

NOVADEL PHARMA INC  
Form 10QSB  
March 16, 2005  
UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-QSB**

X  QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2005

\_\_\_ TRANSITION REPORT UNDER SECTION 13 or 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_ to \_\_\_

Commission file number 001-32177

**NOVADEL PHARMA INC.**

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

Delaware

(State or other jurisdiction of  
incorporation or organization)

22-2407152

(I.R.S. Employer  
Identification No.)

25 Minneakoning Road  
Flemington, New Jersey

(Address of Principal Executive Offices)

08822

(Zip Code)

(908) 782-3431

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  X  No \_\_\_

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 33,834,294 shares of common stock outstanding as of March 12, 2005.



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**Safe harbor statements under the private securities litigation reform act of 1995**

This Current Report on Form 10-QSB includes forward-looking statements, including statements regarding NovaDel Pharma Inc.'s (the Company or NovaDel) expectations, beliefs, intentions or strategies for the future and the Company's internal controls and procedures and outstanding financial reporting obligations and other accounting issues. The Company intends that all forward-looking statements be subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are only predictions and reflect the Company's views as of the date they are made with respect to future events and financial performance. In particular, the Management's Discussion and Analysis or Plan of Operation section in Part I, Item 2 of this Quarterly Report includes forward-looking statements that reflect the Company's current views with respect to future events and financial performance. The Company uses words such as expect, anticipate, believe, intend and similar expressions to identify forward-looking statements. You can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. A number of important risks and uncertainties could, individually or in the aggregate, cause actual results to differ materially from those expressed or implied in any forward-looking statements.

Examples of the risks and uncertainties include, but are not limited to: the inherent risks and uncertainties in developing products of the type the Company is developing (independently and through collaborative arrangements); the inherent risks and uncertainties in completing the pilot pharmacokinetic feasibility studies being conducted by the Company; possible changes in the Company's financial condition; the progress of the Company's research and development; clinical trials require adequate supplies of drug substance and drug product, which may be difficult or uneconomical to procure or manufacture; timely obtaining sufficient patient enrollment in the Company's clinical trials; the impact of development of competing therapies and/or technologies by other companies; the Company's ability to obtain additional required financing to fund its research programs; the Company's ability to enter into agreements with collaborators and the failure of collaborators to perform under their agreements with the Company; the progress of the FDA approvals in connection with the conduct of the Company's clinical trials and the marketing of the Company's products; the additional costs and delays which may result from requirements imposed by the FDA in connection with obtaining the required approvals; the risks related to the Company's internal controls and procedures; and the risks identified under the section entitled Risk Factors following Item 5 in Part II of the Company's Annual Report on Form 10-KSB for the fiscal year ended July 31, 2004, and other reports, including this report and other filings filed with the Securities and Exchange Commission from time to time.

## PART I

## FINANCIAL INFORMATION

**Item 1. Financial Statements.**

NOVADEL PHARMA INC.

## CONDENSED BALANCE SHEETS

AS OF JANUARY 31, 2005 (Unaudited) AND JULY 31, 2004

	January 31, 2005 (Unaudited)	July 31, 2004 (Note 1)
	<hr/>	<hr/>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,380,000	\$ 2,166,000
Short-term investments	5,307,000	6,211,000
Accounts receivable trade	148,000	130,000
Inventories	160,000	
Prepaid expenses and other current assets	265,000	255,000
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Total Current Assets	7,260,000	8,762,000
Property and equipment, net	2,251,000	1,066,000
Long-term investments	397,000	1,307,000
Other assets	351,000	351,000
Other investment, at cost	500,000	
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 10,759,000</b>	<b>\$ 11,486,000</b>
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<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Accounts payable-trade	\$ 462,000	\$ 241,000
Accrued expenses and other current liabilities	1,014,000	798,000
Current portion of deferred revenue	162,000	19,000
Current portion of capitalized lease obligation		28,000
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Total Current Liabilities	1,638,000	1,086,000
Non current portion of deferred revenue	2,755,000	343,000
Non current portion of capitalized lease obligation		34,000
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Total Liabilities	4,393,000	1,463,000
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<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock, \$.01 par value:		
Authorized 1,000,000 shares, none issued		
Common stock, \$.001 par value:		
Authorized 100,000,000 shares		
Issued and outstanding 33,834,294 shares at January 31, 2005 and 33,091,437 shares at July 31, 2004	34,000	33,000
Additional paid-in capital	36,085,000	34,937,000

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Accumulated deficit	(29,747,000 )	(24,941,000 )
Less: Treasury stock, at cost, 3,012 shares	(6,000 )	(6,000 )
	<hr/>	<hr/>
Total Stockholders' Equity	6,366,000	10,023,000
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 10,759,000</b>	<b>\$ 11,486,000</b>
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See accompanying notes to condensed financial statements.

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NOVADEL PHARMA INC.

CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2005	2004	2005	2004
		As restated (Note 3)		As restated (Note 3)
License Fees	\$ 41,000	\$ 3,000	\$ 60,000	\$ 3,000
Consulting Revenues	83,000	18,000	182,000	20,000
Total Revenues	124,000	21,000	242,000	23,000
Research And Development Expenses	759,000	386,000	1,419,000	651,000
Consulting, Selling, General And Administrative Expenses	2,169,000	1,193,000	3,905,000	1,966,000
Total Expenses	2,928,000	1,579,000	5,324,000	2,617,000
Loss From Operations	(2,804,000 )	(1,558,000 )	(5,082,000 )	(2,594,000 )
Interest Income	13,000	5,000	35,000	11,000
Loss Before Income Tax Benefit	(2,791,000 )	(1,553,000 )	(5,047,000 )	(2,583,000 )
Income Tax Benefit	241,000	214,000	241,000	214,000
Net Loss	\$ (2,550,000 )	\$ (1,339,000 )	\$ (4,806,000 )	\$ (2,369,000 )

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Basic And Diluted Loss Per Share	<u>\$ (.08 )</u>	<u>\$ (.06 )</u>	<u>\$ (.14 )</u>	<u>\$ (.11 )</u>
Shares Used In Computation Of Basic And Diluted Loss Per Share	<u>33,596,406</u>	<u>23,247,336</u>	<u>33,341,748</u>	<u>20,610,048</u>

See accompanying notes to condensed financial statements.



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CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(Unaudited)

(Note 3)

	Common Stock		Additional	Accumulated	Treasury	Total
	Shares	Amount	Paid-in Capital	Deficit	Stock	Stockholders Equity
BALANCE, August 1, 2004	33,091,437	\$ 33,000	\$ 34,937,000	\$ (24,941,000 )	\$ (6,000 )	\$ 10,023,000
Impact of variable plan accounting			(5,000 )			(5,000 )
Stock issued to Hana Biosciences Inc. per license agreement	400,000		636,000			636,000
Stock issued for warrants exercised	142,857		200,000			200,000
Warrants issued for services			11,000			11,000
Stock issued to consultants for services	200,000	1,000	306,000			307,000
Net Loss				(4,806,000 )		(4,806,000 )