

Edgar Filing: ASTRALIS LTD - Form 10QSB

ASTRALIS LTD  
Form 10QSB  
August 20, 2007

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

FORM 10-QSB

(Mark One)

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

For the quarter ended June 30, 2007

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

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

Commission File Number: 000-30997

ASTRALIS LTD.

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

Delaware  
-----

84-1508866  
-----

(State or Other Jurisdiction of  
Incorporation or Organization)

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

75 Passaic Avenue  
Fairfield, New Jersey 07004  
-----

(Address of principal executive offices)

(973) 227-7168  
-----

(Issuer's telephone number)

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

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

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

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

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ASTRALIS LTD.

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

ASSETS

	June 30, 2007
	-----
Current Assets	
Cash and cash equivalents	\$ 3,272
Prepaid expenses	54,129
	-----
Total Current Assets	57,401
Property and Equipment, Net	3,320
Deposits	5,000
	-----
Total Assets	\$ 65,721
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities

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Accounts payable and accrued expenses	\$ 299,473	\$
Note payable advance, pending loan negotiations	150,000	
	-----	
Total Current Liabilities	449,473	
	-----	
Long-Term convertible debenture - net of discounts	85,948	
	-----	
Total Liabilities	535,421	
	-----	
Commitments and Contingencies	--	
Stockholders' Deficit:		
Common stock; \$.0001 par value; 150,000,000 shares authorized; 91,454,873 issued and outstanding for both periods	9,145	
Additional paid-in capital	32,161,693	
Deficit accumulated during the development stage	(32,640,538)	
	-----	
Total Stockholders' Deficit	(469,700)	
	-----	
	\$ 65,721	\$
	=====	=====

See the accompanying notes to financial statements.

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

	Three Months Ended June 30,		Six Months
	2007	2006	2007
	-----	-----	-----
Operating Expenses			
Research and development - related party	\$ --	\$ --	\$ --
Research and development	1,146	125,723	6,000
Depreciation and amortization	1,148	2,716	2,400
Impairment of intangibles	--	--	--
Realized loss on asset exchange	--	--	--
General and administrative	70,767	276,778	161,000
	-----	-----	-----
Loss From Operations	(73,061)	(405,217)	(169,500)
Other (income) expense			
Interest income	(258)	(1,448)	(2,100)
Other income - sale of state tax credits	--	--	--
Interest expense	15,100	--	28,200
Registration rights penalty	34,261	--	67,600

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Net Loss	(122,164)	(403,769)	(263,326)
Preferred Stock Dividends	--	--	--
Net Loss to Common Stockholders	\$ (122,164)	\$ (403,769)	\$ (263,326)
Basic and Diluted Loss per Common Share	\$ (0.00)	\$ (0.00)	\$ (0.00)
Basic and Diluted Weighted Average Common Shares Outstanding	91,454,873	91,454,873	91,454,873

See the accompanying notes to financial statements.

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

	Six Month 2007
Cash Flows from Operating Activities	
Net loss	\$ (263,326)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation and amortization (research and development amounts included)	2,433
Impairment of intangible asset	--
Amortization of note discount	15,518
Loss on assets swapped for rent	--
Members' contributed salaries	--
Research and development service fee netted against proceeds received from preferred stock issuance	--
Amortization of deferred compensation	3,921
Compensatory common stock	--
Assignment of call option	--
Loss on sale of available-for-sale securities and fixed asset retirement	--
Changes in assets and liabilities	
Prepaid expenses	47,521
Supplies	--
Accounts payable and accrued expenses	(11,801)
Net Cash Used in Operating Activities	(205,734)
Cash Flows from Investing Activities	

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Purchases of available-for-sale securities	--
Proceeds from sale of available-for-sale securities	--
Expenditures related to patent	--
Purchase of technology option	--
Insurance proceeds from claim	--
Proceeds received on deposit	--
Purchases of property and equipment	--
	-----
Net Cash Used in Investing Activities	--
	-----
Cash Flows from Financing Activities	
Proceeds from convertible debenture	--
Borrowings on debt	--
Principal payments on debt	(2,489)
Repurchase of common stock	--
Proceeds from loan advance	--
Issuance of common stock, net of offering and transaction costs	--
Issuance of preferred stock	--
	-----
Net Cash Provided by (Used in) Financing Activities	(2,489)
	-----
Net Increase (Decrease) in Cash and Cash Equivalents	(208,223)
Cash and Cash Equivalents, Beginning of Period	211,495
	-----
Cash and Cash Equivalents, End of Period	\$ 3,272
	=====

See the accompanying notes to financial statements.

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

### NOTE 1 - BASIS OF PRESENTATION

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

These financial statements should be read in conjunction with the financial statements and the notes thereto included in Astralis' 2006 Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The results of

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operations for interim periods are not necessarily indicative of the results for any subsequent quarter or the entire fiscal year ending December 31, 2007. For comparability purposes, certain figures for the prior periods have been reclassified where appropriate to conform with the financial statement presentation used in 2007. These reclassifications had no effect on the reported net loss.

### NOTE 2 - GOING CONCERN

Astralis incurred net losses to common stockholders of \$263,326 and \$54,859,288 for the six-month period ended June 30, 2007 and for the period March 12, 2001 (date of inception) through June 30, 2007, respectively. Included in the cumulative net losses was non-cash preferred stock dividend generated from beneficial conversion features of preferred stock in the amount of \$22,218,750. Astralis has no funds to continue its operations. If it is unable to raise additional funds immediately it will cease operations.

The Company's Insurance policies for general liability and workers compensation insurance expired April 10, 2007; consequently, the Company has been without general liability or workers compensation insurance coverage since then. Furthermore, the Company's directors and officers insurance policy expired May 31, 2007, it is without directors and officers insurance.

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

### NOTE 3 - STOCK BASED COMPENSATION

Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS No.123R) requiring that compensation cost relating to share-based payment transactions be recognized under fair value accounting and recorded in the financial statements. The cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity award). Prior to January 1, 2006, we accounted for share-based compensation to employees in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25), and related interpretations. We also followed the disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". We adopted SFAS No. 123R using the modified prospective method and, accordingly, financial statement amounts for prior periods presented in this Form 10-QSB have not been restated to reflect the fair value method of recognizing compensation cost relating to non-qualified stock options.

There was \$3,921 and \$2,373 of compensation cost related to non-qualified stock options recognized in operating results for the six and three months ended June 30, 2007, respectively. Since Astralis has generated losses from its inception, no associated future income tax benefit was recognized for the six and three months ended June 30, 2007.

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The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Historical volatilities based on the historical stock trading prices of Astralis, Ltd. are used to calculate the expected volatility. We used the simplified method as defined under the SEC Staff Accounting Bulletin No. 107, Topic 14: "Share-based Payment," to derive an expected term. The expected term represents an estimate of the time options are expected to remain outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. treasury yield curve in effect at the time of grant. The following table sets forth the assumptions used to determine compensation cost for our stock options consistent with the requirements of SFAS No. 123R:

	Six Months Ended 6/30/07	Six Months Ended 6/30/06
	-----	-----
Expected volatility	100.00 % - 128.00%	108.00 % - 128.00%
Expected annual dividend yield	0%	0%
Risk free rate of return	3.96 - 4.78%	4.45%
Expected option term (years)	10	5

At June 30, 2007 there was \$1,883 of total unrecognized compensation cost related to non-vested non-qualified stock option awards, which is expected to be recognized over a weighted-average period of .5 year. The total fair value of options vested during the six and three months ended June 30, 2007 was approximately \$20,299 and \$3,330, respectively.

Other than stock options covered by the Stock Incentive Plan, Astralis has no outstanding options to purchase shares of its common stock.

### 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. Our actual results may differ materially from the expectations we describe in our forward-looking statements.

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

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

#### Overview

General

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

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Company's initial product candidate, Psoraxine(R), is a protein extract used for the treatment of the skin disease psoriasis.

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

- o Continue ongoing research and development of Psoraxine(R);
- o Recommence clinical trials to obtain the approval of the United States Food and Drug Administration for the marketing of Psoraxine(R); and
- o Develop technology underlying Psoraxine(R) for the treatment of indications other than psoriasis, such as psoriatic arthritis, eczema, seborrheic dermatitis, rheumatoid arthritis, multiple sclerosis, inflammatory bowel disease and leishmaniasis.

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

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

### Recent Developments

The Company announced it is reviewing strategic alternatives.

On October 6, 2006, the Board of Directors of Astralis, Ltd. announced that it has determined Astralis is unable to continue drug development activities until additional funds are found and is considering strategic alternatives including a sale of the assets or the stock of the Company. On August 21, 2006 the Company announced that "As of the date of this press release, the Company's liabilities exceed its cash. If the Company does not acquire additional cash within days, it will be forced to cease operations." During the last fifteen months, the Company has been unable to identify sufficient funds to finance its continuing operations. The Company is actively



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seeking potential new investors, a potential development partner(s) or offers to acquire all or part of the Company.

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

Departure of Directors and Principal Officers.

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

On March 7, 2007, Samuel T. Barnett, a member of the Board of Directors of Astralis, announced his resignation from the Board, effective March 7, 2007. Mr. Barnett's announcement did not refer to any disagreement with the Company on any matter relating to the Company's operations. Mr. Barnett was the sole independent director on the Board of Directors of the Company and the sole member of the Audit Committee prior to his resignation.

Limited Working Capital.

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As of the date of this filing, Astralis' liabilities exceed its cash. As of June 30, 2007, the Company has \$3,272 in available cash and cash equivalents, and accounts payable and accrued expenses of \$299,473. Astralis has essentially ceased all operations. The Company will need to raise additional funds immediately to continue our operations. Furthermore, substantial additional funds will be needed in order to fund our continued efforts to obtain FDA approval of Psoraxine(R), especially given the failure of our Phase II study to meet its primary endpoint. We could be forced to seek protection under Federal bankruptcy laws at any time.

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

September 2006 Private Placement (\$12,500)

On September 29, 2006, the Company closed a private placement of securities from which it received proceeds of \$12,500. In connection therewith, Astralis issued to Blue Cedar Limited, an accredited investor and a current stockholder of Astralis ("Blue Cedar"); (i) a convertible promissory note in the principal amount of \$12,500, convertible into shares of Astralis' common stock at \$0.075 per share at any time prior to the redemption date (September 29, 2009), interest will be charged on the note at 6% per annum and (ii) a warrant to purchase 166,667 shares of common stock at an exercise price of \$0.113 per share. The warrants expire five years from the date of issuance.

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August 2006 Private Placement (\$64,980)

On August 22, 2006, the Company closed a private placement of securities from which it received proceeds of \$64,980. In connection therewith, Astralis issued to Blue Cedar; (i) a convertible promissory note in the principal amount of \$20,000, convertible into shares of Astralis' common stock at \$0.075 per share at any time prior to the redemption date (August 22, 2009), interest will be charged on the note at 6% per annum and (ii) a warrant to purchase 266,667 shares of common stock at an exercise price of \$0.113 per share. The warrants expire five years from the date of issuance.

On July 27, 2006, Astralis issued to Lipworth and Company Limited ("Lipworth"), an accredited investor and a current stockholder of Astralis; (i) a convertible promissory note in the principal amount of \$9,980, convertible into shares of Astralis' common stock at \$0.075 per share at any time prior to the redemption date (July 27, 2009), interest will be charged on the note at 6% per annum and (ii) a warrant to purchase 133,067 shares of common stock at an exercise price of \$0.113 per share. The warrants expire five years from the date of issuance.

On July 25, 2006, Astralis issued to SkyePharma, PLC ("Skye"), an accredited investor and a current stockholder of Astralis; (i) a convertible promissory note in the principal amount of \$35,000, convertible into shares of Astralis' common stock at \$0.075 per share at any time prior to the redemption date (July 25, 2009), interest will be charged on the note at 6% per annum and (ii) a warrant to purchase 466,667 shares of common stock at an exercise price of \$0.113 per share. The warrants expire five years from the date of issuance.

On March 31, 2006, the Company closed a private placement of securities from which it received proceeds of \$250,000. In connection with such private placement, the Company issued to Blue Cedar, an accredited investor and currently a stockholder of the Company, (i) a convertible promissory note in the principal amount of \$250,000, convertible into shares of the Company's Common Stock at \$0.09 per share, and (ii) a warrant to purchase 2,777,778 shares of Common Stock. Lipworth Capital Limited acted as the placement agent in connection with this private placement. The securities offered and sold in this private placement were sold in reliance on an exemption from the registration requirements under Regulation D of the Securities Act of 1933.

### Plan of Operation

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

For the three months ended June 30, 2007:

For the three months ended June 30, 2007, we had no revenue from operations and incurred operating expenses of \$73,061 which consisted primarily of:

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- o Research and development costs of \$1,146 including evaluation of clinical trial results, reformulation of Psoraxine(R) and activity testing in animals.
- o General and administrative costs of \$70,767, including professional fees, rent, salaries for management and our general corporate expenditures.

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As a result, during the three months ended June 30, 2007, we incurred a net loss of \$122,164.

For three months ended June 30, 2006:

For the three months ended June 30, 2006, we had no revenue from operations and incurred operating expenses of \$405,217 which consisted primarily of:

- o Research and development costs of \$125,723 including evaluation of clinical trial results, reformulation of Psoraxine(R) and activity testing in animals.
- o General and administrative costs of \$276,778, including professional fees, rent, salaries for management and our general corporate expenditures.

As a result, during the three months ended June 30, 2006, we incurred a net loss of \$403,769.

Six Months Ended June 30, 2007 compared to the Six Months Ended June 30, 2006.

For the six months ended June 30, 2007:

For the six months ended June 30, 2007, we had no revenue from operations and incurred operating expenses of \$169,542 which consisted primarily of:

- o Research and development costs of \$6,032 including evaluation of clinical trial results, reformulation of Psoraxine(R) and activity testing in animals.
- o General and administrative costs of \$161,077, including professional fees, rent, salaries for management and our general corporate expenditures.

As a result, during the six months ended June 30, 2007, we incurred a net loss of \$263,326.

For six months ended June 30, 2006:

For the six months ended June 30, 2006, we had no revenue from operations and incurred operating expenses of \$835,359 which consisted primarily of:

- o Research and development costs of \$289,750 including evaluation of clinical trial results, reformulation of Psoraxine(R) and activity testing in animals.
- o General and administrative costs of \$539,796, including professional fees, rent, salaries for management and our general corporate expenditures.

As a result, during the six months ended June 30, 2006, we incurred a net loss of \$831,012.

Comparison

Our research and development expenses declined from \$289,750 during the six months ended June 30, 2006 to \$6,032 during the six months ended June 30, 2007, primarily due to the cessation in R&D activities during 2007.

By comparison to the six months ended June 30, 2006, our general and

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administrative costs for the six months ended June 30, 2007 decreased by \$378,719 primarily due to management's cost control initiatives and downsizing.

Losses of \$169,542 for the six months ended June 30, 2007 were \$665,817 less than losses for the six months ended June 30, 2006, reflecting management's cost control initiatives implemented during 2006.

The Next Twelve Months

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At June 30, 2007, the Company had cash and cash equivalents of \$3,272. Currently, the Company has \$535,421 outstanding obligations. Accordingly, the Company has effectively ceased operations.

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

- o Our primary focus would be to further development efforts of our initial product candidate, Psoraxine(R). In March 2005, the Company announced that the Phase II study of its novel immuno-stimulatory product for the treatment of Psoriasis did not meet the primary study endpoint upon completion of the treatment phase of the study. In the study, Psoraxine(R) was found to be safe and well-tolerated. Accordingly, we analyzed the data and developed an hypothesis that may explain why we received these unexpected results. In this regard, we would realign development activities to focus on such things as formulation, manufacturing, analytical protocols and potency; and we would test the hypothesis to explain unexpected results and determine the best course for future development.
- o The business plan would be implemented in phases: during the first phase we would test the hypothesis developed recently to assess causes for unexpected results in the Phase II trial. During the second phase, test results would be used to design and begin a new Phase II trial. We expect that we would be required to incur expenses of approximately \$1,000,000 to third parties in connection with these two phases of the continuing development of Psoraxine(R).
- o We would be required to hire new employees for which we would spend approximately \$250,000 to pay management salaries and salaries of employees, a portion of which is treated as research and development expense.
- o We would have to identify new office and laboratory space which could cost approximately \$250,000 for our general administrative and working capital requirements.
- o In connection with the August 2005 Blue Cedar private placement, because a registration statement covering the resale of the Blue Cedar shares was not filed or effective by December 31, 2005, we are required to pay liquidated damages payments of \$10,000 per month, being 0.5% of the aggregate purchase price plus 10% annum interest until such time as a registration statement covering the resale of securities sold to Blue Cedar is declared effective by the Securities and Exchange Commission.
- o We will need to raise additional funds immediately to recommence our operations and to fund any of the activities described above.

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

### Item 3. Controls And Procedures.

#### (a) Evaluation of disclosure controls and procedures.

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

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

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

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#### (b) Changes in internal controls.

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

## PART II. OTHER INFORMATION

### Item 6. Exhibits.

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

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SIGNATURES

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

ASTRALIS LTD.  
(Registrant)

Dated: August 20, 2007

By: /s/ Jose A. O'Daly

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

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Exhibit Index

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