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 JUNE 30, 2000

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: 000-30111

LEXICON GENETICS INCORPORATED
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	76-0474169
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

4000 RESEARCH FOREST DRIVE
THE WOODLANDS, TEXAS 77381
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES AND ZIP CODE)

(281) 364-0100
(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

As of July 25, 2000, 47,663,284 shares of the registrant's common stock, par value $0.001 per share, were outstanding.

LEXICON GENETICS INCORPORATED

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LEXICON GENETICS INCORPORATED

BALANCE SHEETS

	AS OF JUNE 30, 2000 (UNAUDITED)	AS OF DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 49,632,521	$ 2,025,585
Marketable securities	161,009,285	7,130,848
Accounts receivable	1,484,082	3,391,648
Prepaid expenses and other	36,631	76,257
Total current assets	212,162,519	12,624,338
Property, plant and equipment	13,826,613	12,476,021
Accumulated depreciation	(4,239,758)	(3,087,397)
	9,586,855	9,388,624
Other assets, net	294,364	281,605
Total assets	$ 222,043,738	$ 22,294,567
LIABILITIES, REDEEMABLE CONVERTIBLE SERIES A PREFERRED STOCK, AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,666,828	$ 1,192,276
Current portion of related party note payable	-	200,004
Current portion of long-term debt	879,611	874,174
Current portion of capital lease obligations	21,715	127,119
Deferred revenue	6,985,612	8,209,574
Total current liabilities	9,553,766	10,603,147
Capital lease obligations, net of current portion	-	6,279
Related party note payable, net of current portion	-	716,663
Long-term debt, net of current portion	2,420,455	2,854,365
Total liabilities	11,974,221	14,180,454
Commitments and contingencies		
Redeemable convertible Series A preferred stock, $.01 par value, 10,000,000 shares authorized, none and 4,244,664 shares issued and outstanding, respectively	-	30,050,236
Stockholders' equity (deficit):		
Common stock, $.001 par value, 120,000,000 shares authorized, 47,656,723 and 24,540,201 shares issued and outstanding, respectively	47,657	24,540
Additional paid-in capital	302,117,175	7,863,392
Deferred stock compensation	(46,251,879)	(915,422)
Accumulated deficit	(45,843,436)	(28,908,633)
Total stockholders' equity (deficit)	210,069,517	(21,936,123)
Total liabilities and stockholders' equity (deficit)	$ 222,043,738	$ 22,294,567

The accompanying notes are an integral part of these financial statements.

LEXICON GENETICS INCORPORATED

STATEMENTS OF OPERATIONS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
Revenues:				
Subscription and license fees	$ 434,574	$ 249,063	$ 2,058,052	$ 536,303
Collaborative research	1,989,299	598,507	3,634,057	1,037,317
Reagents	60,166	55,161	130,839	124,809
Grants	98,581	190,024	98,581	190,024
Total revenues	2,582,620	1,092,755	5,921,529	1,888,453
Operating expenses:				
Research and development	4,129,816	3,587,516	7,697,752	6,646,510
General and administrative	1,528,209	870,836	2,827,066	1,545,573
Stock based compensation	3,234,305	--	15,142,613	--
Total operating expenses	8,892,330	4,458,352	25,667,431	8,192,083
Loss from operations	(6,309,710)	(3,365,597)	(19,745,902)	(6,303,630)
Interest income	2,922,316	145,546	3,050,158	371,661
Interest expense	129,310	30,245	239,060	60,867
Net loss	$ (3,516,704)	$ (3,250,296)	$(16,934,804)	$ (5,992,836)
Net loss per common share, basic and diluted	$ (0.08)	$ (0.09)	$ (0.40)	$ (0.16)
Shares used in computing net loss per common share, basic and diluted	46,796,126	37,265,946	42,071,565	37,261,159

The accompanying notes are an integral part of these financial statements.

LEXICON GENETICS INCORPORATED
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	FOR THE SIX MONTHS ENDED JUNE 30,	
	2000	1999
Cash flows from operating activities:		
Net loss	$ (16,934,804)	$ (5,992,836)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,152,361	836,328
Amortization of deferred stock compensation	15,142,613	--
Changes in operating assets and liabilities:		
Decrease in accounts receivable	1,907,566	381,876
(Increase) decrease in prepaid expenses	39,626	(166,572)
(Increase) decrease in other assets	(12,758)	39,528
Increase (decrease) in accounts payable and accrued liabilities	474,552	(541,549)
Decrease in deferred revenue	(1,223,962)	(613,033)
Net cash provided by (used in) operating activities	545,194	(6,056,258)
Cash flows from investing activities:		
Purchases of property and equipment	(1,350,592)	(3,245,608)
Purchase of marketable securities	(214,940,362)	(65,236,158)
Maturities of marketable securities	61,061,925	48,836,000
Net cash used in investing activities	(155,229,029)	(19,645,766)
Cash flows from financing activities:		
Principal payments of capital lease obligations	(111,683)	(80,745)
Proceeds from issuance of common stock	203,747,594	258,494
Proceeds from debt borrowings	--	2,549,088
Repayment of debt borrowings	(1,345,140)	--
Net cash provided by financing activities	202,290,771	2,726,837
Net increase (decrease) in cash and cash equivalents	47,606,936	(22,975,187)
Cash and cash equivalents at beginning of period	2,025,585	3,022,201
Cash and cash equivalents at end of period	$49,632,521	$ (19,952,986)
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 239,060	$ 30,622
Supplemental disclosure of non-cash financing activities:		
Conversion of redeemable convertible preferred stock into common stock		
Conversion of related party note payable into common stock	$ 30,184,090	$ --
	$ 337,500	$ --

The accompanying notes are an integral part of these financial statements.

LEXICON GENETICS INCORPORATED

NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). 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 of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month and six-month periods ended June 30, 2000 are not necessarily indicative of the results that may be expected for the year ended December 31, 2000.

For further information, refer to the financial statements and footnotes thereto for the year ended December 31, 1999, included in Lexicon's Registration Statement on Form S-1 (Registration No. 333-96469) as filed with the SEC and the prospectus dated April 7, 2000 included therein.

2. NET LOSS PER SHARE

Net loss per share is computed using the weighted average number of shares of common stock outstanding. Shares associated with stock options and warrants are not included because they are antidilutive.

3. DEFERRED STOCK COMPENSATION

During January and February 2000, Lexicon issued options to purchase an aggregate of 3,495,900 shares of common stock to certain employees and consultants. Lexicon recorded deferred compensation totaling approximately $60.5 million for options granted in the first quarter of 2000. Deferred stock compensation represents the difference between the exercise price of stock options and the fair value of Lexicon's common stock at the date of grant. Deferred stock compensation is amortized over the vesting periods of the individual stock options for which it is recorded. For the six months ended June 30, 2000, Lexicon amortized $15.1 million of deferred stock compensation. If employees and consultants continue to vest in accordance with their individual stock options, Lexicon expects to record amortization expense for deferred stock compensation as follows: $6.5 million during the last six months of 2000, $12.9 million during 2001, $12.9 million during 2002, $12.9 million during 2003 and $1.1 million during 2004. The amount of stock based compensation expense to be recorded in future periods may decrease if unvested options for which deferred stock compensation expense has been recorded are subsequently canceled or forfeited.

4. INITIAL PUBLIC OFFERING AND CONVERSION OF PREFERRED STOCK

In April 2000, Lexicon completed an initial public offering of 10,000,000 newly-issued shares of its common stock at a price of $22.00 per share. Lexicon received $203.2 million in cash, net of underwriting discounts, commissions and other offering costs.

Simultaneously with the closing of the initial public offering, the 4,244,664 shares of Redeemable Convertible Series A Preferred Stock then outstanding were automatically converted into 12,733,992 shares of common stock.

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

OVERVIEW

We are a genomics company using gene trapping technology to discover thousands of genes and to expand our OmniBank(R) library of tens of thousands of knockout mouse clones for drug discovery. We derive substantially all of our revenues from subscriptions to our databases, collaborations for the development and analysis of knockout mice and from government grants. To date, we have generated a substantial portion of our revenues from a limited number of sources.

Since our inception, we have incurred significant losses and, as of June 30, 2000, we had an accumulated deficit of $45.8 million. Our losses have resulted principally from costs incurred in research and development, general and administrative costs associated with our operations, and non-cash stock based compensation expenses associated with stock options granted to employees and consultants prior to the closing of our initial public offering in April 2000. Research and development expenses consist primarily of salaries and related personnel costs, material costs, legal expenses resulting from intellectual property prosecution and other expenses related to the generation of our Human Gene Trap(TM) database, OmniBank database and library and the research, development and analysis of knockout mice. We expense our research and development costs as they are incurred. General and administrative expenses consist primarily of salaries and related expenses for executive, finance and other administrative personnel, professional fees and other corporate expenses including business development and general legal activities. In connection with the expansion of our Human Gene Trap database, OmniBank database and library and functional genomics research efforts, we expect to incur increasing research and development and general and administrative costs. As a result, we will need to generate significantly higher revenues to achieve profitability. Deferred stock compensation represents the difference between the exercise price of stock options and the fair value of our common stock at the date of grant. Deferred stock compensation is amortized over the vesting periods of the individual stock options for which it is recorded.

Our quarterly operating results will depend upon many factors, including expiration of research contracts with collaborators or government research grants, the success rate of our discovery efforts leading to milestones and royalties, the timing and willingness of collaborators to commercialize products which would result in royalties, general and industry-specific economic conditions which may affect research and development expenditures and the timing and content of information released by the Human Genome Project. As a consequence, our quarterly operating results have fluctuated in the past and are likely to do so in the future.

RESULTS OF OPERATIONS

Three Months Ended June 30, 1999 and 2000

Revenues. Total revenues increased 136% to $2.6 million in the three months ended June 30, 2000 from $1.1 million in the corresponding period in 1999. Substantially all of the $1.5 million increase was derived from increased revenues from collaborations for the development and analysis of knockout mice.

Research and Development Expenses. Research and development expenses increased 15% to $4.1 million in the three months ended June 30, 2000 from $3.6 million in the corresponding period in 1999. The increase of $542,000 was attributable to continued growth of research and development activities, primarily related to increased personnel costs to support the generation of our Human Gene Trap database, OmniBank database and library and the research, development and analysis of knockout mice.

General and Administrative Expenses. General and administrative expenses increased 75% to $1.5 million in the three months ended June 30, 2000 from $871,000 in the corresponding period in 1999. The increase of $657,000 was due primarily to additional personnel costs for business development and finance and administration.

Stock Based Compensation Expense. For the three months ended June 30, 2000, we amortized $3.2 million of deferred compensation related to options granted to employees and certain consultants. We did not record any stock based compensation expense in the corresponding period in 1999.

Interest Income and Interest Expense. Interest income increased to $2.9 million in the three months ended June 30, 2000 from $146,000 in the corresponding period in 1999. This increase resulted from an increased cash and investment balance as a result of our initial public offering. Interest expense increased 328% to $129,000 in the three months ended June 30, 2000 from $30,000 in the corresponding period in 1999. This increase resulted from higher debt obligation balances in the three months ended June 30, 2000 as compared to the corresponding period in 1999.

Net Loss and Net Loss Per Common Share. Net loss increased to $3.5 million in the three months ended June 30, 2000 from $3.3 million in the corresponding period in 1999. Net loss per share decreased to $0.08 in the three months ended June 30, 2000 from $0.09 in the corresponding period in 1999. The net loss for the three months ended June 30, 2000, was primarily attributable to stock based compensation expense. Excluding the stock based compensation expense, the net loss and net loss per share would have been $282,000 and $0.01, respectively, for the three months ended June 30, 2000.

Six Months Ended June 30, 1999 and 2000

Revenues. Total revenues increased 214% to $5.9 million in the six months ended June 30, 2000 from $1.9 million in the corresponding period in 1999. Of the $4.0 million increase, $1.5 million was derived from increased database subscription and license fees and $2.6 million was derived from increased revenues from collaborations for the development and analysis of knockout mice.

Research and Development Expenses. Research and development expenses increased 16% to $7.7 million in the six months ended June 30, 2000 from $6.6 million in the corresponding period in 1999. The increase of $1.1 million was attributable to continued growth of research and development activities, primarily related to increased personnel costs to support the generation of our Human Gene Trap database, OmniBank database and library and the research, development and analysis of knockout mice.

General and Administrative Expenses. General and administrative expenses increased 83% to $2.8 million in the six months ended June 30, 2000 from $1.5 million in the corresponding period in 1999. The increase of $1.3 million was due primarily to additional personnel costs for business development and finance and administration.

Stock Based Compensation Expense. For the six months ended June 30, 2000, we amortized $15.1 million of deferred compensation related to options granted to employees and certain consultants. We did not record any stock based compensation expense in the corresponding period in 1999.

Interest Income and Interest Expense. Interest income increased 721% to $3.1 million in the six months ended June 30, 2000 from $372,000 in the corresponding period in 1999. This increase resulted from an increased cash and investment balance as a result of our initial public offering. Interest expense increased 293% to $239,000 in the six months ended June 30, 2000 from $61,000 in the corresponding period in 1999. This increase resulted from higher debt obligation balances in the six months ended June 30, 2000 as compared to the corresponding period in 1999.

Net Loss and Net Loss Per Common Share. Net loss increased to $16.9 million in the six months ended June 30, 2000 from $6.0 million in the corresponding period in 1999. Net loss per share increased to $0.40 in the six months ended June 30, 2000 from $0.16 in the corresponding period in 1999. These increases resulted primarily from a $15.1 million charge for stock based compensation in the six months ended June 30, 2000. Excluding the stock based compensation expense, the net loss and the net loss per share would have been $1.8 million and $0.04, respectively, for the six months ended June 30, 2000.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations from inception primarily through sales of common and preferred stock, contract and milestone payments to us under our database subscription and collaboration agreements and equipment financing arrangements. As of June 30, 2000, we had received net proceeds of $240.4 million from issuances of common and preferred stock, including $203.2 million of net proceeds from the initial public offering of our common stock in April 2000. In addition, from our inception through June 30, 2000, we received $19.7 million in cash payments from database subscription and license fees, collaborations for the development and analysis of knockout mice, sales of reagents and government grants, of which $14.2 million had been recognized as revenues through June 30, 2000.

As of June 30, 2000, we had $210.6 million in cash, cash equivalents and marketable securities, as compared to $9.2 million as of December 31, 1999. We had $545,000 provided by operations in the six months ended June 30, 2000. This consisted of the net loss for the period of $16.9 million offset by non-cash charges of $15.1 million related to compensation expense, $1.2 million related to depreciation expense and a net increase in other working capital accounts of $1.2 million. We used $155.2 million in investing activities for the six months ended June 30, 2000, principally as a result of the purchase of marketable securities with the net proceeds of our initial public offering in April 2000, and purchases of property and equipment, offset in part by maturities of marketable securities.

In June 1999, we entered into a $5.0 million financing arrangement for the purchase of property and equipment. As of June 30, 2000, we had drawn down approximately $4.2 million and had $832,000 remaining available under this arrangement. As of June 30, 2000, $3.3 million of this amount remained outstanding under this arrangement and was secured by the equipment financed. This facility accrues interest at a weighted-average rate of approximately 11.7% and is due in monthly installments through 2003. In addition, as of June 30, 2000, we had $22,000 in capitalized lease obligations outstanding compared to $133,000 at December 31, 1999.

Our capital requirements depend on numerous factors, including our ability to obtain database subscription and collaboration agreements and government grants, the amount and timing of payments under such agreements and grants, the level and timing of our research and development expenditures, market acceptance of our products, the resources we devote to developing and supporting our products and other factors. We expect to devote substantial capital resources to continue our research and development efforts, to expand our support and product development activities, and for other general corporate activities. We believe that our current cash balances, together with the net proceeds of our initial public offering and revenues to be derived from subscriptions to our databases, collaborations for the research, development and analysis of knockout mice and government grants, will be sufficient to fund our operations for at least the next several years. During or after this period, if cash generated by operations is insufficient to satisfy our liquidity requirements, we may need to sell additional equity or debt securities or obtain additional credit arrangements. Additional financing may not be available on terms acceptable to us or at all. The sale of additional equity or convertible debt securities may result in additional dilution to our stockholders.

IMPACT OF INFLATION

The effect of inflation and changing prices on our operations was not significant during the periods presented.

DISCLOSURE ABOUT MARKET RISK

Our exposure to market risk is confined to our cash and cash equivalents which have maturities of less than three months. We maintain an investment portfolio which consists of U.S. Government debt obligations and investment grade commercial paper that mature one to twelve months after December 31, 1999, which we believe are subject to limited credit risk. We currently do not hedge interest rate exposure. Because of the short-term maturities of our investments, we do not believe that an increase in market rates would have any negative impact on the realized value of our investment portfolio.

We have operated primarily in the United States and all sales to date have been made in U.S. dollars. Accordingly, we have not had any material exposure to foreign currency rate fluctuations.

FACTORS AFFECTING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1993, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "anticipate," "believe," "expect," "estimate," "project" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, including the following:

Risks Related to Our Business

- we have a history of net losses, and we expect to continue to incur net losses and may not achieve or maintain profitability

- we are an early-stage company with an unproven business strategy

- we may need additional capital in the future and, if it is not available, we will have to curtail or cease operations

- we face substantial competition in the discovery of the DNA sequences of genes and their functions and in our drug discovery and product development efforts

- we rely heavily on collaborators to develop and commercialize products based on genes that we identify as promising candidates for development as drug targets

- any cancellation by or conflicts with our collaborators could harm our business

- we have no experience in developing and commercializing products on our own

- if we lose our key personnel or are unable to attract and retain additional personnel, we may be unable to pursue collaborations or develop our own products

- we may encounter difficulties in managing our growth, which could increase our losses

- because our entire OmniBank mouse clone library is located at a single facility, the occurrence of a disaster could significantly disrupt our business

- we can provide no assurance that we will prevail in our claims against Deltagen, Inc. or that, if we prevail, any damages or equitable remedies awarded will be commercially valuable

Risks Related to Our Industry

- our ability to patent our discoveries is uncertain because patent laws and their interpretation are highly uncertain and subject to change

- our patent applications may not result in enforceable patent rights

- if other companies and institutions obtain patents claiming the functional uses of genes and gene products based upon gene sequence information and predictions of gene function, we may be unable to obtain patents for our discoveries of biological function in knockout mice

- if our potential products conflict with patents that competitors, universities or others have obtained, then we may be unable to commercialize those products

- issued patents may not fully protect our discoveries, and our competitors may be able to commercialize products similar to those covered by our issued patents

- our rights to the use of technologies licensed by third parties are not within our control

- we may be unable to protect our trade secrets

- we and our collaborators are subject to extensive and uncertain government regulatory requirements, which could increase our operating costs or adversely affect our ability to obtain government approval of products based on genes that we identify in a timely manner or at all

- security risks in electronic commerce or unfavorable internet regulation may deter future use of our products and services

- we use hazardous chemicals and radioactive and biological materials in our business; any disputes relating to improper handling, storage or disposal of these materials could be time consuming and costly

- we may be sued for product liability

- public perception of ethical and social issues may limit or discourage the use of our technologies, which could reduce our revenues

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, believed, expected, estimated or projected. For additional discussion of these risks, uncertainties and assumptions, see "Risk Factors" included in the our initial public offering prospectus dated April 7, 2000 and contained in our Registration Statement on Form S-1 (Registration No. 333-96469) filed under the Securities Act of 1933, as amended.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Disclosure about Market Risk" under "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for quantitative and qualitative disclosures about market risk.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On May 24, 2000, we filed a complaint against Deltagen, Inc. in U.S. District Court for the District of Delaware alleging that Deltagen is willfully infringing the claims of United States Patent No. 5,789,215, under which we hold an exclusive license from GenPharm International, Inc. In the complaint, we are seeking unspecified damages from Deltagen, as well as injunctive relief. Deltagen has counterclaimed for a declaratory judgment that the patent is invalid, unenforceable and is not infringed by Deltagen. United States Patent No. 5,789,215 covers methods of engineering the animal genome, including methods for the production of knockout mice by homologous recombination, using isogenic DNA technology.

While we believe that our complaint is meritorious, we can provide no assurance that we will prevail in our claims against Deltagen or that, if we prevail, any damages or equitable remedies awarded will be commercially valuable. Furthermore, we are likely to incur substantial costs and expend substantial personnel time in pursuing our claims against Deltagen.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The effective date of the Registration Statement on Form S-1 (Registration No. 333-96469) filed under the Securities Act of 1933, as amended, relating to the initial public offering of our common stock was April 6, 2000. On the same date, we signed an underwriting agreement with J.P. Morgan Securities, Inc., Credit Suisse First Boston Corporation, CIBC World Markets Corp. and Punk, Ziegel & Company, L.P., the managing underwriters for the initial public offering and the representatives of the underwriters named in the underwriting agreement, for the initial public offering of 10,000,000 shares of our common stock at an initial public offering price of $22.00 per share. The offering commenced on April 7, 2000 and was closed on April 12, 2000. The initial public offering resulted in gross proceeds of $220.0 million. We received net proceeds of $203.2 million after deducting underwriting discounts of $15.4 million and estimated offering expenses of $1.4 million.

Concurrently with the closing of the initial public offering, the 4,244,664 outstanding shares of our Series A Preferred Stock were automatically converted into 12,733,992 shares of common stock. As a result, we no longer have any outstanding preferred stock.

From the time of receipt through June 30, 2000, the net proceeds of our initial public offering were applied toward:

o purchases and installation of equipment and build-out of facilities:	$	900,000
o repayment of indebtedness:	$	1,144,000
o working capital:	$	889,000
o Short-term investments in U.S. Government debt obligations and investment grade commercial paper:	$	200,267,000

Except for the repayment of $917,000 of indebtedness to a director, we have made no payments to our directors or officers or their associates, holders of 10% or more of any class of our equity securities or to our affiliates, other than payments to officers for salaries in the ordinary course of business.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit No.		Description
27.1	--	Financial Data Schedule.

(b) Reports on Form 8-K:

None.

SIGNATURES

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

LEXICON GENETICS INCORPORATED

Date: July 28, 2000 By: /s/ ARTHUR T. SANDS

Arthur T. Sands, M.D., Ph.D.
President and Chief Executive Officer

Date: July 28, 2000 By: /s/ JULIA P. GREGORY

Julia P. Gregory
Executive Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit No.		Description
27.1	--	Financial Data Schedule.

6-MOS
DEC-31-2000
JAN-01-2000
JUN-30-2000
49,632,521
161,009,285
1,484,082
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(4,239,758)
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