

CALLISTO PHARMACEUTICALS INC  
Form 10-Q  
August 14, 2006

**UNITED STATES OF AMERICA**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED: JUNE 30, 2006**

**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: 001-32325

**CALLISTO PHARMACEUTICALS, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**13-3894575**

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

**420 Lexington Avenue, Suite 1609, New York, New York**  
(Address of principal executive offices)

**10170**  
(Zip Code)

**(212) 297-0010**

(Registrant's telephone number)

(Former Name, Former Address and Former Fiscal Year, if changed since last report)

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  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated Filer  Accelerated filer  Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of the registrant's shares of common stock outstanding was 38,454,931 as of August 11, 2006.

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CALLISTO PHARMACEUTICALS, INC.

FORM 10-Q

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Signatures

**INTRODUCTORY NOTE**

**This Report on Form 10-Q for Callisto Pharmaceuticals, Inc. ( Callisto or the Company ) may contain forward-looking statements. You can identify these statements by forward-looking words such as may, will, expect, intend, anticipate, believe, estimate and cont similar words. Forward-looking statements include information concerning possible or assumed future business success or financial results. You should read statements that contain these words carefully because they discuss future expectations and plans, which contain projections of future results of operations or financial condition or state other forward-looking information. We believe that it is important to communicate future expectations to investors. However, there may be events in the future that we are not able to accurately predict or control. Accordingly, we do not undertake any obligation to update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.**

**The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties set forth under Risk Factors in our Annual Report on Form 10-K/A for the year ended December 31, 2005 and other periodic reports filed with the SEC. Accordingly, to the extent that this Report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that Callisto s actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements.**

## PART I - FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

## CALLISTO PHARMACEUTICALS, INC.

(A development stage company)

## CONDENSED CONSOLIDATED BALANCE SHEETS

|   | June 30,<br>2006<br>(Unaudited) | December 31,<br>2005 |
|---|---------------------------------|----------------------|
| <b>Assets</b>   |                                 |                      |
| Current assets:   |                                 |                      |
| Cash and cash equivalents   | \$ 728,539                      | \$ 1,420,510         |
| Prepaid expenses  | 189,545                         | 181,284              |
|   | 918,084                         | 1,601,794            |
| Property and equipment net  |                                 |                      |
| Rent deposits   | 7,885                           | 82,196               |
|   | 73,716                          | 82,196               |
|   | \$ 999,685                      | \$ 1,683,990         |
| <b>Liabilities and Stockholders Deficit</b>   |                                 |                      |
| Current liabilities:  |                                 |                      |
| Accounts payable  | \$ 978,090                      | 1,424,612            |
| Accrued expenses  | 733,106                         | 592,297              |
|   | 1,711,196                       | 2,016,909            |
| Stockholders deficit:   |                                 |                      |
| Common stock, par value \$.0001, 100,000,000 shares authorized, 38,454,931 and 33,233,096<br>outstanding at June 30, 2006 and December 31, 2005, respectively | 3,845                           | 3,323                |
| Additional paid-in capital  | 52,216,098                      | 46,387,875           |
| Unamortized deferred stock-based compensation   |                                 | (1,583,463 )         |
| Deficit accumulated during development stage  | (52,931,454 )                   | (45,140,654 )        |
|   | (711,511 )                      | (332,919 )           |
|   | \$ 999,685                      | \$ 1,683,990         |

The accompanying notes are an integral part of these condensed consolidated financial statements.

## CALLISTO PHARMACEUTICALS, INC.

(A development stage company)

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

|   | Three Months Ended June 30, |                 | Six Months Ended June 30, |                 | June 5, 1996                    |
|---|-----------------------------|-----------------|---------------------------|-----------------|---------------------------------|
|   | 2006                        | 2005            | 2006                      | 2005            | (Inception) to<br>June 30, 2006 |
| Revenues                                      | \$                          | \$              | \$                        | \$              | \$                              |
| Costs and expenses:                           |                             |                 |                           |                 |                                 |
| Research and development                      | 1,565,591                   | 1,582,800       | 3,759,430                 | 3,158,568       | 19,765,292                      |
| Government grants                             | (201,155 )                  |                 | (255,422 )                |                 | (747,238 )                      |
| Purchased in process research and development |                             |                 |                           |                 | 6,944,553                       |
| General and administrative                    | 1,457,120                   | 1,092,562       | 3,211,210                 | 2,100,378       | 18,852,075                      |
| Stock based compensation non employees        | 456,201                     | (26,405 )       | 960,248                   | 3,733           | 9,284,818                       |
| Loss from operations                          | (3,277,757 )                | (2,648,957 )    | (7,675,466 )              | (5,262,679 )    | (54,099,500 )                   |
| Interest and investment income                | 19,021                      | 38,280          | 42,101                    | 57,871          | 697,086                         |
| Other income (expense)                        | (157,435 )                  |                 | (157,435 )                |                 | 470,960                         |
| Net loss                                      | \$ (3,416,171 )             | \$ (2,610,677 ) | \$ (7,790,800 )           | \$ (5,204,808 ) | \$ (52,931,454 )                |
| Weighted average shares outstanding:          |                             |                 |                           |                 |                                 |
| basic and diluted                             | 38,216,561                  | 31,228,893      | 37,103,474                | 30,490,517      |                                 |
| Net loss per common share:                    |                             |                 |                           |                 |                                 |
| basic and diluted                             | \$ (\$0.09 )                | \$ (0.08 )      | \$ (\$0.21 )              | \$ (0.17 )      |                                 |

The accompanying notes are an integral part of these condensed consolidated financial statements

## CALLISTO PHARMACEUTICALS, INC.

(A Development Stage Company)

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT)

(Unaudited)

|   | Preferred<br>Shares | Preferred<br>Stock,<br>Par Value | Common<br>Shares | Common<br>Stock,<br>Par Value | Additional<br>Paid<br>in Capital |
|---|---------------------|----------------------------------|------------------|-------------------------------|----------------------------------|
| Balance at inception, June 5, 1996        |                     | \$                               |                  | \$                            | \$                               |
| Net loss for the period                   |                     |                                  |                  |                               |                                  |
| Issuance of founder shares                |                     |                                  | 2,642,500        | 264                           | 528                              |
| Common stock issued                       |                     |                                  | 1,356,194        | 136                           | 272                              |
| Common stock issued via private placement |                     |                                  | 1,366,667        | 137                           | 1,024,863                        |
| Balance, December 31, 1996                |                     |                                  | 5,365,361        | 537                           | 1,025,663                        |
| Net loss for the year                     |                     |                                  |                  |                               |                                  |
| Common stock issued via private placement |                     |                                  | 1,442,666        | 144                           | 1,081,855                        |
| Balance, December 31, 1997                |                     |                                  | 6,808,027        | 681                           | 2,107,518                        |
| Net loss for the year                     |                     |                                  |                  |                               |                                  |
| Amortization of Stock based Compensation  |                     |                                  |                  |                               | 52,778                           |
| Common stock issued via private placement |                     |                                  | 1,416,667        | 142                           | 1,062,358                        |
| Common stock issued for services          |                     |                                  | 788,889          | 79                            | 591,588                          |
| Common stock repurchased and cancelled    |                     |                                  | (836,792)        | (84)                          | (96,916)                         |
| Balance, December 31, 1998                |                     |                                  | 8,176,791        | 818                           | 3,717,326                        |
| Net loss for the year                     |                     |                                  |                  |                               |                                  |
| Deferred Compensation - stock options     |                     |                                  |                  |                               | 9,946                            |
| Amortization of Stock based Compensation  |                     |                                  |                  |                               |                                  |
| Common stock issued for services          |                     |                                  |                  |                               | 3,168,832                        |
| Common stock issued via private placement |                     |                                  | 346,667          | 34                            | 259,966                          |
| Balance, December 31, 1999                |                     |                                  | 8,523,458        | 852                           | 7,156,070                        |
| Net loss for the year                     |                     |                                  |                  |                               |                                  |
| Amortization of Stock based Compensation  |                     |                                  |                  |                               |                                  |
| Common stock issued                       |                     |                                  | 4,560,237        | 455                           | 250,889                          |
| Other                                     |                     |                                  |                  |                               | 432                              |
| Preferred shares issued                   | 3,485,299           | 348                              |                  |                               | 5,986,302                        |
| Preferred stock issued for services       | 750,000             | 75                               |                  |                               | 1,124,925                        |