NORTHFIELD LABORATORIES INC /DE/
Form 10-Q/A
October 20, 2003

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE PERIOD ENDED AUGUST 31, 2003

OR

[ ] TRANSITION REPORT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-24050

NORTHFIELD LABORATORIES INC.
(Exact name of registrant as specified in its charter)

DELAWARE	36-3378733
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1560 SHERMAN AVENUE, SUITE 1000, EVANSTON, ILLINOIS	60201-4800
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (847) 864-3500

FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORT: NOT APPLICABLE

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
--- ---

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS AN ACCELERATED FILER (AS DEFINED IN RULE 12b-2 OF THE EXCHANGE ACT). YES X NO
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AS OF AUGUST 31, 2003, REGISTRANT HAD 16,158,732 SHARES OF COMMON STOCK OUTSTANDING

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EXPLANATORY NOTE

This amendment to the Quarterly Report on Form 10-Q, filed by Northfield Laboratories Inc. with respect to its fiscal quarter ended August 31, 2003 includes disclosures required under Item 4 of Form 10-Q that was inadvertently omitted from the document amended hereby.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report contains forward-looking statements concerning, among other things, our prospects, clinical and regulatory developments affecting our potential product and our business strategies. These forward-looking statements are identified by the use of such terms as "intends," "expects," "plans," "estimates," "anticipates," "should," "believes" and similar terms.

These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including those discussed under "Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission. Because these forward-looking statements involve risks and uncertainties, actual results may differ significantly from those predicted in these forward-looking statements. You should not place a lot of weight on these statements. These statements speak only as of the date of this document or, in the case of any document incorporated by reference, the date of that document.

All subsequent written and oral forward-looking statements attributable to Northfield or any person acting on our behalf are qualified by the cautionary statements in this section and in our Annual Report. We will have no obligation to revise these forward-looking statements.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors
Northfield Laboratories Inc.:

We have reviewed the balance sheet of Northfield Laboratories Inc. (a company in the development stage) as of August 31, 2003, and the related statements of operations and cash flows for the three-month periods ended August 31, 2003 and 2002 and for the period from June 19, 1985 (inception) through August 31, 2003. We have also reviewed the statements of shareholders' equity (deficit) for the three-month period ended August 31, 2003 and for the period from June 19, 1985 (inception) through August 31, 2003. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Northfield Laboratories Inc. as of May 31, 2003, and the related statements of operations, shareholders' equity (deficit), and cash flows for the year then ended and for the period from June 19, 1985 (inception) through May 31, 2003 (not presented herein); and in our report dated July 28, 2003, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of May 31, 2003 and in the accompanying statement of shareholders' equity (deficit) is fairly stated, in all material respects, in relation to the statements from which it has been derived.

As discussed in note 4 to the financial statements, the Company adopted Statement of Financial Accounting Standards No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS, as of June 1, 2003.

/s/ KPMG LLP

Chicago, Illinois
September 24, 2003

NORTHFIELD LABORATORIES INC.
(a company in the development stage)

Balance Sheets

August 31, 2003 and May 31, 2003

ASSETS	AUGUST 31, 2003	MAY 200
Current assets:		
Cash	$ 12,918,913	4,89
Marketable securities	--	1,99
Prepaid expenses	617,968	68
Total current assets	13,536,881	7,57
Property, plant, and equipment, net	1,427,146	1,59
Other assets	88,235	7
	$ 15,052,262	9,24
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 491,218	1,46

Accrued expenses	29,990	6
Accrued compensation and benefits	335,253	37
Total current liabilities	856,461	1,90
Other liabilities	258,232	16
Total liabilities	1,114,693	2,06
Shareholders' equity:		
Preferred stock, $.01 par value. Authorized 5,000,000 shares; none issued and outstanding	--	
Common stock, $.01 par value. Authorized 30,000,000 shares; issued and outstanding 16,158,732 at August 31, 2003 and 14,265,875 at May 31, 2003	161,587	14
Additional paid-in capital	127,175,114	117,50
Deficit accumulated during the development stage	(113,399,132)	(110,46
Total shareholders' equity	13,937,569	7,18
	$ 15,052,262	9,24

See accompanying notes to financial statements.

NORTHFIELD LABORATORIES INC.
(a company in the development stage)

Statements of Operations

Three months ended August 31, 2003 and 2002 and for the period from June 19, 1985 (inception) through August 31, 2003

	THREE MONTHS ENDED AUGUST 31,		CUMULATIVE FROM JUNE 19, 1985 THROUGH
	2003	2002	AUGUST 31, 2003
Revenues - license income	$ --	--	3,000,000
Costs and expenses:			
Research and development	2,199,352	2,025,802	98,438,888
General and administrative	682,528	929,157	41,282,742

	2,881,880	2,954,959	139,721,630
Other income and expense:			
Interest income	23,426	77,370	23,480,653
Interest expense	--	--	83,234
	$ 23,426	77,370	23,397,419
Cumulative effect of change in accounting principle	74,921	--	74,921
Net loss	$ (2,933,375)	(2,877,589)	(113,399,132)
Net loss per share - basic and diluted	$ (0.20)	(0.20)	(11.41)
Shares used in calculation of per share data - basic and diluted	14,965,409	14,265,875	9,934,493

See accompanying notes to financial statements.

NORTHFIELD LABORATORIES INC.
(a company in the development stage)

Statements of Shareholders' Equity (Deficit)

Three months ended August 31, 2003 and for the period
from June 19, 1985 (inception) through August 31, 2003

	NUMBER OF SHARES	AGGREG AMOU
Issuance of common stock on August 27, 1985	--	$ -
Issuance of Series A convertible preferred stock at $4.00 per share on August 27, 1985 (net of costs of issuance of $79,150)	--	-
Net loss	--	-
Balance at May 31, 1986	--	-
Net loss	--	-
Deferred compensation relating to grant of stock options	--	-
Amortization of deferred compensation	--	-
Balance at May 31, 1987	--	-
Issuance of Series B convertible preferred stock at $35.68 per share on August 14, 1987 (net of costs of issuance of $75,450)	--	-
Net loss	--	-

Amortization of deferred compensation	--	-
Balance at May 31, 1988	--	-
Issuance of common stock at $24.21 per share on June 7, 1988 (net of costs of issuance of $246,000)	--	-
Conversion of Series A convertible preferred stock to common stock on June 7, 1988	--	-
Conversion of Series B convertible preferred stock to common stock on June 7, 1988	--	-
Exercise of stock options at $2.00 per share	--	-
Issuance of common stock at $28.49 per share on March 6, 1989 (net of costs of issuance of $21,395)	--	-
Issuance of common stock at $28.49 per share on March 30, 1989 (net of costs of issuance of $10,697)	--	-
Sale of options at $28.29 per share to purchase common stock at $.20 per share on March 30, 1989 (net of costs of issuance of $4,162)	--	-
Net loss	--	-
Deferred compensation relating to grant of stock options	--	-
Amortization of deferred compensation	--	-
Balance at May 31, 1989	--	-
Net loss	--	-
Deferred compensation relating to grant of stock options	--	-
Amortization of deferred compensation	--	-
Balance at May 31, 1990	--	-
Net loss	--	-
Amortization of deferred compensation	--	-
Balance at May 31, 1991	--	-
Exercise of stock warrants at $5.60 per share	--	-
Net loss	--	-
Amortization of deferred compensation	--	-
Balance at May 31, 1992	--	-
Exercise of stock warrants at $7.14 per share	--	-
Issuance of common stock at $15.19 per share on April 19, 1993 (net of costs of issuance of $20,724)	--	-
Net loss	--	-
Amortization of deferred compensation	--	-
Balance at May 31, 1993	--	$ -

See accompanying notes to financial statements.

SERIES A CONVERTIBLE PREFERRED STOCK	SERIES B CONVERTIBLE PREFERRED STOCK	ADDITIONAL	DEFICIT ACCUMULATED DURING THE

NUMBER OF SHARES	AGGREGATE AMOUNT	NUMBER OF SHARES	AGGREGATE AMOUNT	PAID-IN CAPITAL	DEVELOPMENT STAGE
--	$ --	--	$ --	$ (28,000)	$ --
250,000	250,000	--	--	670,850	--
--	--	--	--	--	(607,688)
250,000	250,000	--	--	642,850	(607,688)
--	--	--	--	--	(2,429,953)
--	--	--	--	2,340,000	--
--	--	--	--	--	--
250,000	250,000	--	--	2,982,850	(3,037,641)
--	--	200,633	200,633	6,882,502	--
--	--	--	--	--	(3,057,254)
--	--	--	--	--	--
250,000	250,000	200,633	200,633	9,865,352	(6,094,895)
--	--	--	--	9,749,870	--
(250,000)	(250,000)	--	--	237,500	--
--	--	(200,633)	(200,633)	190,601	--
--	--	--	--	93,759	--
--	--	--	--	4,976,855	--
--	--	--	--	2,488,356	--
--	--	--	--	7,443,118	--
--	--	--	--	--	(791,206)
--	--	--	--	683,040	--
--	--	--	--	--	--
--	--	--	--	35,728,451	(6,886,101)
--	--	--	--	--	(3,490,394)
--	--	--	--	699,163	--
--	--	--	--	--	--
--	--	--	--	36,427,614	(10,376,495)
--	--	--	--	--	(5,579,872)
--	--	--	--	--	--
--	--	--	--	36,427,614	(15,956,367)
--	--	--	--	503,100	--
--	--	--	--	--	(7,006,495)
--	--	--	--	--	--
--	--	--	--	36,930,714	(22,962,862)
--	--	--	--	106,890	--
--	--	--	--	5,663,710	--
--	--	--	--	--	(8,066,609)
--	--	--	--	--	--

--	$ --	--	$ --	$42,701,314	$(31,029,471)	

NORTHFIELD LABORATORIES INC.
(a company in the development stage)

Statements of Shareholders' Equity (Deficit)

Three months ended August 31, 2003 and for the period
from June 19, 1985 (inception) through August 31, 2003

	PREFERRED STOCK	
	NUMBER OF SHARES	AGGREG AMOU
Net loss	--	$ --
Issuance of common stock at $6.50 per share on May 26, 1994 (net of costs of issuance of $2,06,149)	--	--
Cancellation of stock options	--	--
Amortization of deferred compensation	--	--
Balance at May 31, 1994	--	--
Net loss	--	--
Issuance of common stock at $6.50 per share on June 20, 1994 (net of issuance costs of $172,500)	--	--
Exercise of stock options at $7.14 per share	--	--
Exercise of stock options at $2.00 per share	--	--
Cancellation of stock options	--	--
Amortization of deferred compensation	--	--
Balance at May 31, 1995	--	--
Net loss	--	--
Issuance of common stock at $17.75 per share on August 9, 1995 (net of issuance costs of $3,565,125)	--	--
Issuance of common stock at $17.75 per share on September 11, 1995 (net of issuance costs of $423,238)	--	--
Exercise of stock options at $2.00 per share	--	--
Exercise of stock options at $6.38 per share	--	--
Exercise of stock options at $7.14 per share	--	--
Cancellation of stock options	--	--
Amortization of deferred compensation	--	--
Balance at May 31, 1996	--	--
Net loss	--	--
Exercise of stock options at $0.20 per share	--	--
Exercise of stock options at $2.00 per share	--	--
Exercise of stock options at $7.14 per share	--	--
Amortization of deferred compensation	--	--
Balance at May 31, 1997	--	--

Net loss	--	--
Exercise of stock options at $7.14 per share	--	--
Amortization of deferred compensation	--	--
Balance at May 31, 1998	--	--
Net loss	--	--
Non-cash compensation	--	--
Exercise of stock options at $7.14 per share	--	--
Exercise of stock warrants at $8.00 per share	--	--
Balance at May 31, 1999	--	--
Net loss	--	--
Non-cash compensation	--	--
Exercise of stock options at $13.38 per share	--	--
Balance at May 31, 2000	--	--
Net loss	--	--
Non-cash compensation	--	--
Exercise of stock options at $6.38 per share	--	--
Exercise of stock options at $10.81 per share	--	--
Balance at May 31, 2001	--	--
Net loss	--	--
Balance at May 31, 2002	--	--
Net loss	--	--
Balance at May 31, 2003	--	--
Issuance of common stock at $5.60 per share on July 28, 2003 (net of costs of issuance of $909,229)	--	--
Net loss	--	--
Balance at August 31, 2003	--	$ --

See accompanying notes to financial statements.

SERIES A CONVERTIBLE PREFERRED STOCK		SERIES B CONVERTIBLE PREFERRED STOCK				
NUMBER OF SHARES	AGGREGATE AMOUNT	NUMBER OF SHARES	AGGREGATE AMOUNT	ADDITIONAL PAID-IN CAPITAL	DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	C
--	$ --	--	$ --	$ --	(7,363,810)	$

--	--	--	--	14,163,851	--	
--	--	--	--	(85,400)	--	
--	--	--	--	--	--	
--	--	--	--	56,779,765	(38,393,281)	
--	--	--	--	--	(7,439,013)	
--	--	--	--	2,261,250	--	
--	--	--	--	71,300	--	
--	--	--	--	373,264	--	
--	--	--	--	(106,750)	--	
--	--	--	--	--	--	
--	--	--	--	59,378,829	(45,832,294)	
--	--	--	--	--	(4,778,875)	
--	--	--	--	48,324,374	--	
--	--	--	--	7,360,187	--	
--	--	--	--	362,937	--	
--	--	--	--	9,555	--	
--	--	--	--	71,300	--	
--	--	--	--	(80,062)	--	
--	--	--	--	--	--	
--	--	--	--	115,427,120	(50,611,169)	
--	--	--	--	--	(4,245,693)	
--	--	--	--	50,025	--	
--	--	--	--	463,540	--	
--	--	--	--	71,300	--	
--	--	--	--	--	--	
--	--	--	--	116,011,985	(54,856,862)	
--	--	--	--	--	(5,883,378)	
--	--	--	--	35,650	--	
--	--	--	--	--	--	
--	--	--	--	116,047,635	(60,740,240)	
--	--	--	--	--	(7,416,333)	
--	--	--	--	14,354	--	
--	--	--	--	124,775	--	
--	--	--	--	998,750	--	
--	--	--	--	117,185,514	(68,156,573)	
--	--	--	--	--	(9,167,070)	
--	--	--	--	57,112	--	
--	--	--	--	33,425	--	
--	--	--	--	117,276,051	(77,323,643)	
--	--	--	--	--	(10,174,609)	
--	--	--	--	--	--	
--	--	--	--	38,220	--	
--	--	--	--	189,000	--	

--	--	--	--	117,503,271	(87,498,252)	
--	--	--	--	--	(10,717,360)	
--	--	--	--	117,503,271	(98,215,612)	
--	--	--	--	--	(12,250,145)	
--	--	--	--	117,503,271	(110,465,757)	
--	--	--	--	9,671,843	--	
--	--	--	--	--	(2,933,375)	
--	$ --	--	$ --	$127,175,114	(113,399,132)	$

NORTHFIELD LABORATORIES INC.
(a company in the development stage)

Statements of Cash Flows

Three months ended August 31, 2003
and 2002 and for the period from
June 19, 1985
(inception) through August 31, 2003

	THREE MONTHS ENDED AUGU	
	2003	20
Cash flows from operating activities:		
Net loss	$ (2,933,375)	(2,8
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	169,962	2
Non-cash compensation	--	
Loss on sale of equipment	--	
Changes in assets and liabilities:		
Prepaid expenses	70,787	
Other current assets	--	
Other assets	(17,800)	
Accounts payable	(971,368)	(5
Accrued expenses	(31,529)	
Accrued compensation and benefits	(41,864)	(
Other liabilities	93,188	
Net cash used in operating activities	(3,661,999)	(3,1

Cash flows from investing activities:		
Purchase of property, plant, equipment, and capitalized engineering costs	(7,821)	(
Proceeds from sale of land and equipment	--	
Proceeds from matured marketable securities	2,000,000	
Proceeds from sale of marketable securities	--	
Purchase of marketable securities	--	(1,9
Net cash provided by (used in) investing activities	1,992,179	(2,0
Cash flows from financing activities:		
Proceeds from issuance of common stock	10,600,000	
Payment of common stock issuance costs	(909,229)	
Proceeds from issuance of preferred stock	--	
Proceeds from sale of stock options to purchase common shares	--	
Proceeds from issuance of notes payable	--	
Repayment of notes payable	--	
Net cash provided by financing activities	9,690,771	
Net (decrease) increase in cash	8,020,951	(5,1
Cash at beginning of period	4,897,962	17,6
Cash at end of period	$ 12,918,913	12,5

See accompanying notes to financial statements.

NORTHFIELD LABORATORIES INC.

(A COMPANY IN THE DEVELOPMENT STAGE)

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2003

(1) BASIS OF PRESENTATION

The interim financial statements presented are unaudited but, in the opinion of management, have been prepared in conformity with accounting principles generally accepted in the United States of America applied on a basis consistent with those of the annual financial statements. Such interim financial statements reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the financial position and the results of operations for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the year ending May 31, 2004. The interim financial statements should be read in connection with the audited financial

statements for the year ended May 31, 2003.

(2) COMPUTATION OF NET LOSS PER SHARE

Basic earnings per share is based on the weighted average number of shares outstanding and excludes the dilutive effect of unexercised common stock equivalents. Diluted earnings per share is based on the weighted average number of shares outstanding and includes the dilutive effect of unexercised common stock equivalents. Because the Company reported a net loss for all periods presented, basic and diluted per share amounts are the same.

(3) GOING CONCERN UNCERTAINTY

The financial statements of the Company have been presented based on the assumption that the Company will continue as a going concern. The Company, however, may not be able to continue as going concern because it expects to experience significant future losses and currently has insufficient capital resources to fund its continuing operations. The Company believes its existing capital resources will be adequate to satisfy its operating capital requirements and maintain its existing manufacturing plant and office facilities for 6-9 months. In addition, the Company expects its existing capital resources will be sufficient to support expenditures incurred in connection with the Company's planned Phase III clinical trials during this period. Thereafter, the Company will require substantial additional funding to continue its operations and complete its planned clinical trials.

The Company raised $10,600,000 in gross proceeds through an offering of its common stock in July 2003. The Company may issue additional equity or debt securities or enter into collaborative arrangements with strategic partners, which could provide the Company with additional funding or absorb expenses the Company would otherwise be required to pay. The Company is also pursuing potential sources of government funding. Any one or a combination of these sources may be utilized to raise additional capital. We believe our ability to raise additional capital will depend primarily on the progress we make toward the commercialization of our potential product, PolyHeme(R) as well as general conditions in the business and financial markets. There can be no assurance that the Company will be successful in raising additional capital. The Company's inability to raise sufficient levels of capital could materially delay or prevent the commercialization of its PolyHeme blood substitute product and could result in the cessation of the Company's business. The financial statements do not include any adjustments that might result from the outcome of this uncertainty business. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(4) ASSET RETIREMENT OBLIGATIONS

The Company adopted Statement of Financial Accounting Standards SFAS No. 143 - ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS as of June 1, 2003. The cumulative effect of the change in accounting principle upon implementation was to recognize a net asset of $17,800, an increase in liabilities of $92,721, and an increase in net loss of $74,921, or $0.01 per share.

The obligation relates to the restoration of a leased manufacturing facility to its original condition. A liability of $100,000 had been recorded in a prior period.

The Company's asset retirement obligation is included in other liabilities. The balance and changes thereto are summarized below:

	Quarter Ended August 31, 2003
Obligation at May 31, 2003	$ 192,721
Accretion	4,336
Obligation at August 31, 2003	$ 197,057

If the change in accounting had been applied retroactively, the Company's pro forma net loss for the three months ended August 31, 2002 and for the period from June 19, 1985 (inception) through August 31, 2002 would have been $2,938,439 and $101,154,051. The Company's pro forma liability at August 31, 2002 would have been $180,780.

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

As of August 31, 2003, Northfield Laboratories Inc. ("Northfield") had available cash balances of $12,919,000. We forecast that this level of cash will be sufficient to fund current operations from August 31, 2003 and for the ramp-up of our phase III clinical trials for 6-9 months. To fund planned operations from August 31, 2003 for the next 12 months would require Northfield to raise approximately an additional $6,000,000. We forecast a need to raise approximately $25,000,000 in total to fund operations through the completion of our Phase III clinical trials.

During the first quarter of the current fiscal year we raised $10,600,000 in gross proceeds through the sale of common shares from a shelf registration statement allowing the Company to issue up to $50,000,000 in securities. We may issue additional equity, debt securities, or utilize other financing vehicles to provide additional capital. We believe our ability to raise additional capital will depend primarily on the progress we make toward the commercialization of our potential product, PolyHeme(R), as well as general conditions in the business and financial markets. Our inability to raise sufficient levels of capital would severely impair our current operations and raise significant doubt about Northfield's ability to continue as a going concern.

Since Northfield's incorporation in 1985, we have devoted substantially all of our efforts and resources to the research, development and clinical testing of our potential product, PolyHeme. We have incurred operating losses during each year of our operations since inception and expect to incur substantial additional operating losses for

the next several years. From Northfield's inception through August 31, 2003, we have incurred operating losses totaling $113,399,000.

We will be required to complete our planned Phase III clinical trials to obtain FDA regulatory approval before PolyHeme can be sold commercially. The FDA regulatory process is subject to significant risks and uncertainties, including those described under "Risk Factors" found in our Annual Form 10-K filing. We therefore cannot at this time reasonably estimate the timing of any future revenues from commercial sale of PolyHeme.

Our success will depend on several factors, including our ability to obtain FDA regulatory approval of PolyHeme and our manufacturing facilities, our ability to obtain sufficient quantities of blood to manufacture PolyHeme in commercial quantities, our ability to manufacture and distribute PolyHeme in a cost-effective manner, our ability to enforce our patent positions and raise sufficient capital to fund these activities. We have experienced significant delays in the development and clinical testing of PolyHeme. We cannot ensure that we will be able to achieve these goals or that we will be able to realize product revenues or profitability on a sustained basis or at all.

RESULTS OF OPERATIONS

We reported no revenues for either of the three-month periods ended August 31, 2003 or 2002. From Northfield's inception through August 31, 2003, we have reported total revenues of $3,000,000, all of which were derived from licensing fees.

OPERATING EXPENSES

Operating expenses for our first fiscal quarter ended August 31, 2003 totaled $2,882,000, a decrease of $73,000 from the $2,955,000 reported in the first quarter of fiscal 2003. Measured on a percentage basis, operating expenses in the first quarter of fiscal 2003 decreased by 2.5%. The difference was due to lower costs for professional services, which are recorded as a general and administrative expense, and were offset by increased costs associated with our current clinical trials.

Research and development expenses for the first quarter of fiscal 2004 totaled $2,199,000, a increase of $173,000, or 8.5%, from the $2,026,000 reported in the first quarter of fiscal 2003. Higher expenses were recognized during the first quarter of fiscal 2004 related to start-up costs for our phase III pre-hospital trauma clinical trial.

We anticipate that research and development expenses will increase significantly during the remainder of our fiscal year. From current levels, additional costs are being planned for community disclosure, multi-center site participation, clinical monitoring,

database preparation, biostatistical analysis, independent safety appraisal and project management.

General and administrative expenses in the first quarter of fiscal 2004 totaled $683,000 compared to expenses of $929,000 in the first quarter of 2003, representing a decrease of $246,000, or 26.5%. This decrease was due to lower professional service fees.

INTEREST INCOME

Interest income in the first quarter of fiscal 2004 totaled $23,000, or a $54,000 decrease from the $77,000 in interest income reported in the first quarter of fiscal 2003. Lower investment balances accounted for the decrease in interest income. In the absence of a significant cash infusion, interest income will continue to be below prior year levels.

NET LOSS

The net loss for the first quarter ended August 31, 2003 was $2,933,000, or $0.20 per share, compared to a net loss of $2,878,000, or $0.20 per share, for the first quarter ended August 31, 2002. The $55,000 increased net loss in the current quarter compared to the first quarter of the prior year was mitigated by the additional shares outstanding in the current year and resulted in the net loss for both quarters to be $0.20 per share.

LIQUIDITY AND CAPITAL RESOURCES

From Northfield's inception through August 31, 2003, we have used cash for operating activities and for the purchase of property, plant, equipment and engineering services in the amount of $112,806,000. For the three-month periods ended August 31, 2003 and 2002, these cash expenditures totaled $3,670,000 and $ 3,176,000, respectively. The increased cash outlay for the first quarter of fiscal 2004 compared to the comparable prior year period, in spite of similar losses, is the result of a higher level of accounts payable pay down in the current year.

We have financed our research and development and other activities to date through the public and private sale of equity securities and, to a more limited extent, through the license of product rights. In July 2003, we sold 1,892,857 shares of our common stock in an offering transaction that generated gross proceeds before expenses of $10,600,000. Net proceeds from this offering were approximately $9.7 million. As of August 31, 2003, we had cash and marketable securities totaling $12,919,000.

We believe our existing capital resources will be adequate to satisfy our operating capital requirements and maintain our existing manufacturing plant and office facilities for the next 6-9 months. In addition, our existing capital resources are expected to be sufficient to support expenditures incurred in connection with our planned Phase III clinical trials during this period. Thereafter, we will require substantial additional funding to continue our operations and complete our planned clinical trials.

We may issue additional equity or debt securities or enter into collaborative arrangements with strategic partners, which could provide us with additional funding or absorb expenses we would otherwise be required to pay. We are also pursuing potential sources of government funding. Any one or a combination of these sources may be utilized to raise additional capital. We

believe our ability to raise additional capital will depend primarily on the progress we make toward the commercialization of our potential product, PolyHeme(R), as well as general conditions in the business and financial markets. Our inability to raise sufficient levels of capital could materially delay or prevent the commercialization of PolyHeme, even if it is approved by FDA. We cannot ensure that we will be able to achieve product revenues or profitability on a sustained basis or at all.

Our capital requirements may vary materially from those now anticipated because of the timing and results of our clinical testing of PolyHeme, the establishment of relationships with strategic partners, changes in the scale, timing or cost of our commercial manufacturing facility, competitive and technological advances, the FDA regulatory process, changes in our marketing and distribution strategy and other factors.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported therein. We believe the following critical accounting policy reflects our more significant judgments and estimates used in the preparation of our consolidated financial statements.

NET DEFERRED TAX ASSETS VALUATION

We record our net deferred tax assets in the amount that we expect to realize based on projected future taxable income. In assessing the appropriateness of our valuation, assumptions and estimates are required, such as Northfield's ability to generate future taxable income. In the event we were to determine that it was more likely than not we would be able to realize our deferred tax assets in the future in excess of their carrying value, an adjustment to recognize the deferred tax assets would increase income in the period such determination was made. As of August 31, 2003, we have recorded a 100% percent valuation allowance against our net deferred tax assets.

CONTRACTUAL OBLIGATIONS

The following table reflects a summary of our contractual cash obligations as of August 31, 2003:

CONTRACTUAL CASH OBLIGATIONS	TOTAL	LESS THAN ONE YEAR	1-3 YEARS	4-5 YEAR
Lease Obligations(1)	$3,458,374	859,564	1,546,966	1,051,
Other Obligations (2)	1,184,725	888,544	296,181	
Total Contractual Cash Obligations	$4,643,099	1,748,108	1,843,147	1,051,

(1) The lease for our Evanston headquarters is cancelable with six months notice combined with a termination payment equal to six months base rent and six months of additional rental payments. If the lease were terminated today, the termination payment would be $315,530. The Mt.

Prospect lease has been renewed through August 2009.

(2) Includes payments required under employment agreements for Steven A. Gould, M.D. and Jack J. Kogut and obligations under a consulting agreement.

RECENT ACCOUNTING PRONOUNCEMENTS

In August 2001, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and for the associated asset retirement costs. FASB Statement No. 143 requires an enterprise to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The enterprise also is to record a corresponding increase to the carrying amount of the related long-lived asset (i.e., the associated asset retirement costs) and to depreciate that cost over the life of the asset. The liability is changed at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the initial fair value measurement. The Company adopted this standard as of June 1, 2003. Upon adoption, the cumulative effect of the change in accounting principle was to recognize a net asset of $17,800, an increase in liabilities of $92,721 and an increase in net loss of $74,921, or $.01 per share.

On May 15, 2003 the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). The provisions of the Statement change the classification of certain freestanding financial instruments that are now classified as equity. Generally, the Statement is effective for financial instrument arrangements entered into or modified after May 31, 2003. The adoption of SFAS 150 did not have a material effect on the financial position, results of operations, or cash flows of the Company.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

The Company currently does not have any foreign currency exchange risk. The Company invests its cash and cash equivalents in government securities, certificates of deposit and money market funds. These investments are subject to interest rate risk. However, due to the nature of the Company's short-term investments, it believes that the financial market risk exposure is not material. A one percentage point decrease on an investment balance of $12.9 million would decrease interest income by $129,000 on an annual basis.

ITEM 4. CONTROLS AND PROCEDURES.

Based on their evaluation as of the end of the period covered by this report, our Chief Executive Officer and Senior Vice President and Chief Financial Officer have concluded that Northfield's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities

Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

a)

Exhibit 10.18 - Fourth Amendment to Lease dated September 22, 2003 between the Registrant and First Industrial, LP

Exhibit 15 - Acknowledgment of Independent Certified Public Accountants

Exhibit 31.1 - Certification of Steven A. Gould, M.D., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 - Certification of Jack J. Kogut, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 - Certification of Steven A. Gould, M.D., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.2 - Certification of Jack J. Kogut, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

b) On July 23, 2003 the Registrant filed Form 8-K relating to a registered direct offering registered on Form S-3.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company in the capacities indicated on October 20, 2003.

SIGNATURE	TITLE
/s/ Steven A. Gould, M.D. ----------	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
Steven A. Gould, M.D.	

/s/ Jack J. Kogut --- Jack J. Kogut	Sr. Vice President and Chief Financial Officer