finally, the Company incurred consulting costs related to the exploration of the feasibility of setting up a business in China (including Hong Kong, Taiwan and Macao). These increased costs were partially offset by the allocation of general expenses (including rent, utilities, office services, etc.) between administration and research and development.

Research and development expense increased by 131%, to $2,882,996 for the current period from $1,248,321 for the six months ended March 31, 2001. This increasewas due to the allocation of general expenses discussed above, the cost of BPH clinical trials, establishment of a clinical monitoring team and engineering costs related to commercializing the design of the BPH device. The Company expects expenditures on research and development to increase for the remainder of the current fiscal year as it completes its BPH Phase II clinical trials, submits the data to the FDA in connection with its application for pre-marketing approval and undertakes the approval process. Additionally the Company intends to accelerate its Phase II breast cancer clinical trials and has submitted to the FDA Investigational New Drug applications, and potentially initiate Phase I clinical trials, for several indications for its doxorubicin-laden heat activated liposomes.

The increased expenditures, discussed above, resulted in an increase in the loss from operations for the six-month period ended March 31, 2002 of $2,262,235, to ($5,422,649) from ($3,160,414) in the comparable period during the prior fiscal year.

Liquidity and Capital Resources

Since inception, the Company's expenses have significantly exceeded its revenues, resulting in an accumulated deficit of $39,045,087 at March 31, 2002. The Company has incurred negative cash flows from operations since its inception, and has funded its operations primarily through the sale of equity securities. As of March 31, 2002, the Company had total current assets of $3,630,402, including cash and cash equivalents of $3,530,095, current liabilities of $675,381 and a working capital surplus of $2,955,021. As of September 30, 2001, the Company had total current assets of $2,661,341, including cash and cash equivalents of $2,510,136, current liabilities of $272,441, and a working capital surplus of $2,388,900. Net cash used in the Company's operating activities was $4,537,627 for the six months ending March 31, 2002.

The Company does not have any bank financing arrangements and has funded its operations in recent years primarily through private placement offerings. For all of fiscal year 2002, the Company expects to expend a total of about $7.5 million for research, development and administration. This aggregate expenditure amount is an estimate based upon assumptions as to the scheduling and cost of institutional clinical research and testing personnel, the timing of clinical trials and other factors, not all of which are fully predictable or within the control of the Company. Accordingly, estimates and timing concerning projected expenditures and programs are subject to change from time to time and such changes may be material.

The Company expects to meet its funding needs for the remainder of fiscal year 2002 from its current resources, including funds generated from a private placement of equity completed on January 9, 2002.

The Company's dependence on raising additional capital will continue at least until such time, if any, as the Company is able to begin marketing its new technologies. The Company's future capital requirements and the adequacy of its financing depend upon numerous factors, including the successful commercialization of its thermotherapy systems, progress in its product development efforts, progress with pre-clinical studies and clinical trials, the cost and timing of production arrangements, the development of effective sales and marketing activities, the cost of filing, prosecuting, defending and enforcing intellectual property rights, competing technological and market developments, and the development of strategic alliances for the marketing of its products. The Company will be required to obtain such funding through equity or debt financing, strategic alliances with corporate partners and others, or through other sources not yet identified. The Company does not have any committed sources of additional financing and cannot guarantee that additional funding will be available in a timely manner, or on acceptable terms, if at all. If adequate funds are not available in a timely manner and on acceptable terms, the Company may be required to delay, scale back or eliminate certain aspects of its operations or attempt to obtain funds through arrangements with collaborative partners or others that may require the Company to relinquish rights to certain of its technologies, product candidates, products or potential markets.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

Not applicable.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

The following information was reported by the Company under Item 5 in a Current Report on Form 8-K dated January 25, 2002 filed with the Securities and Exchange Commission (the "SEC") on January 29, 2002:

> As previously reported, on April 27, 2000, the Company commenced an action (the "Original Suit") in the United States District Court for the District of Maryland (the "Maryland Court") against Warren C. Stearns, a former director of the Company ("W.C. Stearns"), Mr. Stearns' management company and a number of his affiliates, family members and colleagues (collectively, the "Original Defendants"), who held warrants (the "Original Warrants") for the purchase of approximately 4.1 million shares of the Company's Common Stock at $0.41 per share. On January 18, 2001, the Maryland Court transferred the case to the United States District Court for the Northern District of Illinois, in Chicago (the "Chicago Court"). On July 17, 2001, the Company filed a motion to amend its complaint to add a second count, alleging that Mr. Stearns, on behalf of himself and the other Original Defendants, had executed a Mutual Release which released any right the Original Defendants had to exercise the warrants ("Count II"). The motion was granted on July 19, 2001.
>
> On August 9, 2001, the Original Defendants filed a counterclaim (the "Counterclaim") against the Company, certain of its officers and directors, and an attorney and law firm that previously had represented the Company. On September 10, 2001, the Chicago Court dismissed, with prejudice, Count I of the Complaint. On November 23, 2001, the Company and certain of its officers and directors filed a motion to dismiss the Counterclaim.
>
> On January 25, 2002, the Company and Augustine Y. Cheung, Spencer J. Volk, Walter B. Herbst, LaSalle D. Leffall, Claude Tihon, John Mon, Max E. Link (all of whom are present or former officers and/or directors of the Company), George Bresler, Bresler, Goodman & Unterman LLP and The George Bresler Trust on the one hand (collectively, the "Company Parties"), and Stearns Management Company, Anthony Riker, Ltd., John T. Horton, The George T. Horton Trust, Warren R. Stearns, Charles A. Stearns, and W.C. Stearns (collectively, the "Stearns Parties"), on the other hand, entered into a settlement agreement (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the Company, among other things, has agreed (a) to pay to W.C. Stearns the lesser of (i) the Stearns Parties' actual legal fees, costs and expenses incurred in connection with the Original Suit, the Counterclaim and the Settlement Agreement or (ii) $265,000; (b) to issue to the Stearns Parties warrants (the "Settlement Warrants") to purchase a total of 6,325,821 shares of the Company's Common Stock, at an exercise price of $0.01 per share; and (c) to register for resale the shares underlying the Settlement Warrants. The Settlement Warrants are in replacement of the Original Warrants, the validity of which was at issue in the Original Suit. However, while the Original Warrants, among other things, contained antidilution provisions ensuring the Stearns Parties the right to purchase 4.6875% of the Company's Common Stock, on a fully diluted basis, until completion of the Company's next public offering (as defined) and a renewal right at the election of the

holder, the Settlement Warrants contain no such provisions. In addition, pursuant to the Settlement Agreement, the Company Parties, on the one hand, and the Stearns Parties, on the other, unconditionally released one another from any and all claims arising prior to the effective date of the Settlement Agreement and agreed to dismiss, with prejudice, the Original Suit, including the Counterclaim.

The Settlement Agreement has the effect of fully and finally resolving the matters in dispute in the Original Suit and the Counterclaim between the Company Parties, on the one hand, and the Stearns Parties, on the other hand.

Item 2. Change in Securities.

During the fiscal quarter ended March 31, 2002, the Company issued the following securities without registration under the Securities Act of 1933, as amended (the "Securities Act"):

The Company issued a total of 4,228,348 shares of its Common Stock and warrants to purchase an equal number of shares of its Common Stock in connection with a private placement offering made exclusively to "accredited investors" as that term is defined in Rule 501 under the Securities Act. The Common Stock and warrants were issued in units, consisting of one share of Common Stock, and one warrant, exercisable at $0.60 per share and subject to call under certain circumstances, to purchase one share of Common Stock. The units were sold at a price of $0.50 per Unit. As of March 31, 2002, the Company had realized gross proceeds in the amount of $2,114,174 and paid placement agent commissions and expenses in the amount of $241,111 in connection with the sale of these securities in the quarter ended March 31, 2002. The shares issued are restricted stock, endorsed with the Company's standard restricted stock legend, with a stop transfer instruction recorded by the transfer agent. The certificates representing the warrants have a similar restrictive legend. Accordingly, the Company views the shares issued as exempt from registration under Sections 4(2) and/or 4(6) of the Securities Act.

During the quarter, the Company also issued 213,000 shares to four outside consultants for services valued at $115,900. These shares are restricted stock, endorsed with the Company's standard restricted stock legend, with a stop transfer instruction recorded by the transfer agent. Accordingly, the Company views the shares issued as exempt from registration under Sections 4(2) and/or 4(6) of the Securities Act.

At various times during the quarter, the Company issued a total of 16,250 shares of its Common Stock for a cash consideration of $8,475 upon exercise of stock purchase options.

The Company also issued stock purchase options to two outside consultants to purchase a total of 150,000 shares of Common Stock. These options were valued at $68,978. The documents evidencing these securities carry the Company's standard restrictive legend. Accordingly, the Company views the shares issued as exempt from registration under Sections 4(2) and/or 4(6) of the Securities Act.

Item 3. Defaults upon Senior Securities.

Not applicable.

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

On February 15, 2002, the Company held its Annual Meeting of Stockholders (the "Annual Meeting"). At the Annual Meeting, the stockholders voted to elect the following directors to the Board of Directors, to serve as Class I directors for terms of three years each, until the Company's annual meeting of stockholders in 2005 and until their respective successors are elected and shall have qualified:

Name	Results of Stockholder Vote
John Mon...................	Votes For:.......................67,912,751
	Votes Withheld:.....................298,562
Claude Tihon...............	Votes or:........................68,055,551
	Votes Withheld:.....................155,762

In addition, at the Annual Meeting, stockholders voted to ratify the appointment of Stegman & Company as the Company's Independent Public Accountants for the fiscal year ending September 30, 2002. The results of the voting on this matter are as follows:

Votes For:..	68,034,205
Votes Against.......................................	108,192
Abstentions and Broker Non-Votes.....................	68,916

Item 5. Other Information.

Not applicable.

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

(a) Exhibits.

11. Computation of Per Share Earnings.

(b) Reports on Form 8-K.

On January 11, 2002, the Company filed with the SEC a Current Report on Form 8-K reporting, under Item 5, that on January 9, 2002 it completed its private placement (the "Offering") of units ("Units") consisting of one share of common stock, par value $0.01 per share and a warrant to purchase one share of Celsion common stock, at a price of $0.50 per Unit. The Current Report included a press release reporting on completion of the Offering.

On January 29, 2002, the Company filed with the SEC a Current Report on Form 8-K reporting, under Item 5, that on January 25, 2002, the Company and Augustine Y. Cheung, Spencer J. Volk, Walter B. Herbst, LaSalle D. Leffall, Claude Tihon, John Mon, Max E. Link (all of whom are present or former officers and/or directors of the Company), George Bresler, Bresler, Goodman & Unterman LLP and The George Bresler Trust on the one hand (collectively, the "Company Parties"), and Stearns Management Company, Anthony Riker, Ltd., John T. Horton, The George T. Horton Trust, Warren R. Stearns, Charles A. Stearns, and W.C. Stearns on the other hand (the "Stearns Parties"), entered into a settlement agreement the effect of which was t fully and finally to resolve the matters in dispute in the certain ongoing litigation between the Company Parties, on the one hand, and the Stearns Parties, on the other hand.

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: May 14, 2002

CELSION CORPORATION
(Registrant)

By: /s/ Augustine Y. Cheung

Augustine Y. Cheung
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/Anthony P. Deasey

Anthony P. Deasey
Executive Vice President-Finance and Administration and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 11

CELSION CORPORATION
COMPUTATION OF EARNINGS PER SHARE

	Six Months Ended March 31,	
	2002	2001
Net (loss) income	$(5,394,665)	$(2,953,008)
Net (loss) income per common share*	$ (0.06)	$ (0.04)
Weighted average shares outstanding	84,008,495	67,775,376

* Common stock equivalents have been excluded from the calculation of net loss per share as their inclusion would be anti-dilutive.