ASTRALIS LTD
Form 10QSB
November 19, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

|X| Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarter ended September 30, 2007

|_| 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: 000-30997

ASTRALIS LTD.
(Exact name of small business issuer as specified in its charter)

Delaware	84-1508866
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

75 Passaic Avenue
Fairfield, New Jersey 07004
(Address of principal executive offices)

(973) 227-7168
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes |_| No |X|

As of November 17, 2007, there were 91,454,873 shares of the issuer's Common Stock outstanding.

Transitional Small Business Disclosure Format (check one): Yes |_| No |X|

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ASTRALIS LTD.

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FORM 10-QSB FOR THE
QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ASTRALIS LTD.
(A Development Stage Company)
Balance Sheets
(unaudited)

ASSETS

	September 30, 2007	Dece
Current Assets		
Cash and cash equivalents	$ 217	$
Prepaid expenses	48,533	
Total Current Assets	48,750	
Property and Equipment, Net	2,302	
Deposits	5,000	
	$ 56,052	$

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities		
Accounts payable and accrued expenses	$ 350,771	$
Note payable advance, pending loan negotiations	150,000	

Total Current Liabilities	500,771	
Long-Term convertible debenture - net of discounts	97,491	
Total Liabilities	598,262	
Commitments and Contingencies	--	
Stockholders' Deficit:		
Common stock; $.0001 par value; 150,000,000 shares authorized at 2007 and 2006; 91,454,873 issued and outstanding for both periods	9,145	
Additional paid-in capital	32,162,346	32
Deficit accumulated during the development stage	(32,713,701)	(32
Total Stockholders' Deficit	(542,210)	
	$ 56,052	$

See the accompanying notes to financial statements.

ASTRALIS LTD.
(A Development Stage Company)
Statements of Expenses
(unaudited)

	Three Months Ended September 30,		Nine Months Ende
	2007	2006	2007
Operating Expenses			
Research and development - related party	$ --	$ --	$ --
Research and development	1,018	173,688	7,050
Depreciation and amortization	--	2,310	--
Impairment of intangibles	--	--	--
Realized loss on asset exchange	--	--	--
General and administrative	19,039	306,248	182,549
Loss From Operations	(20,057)	(482,246)	(189,599)
Other (income) expense			
Interest income	(26)	(273)	(2,179)
Other income - sale of state tax credits	--	--	--
Interest expense	18,008	--	46,266
Registration rights penalty	35,124	20,835	102,803
Net Loss	(73,163)	(502,808)	(336,489)
Preferred Stock Dividends	--	--	--
Net Loss to Common Stockholders	$ (73,163)	$ (502,808)	$ (336,489)

Basic and Diluted Loss per Common Share	$ (0.00)	$ (0.01)	$ (0.00)
Basic and Diluted Weighted Average Common Shares Outstanding	91,454,873	91,454,873	91,454,873

See the accompanying notes to financial statements.

ASTRALIS LTD.
(A Development Stage Company)
Statements of Cash Flows
(unaudited)

	Nine Months Ended Septembe	
	2007	200
Cash Flows from Operating Activities		
Net loss	$ (336,489)	$ (1,33
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	3,451	5
Impairment of intangible asset	--	2,91
Amortization of note discount	27,061	3
Loss on assets swapped for rent	--	
Members' contributed salaries	--	
Research and development service fee netted against proceeds received from preferred stock issuance	--	
Amortization of deferred compensation	4,574	10
Compensatory common stock	--	
Assignment of call option	--	
Loss on sale of available-for-sale securities and fixed asset retirement	--	
Changes in assets and liabilities		
Prepaid expenses	53,117	3
Supplies	--	
Accounts payable and accrued expenses	39,498	5
Net Cash Used in Operating Activities	(208,788)	(1,04
Cash Flows from Investing Activities		
Purchases of available-for-sale securities	--	
Proceeds from sale of available-for-sale securities	--	
Expenditures related to patent	--	
Purchase of technology option	--	
Insurance proceeds from claim	--	
Proceeds received on deposit	--	
Purchases of property and equipment	--	
Net Cash Used in Investing Activities	--	

Cash Flows from Financing Activities		
Proceeds from convertible debenture	--	42
Borrowings on debt	--	
Principal payments on debt	(2,490)	
Repurchase of common stock	--	
Proceeds from loan advance	--	
Proceeds from exercise of stock options	--	
Issuance of common stock, net of offering and transaction costs	--	
Issuance of preferred stock	--	
Net Cash Provided by Financing Activities	(2,490)	42
Net Increase (Decrease) in Cash and Cash Equivalents	(211,278)	(62
Cash and Cash Equivalents, Beginning of Period	211,495	63
Cash and Cash Equivalents, End of Period	$ 217	$ 1

See the accompanying notes to financial statements.

ASTRALIS LTD.
(A Development Stage Company)
Notes to Fiancial Statements
(unaudited)

NOTE 1 - BASIS OF PRESENTATION

The unaudited financial statements included herein have been prepared by Astralis, Ltd., without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly present such information. All such adjustments are of a normal recurring nature. Although Astralis believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted pursuant to such rules and regulations.

These financial statements should be read in conjunction with the financial statements and the notes thereto included in Astralis' 2006 Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The results of operations for interim periods are not necessarily indicative of the results for any subsequent quarter or the entire fiscal year ending December 31, 2007. For comparability purposes, certain figures for the prior periods have been reclassified where appropriate to conform with the financial statement presentation used in 2007. These reclassifications had no effect on the reported net loss.

NOTE 2 - GOING CONCERN

Astralis incurred net losses to common stockholders for the nine-month period ended September 30, 2007 and has a working capital deficit as of September 30, 2007. Astralis has no funds to continue its operations. If it is unable to raise additional funds immediately it will cease operations.

These conditions raise substantial doubt about Astralis' ability to continue as a going concern. Management is seeking to identify additional capital immediately so that it may continue its operations. These funds will be needed in order to finance Astralis' currently anticipated needs for operating and capital expenditures for the remainder of 2007, including the cost to continue clinical trials of Psoraxine(R). Astralis will also need to raise significant additional funds from outside sources in future years in order to complete existing and future phases of FDA required testing.

NOTE 3 - STOCK BASED COMPENSATION

There was $4,574 of compensation cost related to non-qualified stock options recognized in operating results for the nine months ended September 30, 2007 related to option grants from prior years that vested in 2007. No options were granted in 2007.

SPECIAL CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This filing contains many forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue" or similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future operating results or of our financial condition or state other "forward-looking" information.

We believe that it is important to communicate our future expectations to our investors. However, we may be unable to accurately predict or control events in the future. The factors listed in the section captioned "Risk Factors," as well as any other cautionary language in this filing, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of certain of the events described in the Risk Factors section could seriously harm our business.

Item 2. Management's Discussion and Analysis or Plan Of Operation.

The following discussion of our financial condition and plan of operation should be read in conjunction with our financial statements and the related notes included elsewhere in this quarterly report on Form 10-QSB. This quarterly report contains certain statements of a forward-looking nature relating to future events or our future financial performance. We caution prospective investors that such statements involve risks and uncertainties, and that actual events or results may differ materially. In evaluating such statements, prospective investors should specifically consider the various factors identified in this quarterly report, including the matters set forth under the caption "Risk Factors" which could cause actual results to differ materially from those indicated by such forward-looking statements. We disclaim any obligation to update information contained in any forward-looking statement.

Overview

General

Astralis, Ltd. ("Astralis", "we", "us", "our", or the "Company") is a development stage biotechnology company that was engaged primarily in the research and development of treatments for immune system disorders and skin

diseases, such as psoriasis and psoriatic and rheumatoid arthritis. The Company's initial product candidate, Psoraxine(R), is a protein extract used for the treatment of the skin disease psoriasis.

As of the date of this filing, Astralis' liabilities exceed its assets by a substantial amount. Consequently all operations and drug development efforts have ceased until sufficient funding may be raised. Furthermore, substantial additional funds will be needed in order to fund continued efforts to obtain FDA approval of Psoraxine(R), especially given the failure of our Phase II study to meet its primary endpoint. We could be forced to seek protection under Federal bankruptcy laws at any time. We have only one employee remaining, being Dr. Jose Antonio O'Daly, our Chairman. We are seeking funds to:

- Satisfy our substantial liabilities
- Continue ongoing research and development of Psoraxine(R); and
- Recommence clinical trials to obtain the approval of the United States Food and Drug Administration for the marketing of Psoraxine(R);

Because the Company has not been able to secure sufficient funding to continue the development of Psoraxine(R) on a timely basis, all development efforts with respect to Psoraxine(R) has been delayed indefinitely. If sufficient funding is not obtained soon, the development program will likely never reach commercial markets. During the last year, all of the Company's independent Board members have resigned. There is no audit committee, no compensation committee and there are only two members of the Board remaining, neither of whom has substantial business experience in the United States or in the biotechnology industry.

The Company was originally incorporated under the laws of the State of Colorado in 1999 under the name Hercules Development Group, Inc. We subsequently changed our name to Astralis Pharmaceuticals Ltd. and, in November 2001, reincorporated under the laws of the State of Delaware under our present name. Our main office is located at 75 Passaic Avenue, Fairfield, New Jersey 07004.

Recent Developments

The Company announced it is reviewing strategic alternatives.

In December 2006, our stockholder Blue Cedar Limited indicated to us that it would make an additional investment in the Company. In December 2006, the Company received from Blue Cedar Limited a partial investment of $150,000. The Company and Blue Cedar Limited have not yet determined the terms of this $150,000 partial investment or the terms of and total amount to be invested by Blue Cedar Limited. Additionally, the Company received $466,168 during December 2006 from the sale of New Jersey State research and development tax credits.

Departure of Directors and Principal Officers

On March 16, 2007, Gordon L. Schooley, Ph.D., a member of the Board of Directors of Astralis, announced his resignation from the Board, effective March 16, 2007. Mr. Schooley's announcement did not refer to any disagreement with the Company on any matter relating to the Company's operations.

On March 7, 2007, Samuel T. Barnett, a member of the Board of Directors of Astralis, announced his resignation from the Board, effective March 7, 2007. Mr.

Barnett's announcement did not refer to any disagreement with the Company on any matter relating to the Company's operations. Mr. Barnett was the sole independent director on the Board of Directors of the Company and the sole member of the Audit Committee prior to his resignation.

No Working Capital

As of the date of this filing, Astralis' liabilities exceed its cash by a substantial amount. As of September 30, 2007, the Company has $217 in available cash and cash equivalents, and accounts payable and accrued expenses of $350,771. Astralis has essentially ceased all operations. The Company will need to raise additional funds immediately to satisfy its obligations and to continue our operations. Furthermore, substantial additional funds will be needed in order to fund our continued efforts to obtain FDA approval of Psoraxine(R), especially given the failure of our Phase II study to meet its primary endpoint. We could be forced to seek protection under Federal bankruptcy laws at any time.

In December 2006, our stockholder Blue Cedar Limited indicated to us that it would make an additional investment in the Company. In December 2006, the Company received from Blue Cedar Limited a partial investment of $150,000. The Company and Blue Cedar Limited have not yet determined the terms of this $150,000 partial investment or the terms of and total amount to be invested by Blue Cedar Limited.

Plan of Operation

Three Months Ended September 30, 2007 compared to the Three Months Ended September 30, 2006.

For the three months ended September 30, 2007:

For the three months ended September 30, 2007, we had no revenue from operations and incurred operating expenses of $20,057 which consisted primarily of:

- Research and development costs of $1,018.
- General and administrative costs of $19,039, including professional fees, rent, salaries for management and our general corporate expenditures.

We had interest expense of $18,008 and penalty for failing to file a registration statement for the benefit of our stockholder of $35,124. As a result, during the three months ended September 30, 2007, we incurred a net loss of $73,163.

For three months ended September 30, 2006:

For the three months ended September 30, 2006, we had no revenue from operations and incurred operating expenses of $482,246 which consisted primarily of:

- Research and development costs of $173,688 including evaluation of clinical trial results and reformulation of Psoraxine(R).

- General and administrative costs of $306,248, including professional fees, rent, salaries for management and our general corporate expenditures.

We had no interest expense and penalty for failing to file a registration statement for the benefit of our stockholder of $20,835. As a result, during the three months ended September 30, 2006, we incurred a net loss of $502,808.

Nine Months Ended September 30, 2007 compared to the Nine Months Ended September 30, 2006.

For the nine months ended September 30, 2007:

For the nine months ended September 30, 2007, we had no revenue from operations and incurred operating expenses of $189,599 which consisted primarily of:

- Research and development costs of $7,050.
- General and administrative costs of $182,549, including professional fees, rent, salaries for management and our general corporate expenditures.

We had interest expense of $46,266 and penalty for failing to file a registration statement for the benefit of our stockholder of $102,803. As a result, during the nine months ended September 30, 2007, we incurred a net loss of $336,489

For nine months ended September 30, 2006:

For the nine months ended September 30, 2006, we had no revenue from operations and incurred operating expenses of $1,316,440 which consisted primarily of:

- Research and development costs of $463,438 including evaluation of clinical trial results, reformulation of Psoraxine(R) and activity testing in animals.
- General and administrative costs of $844,879, including professional fees, rent, salaries for management and our general corporate expenditures.

We had no interest expense and penalty for failing to file a registration statement for the benefit of our stockholder of $20,835. As a result, during the nine months ended September 30, 2006, we incurred a net loss of $1,332,655.

Comparison

Our research and development expenses declined from $463,438 during the nine months ended September 30, 2006 to $7,050 during the nine months ended September 30, 2007, primarily due to the cessation in R&D activities during 2007.

By comparison to the nine months ended September 30, 2006, our general and administrative costs for the nine months ended September 30, 2007 decreased by $662,330 primarily due to the termination of all but one of our employees during 2007 and the substantial cessation of our activities.

Losses of $336,489 for the nine months ended September 30, 2007 were $996,166 less than losses for the nine months ended September 30, 2006, reflecting the termination of all but one of our employees during 2007 and the substantial cessation of our activities.

The Next Twelve Months

At September 30, 2007, the Company had cash and cash equivalents of $217. Currently, the Company has $598,262 outstanding obligations. Accordingly, the Company has effectively ceased operations.

Although the Company has no funding to continue any operating activities, if sufficient funding is raised it will be used over the course of the next twelve months as follows:

- To satisfy its outstanding obligations;

- Our primary focus would be to further development efforts of our initial product candidate, Psoraxine(R). In March 2005, the Company announced that the Phase II study of its novel immuno-stimulatory product for the treatment of Psoriasis did not meet the primary study endpoint upon completion of the treatment phase of the study. In the study, Psoraxine(R) was found to be safe and well-tolerated. Accordingly, we analyzed the data and developed an hypothesis that may explain why we received these unexpected results. In this regard, we would realign development activities to focus on such things as formulation, manufacturing, analytical protocols and potency; and we would test the hypothesis to explain unexpected results and determine the best course for future development.

- We would be required to hire new employees for which we would spend approximately $250,000 to pay management salaries and salaries of employees, a portion of which is treated as research and development expense.

- We would have to identify new office and laboratory space which could cost approximately $250,000 for our general administrative and working capital requirements.

- In connection with the August 2005 Blue Cedar private placement, because a registration statement covering the resale of the Blue Cedar shares was not filed or effective by December 31, 2005, we are required to pay liquidated damages payments of $10,000 per month, being 0.5% of the aggregate purchase price plus 10% annum interest until such time as a registration statement covering the resale of securities sold to Blue Cedar is declared effective by the Securities and Exchange Commission.

- We will need to raise additional funds immediately to satisfy our outstanding obligations, to recommence our operations and to fund any of the activities described above. Furthermore, substantial additional funds will be needed in order to fund our continued efforts to obtain FDA approval of Psoraxine(R). No assurance can be given that we will be able to obtain financing on terms that we find acceptable, or that they will enable us to satisfy our cash requirements. In addition, raising additional funds by selling additional shares of our capital stock will dilute the ownership interest of our stockholders. Presently, neither our management nor our bankers have identified new sources of capital. If we do not obtain additional funds, we could be required to cease operations and to seek protection under the federal bankruptcy laws.

Item 3. Controls And Procedures.

(a) Evaluation of disclosure controls and procedures.

Based on his evaluation as of the end of the period covered by this Quarterly Report on Form 10-QSB, our interim Chief Executive Officer and Interim Chief Financial Officer has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

As a result of the audit of our 2006 financial statements by our independent auditors we have become aware of certain deficiencies that exist in the design and operation of our internal controls over financial reporting that our independent auditors consider to be material weaknesses under standards of the Public Company Accounting Oversight Board (PCAOB).

Our independent auditors identified certain errors in the financial statements for the 2006 reporting period that were not initially identified by the Company's internal control over financial reporting. The aggregate amount of these errors was material to our financial statements and therefore represents a material weakness in our internal control over financial reporting. Upon being notified of these errors we corrected the information included in the financial statements before such statements were filed with the Securities and Exchange Commission or disclosed publicly to any parties.

(b) Changes in internal controls.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 6. Exhibits.

Exhibit No.	Description
31.1	Certification by the Interim Chief Executive Officer and the Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ASTRALIS LTD.
(Registrant)

Dated: November 19, 2007 By: /s/ Jose A. O'Daly

Dr. Jose A. O'Daly
Chief Scientific Officer, Interim CEO,
Interim CFO, & Chairman of the Board
(Authorized Signatory on behalf of Registrant)

Exhibit Index

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