ANTARES PHARMA INC
Form 10-Q/A
March 18, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

AMENDED QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2002

Commission File Number 0-20945

ANTARES PHARMA, INC.

A Minnesota Corporation IRS Employer ID No. 41-1350192

707 Eagleview Boulevard, Suite 414
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19341

(610) 458-6200

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

The number of shares outstanding of the Registrant's Common Stock, $.01 par value, as of November 7, 2002, was 10,031,163.

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ANTARES PHARMA, INC.

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Restatement (See note 2 to the consolidated financial statements)
The Company entered into a Securities Purchase Agreement for the sale of $2,000,000 in convertible debentures in July 2002, of which $1,400,000 had been funded as of September 30, 2002, as further described in note 3 to the consolidated financial statements. The Company initially recorded a $1,720,000 charge to interest expense for the in-the-money conversion feature of these debentures. The Company has restated its previously reported unaudited consolidated financial statements for the three and nine-month periods ended September 30, 2002 to reflect the in-the-money conversion feature as a discount to the convertible debentures which will be accreted and charged to interest expense over the one-year term of the debentures. This restatement results in a decrease to additional paid-in capital of $516,000 as the Company's recognition of the beneficial conversion feature has been corrected from $1,720,000 to $1,204,000. The remaining $516,000 of beneficial conversion feature and related increase to additional paid in capital will be recognized in the quarter ended December 31,

2002 when the Company received the final $600,000 of funding under the securities purchase agreement. The restatement had no impact on net cash flows from operating, investing and financing activities.

In order to preserve the nature and character of the disclosures set forth in the Company's originally filed 10-Q filing for the period ended September 30, 2002, this report continues to speak as of the date of the original filing, and the Company has not updated the disclosures in this report to speak as of a later date. While this report primarily relates to the historical period covered, events may have taken place since the original filing that might have been reflected in this report if they had taken place prior to the original filing. All information contained in this 10-Q/A filing is subject to updating and supplementing as provided in the Company's reports filed with the Securities and Exchange Commission subsequent to November 13, 2002.

ANTARES PHARMA, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	December 31, 2001
Assets	
Current Assets:	
Cash	$ 1,965,089
Accounts receivable, less allowance for doubtful accounts of $18,000	535,461
VAT and other receivables	331,660
Inventories	655,691
Prepaid expenses and other assets	55,041
Deferred financing costs	--
Total current assets	3,542,942
Equipment, furniture and fixtures, net	1,924,675
Patent rights, net	2,464,336
Goodwill, net	3,095,355
Other assets	101,142
Total Assets	$ 11,128,450
Liabilities and Shareholders' Equity	
Current Liabilities:	
Accounts payable	$ 637,794
Accrued expenses and other liabilities	1,070,916
Due to related parties	243,692
Convertible debentures, net of issuance discount of $963,200 in 2002	--
Capital lease obligations - current maturities	91,054
Deferred revenue	1,511,198
Total current liabilities	3,554,654
Capital lease obligations, less current maturities	105,629
Total liabilities	3,660,283
Shareholders' Equity:	
Series A Convertible Preferred Stock: $0.01 par; authorized 10,000 shares; 1,250 and 1,300 issued and outstanding at December 31, 2001 and September 30, 2002, respectively	13
Common Stock: $0.01 par; authorized 30,000,000 shares; 9,161,188 and 9,798,231 issued and outstanding at December 31, 2001 and September 30, 2002, respectively	91,612
Additional paid-in capital	37,464,531
Accumulated deficit	(29,457,033)
Deferred compensation	(251,016)

Accumulated other comprehensive loss	(379,940)
	7,468,167
Total Liabilities and Shareholders' Equity	$ 11,128,450

See accompanying notes to consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Month September 30	
	2001	2002	2001	
		(As restated)		(As
Revenues:				
Product sales	$ 457,555	$ 1,071,232	$ 1,742,286	$
Licensing and product development	139,202	161,629	547,793	
	596,757	1,232,861	2,290,079	
Cost of product sales	373,190	874,374	1,093,116	
Gross margin	223,567	358,487	1,196,963	
Operating Expenses:				
Research and development	685,894	843,902	2,080,673	
In-process research and development	--	--	948,000	
Sales and marketing	363,050	216,910	1,007,057	
General and administrative	1,334,437	1,248,611	3,719,477	
	2,383,381	2,309,423	7,755,207	
Net operating loss	(2,159,814)	(1,950,936)	(6,558,244)	(
Other income (expense):				
Interest income	44,667	628	202,851	
Interest expense	(4,399)	(414,494)	(95,350)	
Foreign exchange losses	(13,132)	(8,269)	(20,741)	
Other, net	(24,212)	(82)	(18,076)	
	2,924	(422,217)	68,684	

Net loss	(2,156,890)	(2,373,153)	(6,489,560)	(
In-the-money conversion feature-preferred stock dividend	--	--	(5,314,125)	
Preferred stock dividends	--	--	(50,000)	
Net loss applicable to common shares	$ (2,156,890)	$ (2,373,153)	$(11,853,685)	$ (
Basic and diluted net loss per common share	$ (0.24)	$ (0.24)	$ (1.43)	$
Basic and diluted weighted average common shares outstanding	8,955,347	9,790,411	8,276,424	

See accompanying notes to consolidated financial statements.

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

	For
	200
Cash flows from operating activities:	
Net loss	$ (6,4
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	8
Amortization of deferred financing costs	
Loss on disposal and abandonment of assets	
In-process research and development	9
Stock-based compensation expense	
Changes in operating assets and liabilities, net of effect of business acquisition:	
Accounts receivable	
VAT and other receivables	3
Inventories	(3
Prepaid expenses and other assets	
Accounts payable	(8
Accrued expenses and other	(3
Due to related parties	
Deferred revenue	
Other	(
Net cash used in operating activities	(5,8

Cash flows from investing activities:	
Purchases of equipment, furniture and fixtures	(3
Proceeds from sale of equipment, furniture and fixtures	
Additions to patent rights	(
Increase in notes receivable and due from Medi-Ject	(6
Acquisition of Medi-Ject, including cash acquired	3
Net cash used in investing activities	(6
Cash flows from financing activities:	
Proceeds from loans from shareholders	1,1
Proceeds from issuance of convertible debentures	
Principal payments on capital lease obligations	(1
Proceeds from issuance of common stock, net	10,0
Net cash provided by financing activities	11,0
Effect of exchange rate changes on cash and cash equivalents	(4
Net increase (decrease) in cash and cash equivalents	4,1
Cash and cash equivalents:	
Beginning of period	2
End of period	$ 4,3
Supplemental cash flow information:	
Cash paid during the period for interest	$

Schedule of non-cash investing and financing activities: See information regarding non-cash investing and financing activities in Notes 1, 3, 8 and 9.

See accompanying notes to consolidated financial statements.

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

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments

(consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The accompanying financial statements and notes should be read in conjunction with our Annual Report on Form 10-K (as amended on Form 10-K/A on September 19, 2002 and October 9, 2002) for the year ended December 31, 2001. Operating results for the nine-month period ended September 30, 2002, are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

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

Valuation of Long-Lived and Intangible Assets and Goodwill

The Company assesses the impairment of identifiable intangibles, long-lived assets and goodwill at least annually, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If it is determined that the carrying value of intangibles, long-lived assets or goodwill may not be recoverable, impairment is measured based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the Company's business model or another valuation technique. Net intangible assets, long-lived assets and goodwill totaled $7,407,943 as of September 30, 2002. The Company is required to at least annually assess the recoverability of its intangible assets, or more frequently if certain conditions occur. The Company will assess recoverability during the quarter ended December 31, 2002.

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

1. Basis of Presentation (Continued)

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

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

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

The purchase price allocation was as follows:

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

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

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

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

1. Basis of Presentation (Continued)

	Pro forma Year Ended December 31, 2000	Pro forma Year Ended December 31, 2001	Pro forma Nine Months Ended September 30, 2001
Net revenues	$ 2,553,284	$ 3,811,362	$ 2,602,917
Loss before cumulative effect of a change in accounting principle	$(10,030,643)	$(15,086,836)	$(12,130,477)
Net loss	$(11,145,026)	$(15,086,836)	$(12,130,477)
Net loss per share	$ (1.63)	$ (1.78)	$ (1.47)

2. Restatement

The Company entered into a Securities Purchase Agreement for the sale of $2,000,000 in convertible debentures in July 2002, of which $1,400,000 had been funded as of September 30, 2002. The Company initially recorded a $1,720,000 charge to interest expense for the in-the-money conversion feature of these debentures. The Company has restated its previously reported unaudited consolidated financial statements for the three and nine-month periods ended September 30, 2002 to reflect the in-the-money conversion feature as a discount to the convertible debentures which will be accreted and charged to interest expense over the one-year term of the debentures. This restatement results in a decrease to additional paid-in capital of $516,000 as the Company's recognition of the beneficial conversion feature has been corrected from $1,720,000 to $1,204,000. The remaining $516,000 of beneficial conversion feature and related increase to additional paid in capital will be recognized in the quarter ended December 31, 2002 when the Company received the final $600,000 of funding under the securities purchase agreement. The restatement had no impact on net cash flows from operating, investing and financing activities.

The effects of the restatement are as follows:

Statement of Operations Data:

	Three months ended September 30, 2002		Nine months end September 30, 2	
	As previously reported	As restated	As previously reported	re
Non-cash interest expense	$(1,720,000)	$ -	$(1,720,000)	$
Interest expense	(173,694)	(414,494)	(226,957)	(
Other income (expense)	(1,901,417)	(422,217)	(1,982,050)	(

Net loss	(3,852,353)	(2,373,153)	(7,915,877)	(6,
Net loss applicable to common shares	(3,852,353)	(2,373,153)	(7,965,877)	(6
Basic and diluted net loss per common share	(0.39)	(0.24)	(0.85)	

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

2. Restatement (Continued)

Balance Sheet Data:

	September 30, 2002	
	As previously reported	As restated
Convertible debentures	1,407,096	443,896
Total current liabilities	5,586,071	4,622,871
Total liabilities	5,630,525	4,667,325
Additional paid-in capital	41,985,368	41,469,368
Accumulated deficit	(37,422,910)	(35,943,710)
Total shareholders' equity	3,995,205	4,958,405

3. Going Concern

The accompanying financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities and other commitments in the normal course of business. The Company's external auditors issued their report on the December 31, 2001 financial statements, which expressed substantial doubt about the Company's ability to continue as a going concern. The Company had negative working capital of $2,537,946 (restated) at September 30, 2002, and has had net losses and negative cash flows from operating activities since inception.

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

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

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

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

3. Going Concern (Continued)

2002 at $4.00 per share, the market price of the Company's stock on that date. In addition, the Company borrowed from its majority shareholder $300,000 and $200,000 in June and September of 2002, respectively, to be repaid in July and September of 2003, respectively, with interest at the three-month Euribor Rate as of the date of the advance, plus 5%.

On July 12, 2002 the Company entered into a Securities Purchase Agreement (the "Agreement") for the sale and purchase of up to $2,000,000 aggregate principal amount of the Company's 10% Convertible Debentures. The debentures are convertible into shares of the Company's common stock at a conversion price which is the lower of $2.50 or 75% of the average of the three lowest intraday prices of the Company's common stock, as reported on the Nasdaq SmallCap Market, during the 20 trading days preceding the conversion date. Within 15 days of the closing, the Company was obligated to file a registration statement with the Securities and Exchange Commission to register the shares issuable upon conversion of the debentures. Under the terms of the Agreement, the Company received $700,000 upon closing of the transaction on July 12, 2002, an additional $700,000 after the Company filed the registration statement on July 19, 2002 to register the shares issuable upon conversion of the debentures, and $600,000 after such registration statement was declared effective on October 10, 2002. The debentures are collateralized by all assets of the Company, which include all inventory, receivables, furniture, equipment and patents. The Company held a special meeting of its shareholders on August 23, 2002, at which the shareholders approved the issuance of the shares issuable upon conversion of the debentures. As the per share conversion price of the debentures was substantially lower than the market price of the common stock on the date the debentures were sold, the Company recorded a debt issuance discount of $1,204,000 (restated) during the period ended September 30, 2002 for the intrinsic value of the beneficial in-the-money conversion feature of the debentures. This discount is being accreted into interest expense over the one-year term of the debentures. Upon conversion of the debentures, existing common shareholders could experience substantial dilution of their investment.

As of November 7, 2002, $175,000 of the debentures had been converted into 227,932 shares of common stock. If all remaining debentures were converted at the $0.42 conversion price in place at November 7, 2002, a total of 4,345,238 shares would be issued, which would result in substantial dilution to current shareholders.

4. Comprehensive Loss

	Three Months Ended September 30,		Nine Mont[hs Ended] Septemb[er 30,]
	2001	2002	2001
		(As restated)	
Net loss	$(2,156,890)	$ (2,373,153)	$ (6,489,560)
Change in cumulative translation adjustment	(34,759)	(22,099)	(375,514)
Comprehensive loss	$(2,191,649)	$ (2,395,252)	$ (6,865,074)

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

5. Inventories

Inventories consist of the following:

	December 31, 2001	September 30, 2002
Raw material	$ 294,643	$271,755
Work in-process	29,611	27,937
Finished goods	436,437	221,379
	760,691	521,071
Inventory reserve	(105,000)	(50,000)
	$ 655,691	$471,071

6. Industry Segment and Operations by Geographic Areas

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

The Company has operating assets located in two countries as follows:

	December 31, 2001	September 30, 2002
Switzerland	$2,388,337	$1,606,442
United States of America	8,740,113	8,019,288
	$11,128,450	$9,625,730

Revenues by region of origin are summarized as follows:

	For the Three Months Ended September 30,	
	2001	2002
United States of America	$ 313,260	$ 416,724
Europe	288,594	793,074
Other	(5,097)	23,063
	$ 596,757	$1,232,861

	For the Nine Months Ended September 30,	
	2001	2002
United States of America	$ 564,486	$1,100,725
Europe	1,658,250	1,858,393
Other	67,343	71,327
	$2,290,079	$3,030,445

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

7. Accounting for License Revenues

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

During the quarter and nine-month periods ended September 30, 2001 and for the same periods ending September 30, 2002, the Company recognized $69,301, $207,902, $31,684 and $107,626, respectively, of license revenues that were previously recognized by the Company prior to the adoption of the cumulative deferral method.

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

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

9. Shareholders' Equity

Roger G. Harrison, Ph.D., was appointed Chief Executive Officer of Antares Pharma, Inc., effective March 12, 2001. The terms of the employment agreement with Dr. Harrison include up to 216,000 restricted shares of common stock that will be granted after the achievement of certain time-based and performance-based milestones. The time-based milestones have been achieved and the Company issued Dr. Harrison 48,000 and 40,000 restricted shares in April 2001 and March 2002, respectively. All restricted shares issued under the terms of the employment agreement vest on March 12, 2004. The Company has recorded deferred compensation expense of $341,000, the aggregate market value of the 88,000 shares at the measurement date. Compensation expense is being recognized ratably over the three-year vesting period. Compensation expense of $61,568 and $85,248 was recognized in connection with these shares through September 30, 2001 and 2002, respectively.

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

9. Shareholders' Equity (Continued)

60,000 shares is being recognized as the consulting services are provided to the Company. Through September 30, 2002 approximately $173,000 has been recognized as expense.

On June 10, 2002 the principal balance of $2,000,000 and accrued interest of $36,550 under a term note agreement with the Company's

majority shareholder, Dr. Jacques Gonella, was converted into 509,137 shares of common stock at $4.00 per share.

Under the terms of an equity advisor agreement in connection with the Company's 10% Convertible Debentures, the Company issued in July and October 2002, 112,000 and 48,000 warrants, respectively, valued at $412,118 and $54,899, respectively. The value of the warrants is being amortized to interest expense over the one-year life of the debentures. Through September 30, 2002, $85,411 has been amortized to interest expense. The warrants are exercisable for ten years at an exercise price of $2.50.

10. New Accounting Pronouncements

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

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

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

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

10. New Accounting Pronouncements (Continued)

	Three Months Ended September 30,		Nine Months E September 3	
	2001	2002	2001	
		(As restated)		(As
Net loss as reported	$(2,156,890)	$(2,373,153)	$(11,853,685)	$(6
Addback goodwill amortization	102,396	-	361,253	
Adjusted net loss	$(2,054,494)	$(2,373,153)	$(11,492,432)	$(6
Basic and diluted loss per share:				
Net loss as reported	$ (0.24)	$ (0.24)	$ (1.43)	$
Goodwill amortization	0.01	-	0.04	
Adjusted net loss per share	$ (0.23)	$ (0.24)	$ (1.39)	$

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

	December 31,		
	1999	2000	2001
Net loss as reported	$(3,967,366)	$(5,260,387)	$(14,913,226)
Addback goodwill amortization	177,963	177,963	464,434
Adjusted net loss	$(3,789,403)	$(5,082,424)	$(14,448,792)
Basic and diluted loss per share:			
Net loss as reported	$ (0.92)	$ (1.22)	$ (1.76)
Goodwill amortization	0.04	0.04	0.06
Adjusted net loss per share	$ (0.88)	$ (1.18)	$ (1.70)

The gross carrying amount and accumulated amortization of patents, which are the only intangible assets of the Company subject to amortization, was $2,975,299 and $327,801, respectively, at September 30, 2002. Amortization expense was $75,040 for the nine-months ended September 30, 2002. The estimated aggregate amortization expense for the next five years is $33,000 in the fourth quarter of 2002, $133,000 in 2003 through 2006, and $96,000 in the first nine months of 2007.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 allows only those gains and losses on the extinguishment of debt that meet the criteria of extraordinary

items to be treated as such in the financial statements. SFAS No. 145 also requires sales-leaseback accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions. Certain provisions of SFAS No. 145 are effective for transactions occurring after May 15, 2002, while the remaining provisions will be effective for the Company in the first quarter of fiscal 2004. The Company does not expect the adoption of SFAS No. 145 to have a material impact on its consolidated financial statements.

10. New Accounting Pronouncements (Continued)

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

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

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

	Three Months Ended September 30,		Nine Month Septembe
	2001	2002 (As restated)	2001

Net loss	$(2,156,890)	$(2,373,153)	$(11,853,685)
Basic and diluted weighted average common shares outstanding	8,955,347	9,790,411	8,276,424
Basic and diluted net loss per common share	$ (0.24)	$ (0.24)	$ (1.43)
Antidilutive stock options and warrants	1,695,860	1,858,638	1,695,860
Principal amount of anti-dilutive convertible debentures	-	$ 1,400,000	-

12. Related Party Transactions

Effective February 1, 2001, the Company entered into a consulting agreement with JG Consulting AG, a company owned by the Company's majority shareholder, Dr. Jacques Gonella. In connection with this agreement, the Company recognized expense of $124,000 and $139,500

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

12. Related Party Transactions (Continued)

for the nine-month periods ended September 30, 2001 and 2002, respectively. Amounts owed to JG Consulting AG at December 31, 2001 and September 30, 2002 were $90,532 and $31,000, respectively. In addition, in 2001 the Company sold equipment, furniture and fixtures to JG Consulting AG for $91,699, which approximated the book value of the assets sold.

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

During the nine months ended September 30, 2002 the Company recognized expense of approximately $78,400 for consulting services provided by John Gogol, one of the Company's board members. The Company had a payable to Mr. Gogol at December 31, 2001 and September 30, 2002 of $6,363 and $11,232, respectively.

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

from its majority shareholder $300,000 and $200,000 in June and September of 2002, respectively, to be repaid in July and September of 2003, respectively, with interest at the three-month Euribor Rate as of the date of the advance, plus 5%.

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

Restatement (See note 2 to the consolidated financial statements)

The Company entered into a Securities Purchase Agreement for the sale of $2,000,000 in convertible debentures in July 2002, of which $1,400,000 had been funded as of September 30, 2002, as further described in note 3 to the consolidated financial statements. The Company initially recorded a $1,720,000 charge to interest expense for the in-the-money conversion feature of these debentures. The Company has restated its previously reported unaudited consolidated financial statements for the three and nine-month periods ended September 30, 2002 to reflect the in-the-money conversion feature as a discount to the convertible debentures which will be accreted and charged to interest expense over the one-year term of the debentures. This restatement results in a decrease to additional paid-in capital of $516,000 as the Company's recognition of the beneficial conversion feature has been corrected from $1,720,000 to $1,204,000. The remaining $516,000 of beneficial conversion feature and related increase to additional paid in capital will be recognized in the quarter ended December 31, 2002 when the Company received the final $600,000 of funding under the securities purchase agreement. The restatement had no impact on net cash flows from operating, investing and financing activities.

Results of Operations

Critical Accounting Policies

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

Valuation of Long-Lived and Intangible Assets and Goodwill

The Company assesses the impairment of identifiable intangibles, long-lived assets and goodwill at least annually, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If it is determined that the carrying value of intangibles, long-lived assets or goodwill may not be recoverable, impairment is measured based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the Company's business model or another valuation technique. Net intangible assets, long-lived assets and goodwill totaled $7,407,943 as of September 30, 2002. The Company is required to at least annually assess the recoverability of its intangible assets, or more frequently

if certain conditions occur. The Company will assess recoverability during the quarter ended December 31, 2002.

Three and Nine Months Ended September 30, 2001 and 2002

Revenues

Total revenues for the three and nine months ended September 30, 2002 were $1,232,861 and $3,030,445, respectively, reflecting increases over the same periods of the prior year of $636,104 and $740,366, or 107% and 32%, respectively. The increase in revenues is due mainly to increases in product sales in the three and nine-month periods of $613,677 and $857,514, respectively, offset in the nine-month period by a decrease in licensing and product development revenue of $117,148. The increased product sales resulted primarily from increased sales of injector devices and increased sales to licensees in connection with clinical studies and other development activities under license agreements.

Licensing and product development fee income increased by $22,427 or 16%, in the three-month period and decreased by $117,148 or 21% in the nine-month period ended September 30, 2002, as compared to the prior-year periods. The decrease in the nine-month period is primarily due to a $150,000 Antares/Minnesota one-time development fee earned in the second quarter of 2001 under a discrete contract. The balance of the licensing and product development revenue is attributable to the recognition of previously deferred revenue related to licensing and product development contracts.

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

During the quarter and nine-month periods ended September 30, 2001 and for the same periods ending September 30, 2002, the Company recognized $69,301, $207,902, $31,684 and $107,626, respectively, of license revenues that were previously recognized by the Company prior to the adoption of the cumulative deferral method.

Cost of Sales

The costs of product sales are primarily related to injection devices and disposable products. Cost of sales as a percentage of product sales was 82% in the third quarter of both 2001 and 2002, and increased from 63% for the first nine months of 2001 to 81% for the same period of 2002. The third quarter of 2002 includes a charge of $140,000, or 13% and 5% of product sales in the quarter and nine-month periods, respectively, representing the estimated costs associated with retrieving and proactively reworking or replacing certain injection devices to prevent a potential premature wearing discovered during routine ongoing product testing. Also included in the increase during the first nine months of 2002 was approximately $282,000 of inventory write-offs and inventory reserve adjustments in the first quarter related to the launch of the Medi-Ject Vision ("MJ7") device into new markets. Approximately $171,000 of this amount related to a disposable component found to have a design defect, which was immediately corrected. The remaining $111,000 of inventory written off was due to a production problem encountered in connection with another disposable component. The Company has incurred only minor additional expenses associated with testing and making the required production modifications.

Research and Development

Research and development expenses totaled $843,902 and $2,388,722 in the three and nine-month periods ended September 30, 2002, respectively, compared to $685,894 and $2,080,673 in the same prior-year periods. The increase in the three-month period of $158,008 is primarily due to research employee additions at Antares/Switzerland for increased research activities. The increase in the nine-month period of $308,049 is primarily due to the research employee additions at Antares/Switzerland and

the inclusion of nine months of Antares/Minnesota expenses in 2002 compared with only eight months in 2001 following the business combination on January 31, 2001.

Sales and Marketing

Sales and marketing expenses totaled $216,910 and $616,079 in the three and nine-month periods ended September 30, 2002, respectively, compared to $363,050 and $1,007,057 in the same periods of the prior year. The decreases in the three and nine-month periods of $146,140 or 40%, and $390,978 or 39%, respectively, as compared to the prior-year periods, are primarily due to a management decision to reduce sales and marketing costs, offset in the nine-month period by nine months of Antares/Minnesota expenses in 2002 compared with only eight months in 2001 following the business combination on January 31, 2001.

General and Administrative

General and administrative expenses totaled $1,248,611 and $3,864,388 in the three and nine-month periods ended September 30, 2002, respectively, compared to $1,334,437 and $3,719,477 in the same periods of the prior year. The decrease in the three-month period of $85,826 or 6% as compared to the prior-year period is primarily due to reduction of amortization expense of $56,550 due to the adoption of SFAS 142 and decreased travel expenses. The increase in the current year nine-month period as compared to the same prior-year period of $144,911 or 4% is primarily due to the opening of the corporate office in Exton, PA in December of 2001 and expenses related to our equity advisor agreements. The increase in the nine-month period is also due to the inclusion of nine months of Antares/Minnesota expenses in 2002 compared with only eight months in 2001 following the business combination on January 31, 2001, offset by decreases in expenses related to the business combination and amortization expense of $150,800 due to the adoption of SFAS 142.

Other Income (Expense)

Net other income (expense) changed to expense of $422,217 (restated) and $502,580 (restated) in the three and nine-month periods of 2002, respectively, from income of $2,924 and $68,684, in the same periods ended September 30, 2001. Interest expense in the three-month and nine-month periods of 2002 increased by $410,095 (restated) and $372,407 (restated), respectively, over the same periods in 2001 due to the sale of $1,400,000 of the convertible debentures and due to borrowings of $2,500,000 in the second and third quarters of 2002 from the Company's majority shareholder. The increased interest expense results primarily from $374,367 (restated) of amortization of deferred financing costs and debt accretion related to the convertible debentures. Interest expense is expected to increase in future periods as the result of charges related to $1,554,509

(restated) of deferred financing costs and debt discount at September 30, 2002. In June, the Company's majority shareholder converted $2,000,000 of debt plus accrued interest into common stock, resulting in a reduction in interest expense in the third quarter of approximately $30,000 as compared to the second quarter. Interest expense for the nine-months of 2001 of $95,350 resulted primarily from interest expense on outstanding notes incurred by Antares/Switzerland in January 2001 prior to the business combination, while interest expense for the nine-months of 2002 of $467,757 (restated) was primarily due to amortization of deferred financing costs, debt accretion and interest charges related to the convertible debentures and interest on the borrowings from the Company's majority shareholder. Also, interest income decreased in the three-month and nine-month periods of 2002 as compared to 2001 by $44,039 and $192,256, respectively, due to lower average cash balances in 2002 compared to 2001.

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The 509,137 shares of common stock issued on June 10, 2002 to the Company's majority shareholder, Dr. Jacques Gonella, in connection with conversion of $2,036,550 in notes payable and accrued interest, had only a minor effect on the loss per share for the nine-month period ended September 30, 2002, and the full impact from issuance of these shares will not be reflected in the year-to-date loss per share calculations until future periods. In addition, as discussed in Note 2 to the Consolidated Financial Statements, the conversion of the Company's 10% convertible debentures may result in substantial dilution to common shareholders.

Cash Flows

Operating Activities

Net cash used in operating activities decreased by $1,246,036, from $5,898,288 for the first nine months of 2001 to $4,652,252 for the first nine months of 2002. This was the result of net losses of $6,489,560 and $6,436,677 (restated) in the first nine months of 2001 and 2002, respectively, adjusted by noncash expenses and changes in operating assets and liabilities.

Net noncash expenses of $1,939,590 in the first nine months of 2001 were mainly due to depreciation and amortization of $892,269 and in-process research and development of $948,000. Noncash expenses in the first nine months of 2002 totaled $1,267,184 (restated), consisting primarily of amortization of deferred financing costs and accretion of debt discount related to the Company's 10% convertible debentures of $374,367 (restated), depreciation and amortization of $616,123 and stock-based compensation expense of $276,694.

The change in operating assets and liabilities in the first nine months of 2001 resulted in a net decrease to cash of $1,348,318, comprised mainly of reductions in accounts payable and accrued expenses of $860,150 and $395,854, respectively, as a result of improved liquidity from the sale of common stock in the first nine months of 2001. In addition, an increase in inventory used $376,022 in the 2001 period. In the first nine months of 2002, the change in operating assets and liabilities caused an increase in cash of $517,241 (restated), primarily due to the increase in deferred revenue of $572,315 and decreases in accounts receivable of $307,551, VAT and other receivables of $241,323, and inventory of $184,620, offset by an increase in prepaid expenses of $329,532 (restated), and decreases in accounts payable, accrued expenses and liabilities to related parties of $150,219, $168,137 and $108,960, respectively. The increase in deferred revenue of $572,315 resulted mainly from milestone payments of approximately $500,000 related to existing license agreements, along with approximately $300,000 related to agreements originating in 2002.

Investing Activities

Net cash used in investing activities decreased $266,526, from $644,004 in the first nine months of 2001 to $377,478 in the same period of 2002. In 2001, $602,756 was loaned to Medi-Ject before the business combination and was offset by the cash balance of $355,578 in Medi-Ject at the time of the business combination. In addition, in 2001 the Company received proceeds of $91,699 from the sale of equipment, furniture and fixtures. Purchases of equipment, furniture and fixtures in the first nine months of 2001 and 2002 totaled $390,270 and $149,346, respectively, and expenditures for patent acquisition and development totaled $98,255 and $228,132, respectively.

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Financing Activities

Net cash provided by financing activities decreased $7,281,332 from $11,088,175 in the first nine months of 2001 to $3,806,843 in the same period of 2002, due primarily to net proceeds of $10,048,249 received during the first nine months of 2001 from issuance of common stock, of which $9,994,549 was received in a private placement of common stock.

The Company received $1,000,000 on March 12, 2002 and $1,000,000 on April 24, 2002 from the Company's majority shareholder, Dr. Jacques Gonella, under a Term Note agreement dated February 20, 2002. The Term Note agreement allowed for total advances to the Company of $2,000,000. The note was interest bearing at the three-month Euribor Rate as of the date of each advance, plus 5%. The principal and accrued interest of $36,550 was converted into 509,137 shares of common stock on June 10, 2002 at $4.00 per share, the market price of the Company's common stock on that date. Additionally, the Company borrowed from its majority shareholder $300,000 and $200,000 in June and September of 2002, respectively, to be repaid in July and September of 2003, with interest at the three-month Euribor Rate as of the date of the advance, plus 5%.

On July 12, 2002 the Company entered into a Securities Purchase Agreement (the "Agreement") for the sale and purchase of up to $2,000,000 aggregate principal amount of the Company's 10% convertible debentures. The debentures are convertible into shares of the Company's common stock at a conversion price which is the lower of $2.50 or 75% of the average of the three lowest intraday prices of the Company's common stock, as reported on the Nasdaq SmallCap Market, during the 20 trading days preceding the conversion date. Within 15 days of the closing, the Company was obligated to file a registration statement with the Securities and Exchange Commission to register the shares issuable upon conversion of the debentures. Under the terms of the Agreement, the Company received $700,000 upon closing of the transaction on July 12, 2002, an additional $700,000 after the Company filed the registration statement on July 19, 2002 to register the shares issuable upon conversion of the debentures, and $600,000 after such registration statement was declared effective on October 10, 2002. The debentures are collateralized by all assets of the Company, which include all inventory, receivables, furniture, equipment and patents. The Company held a special meeting of its shareholders on August 23, 2002, at which the shareholders approved the issuance of the shares issuable upon conversion of the debentures. As the per share conversion price of the debentures into common stock was substantially lower than the market price of the common stock on the date the debentures were sold, the Company recorded a debt discount of $1,204,000 (restated) for the period ended September 30, 2002 for the intrinsic value of the beneficial in-the-money conversion feature of the debentures. This discount will be accreted into interest expense over the one-year term of the

debentures. Upon conversion of the debentures, existing common shareholders could experience substantial dilution of their investment. As of November 7, 2002, $175,000 of the debentures had been converted into 227,932 shares of common stock. If all remaining debentures were converted at the $0.42 conversion price in place at November 7, 2002, a total of 4,345,238 shares would be issued.

Liquidity

The accompanying financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities and other commitments in the normal course of business. The Company's external auditor issued their report on the December 31, 2001 financial statements, which expressed substantial doubt about the Company's ability to continue as a going concern. The Company had negative working capital of $2,537,946 (restated) at September 30, 2002, and has had net losses and negative cash flows from operating activities since inception.

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

The Company believes it has sufficient cash to continue operations through November 2002 and will be required to raise additional working capital to continue to exist. Management's intentions are to raise this additional capital through alliances with strategic corporate partners, equity offerings, and/or debt financing. In 2002 the Company borrowed $2,500,000 from the Company's majority shareholder, of which $2,000,000 plus accrued interest was converted to common stock in June. In July and October the Company issued $1,400,000 and $600,000, respectively, of its 10% convertible debentures. See "Cash Flows - Financing Activities."

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

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

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued SFAS 141, "Business Combinations," and SFAS 142, "Goodwill and Other Intangible Assets." SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Thus, amortization of goodwill, including goodwill recorded in past business combinations, ceased upon adoption of that Statement. The Company adopted SFAS 142 in the first quarter of fiscal 2002 and, accordingly, evaluated

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

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

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

	Three Months Ended September 30,		Nine Months End September 30,	
	2001	2002	2001	2
		(As restated)		(As r
Net loss as reported	$(2,156,890)	$(2,373,153)	$(11,853,685)	$(6,
Addback goodwill amortization	102,396	-	361,253	
Adjusted net loss	$(2,054,494)	$(2,373,153)	$(11,492,432)	$(6,
Basic and diluted loss per share:				
Net loss as reported	$ (0.24)	$ (0.24)	$ (1.43)	$
Goodwill amortization	0.01	-	0.04	
Adjusted net loss per share	$ (0.23)	$ (0.24)	$ (1.39)	$

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

December 31,		
1999	2000	2001

Net loss as reported	$(3,967,366)	$(5,260,387)	$(14,913,226)
Addback goodwill amortization	177,963	177,963	464,434
Adjusted net loss	$(3,789,403)	$(5,082,424)	$(14,448,792)
Basic and diluted loss per share:			
Net loss as reported	$ (0.92)	$ (1.22)	$ (1.76)
Goodwill amortization	0.04	0.04	0.06
Adjusted net loss per share	$ (0.88)	$ (1.18)	$ (1.70)

The gross carrying amount and accumulated amortization of patents, which are the only intangible assets of the Company subject to amortization, was $2,975,299 and $327,801, respectively, at September 30, 2002. Amortization expense was $75,040 for the nine-months ended September 30, 2002. The estimated aggregate amortization expense for the next five years is $33,000 in the fourth quarter of 2002, $133,000 in 2003 through 2006, and $96,000 in the first nine months of 2007.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 allows only those gains and losses on the extinguishment of debt that meet the criteria of extraordinary items to be treated as such in the financial statements. SFAS No. 145 also requires sales-leaseback accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions. Certain provisions of SFAS No. 145 are effective for transactions occurring after May 15, 2002, while the remaining provisions will be effective for the Company in the first quarter of fiscal 2004. The Company does not expect the adoption of SFAS No. 145 to have a material impact on its consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which nullifies EITF 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The Company plans to adopt SFAS No.

146 in January 2003. Management believes that the adoption of this statement will not have a material effect on the Company's results of operations in the foreseeable future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure is foreign exchange rate fluctuations of the Swiss Franc to the U.S. dollar as the financial position and operating results of the Company's subsidiaries in Switzerland are translated into U.S. dollars for consolidation. For the three and nine-months ended September 30, 2002, the Company recorded an increase to cumulative comprehensive loss of $22,099 and $75,540, respectively, and $34,759 and $375,514, respectively, for the same prior-year periods related to foreign currency translation adjustments. The Company's exposure to foreign exchange rate fluctuations also arises from transferring funds to its Swiss subsidiaries in Swiss Francs. Most of the Company's sales and licensing fees are denominated in U.S. dollars, thereby significantly mitigating the risk of exchange rate fluctuations on trade

receivables. The effect of foreign exchange rate fluctuations on the Company's financial results for the three and nine-months ended September 30, 2001 and 2002 was not material. The Company does not currently use derivative financial instruments to hedge against exchange rate risk. Because exposure increases as intercompany balances grow, the Company will continue to evaluate the need to initiate hedging programs to mitigate the impact of foreign exchange rate fluctuations on intercompany balances.

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

ITEM 4. CONTROLS AND PROCEDURES

Based on an evaluation of the disclosure controls and procedures conducted within 90 days prior to the filing date of this Amended Quarterly Report on Form 10-Q/A, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c)) are effective. There were no significant changes in the internal controls or in other factors that could significantly affect those controls subsequent to the date of the evaluation thereof.

The company's management, including the CEO and CFO, does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

Certain statements in this Amended Quarterly Report on Form 10-Q/A are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this Amended Quarterly Report on Form 10-Q/A, the words "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "potential" or "continue" and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve risks and uncertainties, actual results could differ materially from those expressed or implied by these forward-looking statements. These statements are only predictions. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance and/or achievements.

Forward-looking statements represent the Company's expectations or beliefs concerning future events, including statements regarding the Company's current cash situation, need for additional capital, ability to continue operations,

whether the Company will be successful in entering into new strategic relationships, the Company's ability to attract and retain customers, the Company's ability to adapt to changing technologies, the impact of competition and pricing pressures from actual and potential competitors with greater financial resources, the Company's ability to hire and retain competent employees, the Company's ability to protect and reuse its intellectual property, changes in general economic conditions, and other factors identified in the Company's filings with the Securities and Exchange Commission, including those identified in Exhibit 99.2 to this Amended Quarterly Report on Form 10-Q/A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART II - OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

On July 12, 2002 the Company entered into a Securities Purchase Agreement (the "Agreement") for the sale and purchase of up to $2,000,000 aggregate principal amount of the Company's 10% convertible debentures. The debentures are convertible into shares of the Company's common stock at a conversion price which is the lower of $2.50 or 75% of the average of the three lowest intraday prices of the Company's common stock, as reported on the Nasdaq SmallCap Market, during the 20 trading days preceding the conversion date. Within 15 days of the closing, the Company was obligated to file a registration statement with the Securities and Exchange Commission to register the shares issuable upon conversion of the debentures. Under the terms of the Agreement, the Company received $700,000 upon closing of the transaction on July 12, 2002, an additional $700,000 after the Company filed the registration statement on July 19, 2002 to register the shares issuable upon conversion of the debentures, and $600,000 after such registration statement was declared effective on October 10, 2002. The sale of the debentures was exempt from registration pursuant to Rule 506 of the Securities Act of 1933.

On each of July 12, 2002 and July 25, 2002, the Company issued warrants to purchase 56,000 shares of the Company's common stock. The warrants were issued pursuant to an equity advisor agreement in connection with the sale of the Company's 10% convertible debentures and are exercisable for ten years at an exercise price of $2.50. The issuance of the warrants was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held a special meeting of its shareholders on August 23, 2002, at which the shareholders approved the issuance of the common stock issuable upon conversion of the Company's 10% convertible debentures. At the special meeting, there were 7,901,295 votes cast for the proposal, 13,175 votes cast against the proposal, 1,188 abstentions and no broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
3.4	Third Amended and Restated Articles of Incorporation (a)
99.1	Section 906 CEO and CFO Certification
99.2	Cautionary Statements (a)

(a) Incorporated by reference to Form 10-Q for the quarter ended September 30, 2002, filed with the Securities and Exchange Commission on November 14, 2002.

(b) Reports on Form 8-K

On July 17, 2002, the Company filed a Form 8-K reporting under Item 5, Other Events, that it had entered into a Securities Purchase Agreement with several investors for the sale and purchase of up to $2,000,000 aggregate principal amount of the Company's 10% Convertible Debentures.

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On September 16, 2002, the Company filed a Form 8-K reporting under Item 5, Other Events, that the Board of Directors approved amendments to the Company's insider trading policy to permit its officers and directors to enter into written trading plans or arrangements for systematic trading in the Company's securities, and that Dr. Roger G. Harrison, the Company's Chief Executive Officer, entered into a trading plan complying with Rule 10b5-1 and the Company's insider trading policy on August 26, 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

ANTARES PHARMA, INC.

March 18, 2003

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

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

March 18, 2003

/s/ Lawrence M. Christian

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

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Certifications

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

1. I have reviewed this amended quarterly report on Form 10-Q/A of Antares Pharma, Inc.;

2. Based on my knowledge, this amended quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this amended quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this amended quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this amended quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this amended quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this amended quarterly report (the "Evaluation Date"); and

   c) Presented in this amended quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this amended quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 18, 2003

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

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

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I, Lawrence M. Christian, certify that:

1. I have reviewed this amended quarterly report on Form 10-Q/A of Antares Pharma, Inc.;

2. Based on my knowledge, this amended quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this amended quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this amended quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this amended quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this amended quarterly report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this amended quarterly report (the "Evaluation Date"); and

    c) Presented in this amended quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) Any fraud, whether or not material, that involves management

or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this amended quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 18, 2003

/s/ Lawrence M. Christian

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