

Edgar Filing: NOVADEL PHARMA INC - Form 10QSB

NOVADEL PHARMA INC  
Form 10QSB  
June 19, 2003

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

FORM 10-QSB

X QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF  
--- THE SECURITIES EXCHANGE ACT OF 1934

For the nine month period ended APRIL 30, 2003

--- TRANSITION REPORT UNDER SECTION 13 or 15 (d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_to\_\_\_\_\_

Commission file number 000-23399

NOVADEL PHARMA INC.  
(Exact name of small business issuer as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

22-2407152  
(I.R.S. Employer  
Identification No.)

31 State Highway 12  
Flemington, New Jersey  
(Address of Principal Executive Offices)

08822  
(Zip Code)

(908)782-3431  
(Issuer's telephone number)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Check whether the registrant filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes\_\_\_No\_\_\_

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 17,762,161 shares of common stock outstanding as of June 15, 2003.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE):

YES NO X  
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NOVADEL PHARMA INC.

BALANCE SHEETS

	April 30 2003	
	-----	
	(UNAUDITED)	
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,596,000	\$
Accounts receivable - trade, less allowance for doubtful accounts of \$88,000 at April 30, 2003 and July 31, 2002	--	
Prepaid expenses and other current assets	131,000	
	-----	
Total Current Assets	2,727,000	
	-----	
FURNITURE, FIXTURES, AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION	559,000	
	-----	
OTHER ASSETS	356,000	
	-----	
	\$ 3,642,000	\$
	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)		
CURRENT LIABILITIES:		
Accounts payable-trade	\$ 247,000	\$
Accrued expenses and other current liabilities	500,000	
	-----	
Total Current Liabilities	747,000	
	-----	
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIENCY):		
Preferred stock, \$.01 par value:		
Authorized 1,000,000 shares, none issued		
Common stock, \$.001 par value:		
Authorized - 50,000,000 shares		
Issued and outstanding 16,411,842 and 14,448,817; respectively	16,000	
Additional paid-in capital	17,046,000	
Accumulated Deficit	(14,167,000)	
	-----	
Total Stockholders' Equity (Deficiency)	2,895,000	
	-----	
	\$ 3,642,000	\$
	=====	

See accompanying notes to financial statements.

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NOVADEL PHARMA INC.

STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended April 30,		Nine A
	2003	2002	2003
CONSULTING REVENUES	--	\$ 81,000	--
CONSULTING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	878,000	2,139,000	4,478,000
LOSS FROM OPERATIONS	(878,000)	(2,058,000)	(4,478,000)
BUY-OUT OF CONSULTANT'S CONTRACT	--	--	--
INTEREST INCOME	7,000	17,000	40,000
NET LOSS BEFORE TAXES	(871,000)	(2,041,000)	(4,438,000)
DEFERRED INCOME TAX BENEFIT	--	--	84,000
NET LOSS	\$ (871,000)	\$ (2,041,000)	\$ (4,354,000)
BASIC AND DILUTED LOSS PER SHARE	\$ (.06)	\$ (.15)	\$ (.30)
SHARES USED IN COMPUTATION OF BASIC AND DILUTED LOSS PER SHARE	15,155,662	13,432,765	14,731,391

See accompanying notes to financial statements.

3

NOVADEL PHARMA INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)  
(Unaudited)

Common Stock

Shares	Par Value	Paid-in Capital
--------	--------------	--------------------

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	-----	-----	-----
BALANCE, JULY 31, 2002	14,448,817	\$ 14,000	\$ 13,322,000
NINE MONTHS ENDED APRIL 30, 2003	--		
Stock issued in connection with private placements, net of costs	1,863,333	1,000	2,510,000
Shares issued for Warrants exercised	99,692	1,000	9,000
Options issued for services	--	--	1,198,000
Warrants issued for services	--	--	7,000
Net Loss	--	--	--
	-----	-----	-----
BALANCE, APRIL 30, 2003	16,411,842	\$ 16,000	\$ 17,046,000
	=====	=====	=====

See accompanying notes to financial statements.

4

NOVADEL PHARMA INC.

STATEMENT OF CASH FLOWS  
(UNAUDITED)

	Nine Month April
	----- 2003 -----
CASH FLOW FROM OPERATING ACTIVITIES:	
Net (loss)	\$(4,354,000)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:	
Warrants issued for Services	7,000
Options Issued for Services	1,198,000
Shares issued for Warrants exercised	10,000
Depreciation & Amortization	111,000
Allowance for Doubtful Accounts	--
Changes in operating assets and liabilities:	
Accounts receivable	1,000
Prepaid expenses and other current assets	(35,000)
Demand note receivable, officer	--
Due from joint venture partner for reimbursable expenses	--
Other Assets	(334,000)
Accounts payable - trade	122,000
Accrued expenses and other current liabilities	309,000
	-----
Net cash flows from operating activities	(2,965,000)
	-----
CASH FLOWS FROM INVESTING ACTIVITIES -	
Purchase of property and equipment	(264,000)
	-----
CASH FLOWS FROM FINANCING ACTIVITIES -	
Proceeds received from issuance of common	

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stock through a private placement offering	2,511,000
	-----
NET CHANGE IN CASH	(718,000)
CASH, BEGINNING OF PERIOD	3,314,000
	-----
CASH, END OF PERIOD	\$ 2,596,000
	=====
SUPPLEMENTAL CASH FLOW INFORMATION:	
Interest paid	\$ --
	=====
Income taxes paid	\$ --
	=====

See accompanying notes to financial statements.

5

### NOVADEL PHARMA INC. NOTES TO FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION:

The balance sheet at the end of the preceding fiscal year has been derived from the audited balance sheet contained in the Company's Form 10-KSB and is presented for comparative purposes. All other financial statements are unaudited. In the opinion of management, all adjustments, which include only normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for all periods presented, have been made in the interim statements. Results of operations for interim periods are not necessarily indicative of the operating results for a full year.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Before the end of the calendar year, it will be necessary for the Company to obtain additional financing and/or consummate a strategic alliance with a well-funded business partner. There are a number of risks and uncertainties related to the Company's attempt to complete a financing or strategic partnering arrangement that are outside the control of the Company. We may not be able to successfully obtain additional financing on terms acceptable to the Company, or at all. These uncertainties raise substantial doubt as to the Company's ability to continue as a going concern.

Footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with the published rules and regulations of the Securities and Exchange

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Commission. The financial statements in this report should be read in conjunction with the financial statements and notes thereto included in the Form 10-KSB of NOVADEL PHARMA INC. (the "Company"), for the year ended July 31, 2002.

### NOTE 2 - PREPAID EXPENSES AND OTHER CURRENT ASSETS:

Approximately \$86,000 of prepaid supplies; \$41,000 of prepaid insurance; \$2,000 of employee loan and \$2000 of other are included in the \$131,000 total.

### OTHER ASSETS:

Approximately \$351,000 of security deposits are included in the \$354,000 total. The remainder is other assets.

### ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES:

Approximately \$221,000 of accrued payroll and related payroll taxes; \$168,000 of accrued employee vacation and \$104,000 of accrued legal and professional fees are included in the \$500,000 total. The remainder is other accrued expenses and other current liabilities.

### NOTE 3 - PRIVATE PLACEMENT:

During April 2003, the Company received net proceeds of approximately \$2,511,000 from a total of 27.95 Units of the Company's securities. Each Unit consisted of sixty six thousand, six hundred, sixty seven (66,667) common shares, par value \$.001, and sixteen thousand, six hundred, sixty seven (16,667) warrants. Each warrant entitled the holder to purchase an additional share of the company's common stock at an exercise price of \$2.00 within five (5) years. The terms of the placement provide that if at any time following the closing of the offering and continuing for a period of two (2) years thereafter we offer shares of our common stock for sale in a capital raising transaction, we will permit the investors to purchase such number of shares of common stock to maintain their pro rata ownership percentages of NovaDel and that if, at any time following the closing of the offering for a period of one year, we sold shares of common stock in a capital raising transaction (of at least \$1 million) at a per share price less than \$1.50, we will issue to the investors additional shares of common stock (so that they would receive their original shares at such lower price). The sale price of each Unit was \$100,000 (\$1.50 per share). (See also notes 4 and 7) As partial compensation to the placement agent, the Company became obligated to issue to the placement agent warrants to purchase 93,167 shares of the Company's common stock at an exercise price of \$1.65 per share. The warrants have a term of five (5) years.

6

### NOTE 4 - STOCK OPTIONS AND WARRANTS:

The Company follows the intrinsic method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued

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to Employees" (APB 25) and related interpretations in accounting for its employee stock options because, as discussed below, Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation" (FAS 123) requires use of option valuation models that were not developed for use in valuing employee stock options. FAS 123 permits a company to elect to follow the intrinsic method of APB 25 rather than the alternative fair value accounting provided under FAS 123, but requires pro forma net income and earnings per share disclosures as well as various other disclosures not required under APB 25 for companies following APB 25. The Company has adopted the disclosure provisions required under Financial Accounting standards Board Statement No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure" (FAS 148). Under APB 25, because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense was recognized.

Pro forma information regarding net income and earnings per share is required by FAS 123 and FAS 148, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, options valuation models require the input of highly subjective input assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	3 Months Ended April 30,	
	2003	2002
	-----	-----
Net Loss, as reported	\$ (871,000)	\$
Stock-based employee compensation expense under fair value method, net of related tax effects	(238,000)	--
Pro forma net loss	\$ (1,109,000) =====	\$ (2,041,000) =====
Loss per share:		
Basic and diluted, as reported	\$ (.06) =====	\$ (.15) =====
Basic and diluted, pro forma	\$ (.07) =====	\$ (.15) =====

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In October 2002, the Company issued 75,000 options under the 1998 Option Plan and 200,000 Non-Plan options to its then President. These options vested immediately, have an exercise price of \$1.30 and expire during October 2007.

In November 2002, the Company decided to extend for one year the expiration date of its publicly traded Warrants (i.e. to November 18, 2003). All other provisions of the Warrants remain unchanged.

7

In December 2002, pursuant to an employment agreement with Gary A. Shangold, M.D. (see Note 5, below) 1,000,000 options were issued at an exercise price of \$1.93 per share with a 5 year life. The options vest and become exercisable in three equal annual installments commencing December 1, 2003

During March 2003, the Company granted an aggregate of 140,000 stock options under the Company's 1998 Option Plan, exercisable at \$1.51 per share for a term of five (5) years, to nine (9) employees.

In March 2003, the board issued 10,000 stock options to each of two (2) directors under the Company's 1998 Option Plan. These options have an exercise price of \$1.51 and a term of 5 years.

In March 2003, the board issued 100,000 Non-Plan options to each of two new independent directors. These options have an exercise price of \$1.51 and a term of 5 years.

During April 2003, the Company received net proceeds of approximately \$2,560,000 from a total of 27.95 Units of the Company's securities. Each Unit consisted of sixty six thousand, six hundred, sixty seven (66,667) common shares, par value \$.001, and sixteen thousand, six hundred, sixty seven (16,667) warrants. Each warrant entitled the holder to purchase an additional share of the company's common stock at an exercise price of \$2.00 within five (5) years. The sale price of each Unit was \$100,000 (\$1.50 per share). (See also notes 3 and 7) As partial compensation to the placement agent, the Company became obligated to issue to the placement agent warrants to purchase 93,167 shares of the Company's common stock at an exercise price of \$1.65 per share. The warrants have a term of five (5) years.

Note 5 -

Deferred income tax benefit:

During December 2002, the Company received approximately \$84,000 as consideration for transferring approximately \$1,116,000 of New Jersey net operating loss tax benefit to a third party corporation buyer. The Technology Tax Certificate Transfer Program for transferring net operating loss and R & D tax benefits is the responsibility of New Jersey Economic Development Authority.



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Note 6 -

### Contracts:

In December 2002, the Company entered into a three-year employment agreement with Gary A. Shangold, M.D. pursuant to which he agreed to serve as the Company's President and Chief Executive Officer. The Company agreed to pay Dr. Shangold an annual base salary of \$350,000 and a guaranteed bonus of \$150,000. In addition, Dr. Shangold is eligible to receive: (i) an annual discretionary bonus of up to \$262,500, which shall be determined at the sole discretion of the Board; and (ii) an investment and fee bonus equal to 5% of all amounts up to an aggregate of \$7,500,000 (i.e., \$375,000) invested in, or earned by, the Company during his term. The Company is obligated to pay Dr. Shangold at least \$200,000 on or before June 30, 2003. Such investment and fee bonus shall be reduced by certain proceeds received by Dr. Shangold from his former employer. Pursuant to the agreement, Dr. Shangold was also granted Non-Plan options (see Note 3, above) to purchase 1,000,000 shares of the Company's common stock (at an exercise price of \$1.93 per share) which vest over a three year period. Such options have a term of five (5) years.

In March 2003, the Company entered into a 10 year lease for approximately 31,200 sq. feet of office, laboratory, manufacturing and warehouse space. These premises are presently being fitted-out. Occupancy should begin, in stages, during the third quarter 2003. When fully occupied, anticipated to be during the 4th quarter 2003, the annual rent will be approximately \$300,000 plus a proportionate share of real estate taxes and common areas.

8

In April 2003, the Company entered into a license and development agreement with Manhattan Pharmaceuticals, Inc. for the worldwide, exclusive rights to the Company's proprietary lingual spray technology to deliver Propofol for pre-procedural sedation. The terms of the agreement calls for certain milestone and other payments, the first of which was received during June 2003.

Note 7 -

### Subsequent Events:

In May 2003, the Company entered into a three-year employment agreement with Barry Cohen pursuant to which he agreed to serve as the Company's Vice President, New Business & New Product Development. The Company agreed to pay Mr. Cohen an annual base salary of \$185,000. Pursuant to the agreement, Mr. Cohen was also granted Plan options to purchase up to 75,000 shares of the Company's common stock at an exercise price of \$2.04 per share (110% of the fair market value on the grant date) which vest, subject to conditions, over a three year period. Such options have a term of ten (10) years.

During May 2003, the Company completed a private placement and received additional net proceeds of approximately \$1,850,000 from the placement of a total of 20.05 Units of the Company's

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securities. Each Unit consisted of sixty six thousand, six hundred, sixty seven (66,667) common shares, par value \$.001, and sixteen thousand, six hundred, sixty seven (16,667) warrants. Each warrant entitles the holder to purchase an additional share of the company's common stock at an exercise price of \$2.00 within five (5) years. The sale price of each Unit was \$100,000 (\$1.50 per share). The terms of the placement provide that if at any time following the closing of the offering and continuing for a period of two (2) years thereafter we offer shares of our common stock for sale in a capital raising transaction, we will permit the investors to purchase such number of shares of common stock to maintain their pro rata ownership percentages of NovaDel and that if, at any time following the closing of the offering for a period of one year, we sold shares of common stock in a capital raising transaction (of at least \$1 million) at a per share price less than \$1.50, we will issue to the investors additional shares of common stock (so that they would receive their original shares at such lower price). For this portion of the private placement, the placement agent received, as additional compensation, warrants to purchase an additional 66,850 shares of the Company's common stock at an exercise price of \$1.65 per share. These warrants have a term of five (5) years. "See also note 4".

9

### NOVADEL PHARMA INC.

#### Part I, Item 2. Management's Discussion and Analysis

Novadel Pharma inc., a Delaware corporation (the "Company"), is engaged in development of novel application drug delivery systems for presently marketed prescription and over-the-counter ("OTC") drugs and has been a consultant to the pharmaceutical industry. Since 1992, the Company has used its consulting revenues to fund its own product development activities.

Since its inception, substantially all of the Company's revenues have been derived from its consulting activities. The Company has had a history of recurring losses from operation, giving rise to an accumulated deficit at April 30, 2003 of approximately \$14,167,000. For the 9 months ending April 30, 2003, the Company has had no revenue from consulting as the Company has shifted its emphasis away from product development consulting for its clients and to development of its own products.

For the reasons stated above, the Company anticipates that it will incur substantial operating expenses in connection with the testing and approval of its proposed delivery systems, and expects these expenses will result in continuing and significant operating losses until such time, if ever, that the Company is able to achieve adequate sales levels.

In view of the Company's very limited resources, its anticipated expenses and the competitive environment in which the Company operates, there can be no assurance that its operations will be sustained for the duration of the next fiscal year.

#### RESULTS OF OPERATIONS

THE NINE MONTHS ENDED APRIL 2003 [THE "2003 PERIOD"] AND APRIL 2002 [THE "2002 PERIOD"]

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Operating revenues for the 2003 Period decreased approximately \$335,000 to \$0 from \$335,000 for the 2002 Period.

Total costs and expenses for the 2003 Period increased approximately \$1,435,000 or 47% to \$4,478,000 from \$3,043,000 for the 2002 Period. This increase includes approximately: \$665,000 in payroll expenses primarily due to the hiring of additional employees and an increase of the vacation pay accrual; \$362,000 in legal & professional fees; \$140,000 in laboratory testing and clinical studies costs; \$129,000 in consultants fees primarily due to a non-cash charge for options issued to consultants; \$66,000 in depreciation and amortization expenses due to the earlier purchases of internal laboratory equipment; \$51,000 in employee recruiting; \$47,000 in insurance expenses due to additional employees and generally increased premiums; \$28,000 in inside laboratory expenses; \$17,000 in trade show and conference expenses; \$12,000 in office expenses due to additional employees; \$11,000 in automobile expenses; \$11,000 in travel expenses; \$10,000 in outside services primarily due to environmental waste removal costs and \$9,000 in rent expenses.

Costs and expenses decreases for the 2003 period, as compared to the 2002 period, includes approximately: \$89,000 in bad debt expense; \$32,000 in buy-out of contract with a consultant; \$8,000 in sample purchases primarily due to returns of earlier purchases and \$6,000 in meetings and memberships.

Interest income increased approximately \$8,000 or 25% to \$40,000 for the 2003 Period from \$32,000 for the 2002 Period due to an increased average cash balance.

Deferred income tax benefit for the 2003 period was approximately \$84,000 compared to approximately \$88,000 for the 2002 period. These benefits resulted from the sale of the Company's New Jersey net operating losses.

The resulting net loss for the 2003 Period was \$4,354,000 (net loss per share of \$0.30) compared to a net loss of \$2,588,000 (net loss per share of \$0.25) for the 2002 Period.

10

THE THREE MONTHS ENDED APRIL 2003 [THE "2003 PERIOD"] AND APRIL 2002 [THE "2002 PERIOD"]

Operating revenues for the 2003 Period decreased approximately \$81,000 to \$0 from \$81,000 for the 2002 Period.

Total costs and expenses for the 2003 Period decreased approximately \$1,261,000 or 59% to \$878,000 from \$2,139,000 for the 2002 Period. This decrease includes approximately: \$1,369,000 in consultants fees; \$18,000 in travel expenses; \$12,000 in trade shows and conferences and \$7,000 in laboratory testing and clinical studies expenses.

Costs and expenses increases for the 2003 period, as compared to the 2002 period, includes approximately: \$145,000 in payroll expense primarily due to the hiring of additional employees and an increase of the vacation pay accrual; \$42,000 in legal & professional fees; \$20,000 in depreciation and amortization expense due to the earlier purchases of internal laboratory equipment and \$13,000 in public company expenses due to increased directors' fees.

Interest income decreased approximately \$10,000 or 59% to \$7,000 for the 2003

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period from \$17,000 for the 2002 period due to a decreased average cash balance.

The resulting net loss for the 2003 Period was \$871,000 (net loss per share of \$0.06) compared to a net loss of \$2,041,000 (net loss per share of \$0.15) for the 2002 Period.

### LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities approximated \$2,965,000 for the 2003 Period compared to net cash used in operating activities of approximately \$810,000 for the 2002 Period. Net cash used in operating activities for both the 2003 and 2002 periods was primarily attributable to the net loss of \$4,354,000 and \$2,588,000, respectively. For the 2003 period, \$264,000 was used for investing activities compared to \$179,000 for the 2002 Period. For the 2003 period, \$2,511,000 was received from financing activities compared to \$4,934,000 for the 2002 period. Total cash flow for the 2003 period decreased approximately \$718,000 as compared to a \$3,945,000 increase for the 2002 period.

In May 2003, the Company completed its private placement, raising an additional \$2,006,000 of equity (see note 7). Before the end of the calendar year, it will be necessary for the Company to obtain additional financing and/or consummate a strategic alliance with a well funded business partner. There are a number of risks and uncertainties related to the Company's attempt to complete a financing or strategic partnering arrangement that are outside the control of the Company. We may not be able to successfully obtain additional financing on terms acceptable to the Company, or at all. These uncertainties raise substantial doubt as to the Company's ability to continue as a going concern. The Company's auditors have qualified their audit opinion with regard to the Company's ability to continue as a going concern.

### INFLATION

The Company does not believe that inflation has had a material effect on its results of operations during the past three fiscal years. There can be no assurance that the Company's business will not be affected by inflation in the future.

### Part 1, Item 3. Controls and Procedures

Within the 90-day period prior to the date of this report, our Chief Executive Officer and Chief Financial Officer performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. They concluded that the controls and procedures were effective. Since the date of the evaluation, we have made no significant changes in our internal controls or in other factors that could significantly affect our internal controls.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

None

### Item 2. Changes in Securities

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During April 2003, the Company received gross proceeds of approximately \$2,795,000 from the placement of a total of 27.95 Units of the Company's securities. Each Unit consisted of sixty six thousand, six hundred, sixty seven (66,667) common shares, par value \$.001, and sixteen thousand, six hundred, sixty seven (16,667) warrants. Each warrant entitled the holder to purchase an additional share of the company's common stock at an exercise price of \$2.00 within five (5) years. The sale price of each Unit was \$100,000 (\$1.50 per share). The placement agent (Paramount Capital) was paid compensation of seven and one half percent (7.5%) of the gross proceeds ((\$209,625) plus a non accountable expense allowance of \$25,000 and 160,017 warrants to purchase additional shares of the Company's common stock at an exercise price of \$2.00 within five years.

### Item 3. Defaults Upon Senior Securities

N/A

### Item 4. Submissions of Matters to a Vote of Security Holders

On March 28, 2003, the Company held an annual meeting of stockholders to vote on the election of directors, the ratification of the Company's independent auditors and an amendment to the Company's 1998 Stock Option Plan. Of the 14,548,509 shares of the Company's Common Stock entitled to vote at the meeting, holders of 11,643,462 shares were present in person or were represented by proxy at the meeting.

The directors elected at the meeting and the results of the voting were as follows:

	For -----	Withheld -----
Gary A. Shangold, M.D	11,643,462	0
Harry A. Dugger III, Ph.D	11,643,462	0
John H. Klein	11,643,462	0
Robert F. Schaul, Esq	11,643,462	0
William F. Hamilton, Ph.D	11,643,462	0
Lawrence J. Kessel, M.D., FACP	11,643,462	0

The above represented all of the directors of the Company on March 28, 2003.

The shares voted regarding the Board of Directors' proposal to select the accounting firm of Wiss & Company, LLP, to serve as independent auditors of the Company, were as follows:

For:	11,640,962
Against:	0
Abstain:	2,500

The shares voted regarding the Board of Directors' proposal to amend the Company's 1998 Stock Option Plan, were as follows:

For:	11,488,162
Against:	155,300
Abstain:	0

### Item 5. Other Information

N/A

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12

Item 6. Exhibits List and Reports on Form 8-K

(a) List of Exhibits

Exhibit 10.28 Lease Agreement dated March 19, 2003, between the Company and Macedo Business Park, II, L.L.C.

Exhibit 10.29 Amendment #1 of Lease Agreement dated March 19, 2003, between the Company and Macedo Business Park, II, L.L.C.

Exhibit 10.30 Employment Agreement dated May 23, 2003, between the Company and Barry C. Cohen.

Exhibit 11. Statement re: computation of earnings per share for the nine months ended April 30, 2003

Exhibit 99.1. Certification of Chief Executive Officer and Chief Financial Officer

b) Reports on Form 8-K

None

13

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.

NOVADEL PHARMA INC

Dated:  
June 18, 2003

By:

/S/ GARY SANGOLD, M.D.  
-----

Gary Shangold, M.D., President  
(Principal Executive Officer)

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Dated:  
June 18, 2003

By: /S/ DONALD J. DEITMAN  
-----  
Donald J. Deitman  
Chief Financial Officer

14

CERTIFICATION

I, GARY SHANGOLD, M.D., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of NovaDel Pharma Inc.;
2. Based on my knowledge, this 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 quarterly report (the "Evaluation Date"); and
  - c) Presented in this 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 and 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

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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: June 18, 2003

Gary Shangold, M.D.  
President & Chief Executive Officer

/s/ GARY A. SHANGOLD, M.D.

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(Signature)

15

### CERTIFICATION

I, DONALD J. DEITMAN, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of NovaDel Pharma Inc.;
2. Based on my knowledge, this 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 quarterly report (the "Evaluation Date"); and
  - c) Presented in this 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,



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process, summarize and report financial data and have identified for the registrant's auditors and 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 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: June 18, 2003

Donald J. Deitman  
Chief Financial Officer

/s/ DONALD J. DEITMAN

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(Signature)