SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended	Commission File No.
SEPTEMBER 30, 1998	0-26770

NOVAVAX, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	22-2816046
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8320 GUILFORD ROAD, COLUMBIA, MD	21046
(Address of principal executive offices)	(Zip code)

(301) 854-3900
Registrant's telephone number, including area code

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 ___

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Shares Outstanding at November 6, 1998

13,249,319

NOVAVAX, INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 1998 (unaudited)	DECEMBER 31, 1997
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 7,217,107	$ 3,847,107
Accounts receivable	118,504	217,150
Receivable from former parent	-	32,835
Prepaid expenses and other current assets	36,360	205,952
Total current assets	7,371,971	4,303,044
Property and equipment	1,677,399	1,428,638
Accumulated depreciation	(642,416)	(539,463)
Property and equipment, net	1,034,983	889,175
Patent costs, net of accumulated amortization of $644,811 and $549,397 in 1998 and 1997, respectively	1,559,464	1,573,454
Other assets	16,960	57,598
Total assets	$ 9,983,378	$ 6,823,271
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Capital lease obligations, current portion	$ 32,230	$ 10,744
Accounts payable	137,651	237,884
Accrued payroll	42,178	40,010
Total current liabilities	212,059	288,638
Capital lease obligations, less current portion	17,279	12,863
Total liabilities	229,338	301,501
Stockholders' Equity:		
Preferred stock, $.01 par value, 2,000,000 shares authorized; 6,500 designated as Series A Custom Convertible Preferred Stock; 4,990 shares issued and outstanding at September 30, 1998; none issued and outstanding at December 31, 1997.	5,997,599	-
Common stock, $.01 par value, 30,000,000 shares authorized; 13,249,277 issued and 13,245,890 outstanding at September 30, 1998; 12,031,757 issued and 12,012,013 shares outstanding at December 31, 1997	121,724	120,318
Additional paid-in capital	38,187,017	37,853,395
Accumulated deficit	(34,515,774)	(31,342,780)
Deferred compensation on stock options granted	(17,898)	(25,620)
Treasury stock, 3,387 and 19,744 shares at September 30, 1998 and December 31, 1997, cost basis	(18,628)	(83,543)
Total stockholders' equity	9,754,040	6,521,770
Total liabilities and stockholders' equity	$ 9,983,378	$ 6,823,271

The accompanying notes are an integral part of the consolidated financial statements.

NOVAVAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	THREE MONTHS ENDED SEPTEMBER 30, 1998	1997	NINE MONTHS ENDED SEPTEMBER 30, 1998	1997
Revenues:				
Contract revenue	$ 198,692	$ 79,944	$ 523,411	$ 229,678
Operating expenses:				
General and administrative	627,947	613,898	1,889,263	1,857,719
Research and development	856,530	670,669	2,124,528	2,033,126
Total operating expenses	1,484,477	1,284,567	4,013,791	3,890,845
Loss from operations	(1,285,785)	(1,204,623)	(3,490,380)	(3,661,167)
Interest income, net	105,227	65,707	317,386	178,686
Net loss	(1,180,558)	(1,138,916)	(3,172,994)	(3,482,481)
Preferred stock deemed dividend	-	-	(455,048)	-
Net loss applicable to common stockholders	$(1,180,558)	$(1,138,916)	$(3,628,042)	$(3,482,481)
Net loss per common share (basic and diluted):	$ (0.10)	$ (0.10)	$ (0.30)	$ (0.30)
Weighted average number of common shares outstanding (basic and diluted)	12,337,366	11,900,529	12,157,128	11,558,594

The accompanying notes are an integral part of the consolidated financial statements.

NOVAVAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997
(unaudited)

	1998	1997
Cash flows from operating activities:		
Net loss	$(3,172,994)	$(3,482,481)
Reconciliation of net loss to net cash used by operating activities:		
Noncash compensation expense	7,722	433,232
Depreciation and amortization	198,367	206,234
Issuance of stock to 401(k) plan	15,165	2,499
Changes in operating assets and liabilities:		
Accounts receivable	98,646	(11,382)
Prepaid expenses and other assets	210,230	136,745
Payable to/receivable from former parent	32,835	(6,176)
Accounts payable and accrued expenses	(98,315)	(353,318)
Net cash used by operating activities	(2,708,344)	(3,074,647)
Cash flows from investing activities:		
Proceeds from the sale of marketable securities	-	500,820
Capital expenditures	(198,416)	(42,577)
Deferred patent costs	(81,424)	(111,536)
Net cash (used by) provided by investing activities	(279,840)	346,707
Cashflow from financing activities:		
Payment of capital lease obligations	(24,443)	(8,294)
Proceeds from the private placement of preferred stock	5,997,599	-
Proceeds from the private placement of common stock	50,000	5,002,718
Proceeds from the exercise of options	335,028	96,282
Net cash provided by financing activities	6,358,184	5,090,706
Net change in cash and cash equivalents	3,370,000	2,362,766
Cash and cash equivalents at beginning of the period	3,847,107	2,481,258

Cash and cash equivalents at end of the period	$ 7,217,107	$ 4,844,024
	===========	===========

The accompanying notes are an integral part of the consolidated financial statements.

NOVAVAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Novavax and its wholly owned subsidiaries, Micro-Pak, Inc., Micro Vesicular Systems, Inc. and Lipovax, Inc. All significant intercompany accounts and transactions have been eliminated. These statements have been prepared by Novavax, Inc. and have not been audited, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

Certain information in footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted pursuant to such rules and regulations, although the Company believes the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements are read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 1997.

Certain amounts for the 1997 year period have been reclassified to conform and to be consistent with the 1998 presentation.

2. Net Loss Per Share

Basic earnings per share are computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding after giving effect to all potentially dilutive common shares that were outstanding during the period.

Potential dilutive common shares are not included in the computation of diluted earnings per share if they are antidilutive. Net loss per share as reported was not adjusted for potential common shares, as they are antidilutive.

3. New Accounting Standards

The Financial Accounting Standards Board has issued a new standard that became effective in reporting periods beginning after December 15, 1997. SFAS No. 130, Reporting Comprehensive Income, requires additional reporting with respect to certain changes in assets and liabilities that previously were not required to be reported as results of operations for the period. The Company's adoption of SFAS No. 130 resulted in no additional reporting as the Company has no other items of comprehensive income or loss.

NOVAVAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The Financial Accounting Standards Board has issued a new standard SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, which became effective for reporting periods beginning after December 15, 1997. Interim reporting is not required under SFAS No. 131 prior to adoption. SFAS No. 131 requires financial and descriptive information with respect to "operating segments" of an entity based on the way management disaggregates the entity for making internal operating decisions. The Company will begin making the disclosures required by SFAS No. 131, if any, with financial statements for the period ending December 31, 1998. There will be no financial impact from the adoption of SFAS No. 131 as the standard affects disclosure only.

The Financial Accounting Standards Board has issued a new standard that becomes effective in reporting periods beginning after June 15, 1999. SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, requires that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. The Company believes that the effect, if any, of the adoption of SFAS No. 133 will not be material.

4. Employee Benefit Plan

Effective January 1, 1997, the Company established the Novavax, Inc. 401(k) Profit Sharing Plan (the "Plan"). The Plan is a discretionary defined contribution plan and covers all employees who were employed by the Company on or after January 1, 1997 and who have completed three months of service to the Company. Under the provisions of the Plan, employees may contribute up to $10,000 of their annual base compensation on the tax-deferred basis. The Board of Directors determines the Company's matching contribution in any year. As of September 30, 1998 and 1997, the Company expensed contributions of Company stock valued at $15,165 and $11,311, respectively.

5. Financing Transactions

On February 10, 1997, Novavax signed a definitive agreement to privately place 1,200,000 common shares with Anaconda Opportunity Fund L.P. Novavax also granted warrants to purchase additional 600,000 shares at a price of $6.00 per share and 600,000 shares at a price of $8.00 per share. The warrants have a three-year term. The transaction was closed on March 14, 1997 at an aggregate price of $5,100,000. Proceeds net of all related transaction costs were $5,002,718.

On January 23, 1998, the Company entered into Subscription Agreements to effectuate the private placement of 6,500 shares of the Series A Custom Convertible Preferred Stock (Preferred Stock). The sale of the Preferred Stock closed on January 28, 1998 at an aggregate purchase price of $6,500,000 with net proceeds of $5,997,599.

NOVAVAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

6. Subsequent Events

On October 1, 1998 the Company entered into agreements to repurchase the remaining Preferred Stock. This transaction was closed on October 16, 1998 and the Company repurchased the outstanding balance of $4,978,153 at par ($1,000 per share) plus accrued interest of five percent per annum. The repurchase was funded with cash balances on hand at October 16, 1998. Prior to the repurchase, $1,521,847 of the original $6,500,000 had been converted into 1,043,956 common shares.

NOVAVAX, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion may contain statements that are not purely historical. Certain statements contained herein or as may otherwise be incorporated by reference herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include but are not limited to statements regarding Year 2000 readiness, future product development and related clinical trials and statements regarding future research and development. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among other things, the following: general economic and business conditions; competition; unexpected changes in technologies and technological advances; ability to obtain rights to technology; ability to obtain and enforce patents; ability to commercialize and manufacture products; statements regarding establishment of commercial-scale manufacturing capabilities, and statements regarding future collaborations with industry partners; results of preclinical studies; results of research and development activities; business abilities and judgment of personnel; availability of qualified personnel; changes in, or failure to comply with, governmental regulations; ability to obtain adequate financing in the future; and other factors referenced herein.

All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Accordingly, past results and trends should not be used by investors to anticipate future results or trends.

The following is a discussion of the historical consolidated financial condition and results of operations of Novavax and its subsidiaries and should be read in conjunction with the consolidated financial statements and notes thereto set forth in this Form 10-Q. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in the Company's SEC filings, including but not limited to the Company's report on Form 10-K/A for the year ended December 31, 1997.

RESULTS OF OPERATIONS

The Company has incurred net losses since its inception from the development of its technologies for human pharmaceuticals, vaccines and vaccine adjuvants. Novavax expects the losses to increase in the near-term as it conducts additional human clinical trials and seeks regulatory approval for its product candidates. The Company also expects to continue to incur substantial operating losses over the extensive time period required to develop the Company's products, or until such time as revenues, to offset the costs, are sufficient to fund its continuing operations.

NOVAVAX, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO 1997

The net loss was $1,180,558 for the quarter ended September 30, 1998. This compares to a net loss in the prior year of $1,138,916. The net loss increase of $41,642 was due primarily to increases in research and development expenses of $185,861, partially offset by an increase in revenues and interest income.

Revenues of $198,692 for services related to vaccine and adjuvant technologies along with contract revenues from the University of Michigan were recognized during the three months ended September 30, 1998. Revenues of $79,944 were recorded for the same period in the prior year. Resulting in an increase of $118,748.

General and administrative expenses were $627,947 for the three months ended September 30, 1998 compared to $613,898 incurred for the same period in 1997. The net change was $14,049.

Research and development expenses were $856,530 and $670,669 for the three months ended September 30, 1998 and 1997, respectively. Total research and development expenses exclusive of non-cash charges related to the below-market priced stock options issued December 12, 1995 were $854,595 and $553,952 for the periods ended September 30, 1998 and 1997, respectively. This increase of $300,643 is related to the timing of clinical trial activities and the nature of those trials, including the number of products, the number of patients and the duration of the trials.

Net interest income of $105,227 was recorded in the three months ended September 30, 1998 compared with net interest income of $65,707 in the three months ended September 30, 1997. The $39,520 increase is due to higher average cash balances during the first quarter 1998, when compared to average cash balances during the same period in 1997.

NINE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO 1997

The net loss before the preferred stock deemed dividend of $455,048 was $3,172,994 for the nine months ended September 30, 1998. This compares to a net loss in the prior year of $3,482,481. The reduction of $309,487 was due primarily to increases in revenue of $293,733 and increases in interest income of $138,700 offset by increases in research and development expenses of $91,402.

The net loss applicable to common stockholders of $3,628,042 for the nine months ended September 30, 1998, was $145,561 more than the net loss of $3,482,481 in the nine months ended September 30, 1997 and reflects those items mentioned in the above paragraph along with a preferred stock deemed dividend of $455,048.

NOVAVAX, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Revenues of $523,411, related to vaccine and adjuvant technologies services along with a subcontract from the University of Michigan, were recognized during the nine months ended September 30, 1998 compared to $229,678 recorded for that same period in the prior year. The increase of $293,733 was due primarily to the subcontract with the University of Michigan to supply new chemical structures designed to inactivate viruses, bacteria and bacterial spores.

General and administrative expenses were $1,889,263 for the nine months ended September 30, 1998 or $31,544 higher than the $1,857,719 of general and administrative expenses incurred for the same period in 1997.

Research and development expenses were $2,124,528 and $2,033,126 for the nine months ended September 30, 1998 and 1997, respectively. Total research and development expenses exclusive of non-cash charges related to the below-market priced stock options issued December 12, 1995 were $2,118,726 and $1,682,973 for the periods ended September 30, 1998 and 1997, respectively. This increase of $435,753 is related to clinical trials and related costs along with increases in salaries. The clinical trial costs reflect the timing of clinical trial activities and the nature of those trials, including the number of products, the number of patients and the duration of the trials. The salary increases primarily reflect headcount increases including the hire of a Vice President of Pharmaceutical Development in 1998.

Net interest income of $317,386 was recorded in the nine months ended September 30, 1998 compared with net interest income of $178,686 in the nine months ended September 30, 1997. The $138,700 increase is due to higher average cash balances during the first nine months in 1998, when compared to average cash balances during the same period in 1997.

YEAR 2000

The Company is evaluating and working to resolve the potential impact of the Year 2000 on the Company's computerized information systems' ability to accurately process information that may be date-sensitive. Any of the Company's programs that recognize a date using "00" as the year 1900 rather than the Year 2000, could result in errors or system failures. The Company primarily uses personal computers for administrative and accounting systems. Additionally, the Company has certain laboratory equipment with microprocessors.

Along with a review of the hardware and software employed by the Company, our business partners and suppliers have been surveyed to determine their Year 2000 readiness. A list of such business partners and suppliers that have a material relationship with the Company has been compiled. The Company is currently in the process of seeking information from these third parties regarding their state of readiness for Year 2000 compliance. The Company considers many of its relationships with

these third parties to be of a material nature, such that if these third parties were unable to become Year 2000 compliant, the Company would be adversely affected. These relationships encompass many areas that affect the Company's ability to do business including but not limited to financial institutions, utility companies and contract manufacturers.

The Company does not believe that it will incur material incremental costs in its efforts to address this issue and has not incurred incremental costs to date. Nor, has the Company been given any indication that its business partners and suppliers will not be Year 2000 compliant by the Year 2000. The Company plans to continue, on a timely basis, to monitor and address any significant Year 2000 issues and will update cost estimates accordingly.

LIQUIDITY AND CAPITAL RESOURCES

Novavax's capital requirements depend on numerous factors, including but not limited to the progress of its research and development programs, the progress of preclinical and clinical testing, the time and costs involved in obtaining regulatory approvals, the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, competing technological and market developments, and changes in Novavax's development of commercialization activities and arrangements. The Company has three product candidates in development. Future activities including clinical development and the establishment of commercial-scale manufacturing capabilities are subject to the Company's ability to raise funds through equity financing, or collaborative arrangements with corporate partners.

The Company used $2,708,342 of its cash resources during the nine month period ended September 30, 1998 to fund the activities of its research and development programs and costs associated with obtaining regulatory approvals, pre-clinical and clinical testing. In addition to revenues of $523,411, Novavax received proceeds of $335,028 from the exercise of stock options and proceeds, net of all related transaction costs, of $5,997,599 from the sale of 6,500 shares of Preferred Stock.

The closing of the Preferred Stock private placement occurred on January 28, 1998 at an aggregate price of $6,500,000. On October 1, 1998 the Company entered into agreements to repurchase the remaining Preferred Stock then outstanding. This transaction closed on October 16, 1998 and the Company repurchased the outstanding balance at par ($1,000 per share) plus accrued interest of five percent per annum totaling $5,157,117.

Cash and cash equivalents on September 30, 1998 totaled $7,217,107. A proforma cash balance at September 30, 1998 after the Preferred Stock repurchase is $2,059,990.

NOVAVAX, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Novavax estimates that based on historical and projected levels of spending, cash resources after giving effect to the repurchase will be sufficient to finance its operations for approximately 5 to 6 months from September 30, 1998.

The Company is evaluating its short term and long term funding requirements. Future funding may come from one or more sources including public or private equity or debt financings, collaborative arrangements with pharmaceutical companies or from other sources. If adequate funds are not available, Novavax may be required to seek alternative measures including arrangements with collaborative partners or others that may require Novavax to relinquish rights to certain of its technologies, product candidates or products. Such alternative measures may have a significant impact on the company.

Past spending levels are not necessarily indicative of future spending. Future expenditures for product development especially related to outside testing and human clinical trials are discretionary and, accordingly, can be adjusted to available cash. As the Company continues to progress in its clinical development activities and commercial scale-up of product manufacturing, it anticipates increases in spending associated with these activities.

There can be no assurance that additional funding or bank financing will be available at all or on acceptable terms to fund short term and long term spending requirements and to permit successful commercialization of Novavax's technologies and products.

NOVAVAX, INC. AND SUBSIDIARIES
PART II OTHER INFORMATION

Item 1 - Legal Proceedings

None

Item 2 - Changes in Securities

None

Item 3 - Defaults upon Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

None

Item 5 - Other information

On October 1, 1998, the Company entered agreements with all holders of its Series A Custom Convertible Preferred Stock (the "Preferred Stock") to purchase all outstanding shares of the Preferred Stock in which the holders agreed not to convert any Preferred Stock into Common Stock after October 1, 1998, so long as the purchase closed by October 16, 1998. The purchase did close on October 16, 1998. The purchase price was $4,978,153, which represented the cost to the holders of the outstanding Preferred Stock, plus an accrual of five percent per annum. Prior to the repurchase $1,521,846 of the original $6,500,000 of Preferred Stock had been converted into 1,043,956 shares of Novavax Common Stock.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K:

None

NOVAVAX, INC. AND SUBSIDIARIES
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.

NOVAVAX, INC.
(Registrant)

Date: November 13, 1998

By:/s/ BRENDA L. FUGAGLI

Brenda L. Fugagli
Executive Vice President,
Chief Operating Officer
Chief Financial Officer
(Principal Financial and
Accounting Officer)

<ARTICLE> 5

<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		DEC-31-1998
<PERIOD-END>		SEP-30-1998
<CASH>		7,217,107
<SECURITIES>		0
<RECEIVABLES>		118,504
<ALLOWANCES>		0
<INVENTORY>		0
<CURRENT-ASSETS>		7,371,971
<PP&E>		1,677,399
<DEPRECIATION>		(642,416)
<TOTAL-ASSETS>		9,983,378
<CURRENT-LIABILITIES>		212,059
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		5,997,599
<COMMON>		121,724
<OTHER-SE>		0
<TOTAL-LIABILITY-AND-EQUITY>		9,983,378
<SALES>		198,692
<TOTAL-REVENUES>		198,692
<CGS>		0
<TOTAL-COSTS>		1,484,477
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		0
<INCOME-PRETAX>		(1,180,558)
<INCOME-TAX>		0
<INCOME-CONTINUING>		(1,180,558)
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(1,180,558)
<EPS-PRIMARY>		0.00
<EPS-DILUTED>		0.00