ASTRALIS LTD
Form SB-2
March 14, 2002

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SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM SB-2
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

ASTRALIS LTD.
(Name of small business issuer in its charter)

Delaware	6531	84-1508866
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

135 Columbia Turnpike, Suite 301
Florham Park, New Jersey 07932
(973) 377-8008
(Address and telephone number of principal executive offices and principal place of business)

Mike Ajnsztajn
Chief Executive Officer
Astralis Ltd.
135 Columbia Turnpike, Suite 301
Florham Park, New Jersey 07932
(973) 377-8008
(Name, address and telephone number of agent for service)

Copies of Communications to:
Jeffrey A. Baumel, Esq.
McCarter & English, LLP
Four Gateway Center
100 Mulberry Street
Newark, New Jersey 07102-4096
(973) 622-4444

Approximate date of commencement of proposed sale of the securities to the public:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act

of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. |X|

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. |_|

CALCULATION OF REGISTRATION FEES

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	A R
Common Stock par value $.0001 per Share	2,431,415	$ 2.16	$ 5,251,856	$

(1) Includes 405,236 shares of Common Stock issuable upon the exercise of Common Stock Purchase Warrants.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION

DATED MARCH 14, 2002

ASTRALIS LTD.

2,431,415 Shares of Common Stock

Certain of our stockholders (the "Selling Stockholders") wish to sell shares of our common stock, $.0001 par value ("Common Stock"), under this prospectus. Of the 2,431,415 shares of Common Stock included in this prospectus, 405,236 shares of Common Stock are issuable upon the exercise of Common Stock Purchase Warrants ("Warrants") exercisable for $4.00 per share until November 13, 2006. See "Selling Stockholders and Plan of Distribution." Our Common Stock is listed on the Nasdaq Over-the-Counter Bulletin Board ("OTC Bulletin Board") under the symbol ASTR. On March 12, 2002, the last reported sale price of our Common Stock on the OTC Bulletin Board was $2.20 per share.

Our Common Stock being offered through this prospectus may be offered from time to time by the Selling Stockholders through ordinary brokerage transactions in the over-the-counter markets, in negotiated transactions or otherwise, at market prices prevailing at the time of sale or at negotiated prices. We will not receive any of the proceeds from the sale of our Common Stock by the Selling Stockholders although we will receive proceeds upon the exercise of any Warrants. See "Selling Stockholders and Plan of Distribution."

Investing in our Common Stock involves risks. Please read the "Risk Factors" section beginning on page 7 to read about certain risks that you should consider before buying shares of our Common Stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

The date of this Prospectus is , 2002

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No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this prospectus, and if given or made, such information or representations must not be relied upon as having been authorized by us, the Selling Stockholders or any underwriter. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any security other than the Common Stock offered by this prospectus, or an offer to sell or a solicitation of an offer to buy any security by any person in any jurisdiction in which such offer or solicitation would be unlawful. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, imply that the information in this prospectus is correct as of any time subsequent to the date of this prospectus.

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SUMMARY

You should read this summary together with the more detailed information, including our financial statements and related notes, appearing elsewhere in this prospectus. In this prospectus, "we", "us", "our" and "the Company" refer to Astralis Ltd. unless the context requires otherwise. All information contained in this Prospectus, except where otherwise indicated, gives effect to a 10-for-1 stock dividend effected on March 14, 2001.

Astralis Ltd.

We are a development-stage biotechnology company, incorporated under the laws of the State of Delaware and based in New Jersey, which engages in research and development of treatments for immune system disorders and skin diseases. We are currently developing a product candidate called Psoraxine(TM) for the treatment of psoriasis.

Recent Developments

Combination with Astralis LLC. We were originally incorporated under the laws of the State of Colorado on June 30, 1999 under the name "Hercules Development Group, Inc." and we were engaged in the business of managing real estate. Our real estate operations ceased in the second half of 2001. On November 13, 2001, we entered into a Contribution Agreement, dated as of September 10, 2001 ("Contribution Agreement"), between us on the one side and Astralis LLC, a New Jersey limited liability company formed on March 12, 2001 ("Astralis LLC") and Dr. Jose Antonio O'Daly, Gaston Liebhaber, Mike Ajnsztajn, Richard Genovese, David Stevenson, Grizzly Consulting Ltd., Wolver Limited and Logarithmic Inc., being all of the members of Astralis LLC, (the "Astralis Members") on the other side. At such time, we began our current business which was the prior business of Astralis LLC.

Pursuant to the business combination set forth in the Contribution Agreement, the Astralis Members transferred all of their respective membership interests in Astralis LLC to us in exchange for 28,000,000 shares of our Common Stock and Warrants to purchase 6,300,000 shares of our Common Stock at an exercise price of $1.60 per share. Pursuant to the Contribution Agreement, on November 13, 2001, all of our officers and directors resigned from their

respective positions with us and were replaced by the officers and managers of Astralis LLC. See "Management; Executive Officers and Directors".

In addition, on November 14, 2001, we filed an amendment to our Articles of Incorporation which changed our name from "Hercules Development Group, Inc." to "Astralis Pharmaceuticals, Ltd." On November 19, 2001, we reincorporated in the State of Delaware under our current name.

Private Placement. During November of 2001, we completed a private placement offering (the "Private Placement") pursuant to which we sold an aggregate of 2,076,179 shares of our Common Stock and issued warrants to purchase an aggregate of 415,237 shares of our Common Stock, at an exercise price of $4.00 per share, for an aggregate purchase price of $3,321,887. We will use the net proceeds of the Private Placement to conduct Phase I.B clinical trials and Phase II clinical trials for our initial product candidate, to continue funding the prosecution of our patent application, for the lease of a research and development facility and corporate headquarters, to repay certain indebtedness, to pay salaries to our executive officers and for working capital and general corporate purposes. In addition, we agreed to file a registration statement with the Securities and Exchange Commission covering the shares of Common Stock sold in the Private Placement no later than March 13, 2002.

Purchase Agreement. We entered into a Purchase Agreement, ("Purchase Agreement") dated as of December 10, 2001 with SkyePharma PLC, a company incorporated under the laws of England and Wales ("SkyePharma"). As of March 12, 2002, SkyePharma has purchased 1,250,000 shares of our Series A Convertible Preferred Stock, $.001 par value per share ("Preferred Stock"), at a purchase price of $10.00 per share, or an aggregate purchase price of $12.5 million. Pursuant to the Purchase Agreement, SkyePharma will make a total equity investment of up to $20 million. The remaining $7.5 million investment will involve the sale of an additional 750,000 shares of Preferred Stock, to SkyePharma in three equal installments on April 30, 2002, July 31, 2002 and January 31, 2003. Each share of Preferred Stock sold pursuant to the Purchase Agreement is convertible into four shares of our Common Stock at the option of SkyePharma. The conversion ratio is subject to adjustment annually for three years if the price of our Common Stock trades on average below $2.50 for 10 days prior to the adjustment date. However, the conversion ratio will not adjust to a level greater than 6.25 shares of Common Stock for each share of Preferred Stock.

Service and Technology Access Agreement. We also entered into two agreements with SkyePharma relating to the formulation and development of our product candidate, Psoraxine. Under the terms of the Technology Access Agreement, dated December 10, 2001 (the "Technology Access Agreement"), we paid to SkyePharma a $5 million license fee, for access to DepoFoam and other relevant drug delivery technologies owned by SkyePharma. In addition, pursuant to a Service Agreement, dated December 10, 2001 (the "Service Agreement"), SkyePharma will provide us with all of our development, manufacturing, pre-clinical and clinical development services for a period lasting until our completion of Phase II studies of Psoraxine in consideration of an aggregate of $11 million payable in 2001 and 2002.

The Offering

Shares of Common Stock offered	2,431,415
Use of Proceeds	We will not be receiving any proceeds from this offering although we will receive proceeds upon the exercise of any Warrants. Certain Selling Stockholders may wish to offer to sell shares of our Common Stock that they acquired from us in a private placement of shares of our Common Stock.
OTC Bulletin Board Symbol	ASTR

Summary Financial Information

The summary financial data is derived from the historical financial statements of Astralis Ltd. This summary financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Plan of Operations" as well as our historical financial statements and the related notes thereto, included elsewhere in this prospectus.

	March 12 (Date of Inception) To December 31, 2001
Statement of operations data:	
Revenue	$ 0
Net loss applicable to common stockholders	(6,195,364)
Net loss per share to common stockholders	(.23)
Weighted average shares outstanding	27,348,000
Balance sheet data:	
Working capital (deficit)	4,107,252
Total assets	9,457,451
Total liabilities	383,083
Stockholders' equity	$ 9,074,368

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Our Offices

Our principal executive offices are located at 135 Columbia Turnpike, Suite 301, Florham Park, New Jersey 07932, and our telephone number is (973) 377-8008. Our Internet address is www.astralisltd.com. The information on our web site is not incorporated by reference into, and does not constitute part of, this prospectus.

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RISK FACTORS

Prospective investors should carefully consider the following factors, in addition to the other information contained in this prospectus, in connection with an investment in the Common Stock offered hereby. This prospectus contains certain forward-looking statements, which involve risks and uncertainties. Our actual results could differ materially from those anticipated in the

forward-looking statements as a result of certain factors, including those set forth below and elsewhere in this prospectus. An investment in the Common Stock offered hereby involves a high degree of risk and is suitable only for investors who are able to afford to lose their entire investment.

We Have No Sales, We Will Not Have Sales In The Foreseeable Future, We Are In An Early Stage of Development And We May Never Sell Products Or Become Profitable.

We commenced our current operations in 2001 and such operations are still in an early stage of development. We have no products approved for sale and therefore, no means to generate revenue. Astralis LLC had not commercialized any products, had no revenues, had incurred a net loss of $6,195,364 as of December 31, 2001 which has increased to date. We expect that substantial losses will continue for the foreseeable future. If we are ever to obtain revenue from the sales of our product candidate, Psoraxine, we must successfully develop, test, obtain regulatory approval for, manufacture, market and eventually sell such product candidate. Our expenses have consisted principally of costs incurred in research and development and from general and administrative costs associated with our operations. We expect our expenses to increase and to continue to incur operating losses for at least the next several years as we continue our research and development efforts for Psoraxine and any subsequent product candidates. The amount of time necessary to successfully commercialize any of our product candidates is long and uncertain and successful commercialization may not occur at all. As a result, we may never become profitable.

We May Not Be Successful In The Development And Commercialization Of Products.

Our technologies are new and our sole product candidate to date, Psoraxine, is in an early stage of development. We may not develop products that prove to be safe and effective, meet applicable regulatory standards, are capable of being manufactured at reasonable costs, or can be marketed successfully. Successful products will require significant development and investment, including testing, to demonstrate their safety and efficacy prior to their commercialization. We have not proven our ability to develop and commercialize products. We must conduct a substantial amount of additional research and development before any regulatory authority will approve our sole product candidate, Psoraxine. Our research and development and clinical trials may not indicate that our products are safe and effective, in which case regulatory authorities are not likely to approve them. In addition, even if our research and development efforts are successfully completed, our initial product candidate, Psoraxine, may not perform in the manner we anticipate, and may not be accepted for use by the public.

Our Initial Product Is In An Early Stage Of Development And Substantial Additional Funds and Effort Will Be Necessary For Development And Commercialization.

Our initial product candidate, Psoraxine, is in an early stage of development and will require the

commitment of substantial resources to move it towards commercialization. Psoraxine will require extensive preclinical and clinical testing before we can submit any applications for regulatory approval. Before obtaining regulatory approvals for the commercial sale of Psoraxine we must demonstrate though preclinical testing and clinical trials that our product candidate is safe and effective in humans. Conducting clinical trials is a lengthy, expensive and

uncertain process. Completion of clinical trials may take several years or more. The length of time generally varies substantially according to the type, complexity, novelty and intended use of the product. Our clinical trials, when commenced, may be suspended at any time if we or the U.S. Food and Drug Administration ("FDA") believe the patients participating in our studies are exposed to unacceptable health risks. We may encounter problems in our studies which will cause us or the FDA to delay or suspend the studies. Our commencement and rate of completion of clinical trials may be delayed by many factors, including:

- ineffectiveness of the study compound, or perceptions by physicians that the compound is not effective for a particular indication;
- inability to manufacture sufficient quantities of compounds for use in clinical trials;
- failure of the FDA to approve our clinical trial protocols;
- slower than expected rate of patient recruitment;
- unforeseen safety issues; or
- government or regulatory delays.

If any future clinical trials are not successful, our business, financial condition and results of operations will be harmed.

Our Potential Therapeutic Products Are Subject To A Lengthy And Uncertain Regulatory Process. If Our Potential Products Are Not Approved, We Will Not Be Able To Commercialize These Products.

The FDA must approve any therapeutic product before it can be marketed in the United States. Before we can file a new drug application license with the FDA, the product must undergo extensive testing, including animal and human clinical trials, which can take many years and require substantial expenditure. Data obtained from such testing are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. In addition, changes in regulatory policy for product approval during the period of product development and regulatory agency review of each submitted new drug application may cause delays or rejections. The regulatory process is expensive and time consuming.

Because our initial product candidate, Psoraxine, involves the application of new technologies and may be used upon new therapeutic approaches, it may be subject to more rigorous review by government regulatory authorities, and government regulatory authorities may grant regulatory approvals more slowly for this product than for products using more

conventional technologies. We have not conducted any clinical trials for Psoraxine in the United States nor have we submitted any applications with the FDA or any other regulatory authority to test any potential products in humans or to market any product candidate. We may not be able to conduct clinical testing or obtain the necessary approvals from the FDA or other regulatory authorities to market our product. The regulatory agencies of foreign governments must also approve any therapeutic product we may develop before the product can be sold in those countries.

Even after investing significant time and resources, we may not obtain regulatory approval for our product. If we do not receive regulatory approval,

we cannot sell the product. Even if we receive regulatory approval, this approval may place limitations on the indicated uses for which we can market the product. Further, once regulatory approval is obtained, a marketed product and its manufacturer are subject to continual review, and discovery of previously unknown problems with a product or manufacturer may result in restrictions on the product, manufacturer and manufacturing facility, including withdrawal of the product from the market. In certain countries, regulatory agencies also set or approve prices.

Even If Product Candidates Emerge Successfully From Clinical Trials, We May Not Be Able To Successfully Manufacture, Market and Sell Them.

Our initial product candidate, Psoraxine, has not been developed sufficiently or been approved for clinical trials. If Psoraxine emerges successfully from clinical trials, we will either commercialize products resulting from our proprietary programs directly or through licensing arrangements with other companies. We have no experience in manufacturing and marketing, and we currently do not have the resources or capability to manufacture, market and sell our products on a commercial scale. For us to commercialize Psoraxine directly, we would need to develop or obtain through outsourcing arrangements the capability to manufacture, market and sell products. We have an agreement with SkyePharma under which SkyePharma will provide all development, manufacturing, pre-clinical and clinical development services for Psoraxine for a period lasting until the completion of our Phase II clinical studies; however, we do not currently have a similar agreement covering the period following the completion of our Phase II clinical studies and we may not be able to enter into such an agreement on commercially reasonable terms, or at all. In addition, we currently do not have any agreements for the marketing or sale of any of our products and we may not be able to enter into such agreements on commercially reasonable terms, or at all.

Any Inability To Adequately Protect Our Proprietary Technologies Could Harm Our Competitive Position.

Although a patent application has been filed covering certain technology, we do not have any protection from issued patents covering any of our technology. Our success will depend in part on our ability to obtain patents and maintain adequate protection of other intellectual property for our technologies and products in the United States and other countries. If we do not adequately protect our intellectual property, competitors may be able to use our technologies and erode or negate our competitive advantage. The laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems in protecting our proprietary rights in these foreign countries.

The patent positions of biotechnology companies, including our patent positions, involve complex legal and factual questions and, therefore, validity and enforceability cannot be predicted with certainty. Patents may be challenged, deemed unenforceable, invalidated or circumvented. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. We will apply for patents covering both our technologies and product candidates as we deem appropriate. However, we may fail to apply for patents on important technologies or products in a timely fashion, or at all, and in any event, the applications we do file may be challenged and may not result in issued patents. Any future patents we obtain may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products.

Furthermore, others may independently develop similar or alternative technologies or design around our patented technologies. In addition, others may challenge or invalidate our patents, or our patents may fail to provide us with any competitive advantages. If the use or validity of any of our patents is ever challenged, resulting in litigation or administrative proceedings, we would incur substantial costs and the diversion of management in defending the patent. In addition, we do not control the patent prosecution of technology that we license from others. Accordingly, we are unable to exercise the same degree of control over this intellectual property as we would over technology we own.

We rely upon trade secrets protection for our confidential and proprietary information. We have taken measures to protect our proprietary information. These measures may not provide adequate protection for our trade secrets or other proprietary information. We seek to protect our proprietary information by entering into confidentiality agreements with employees, collaborators and consultants. Nevertheless, employees, collaborators or consultants may still disclose our proprietary information, and we may not be able to meaningfully protect our trade secrets. In addition, others may independently develop substantially equivalent proprietary information or techniques or otherwise gain access to our trade secrets.

Many Potential Competitors Who Have Greater Resources And Experience Than We Do May Develop Products And Technologies That Make Ours Obsolete.

The biotechnology industry is characterized by rapid technological change and is a rapidly evolving field. Our future success will depend on our ability to maintain a competitive position with respect to technological advances. Rapid technological development by others may result in our products and technologies becoming obsolete.

We face, and will continue to face, intense competition from organizations such as large biotechnology and pharmaceutical companies, as well as academic and research institutions and government agencies. These organizations may develop technologies that are superior alternatives to our technologies. Further, our competitors may be more effective at implementing their technologies to develop commercial products.

Any products that we develop through our technologies will compete in multiple, highly competitive markets. Many of the organizations competing with us in the markets for such products have greater capital resources, research and development and marketing staffs, facilities and capabilities, and greater experience in obtaining regulatory approvals, product manufacturing

and marketing. Accordingly, our competitors may be able to develop technologies and products more easily, which would render our technologies and products obsolete and noncompetitive.

We Will Need To Obtain Additional Funds To Support Our Future Operation Expenses.

Based on our current plans, we believe that we currently have sufficient funds to fund our operating expenses and capital requirements through at least the next 12 months. However, the actual amount of funds that we will need during or after the next 12 months will be determined by many factors, including those discussed in this section. We will need additional funds to commence Phase III studies for our product candidate. When additional funds are required and we are unable to obtain them on terms favorable to us, we may be required to delay, scale back or eliminate some or all or our research and development programs or

to license third parties to develop or market products or technologies that we would otherwise seek to develop or market ourselves. If we raise additional funds by selling additional shares of our capital stock, the ownership interest of our stockholders will be diluted.

If We Lose Our Key Personnel Or Are Unable To Attract And Retain Additional Personnel, We May Be Unable to Discover And Develop Our Products.

We are highly dependent on the services of Dr. Jose Antonio O'Daly, the loss of whose services would adversely impact the achievement of our objectives. Our key personnel have no prior experience managing a start-up biotechnology company. We do not currently have sufficient executive management personnel to execute our business plan fully. In addition, recruiting and retaining qualified scientific personnel to perform future research and development work will be critical to our success. Although we believe we will be successful in attracting and retaining qualified personnel, competition may be intense for experienced scientists. Failure to attract and retain skilled personnel would prevent us from pursuing collaborations and developing our products and core technologies to the extent otherwise possible.

Our planned activities will require additional expertise. These activities will require the addition of new personnel including management, and the development of additional expertise by existing management personnel. The inability to acquire or develop this expertise could impair the growth, if any, of our business.

If We Face Claims In Clinical Trials Of A Drug Candidate, These Claims Will Divert Our Management's Time And We Will Incur Litigation Costs.

We face an inherent business risk of clinical trial liability claims in the event that the use or misuse of our initial product candidate, Psoraxine, results in personal injury or death. We may experience clinical trial liability claims if our drug candidates are misused or cause harm before regulatory authorities approve them for marketing. We currently do not maintain clinical liability insurance coverage. Even if we obtain such an insurance policy, it may not be sufficient to cover claims that may be made against us. Clinical trial liability insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms, if at all. Any claims against us, regardless of their merit, could strain our financial resources in addition to

consuming the time and attention of our management. If we are sued for any injuries caused by our products, our liability could exceed our total assets.

Some Of Our Existing Stockholders Can Exert Control Over Us, And May Not Make Decisions That Are In The Best Interests Of All Stockholders.

Our officers, directors and principal stockholders (greater that 5% stockholders) together control approximately 84.58% of our outstanding Common Stock. As a result, these stockholders, if they act together, will be able to exert a significant degree of influence over our management and affairs and over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control of us and might affect the market price of Common Stock, even when a change in control may be in the best interest of all stockholders. Furthermore, the interests of this concentration of ownership may not always coincide with our interests or the interests of other stockholders and accordingly, they could cause us to enter into transactions or agreements which we would not otherwise consider.

The Market Price Of Our Common Stock May Be Highly Volatile.

The market price of our Common Stock has been and is expected to continue to be highly volatile. Factors including announcements of technological innovations by us or other companies, regulatory matters, new or existing products or procedures, concerns about our financial position, operating results, government regulation, developments or disputes relating to agreements, patents or proprietary rights may have a significant impact on the market price of our stock. In addition, potential dilutive effects of future sales of shares of Common Stock by stockholders and by us, including the Selling Stockholders pursuant to this prospectus and subsequent sale of Common Stock by SkyePharma and the holders of warrants and options, could have an adverse effect on the price of our Common Stock.

There Is A Large Number Of Shares That May Be Sold In The Market, Which May Depress The Market Price Of Our Common Stock.

Sales of substantial amounts of our Common Stock in the public market, or the perception that these sales might occur, could materially and adversely affect the market price of our Common Stock or our future ability to raise capital through an offering of our equity securities. We have an aggregate of 37,538,179 shares of our Common Stock outstanding. If all options and warrants currently outstanding to purchase shares of our Common Stock are exercised and all of the 2,000,000 shares of Preferred Stock are converted into Common Stock, there will be approximately 52,618,416 shares of Common Stock outstanding. Of the outstanding shares, up to 9,931,415 shares are freely tradable without restriction or further registration under the Securities Act, unless the shares are held by one of our "affiliates" as such term is defined in Rule 144 of the Securities Act. The remaining shares may be sold only pursuant to a registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act. If the sale and distribution of our shares were to occur, the market price of our Common Stock could decline as a result of the introduction of these shares into the public market.

Our Common Stock Is Classified As A "Penny Stock" Under SEC Rules Which May Make It More Difficult For Our Stockholders To Resell Their Shares Of Our Common Stock.

Our Common Stock is traded on the Nasdaq Over-The-Counter Bulletin Board. As a result, the holders of our Common Stock may find it more difficult to obtain accurate quotations concerning the market value of the stock. Stockholders also may experience greater difficulties in attempting to sell the stock than if it were listed on a stock exchange or quoted on the Nasdaq National Market or the Nasdaq Small-Cap Market. Because our Common Stock is not traded on a stock exchange or on the Nasdaq National Market or the Nasdaq Small-Cap Market, and the market price of the Common Stock is less than $5.00 per share, the Common Stock is classified as a "penny stock." SEC Rule 15g-9 under the Securities and Exchange Act of 1934, as amended ("Exchange Act") imposes additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as an "established customer" or an "accredited investor." This includes the requirement that a broker-dealer must make a determination that investments in penny stocks are suitable for the customer and must make special disclosures to the customer concerning the risks of penny stocks. Application of the penny stock rules to our Common Stock could adversely affect the market liquidity of the shares, which in turn may affect the ability of holders of our Common Stock to resell the stock.

SPECIAL CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus 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 sections captioned "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Plan of Operations", as well as any other cautionary language in this prospectus, 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.

USE OF PROCEEDS

We will not receive any proceeds from the sale of Common Stock by the Selling Stockholders. We will receive proceeds upon the exercise of any Warrants. The principal

reason for this offering is to allow for the resale of the shares currently held by the Selling Stockholders that were acquired from us in a private placement of shares of our Common Stock.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is traded on the Nasdaq Over-the-Counter Bulletin Board ("OTC Bulletin Board") under the symbol ASTR. The following table sets forth, for the periods indicated, the range of high and low bid quotations for the shares of our Common Stock as quoted on the OTC Bulletin Board. The reported bid quotations reflect inter-dealer prices, without retail markup, markdown or commissions, and may not necessarily represent actual transactions. As of March 12, 2002, there were 37,538,179 shares of Common Stock, par value $.0001 per share, outstanding which were held by 187 holders of record. We began trading our Common Stock in March 2001.

	Market Price	
	High	Low
2001		
First Quarter*	$3.93	$0.43
Second Quarter	$6.85	$2.50
Third Quarter	$7.15	$1.70
Fourth Quarter	$3.80	$2.50
2002		
First Quarter	$2.75	$1.50

The closing price for our Common Stock on March 12, 2002, was $2.20.

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* After stock split

Dividends

On March 14, 2001, we declared a stock dividend to stockholders of record as of 8:00 a.m., eastern standard time, on March 14, 2001, on the basis of ten shares of Common Stock for each one share of Common Stock then issued and outstanding. The payment date and time for the stock dividend were March 15, 2001, at 8:00 a.m., eastern standard time. As a result of the stock dividend, each of our stockholders received nine additional shares of Common Stock for each one share of Common Stock owned of record as of the record date and time. We have never paid or declared a cash dividend on the Common Stock. We intend, for the foreseeable future, to retain all future earnings for use in our business. The amount of dividends we pay in the future, if any, will be at the discretion of our Board of Directors and will depend upon our earnings, capital requirements, financial condition and other relevant factors.

All accrued and unpaid dividends on the outstanding shares of our Preferred Stock must be paid before we pay any dividends on our Common Stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS

The Following Discussion Of Our Financial Condition And Results Of Operations Should Be Read In Conjunction With Our Financial Statements And The Related Notes Included Elsewhere In This Prospectus. This Prospectus 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 Prospectus, Including The Matters Set Forth Under The Caption "Risk Factors" Contained Elsewhere In This Prospectus, 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

We were formerly named Astralis Pharmaceutical, Ltd. and Hercules Development Group, Inc. ("Hercules"), and were incorporated under the laws of the state of Colorado on June 30, 1999. Subsequently we were reincorporated in the state of Delaware on December 10, 2001 and changed our name to Astralis Ltd. In November 2001, we were a public shell company, defined as an inactive, publicly quoted company with nominal assets and liabilities.

Our operations and financial statements are those of Astralis LLC, a New Jersey limited liability company formed on March 12, 2001. Astralis LLC was merged into us on November 13, 2001 pursuant to the terms of the Contribution Agreement.

In connection with the merger, we issued 28,000,000 shares of our Common Stock along with warrants to purchase 6,300,000 shares of our Common Stock at $1.60 per share to the members of Astralis LLC in a one-for-one exchange for all of the 28,000,000 outstanding Astralis LLC member units of ownership and all of the 6,300,000 outstanding options to purchase member units. As a result of the transaction, the former members of Astralis LLC acquired a majority interest of our shares.

The effect of our combination with Astralis LLC was a reverse merger. We were the legal acquirer in the merger. Astralis LLC was the accounting acquirer since its members acquired a majority ownership interest in us. Consequently, the historical financial information included in our financial statements prior to November 2001 are those of the accounting acquiror, Astralis LLC. The stockholders' equity of the merged company was recapitalized to reflect the capital structure of the legal entity (Astralis Ltd.) and the retained earning of Astralis LLC. Pro forma

financial information is not presented since the combination is a recapitalization and not a business combination.

We are a development stage biotechnology company engaged primarily in the research and development of treatments for immune system disorders and skin diseases. Our initial product candidate, Psoraxine, is a protein extract used for the treatment of the skin disease psoriasis.

We are primarily engaged in identifying a gene for psoriasis, developing the second generation drug, applying for the patent at the United States Patent and Trademark Office, discussing clinical trial design with the FDA and preparing an Investigation of New Drug application ("IND Application") for the FDA which we anticipate filing in the second half of 2002.

Results of Operations

Our current operations began on March 2001 and therefore, we have no prior period with which to compare our results of operations.

For the period from March 12, 2001, which was the date of our inception, through December 31, 2001 we had no revenue and incurred a net loss of $6,195,364.

During 2001 we raised funds from the following private placement offerings and agreements:

- Under a contribution agreement dated September 10, 2001 (the "Contribution Agreement"), five investors purchased units ("Units") from Astralis LLC consisting of an aggregate of 2,700,000 membership interests (the "Membership Interests") in Astralis LLC and options to purchase 6,300,000 additional Membership Interests in Astralis LLC for an exercise price of $1.60 per Membership Interest. On November 13, 2001 at the closing of the transaction under the Contribution Agreement, the aforementioned Units were exchanged for an aggregate of 2,700,000 shares of our Common Stock and warrants to purchase 6,300,000 shares of our Common Stock at an exercise price of $1.60 per share. The aggregate purchase price for such Units was $1,350,000 and was paid with subscription notes. These subscription notes receivable are due in two installments with $850,000 having been due on February 13, 2002 and the remaining $500,000 due on May 13, 2002.

- During November of 2001, we engaged in a private placement pursuant to which we sold an aggregate of 2,076,179 shares of our Common Stock and issued warrants to purchase an aggregate of 415,237 shares of our Common Stock at an exercise price of $4.00 per share. We received proceeds, net of offering costs and payments of pre-merger shell costs, in the amount of $2,752,495.

- In December of 2001, we sold to SkyePharma under the Purchase Agreement 1,000,000 shares of our Series A Convertible Preferred Stock, par value $.001 per

share ("Preferred Stock") at a purchase price of $10.00 per share, or an aggregate purchase price of $10,000,000. We received net proceeds of approximately $1,950,000 from this placement after the following expenditures were netted out from the proceeds:

i.) $5 million payment due to SkyPharma in connection with our purchase of the technology option license from SkyPharma,

ii.) $3 million payment due to SkyPharma for services they provided under our Service Agreement with them which was expensed at the time of payment, and

iii.) offering costs of approximately $50,000.

During 2001 we incurred operating expenses amounting to $4,084,619 which consisted primarily of:

- Research and development costs amounting to $3,231,775, including $3 million that was paid to SkyPharma for services provided under our Service Agreement with them and amortization of approximately $60,000 of our technology option license which is being amortized over a seven year period.

- General and administrative costs amounting to approximately $850,000, including professional fees related to our merger with Astralis LLC and the related investor relations and marketing expenses and our general corporate expenditures.

We also had a non-cash preferred stock dividend in 2001 in the amount of $2.12 million. This resulted from our December 10, 2001 sale of convertible preferred stock to SkyPharma which had a conversion rate to our Common Stock which was lower than the market price of our Common Stock on that date. Therefore, we were required to record a preferred dividend calculated by multiplying the number of preferred shares sold on that date by the difference between the conversion price and the market price.

Plan of Operation

At December 31, 2001 we had cash balances of $4,452,000.

On January 31, 2002 we sold 250,000 shares of our Preferred Stock to SkyPharma at a purchase price of $10.00 per share, or an aggregate purchase price of $2,500,000. We received net cash proceeds of approximately $1,835,000 from this sale after our required monthly payment of $665,000 to SkyPharma under the Service Agreement was netted from the proceeds.

SkyePharma has agreed to purchase for $750,000 an additional 750,000 shares of Preferred Stock, in three equal installments on April 30, 2002, July 31, 2002 and January 31, 2003.

We anticipate collecting our subscription notes receivable. These subscription notes receivable are due in two installments with $850,000 having been due on February 13, 2002 and the remaining $500,000 due on May 13, 2002. However, as of March 11, 2002 we have not received payment on the initial notes due.

We anticipate using our cash and expected net proceeds of the Purchase Agreement over the course of the next 12 months as follows:

- Approximately $10 million to conduct clinical trials to obtain FDA approval of Psoraxine and transfer the research and development to the United States, which includes leasing appropriate laboratory and corporate office facilities. Included in this amount are payments required under the Service Agreement with SkyPharma which will amount to $8 million in 2002 and are required to be paid in equal monthly amounts;

- Approximately $1.5 million to pay management salaries and those of new employees;

- Approximately $1.5 million for public relations and general administrative and working capital requirements

Based on the current operating plan, we anticipate that our existing capital resources and, together with the net proceeds of the Private Placement and the Purchase Agreement, will be adequate to satisfy our capital requirements for approximately the next 12 months. However, our plans may change as we reach milestones and as our circumstances may change.

Financial Condition

As of December 31, 2001, we had total current assets in the amount of $4,490,335, total liabilities of $383,083 and working capital of $4,107,252. We had a deficit accumulated during the development stage of $6,195,364 as of December 31, 2001; however, our total shareholders' equity as of December 31, 2001, was $9,074,368. We expect to continue to operate at a deficit until such time, if ever, our operations generate sufficient revenues to cover our costs. There can be no assurance that our financial condition will improve.

Net cash used in operating activities was $382,319 for our initial period ended December 31, 2001. During this same period net cash provided by financing activities was $4,835,813. Cash increase by $4,451,874, from $0 at the beginning of the period to $4,451,874 as of December 31, 2001.

Inflation

We do not believe that inflation has had a material impact on our business.

Seasonality

We do not believe that our business is seasonal.

BUSINESS

You should read the following description of our business in conjunction with the information included elsewhere in this prospectus. This description contains certain forward-looking statements that involve risk and uncertainties.

Our actual results could differ significantly from the results discussed in the forward-looking statements as a result of certain of the factors set forth in the "Risk Factors" section and elsewhere in this prospectus.

Description of Business

General

We are a development-stage biotechnology company incorporated under the laws of the State of Delaware which engages in research and development of treatments for immune system disorders and skin diseases. Our main office is located at 135 Columbia Turnpike, Suite 301, Florham Park, New Jersey 07932.

We were originally incorporated under the laws of the State of Colorado on June 30, 1999 under the name "Hercules Development Group, Inc." We were originally engaged in the business of managing real estate, however, on November 13, 2001, pursuant to the Contribution Agreement ("Contribution Agreement"), dated as of September 10, 2001 between us on the one side and Astralis LLC, a New Jersey limited liability company formed on March 12, 2001 ("Astralis LLC") and Dr. Jose Antonio O'Daly, Gaston Liebhaber, Mike Ajnsztajn, Richard Genovese, David Stevenson, Grizzly Consulting Ltd., Wolver Limited and Logarithmic Inc., being all of the members of Astralis LLC (the "Astralis Members"), on the other side, we discontinued our real estate management business and began our current business of engaging in research and development of treatments for immune system disorders and skin diseases.

Pursuant to the business combination set forth in the Contribution Agreement, the Astralis Members transferred all of their respective membership interests in Astralis LLC to us in exchange for 28,000,000 shares of our Common Stock and warrants to purchase 6,300,000 shares of our Common Stock at an exercise price of $1.60 per share. Pursuant to the Contribution Agreement, on November 13, 2001, we filed an amendment to our Articles of Incorporation which changed our name from "Hercules Development Group, Inc." to "Astralis Pharmaceuticals Ltd." On November 19, 2001, we reincorporated in the State of Delaware under our current name.

On November 13, 2001, pursuant to the Contribution Agreement, all of our officers and directors resigned from their respective positions and were replaced by the officers and managers of Astralis LLC. See " Management; Executive Officers and Directors".

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Business of Astralis Ltd.

Our sole business is engaging in research and development of treatments for immune system disorders and skin diseases. Our first product candidate is a new drug named Psoraxine, which we are developing as a treatment for the skin disease psoriasis.

Psoriasis is a genetically based inflammatory and scaly skin disease of currently unknown origins that generally lasts a lifetime and for which there is presently no known cure. While performing a field trial in Caracas, Venezuela in 1992 for a vaccine for leishmaniasis, a disease transmitted by parasites, Dr. O'Daly discovered that a patient, after receiving a third dose of the leishmaniasis vaccine, experienced complete remission of the plaque psoriasis lesion that had been present on the patient's leg for the past 12 years. Human leishmaniasis infections are caused by at least 20 different species of parasites of the genus Leishmania. After researching and improving the leishmaniasis vaccine, Dr. O'Daly developed Psoraxine specifically for use in

clinical trials for the remission of psoriasis.

Psoraxine is a synthesized immuno-therapeutic agent, presented in liquid form and is packed in 0.5 mg ampules for intra-muscular injection. After researching and improving Psoraxine, clinical trials (the "Trials") were undertaken in Caracas, Venezuela during the eight year period from 1992 to 2000. The results of the Trials yielded positive evidence of remission of psoriasis lesions. Almost 3000 patients treated by Dr. O'Daly experienced significant remission of their psoriasis lesions. Astralis LLC lacked the financial resources to commercialize Psoraxine in Venezuela, although it is still being used by Dr. O'Daly for the ongoing clinical treatment of Venezuelan patients. We are now seeking approval for Psoraxine from the United States Food and Drug Administration ("FDA"), which is a necessary and critical step toward the commercialization of Psoraxine.

Representatives of Astralis LLC sent a briefing document to the FDA and held a pre-IND (Investigation of New Drug) conference call with representatives of the FDA on May 16, 2001 to review the clinical results of Dr. O'Daly's work with Psoraxine in Venezuela. Based upon this conference call, we are presently preparing an IND application to be filed with the FDA in the second half of 2002 to conduct Phase I.B. studies of Psoraxine. Phase I.B studies will focus on determining safe dosage ranges for Psoraxine as well as efficacy in several sites in the United States with patients suffering from psoriasis. We anticipate that it will take at least one year to complete the Phase I.B studies at a cost of not less than $500,000. Astralis Ltd. and Astralis LLC have spent approximately $3,231,775 on research and development activities over the past fiscal year. See "Government Regulation".

Patient Populations

According to the National Psoriasis Foundation ("NPF"), psoriasis affects about 2.6% of the U.S. population, or more than 7 million people in the United States. Psoriasis also affects 2% to 3% of the world's population. Approximately 150,000 to 260,000 new cases of psoriasis are diagnosed each year. No special blood test or other diagnostic tool exists for psoriasis. The diagnosis is usually determined through examination of the skin by a physician or other health care provider. Less commonly, a skin biopsy is examined under a microscope for biological

evidence of psoriasis. The presence of small pits in the fingernails is also an indicator of psoriasis.

Approximately 400 people die from complications caused by psoriasis each year in the United States. Primarily, such complications occur in relation to a severe, extensive form of psoriasis such as generalized Pustular Psoriasis or Erythrodermia Psoriasis, where large areas of skin are shed. Because the skin plays an important role in regulating body temperature and serving as a barrier to infection, when a person's skin is compromised to such a great extent, secondary infections are possible. Fluid loss is a complicating factor in these serious forms of psoriasis, and a great strain is also placed on the circulatory system.

According to the NPF, between 10% and 30% of people who have psoriasis will also develop psoriatic arthritis, which is similar to rheumatoid arthritis, but generally milder. Psoriatic arthritis causes inflammation and stiffness in the soft tissue around joints, and it frequently involves the fingers and toes. Other parts of the body can be affected as well, including the wrists, neck, lower back, knees and ankles. In severe cases, psoriatic arthritis can be

destructive to joints and disabling. For the most part, people with psoriasis function normally, although some people experience low self-esteem caused by the unsightly effect of the disease on the skin.

Psoriasis is a chronic illness that, in may cases, requires continuous treatment. The cost of medications is high and visits to a physician are ongoing. Severe cases may require periods of hospitalization. It is estimated that 56 million hours of work are lost each year due to psoriasis, and that between $1.6 billion and $3.2 billion is spent annually on treating psoriasis.

Current Psoriasis Therapies

The topical treatment for psoriasis has been based on the use of emollients, keratolytic agents, coal tar, anthralin, corticosteroids of medium to strong potency and calcipotriene. Each of these treatments has variable efficacy, with side effects and cosmetic problems in addition to their failure to prevent frequent relapses.

Psoriasis Treatments in Development

We currently face competition from a number of pharmaceutical companies who have psoriasis treatments under development that have substantially greater financial and other resources than we have. The NPF has identified not less than 41 treatments under development which are in various stages of the FDA approval process, including at least five of which are in Phase III of the FDA approval process.

The available developmental psoriasis treatments include topical ointments, systemic treatments, oral treatments and UV light therapy treatments. We understand that several of the largest pharmaceutical companies in the world have more than one psoriasis treatment under development.

Competition

The pharmaceutical and biotechnology industries are intensely competitive. Many companies, including biotechnology, chemical and pharmaceutical companies, are actively engaged in activities similar to ours, including research and development of drugs for the treatment of the same diseases and conditions as Psoraxine. Many of these companies have substantially greater financial and other resources, larger research and development staffs, and more extensive marketing and manufacturing organizations than we have. In addition, some of these companies have considerable experience in preclinical testing, clinical trials and other regulatory approval procedures. There are also academic institutions, governmental agencies and other research organizations that are conducting research in areas in which we are working. They may also market commercial products, either on their own or through collaborative efforts.

Our major competitors include fully integrated pharmaceutical companies that have extensive drug discovery efforts. We face significant competition from organizations that are pursuing the same or similar technologies as the technologies used by us in our drug discovery efforts. We expect to encounter significant competition for any of the pharmaceutical products we develop. Companies that complete clinical trials, obtain required regulatory approvals and commence commercial sales of their products before their competitors may achieve a significant competitive advantage. We are aware that many other companies or institutions are pursuing development of drugs and technologies directly targeted at applications for the treatment and eventual cure of psoriasis.

Developments by others may render our product obsolete or noncompetitive. We will face intense competition from other companies for collaborative arrangements with

pharmaceutical and biotechnology companies, for establishing relationships with academic and research institutions and for licenses to additional technologies. These competitors may succeed in developing technologies or products that are more effective than Psoraxine.

Government Regulation

The FDA and comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements upon the clinical development, manufacture and marketing of pharmaceutical products. These agencies and other federal, state and local entities regulate research and development activities and testing, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion of our potential products.

The process required by the FDA before our product candidate, Psoraxine, may be marketed in the United States generally involves the following:

- preclinical laboratory and animal tests;

- submission of an IND application, which must become effective before clinical trials may begin;

- adequate and well controlled human clinical trials to establish the safety and efficacy of the proposed drug for its intended use; and

- FDA approval of a new drug application ("NDA"), or biologics license application ("BLA").

The testing and approval process requires substantial time, effort, and financial resources, and there can be no assurance that any approvals for Psoraxine or any other potential products will be granted on a timely basis, if at all.

Prior to commencing clinical trials, which are typically conducted in three sequential phases, we must submit an IND application to the FDA. The IND application automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises concerns or questions about the conduct of the trial. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Our proposed submission of an IND application may not result in FDA authorization to commence a clinical trial. Further, an independent institutional review board at the medical center proposing to conduct the clinical trial must review and approve the plan for any clinical trial before it commences.

We may not successfully complete any of the three phases of testing of Psoraxine within any specific time period, if at all. Furthermore, the FDA or an institutional review board or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

The results of product development, pre-clinical studies and clinical studies are submitted to the FDA as part of a NDA or BLA. The FDA may deny a NDA

or BLA if the applicable regulatory criteria are not satisfied or may require additional clinical data. Even if such data are

submitted, the FDA may ultimately decide that the NDA or BLA does not satisfy the criteria for approval. Once issued, the FDA may withdraw product approval if compliance with regulatory standards is not maintained or if problems occur after the product reaches market. In addition, the FDA may require testing and surveillance programs to monitor the effect of approved products which have been commercialized, and the FDA has the power to prevent or limit further marketing of a product based on the results of these post-marketing programs.

Satisfaction of FDA requirements or similar requirements of state, local and foreign regulatory agencies typically takes several years and the actual time required may vary substantially based upon the type, complexity and novelty of the product or indication. Government regulation may delay or prevent marketing of potential products or new indications for a considerable period of time and impose costly procedures upon our activities. Success in early stage clinical trials does not assure success in later stage clinical trials.

Data obtained from clinical activities is not always conclusive and may be susceptible to varying interpretations which could delay, limit or prevent regulatory approval. Even if a product received regulatory approval, the approval may be significantly limited to specific indications and dosages. Further, even after regulatory approval is obtained, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market. Delays in obtaining, or failures to obtain additional regulatory approvals for any of our product candidates would have a material adverse effect on our business.

Any products manufactured or distributed by us pursuant to FDA approvals are subject to continuing regulation by the FDA, including record-keeping requirements and reporting of adverse experiences with the drug. Drug manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with good manufacturing practices, which impose certain procedural and documentation requirements upon us and any third party manufacturers we may utilize. We cannot be certain that our present or future suppliers will be able to comply with the good manufacturing practices, regulations and other FDA regulatory requirements.

Outside the United States, our ability to market a product is contingent upon receiving a marketing authorization from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country. At present, foreign marketing authorizations are applied for at a national level, although within the European Union (the "EU"), registration procedures are available to companies wishing to market a product in more than one EU Member State. If the regulatory authority is satisfied that adequate evidence of safety, quality and efficacy has been presented, a marketing authorization will be granted. This foreign regulatory approval process involves all of the risks associated with FDA clearance.

Intellectual Property

On March 16, 2001, Dr. O'Daly filed a patent application entitled "Compositions and Methods for the Treatment and Clinical Remission of Psoriasis" with the United States Patent and Trademark Office. Preliminary searches have been conducted to ensure that no product similar to Psoraxine has already secured full patent protection. The patent application process may take up to two years to complete. Pursuant to a License Agreement dated as of April 26, 2001 ("License Agreement") between Dr. O'Daly and Astralis LLC, Dr. O'Daly granted Astralis LLC the exclusive right and license to use and exploit his patent if and when such patent is issued. Pursuant to an Assignment of License Agreement, dated November 13, 2001 ("Assignment of License Agreement"), by and between Astralis LLC and us, Astralis LLC assigned to us all of its rights under the License Agreement.

Our intellectual property consists of our license to Dr. O'Daly's application of a patent for Psoraxine, our rights under the Assignment of License Agreement and trade secrets and know-how. Our ability to compete effectively depends in large part on our ability to obtain the patent for Psoraxine, maintain trade secrets and operate without infringing the rights of others and to prevent others from infringing on our proprietary rights. We will be able to protect our technologies from unauthorized use by third parties only to the extent that they are covered by valid and enforceable patents or copyrights or are effectively maintained as trade secrets. Accordingly, patents or other proprietary rights are an essential element of our business. There can be no assurance that proprietary information will not be disclosed, that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or that we can meaningfully protect our trade secrets.

Employees

As of March 12, 2001, we employed 5 full-time employees and no part-time employees. None of these employees are covered by a collective bargaining agreement and we believe that our employee relations are good.

Legal Proceedings

We are not currently party to any material legal proceeding. In addition, none of our directors or executive officers are involved in or subject to any pending legal proceedings, whether material or otherwise. None of our directors or executive officers has an interest, material or otherwise, against us.

Property

Our executive offices are located at 135 Columbia Turnpike, Suite 301, Florham Park, New Jersey 07932 which is the same address as Opus International, Ltd. ("Opus International"), a company owned by Gina Tedesco, our Chief Financial Officer. We have been occupying the office space on a rent-free basis that has been paid for by our current officers and we expect to continue to do so until May 2002 when we are expected to move into new office space. The value of the office space is a nominal amount, is

inconsequential and is not included in the accompanying financial statements. On May 1, 2002 we shall move into new office and laboratory space located at 75 Passaic Ave, Fairfield, New Jersey 07004. The yearly rent for such office and laboratory space shall be $77,500.

MANAGEMENT

Executive Officers and Directors

The names, ages and positions of our current directors and executive officers are as follows:

Name	Age	Position
Jose Antonio O'Daly, MD, PhD	60	Chairman of the Board of Directors; President of Research and Development
Mike Ajnsztajn	37	Chief Executive Officer; Director
Gaston Liebhaber	67	Director of International Affairs; Director
Gina Tedesco	38	Chief Financial Officer; Director
Michael Ashton	55	Director
Steven Fulda	69	Director
Fabien Pictet	43	Director
James Leyden, MD	61	Chairman, Medical Advisory Board
Bruce Epstein	38	Marketing Affairs Advisor

With the exception of Mr. Ajnsztajn and Ms. Tedesco who are husband and wife, and Mr. Liebhaber who is Mr. Ajnsztajn's uncle, there are no familial relationships among our directors and/or officers. Directors hold office until the next annual meeting of our stockholders or until their respective successors have been elected and qualified. Officers serve at the pleasure of the Board of Directors.

On November 13, 2001, pursuant to the Contribution Agreement, Shai Stern, who served as our Chief Executive Officer, President and sole director since February 28, 2001 and Steven Harrington, who served as our Vice President since April 9, 2001, resigned from all of their respective positions with us. At the time of their resignations, Messrs. Stern and Harrington constituted all of our executive officers and directors.

Jose Antonio O'Daly, MD, PhD. Dr. O'Daly has served as our Chairman of the Board of Directors and President of Research and Development since November 13, 2001. Dr. O'Daly is the President and sole founder of Center for Research and Treatment for Psoriasis ("CITP") in Caracas, Venezuela. Dr. O'Daly is also the Director and Head of Research of the Microbiology Center of the Venezuelan Institute of Scientific Research. Dr. O'Daly attended the Central University of Venezuela, Caracas receiving his Doctorate of Medical Sciences in 1968. In 1971, Dr. O'Daly earned a Doctorate of Philosophy from the Johns Hopkins University in Baltimore, Maryland. Dr. O'Daly is an honorary member of the Venezuelan Medical Academy. Dr. O'Daly has dedicated the last 15 years of his life working on a cure for Psoriasis.

Mike Ajnsztajn. Mr. Ajnsztajn has served as our Chief Executive Officer and as a director since November 13, 2001. Mr. Ajnsztajn gained 15 years of extensive experience in the pharmaceutical field while working for Rhone Poulenc as both an Export Manager for the Far East based in France, and as the Marketing Director in China. Mr. Ajnsztajn is also co-founder of Opus International, a New Jersey based import/export company that distributes hospital examination gloves and raw materials for the latex industry. Opus International also provides business-consulting services.

Gaston Liebhaber. Mr. Liebhaber has served as our Director of International Affairs since November 13, 2001 and as a director since January 31, 2002. Mr. Liebhaber has 35 years of experience in the pharmaceutical industry. Mr. Liebhaber founded Fundafarmacia in Caracas, Venezuela, a non-profit organization that distributes medicine, at discounted prices, to the poor and homeless. Fundafarmacia is the largest pharmacy chain in Venezuela. Currently, Mr. Liebhaber is the Managing Director of Latin America of Sankyo Pharmaceutical, the largest Japanese pharmaceutical company, based in Venezuela. He is also the President of the Venezuelan Association of Pharmaceutical Companies. Mr. Liebhaber has received several honorary medals and prizes from the Venezuelan government.

Gina Tedesco. Ms. Tedesco has served as our Chief Financial Officer since November 13, 2001 and as a director since January 31, 2002. Ms. Tedesco is the President and co-founder of Opus International. Ms. Tedesco has extensive experience in the pharmaceutical industry and in all aspects of finance and business planning. During her 10-year tenure with Rhone Poulenc, Ms. Tedesco held various positions ranging from controller for the European pharmaceutical subsidiaries to Director of Finance and Investor Relations for a Brazilian subsidiary. Ms. Tedesco recently completed a certificate program at Farleigh Dickinson University, earning a second MBA in Entrepreneurial Finance complimenting the MBA she acquired from George Washington University in International Business.

Michael Ashton. Mr. Ashton has served as one of our directors since January 31, 2002. Mr. Ashton is the Chief Executive Officer of SkyePharma PLC, a London based drug delivery

technology provider. Mr. Ashton has thirty years of experience in the pharmaceutical industry. Prior to joining SkyePharma PLC, Mr. Ashton was Chairman and Chief Executive Officer of Faulding, Australia's largest pharmaceutical company located in the United States. Mr. Ashton has a Bachelor of Pharmacy Degree from Sydney University and a MBA Degree from Rutgers University.

Steven Fulda. Mr. Fulda has served as one of our directors and a member of our audit committee since February 6, 2002. Mr. Fulda is Managing Director of Fulda Business Planners. Mr. Fulda has forty years of management and consulting experience spanning all facets of business strategy, planning, development and financing. Mr. Fulda has identified and managed growth opportunities for over 250 emerging businesses. Mr. Fulda is a Professor of Entrepreneurship and Director of the Small Business Institute at Fairleigh Dickinson University. Mr. Fulda holds a Master's Degree in Quantitative Business Analysis from New York University and a Master's Degree in Systems Engineering from Bell Laboratories' New York University Graduate Program.

Fabien Pictet. Mr. Pictet has served as one of our directors and a member of our audit committee since February 6, 2002. Mr. Pictet is Chairman of Fabien Pictet and Partners, a London based firm which invests in the emerging markets arena. Mr. Pictet has twenty years of experience in investing in emerging markets. During his eleven year tenure with Pictet and Cie, Mr. Pictet held various positions ranging from Manager responsible for U.S. equity investments to Partner responsible for all of the firm's institutional activities in Geneva, Zurich and London. Mr. Pictet has a Master of International Management Degree from American Graduate School of International Management and a Bachelor's Degree in Economics from the University of San Francisco.

James Leyden, MD. Dr. Leyden has served as the Chairman of our Medical Advisory Board since November 31, 2001. Dr. Leyden is a Professor of Dermatology at the Hospital of the University of Pennsylvania in Philadelphia. He has served on the boards of many of the nation's key dermatological committees, including those of the American Academy of Dermatology and the Dermatology Foundation. Dr. Leyden has also served as a consultant to the U.S. Food and Drug Administration and the Federal Trade Commission, and to drug regulation agencies in England, Germany and Austria. Dr. Leyden has also been instrumental in the development, testing and commercialization of Accutane, Bactroban, Nizoral, Cleocin, Benzamycin, Benzaclin, Minocin and the use of bicarbonate to control body odor. Dr. Leyden has a Bachelor's Degree from Saint Joseph's College and a MD for the University of Pennsylvania School of Medicine.

Bruce Epstein. Mr. Epstein has served as our Marketing Affairs Advisor since November 13, 2001. Mr. Epstein is the General Manager of Noesis Healthcare Interactions, a full-service healthcare communications company managing a creative and support staff focused on the marketing and advertising of multiple pharmaceutical brands with leading pharmaceutical companies. Mr. Epstein is a specialist in strategic planning and tactical implementation of pharmaceutical products. Mr. Epstein worked 10 years for Roche Laboratories, a Swiss pharmaceutical company with a U.S. division based in Nutley, New Jersey. Mr. Epstein obtained a MBA from New York University, Stern School of Business, and a Registered Pharmacist Degree from Rutgers, College of Pharmacy.

Board Composition and Committees

We currently have seven directors, each serving a term until the next annual meeting of stockholders. At each annual meeting of stockholders, six directors will be elected by the holders of our Common Stock and one director will be nominated and elected by the holders of our Series A Convertible Preferred Stock ("Preferred Stock"). SkyePharma PLC, a company incorporated under the laws of England and Wales ("SkyePharma") is the only holder of our Preferred Stock. In addition, pursuant to a Stockholder Agreement between us, SkyePharma and certain of our stockholders holding an aggregate of 66.58% of the issued and outstanding Common Stock (the "Stockholders' Agreement") each stockholder agreed to vote its shares of Common Stock and to take all other actions necessary to elect the independent directors nominated by our Board of Directors and to elect the nominee nominated by the Board of Directors of SkyePharma when all of the Preferred Stock held by SkyePharma has been converted into shares of Common Stock.

Messrs. Fulda and Pictet serve as the only members of the audit committee of the Board of Directors. The audit committee makes recommendations to the Board of Directors regarding the selection of independent auditors, reviews the results and scope of audits and other accounting-related services and reviews and evaluates our internal control functions.

Indemnification Matters

Our Certificate of Incorporation eliminates the personal liability of directors to the fullest extent permitted by the provisions of paragraph (7) of subsection (b) of Section 102 of the General Corporation Law of Delaware. In addition, our Certificate of Incorporation includes provisions to indemnify our officers and directors and other persons against expenses, judgments, fines and amounts paid in settlement in connection with threatened, pending or completed suits or proceedings against those persons by reason of serving or having served as officers, directors or in other capacities to the fullest extent permitted by Section 145 of the General Corporation Law of Delaware.

Our bylaws provide the power to indemnify our officers, directors, employees and agents or any person serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise to the fullest extent permitted by Delaware law.

Under Delaware law, we may indemnify our officers and directors for various expenses and damages resulting from their acting in those capacities. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

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EXECUTIVE COMPENSATION

The following table sets forth certain information regarding compensation paid by us and our predecessors during each of the last three fiscal years to our Chief Executive Officer and to each of our four most highly compensated executive officers, if any such other executive officer received compensation greater than $100,000 during any of the last three fiscal years.

Summary Compensation Table

Annual Compensation ($)

Name and Principal Position	Year	Salary
Mike Ajnsztajn CEO	2001	$81,164
Shai Stern, Sole Director, CEO and President	2001	--

Mr. Shai Stern served as our President, Chief Executive Officer and director from February 28, 2001 through November 13, 2001. Mr. Stern received no compensation in any form for the services provided to us. Mr. Ajnsztajn has served as our Chief Executive Officer since November 13, 2001. Mr. Ajnsztajn shall receive a salary of $150,000 for services performed during the year 2002.

We do not provide our officers or employees with pension, stock appreciation rights, long-term incentive or other plans and have no present intention of implementing any of these plans, with the exception of our 2001 Stock Option Plan. On December 31, 2001, we granted stock options to two consultants to purchase an aggregate of 300,000 shares of our Common Stock in exchange for their services. These options vest ratably at 75,000 per year over a four year period commencing in 2001. The expiration terms of the options are 4 years, 3 years, 2 years and 1 year for options vesting in 2001, 2002, 2003 and 2004, respectively. The strike price of all these options is $2.75. In the future, we may offer additional stock options to employees, non-employee members of the Board of Directors and/or consultants. It is possible that we may, in the future, establish various executive incentive programs and other benefits, including reimbursement for expenses incurred in connection with our operations,

company automobiles and life and health insurance, but none have yet been granted. The provisions of these plans and benefits will be at the discretion of the Board of Directors.

Compensation of Directors

The executive directors will not receive compensation pursuant to any standard arrangement for their services as directors. We will reimburse all outside directors for travel and lodging expenses related to scheduled Board meetings. We will also pay $3,500 during 2002 and $1,000 per meeting, for the directors serving on the audit committee.

Employment Agreements

Pursuant to an Employment Agreement dated December 10, 2001 (the "O'Daly Employment Agreement"), Dr. O'Daly receives a salary of $150,000 per year for his services as Chairman of the Board and President of Research and Development. The O'Daly Employment Agreement has a term of three (3) years and requires Dr. O'Daly to refrain from competing with us for a period of one (1) year following termination of his employment. None of our other executive officers receive compensation pursuant to any standard arrangement for their services as executive officers.

2001 Stock Option Plan

Our 2001 Stock Option Plan ("2001 Plan") was unanimously adopted by our Board of Directors on November 1, 2001 and approved by our stockholders at a special meeting held on November 1, 2001. The 2001 Plan contains 5,000,000 shares of Common Stock, par value $.0001 per share ("Common Stock") underlying stock options available for grant thereunder. The purpose of the 2001 Plan is to provide additional incentive to our directors, officers, employees and consultants who are primarily responsible for our management and growth. Each option shall be designated at the time of grant as either an incentive stock option (an "ISO") or as a non-qualified stock option (a "NQSO"). As of December 31, 2001, options to purchase 300,000 shares of Common Stock have been granted under the 2001 Plan.

The 2001 Plan shall be administered by our Board of Directors, or by any committee that we may in the future form and to which the Board of Directors may delegate the authority to perform such functions (in either case, the "Administrator").

Every person who at the date of grant of an option is an employee of ours or of any affiliate of ours is eligible to receive NQSOs or ISOs under the 2001 Plan. Every person who at the date of grant is a consultant to, or non-employee director of, us or any affiliate of ours is eligible to receive NQSOs under the 2001 Plan.

The exercise price of a NQSO shall be not less than 85% of the fair market value of the stock subject to the option on the date of grant. To the extent required by applicable laws, rules and regulations, the exercise price of a NQSO granted to any person who owns, directly or by attribution under the Internal Revenue Code (currently Section 424(d)), stock possessing more than 10% of the total combined voting power of all classes of our stock or of any Affiliate (a "10% Stockholder") shall in no event be less than 110% of the fair market value of the stock covered by the option at the time the option is granted. The exercise price of an ISO shall in no

event be less than the fair market value of the stock covered by the option at the time the option is granted. The exercise price of an ISO granted to any 10% Stockholder shall in no event be less than 110% of the fair market value of the stock covered by the option at the time the Option is granted.

The Administrator, in its sole discretion, shall fix the term of each option, provided that the maximum term of an option shall be ten years. ISOs granted to a 10% Stockholder shall expire not more than five years after the date of grant. The 2001 Plan provides for the earlier expiration of options in the event of certain terminations of employment of the holder.

Options may be granted and exercised under the 2001 Plan only after there has been compliance with all applicable federal and state securities laws. The 2001 Plan shall terminate within ten years from the date of its adoption by the Board of Directors.

If for any reason other than death or permanent and total disability, an optionee ceases to be employed by us or any of our Affiliates (such event being called a "Termination"), options held at the date of Termination (to the extent then exercisable) may be exercised in whole or in part at any time within three months of the date of such Termination, or such other period of not less than thirty days after the date of such Termination as is specified in the Option Agreement or by amendment thereof (but in no event after the expiration date of the option (the "Expiration Date")); provided, however, that if such exercise of the option would result in liability for the optionee under Section 16(b) of the Securities Exchange Act of 1934, as amended, then such three-month period automatically shall be extended until the tenth day following the last date upon which optionee has any liability under Section 16(b) (but in no event after the Expiration Date).

The Board of Directors may at any time amend, alter, suspend or discontinue the 2001 Plan. Without the consent of an optionee, no amendment, alteration, suspension or discontinuance may adversely affect outstanding options except to conform the 2001 Plan and ISOs granted under the 2001 Plan to the requirements of federal or other tax laws relating to ISOs. No amendment, alteration, suspension or discontinuance shall require stockholder approval unless (i) stockholder approval is required to preserve incentive stock option treatment for federal income tax purposes or (ii) the Board of Directors otherwise concludes that stockholder approval is advisable.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

General

On June 30, 1999, we issued and sold an aggregate of 23,800,000 shares of Common Stock to J. Peter Garthwaite and Bradley A. Scott in consideration for services performed for us by each individual. Messrs. Garthwaite and Scott served as our President/Chief Executive Officer/Treasurer and Secretary, respectively, and directors from the date of our inception on June 30, 1999, until their resignation from their respective positions on February 28, 2001. Messrs. Garthwaite and Scott sold their shares of Common Stock to Mr. Shai Stern on February

28, 2001. Mr. Stern served as our President, Chief Executive Officer and sole

director from February 28, 2001 until November 13, 2001.

On November 13, 2001, pursuant to the Contribution Agreement, the Astralis Members transferred all of their respective membership interests in Astralis LLC to us in exchange for 28,000,000 shares of our Common Stock and 6,300,000 warrants to purchase our Common Stock at an exercise price of $1.60 per share. Pursuant to the Contribution Agreement, we cancelled 23,800,000 of the 23,820,000 shares of Common Stock held by Mr. Shai Stern who served as our Chief Executive Officer and sole director until his resignation, pursuant to the Contribution Agreement, on November 13, 2001.

Our executive offices are located at 135 Columbia Turnpike, Suite 301, Florham Park, New Jersey 07932 which is the same address as Opus International, Ltd. ("Opus International"), a company owned by Gina Tedesco, our Chief Financial Officer. We have been occupying office space on a rent-free basis that has been paid for by our current officers. The value of the office space is a nominal amount, is inconsequential and is not included in the accompanying financial statements. On May 1, 2002, we expect to move into new offices and laboratory space located at 75 Passaic Ave, Fairfield, New Jersey 07004. The yearly rent for such office and laboratory space shall be $77,500.

During the nine months ended September 30, 2001, we advanced $207,000 to our stockholders in exchange for promissory notes. The stockholders repaid the total amount prior to November 30, 2001.

Relationship with SkyePharma

We entered into a Purchase Agreement dated as of December 10, 2001 ("Purchase Agreement") with SkyePharma PLC, a company incorporated under the laws of England and Wales ("SkyePharma"). Pursuant to the Purchase Agreement, SkyePharma purchased 1,250,000 shares of our Series A Convertible Preferred Stock, $.001 par value per share ("Preferred Stock"), at a purchase price of $10.00 per share, or an aggregate purchase price of $12.5 million. Pursuant to the Purchase Agreement, SkyePharma will make a total equity investment in our company of up to $20 million. The remaining $7.5 million investment, will involve the sale of up to an additional 750,000 shares of Preferred Stock, to SkyePharma in three equal installments on April 30, 2002, July 31, 2002 and January 31, 2003. As a result of the Purchase Agreement, SkyePharma is the beneficial owner of 18% of our outstanding Common Stock. In addition to other rights under the Purchase Agreement, Skyepharma, as the holder of shares of Preferred Stock, holds the exclusive right to elect one member of our Board of Directors. Pursuant to the Purchase Agreement, we and certain of our stockholders holding an aggregate of 66.58% of our outstanding Common Stock executed a Stockholders' Agreement, dated as of December 10, 2001, with SkyePharma, whereby each stockholder agreed to vote its shares of Common Stock to elect the independent directors nominated by our Board of Directors to our Board of Directors and, once SkyePharma no longer owns its Preferred Stock, to elect a nominee nominated by SkyePharma to our Board of Directors. We also granted SkyePharma certain registration rights effective as of December 10, 2002 pursuant to a Registration Rights Agreement, dated as of December 10, 2001.

We also entered into two agreements concerning the formulation and development of our initial injectable product candidate, Psoraxine, with SkyePharma. Under the terms of the Technology Access Agreement, dated December 10, 2002, SkyePharma received from us during 2001 a $5 million license fee, for access to DepoFoam and other relevant drug delivery technologies. In addition, pursuant to a Service Agreement, dated December 10, 2002, SkyePharma will continue to provide all of our development, manufacturing, pre-clinical and

clinical development services in consideration of $11 million of which $3 million was paid in 2001 with the remaining $8 million payable through 2002 for second generation Psoraxine, for a period lasting until our completion of Phase II studies.

Private Placement

On September 1, 2001, Richard Genovese, David Stevenson, Grizzly Consulting Ltd., Wolver Limited and Logarithmic, Inc. purchased units ("Units") from Astralis LLC consisting of an aggregate of 2,700,000 membership interests (the "Membership Interests") in Astralis LLC and 6,300,000 options to purchase additional Membership Interests in Astralis LLC for an exercise price of $1.60 per Membership Interest. The aggregate purchase price for such Units was $1,350,000. On November 13, 2001 at the closing of the Contribution Agreement, the aforementioned Units were exchanged for an aggregate of 2,700,000 shares of our Common Stock and 6,300,000 warrants to purchase Common Stock at an exercise price of $1.60 per share.

During October of 2001, we issued a promissory note of $50,000 to an unrelated third party (the "Note"). The Note had a maturity date of November 13, 2001. We also issued to the lender 12,000 shares of Common Stock. The Note was repaid by us out of the proceeds of the Private Placement.

During November of 2001, we completed a private placement offering (the "Private Placement") pursuant to which we sold an aggregate of 2,026,179 shares of our Common Stock and issued Warrants to purchase an aggregate of 405,236 shares of our Common Stock, for an exercise price of $4.00 per share, for an aggregate purchase price of $3,241,887. We granted certain registration rights to the purchasers of the shares.

Pictet Private Equity Investors purchased 180,000 shares of our Common Stock and Warrants to purchase another 36,000 shares of Common Stock. Pictet Private Equity Investors is controlled by Fabien Pictet, a member of our Board of Directors.

During the period from March 15 through April 26, 2000, we issued and sold an aggregate of 750,000 shares of Common Stock to a total of fifty persons, all of whom are residents of the State of Colorado, for cash consideration totaling $75,000.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the names and beneficial ownership of our Common Stock beneficially owned, directly or indirectly, by (i) each person who is a director or executive officer of our company, (ii) all our directors and executive officers as a group, and, to the best of our knowledge, (iii) all holders of 5% or more of the outstanding shares of our Common Stock.

As of March 12, 2002, there were 37,538,179 shares of our Common Stock outstanding. Unless otherwise noted, the address of all the individuals named below is care of Astralis Ltd. at 135 Columbia Turnpike, Suite 301, Florham Park, NJ 07932.

Name and Address	Number of shares of Common Stock Beneficially Owned (1)	Percentage of Common Stock Owned

Dr. Jose Antonio O'Daly	13,640,000	36.34%
Mike Ajnsztajn (2)	8,680,000	23.12%
Gina Tedesco (2)	0	--
Gaston Liebhaber	2,480,000	6.60%
Michael Ashton	0	--
Fabien Pictet (3)	216,000	*
Steven Fulda	0	--
SkyePharma PLC (4)(5)	8,220,000	18%
All Officers and Directors as a Group	25,016,000	66.58%

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* Less than 1%

(1) Beneficial ownership is determined in accordance with the Rule 13d-3(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and generally includes voting or investment power with respect to securities. Except as indicated by footnotes and subject to community property laws, where applicable, the person named above has sole voting and investment power with respect to all shares of the Common Stock shown as beneficially owned by him.

(2) Ms. Tedesco, our Chief Financial Officer, may be deemed to be the beneficial owner of the 8,680,000 shares of Common Stock owned as of March 12, 2002 by her husband, Mike Ajnsztajn. Ms. Tedesco disclaims beneficial ownership of such shares.

(3) All of the shares indicated include shares owned by Pictet Private Equity Investors. Also includes Warrants to purchase 36,000 shares of Common Stock.

(4) SkyePharma is the beneficial owner of 200,000 shares of our Common Stock, 1,250,000 shares of our Preferred Stock and Warrants to purchase 20,000 shares of Common Stock, and may acquire another 750,000 shares of Preferred Stock within the next sixty days pursuant to the Purchase Agreement, dated as of December 10, 2001, between us and SkyePharma (the "Purchase Agreement"). Accordingly, SkyePharma has beneficial ownership of 8,220,000 shares of Common Stock, assuming its purchase of the 750,000 additional shares of Preferred Stock and the conversion of all shares of Preferred Stock owned or to be purchased by SkyePharma into Common Stock at the current conversion rate of four to one.

(5) In order to facilitate the consummation of the transaction contemplated by the Purchase Agreement, we, certain of our stockholders holding an aggregate of 66.58% of our outstanding Common Stock and SkyePharma executed a Stockholders' Agreement, dated as of December 10, 2001 (the "Stockholders' Agreement"), whereby each stockholder agreed to vote its shares of Common Stock and take all other actions necessary to elect the independent directors nominated by our Board of Directors and to elect the nominee nominated to our Board of Directors by SkyePharma when all of the shares of Preferred Stock owned by SkyePharma have been converted into Common Stock. SkyePharma does not have the right to dispose (or direct the disposition of) any of the 25,016,000 shares of Common Stock owned by the other parties to the Stockholders' Agreement and accordingly

SkyePharma disclaims beneficial ownership of all such shares.

SELLING STOCKHOLDERS AND PLAN OF DISTRIBUTION

An aggregate of up to 2,431,415 shares of our Common Stock may be offered and sold pursuant to this prospectus by the Selling Stockholders. The Selling Stockholders acquired these shares of Common Stock from us in a private placement of shares of our Common Stock completed in November 2001 (the "Private Placement"). In this Private Placement, we issued and sold an aggregate of 2,026,179 shares of our Common Stock and issued Warrants to purchase an aggregate of 405,236 shares of our Common Stock, at an exercise price of $4.00 per share, resulting in gross proceeds to our company of $2,341,887. We intend to use the proceeds of the sale of the shares of Common Stock to fund Phase I.B trials and Phase II clinical trials, to continue funding our patent application, for the possible lease or construction of a small scale manufacturing facility, to repay certain indebtedness, to pay salaries to our executive officers and for working capital and general corporate purposes. We will not receive any of the proceeds resulting from the sale of the shares of Common Stock held by the Selling Stockholders, although we will receive the proceeds from the exercise of any of the Warrants.

In connection with the Private Placement, we agreed to file a registration statement with the Securities and Exchange Commission covering all of the shares of Common Stock sold in the private placement.

The following table sets forth certain information as of March 12, 2002 regarding the sale by the Selling Stockholders of 2,431,415 shares of Common Stock in this offering.

One of the Selling Stockholders, SkyePharma is the beneficial owner of 18% of our Common Stock. SkyePharma, as a result of its ownership of all of the outstanding shares of our

Series A Convertible Preferred Stock has the right to elect a director to our Board of Directors. In addition, Skyepharma has entered into (i) a Technology Access Agreement, dated December 10, 2001 with us pursuant to which Skyepharma will receive from us a $5 million dollar license fee, which will be recognized as revenue over the lifetime of the contract, for access to DepoFoam and other relevant drug delivery technologies, and (ii) a Service Agreement, dated December 10, 2001 with us pursuant to which SkyePharma will provide us with all of our development, manufacturing, pre-clinical and clinical development services for second generation Psoraxine, for a period lasting until our completion of Phase II studies.

Pictet Private Equity Investors is controlled by Fabien Pictet, a member of our Board of Directors.

No other Selling Stockholders has held any position or office or had a material relationship with us within the past three years other than as a result of the ownership of our Common Stock and other securities.

Selling Stockholder	Beneficial Ownership of Shares of Common Stock Prior to Sale(1)	Shares to be Sold in the Offering	Shares After t
Deutsche Bank	144,000	144,000	
Pictet Private Equity Investors	216,000	216,000	
FPP Emerging Hedge Fund	192,000	192,000	
Unicor Inc.	60,000	60,000	
Nigel William Wray	59,988	59,988	
The SOG Fund	72,000	72,000	
Brahman Capital Fund	24,000	24,000	
Michael Garnick	72,000	72,000	
Fidulex Management Inc.	24,000	24,000	
Fidulex Management Inc.	72,000	72,000	
Fidulex Management Inc.	24,000	24,000	
Fidulex Management Inc.	143,981	143,981	
Galba Ansalt	144,000	144,000	
Ming Capital Enterprises	179,986	179,986	
Maria and Greg Savettiere	96,000	96,000	
Vega Investments Inc.	29,986	29,986	
Sean Fitzpatrick	18,000	18,000	
N. Herrick Irrevocable Securities Trust	216,000	216,000	
Heritage Finance and Trust Company	72,000	72,000	
Citco Global Custody NV Cash	72,000	72,000	
Dr. Jacques Gonella	119,994	119,994	
SkyePharma Plc	8,220,000	120,000	
Banque Privee Edmond de Rothchild SA	187,481	187,481	
CBG Compagnie	72,000	72,000	

(1) Beneficial ownership is determined in accordance with rules and regulations of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person, shares of Common Stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of the date of this prospectus are deemed outstanding. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each stockholder named in the table has sole voting and

investment power with respect to the shares beneficially owned by them. In this instance, the Selling Stockholders each own Warrants with respect to which they are deemed to be the beneficial owner of the shares of Common Stock issuable upon the exercise of such Warrants.

(2) Assumes the holders of the Warrants will exercise the Warrants and purchase the Common Stock issuable thereunder. Assumes all of the shares of Common Stock offered hereby are sold by the Selling Stockholders. The percentage of the class of Common Stock owned after the offering will be 0% for all Selling Stockholders except SkyePharma Plc, which will be the beneficial owner of 18% after the offering.

The Common Stock held by the Selling Stockholders may be offered and sold from time to time as market conditions permit in the over-the-counter market, or otherwise, at prices and terms then prevailing or at prices related to the then-current market price, or in negotiated transactions. The Selling Stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. The shares offered hereby may be sold by one or more of the following methods, without limitation: (a) a block trade in which a broker or dealer so engaged will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction; (b) purchases by a broker or dealer as principal and resale by such broker or dealer for its account pursuant to this prospectus; (c) ordinary brokerage transactions and transactions in which the broker solicits purchasers and (d) face-to-face transactions between sellers and purchasers without a broker-dealer. In effecting sales, brokers or dealers engaged by the Selling Stockholders may arrange for other brokers or dealers to participate. Such brokers or dealers may receive commissions or discounts from the Selling Stockholders in amounts to be negotiated. Such brokers and dealers and any other participating brokers and dealers may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), in connection with such sales.

The Selling Stockholders may also pledge shares of Common Stock as collateral for margin accounts and such shares could be resold pursuant to the terms of such accounts. We have been advised by the Selling Stockholders that they have not made any arrangements relating to the distribution of the shares covered by this prospectus.

In addition, any shares covered by this prospectus which qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this prospectus.

DESCRIPTION OF CAPITAL STOCK

We are authorized to issue 78,000,000 shares of capital stock of which (i) 75,000,000 shares shall be designated as Common Stock, par value $.0001 per share, and (ii) 3,000,000 shares shall be designated as preferred stock, par value $.001 per share, of which 2,000,000 shares shall be designated as Series A Convertible Preferred Stock. As of March 12, 2002 there are outstanding (a) 37,538,179 shares of Common Stock owned by approximately 187 holders of record and (b) 1,250,000 shares of Series A Convertible Preferred Stock owned by one holder of record. There are also outstanding Warrants to purchase 6,780,237

shares of our Common Stock.

Common Stock

The holders of our Common Stock are entitled to one vote for each share held of record in the election of directors and in all other matters to be voted on by the stockholders. There is no cumulative voting with respect to the election of directors. As a result, the holders of more than 50% of the shares voting for the election of directors can elect all of the directors. Holders of Common Stock are entitled:

- to receive any dividends as may be declared by the Board of Directors out of funds legally available for such purpose after payment of accrued dividends on the outstanding shares of Preferred Stock; and

- in the event of our liquidation, dissolution, or winding up, to share ratably in all assets remaining after payment of liabilities and after provision has been made for each class of stock having preference over the Common Stock.

All of the outstanding shares of Common Stock are validly issued, fully paid and nonassessable. Holders of our Common Stock have no preemptive right to subscribe for or purchase additional shares of any class of our capital stock.

Pursuant to a Stockholders Agreement, dated as of December 10, 2001, by and among us, certain of our stockholders owning 66.58% of our Common Stock and SkyePharma, each stockholder agreed to vote its shares of Common Stock and take all other actions necessary to elect the independent directors nominated by the Board of Directors and to elect the nominee nominated by the Board of Directors of SkyePharma when all of the Series A Convertible Preferred Stock owned by SkyePharma has been converted into shares of Common Stock.

Series A Convertible Preferred Stock

The holders of Series A Convertible Preferred Stock have the power to elect one member to our Board of Directors. In addition, the affirmative vote of the holders of two-thirds of the Series A Convertible Preferred Stock is required for (i) us to authorize or create any class or series of capital stock ranking senior or on parity to the Series A Convertible Preferred Stock and (ii) any amendment, alteration or repeal of our certificate of incorporation, certificate of designations or bylaws which would serve to affect the rights, powers or preferences of the Series A Convertible Preferred Stock. Holders of Series A Convertible Preferred Stock are entitled:

- to receive noncumulative cash dividends equal to 6% of the Preferred Stock price or the amount such holders would have received had the holders converted their shares to Common Stock immediately prior to the record date for payment of dividends to holders of Common Stock when, as and if declared by the Board of Directors out of funds that are legally available therefor;

- to convert each share of Series A Convertible Preferred Stock into Common Stock. The current conversion ratio is four shares of Common Stock for each share of Series A Convertible Preferred Stock. The conversion ratio is subject to adjustment annually for three years if the price of our Common Stock trades on average below $2.50 for 10 days prior to the adjustment date. However, the conversion ratio will not adjust to a level greater than 6.25 shares of Common Stock for each share of Preferred Stock; and

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- in the event of our liquidation, dissolution, or winding up, to be paid a preference, before any distribution or payment is made upon any Common Stock or any other equity security that ranks junior to the Series A Convertible Preferred Stock.

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Preferred Stock

Our Board of Directors has the authority, within the limitations set forth in our certificate of designations and certificate of incorporation and the rights of the holders of Series A Convertible Preferred Stock set forth above, to provide by resolution for the issuance of preferred stock, in one or more classes or series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any series or the designation of such series.

Warrants

As of March 12, 2002, we have outstanding Warrants to purchase 6,780,237 shares of our Common Stock. We issued Warrants to purchase 405,237 shares of our Common Stock at an exercise price of $4.00 per share pursuant to the Private Placement. We issued Warrants to purchase 6,300,000 shares of our Common Stock at an exercise price of $1.60 per share pursuant to the Contribution Agreement. We have outstanding Warrants to purchase 75,000 shares of our Common Stock at an exercise price of $1.75 per share.

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is American Stock Transfer and Trust Company, 59 Maiden Lane, Plaza Level, New York, New York 10038.

Reports to Stockholders

We have and will continue to comply with the periodic reporting, proxy solicitation and other applicable requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Shares Eligible for Future Sale

We currently have 37,538,179 shares of Common Stock outstanding. Of the 37,538,179 shares of Common Stock outstanding up to 9,931,415 shares are freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by an "affiliate", which will be subject to the resale limitations of Rule 144 promulgated under the Securities Act.

All of the remaining shares of Common Stock currently outstanding are "restricted securities" or owned by "affiliates", as those terms are defined in Rule 144, and may not be sold publicly unless they are registered under the Securities Act or are sold pursuant to Rule 144 or another exemption from registration. The restricted securities are not eligible for sale without registration under Rule 144. As of March 12, 2002, there were outstanding options to purchase 7,090,237 shares of our Common Stock.

All of the 1,250,000 shares of Series A Convertible Preferred Stock that are currently outstanding are "restricted securities" or owned by "affiliates", as those terms are defined in Rule 144, and may not be sold publicly unless they are registered under the Securities Act or are sold pursuant to Rule 144 or another exemption from registration.

Lock-Up Agreements

None of the currently outstanding Common Stock or Series A Convertible Preferred Stock are subject to lock-up agreements.

Rule 144

Generally, under Rule 144 as currently in effect, subject to the satisfaction of certain other conditions, a person, including any of our affiliates or person whose shares are aggregated with an affiliate, who has owned restricted shares of Common Stock beneficially for at least one year, is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of our then outstanding shares of Common Stock; or

- the average weekly trading volume of shares of our Common Stock during the four calendar weeks preceding such sale.

A person who is not an affiliate, has not been an affiliate within three months prior to sale, and has beneficially owned the restricted shares for at least two years is entitled to sell such shares under Rule 144(k) without regard to any of the limitations described above.

Market for Common Stock

Shares of our Common Stock are listed on the Nasdaq Over-the-Counter Bulletin Board under the symbol ASTR.

Charter and Bylaws Provisions and Delaware Anti-Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This section prevents Delaware corporations from engaging under certain circumstances, in a "business combination", which includes a merger or sale of more than 10% of the corporation's assets, with any "interested stockholder", or a stockholder who owns 15% or more of the corporation's outstanding voting stock, as well as affiliates and associates of any such persons, for three years following the d