ASTRALIS LTD
Form 10QSB
May 15, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 10-QSB

Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 30, 2002

Commission file number: 000-30997

Astralis Ltd.
(exact name of small business issuer as specified in its charter)

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

75 Passaic Avenue
Fairfield, New Jersey 07004
(Address of principal executive office)
(973) 227-7168
(Issuer's telephone number, including area code)

Astralis Pharmaceuticals Ltd.
135 Columbia Turnpike, Suite 301
Florham Park, New Jersey 07932
(Former name and former address, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities 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:

(1) Yes |X| No |_|
(2) Yes |X| No |_|

The number of shares of the Issuer's Common Stock outstanding as of March 31, 2002 was 37,538,179.

ASTRALIS LTD.

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FOR QUARTERLY PERIOD ENDED MARCH 30, 2002

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PART I.

ITEM 1. FINANCIAL STATEMENTS

ASTRALIS LTD.
(A Development Stage Entity)

Condensed Balance Sheet

ASSETS

	March 31, 2002	December 31, 2001
	(Unaudited)	(Audited)
Current Assets		
Cash and cash equivalents	$ 157,853	$4,451,874
Marketable securities - current	1,000,000	--
Interest receivable	54,992	--
Prepaid expenses	28,429	38,461
Total Current Assets	1,241,274	4,490,335
Marketable securities - noncurrent	2,694,424	--
Intangible Assets, Net - Related Party	4,761,904	4,940,476
Other Intangible Assets, Net	38,304	25,054
Property and Equipment, Net	61,736	1,586
Deposits	28,190	--
	$8,825,832	$9,457,451

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable - related party	$ --	$ 142,446
Accounts payable and accrued expenses	150,363	240,637

Total Current Liabilities	150,363	383,083
Commitments and Contingencies		
Stockholders' Equity		
Convertible preferred stock, Series A, $.001 par value; 2,000,000 shares authorized; 1,250,000 and 1,000,000 issued and outstanding at 2002 and 2001, respectively (liquidation preference - $12,706,713 at 2002)	1,250	1,000
Common stock; $.0001 par value; 75,000,000 shares authorized; 37,538,189 and 37,588,179 issued and outstanding at 2002 and 2001, respectively	3,754	3,759
Additional paid-in capital	19,432,978	17,013,223
Deferred compensation	(365,062)	(398,250)
Common stock subscriptions receivable	(1,350,000)	(1,350,000)
Accumulated other comprehensive gain (loss)	(56,158)	--
Deficit accumulated in the development stage	(8,991,293)	(6,195,364)
Total Stockholders' Equity	8,675,469	9,074,368
	$8,825,832	$9,457,451

See notes to condensed financial statements.

ASTRALIS LTD.
(A Development Stage Entity)

Condensed Statements of Operations
(Unaudited)

	Three Months Ended March 31, 2002	March 12, 2001 (Inception) to March 31, 2001	March 12, 2001 (Inception) to March 31, 2002
Revenues	$ --	$ --	$ --
Operating Expenses			
Research and development - related party	2,295,534	--	5,498,769
Research and development	--	3,000	28,540
Depreciation and amortization	1,235	--	2,066
General and administrative	529,585	220	1,381,598
Total Operating Expenses	2,826,354	3,220	6,910,973

Loss From Operations	(2,826,354)	(3,220)	(6,910,973)
Interest Income	30,425	--	39,680
Net Loss	(2,795,929)	(3,220)	(6,871,293)
Preferred Stock Dividends	--	--	(2,120,000)
Net Loss to Common Stockholders	$(2,795,929)	$ (3,220)	$ (8,991,293)
Pro Forma Information			
Net loss		$ (3,220)	
Pro forma tax provision		--	
Pro forma net loss		$ (3,220)	
Basic and Diluted Loss per Common Share	$ (0.07)	$ --	
Basic and Diluted Weighted Average Common Shares Outstanding	37,551,373	21,505,000	

See notes to condensed financial statements.

ASTRALIS LTD.
(A Development Stage Entity)

Condensed Statements of Stockholders' Equity
(Unaudited)

	Preferred Stock		Common Stock		Addition Paid-I
	Shares	Amount	Shares	Amount	Capita
Balances, March 12, 2001 (Date of Inception)	--	$ --	--	$ --	$
Members' capital contributions, 3/15/2001	--	--	25,300,000	2,530	30
Capital contributions received, 3/1 - 8/13/2001	--	--	--	--	
Members' contributed services,					

3/15 - 6/30/2001	--	--	--	--	12
Members' capital contributions, 9/1/2001	--	--	2,700,000	270	1,349
Warrants to purchase 6,300,000 shares of common stock at $1.60 per share issued in private placement	--	--	--	--	
Common stock issuable for consulting services, 9/1/2001; 500,000 shares	--	--	--	--	135
Common stock issued in private placement net of issuance costs, 11/13/2001; 2,076,179 shares at $1.60 per share	--	--	2,076,179	208	3,190
Warrants to purchase 415,237 shares of common stock at $4.00 per share issued in private placement, 11/13/2001	--	--	--	--	
Net assets and liabilities acquired in merger with Hercules	--	--	7,512,000	751	(303
Preferred stock issued, net of issuance costs, 12/10/2001; 1,000,000 shares at $10.00 per share	1,000,000	1,000	--	--	9,946
Preferred stock dividend, 12/10/2001	--	--	--	--	2,120
Options to purchase 200,000 shares of common stock at $1.77 (based on valuation) issued for legal services, 12/31/2001	--	--	--	--	354
Options to purchase 100,000 shares of common stock at $1.77 (based on valuation) issued for consulting services, 12/31/2001	--	--	--	--	177
Amortization of deferred compensation	--	--	--	--	
Net loss	--	--	--	--	
Balance, December 31, 2001	1,000,000	$1,000	37,588,179	$3,759	$17,013,

See notes to condensed financial statements.

ASTRALIS LTD.
(A Development Stage Entity)

Condensed Statements of Stockholders' Eqtity
(Unaudited)

	Accumulated Other Comprehensive Loss	Deficit Accumulated During the Development Stage	Total
Balances, March 12, 2001 (Date of Inception)	$ --	$ --	$ --
Members' capital contributions, 3/15/2001	--	--	--
Capital contributions received, 3/1 - 8/13/2001	--	--	33,183
Members' contributed services, 3/15 - 6/30/2001	--	--	12,986
Members' capital contributions, 9/1/2001	--	--	--
Warrants to purchase 6,300,000 shares of common stock at $1.60 per share issued in private placement	--	--	--
Common stock issuable for consulting services, 9/1/2001; 500,000 shares	--	--	135,000
Common stock issued in private placement net of issuance costs, 11/13/2001; 2,076,179 shares at $1.60 per share	--	--	3,190,637
Warrants to purchase 415,237 shares of common stock at $4.00 per share issued in private placement, 11/13/2001	--	--	--
Net assets and liabilities acquired in merger with Hercules	--	--	(302,320)
Preferred stock issued, net of issuance costs, 12/10/2001; 1,000,000 shares at $10.00 per share	--	--	9,947,496
Preferred stock dividend, 12/10/2001	--	(2,120,000)	--
Options to purchase 200,000 shares of common stock at $1.77 (based on valuation) issued for legal services, 12/31/2001	--	--	--
Options to purchase 100,000 shares of common stock at $1.77 (based on valuation) issued for consulting services, 12/31/2001	--	--	--
Amortization of deferred compensation	--	--	132,750
Net loss	--	(4,075,364)	(4,075,364)
Balance, December 31, 2001	$ --	$(6,195,364)	$ 9,074,368

See notes to condensed financial statements.

ASTRALIS LTD.
(A Development Stage Entity)

Condensed Statements of Stockholders' Equity
(Unaudited)

	Preferred Stock		Common Stock		Addit Paid
	Shares	Amount	Shares	Amount	Cap
Balances Brought Forward	1,000,000	$1,000	37,588,179	$3,759	$17,0
Oversubscription of common stock issued in private placement, 11/13/2001; 49,990 shares cancelled at $1.60 per share, 1/24/2002	--	--	(49,990)	(5)	(
Preferred stock issue, net of issuance costs, 1/31/2002; 1,000,000 shares at $10.00 per share	250,000	250	--	--	2,4
Amortization of deferred compensation	--	--	--	--	
COMPREHENSIVE LOSS					
Net loss	--	--	--	--	
Other comprehensive loss: Unrealized gain (loss) on available-for-sale securities	--	--	--	--	
Total Comprehensive Loss					
Balance, March 31, 2002 (unaudited)	1,250,000	$1,250	37,538,189	$3,754	$19,4

See notes to condensed financial statements.

ASTRALIS LTD.
(A Development Stage Entity)

Condensed Statements of Stockholders' Equity
(Unaudited)

	Subscription Receivable	Deferred Compensation	Accumulated Other Comprehensive Loss	Deficit Accumulated During the Development Stage
Balances Brought Forward	$(1,350,000)	$(398,250)	$ --	$(6,195,364)
Oversubscription of common stock issued in private placement, 11/13/2001; 49,990 shares cancelled at $1.60 per share, 1/24/2002	--	--	--	--
Preferred stock issue, net of issuance costs, 1/31/2002; 1,000,000 shares at $10.00 per share	--	--	--	--
Amortization of deferred compensation	--	33,188	--	--
COMPREHENSIVE LOSS				
Net loss	--	--	--	(2,795,929)
Other comprehensive loss: Unrealized gain (loss) on available-for-sale securities	--	--	(56,158)	--
Total Comprehensive Loss				
Balance, March 31, 2002 (unaudited)	$(1,350,000)	$(365,062)	$(56,158)	$(8,991,293)

See notes to condensed financial statements.

ASTRALIS LTD.
(A Development Stage Entity)

Condensed Statement of Cash Flows
(Unaudited)

	Three Months Ended March 31, 2002	March 12, 20 (Inception) March 31, 20
Cash Flows from Operating Activities		
Net loss	$(2,795,929)	$(3,220)

Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	179,807	--
Amortization of net premium paid on investments	14,375	--
Members' contributed salaries	--	11,936
Research and development service fee netted against proceeds received from preferred stock issuance	665,000	--
Operating expenses paid by related parties on behalf of Company	--	(5,000)
Amortization of deferred compensation	33,188	(3,716)
Compensatory common stock	--	--
Changes in assets and liabilities		
Prepaid expenses	10,032	--
Interest receivable	(54,992)	--
Deposits	(28,190)	--
Accounts payable - related party	(142,446)	--
Accounts payable and accrued expenses	(90,274)	--
Net Cash Used in Operating Activities	(2,209,429)	--
Cash Flows from Investing Activities		
Purchases of marketable securities	(4,520,957)	--
Proceeds from sale of marketable securities	756,000	--
Expenditures related to patent	(13,745)	--
Purchases of property and equipment	(60,890)	--
Net Cash Used in Investing Activities	(3,839,592)	--
Cash Flows from Financing Activities		
Repurchase of common stock	(80,000)	--
Issuance of common stock, net of offering and transaction costs	--	--
Issuance of preferred stock, net of research and development service fee, technology option and costs of offering	1,835,000	--
Net Cash Provided by Financing Activities	1,755,000	--
Net Increase (Decrease) in Cash and Cash Equivalents	(4,294,021)	--
Cash and Cash Equivalents, Beginning of Period	4,451,874	--
Cash and Cash Equivalents, End of Period	$ 157,853	$ --

See notes to condensed financial statements.

ASTRALIS LTD.
(A Development Stage Entity)
Notes to Condensed Financial Statements

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB as prescribed by the Securities and Exchange Commission ("SEC"). These financial statements, in the opinion of management, include all adjustments (consisting only of normal recurring items) necessary for their fair presentation in conformity with accounting principles generally accepted in the United States.

These financial statements should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001, for an expanded discussion of the Company's financial disclosures and accounting policies. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the SEC rules and regulations. Interim results are not necessarily indicative of results for the full year.

NOTE 2 - DESCRIPTION OF BUSINESS

Nature of Operations

Astralis, Ltd. (the "Company") is an emerging biotechnology company based in New Jersey and engaged primarily in the research and development of novel treatments for immune system disorders and skin diseases. The Company is currently developing two products. Its primary product, Psoraxine, is an innovative vaccine under development for the treatment of psoriasis. The Company's second product is for the treatment of leishmaniasis.

History and Basis of Financial Information

In November 2001, the Company was a public shell company, defined as an inactive, publicly quoted company with nominal assets and liabilities.

The operations and financial statements of the Company prior to November 13, 2001 are those of Astralis, LLC, ("Astralis, LLC") a New Jersey limited liability company formed on March 12, 2001. Astralis, LLC was merged into the Company on November 13, 2001. The Company is the surviving legal entity.

As a result of the transaction, the former members of Astralis, LLC acquired a majority interest in the Company.

The combination of the Company and Astralis, LLC has been treated as a recapitalization of the Company. The Company was the legal acquirer in the merger. Astralis, LLC was the accounting acquirer since its members acquired a majority ownership interest in the Company. Consequently, the historical financial information included in the financial statements of the Company prior to November 2001 is that of Astralis, LLC. Pro forma financial information relating to the merger is not presented since the combination is a recapitalization and not a business combination.

NOTE 2 - DESCRIPTION OF BUSINESS (Continued)

Pro Forma Financial Information

As discussed above, Astralis, LLC was originally organized in the form of a Limited Liability Company. Upon the Merger, its capital structure changed to that of a corporation. The change resulted in the Company retaining the tax benefit for the portion of the losses generated subsequent to November 13, 2001, whereas the previous losses were passed through to the Astralis, LLC members. Pursuant to Staff Accounting Bulletin Number 1B.2 "Pro Forma Financial Statements and Earnings per Share", a pro forma income statement has been presented which reflects the impact of the Company's change in capital structure as if it had occurred March 12, 2001 (Astralis LLC's inception). This presentation reflects the Company generating a tax benefit, which has been offset with a valuation allowance, which includes the net operating losses incurred by Astralis LLC during the period from March 12, 2001 to November 13, 2001, the operating period prior to Astralis, LLC's termination.

NOTE 3 - MARKETABLE SECURITIES

The Company's marketable equity securities consisted of certificates of deposits and government securities that have a readily determinable fair market value. Management determines the appropriate classification of its investments using Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities" at the time of purchase, and re-evaluates such determinations at each balance sheet date.

The securities reflected in these financial statements are deemed by management to be "available-for-sale" and, accordingly, are reported at fair value, with unrealized gains and losses reported in other comprehensive income and reflected as a separate component within the Stockholders' Equity section of the balance sheets. Realized gains and losses on securities available-for-sale are included in other income/expense and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method.

As of March 31, 2002, available-for-sale securities consist of the following:

	Due	Amortized Cost	Gross Unrealized Loss	Gross Unrealized Gains	Fair Value
Certificate of Deposits	4/2002 to 2/2003	$ 2,390,336	$ (2,152)	$ 546	$ 2,388,730
Government Securities	4/2006 to 11/2011	1,360,246	(54,552)	--	1,305,694
		$ 3,750,582	$(56,704)	$ 546	$ 3,694,424
Less Current Portion		(1,000,000)	--	--	(1,000,000)
Non-Current Portion		$ 2,750,582	$(56,704)	$ 546	$ 2,694,424

ASTRALIS LTD.
(A Development Stage Entity)
Notes to Condensed Financial Statements

NOTE 4 - INCOME TAXES

Recognition of the benefits of the deferred tax assets and liabilities will require that the Company generate future taxable income. There can be no assurance that the Company will generate any earnings or any specific level of earnings in future years. Therefore, the Company has established a valuation allowance for all deferred assets (net of liabilities).

NOTE 5 - CAPITAL STOCK ACTIVITY

Common Stock

In January 2002, the Company agreed to amend a subscription agreement with one of the investors who participated in the November 2001 private placement offering. The Company consented to reduce the number of shares in the subscription agreement by 49,990 shares of common stock. The Company cancelled the respective shares and returned the corresponding amount of funds to the investor amounting to $80,000.

Preferred Stock

On December 10, 2002, the Company and SkyePharma PLC ("SkyePharma") entered into a purchase agreement whereby SkyePharma agreed to purchase 2,000,000 shares of Series A Convertible Preferred Stock ("Series A Preferred") at a price of $10 per share over a 13-month period with five separate closings. On December 10, 2002, the one-year anniversary of the agreement, SkyePharma will receive registration rights on the common stock underlying its Series A Preferred shares. The first closing occurred in December 2001 and the Company sold 1,000,000 shares of Series A Preferred for a purchase price of $10,000,000. The second closing occurred in January 2002 and the Company sold 250,000 shares of Series A Preferred for a purchase price of $2,500,000. The third closing occurred in April 2002 and the Company sold 250,000 shares of Series A Preferred for a purchase price of $2,500,000. The remaining 500,000 shares of Series A Preferred totaling $5,000,000 are contracted to be sold in two equal installments, which are scheduled to close on July 31, 2002 and January 31, 2003.

NOTE 6 - DEFERRED COMPENSATION

The components of deferred compensation are as follows:

	Consultants
Balance at December 31, 2001	$ 398,250
Deferred compensation recorded	--
Amortization to stock-based compensation	(33,188)
Balance at March 31, 2002	$ 365,062

NOTE 7 - OPERATING LEASES

On March 13, 2002, the Company entered into a lease agreement for laboratory and office space. The lease period is for three years and rent will be $77,500 annually. The Company also entered into a concurrent service agreement with the lessor of the laboratory space on a time and material basis.

ASTRALIS LTD.
(A Development Stage Entity)
Notes to Condensed Financial Statements

On March 15, 2002, the Company leased an apartment for one majority shareholder for one year. The lease will start from April 15, 2002 and end on April 14, 2003. Monthly rent will be $2,865, which will be paid by the Company.

NOTE 8 - COMPREHENSIVE LOSS

Excluding net loss, the Company's source of comprehensive loss is from the net unrealized loss on its marketable debt securities, which are classified as available-for-sale. The following summarizes the components of comprehensive loss:

	Three Months Ended March 31, 2002	March 12, 2001 (Inception) to March 31, 2001
Net loss	$(2,795,929)	$(3,220)
Other comprehensive loss		
Unrealized loss, net	(56,158)	--
Comprehensive loss	$(2,852,087)	$(3,220)

NOTE 9 - NET LOSS PER SHARE

Basic and diluted net loss per common share are presented in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share (FAS 128), for all periods presented. In accordance with FAS 128, basic and diluted net loss per common share have been computed using the weighted-average number of shares of common stock outstanding during the period. Shares associated with stock options, stock warrants, convertible preferred stock are not included because the inclusion would be anti-dilutive (i.e., reduce the net loss per share). The total numbers of such shares excluded from diluted net loss per common share are 12,080,239 and 0 at March 31, 2002 and 2001, respectively. Such securities, had they been dilutive, would have been included in the computations of diluted loss per share using the treasury stock method, or the if-converted method, depending on the type of security.

NOTE 10 - RELATED PARTY TRANSACTIONS

A research entity owned by the spouse of the majority shareholder provided research and development services to the Company totaling $121,962.

On December 10, 2001, the Company entered into a services agreement whereby it agreed to pay $11,000,000 to SkyePharma in return for SkyePharma providing all development, manufacturing, pre-clinical and clinical development

services for the Company's primary product - second generation Psoraxine, up to the completion of Phase II clinical studies. The contract recognized that SkyePharma performed $3,000,000 of these services in the fourth quarter of 2001 and that SkyePharma will perform and be paid for the remaining $8,000,000 of services in 2002. The payment terms for the services agreement are fixed. $3,000,000 was required to be paid on December 10, 2001 and was expensed in 2001.

The remaining $8,000,000 is required to be paid in eleven equal monthly installments of $665,000, and a final payment of $685,000 in 2002. For the three months ended March 31, 2002, the Company expensed $1,995,000 in connection with this agreement.

NOTE 11 - CONCENTRATIONS

The Company currently has two products that are under development. Lack of product development or customer interest could have a materially adverse effect on the Company. Further, significant changes in technology could lead to new products or services that compete with the product to be offered by the Company. These changes could materially affect the price of the Company's products or render them obsolete.

In 2002, the Company's sole source of funding is expected to be generated from sales of its Series A Preferred shares under a purchase agreement with SkyePharma. Should the remaining purchases of shares not occur as specified by the purchase contract, the Company would need to find alternative sources of financing, alter its business plan or curtail its operations.

NOTE 12 - LIQUIDITY AND CONTINGENCIES NOT DESCRIBED ELSEWHERE

There are many steps to the process that pharmaceutical products must undergo before they can be commercially sold and distributed in the United States. Drugs must undergo testing in compliance with US Food and Drug Administration ("FDA") regulations and ultimately receive FDA approval. The Company's Psoraxine product is expected to enter initial FDA testing in 2002. FDA testing occurs in various phases over multiple number of years.

The Company anticipates that their current liquid resources, together with the $5,000,000 in proceeds, contractually to be received from the sale of their Series A Preferred (see Note 5) will be sufficient to finance its currently anticipated needs for operating and capital expenditures for 2002 and through the completion of Phase II of the FDA testing process in connection with its Psoraxine vaccine. However, the Company will need to raise additional funds from outside sources in order to complete future phases of FDA required testing.

There can be no assurance that the Company will successfully raise the required future financing on terms desirable to the Company or that the FDA will approve Psoraxine for use in the United States.

NOTE 13 - SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFOMRATION

Supplemental Disclosures

Cash Paid for Interest and Taxes	$300

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Payment of the January 2002 service fee in the amount of $665,000 was netted against the SkyePharma January 31, 2002 installment purchase of Company Series A Preferred.

The Company recorded an unrealized loss on its securities available-for-sale in the amount of $56,158.

NOTE 14 - SUBSEQUENT EVENTS

On April 30, 2002, the Company and SkyePharma completed the third closing of the purchase agreement whereby the Company sold 250,000 shares of Series A Preferred Stock for a purchase price of $2,500,000.

As of May 14, 2002, the Company had not received payment on the subscription notes receivable, which were due February 13, 2002 and May 13, 2002.

SPECIAL CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS 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 In Item 1 Above And Our Audited Financial Statements And Related Notes Thereto Included In Our 2001 Annual Report Filed On Form 10-KSB For Such Period. This Quarterly Report Contains Certain Statements Of A Forward-Looking Nature Relating To Future Events Or Our Future Financial Performance. We Caution Prospective Investors That Such Statements Involve Risks And Uncertainties, And That Actual Events Or Results May Differ Materially. In Evaluating Such

Statements, Prospective Investors Should Specifically Consider The Various Factors Identified In This Annual Report, Including The Matters Set Forth Under The Caption "Risk Factors" Which Could Cause Actual Results To Differ Materially From Those Indicated By Such Forward-Looking Statements. We Disclaim Any Obligation To Update Information Contained In Any Forward-Looking Statement.

Overview

We were formerly named Astralis Pharmaceuticals, 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.

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 treatment 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

For the three months ended March 31, 2002:

Our current operations began in March 2001 and therefore, we have no prior period with which to compare our results of operations for the three months ended March 31, 2002.

On January 31 2002, we sold to SkyePharma pursuant to a purchase agreement dated December 10, 2001 (the "Purchase Agreement"), 250,000 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 $2,500,000. We received net proceeds of approximately $1,835,000 from this placement after we netted out from the proceeds a $665,000 payment due to SkyePharma for services they provided under our services agreement with them which was expensed at the time of payment.

For the three months ended March 31, 2002 we had no revenue and we incurred operating expenses of $2,826,354 which consisted primarily of:

- Research and development costs of $2,295,534, including $1,995,000 that was paid to SkyePharma for services provided under our services agreement with them and amortization of approximately $178,000 of our technology option license which is being amortized over a seven year period.

- General and administrative costs of approximately $529,585, including professional fees related to our merger with Astralis LLC and the related investor relations and marketing expenses and our general corporate expenditures.

For the period March 12, 2001 (date of inception) through December 31, 2001:

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, 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:

- $5 million payment due to SkyePharma in connection with our purchase of the technology option license from SkyePharma,
- $3 million payment due to SkyePharma for services they provided under our services agreement with them which was expensed at the time of payment, and
- offering costs of approximately $50,000.

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

- Research and development costs of $3,231,775, including $3 million that was paid to SkyePharma for services provided under our services 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 of 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 SkyePharma 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 March 31, 2002 we had cash balances of $157,853, current marketable securities of $1,000,000 and non-current marketable securities of $2,700,000.

On April 30, 2002 we sold 250,000 shares of our Preferred Stock to SkyePharma at a purchase price of $10.00 per share, or an aggregate purchase price of $2,500,000. We received net proceeds of approximately $1,835,000 from this placement after we netted out from the proceeds a $665,000 payment due to SkyePharma for services they provided under our services agreement with them which was expensed at the time of payment.

SkyePharma has agreed to purchase for $5,000,000 an additional 500,000 shares of Preferred Stock, in two equal installments on July 31, 2002 and January 31, 2003.

We anticipate collecting our subscription notes receivable. These subscription notes receivable were 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 May 14, 2002 we have not received payment on the initial notes due.

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

- Approximately $8 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 our services agreement with SkyePharma which will amount to $6 million for the last three quarters of 2002 and are required to be paid in equal monthly amounts;

- Approximately $1.5 million to pay management salaries and those of two 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, together with the net proceeds we receive from the Purchase Agreement and the proceeds of the subscription notes receivable, will be adequate to satisfy our capital requirements for approximately the next 12 months.

Financial Condition

As of March 31, 2002, we had total current assets in the amount of $1,241,274, total liabilities of $150,363 and working capital of $1,090,911. We had a deficit accumulated during the development stage of $8,991,293 as of March 31, 2002; however, our total shareholders' equity as of March 31, 2002, was $8,675,469. 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 $2,209,429 for the three months ended March 31, 2002. During this same period net cash provided by financing activities was $1,775,000. Cash decreased by $4,294,021, of which approximately $3,700,000 was invested in marketable securities, from $4,451,874 at the beginning of the period to $157,853 as of March 31, 2002.

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.

RISK FACTORS

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. We have not commercialized any products, had no revenues, and had incurred a net loss of $8,991,293 as of March 31, 2002 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 through 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. To date, we have obtained regulatory approval for clinical testing of Psoraxine in

Venezuela, but we have not obtained final regulatory approval for the manufacture and sale of Psoraxine in Venezuela.

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 a 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.

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. Our competitors include SmithKline Beecham, Protein Design Labs, Ligand Pharmaceuticals, Schering-Plough, Pfizer and Novartis. 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. As of May 14, 2002, the price range of our common stock was between $1.47 and $7.15. 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 any 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 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.

PART II. OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

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 April 31, 2002, pursuant to the Purchase Agreement, SkyePharma purchased 1,500,000 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 $15,000,000. Pursuant to the Purchase Agreement, SkyePharma will make a total equity investment in our company of up to $20,000,000. SkyePharma has agreed to purchase for $5,000,000 an additional 500,000 shares of Preferred Stock in two equal installments on July 31, 2002 and January 31, 2003. Each share of Preferred Stock issued pursuant to the Purchase Agreement is convertible into four shares of Common Stock at the option of SkyePharma initially at a conversion rate of $2.50 per share of Common Stock. We relied on the exemption from registration with the Securities and Exchange Commission provided under Section 4(2) and Rule 506 of Regulation D under the Securities Act of 1933. We relied on the fact that the offering was only made available to "Accredited Investors" as defined in Rule 501 of Regulation D, the offering of Preferred Stock pursuant to the Purchase Agreement was made available to less than 35 purchasers as required by Rule 506(a)(2) of Regulation D and the required number of manually executed originals and true copies of Form D were duly and timely filed with the Securities and Exchange Commission. No underwriter was used in connection with the offering.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Description
3.1 *	Certificate of Incorporation of Astralis Ltd.
3.2 *	Bylaws of Astarlis Ltd.
10.1 *	Agreement and Plan of Merger
10.2 #	Contribution Agreement dated September 10, 2001
10.3 ##	Purchase Agreement dated December 10, 2001
10.4 ##	Stockholder Agreement dated December 10, 2001
10.5 +	2001 Stock Option Plan
10.6 ***	Sub-Lease Agreement
10.7 ***	License Agreement dated April 26,2001 between Jose Antonio O'Daly and Astralis LLC
10.8 ***	Assignment of License
10.9 ***	Form of Warrant

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* Previously filed with the Securities and Exchange Commission as an Exhibit to the Preliminary Proxy Statement for Astralis Pharmaceuticals Ltd. on November 16, 2001.

** To be filed by amendment.

Previously filed with the Securities and Exchange Commission as an Exhibit to the Current Report on Form 8-K for Astralis Pharmaceuticals Ltd. on November 14, 2001.

Previously filed with the Securities and Exchange Commission as an Exhibit to the Current Report on Form 8-K for Astralis Ltd. on December 14, 2001.

\+ Previously filed with the Securities and Exchange Commission as an Exhibit to the Preliminary Proxy Statement for Hercules Development Group Inc. on October 4, 2001.

*** Previously filed with the Securities and Exchange Commission as an Exhibit

to the Registration Statement on Form SB-2 for Astralis Ltd. on March 14, 2002.

(b) Reports on Form 8-K

Not applicable.

SIGNATURES

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

ASTRALIS LTD.
(Registrant)

By: /s/ Mike Ajnsztajn

Mike Ajnsztajn
Chief Executive Officer

In accordance with the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Dr. Jose Antonio O'Daly --- Dr. Jose Antonio O'Daly	Chairman of the Board	May 15, 2002
/s/ Mike Ajnsztajn --- Mike Ajnsztajn	Chief Executive Officer and Director (principal executive officer)	May 15, 2002
/s/ Gina Tedesco --- Gina Tedesco	Chief Financial Officer and Director (principal financial and accounting officer)	May 15, 2002
--- Steven Fulda	Director	May __, 2002
/s/ Gaston Liebhaber --- Gaston Liebhaber	Director	May 15, 2002
--- Fabien Pictet	Director	May __, 2002
--- Michael Ashton	Director	May __, 2002

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