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, 2001

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, 2001, the Registrant had outstanding 76,356,043 shares of Common Stock, $.01 par value.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Index to Financial Statements

CELSION CORPORATION

BALANCE SHEETS

as of March 31, 2001 and September 30, 2000

ASSETS

	March 31, 2001 (Unaudited)	September 30, 2000
Current assets:		
Cash and cash equivalents	$ 6,132,250	$ 8,820,196
Accounts receivable - trade	2,922	2,307
Accrued interest receivable	--	7,751
Inventories	17,993	13,538
Prepaid expenses	105,528	22,417
Other current assets	134,356	34,356
Total current assets	6,393,049	8,900,565
Property and equipment - at cost:		
Furniture and office equipment	186,948	146,287
Laboratory and shop equipment	86,969	52,978
Less accumulated depreciation	97,123	74,540
Net value of property and equipment	176,794	124,725
Other assets:		
Patent licenses (net of amortization)	84,617	92,531
Total assets	$ 6,654,460	$ 9,117,821

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2001	September 30, 2000
Current liabilities:		
Accounts payable - trade	$ 55,190	$ 60,472
Notes payable	111,591	114,778
Accrued interest payable	--	155,373
Other accrued liabilities	69,250	60,769
Total current liabilities	236,031	391,392
Stockholders' equity:		
Common stock $.01 par value - 150,000,000 shares authorized, 76,287,567 and 64,372,067 shares issued and outstanding for March 31,2001 and September 30,2000 respectively;	762,876	643,721
Series A 10% Convertible Preferred Stock - $1,000 par value, 7,000 shares authorized, 1,147 and 5,176 shares issued and outstanding for March 31,2001 and September 30,2000, respectively;	1,147,380	5,176,000
Additional paid-in capital	34,094,977	29,354,125
Accumulated deficit	(29,586,804)	(26,447,417)
Total stockholders' equity	6,418,429	8,726,429
Total liabilities and stockholders' equity	$ 6,654,460	$ 9,117,821

See accompanying notes.

CELSION CORPORATION

STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2001	2000	2001	2000
Revenue:				
Hyperthermia sales and parts	$ 1,858	$ 3,465	$ 1,858	$ 3,465
Total revenue	1,858	3,465	1,858	3,465
Cost of sales	--	--	--	--
Gross profit	1,858	3,465	1,858	3,465
Operating expenses:				
General and administrative	982,792	746,368	1,913,951	1,232,832
Research and development	669,820	400,195	1,248,321	755,774
Total operating expenses	1,652,612	1,146,563	3,162,272	1,988,606
Loss from operations	(1,650,754)	(1,143,098)	(3,160,414)	(1,985,141)
Other income	94,883	60,750	207,459	68,441
Interest expense	--	(188)	(53)	(499)
Loss before income taxes	(1,555,871)	(1,082,536)	(2,953,008)	(1,917,199)
Income taxes	--	--	--	--
Net loss	(1,555,871)	(1,082,536)	(2,953,008)	(1,917,199)
Net loss per common share (basic)	($0.02)	($0.02)	($0.04)	($0.03)
Weighted average shares outstanding	71,109,723	56,424,722	67,775,376	55,120,781

See accompanying notes.

CELSION CORPORATION

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31, 2001 (Unaudited)	2000 (Unaudited)
Cash flows from operating activities:		
Net loss	$(2,953,008)	$(1,917,199)
Noncash items included in net (loss) income:		
Depreciation and amortization	30,498	17,082
Stock based compensation	313,591	--
Preferred shares converted into common stock	216,416	--
Net changes in:		
Accounts receivable	7,136	(10,012)
Inventories	(4,455)	--
Prepaid expenses	(83,111)	(189,619)
Other current assets	(100,000)	(36,197)
Accounts payable-trade	(5,282)	102,298
Accrued interest payable	(155,373)	(13,800)
Accrued compensation	--	(91,009)
Other accrued liabilities and deferred revenue	5,294	93,852
Net cash used by operating activities	(2,728,294)	(2,044,604)
Cash flows from investing activities:		
Purchase of property and equipment	(74,652)	(53,525)
Net cash used by investing activities	(74,652)	(53,525)
Cash flows from financing activities:		
Payment on notes payable (net)	--	(10,000)
Payment on capital leases (net)	--	(638)
Proceeds of stock issuances	115,000	10,370,579
Net cash provided by financing activities	115,000	10,359,941
Net (decrease) increase in cash	(2,687,946)	8,261,812
Cash at beginning of period	8,820,196	1,357,464
Cash at end of the period	$ 6,132,250	$ 9,619,276

See accompanying notes.

CELSION CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying unaudited condensed financial statements, which include the accounts of Celsion Corporation (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 Article 10 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, 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, 2001 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2001. 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, 2000.

Note 2. Common Stock Outstanding and Per Share Information

For the quarters and six-month periods ended March 31, 2001 and 2000, per share data is based on the weighted average number of shares of Common Stock outstanding. Outstanding warrants and options which can be converted into Common Stock are not included as their effect is anti-dilutive.

Note 3. Inventories

Inventories are carried at the lower of actual cost or market, and cost is determined using the average cost method. Parts held in inventory as of March 31, 2001 are held as replacements and spares for occasional repair of older systems sold in previous years.

The components of inventories as of March 31, 2001 and September 30, 2000 are as follows:

	March 31, 2001	September 30, 2000
Materials	$ 6,985	$ 5,059
Work - in - process	11,008	8,479
Finished products	$ 17,993	$ 13,538

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 technology, 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, 2000, 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. These factors included, but are not limited to unforeseen changes in the course of research and development activities and in clinical trials; possible changes in cost and timing of development and testing, capital structure, and other financial items; changes in approaches to medical treatment; introduction of new products by others; possible acquisitions of other technologies, assets or businesses; and possible actions by customers, suppliers, competitors, regulatory authorities.

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, 2001 and Three Months Ended March 31, 2000

Revenue decreased to $1,858 for the three months ended March 31, 2001 compared to $3,465 for the three months ended March 31, 2000. No significant new product revenues are expected until such time, if any, as 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 32% to $982,792 for the three months ended March 31, 2001, from $746,368 for the comparable period in 2000. The increase of $236,424 was due primarily to increased staff, consulting, travel, and legal expenses. The Company also expanded and upgraded its office space, to accommodate increased staff, resulting in an increase in rent.

Research and development expense increased by 67% to $669,820 for the current period from $400,195 for the three months ended March 31, 2000. The increase in 2001 expenditure was mainly due to the cost of engineering of the Company's BPH and breast cancer treatment equipment. The Company expects expenditures on research and development to increase for the remainder of the current fiscal year as it continues pivotal Phase II clinical trials for its breast cancer and BPH treatment systems.

The increased expenditures, discussed above, resulted in an increase in the loss from operations for the three month period ended March 31, 2001 of $507,656, to ($1,650,754) from $(1,143,098) in the comparable period during the prior year.

Comparison of Six Months Ended March 31, 2001 and Six Months Ended March 31, 2000

Revenue decreased to $1,858 for the six months ended March 31, 2001 compared to $3,465 for the six months ended March 31,2000. No significant new product revenues are expected until such time, if any, as 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 55% to $1,913,951 for the six months ended March 31, 2001, from $1,232,832 for the comparable period in 2000. The increase of $681,119 was due primarily to increased staff, consulting, travel, legal expenses and costs associated with a registration statement filed by the Company and subsequently withdrawn in December 2000. The Company also expanded and upgraded its office space, to accommodate increased staff, resulting in an increase in rent.

Research and development expense increased by 65% to $1,248,321 for the current period from $755,774 for the six months ended March 31, 2000. The increase in 2001 expenditure was mainly due to the cost of engineering of the Company's BPH and breast cancer treatment equipment. The Company expects expenditures on research and development to increase for the remainder of the current fiscal year as it continues pivotal Phase II clinical trials for its breast cancer and BPH treatment systems.

The increased expenditures discussed above resulted in an increase in the loss from operations for the six month period ended March 31, 2001 of $1,175,273, to ($3,160,414) from $(1,985,141) in the comparable period during the prior year.

Liquidity and Capital Resources

Since inception, the Company's expenses have significantly exceeded its revenues, resulting in an accumulated deficit of ($29,586,804) at March 31, 2001. 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, 2001, the Company had total current assets of $6,393,049, including cash and cash equivalents of $6,132,250, current liabilities of $236,031 and a working capital surplus of $6,157,018. As of September 30, 2000, the Company had total current assets of $8,900,565, including cash and cash equivalents of $8,820,196, current liabilities of $391,392, and a working capital surplus of $8,509,173. Net cash used in the Company's operating activities was $2,728,294 for the six months ending March 31, 2001.

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 2001, the Company expects to expend a total of about $7 million for research, development and administration, of which approximately $2,728,294 had been expended during the six months ended March 31, 2001. This aggregate expenditure amount is an estimate based upon assumptions such as, 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.

The Company expects to meet its funding needs for fiscal year 2001 from its current resources.

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.

On April 27, 2000, we commenced an action in the United States District Court for the District of Maryland against Warren C. Stearns, a former director, Mr. Stearn's management company, SMC, and a number of Mr. Stearns' family members and colleagues who hold certain warrants for the purchase of approximately 3.4 million shares of our Common Stock. These warrants were intended as compensation for certain investment banking, brokerage and financing services rendered and to be rendered by Mr. Stearns and SMC. We have reviewed with our attorneys the circumstances surrounding the issuance of these warrants and the services that were performed or purported to be performed by Mr. Stearns and SMC, and have concluded that these warrants should be rescinded. We believe that the issuance of these warrants was in violation of Section 15 of the Securities and Exchange Act of 1934 and constitutes a voidable transaction under the provisions of Section 29 of that Act.

The defendants in the litigation have moved to dismiss the complaint on various technical grounds, including statute of limitations. On January 18, 2001, the Maryland District Court denied the defendants' motion to dismiss for lack of personal jurisdiction but granted the defendants' motion that venue was improper. The Maryland District Court transferred the matter to the United States District Court for the Northern District of Illinois, in Chicago, and referred the remaining grounds for dismissal raised in the defendants' motion to dismiss to the Illinois District Court.

Item 2. Change in Securities.

During the fiscal quarter ended March 31, 2001, the Company issued the following securities without registration under the Securities Act of 1933, as amended (the "Securities Act"):

1. At various times during the quarter, the Company issued a total of 360,000 shares of its Common Stock for a cash consideration of $115,000 upon exercise of stock options and warrants. 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. The cash consideration received by the Company was added to working capital to be used for general corporate purposes.

2. At various times during the quarter, the Company issued a total of 11,439,933 shares of its Common Stock upon conversion of 4,690 shares of its Series A 10% Convertible Preferred Stock. 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 3(a)(9), 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.

Not applicable.

Item 5. Other Information.

Not applicable.

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

(b) Exhibits.

(b) Computation of per share earnings.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: May 14, 2001

CELSION CORPORATION

(Registrant)

By: /s/ Spencer J. Volk

Spencer J. Volk
President and Chief Executive Officer

By: /s/ Anthony P. Deasey

Anthony P. Deasey
Chief Financial Officer

EXHIBIT 11

CELSION CORPORATION
COMPUTATION OF EARNINGS PER SHARE

	Three Months Ended March 31,	
	2001	2000
Net (loss) income	($1,555,871)	($1,082,536)
Net (loss) income per common share*	($0.02)	($0.02)
Weighted average shares outstanding	71,109,723	56,424,722

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