SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

[X] Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2005

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

For the transition period from ____ to ____

Commission file Number 0-16109

A.P. PHARMA, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-2875566
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

123 Saginaw Drive, Redwood City, CA 94063
(Address of principal executive offices)

(650) 366-2626
(Registrant's telephone number, including area code)

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 Act).

Yes X No

At October 31, 2005, the number of outstanding shares of the Company's common stock, par value $.01, was 25,264,453.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements:

A.P. PHARMA, INC.

CONDENSED BALANCE SHEETS (in thousands)

	September 30, 2005 (Unaudited)	December 31, 2004 (Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,281	$ 3,110
Marketable securities	5,810	10,486
Accounts receivable, net	1,413	1,506
Prepaid expenses and other	335	394
Total current assets	9,839	15,496
Property and equipment, net	1,219	1,235
Other long-term assets	174	283
Total assets	$ 11,232	$ 17,014
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 943	$ 697
Accrued research and development project costs	445	1,318
Accrued expenses	888	685
Accrued disposition costs	231	160
Total current liabilities	2,507	2,860
Stockholders' equity:		
Common stock	99,170	98,989
Accumulated deficit	(90,426)	(84,819)
Accumulated other comprehensive loss	(19)	(16)
Total stockholders' equity	8,725	14,154
Total liabilities and stockholders' equity	$ 11,232	$ 17,014

See accompanying notes to condensed financial statements.

A.P. PHARMA, INC.

CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Royalties	$ 1,334	$ 1,258	$ 3,803	$ 3,515
Contract revenues	3	200	144	407
Total revenues	1,337	1,458	3,947	3,922
Operating expenses:				
Research & development	2,306	2,522	7,205	8,440
General & administrative	868	894	2,540	2,460
Total operating expenses	3,174	3,416	9,745	10,900
Operating loss	(1,837)	(1,958)	(5,798)	(6,978)
Interest income, net	74	70	221	126
Other income (expense), net	(1)	1	--	23
Loss from continuing operations	(1,764)	(1,887)	(5,577)	(6,829)
Income/Loss from discontinued operations	20	(34)	(30)	(135)
Net loss	$(1,744)	$(1,921)	$(5,607)	$(6,964)
Basic and diluted loss per share:				
Loss from continuing operations	$ (0.07)	$ (0.08)	$ (0.22)	$ (0.31)
Net loss	$ (0.07)	$ (0.08)	$ (0.22)	$ (0.31)
Weighted average common shares outstanding-basic and diluted	25,145	24,936	25,095	22,212

See accompanying notes to condensed financial statements.

A.P. PHARMA, INC.

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands, except for share amounts)

	For the nine months ended September 30,	
	2005	2004
Cash flows from operating activities:		
Net loss	$(5,607)	$(6,964)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from discontinued operations	30	135
Gain/loss on sale of marketable securities	4	(2)
Depreciation and amortization	190	283
Recovery of doubtful accounts and note receivable	--	(10)
Stock and stock option compensation awards to non-employees	89	99
Restricted stock awards	16	--
Amortization of premium/discount and accretion of marketable securities	(42)	(65)
Loss on retirements of property and equipment	--	7
Changes in operating assets and liabilities:		
Accounts receivable	43	8
Prepaid expenses and other current assets	58	(56)
Other long-term assets	112	186
Accounts payable	246	224
Accrued expenses	(670)	214
Deferred revenue	--	(190)
Net cash used in continuing operating activities	(5,531)	(6,131)
Net cash received from discontinued operations	88	70
Cash flows from investing activities:		
Purchases of property and equipment	(173)	(173)
Purchases of marketable securities	(8,101)	(15,922)
Maturities of marketable securities	7,559	--
Sales of marketable securities	5,253	10,779
Net cash (used in) provided by investing activities	4,538	(5,316)
Cash flows from financing activities:		
Proceeds on issuance of common stock, net of issuance costs	--	11,756
Proceeds from the exercise of stock options	22	151
Proceeds from issuance of shares under the Employee Stock Purchase Plan	53	46
Proceeds from issuance of restricted stock	1	--
Net cash proceeds provided by financing activities	76	11,953
Net increase (decrease) in cash and cash equivalents	(829)	576
Cash and cash equivalents, beginning of the period	3,110	97
Cash and cash equivalents, end of the period	$2,281	$ 673

See accompanying notes to condensed financial statements.

A.P. PHARMA, INC.
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NOTES TO CONDENSED FINANCIAL STATEMENTS
- ---------------------------------------
SEPTEMBER 30, 2005 and 2004 (UNAUDITED)
- ---------------------------------------

(1) Basis of Presentation

A.P. Pharma, Inc. (the "Company", "we", "our", or "us") is developing patented polymer-based delivery systems to enhance the safety and effectiveness of pharmaceutical compounds. Projects are currently conducted under feasibility and development arrangements with pharmaceutical and biotechnology companies. New products and technologies under development include bioerodible polymers for injectable and implantable drug delivery.

In the opinion of management, the accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments of a normal recurring nature considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005 or any other period. The condensed balance sheet as of December 31, 2004 has been derived from the audited financial statements as of that date but it does not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. For further information, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2004.

Critical Accounting Policies
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We believe there have been no significant changes in our critical accounting policies during the nine months ended September 30, 2005 compared to those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2004 filed with the SEC on March 15, 2005.

Use of Estimates
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The preparation of our financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Estimates were made relating to useful lives of fixed assets, valuation allowances, impairment of assets and accruals. Actual results could differ materially from those estimates.

Revenue Recognition
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Our revenue arrangements with multiple deliverables are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer and whether there is objective and reliable evidence of the fair value of the undelivered elements. The consideration we receive is allocated among the separate units based on their respective fair values, and the applicable revenue recognition criteria are considered separately for each of the separate units. Advance payments received in excess of amounts earned are classified as deferred revenue until earned.

* Royalties

Royalties from licensees are based on third-party sales of licensed products or technologies and recorded as earned in accordance with contract terms when third-party results can be reliably determined and collectibility is reasonably assured.

Generally, contractually required minimum royalties are recorded ratably throughout the contractual period. Royalties in excess of minimum royalties are recognized as earned when the related product is shipped to the end customer by our licensees based on information provided to us by our licensees.

* License Fees

We have licensing agreements that generally provide for periodic minimum payments, royalties, and/or non-refundable license fees. These licensing agreements typically require a non-refundable license fee and allow our partners to sell our proprietary products in a defined field or territory for a defined period. The license agreements provide for the Company to earn future revenue through royalty payments. These non-refundable license fees are initially reported as deferred revenues and recognized as revenues over the estimated life of the product to which they relate as we have continuing involvement with licensees until the related product is discontinued or the related patents expire, whichever is earlier. Revenue recognized from deferred license fees is classified as license fees in the accompanying statements of operations. License fees received in connection with arrangements where we have no continuing involvement are recognized as license fees when the amounts are received or when collectibility is assured, whichever is earlier. No such fees were recorded during the three or nine months ended September 30, 2005.

A milestone payment is a payment made by a third party or corporate partner to us upon the achievement of a predetermined milestone as defined in a legally binding contract. Milestone payments are recognized as license fees when the milestone event has occurred and we have completed all milestone related services such that the milestone payment is currently due and is non-refundable. No such fees were recorded during the three or nine month periods ended September 30, 2005 and September 30, 2004.

* Contract Revenues

Contract revenues relate to research and development arrangements that generally provide for the company to invoice research and development fees based on full-time equivalent hours for each project. Revenues from these arrangements are recognized as the related development costs are incurred. These revenues approximate the costs incurred.

Cash Equivalents and Short-term Investments

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We consider all short-term investments in debt securities which have original maturities of less than three months at date of purchase to be cash equivalents. Investments which have original maturities of three months or longer are classified as marketable securities in the accompanying balance sheets.

Accrued Disposition Costs

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Costs relating to disposal of discontinued operations are reported as accrued disposition costs in the accompanying balance sheets. Accrued disposition costs include severance costs and gross profit guarantees.

Concentrations of Credit Risk

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Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, short-term investments and trade accounts receivable. We invest excess cash in a variety of high grade short-term, interest-bearing securities. This diversification of risk is consistent with our policy to ensure safety of principal and to maintain liquidity.

Approximately 94% of the receivables were concentrated with two customers in the pharmaceutical industry as of September 30, 2005. To reduce credit risk, we perform ongoing credit evaluations of our customers' financial conditions. We do not generally require collateral for customers with accounts receivable balances.

Segment and Geographic Information

Our operations are confined to a single business segment, the design and commercialization of polymer technologies for pharmaceutical and other applications. Substantially all of our revenues are derived from domestic customers.

Stock-Based Compensation

We have elected to account for stock-based compensation related to employees using the intrinsic value method. Accordingly, except for stock options issued to non-employees and restricted stock awards to employees and directors, no compensation cost has been recognized for our stock option plans and stock purchase plan. Compensation related to options granted to non-employees is periodically remeasured as earned.

In accordance with FAS No. 123, "Accounting for Stock-Based Compensation," as amended by FAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," we have provided below the pro forma disclosures of the effect on net loss and net loss per share as if FAS No. 123 had been applied in measuring compensation expense for all periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net loss, as reported	$(1,744)	$(1,921)	$(5,607)	$(6,964)
Deduct:				
Stock-based employee compensation expense determined under FAS No. 123	(92)	(102)	(251)	(308)
Pro forma net loss	$(1,836)	$(2,023)	$(5,858)	$(7,272)
Basic and diluted net loss per share, as reported	$ (0.07)	$ (0.08)	$ (0.22)	$ (0.31)
Basic and diluted pro forma net loss per share	$ (0.07)	$ (0.08)	$ (0.23)	$ (0.33)

Fair values of awards granted under the stock option plans and employee stock purchase plan were estimated at grant or purchase dates using the Black-Scholes option pricing model. For pro forma disclosure, the estimated fair value of the options is amortized to expense over the vesting period of the options using the straight line method. The multiple option approach is used to value the purchase rights granted under the employee stock purchase plan. We used the following assumptions:

	Three Months Ended September 30,	Nine Months Ended September 30,

	2005	2004	2005	2004
Expected life in years (from vesting date):				
Stock options	5	5	5	5
Employee stock purchase plan	1.5 - 2	1.5 - 2	1.5 - 2	1.5 - 2
Interest rate:				
Stock options	4.2%	3.4%	4%	3.2%
Employee stock purchase plan	2.55%-3.63%	1.47%-2.32%	1.47%-3.63%	1.20%-2.32%
Volatility:				
Stock options	78%	75%	78%	69%
Employee stock purchase plan	84%-94%	65%-68%	59%-94%	65%-69%
Expected dividend yield:	0%	0%	0%	0%

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation. Patent legal expenses in the prior year have been reclassified from research and development expense to general and administrative expense.

(2) Loss Per Share Information

Basic loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding. Because the Company is in a net loss position for the three and nine months ended September 30, 2005 and 2004, diluted earnings per share is also calculated using the weighted average number of common shares outstanding and excludes the effects of options which are antidilutive.

(3) Comprehensive Loss

Comprehensive loss for the three and nine months ended September 30, 2005 and 2004 consists of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net loss	$(1,744)	$(1,921)	$(5,607)	$(6,964)
Unrealized losses on available-for-sale securities	(6)	(5)	(3)	(23)
Comprehensive loss	$(1,750)	$(1,926)	$(5,610)	$(6,987)

(4) Stockholders' Equity

During the nine months ended September 30, 2005, 192,978 shares of common stock were issued primarily through the issuance of restricted stock, the purchase of shares under the Employee Stock Purchase Plan, the exercise of stock options by employees and for the payment of directors' fees.

(5) Discontinued Operations

We completed the sale of certain assets of our Analytical Standards division as well as certain technology rights for our topical pharmaceutical and cosmeceutical product lines and

other assets ("cosmeceutical and toiletry business") in February 2003 and July 2000, respectively.

The Analytical Standards division and cosmeceutical and toiletry business are reported as discontinued operations for all periods presented in the accompanying Condensed Statements of Operations.

Income/loss from discontinued operations represents the income (loss) attributable to our Analytical Standards division that was sold to GFS Chemicals on February 13, 2003, and changes in estimates for our cosmeceutical and toiletry business that was sold to RP Scherer on July 25, 2000, as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
Analytical Standards Division				
Royalties earned in excess of minimum amount recorded	$ 29	$ 1	$ 42	$ 3
Cosmeceutical and Toiletry Business				
Change in estimates for gross profit guarantees	(9)	(35)	(72)	(138)
Total loss from discontinued operations	$ 20	$ (34)	$ (30)	$(135)

Basic and diluted loss per common share from discontinued operations were less than $0.01 per share for the nine months ended September 30, 2005 and 2004, respectively.

Liabilities related to the discontinued operations at September 30, 2005 in the amount of $231,000 include severance costs and accruals for gross profit guarantees. These liabilities are reported as accrued disposition costs in the accompanying balance sheets.

Under the terms of the agreement with RP Scherer, we guaranteed a minimum gross profit percentage on RP Scherer's combined sales of products to Ortho Neutrogena and Dermik ("Gross Profit Guaranty"). The guaranty period commenced on July 1, 2000 and ends on the earlier of July 1, 2010 or the end of two consecutive guaranty periods where the combined gross profit on sales to Ortho and Dermik equals or exceeds the guaranteed gross profit. We expect the annual Gross Profit Guaranty payments to range from approximately $100,000 to $150,000 for the remainder of the guaranty period. As the minimum amount of Gross Profit Guaranty due is based on sales by RP Scherer and can not be estimated, no accrual has been recorded relating to sales in future periods.

Cash provided by discontinued operations primarily relates to royalty payments received from GFS Chemicals for the sale of certain products.

Below is a summary of activity for liabilities related to the discontinued operations for the nine months ended September 30, 2005 (in thousands):

Accrual at December 31, 2004	$160
Additional accrual for gross profit guarantee	72
Payment under severance agreement	(1)

Accrual at September 30, 2005	$231

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (all dollar amounts rounded to the nearest thousand)

Except for statements of historical fact, the statements herein are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made. These include, among others, uncertainty associated with timely development, approval, launch and acceptance of new products, establishment of new corporate alliances, progress in research and development programs, and other risks described below or identified from time to time in our Securities and Exchange Commission filings.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates including those related to the useful lives of fixed assets, valuation allowances, impairment of assets, accrued clinical and preclinical expenses and contingencies. Actual results could differ materially from those estimates.

We believe there have been no significant changes in our critical accounting policies during the nine months ended September 30, 2005 compared to those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2004 filed with the SEC on March 15, 2005. For a description of our critical accounting policies, please refer to our 2004 Annual Report on Form 10-K.

In April 2005, the SEC announced a new rule that amends the compliance dates for Financial Accounting Standards Board's Statement No. 123R ("SFAS 123R") to the beginning of the next fiscal year beginning after June 15, 2005. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first annual period after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. We are required to adopt SFAS 123R in the year beginning January 1, 2006. Under SFAS 123R, we must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include modified - prospective and modified - retroactive adoption options. Under the modified - retroactive option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS 123R, while the retroactive method would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated.

We are evaluating the requirements of SFAS 123R and expect that the adoption of SFAS 123R will have a material impact on our results of operations and earnings per share. We have not yet determined the method of adoption or the effect of adopting SFAS 123R, and have not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS 123.

Results of Operations for the Three and Nine Months Ended September 30, 2005 and 2004

Our revenues are derived principally from royalties and contract revenues. Under strategic alliance arrangements entered into with certain corporations, we can receive non-refundable upfront fees, milestone payments and royalties based on third party product sales.

Royalties for the third quarter of 2005 increased by $76,000 to $1,334,000 from $1,258,000 in the corresponding quarter of the prior

year and increased in the first nine months of 2005 by $288,000 to $3,803,000 from $3,515,000 in the first nine months of 2004. These increases in royalties were due to increased sales of Retin-A Micro(R) and Carac(R) by our marketing partners, Johnson & Johnson and Sanofi-Aventis, respectively. We expect royalty revenue to continue to increase for the remainder of 2005.

Contract revenues, which are derived from work performed under collaborative research and development arrangements, decreased by $197,000 from $200,000 to $3,000 in the third quarter of 2005 and decreased by $263,000 from $407,000 to $144,000 for the first nine months of 2005. The amount of contract revenues varies from period to period depending on the level of activity requested of us by our collaborators. Therefore we can not predict the amount of contract revenues in future periods. In addition, our resources have been focused in 2005 on the development of APF530 for the prevention of chemotherapy-induced nausea and vomiting.

Research and development expense for the third quarter of 2005 decreased by $216,000 from $2,522,000 to $2,306,000 due mainly to expenditures in the year-ago quarter on a Phase 2 study using APF112 for the treatment of post-surgical pain. This trial involved over 100 patients and was completed in the third quarter of 2004. Expenditures during the third quarter of 2005 related to the initiation of a smaller Phase 2 human clinical trial for APF530 involving 45 patients. This study was successfully completed in the third quarter of 2005. Research and development expense for the nine months ended September 30, 2005 decreased by $1,235,000 from $8,440,000 to $7,205,000 due to expenditures in the year-ago period on the larger Phase 2 clinical trial for APF112 for the treatment of post-surgical pain.

General and administrative expense decreased for the third quarter of 2005 by $26,000 from $894,000 to $868,000 and increased for the nine months ended September 30, 2005 by $80,000 from $2,460,000 to $2,540,000 due primarily to consulting fees. We expect general and administrative expense for the fourth quarter of 2005 to remain relatively constant with the first three quarters of the year.

Interest income, net increased for the third quarter of 2005 by $4,000 to $74,000 from $70,000 and for the nine months ended September 30, 2005 by $95,000, from $126,000 to $221,000, due to higher interest rates earned on lower average cash and marketable securities balances.

Loss from discontinued operations represents the net loss attributable to the Analytical Standards division which was sold to GFS Chemicals, Inc. in February 2003 and the cosmeceutical and toiletries business which was sold to RP Scherer Corporation in July 2000. Net income from discontinued operations totaled $20,000 for the three months ended September 30, 2005, compared with a net loss of $34,000 in the three months ended September 30, 2004. For the nine months ended September 30, 2005, net loss from discontinued operations decreased by $105,000 to $30,000 from $135,000 in the comparable period of the prior year.

Capital Resources and Liquidity
- ---

Cash, cash equivalents and marketable securities decreased by $5,505,000 to $8,091,000 at September 30, 2005 from $13,596,000 at December 31, 2004 due to cash used in operating activities.

Net cash used in continuing operating activities for the nine months ended September 30, 2005 and 2004 was $5,531,000 and $6,131,000, respectively. The decrease in net cash used in operating activities from 2004 to 2005 was mainly due to decreased clinical and preclinical study costs.

Net cash provided by investing activities for the nine months ended September 30, 2005 was $4,538,000 compared with net cash used in investing activities of $5,316,000 in the nine months ended September 30, 2004. The increase in the cash provided by investing activities from December 31, 2004 to September 30, 2005 was primarily due to the maturities of $7,559,000 of marketable securities and sales of marketable securities of $5,253,000, partially offset by the purchases of $8,101,000 of marketable securities.

To date, we have financed our operations including technology and product research and development, primarily through royalties

received on sales of Retin-A Micro and Carac, income from collaborative research and development fees, the proceeds received from the sales of our Analytical Standards division and our cosmeceutical and toiletry business, the sale of common stock in June 2004, and interest earned on short-term investments. Our existing cash and cash equivalents, marketable securities, collections of accounts receivable, together with interest income and other revenue-producing activities including royalties, license and option fees and research and development fees, are expected to be sufficient to meet our cash needs through the first quarter of 2006. We are seeking additional financing through collaborative agreements, debt financing, equity financing, the sale of certain assets and technology rights or other arrangements.

Our future capital requirements will depend on numerous factors including, among others, royalties from sales of products of third party licensees; our ability to enter into collaborative research and development and licensing agreements; progress of product candidates in preclinical and clinical trials; investment in new research and development programs; time required to gain regulatory approvals; resources that we devote to self-funded products; potential acquisitions of technology, product candidates or businesses; and the costs of defending or prosecuting any patent opposition or litigation necessary to protect our proprietary technology.

If our capital resources are unable to meet our capital requirements, we will have to raise additional funds. We may be unable to raise sufficient additional capital when we need it or to raise capital on favorable terms. The sale of equity or convertible debt securities in the future may be dilutive to our stockholders, and debt financing arrangements may require us to pledge certain assets and enter into covenants that could restrict certain business activities or our ability to incur further indebtedness and may contain other terms that are not favorable to us or our stockholders. If we are unable to obtain adequate funds on reasonable terms, we may be required to curtail operations significantly or to obtain funds by entering into financing, supply or collaboration agreements on unattractive terms.

Below is a summary of fixed payments related to certain contractual obligations (in thousands). This table excludes amounts already recorded on our balance sheet as current liabilities at September 30, 2005.

	Total	Less than 1 year	2 to 3 years	4 to 5 years	More than 5 years
Operating Leases	$2,613	$473	$947	$983	$210
Total	$2,613	$473	$947	$983	$210

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

Since December 31, 2004, there have been no material changes in the Company's market risk exposure.

ITEM 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures: We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operations of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15(d)-15(e) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2005, the end of period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level to alert them in a timely manner to material information relating to the Company required to be included in our Exchange Act filings.

(b) Changes in internal controls: During the quarter ended September 30, 2005, there have been no significant changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. Exhibits

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Rules 13A-15(e) Promulgated under the Securities Exchange Act of 1934 as amended.

Exhibit 31.2 Certification of Chief Financial Officer pursuant to Rules 13A-15(e) Promulgated under the Securities Exchange Act of 1934 as amended.

Exhibit 32 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

A.P. PHARMA, INC.

Date: November 9, 2005

By: /S/ Michael O'Connell

Michael O'Connell
President and Chief
Executive Officer

Date: November 9, 2005

By: /S/ Gordon Sangster

Gordon Sangster
Chief Financial Officer

Exhibit 31.1

SECTION 302 CERTIFICATIONS

Certifications:

I, Michael O'Connell, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which could be reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

financial reporting.

Date: November 9, 2005

/s/ Michael O'Connell
- ---------------------
Michael O'Connell
President and Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATIONS

Certifications:

I, Gordon Sangster, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which could be reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2005

/s/ Gordon Sangster
- ------------------
Gordon Sangster
Chief Financial Officer

Exhibit 32

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 A.P. Pharma, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael O'Connell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 result of operations of the Company.

/s/ Michael O'Connell
Michael O'Connell,
Chief Executive Officer

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 A.P. Pharma, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gordon Sangster, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 result of operations of the Company.

/s/ Gordon Sangster
Gordon Sangster,
Chief Financial Officer