

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

For the Quarter Ended
June 30, 2002

Commission File No. 0-23047

SIGA Technologies, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3864870
(IRS Employer Id. No.)

420 Lexington Avenue, Suite 620
New York, NY
(Address of principal executive offices)

10170
(zip code)

Registrant's telephone number, including area code: (212) 672-9100

Securities registered pursuant to Section 12(b) of the Act:

None
(Title of Class)

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.0001 par value
(Title of Class)

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 [].

As of August 12, 2002 the registrant had outstanding 10,140,053 shares of Common Stock.

SIGA TECHNOLOGIES INC.
(A development stage company)

UNAUDITED BALANCE SHEET

	June 30, 2002	December 31, 2001
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ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,844,188	\$ 3,148,160
Accounts receivable	156,148	55,000
Prepaid expenses	92,542	153,416
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Total current assets	2,092,878	3,356,576
Equipment, net	581,650	703,239
Other assets	131,021	147,873
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Total assets	\$ 2,805,549	\$ 4,207,688
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 626,604	\$ 210,391
Accrued expenses	144,511	263,616
Capital lease obligations	92,657	192,196
Deferred Revenue	900	--
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Total current liabilities	864,672	666,203
Commitments and contingencies	--	--
Stockholders' equity		
Preferred stock (\$.0001 par value, 10,000,000 shares authorized, 379,294 and 379,294 issued and outstanding at June 30, 2002 and December 31, 2001, respectively)	398,441	398,441
Common stock (\$.0001 par value, 25,000,000 shares authorized, 10,140,053 and 10,139,553 issued and outstanding at June 30, 2002 and December 31, 2001, respectively)	1,017	1,016
Additional paid-in capital	29,387,238	29,348,786
Deferred Compensation	(10,961)	(35,583)
Deficit accumulated during the development stage	(27,834,858)	(26,171,175)
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Total stockholders' equity	1,940,877	3,541,485
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Total liabilities and stockholders' equity	\$ 2,805,549	\$ 4,207,688

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The accompanying notes are an integral part of these financial statements

SIGA TECHNOLOGIES INC.
(A development stage company)

UNAUDITED STATEMENT OF OPERATIONS

	Three months ended June 30,		Six months ended June 30,		For The Period December 28, 1995 (Date of Inception) to June 30, 2002
	2002	2001	2002	2001	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues					
Research and Development Contracts	\$ 139,319	\$ 682,500	\$ 139,319	\$ 987,000	\$ 3,426,500
Operating expenses					
General and administrative	668,162	635,245	1,008,760	700,600	16,392,205
Research and development	413,630	428,937	770,603	859,547	12,779,678
Patent preparation fees	18,169	63,317	45,414	80,938	1,400,169
Total operating expenses	1,099,961	1,127,499	1,824,777	1,641,085	30,572,052
Operating loss	(960,642)	(444,999)	(1,685,458)	(654,085)	(27,145,552)
Interest income/(expense)	9,255	(74,660)	21,775	(233,765)	(325,269)
Loss on impairment of investment	--	--	--	--	(430,697)
Other Income/Gain on sale of securities	--	--	--	--	66,660
Net loss	\$ (951,387)	\$ (519,659)	\$ (1,663,683)	\$ (887,850)	\$(27,834,858)
Weighted average shares outstanding: basic and diluted	10,140,053	7,807,470	10,083,998	7,668,049	
Net Loss per Share: basic and diluted	\$ (0.09)	\$ (0.07)	\$ (0.16)	\$ (0.12)	

The accompanying notes are an integral part of these financial statements

SIGA TECHNOLOGIES INC.
(A development stage company)

UNAUDITED STATEMENT OF CASH FLOWS

	Six months ended June 30, 2002 2002		For The Period December 28, 1995 (Date of Inception) to June 30, 2002
	2001		2002
Cash flows from operating activities:			
Net loss	\$(1,663,683)	\$ (887,850)	\$(27,834,858)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	156,446	154,924	1,431,795
Stock, options & warrant compensation	62,513	(245,098)	2,938,256
Loss on impairment of investment	--	--	430,697
Loss on write-off of capital equipment	--	--	97,969
Amortization of debt discount	--	220,872	954,705
Purchase of rights to certain technology	--	--	1,457,458
Realized gain on marketable securities	--	--	(66,660)
Non-cash research and development	--	--	500,344
Changes in assets and liabilities:			
Accounts receivable	(101,148)	11,488	(156,147)
Prepaid expenses and other current assets	60,874	(160,984)	(92,542)
Other assets	16,852	(3,427)	(131,020)
Accounts payable and accrued expenses	297,108	17,807	784,647
Deferred Revenue	900	(445,000)	900
Accrued Interest	--	20,391	100,672
Net cash used in operating activities	(1,170,138)	(1,316,877)	(19,583,784)
Cash flows from investing activities:			
Capital expenditures	(34,857)	--	(2,192,111)
Sale (purchase) of investment securities	--	--	66,660
Investment in Open-I-Media	--	--	(170,000)
Net cash flow used in investing activities	(34,857)	--	(2,295,451)
Cash flows from financing activities:			
Net proceeds from issuance of common stock	--	850,003	21,720,026
Receipts of stock subscriptions outstanding	--	--	1,248
Gross proceeds from sale of convertible debentures	--	--	1,500,000
Proceeds from exercise of options	562	97,459	409,818
Net proceeds from sale of warrants	--	--	52,174
Convertible debentures and warrants issuance costs	--	--	(52,500)
Proceeds from bridge notes	--	--	1,000,000
Repayment of bridge notes	--	--	(1,000,000)
Proceeds from sale & leaseback of equipment	--	--	1,139,085
Principal payments on capital lease obligations	(99,539)	(153,742)	(1,046,428)
Net cash provided from financing activities	(98,977)	793,720	23,723,423
Net increase in cash and cash equivalents	(1,303,972)	(523,157)	1,844,188
Cash and cash equivalents at beginning of period	3,148,160	1,707,385	--
Cash and cash equivalents at end of period	\$ 1,844,188	\$ 1,184,228	\$ 1,844,188

The accompanying notes are an integral part of these financial statements

1. Basis of Presentation

The financial statements of SIGA Technologies, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and the rules of the Securities and Exchange Commission (the "SEC") for quarterly reports on forms 10-QSB and do not include all of the information and footnote disclosures required by generally accepted accounting principles for complete financial statements. These statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2001, included in the 2001 Form 10-KSB.

In the opinion of management, the accompanying unaudited financial statements include all adjustments, consisting of normal adjustments, necessary for a fair presentation of the results of operations for the interim periods. The results of operations for the three and six months ended June 30, 2002 are not necessarily indicative of the results of operations to be expected for the full year ending December 31, 2002.

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. Management believes that current resources will be sufficient to support its planned operations through the first quarter of 2003. The Company does not have commercial biomedical products, and does not expect to have such for several years, if at all. The Company believes that it will need additional funds to complete the development of its biomedical products.

2. License and Research Support Agreement

In May, 2002, the Company was awarded a Phase II Small Business Innovation Research (SBIR) grants from the National Institutes for Health in the amount \$865,000. The grant is for a three-year period, and will support the Company's antibiotic and vaccine development programs. During the three months ended June 30, 2002, the Company recorded revenue in the amount of \$60,219 relating to the grant.

3. New Accounting Pronouncements

In July 2002, SFAS 146, Accounting for Costs Associates with Exit or Disposal Activities, was issued. SFAS 146 addresses the recognition, measurement and reporting of costs associated with exit or disposal activities, that are currently accounted for pursuant to EITF Issue No. 94-3, Liabilities Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. Under SFAS No. 146, such liabilities, with the exception of certain one-time termination benefits, will be recognized and measured initially at their fair value in the period in which the liability is incurred. SFAS No. 146 is effective for the fiscal years beginning after December 31, 2002.

Management's Discussion and Analysis of Financial Condition and Result of Operations

The following discussion should be read in conjunction with our financial statements and notes to those statements and other financial information appearing elsewhere in this Quarterly Report. In addition to historical information, the following discussion and other parts of this Quarterly Report contain forward-looking information that involves risks and uncertainties.

Overview

We are a development stage technology company, whose primary focus is in biopharmaceutical product development. Since inception in December 1995 our efforts have been principally devoted to research and development, securing patent protection, obtaining corporate relationships and raising capital. Since inception through June 30, 2002, we have sustained cumulative net losses of \$27,834,858, including non-cash charges in the amount of \$1,457,458 for the write-off of research and development expenses associated with the acquisition of certain technology rights acquired from a third party in exchange for our common stock. Also included in the cumulative loss to date, are non-cash charges of \$2,938,256 incurred for stock option and warrant compensation expense. Our losses have resulted primarily from expenditures incurred in connection with research and development, patent preparation and prosecution and general and administrative expenses. From inception through June 30, 2002, research and development expenses amounted to \$12,779,678, patent preparation and prosecution expenses totaled \$1,400,169, general and administration expenses amounted to \$16,392,205. From inception through June 30, 2002 revenues from research and development agreements and government grants totaled \$3,426,500.

Since inception, SIGA has had limited resources, has incurred cumulative net operating losses of \$27,834,858 and expects to incur additional losses to perform further research and development activities. We do not have commercial biomedical products, and we do not expect to have such for several years, if at all. We believe that we will need additional funds to complete the development of our biomedical products. Our plans with regard to these matters include continued development of our products as well as seeking additional research support funds and financial arrangements. Although we continue to pursue these plans, there is no assurance that we will be successful in obtaining sufficient financing on terms acceptable to us. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management believes it has sufficient funds to support operations through first quarter of 2003. In the event that we are unable to raise additional capital, operations will need to be scaled back or discontinued.

Our biotechnology operations are run out of our research facility in Corvallis, Oregon. We continue to seek to fund a major portion of our ongoing vaccine and antibiotic programs through a combination of government grants and strategic alliances. While we have had success in obtaining strategic alliances and grants, no assurance can be given that we will continue to be successful in obtaining funds from these sources. Until additional relationships are established, we expect to continue to incur significant research and development costs and costs associated with the manufacturing of product for use in clinical trials and pre-clinical testing. It is expected that general and administrative costs, including patent and regulatory costs, necessary to support clinical trials and research and development will continue to be significant in the future.

To date, we have not marketed, or generated revenues from the commercial sale of any products. Our biopharmaceutical product candidates are not expected to be commercially available for several years, if at all. Accordingly, we expect to incur operating losses for the foreseeable future. There can be no assurance that we will ever achieve profitable operations.

In March of 2002, we signed a non-binding letter of intent to acquire all of the outstanding shares of Allergy Therapeutics (Holdings) Limited in a stock-for-stock transaction. In July of 2002 we announced the termination of the letter of intent to acquire all the shares of Holdings due to the unfavorable market conditions that existed at the time of the termination.

Results of Operations

Three Months ended June 30, 2002 and June 30, 2001.

Revenue for the three months ended June 30, 2002 was \$139,319 compared to \$682,500 for the three months ended June 30, 2001, a decrease of approximately 80%. Revenue for the three months ended June 30, 2001 included recognition of \$562,500 received from Wyeth-Ayerst over prior periods that had been recorded as deferred revenue until an amendment to our agreement with Wyeth was signed during the period ended June 30, 2001. Excluding the Wyeth revenue recognition, revenue increased by approximately 16% in the three months ended June 30, 2002 compared to the three-month period of the prior year. Revenue during the three months ended June 30, 2002 consisted primarily of \$75,000 from Oregon State University for completion of work performed under contract to them and revenue from a Small Business Innovation Research (SBIR) grant from the National Institutes of Health (NIH) that we received in June of 2002. The grant is for a total of approximately \$865,000 to support research over a two-year period. Of the total grant, approximately \$521,000 has been allotted for work to be performed in the first twelve months of the grant.

General and administrative expenses for the three months ended June 30, 2002 were \$668,162, a decrease of approximately 5% from the \$635,245 expense incurred for the three months ended June 30, 2001. Expenses for the three months ended June 30, 2001 contained expenses associated with the "change in control" that occurred in April of 2001. These costs were primarily the legal expenses to effect the change as well certain expenses incurred on behalf of the former board and executive management of company. The three months ended June 30, 2002 included high levels of expenses associated with the terminated "letter of intent" to acquire the shares of Allergy Therapeutics Holdings, Ltd., primarily legal and accounting. Payroll expenses were materially lower for the current year period, reflecting the reduction of staffing associated with the "change in control" in the prior year period.

Research and development expenses decreased to \$413,630 for the three months ended June 30, 2002 from \$428,937 for the three months ended June 30, 2001. The approximate 4% decline in expenses, reflects and essentially consistent level of activity in the two periods.

Patent preparation expense of \$18,169 for the three months ended June 30, 2002 was approximately 71% lower than the \$63,317 incurred for the three months ended June 30, 2001. The three months ended June 30, 2001 included payments to UCLA for patent costs incurred under our agreement with the university, no similar costs were incurred in the current year period.

Net interest income was \$9,255 for the three months ended June 30, 2002 compared to net interest expense of \$74,660 for the three months ended June 30, 2001. The improvement in net interest was the result of the conversion of the remainder of the \$1,500,000 principle amount of the 6% convertible debenture and accrued interest into equity in the second half of 2001.

Net loss for the three months ended June 30, 2002 was \$951,387, an approximate 83% increase from the \$519,659 loss for the three months ended June 30, 2001. The increase in the loss was the result of the recognition of \$562,500 of revenue for the three months ended June 30, 2001 that had been recorded as deferred income pending the completion of the Wyeth-Ayerst contract extension.

Six Months ended June 30, 2002 and June 30, 2001.

Revenue for the six months ended June 30, 2002 was \$139,319, a decrease of approximately 86% from revenue of \$987,000 for the six months ended June 30, 2001. Revenue for the six months ended June 30, 2001 included recognition of \$562,500 received from Wyeth-Ayerst over prior periods that had been recorded as deferred revenue until an amendment to our agreement with Wyeth was signed during the period ended June 30, 2001. In addition, we also received a milestone payment from Wyeth-Ayerst. No payments were received from them in the current six-month period.

General and administrative expenses for the six months ended June 30, 2002 were \$1,008,760 compared to expenses of \$700,600 for the six months ended June 30, 2001, an increase of approximately 43%. The increase is primarily the result of a non-cash credit for \$534,885 recognized during the six months ended June 30, 2001 to account for the cancellation of certain vested warrants granted to a consultant upon termination of its consulting agreement. Excluding the non-cash credit, general and administrative expenses declined approximately 18% in the six months ended June 30, 2002. The decrease was primarily the result of lower salary expense compared to the prior year period.

Research and development expenses decreased to \$770,603 for the six months ended June 30, 2002 from \$859,547 for the six months ended June 30, 2001. The approximate 10% decline in expenses was the result of lower expenses for payroll, supplies and sponsored research.

Patent preparation expense for the six months ended June 30, 2002 was \$45,414 compared to \$80,938 for the six months ended June 30, 2001, a decrease of approximately 44%. The six months ended June 30, 2001 included payments to UCLA for patent costs incurred under our agreement with the university, no similar costs were incurred in the current year period.

Net interest income was \$21,775 for the six months ended June 30, 2002 compared to net interest expense of \$233,765 for the six months ended June 30, 2001. The improvement in net interest was the result of the conversion of the remainder of the \$1,500,000 principle amount of the 6% convertible debenture and accrued interest into equity in the second half of 2001.

Net loss for the six months ended June 30, 2002 was \$1,663,683, compared to a loss of \$887,850 for the six months ended June 30, 2001. The approximate 87% increase from the prior year period was largely the result of the recognition of \$562,500 of revenue that had been recorded as deferred income pending the completion of the Wyeth-Ayerst contract amendment and the recognition of a non-cash credit of \$534,885 to account for the cancellation of certain vested warrants to a consultant as described above.

Liquidity and Capital Resources

As of June 30, 2002 we had \$1,844,188 in cash and cash equivalents.

In March of 2002, we signed a non-binding letter of intent to acquire all the outstanding shares of Allergy Therapeutics (Holdings) Limited in a stock-for-stock transaction. In July of 2002 the letter of intent was terminated due to changes in market conditions. We incurred approximately \$550,000 of expenses in connection with this contemplated transaction.

In June of 2002 we received a Small Business Innovation Research (SBIR) grant from the National Institutes of Health (NIH). The grant is for a total of approximately \$865,000 to support research over a two-year period. Of the total grant, approximately \$521,000 has been allotted for work to be performed in the first twelve months of the grant. During the three months ended June 30, 2002, we recorded revenue in the amount of \$60,219 relating to the grant.

We anticipate that our current resources and the funding available through the SBIR grant will be sufficient to finance our currently anticipated needs for operating and capital expenditures through the first quarter of 2003. In addition, we will attempt to generate additional working capital through a combination of collaborative agreements, strategic alliances, research grants, equity and debt financing. However, no assurance can be provided that additional capital will be obtained through these sources or, if obtained, will be on commercially reasonable terms. In the event we are unable to raise additional capital, operations will need to be scaled back or discontinued.

Our working capital and capital requirements will depend upon numerous factors, including pharmaceutical research and development programs; pre-clinical and clinical testing; timing and cost of obtaining regulatory approvals; levels of resources that we devote to the development of manufacturing and marketing capabilities; technological advances; status of competitors; and our ability to establish collaborative arrangements with other organizations.

Part II
Other information

Item 1. Legal Proceedings - SIGA is not a party, nor is its property the subject of, any legal proceedings other than routine litigation incidental to its business.

Item 2. Changes in Securities and Use of Proceeds - None

Item 3. Defaults upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - None

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K - None

Item 7. Exhibit 99.1 - Certification of Acting Chief Executive Officer.

SIGNATURES

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

SIGA Technologies, Inc.
(Registrant)

Date: August 14, 2002

By: /s/ Thomas N. Konatich

Thomas N. Konatich
Chief Financial Officer
(Principal Accounting Officer and
Financial Officer and Vice
President, Finance)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SIGA Technologies, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas N. Konatich, acting Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas Konatich

Thomas Konatich
Acting Chief Executive Officer

August 14, 2002