

ANTARES PHARMA INC
Form 10-Q/A
September 19, 2002

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|--|----|
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ANTARES PHARMA, INC. CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| | December 31, 2001 | June 30, 2002 |
|---|-------------------|---------------|
| | ----- | ----- |
| Assets | | |
| Current Assets: | | |
| Cash | \$ | 1,9 |
| Accounts receivable, less allowance for doubtful accounts of \$18,000 | | 5 |
| VAT and other receivables | | 3 |
| Inventories | | 6 |
| Prepaid expenses and other assets | | |
| | | ----- |
| Total current assets | | 3,5 |
| Equipment, furniture and fixtures, net | | 1,9 |
| Patent rights, net | | 2,4 |
| Goodwill, net | | 3,0 |
| Other assets | | 1 |
| | | ----- |
| Total Assets | \$ | 11,1 |
| | | ===== |

Liabilities and Shareholders' Equity

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Current Liabilities:

| | |
|--|-------|
| Accounts payable | \$ 6 |
| Accrued expenses and other liabilities | 1,0 |
| Deferred revenue | 1,5 |
| Capital lease obligations - current maturities | |
| Due to related parties | 2 |
| | ----- |
| Total current liabilities | 3,5 |
| Capital lease obligations, less current maturities | 1 |
| | ----- |
| Total liabilities | 3,6 |
| | ----- |

Shareholders' Equity:

| | |
|---|---------|
| Series A Convertible Preferred Stock: \$0.01 par; authorized 10,000 shares; 1,250 and 1,300 issued and outstanding at December 31, 2001 and June 30, 2002, respectively | |
| Common Stock: \$0.01 par; authorized 30,000,000 shares; 9,161,188 and 9,790,325 issued and outstanding at December 31, 2001 and June 30, 2002, respectively | |
| Additional paid-in capital | 37,4 |
| Accumulated deficit | (29,4 |
| Deferred compensation | (2 |
| Accumulated other comprehensive loss | (3 |
| | ----- |
| | 7,4 |
| | ----- |
| Total Liabilities and Shareholders' Equity | \$ 11,1 |
| | ===== |

See accompanying notes to consolidated financial statements.

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ANTARES PHARMA, INC. CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| | For the Three Months Ended June 30, | | F |
|---|--|------------|-------|
| | 2001 | 2002 | 2 |
| | ----- | ----- | ----- |
| Revenues: | | | |
| Product sales | \$ 813,354 | \$ 990,555 | \$ 1, |
| Licensing and product development | 292,799 | 138,058 | |
| | ----- | ----- | ----- |
| | 1,106,153 | 1,128,613 | 1, |
| Cost of product sales | 426,054 | 559,285 | |
| | ----- | ----- | ----- |
| Gross margin | 680,099 | 569,328 | |
| | ----- | ----- | ----- |

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Operating Expenses:

| | | | |
|---|----------------|----------------|--------|
| Research and development | 823,828 | 813,692 | 1, |
| In-process research and development | - | - | |
| Sales and marketing | 383,709 | 240,748 | |
| General and administrative | 1,200,865 | 1,338,448 | 2, |
| | ----- | ----- | |
| | 2,408,402 | 2,392,888 | 5, |
| | ----- | ----- | |
| Net operating loss | (1,728,303) | (1,823,560) | (4, |
| | ----- | ----- | |
| Other income (expense): | | | |
| Interest income | 70,223 | 6,735 | |
| Interest expense | (6,747) | (44,901) | |
| Foreign exchange gains (losses) | 19,486 | (55,180) | |
| Other, net | (33,382) | 22 | |
| | ----- | ----- | |
| | 49,580 | (93,324) | |
| | ----- | ----- | |
| Net loss | (1,678,723) | (1,916,884) | (4, |
| In-the-money conversion feature-preferred stock dividend | - | - | (5, |
| Preferred stock dividends | (50,000) | (50,000) | |
| | ----- | ----- | |
| Net loss applicable to common shares | \$ (1,728,723) | \$ (1,966,884) | \$ (9, |
| | ===== | ===== | |
| Basic and diluted net loss per common share | \$ (0.20) | \$ (.21) | \$ |
| | ===== | ===== | |
| Basic and diluted weighted average common shares outstanding | 8,840,448 | 9,286,359 | 7, |
| | ===== | ===== | |

See accompanying notes to consolidated financial statements.

ANTARES PHARMA, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | | | |
|---|--|----|-------|
| | | | Fo |
| | | | ----- |
| | | | 2 |
| | | | ----- |
| Cash flows from operating activities: | | | |
| Net loss | | \$ | (4 |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |

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| | |
|---|------|
| Depreciation and amortization | |
| Loss on disposal and abandonment of assets | |
| In-process research and development | |
| Stock-based compensation expense | |
| Changes in operating assets and liabilities, net of effect of business acquisition: | |
| Accounts receivable | |
| VAT and other receivables | |
| Inventories | |
| Prepaid expenses and other assets | |
| Accounts payable | |
| Accrued expenses and other | |
| Deferred revenue | |
| Due to related parties | |
| Other | |
| Net cash used in operating activities | (4) |
| Cash flows from investing activities: | |
| Purchases of equipment, furniture and fixtures | |
| Proceeds from sale of equipment, furniture & fixtures | |
| Additions to patent rights | |
| Increase in notes receivable and due from Medi-Ject | |
| Acquisition of Medi-Ject, including cash acquired | |
| Net cash used in investing activities | |
| Cash flows from financing activities: | |
| Proceeds from loans from shareholders | 1 |
| Principal payments on capital lease obligations | |
| Proceeds from issuance of common stock, net | 10 |
| Net cash provided by financing activities | 11 |
| Effect of exchange rate changes on cash and cash equivalents | |
| Net increase (decrease) in cash and cash equivalents | 5 |
| Cash and cash equivalents: | |
| Beginning of period | |
| End of period | \$ 5 |
| Supplemental cash flow information: | |
| Cash paid during the period for interest | \$ |

Schedule of non-cash investing and financing activities: See information regarding non-cash investing and financing activities in Notes 1, 2, 7 and 8.

See accompanying notes to consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) June 30, 2001 and 2002

1. Basis of Presentation

The accompanying unaudited financial statements 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 accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The accompanying financial statements and notes should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2001. Operating results for the six-month period ended June 30, 2002, are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

The Company has identified certain of its significant accounting policies that it considers particularly important to the portrayal of the Company's results of operations and financial position and which may require the application of a higher level of judgment by the Company's management, and as a result are subject to an inherent level of uncertainty. These are characterized as "critical accounting policies" and address revenue recognition and inventory reserves, each more fully described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. Based upon the Company's review, it has determined that these policies remain its most critical accounting policies for the six months ended June 30, 2002, and the Company has made no changes to these policies during 2002.

On January 31, 2001, Medi-Ject Corporation, now known as Antares Pharma, Inc. ("Antares" or "the Company") purchased from Permateg Holding AG ("Permateg") all of the outstanding shares of Permateg Pharma AG, Permateg Technology AG, and Permateg NV (the "Share Transaction"). In exchange, Antares issued 2,900,000 shares of Antares common stock to Permateg. Upon the issuance, Permateg and its affiliates owned approximately 67% of the outstanding shares of Antares common stock. For accounting purposes, Permateg is deemed to have acquired Antares. The acquisition has been accounted for by the purchase method of accounting.

Upon closing of the Share Transaction on January 31, 2001, the full principal amount of Permateg's shareholders' loans to the three Permateg subsidiaries which were included in the Share Transaction, of \$13,069,870, was converted to equity.

Also on January 31, 2001, promissory notes issued by Medi-Ject to Permateg between January 25, 2000 and January 15, 2001, in the aggregate principal amount of \$5,500,000, were converted into Series C Convertible Preferred Stock ("Series C"). Permateg, the holder of the Series C stock, immediately exercised its right to convert the Series C stock, and Antares issued 2,750,000 shares of common stock to Permateg upon such conversion. Also on that date, the name of the corporation was changed to Antares Pharma, Inc.

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ANTARES PHARMA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)
June 30, 2001 and 2002

1. Basis of Presentation (Continued)

The total consideration paid, or purchase price, for Medi-Ject was \$6,889,974, which represents the fair market value of Medi-Ject and related transaction costs of \$480,095. For accounting purposes, the fair value of Medi-Ject is based on the 1,424,729 shares of Medi-Ject common stock outstanding on January 25, 2000, at an average closing price three days before and after such date of \$2.509 per share plus the estimated fair value of the Series A convertible preferred stock and the Series B mandatorily redeemable convertible preferred stock plus the fair value of outstanding stock options and warrants representing shares of Medi-Ject common stock either vested on January 25, 2000, or that became vested at the close of the Share Transaction plus the capitalized acquisition cost of Permateg.

The purchase price allocation was as follows:

| | | |
|---|----|-------------|
| Cash acquired | \$ | 394,535 |
| Current assets | | 900,143 |
| Equipment, furniture and fixtures | | 1,784,813 |
| Patents | | 1,470,000 |
| Other intangible assets | | 2,194,000 |
| Goodwill | | 1,276,806 |
| Other assets | | 3,775 |
| Current liabilities | | (2,026,723) |
| Debt | | (55,375) |
| In-process research and development | | 948,000 |
| | | ----- |
| Purchase price | \$ | 6,889,974 |
| | | ===== |

In connection with the Share Transaction on January 31, 2001, the Company acquired in-process research and development projects having an estimated fair value of \$948,000, that had not yet reached technological feasibility and had no alternative future use. Accordingly, this amount was immediately expensed in the Consolidated Statements of Operations.

Unaudited pro forma results of operations for the years ended December 31, 2000 and 2001, and for the six months ended June 30, 2001, assuming Permateg's acquisition of Medi-Ject, the conversion of the \$5,000,000 in promissory notes, and the Company's implementation of SFAS 141 all collectively occurred on January 1, 2000, are as follows:

| | Pro forma Year Ended December 31, 2000 | Pro forma Year Ended December 31, 2001 | Pro forma Six Months Ended June 30, 2001 |
|---|---|---|---|
| | ----- | ----- | ----- |
| Net revenues..... | \$ 2,553,284 | \$ 3,811,362 | \$ 2,006,160 |
| Loss before cumulative effect of a change in accounting principle..... | \$ (10,030,643) | \$ (15,086,836) | \$ (10,164,180) |
| Net loss..... | \$ (11,145,026) | \$ (15,086,836) | \$ (10,164,180) |

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| | | | | | | |
|-------------------------|----|--------|----|--------|----|--------|
| Net loss per share..... | \$ | (1.63) | \$ | (1.78) | \$ | (1.28) |
|-------------------------|----|--------|----|--------|----|--------|

2. Going Concern

The accompanying financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities and other commitments in the normal course of business. The Company's external auditors issued their report on the December 31, 2002 financial statements, which express substantial doubt about the Company's ability to continue as a going concern. The Company had negative working capital of \$2,016,280 at June 30, 2002, and has had net losses and negative cash flows from operating activities since inception.

The Company expects to report a net loss for the year ending December 31, 2002, as marketing and development costs related to bringing future generations of products to market continue. Long-term capital requirements will depend on numerous factors, including the status of collaborative arrangements, the progress of research and development programs and the receipt of revenues from sales of products.

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ANTARES PHARMA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED) June 30, 2001 and 2002

2. Going Concern (Continued)

The Company believes it has sufficient cash through September 2002 and will be required to raise additional working capital to continue to exist. Management's intentions are to raise this additional capital through alliances with strategic corporate partners, equity offerings, and/or borrowing from the Company's majority shareholder. The Company received \$1,000,000 on March 12, 2002 and \$1,000,000 on April 24, 2002 from the Company's majority shareholder, Dr. Jacques Gonella, under a Term Note agreement dated February 20, 2002. The Term Note agreement allowed for total advances to the Company of \$2,000,000 and was interest bearing at the three month Euribor Rate as of the date of each advance, plus 5%. The principal of \$2,000,000 and accrued interest of \$36,550 was converted into 509,137 shares of common stock on June 10, 2002 at \$4.00 per share. In June 2002, the Company borrowed an additional \$300,000 from the Company's majority shareholder on a short-term basis with interest at the three month Euribor Rate as of the date of the advance, plus 5%.

On July 12, 2002 the Company entered into a Securities Purchase Agreement (the "Agreement") for the sale and purchase of up to \$2,000,000 aggregate principal amount of the Company's 10% Convertible Debentures. The debentures are convertible into shares of the Company's common stock at a conversion price which is the lower of \$2.50 or 75% of the average of the three lowest intraday prices of the Company's common stock, as reported on the Nasdaq SmallCap Market. Within 15 days of the closing, the Company was obligated to file a registration statement with the Securities and Exchange Commission to register the shares issuable upon conversion of the debentures. Under the terms of the Agreement, the Company received \$700,000 upon closing of the transaction on July 12, 2002, an additional \$700,000 after the Company filed the registration statement on July 19, 2002 to register the shares issuable upon conversion of the debentures, and will receive an additional \$600,000 when such registration statement is declared effective. Additionally, the Company intends to hold a special meeting of

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its shareholders on August 23, 2002, to approve the issuance of the shares issuable upon conversion of the debentures. Upon conversion of the debentures, existing common shareholders could experience substantial dilution of their investment. In addition, as the per share conversion price of the debentures into common stock was substantially lower than the market price of the common stock on the dates the debentures were sold, the Company will be recording an accounting charge for the beneficial in-the-money conversion feature of the debentures in the third quarter. This charge will be material to the financial statements and could equal the principal amount of the converted debentures.

There can be no assurance that the Company will ever become profitable or that adequate funds will be available when needed or on acceptable terms.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary if the Company is unable to continue as a going concern.

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ANTARES PHARMA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)
June 30, 2001 and 2002

3. Comprehensive Loss

| | Three Months Ended June 30, | | Six Mo Ju |
|--|--------------------------------|----------------|----------------|
| | 2001 | 2002 | 2001 |
| Net loss | \$ (1,678,723) | \$ (1,916,884) | \$ (4,332,670) |
| Change in cumulative translation adjustment | (32,350) | (51,815) | (340,755) |
| Comprehensive loss | \$ (1,711,073) | \$ (1,968,699) | \$ (4,673,425) |

4. Inventories

Inventories consist of the following:

| | December 31, 2001 | June 30, 2002 |
|-------------------------|----------------------|------------------|
| Raw material | \$ 294,643 | \$ 342,323 |
| Work in-process | 29,611 | 264,705 |
| Finished goods | 436,437 | 170,835 |
| | 760,691 | 777,863 |
| Inventory reserve | (105,000) | (80,000) |
| | \$ 655,691 | \$ 697,863 |

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5. Industry Segment and Operations by Geographic Areas

The Company is primarily engaged in development of drug delivery transdermal and transmucosal pharmaceutical products and drug delivery injection devices and supplies. These operations are considered to be one segment. The geographic distributions of the Company's identifiable assets and revenues are summarized in the following table:

We have operating assets located on two continents as follows:

| | December 31, 2001 | June 30, 2002 |
|--------------------------------|----------------------|----------------------|
| Switzerland | \$ 2,388,337 | \$ 2,230,732 |
| United States of America | 8,740,113 | 7,841,714 |
| | <u>\$ 11,128,450</u> | <u>\$ 10,072,446</u> |
| | ===== | ===== |

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ANTARES PHARMA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED) June 30, 2001 and 2002

5. Industry Segment and Operations by Geographic Areas (Continued)

Revenues by region of origin are summarized as follows:

| | For the Three Months Ended June 30, | |
|--------------------------------|--|---------------------|
| | 2001 | 2002 |
| United States of America | \$ 141,236 | \$ 429,095 |
| Europe | 955,943 | 675,196 |
| Other | 8,974 | 24,322 |
| | <u>\$ 1,106,153</u> | <u>\$ 1,128,613</u> |
| | ===== | ===== |
| | For the Six Months Ended June 30, | |
| | 2001 | 2002 |
| United States of America | \$ 251,226 | \$ 684,001 |
| Europe | 1,369,656 | 1,065,319 |
| Other | 72,440 | 48,264 |
| | <u>\$ 1,693,322</u> | <u>\$ 1,797,584</u> |
| | ===== | ===== |

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6. Accounting for License Revenues

During the quarter ended December 31, 2000 and effective January 1, 2000, the Company adopted the cumulative deferral method for accounting for license revenues. The adoption of this accounting principle resulted in a \$1,059,622 cumulative effect adjustment in the first quarter 2000.

During the quarter and six-month periods ended June 30, 2001 and for the same periods ending June 30, 2002, the Company recognized \$69,301, \$138,601, \$36,714 and \$75,942, respectively, of license revenues that were previously recognized by the Company prior to the adoption of the cumulative deferral method.

7. In-The-Money Conversion Feature Preferred Stock Dividend

During 2000 and 2001, prior to the closing of the Share Transaction on January 31, 2001, Medi-Ject borrowed a total of \$5,500,000 in convertible promissory notes from Permateg. At the closing of the Share Transaction, the principal amount of convertible promissory notes converted to 27,500 shares of Series C preferred stock. At the option of the holder, these shares were immediately converted into 2,750,000 shares of Antares common stock. As the conversion feature to common stock was contingent upon the closing of the Share Transaction, the measurement of the stated conversion feature as compared to the Company's common stock price of \$4.56 at January 31, 2001, resulted in an in-the-money conversion feature of \$5,314,125, which is a deemed dividend to the Series C preferred shareholder. This dividend increases the net loss applicable to common shareholders in the Antares' net loss per share calculation.

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ANTARES PHARMA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)
June 30, 2001 and 2002

8. Shareholders' Equity

Roger G. Harrison, Ph.D., was appointed to the position of Chief Executive Officer of Antares Pharma, Inc., effective March 12, 2001. In accordance with the terms of the employment agreement with Dr. Harrison, 40,000 restricted shares of common stock were granted to him on March 12, 2002, his first anniversary with the Company.

During the second quarter of 2002 the Company issued 80,000 shares of fully vested common stock valued at \$283,000 to two consultants for services to be performed. Of the 80,000 shares issued, 20,000 were issued as compensation directly related to the closing on July 12, 2002 of \$2,000,000 of the Company's 10% Convertible Debentures. Expense related to 20,000 shares will be recognized as interest expense over the term of the debentures. Expense related to 60,000 shares is being recognized as the consulting services are provided to the Company. Through June 30, 2002 approximately \$61,000 has been recognized as expense.

On June 10, 2002 the principal balance of \$2,000,000 and accrued interest of \$36,550 under a term note agreement with the Company's majority shareholder, Dr. Jacques Gonella, was converted into 509,137 shares of common stock at \$4.00 per share.

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9. New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued SFAS 141, "Business Combinations," and SFAS 142, "Goodwill and Other Intangible Assets." SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Thus, amortization of goodwill, including goodwill recorded in past business combinations, ceased upon adoption of that Statement. The Company adopted SFAS 142 in the first quarter of fiscal 2002 and accordingly evaluated its existing intangible assets and goodwill that were acquired in the Medi-Ject purchase business combination. The Company concluded that \$1,935,588 representing the unamortized portion of the amount allocated to other intangible assets on the date of adoption, should be classified as goodwill as they did not meet the definition for separate accounting under SFAS No. 142. These amounts were previously classified as workforce, ISO certification and clinical studies with unamortized balances of \$510,413, \$271,588, and \$1,153,587, at December 31, 2001. Upon adoption of SFAS 142, the Company reassessed the useful lives and residual values of all intangible assets acquired in purchase business combinations, and determined that there were no amortization period adjustments necessary.

The Company adopted SFAS 141 during 2001 and adopted SFAS 142 effective January 1, 2002. As of the date of adoption of SFAS 142, after reclassification of other intangible assets as goodwill, the Company had approximately \$3,095,355 of unamortized goodwill subject to the transition provisions of SFAS 141 and 142. The Company engaged a third-party valuation firm to complete an evaluation of goodwill in accordance with the provisions of SFAS 142 and concluded that no impairment existed. Adoption of SFAS 142 is expected to decrease amortization expenses in 2002 by approximately \$410,000 as a result of ceasing amortization of goodwill and other intangible assets reclassified as goodwill.

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ANTARES PHARMA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED) June 30, 2001 and 2002

9. New Accounting Pronouncements (Continued)

For the three and six-month periods ended June 30, 2001 and 2002, the goodwill amortization, adjusted net loss and basic and diluted loss per share are as follows:

| | Three Months Ended June 30, | | Six Mo Ju |
|-------------------------------------|--------------------------------|----------------|----------------|
| | 2001 | 2002 | 2001 |
| Net loss as reported | \$ (1,728,723) | \$ (1,966,884) | \$ (9,696,795) |
| Addback goodwill amortization | 102,396 | - | 170,660 |
| Adjusted net loss | \$ (1,626,327) | \$ (1,966,884) | \$ (9,526,135) |

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| | | | |
|-----------------------------------|-----------|-----------|-----------|
| Basic and diluted loss per share: | | | |
| Net loss as reported | \$ (0.20) | \$ (0.21) | \$ (1.22) |
| Goodwill amortization | 0.01 | - | 0.02 |
| | ----- | ----- | ----- |
| Adjusted net loss per share..... | \$ (0.19) | \$ (0.21) | \$ (1.20) |
| | ===== | ===== | ===== |

For the three years ended December 31, 1999, 2000 and 2001, the goodwill amortization, adjusted net loss and basic and diluted loss per share are as follows:

| | December 31, | | |
|-------------------------------------|----------------|-------------|--------------|
| | 1999 | 2000 | 2001 |
| | ----- | ----- | ----- |
| Net loss as reported | \$ (3,967,366) | (5,260,387) | (14,913,226) |
| Addback goodwill amortization | 177,963 | 177,963 | 464,434 |
| | ----- | ----- | ----- |
| Adjusted net loss | \$ (3,789,403) | (5,082,424) | (14,537,774) |
| | ===== | ===== | ===== |
| Basic and diluted loss per share: | | | |
| Net loss as reported | \$ (.92) | (1.22) | (1.76) |
| Goodwill amortization | .04 | .04 | .05 |
| | ----- | ----- | ----- |
| Adjusted net loss per share | \$ (.88) | (1.18) | (1.71) |
| | ===== | ===== | ===== |

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which nullifies EITF 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The Company plans to adopt SFAS No. 146 in January 2003. Management believes that the adoption of this statement will not have a material effect on the Company's future results of operations.

10. Reconciliation of Loss and Share Amount Used in EPS Calculation

Basic loss per common share is computed by dividing net loss available to Common Shareholders by the weighted-average number of common shares outstanding for the period. Diluted loss per common share reflects the potential dilution from the exercise or conversion of securities into common stock. The 509,137 shares of common stock issued on June 10, 2002 to the Company's majority shareholder, Dr. Jacques Gonella, in connection with conversion of \$2,036,550 in notes payable and accrued interest had only a minor effect on the loss per share for the three and six-month periods ended June 30, 2002, and the full impact from issuance of these shares will not be reflected in the loss per share calculations until future periods. The following table discloses the basic and diluted loss per share. In addition, as the Company is in a loss position, the table discloses the stock options and warrants outstanding at the end of each period which were excluded from the weighted average shares outstanding as their impact is anti-dilutive.

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| | Three Months Ended June 30, | | Six Mo Ju |
|---|--------------------------------|----------------|----------------|
| | 2001 | 2002 | 2001 |
| Net loss | \$ (1,728,723) | \$ (1,966,884) | \$ (9,696,795) |
| Basic and diluted weighted average common shares outstanding | 8,840,448 | 9,286,359 | 7,931,333 |
| Basic and diluted net loss per common share | \$ (0.20) | \$ (0.21) | \$ (1.22) |

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ANTARES PHARMA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED) June 30, 2001 and 2002

10. Reconciliation of Loss and Share Amount Used in EPS Calculation (Continued)

| | Three Months Ended June 30, | | Six Mo Ju |
|--|--------------------------------|-----------|--------------|
| | 2001 | 2002 | 2001 |
| Antidilutive stock options and warrants | 1,666,103 | 1,748,107 | 1,666,103 |

11. Related Party Transactions

Effective February 1, 2001, the Company entered into a consulting agreement with JG Consulting AG, a company owned by the Company's majority shareholder, Dr. Jacques Gonella. In connection with this agreement the Company recognized expense of \$77,500 and \$93,000 for the six-month periods ended June 30, 2001 and 2002, respectively. Amounts owed to JG Consulting AG at December 31, 2001 and June 30, 2002 were \$90,532 and \$15,500, respectively. In addition, in 2001 the Company sold equipment, furniture and fixtures to JG Consulting AG for \$91,699, which approximated the book value of the assets sold.

During the six months ended June 30, 2001 the Company recognized expense of \$92,500 for feasibility study and market research services performed by a company in which Dr. Gonella has an ownership interest of approximately 25%. At December 31, 2001 and June 30, 2002 the Company had a payable to this company of \$92,500.

During the six months ended June 30, 2002 the Company recognized expense of approximately \$67,000 for consulting services provided by John Gogol, one of the Company's board members. The Company had a payable to Mr. Gogol at December 31, 2001 and June 30, 2002 of \$6,363 and \$15,000, respectively.

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At June 30, 2002 the Company has an outstanding payable of \$4,187 to another board member for board meeting travel expenses.

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

Results of Operations

Critical Accounting Policies

The Company has identified certain of its significant accounting policies that it considers particularly important to the portrayal of the Company's results of operations and financial position and which may require the application of a higher level of judgment by the Company's management, and as a result are subject to an inherent level of uncertainty. These are characterized as "critical accounting policies" and address revenue recognition and inventory reserves, each more fully described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. Based upon the Company's review, it has determined that these policies remain its most critical accounting policies for the six months ended June 30, 2002, and the Company has made no changes to these policies during 2002.

Three and Six Months Ended June 30, 2001 and 2002

Revenues

Total revenues for the three and six months ended June 30, 2002 were \$1,128,613 and \$1,797,584, respectively, reflecting increases over the same periods of the prior year of \$22,460 and \$104,262, or 2% and 6%, respectively. The increase in revenues is due mainly to increases in product sales in the three and six-month periods of \$177,201 and \$243,837, respectively, offset by decreases in licensing and product development revenue. The increased product sales result primarily from increased sales made to licensees in connection with clinical studies and other development activities under license agreements.

Licensing and product development fee income decreased by \$154,741 or 53%, and \$139,575 or 34% in the three and six-month periods ended June 30, 2002, respectively, as compared to the prior-year periods. The decreases are primarily due to a \$150,000 Antares/Minnesota one-time development fee earned in the second quarter of 2001 under a discrete contract. The balance of the licensing and product development revenue is attributable to the recognition of previously deferred revenue related to licensing and product development contracts.

During the quarter ended December 31, 2000 and effective January 1, 2000, the Company adopted the cumulative deferral method for accounting for license revenues. The adoption of this accounting principle resulted in a \$1,059,622 cumulative effect adjustment in the first quarter of 2000.

During the quarter and six-month periods ended June 30, 2001 and for the same periods ending June 30, 2002, the Company recognized \$69,301, \$138,601, \$36,714 and \$75,942, respectively, of license revenues that were previously recognized by the Company prior to the adoption of the cumulative deferral method.

Cost of Sales

The costs of product sales are primarily related to injection devices and

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disposable products. Cost of sales as a percentage of product sales increased from 52% for the second quarter of 2001 to 56% for the second quarter of 2002, and increased from 56% for the first half of 2001 to 80% for the first half of

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2002. The significant increase during the first half of 2002 was primarily due to approximately \$282,000 of inventory write-offs and inventory reserve adjustments in the first quarter related to the launch of the Medi-Ject Vision ("MJ7") device into new markets. Approximately \$171,000 of this amount related to a disposable component found to have a design defect, which was immediately corrected. The remaining \$111,000 of inventory written-off was due to a production problem encountered in connection with another disposable component. The Company has incurred only minor additional expenses associated with testing and making the required production modifications.

Research and Development

Research and development expenses totaled \$813,692 and \$1,544,820 in the three and six-month periods ended June 30, 2002, respectively, compared to \$823,828 and \$1,394,779 in the same prior-year periods. The increase in the six-month period of \$150,041 is primarily due to the inclusion of six months of Antares/Minnesota expenses in 2002 compared with only five months in 2001 following the business combination on January 31, 2001.

Sales and Marketing

Sales and marketing expenses totaled \$240,748 and \$399,169 in the three and six-month periods ended June 30, 2002, respectively, compared to \$383,709 and \$644,007 in the same periods of the prior year. The decreases in the current year three and six-month periods as compared to the prior-year periods of \$142,961 or 37%, and \$244,838 or 38%, respectively, are primarily due to a decrease in consulting expenses, offset in the six-month period by six months of Antares/Minnesota expenses in 2002 compared with only five months in 2001 following the business combination on January 31, 2001. The decrease in consulting expenses results from a management decision to reduce utilization of outside consulting services.

General and Administrative

General and administrative expenses totaled \$1,338,448 and \$2,615,777 in the three and six-month periods ended June 30, 2002, respectively, compared to \$1,200,865 and \$2,385,040 in the same periods of the prior year. The increases in the current year three-month and six-month periods as compared to the same prior-year period of \$137,583 or 11% and \$230,737 or 10%, respectively, are primarily due to the opening of the corporate office in Exton, PA in December of 2001 and expenses related to our equity advisor agreements. The increase in the six-month period is also due to the inclusion of six months of Antares/Minnesota expenses in 2002 compared with only five months in 2001 following the business combination on January 31, 2001, offset by decreases in expenses related to the business combination and amortization expense due to the adoption of SFAS 142.

Other Income (Expense)

Net other income (expense) changed to expense of \$93,324 and \$80,633 in the three and six-month periods of 2002, respectively, from income of \$49,580 and \$65,760, in the same periods ended June 30, 2001. The changes resulted primarily from decreased interest income due to lower average cash balances in 2002 compared to 2001 and increased currency exchange losses in 2002 compared to

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2001. In addition, interest expense in the three-month period of 2002 increased by \$38,154 over the same period in 2001 due to borrowings of \$2,300,000 during the second quarter of 2002 from the Company's major shareholder. Interest expense for the six-months of 2001 of \$90,951 resulted primarily from interest expense on outstanding notes incurred by Antares/Switzerland in January 2001 prior to the business

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combination, while interest expense for the six-months of 2002 of \$53,263 is primarily due to the interest on the borrowings from the Company's major shareholder. The conversion of \$2,000,000 of debt into common stock by the Company's major shareholder in June will decrease quarterly interest expense in the future by approximately \$42,000, while the issuance of \$2,000,000 of 10% Convertible Debentures in July will increase quarterly interest expense by approximately \$50,000 until maturity or conversion.

The 509,137 shares of common stock issued on June 10, 2002 to the Company's majority shareholder, Dr. Jacques Gonella, in connection with conversion of \$2,036,550 in notes payable and accrued interest had only a minor effect on the loss per share for the three and six-month periods ended June 30, 2002, and the full impact from issuance of these shares will not be reflected in the loss per share calculations until future periods.

Upon conversion of the 10% Convertible Debentures, existing common shareholders could experience substantial dilution of their investment. In addition, as the per share conversion price of the debentures into common stock was substantially lower than the market price of the common stock on the dates the debentures were sold, the Company will be recording an accounting charge for the beneficial in-the-money conversion feature of the debentures in the third quarter. This charge will be material to the financial statements and could equal the principal amount of the converted debentures.

Cash Flows

Operating Activities

Net cash used in operating activities decreased by \$1,335,176, from \$4,672,493 for the first half of 2001 to \$3,337,317 for the first half of 2002. This was the result of net losses of \$4,332,670 and \$4,063,524 in the first half of 2001 and 2002, respectively, adjusted by noncash expenses and changes in operating assets and liabilities.

Net noncash expenses of \$1,529,512 in the first half of 2001 were mainly due to depreciation and amortization of \$563,323 and in-process research and development of \$948,000. Noncash expenses in the first half of 2002 totaled \$582,999, consisting primarily of depreciation and amortization of \$397,166 and stock-based compensation expense of \$185,833.

The change in operating assets and liabilities in the first half of 2001 resulted in a net decrease to cash of \$1,869,335, comprised mainly of reductions in accounts payable and accrued expenses of \$739,626 and \$568,820, respectively, as a result of improved liquidity from the sale of common stock in the first half of 2001. In addition, an increase in accounts receivable used \$365,026 in the 2001 period. In the first half of 2002, the change in operating assets and liabilities caused an increase in cash of \$143,208, primarily due to the increase in deferred revenue of \$975,340 and decrease in VAT and other receivables of \$200,354, offset by increases in accounts receivable and prepaid expenses of \$373,715 and \$181,211, respectively, and decreases in accrued expenses and liabilities to related parties of \$295,136 and \$116,505,

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respectively. The increase in deferred revenue of \$975,340 resulted mainly from milestone payments of approximately \$750,000 related to existing license agreements, along with approximately \$300,000 related to agreements originating in 2002.

Investing Activities

Net cash used in investing activities decreased \$159,610, from \$444,768 in the first half of 2001 to \$285,158 in the same period of 2002. In 2001, \$602,756 was loaned to Medi-Ject before the business

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combination and was offset by the cash balance of \$355,578 in Medi-Ject at the time of the business combination. In addition, in 2001 the Company received proceeds of \$91,699 from the sale of equipment, furniture and fixtures. Purchases of equipment, furniture and fixtures in the first half of 2001 and 2002 totaled \$230,022 and \$123,181, respectively, and expenditures for patent acquisition and development totaled \$59,267 and \$161,977, respectively.

Financing Activities

Net cash provided by financing activities decreased \$8,834,421 from \$11,078,699 in the first half of 2001 to \$2,244,278 in the same period of 2002, due primarily to net proceeds of \$10,016,268 received during the first half of 2001 from issuance of common stock, of which \$9,994,549 was received in the private placement of common stock.

The Company received \$1,000,000 on March 12, 2002 and \$1,000,000 on April 24, 2002 from the Company's majority shareholder, Dr. Jacques Gonella, under a Term Note agreement dated February 20, 2002. The Term Note agreement allowed for total advances to the Company of \$2,000,000. The note was interest bearing at the three month Euribor Rate as of the date of each advance, plus 5%. The principal and accrued interest of \$36,550 was converted into 509,137 shares of common stock on June 10, 2002 at \$4.00 per share. In June 2002 the Company borrowed an additional \$300,000 from the Company's majority shareholder on a short-term basis, with interest at the three month Euribor Rate as of the date of the advance, plus 5%.

Liquidity

The accompanying financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities and other commitments in the normal course of business. The Company's external auditor issued its report on the December 31, 2001 financial statements, which expressed substantial doubt about the Company's ability to continue as a going concern. The Company had negative working capital of \$2,016,280 at June 30, 2002, and has had net losses and negative cash flows from operating activities since inception.

The Company expects to report a net loss for the year ending December 31, 2002, as marketing and development costs related to bringing future generations of products to market continue. Long-term capital requirements will depend on numerous factors, including the status of collaborative arrangements, the progress of research and development programs and the receipt of revenues from sales of products.

The Company believes it has sufficient cash to continue operations through September 2002 and will be required to raise additional working capital to continue to exist. Management's intentions are to raise this additional capital

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through alliances with strategic corporate partners, equity offerings, and/or debt financing. The Company received \$1,000,000 on March 12, 2002 and \$1,000,000 on April 24, 2002 from the Company's majority shareholder, Dr. Jacques Gonella, under a Term Note agreement dated February 20, 2002. The Term Note agreement allowed for total advances to the Company of \$2,000,000 and was interest bearing at the three month Euribor Rate as of the date of each advance, plus 5%. The principal of \$2,000,000 and accrued interest of \$36,550 was converted into 509,137 shares of common stock on June 10, 2002 at \$4.00 per share. In June 2002 the Company borrowed an additional \$300,000 from the Company's majority shareholder on a short-term basis with interest at the three month Euribor Rate as of the date of the advance, plus 5%.

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On July 12, 2002 the Company entered into a Securities Purchase Agreement (the "Agreement") for the sale and purchase of up to \$2,000,000 aggregate principal amount of the Company's 10% Convertible Debentures. The debentures are convertible into shares of the Company's common stock at a conversion price which is the lower of \$2.50 or 75% of the average of the three lowest intraday prices of the Company's common stock during the 20 trading days prior to the date of conversion, as reported on the Nasdaq SmallCap Market. Within 15 days of the closing, the Company was obligated to file a registration statement with the Securities and Exchange Commission to register the shares issuable upon conversion of the debentures. Under the terms of the Agreement, the Company received \$700,000 upon closing of the transaction on July 12, 2002, an additional \$700,000 after the Company filed a registration statement on July 19, 2002 to register the shares issuable upon conversion of the debentures, and will receive an additional \$600,000 when such registration statement is declared effective. Additionally, the Company intends to hold a special meeting of its shareholders to approve the issuance of the shares issuable upon conversion of the debentures. Upon conversion of the debentures, existing common shareholders could experience substantial dilution of their investment. In addition, as the per share conversion price of the debentures into common stock was substantially lower than the market price of our common stock on the dates the debentures were sold, we will be recording an accounting charge for the beneficial in-the-money conversion feature of the debentures in the third quarter. This charge will be material to our financial statements and could equal the principal amount of the converted debentures.

There can be no assurance that the Company will ever become profitable or that adequate funds will be available when needed or on acceptable terms. If for any reason the Company is unable to obtain additional financing it may not be able to continue as a going concern, which may result in material asset impairments, other material adverse changes in the business, results of operations or financial condition, or the loss by shareholders of all or a part of their investment in the Company.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary if the Company is unable to continue as a going concern.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued SFAS 141, "Business Combinations," and SFAS 142, "Goodwill and Other Intangible Assets." SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Thus, amortization of goodwill, including goodwill recorded in past

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business combinations, ceased upon adoption of that Statement. The Company adopted SFAS 142 in the first quarter of fiscal 2002 and accordingly evaluated its existing intangible assets and goodwill that were acquired in the Medi-Ject purchase business combination. The Company concluded that \$1,935,588 representing the unamortized portion of the amount allocated to other intangible assets on the date of adoption, should be classified as goodwill as they did not meet the definition for separate accounting under SFAS No. 142. These amounts were previously classified as workforce, ISO certification and clinical studies with unamortized balances of \$510,413, \$271,588, and \$1,153,587, at December 31, 2001. Upon adoption of SFAS 142, the Company reassessed the useful lives and residual values of all intangible assets acquired in purchase business combinations, and determined that there were no amortization period adjustments necessary.

The Company adopted SFAS 141 during 2001 and adopted SFAS 142 effective January 1, 2002. As of the date of adoption of SFAS 142, after reclassification of other intangible assets as goodwill, the Company had approximately \$3,095,355 of unamortized goodwill subject to the transition provisions of SFAS 141 and 142. The Company completed an evaluation of

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goodwill in accordance with the provisions of SFAS 142 and concluded that no impairment exists. Adoption of SFAS 142 is expected to decrease amortization expenses in 2002 by approximately \$410,000 as a result of ceasing amortization of goodwill and other intangible assets reclassified as goodwill.

For the three and six month periods ended June 30, 2001 and 2002, the goodwill amortization, adjusted net loss and basic and diluted loss per share are as follows:

| | Three Months Ended June 30, | | Six Mon Jun |
|-------------------------------------|--------------------------------|-----------------------|-----------------------|
| | 2001 | 2002 | 2001 |
| Net loss as reported | \$ (1,728,723) | \$ (1,966,884) | \$ (9,696,795) |
| Addback goodwill amortization | 102,396 | - | 170,660 |
| Adjusted net loss | <u>\$ (1,626,327)</u> | <u>\$ (1,966,884)</u> | <u>\$ (9,526,135)</u> |
| Basic and diluted loss per share: | | | |
| Net loss as reported | \$ (0.20) | \$ (0.21) | \$ (1.22) |
| Goodwill amortization | 0.01 | - | 0.02 |
| Adjusted net loss per share | <u>\$ (0.19)</u> | <u>\$ (0.21)</u> | <u>\$ (1.20)</u> |

For the three years ended December 31, 1999, 2000 and 2001, the goodwill amortization, adjusted net loss and basic and diluted loss per share are as follows:

December 31,

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| | 1999 | 2000 | 2001 |
|-------------------------------------|----------------|-------------|--------------|
| Net loss as reported | \$ (3,967,366) | (5,260,387) | (14,913,226) |
| Addback goodwill amortization | 177,963 | 177,963 | 464,434 |
| Adjusted net loss | ===== | ===== | ===== |
| Adjusted net loss | \$ (3,789,403) | (5,082,424) | (14,537,774) |
| Adjusted net loss | ===== | ===== | ===== |
| Basic and diluted loss per share: | | | |
| Net loss as reported | \$ (.92) | (1.22) | (1.76) |
| Goodwill amortization | .04 | .04 | .05 |
| Adjusted net loss per share | ===== | ===== | ===== |
| Adjusted net loss per share | \$ (.88) | (1.18) | (1.71) |
| Adjusted net loss per share | ===== | ===== | ===== |

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred and nullifies EITF 94-3. The Company plans to adopt SFAS No. 146 in January 2003. Management believes that the adoption of this statement will not have a material effect on the Company's future results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure is foreign exchange rate fluctuations of the Swiss Franc to the U.S. dollar as the financial position and operating results of the Company's subsidiaries in Switzerland are translated into U.S. dollars for consolidation. For the three and six-months ended June 30, 2002, the Company recorded an increase to cumulative comprehensive loss of \$51,815 and \$53,441, respectively, and \$32,350 and \$340,755, respectively, for the same prior-year periods related to foreign currency translation adjustments. The Company's exposure to foreign exchange rate fluctuations also arises from transferring funds to its Swiss subsidiaries in Swiss Francs. Most of the Company's sales and licensing fees are denominated in U.S. dollars, thereby significantly mitigating the risk of exchange rate fluctuations on trade receivables. The effect of foreign exchange rate fluctuations on the Company's financial results for the three and six-months ended June 30, 2001 and 2002 was not material. The Company does not currently use derivative financial instruments to hedge against exchange rate risk. Because exposure increases as intercompany balances grow, the Company will continue to evaluate the need to initiate hedging programs to mitigate the impact of foreign exchange rate fluctuations on intercompany balances.

The Company's exposure to interest rate risk is not believed to be material. The Company does not use derivative financial instruments to manage interest rate risk. All existing debt agreements of the Company bear interest at fixed rates, and are therefore not subject to exposure from fluctuating interest rates.

ITEM 4. CONTROLS AND PROCEDURES

In the quarter ended June 30, 2002, we did not make any significant changes in, nor take any corrective actions regarding, our internal controls or other factors that could significantly affect these controls. We periodically review our internal controls for effectiveness and we plan to conduct an evaluation of our disclosure controls and procedures each quarter.

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PART II - OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

- (c) On June 10, 2002 Dr. Jacques Gonella, majority shareholder and chairman of the Company, converted his \$2,000,000 loan to the Company and related accrued interest of \$36,550 into 509,137 shares of unregistered common stock at a price of \$4.00 per share. The Company used the proceeds of the loan for working capital. The stock issued to Dr. Gonella was exempt from registration under Rule 506 of the Securities Act of 1933. Dr. Gonella is an accredited investor and was the only recipient of shares in this offering.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following is filed as an exhibit to Part I of this Form 10-Q/A:

| Exhibit No. | Description |
|-------------|---|
| 3.1 | Second Amended and Restated Articles of Incorporation as amended to date (a) |
| 3.2 | Articles of Amendment Restating Articles of Incorporation (g) |
| 3.3 | Second Amended and Restated Bylaws (a) |
| 3.4 | Certificate of Designations for Series A Convertible Preferred Stock (d) |
| 3.5 | Certificate of Designations for Series B Convertible Preferred Stock |
| 3.6 | Certificate of Designations for Series C Convertible Preferred Stock (g) |
| 4.1 | Form of Certificate for Common Stock (a) |
| 4.2 | Stock Warrant, dated January 25, 1996, issued to Becton Dickinson and Company (a) |
| 4.3 | Stock Option, dated January 25, 1996, issued to Becton Dickinson and Company (a) |
| 4.6 | Preferred Stock, Option and Warrant Purchase Agreement, dated January 25, 1996, with Becton Dickinson and Company (a) |
| 4.7 | Warrant issued to Elan International Services, Ltd. on November 10, 1998 (d) |
| 4.8 | Warrant issued to Grayson & Associates, Inc. on September 23, 1999 (e) |
| 4.9 | Warrant issued to Plexus Ventures, Ltd. on September 12, 2000 (g) |
| 4.10 | Form of warrant issued to: Aventic Partners AG on February |

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- 5, 2001 for 85,324 shares; Basellandschaftliche Kantonalbank on February 5, 2001 for 85,324 shares; HCI Healthcare Investments Limited on February 5, 2001 for 127,986 shares; Lombard Odier & Cie on March 5, 2001 for 127,986 shares (g)
- 10.0 Stock Purchase Agreement with Permaterc Holding AG, Permaterc Pharma AG, Permaterc Technologie AG and Permaterc NV with First and Second Amendments dated July 14, 2000 (f)
- 10.1 Third Amendment to Stock Purchase Agreement, date January 31, 2001 (g)
- 10.2 Registration Rights Agreement with Permaterc Holding AG dated January 31, 2001 (g)
- 10.3 Registration Rights Agreement with Aventic Partners AG, Basellandschaftliche Kantonalbank and HCI Healthcare Investments Limited dated February 5, 2001, and Lombard Odier & Cie dated March 5, 2001 (g)
- 10.4 Office/Warehouse/Showroom Lease, dated January 2, 1995, including amendments thereto (a)
- 10.5 Exclusive License & Supply Agreement with Bio-Technology General Corporation, dated December 22, 1999 (e)
- 10.6 Preferred Stock Purchase Agreement with Bio-Technology General Corporation, dated December 22, 1999 (e)
- 10.7 Preferred Stock, Option and Warrant Purchase Agreement, dated January 25, 1996, with Becton Dickinson and Company (a)
- 10.8* Employment Agreement, dated January 31, 2001, with Franklin Pass, M.D. (g)
- 10.9* Employment Agreement, dated March 12, 2001, with Roger Harrison, Ph.D. (g)
- 10.10* Employment Agreement and Term and Compensation Addendum for 2000, dated May 1, 2000, with Lawrence Christian (g)
- 10.11* Employment Agreement and Term and Compensation Addendum for 2000, dated May 1, 2000, with Peter Sadowski (g)
- 10.12* Employment Agreement, dated May 31, 2000 with Dr. Dario Carrara (i)
- 10.13* 1993 Stock Option Plan (a)
- 10.14* Form of incentive stock option agreement for use with 1993 Stock Option Plan (a)
- 10.15* Form of non-qualified stock option agreement for use with 1993 Stock Option Plan (a)
- 10.16* 1996 Stock Option Plan, with form of stock option agreement (a)
- 10.17+ Development and License Agreement with Becton Dickinson and Company, effective January 1, 1996 (terminated January 1, 1999). See Exhibit 10.21 (a)

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- 10.18 Office - Warehouse lease with Carlson Real Estate Company, dated February 11, 1997 (b)
- 10.19* 1998 Stock Option Plan for Non-Employee Directors (c)
- 10.20* Letter consulting agreement dated February 20, 1998 with Geoffrey W. Guy (c)
- 10.21# Agreement with Becton Dickinson dated January 1, 1999 (d)
- 10.22 Securities Purchase Agreement with Elan International Services, Ltd. dated November 10, 1998 (d)
- 10.23# License & Development Agreement with Elan Corporation, plc, dated November 10, 1998 (d)
- 10.24 2001 Stock Option Plan for Non-Employee Directors and Consultants (h)
- 10.25 2001 Incentive Stock Option Plan for Employees (h)
- 10.26* Consulting Agreement with JG Consulting AG dated February 1, 2001
- 10.27 Office lease agreement with 707 Eagleview Boulevard Associates, a Pennsylvania Partnership, dated June 18, 2001
- 10.28** \$2,000,000 Term Note with Dr. Jacques Gonella dated February 20, 2002
- 10.29*** Securities Purchase Agreement, dated July 12, 2002, between Antares Pharma, Inc. and AJW Partners, LLC; AJW/New Millennium Offshore, Ltd.; Pegasus Capital Partners, LLC; XMark Fund, L.P.; XMark Fund, Ltd.; SDS Merchant Fund, LP; and OTATO Limited Partnership.
- 10.30*** Registration Rights Agreement, dated July 12, 2002, between Antares Pharma, Inc. and AJW Partners, LLC; AJW/New Millennium Offshore, Ltd.; Pegasus Capital Partners, LLC; XMark Fund, L.P.; XMark Fund, Ltd.; SDS Merchant Fund, LP; and OTATO Limited Partnership.
- 10.31*** Security Agreement, dated July 12, 2002, between Antares Pharma, Inc. and AJW Partners, LLC; AJW/New Millennium Offshore, Ltd.; Pegasus Capital Partners, LLC; XMark Fund, L.P.; XMark Fund, Ltd.; SDS Merchant Fund, LP; and OTATO Limited Partnership.
- 10.32*** Form of Secured Convertible Debenture, dated July 12, 2002.
- 10.33**** License Agreement with Solvay Pharmaceuticals BV, dated June 9, 1999.
- 10.34**** License Agreement with BioSante Pharmaceuticals, Inc., dated June 13, 2000.
- 10.35**** Amendment No. 1 to License Agreement with BioSante Pharmaceuticals, Inc., dated May 20, 2001.
- 10.36**** Amendment No. 2 to License Agreement with BioSante Pharmaceuticals, Inc., dated July 5, 2001.

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10.37**** Amendment No. 3 to License Agreement with BioSante Pharmaceuticals, Inc., dated August 28, 2001.

10.38**** Amendment No. 4 to License Agreement with BioSante Pharmaceuticals, Inc., dated August 8, 2002.

99.1 Section 906 CEO and CFO Certification

* Indicates management contract or compensatory plan or arrangement.

** Previously filed as an Exhibit to our Form 10-Q for the period ended March 31, 2002, filed with the SEC on May 13, 2002.

*** Previously filed as the same numbered exhibit to our Current Report on Form 8-K filed with the SEC on July 17, 2002.

**** Previously filed as the same numbered exhibits to our amended Annual Report on Form 10-K/A filed on September 19, 2002. Confidential portions of this document have been redacted and have been separately filed with the Securities and Exchange Commission.

+ Pursuant to Rule 406 of the Securities Act of 1933, as amended, confidential portions of Exhibit 10.17 were deleted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment, which was subsequently granted by the Securities and Exchange Commission.

Pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, confidential portions of Exhibits 10.21 and 10.23 were deleted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(a) Incorporated by reference to the Registration Statement on Form S-1 (File No. 333-6661), filed with the Securities and Exchange Commission on October 1, 1996.

(b) Incorporated by reference to Form 10-K for the year ended December 31, 1996.

(c) Incorporated by reference to Form 10-K for the year ended December 31, 1997.

(d) Incorporated by reference to Form 10-K for the year ended December 31, 1998.

(e) Incorporated by reference to Form 10-K for the year ended December 31, 1999.

(f) Incorporated by reference to the Proxy Statement filed December 28, 2000.

(g) Incorporated by reference to Form 10-K for the year ended December 31, 2000.

(h) Incorporated by reference to the Registration Statement on Form S-8 (File No. 333-64480), filed with the Securities and Exchange Commission on July 3, 2001.

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(b) Reports on Form 8-K

Form 8-K was filed on June 25, 2002, which describes the conversion of a \$2,000,000 Term Note with the Company's majority shareholder, Dr. Jacques Gonella, into 509,137 shares of common stock.

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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

ANTARES PHARMA, INC.

September 19, 2002

/s/ Roger G. Harrison, Ph.D.

Roger G. Harrison, Ph.D.
Chief Executive Officer and President

September 19, 2002

/s/ Lawrence M. Christian

Lawrence M. Christian
Chief Financial Officer, Vice President - Finance
and Secretary

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Certifications

I, Roger G. Harrison, Ph. D., certify that:

1. I have reviewed this amended quarterly report on Form 10-Q/A of Antares Pharma, Inc.;
2. Based on my knowledge, this amended quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this amended quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this amended quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this amended quarterly report.

[Items 4, 5 and 6 omitted pursuant to the transition provisions of Release No. 34-46427.]

Date: September 19, 2002

/s/ Roger G. Harrison, Ph. D.

Roger G. Harrison, Ph. D.

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Chief Executive Officer and President

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I, Lawrence M. Christian, certify that:

1. I have reviewed this amended quarterly report on Form 10-Q/A of Antares Pharma, Inc.;
2. Based on my knowledge, this amended quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this amended quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this amended quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this amended quarterly report.

[Items 4, 5 and 6 omitted pursuant to the transition provisions of Release No. 34-46427.]

Date: September 19, 2002

/s/ Lawrence M. Christian

Lawrence M. Christian

Chief Financial Officer, Vice President - Finance and Secretary

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