U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(MARK ONE)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED June 30, 1998

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
FOR THE TRANSITION PERIOD FROM ______________ TO ______________

COMMISSION FILE NUMBER 0-26918

CYTOCLONAL PHARMACEUTICS INC.
(Exact Name of Small Business Issuer as Specified in Its Charter)

DELAWARE	75-2402409
(State or Other jurisdication of incorporation or Organization)	(I.R.S. Employer Identification Number)

9000 HARRY HINES BOULEVARD, SUITE 330, DALLAS, TEXAS 75235
(Address of Principal Executive Offices)

(214)-353-2922
(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 10,173,352 shares of common stock, $.01 par value, outstanding as of August 12, 1998.

CYTOCLONAL PHARMACEUTICS INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CYTOCLONAL PHARMACEUTICS INC.

BALANCE SHEETS

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ASSETS	JUNE 30, 1998 (unaudited)	DECEMBER 31, 1997
<S>	<C>	<C>
Current assets:		
Cash	$ 9,031,000	$ 1,849,000
Prepaid expenses and other current assets	44,000	35,000
Total current assets	9,075,000	1,884,000
Equipment, net	131,000	127,000
Patent rights, less accumulated amortization of $502,000 and $463,000	749,000	787,000
Other assets	4,000	4,000
T O T A L	$ 9,959,000	$ 2,802,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	691,000	460,000

Deferred revenue from research and development collaborative contract	461,000	
Current portion of royalties payable	125,000	94,000
Total current liabilities	1,277,000	554,000
Royalties payable less current portion	1,063,000	1,125,000
Total liabilities	2,340,000	1,679,000
Stockholders' equity:		
Preferred stock - $.01 par value, 10,000,000 shares authorized; 822,266 and 934,563 shares of Series A convertible preferred issued and outstanding at June 30, 1998 and December 31, 1997, respectively (liquidation value $2,056,000 and $2,336,000 at June 30, 1998 and December 31, 1997, respectively)	8,000	9,000
Common Stock - $.01 par value, 30,000,000 shares authorized: 10,125,989 and 8,793,998 shares issued and outstanding at June 30, 1998 and December 31, 1997, respectively	101,000	88,000
Additional paid-in capital	23,573,000	16,130,000
Accumulated Deficit	(16,063,000)	(15,104,000)
Total Stockholders' Equity	7,619,000	1,123,000
T O T A L	$ 9,959,000	$ 2,802,000

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CYTOCLONAL PHARMACEUTICS INC.

STATEMENT OF OPERATIONS
(UNAUDITED)

<TABLE>
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	THREE MONTHS ENDED JUNE 30, 1998	THREE MONTHS ENDED JUNE 30, 1997	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1997
<S>	<C>	<C>	<C>	<C>
Revenue:				
Licensing & research collaborative agreement	$ 789,000	--	$ 789,000	--
Operating Expenses:				
Research and development	$ 462,000	$ 366,000	$ 822,000	$ 688,000
General and administrative	564,000	440,000	1,011,000	887,000
	1,026,000	806,000	1,833,000	1,575,000
Operating (loss)	(237,000)	(806,000)	(1,044,000)	(1,575,000)
Other (Income) expenses:				

Interest (income)	(68,000)	(28,000)	(87,000)	(60,000)
Interest expense	--	1,000	2,000	2,000
	(68,000)	(27,000)	(85,000)	(58,000)
NET (LOSS)	$ (169,000)	$ (779,000)	$ (959,000)	$(1,517,000)
Basic and diluted loss per common share	$ (0.02)	$ (0.10)	$ (0.11)	$ (0.21)
Weighted average number of shares outstanding - basic and diluted	9,727,000	8,206,000	9,286,000	8,073,000

</TABLE>

CYTOCLONAL PHARMACEUTICS INC.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
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	SIX MONTHS ENDED JUNE 30,	
	1998	1997
<S>	<C>	<C>
Cash flows from operating activities:		
Net (loss)	$ (959,000)	$(1,517,000)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation and amortization	62,000	57,000
Value assigned to warrants and options	-	12,000
Equity in loss of joint venture	-	12,000
Changes in:		
Other assets	(9,000)	(6,000)
Deferred revenue	461,000	-
Accounts payable and accrued expenses	259,000	(18,000)
Net cash (used in) operating activities	(186,000)	(1,460,000)
Cash flows from investing activities:		
Purchase of equipment	(56,000)	(41,000)
Net cash (used in) investing activities	(56,000)	(41,000)
Cash flows from financing activities:		
Net proceeds from private placement	4,838,000	-
Proceeds from exercise of options and warrants	2,617,000	500,000
Payment of royalties	(31,000)	-
Net cash provided by financing activities	7,424,000	500,000
NET INCREASE (DECREASE) IN CASH	7,182,000	(1,001,000)
Cash at beginning of period	1,849,000	2,858,000
CASH AT END OF PERIOD	$9,031,000	$ 1,857,000

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CYTOCLONAL PHARMACEUTICS INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(unaudited)

(1) FINANCIAL STATEMENT PRESENTATION

The unaudited financial statements of Cytoclonal Pharmaceutics Inc., a Delaware corporation (the "Company"), included herein have been prepared in accordance with the rules and regulations promulgated by the Securities and Exchange Commission and, in the opinion of management, reflect all adjustments (consisting only of normal recurring accruals) necessary to present fairly the results of operations for the interim periods presented. Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. However, management believes that the disclosures are adequate to make the information presented not misleading. These financial statements and the notes thereto should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1997. The results for the interim periods are not necessarily indicative of the results for the full fiscal year.

Through March 31, 1998, the Company was in the development stage and its efforts had been principally devoted to research and development, capital formation and organizational development.

(2) RESEARCH AND COLLABORATIVE AGREEMENT

In June 1998, the company entered into a license and research agreement with Bristol-Myers Squibb ("BMS") on two technologies related to production of paclitaxel, the active ingredient in BMS's largest selling cancer product, Taxol-Registered Trademark-. The agreement includes fees, milestone payments, research and development support and minimum and sales based royalties.

(3) LOSS PER COMMON SHARE

In 1997, the Financial Accounting Standards Board issued Statement No. 128 "Earnings Per Share". Statement No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of option, warrants and convertible securities. Dilutive earnings per share is very similar to the previously reported fully diluted earnings per share. In accordance with Statement No. 128, which was adopted by the Company in 1997, basic and diluted net loss per common share is based on the net loss increased by dividends on preferred stock divided by the weighted average number of common shares outstanding during the year. No effect has been given to outstanding options, warrants or convertible preferred stock in the diluted computation as their effect would be antidilutive.

(4) PRIVATE PLACEMENT

In April and May 1998, the Company completed a private placement for an aggregate of 671,035 shares of Common Stock and 335,540 Class E Warrants and received net proceeds of $4,838,000.

(5) REVENUE RECOGNITION

Revenue from licensing and research agreements is recognized as the expenses for research and development activities performed under the

terms of the agreements are incurred. Revenues from nonrefundable licenses and up front fees is recognized upon signing the agreement. Revenue resulting from the achievement of milestones is recognized when the milestone is achieved. Amounts received in advance of services to be performed are recorded as deferred revenue.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH, AND IS

QUALIFIED IN ITS ENTIRETY BY, THE FINANCIAL STATEMENTS AND THE NOTES THERETO INCLUDED IN THIS REPORT. THIS DISCUSSION CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS THAT INVOLVE SUBSTANTIAL RISKS AND UNCERTAINTIES. WHEN USED IN THIS REPORT, THE WORDS "ANTICIPATE," "BELIEVE," "ESTIMATE," "EXPECT" AND SIMILAR EXPRESSIONS AS THEY RELATE TO THE COMPANY OR ITS MANAGEMENT ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY'S ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS COULD DIFFER MATERIALLY FROM THOSE EXPRESSED IN, OR IMPLIED BY, THESE FORWARD-LOOKING STATEMENTS. HISTORICAL OPERATING RESULTS ARE NOT NECESSARILY INDICATIVE OF THE TRENDS IN OPERATING RESULTS FOR ANY FURTHER PERIOD.

Cytoclonal Pharmaceutics Inc., a Delaware corporation (the "Company"), was duly organized and commenced operations in September 1991. To date, the Company's efforts have been principally devoted to research and development activities and organizational efforts, including the development of products for the treatment of cancer and infectious diseases, recruiting its scientific and management personnel and advisors and raising capital.

The Company's plan of operation for the next 12 months will consist of research and development and related activities aimed at:

- - continued collaboration with Bristol-Myers Squibb on the development of Paclitaxel production from Microbial Fermentation and Paclitaxel-specific genes.

- - further development of the Paclitaxel treatment of polycystic kidney disease, a potential new Paclitaxel indication and establishing a strategic partnership.

- - evaluation of potential new proprietary microbial anticancer drugs with Bristol-Myers Squibb.

- - further development of a diagnostic test using the patented LCG gene and related MAb to test in vitro serum, tissue or respiratory aspirant material for the presence of cells which may indicate a predisposition to, or early sign of, lung or other cancers.

- - further analysis of TNF-PEG technology as an anti-cancer agent in animal studies.

- - testing proprietary vectors which have been constructed for the expression of specific proteins that may be utilizable for vaccines for different diseases using Mycobacteria.

- - further development and potential marketing of the anti-sense technology currently being conducted at the University of Texas at Dallas.

- - developing a humanized antibody or peptide specific for the protein associated with the LCG gene and, if successful, submission of an IND for clinical trials.

- - making modest improvements to the Company's laboratory and corporate facilities.

- - hiring additional research technicians and a financial vice president.

- - seeking to establish strategic partnerships for the development, marketing, sales and manufacturing of the Company's proposed products.

The actual research and development and related activities of the Company may vary significantly from current plans depending on numerous factors, including changes in the cost of such activities from current estimates, the results of the Company's research and development programs, the results of clinical studies, the timing of regulatory submissions, technological advances, determinations as to commercial potential and the status of competitive products. The focus and direction of the Company's operations will also be dependent upon the establishment of collaborative arrangements with other companies, the availability of financing and other factors.

For the period from April 1, 1998 to June 30, 1998, the Company incurred a net loss of $169,000 compared to a net loss of $779,000 for the same period in 1997. For the period from January 1, 1998 to June 30, 1998, the Company incurred a net loss of $959,000 compared to a net loss of $1,517,000 for the same period in 1997. The decrease from the previous year was attributable to revenue received from licensing and research and development agreements and an increase in interest income The Company expects to incur additional losses in the foreseeable future.

The Company incurred general and administrative expenses of $887,000 and $1,011,000 for the six months ended June 1997 and June 1998, respectively. The increase from the previous year was attributable to increased legal and professional fees, including increased patent expenses, as well as, increased insurance costs, partially offset by a decrease in consulting fees.

The Company incurred research and development expenses of $688,000 and $822,000 for the six months ended June 1997 and June 1998, respectively. The increase was attributable to increased funding for the program at Washington State University, an increase in laboratory rental costs, and an increase in royalty payable to Research & Development Institute, Inc. partially offset by a decrease in laboratory supply costs.

The Company believes that the net proceeds from its initial public offering of November 1995, the exercise of the placement agent purchase options in February 1997, the net procceds of approximately $4,838,000 from the private placement in April and May 1998, the approximately $2,617,000 in proceeds from the exercise of warrants and options will be sufficient to finance the Company's plan of operation through the end of 1999. There can be

no assurance that the Company will generate sufficient revenues to fund its operations after such period or that any required financings will be available, through bank borrowings, debt or equity offerings, or otherwise, on acceptable terms or at all.

PART II. OTHER INFORMATION

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

In April and May 1998, the Company completed a private placement of an aggregate of 671,035 shares of Common Stock and 335,540 Class E Warrants (each of which warrants upon exercise entitles the holder thereof to one share of Common Stock). The private placement, which was placed by Janssen/Meyers Associates, LLP, was made solely to 75 accredited investors in reliance upon Regulation D of the Securities Act of 1933. The gross proceeds of such placement was $5,633,675 on which the placement agent received commissions of $563,368 and a nonaccountable expense allowance of $169,010 plus accountable expenses. In addition, the Placement Agent received options to acquire an aggregate of 201,315 shares of Common Stock.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit 11 Computation of net (loss) per share
Exhibit 27 Financial Data Schedule

(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.

CYTOCLONAL PHARMACEUTICS INC.

Date: August 14, 1998 /S/ DANIEL M. SHUSTERMAN

Daniel M. Shusterman
Vice President of Operations,
Treasurer and Chief Financial
Officer

EXHIBIT 11

CYTOCLONAL PHARMACEUTICS INC.

COMPUTATION OF NET (LOSS) PER COMMON SHARE
(unaudited)

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	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1997	1998	1997
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Net (loss)	$(169,000)	$(779,000)	$ (959,000)	$(1,517,000)
Add cumulative preferred dividend	(51,000)	(73,000)	(103,000)	(146,000)
NET (LOSS) USED FOR COMPUTATION	$(220,000)	$(852,000)	$(1,062,000)	$(1,663,000)
Weighted average number of common shares outstanding - basic and diluted	9,727,000	8,206,000	9,286,000	8,073,000
Net (loss) per common share - basic and diluted	$ (0.02)	$ (0.10)	$ (0.11)	$ (0.21)

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