

CALLISTO PHARMACEUTICALS INC
Form 10-Q
November 20, 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: SEPTEMBER 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

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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

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 39,111,596 as of November 13, 2006.

CALLISTO PHARMACEUTICALS, INC.

FORM 10-Q

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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 contain 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

	September 30, 2006 (Unaudited)	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 124,017	\$ 1,420,510
Prepaid expenses	117,837	181,284
	241,854	1,601,794
Property and equipment net	7,168	
Rent deposits	73,716	82,196
	\$ 322,738	\$ 1,683,990
Liabilities and Stockholders Deficit		
Current liabilities:		
Accounts payable	\$ 1,737,415	1,424,612
Accrued expenses	969,045	592,297
Liquidated damages payable	185,159	
	2,891,619	2,016,909
Stockholders deficit:		
Common stock, par value \$.0001, 100,000,000 shares authorized, 38,454,931 and 33,233,096 outstanding at September 30, 2006 and December 31, 2005, respectively	3,845	3,323
Additional paid-in capital	52,288,874	46,387,875
Unamortized deferred stock-based compensation		(1,583,463)
Deficit accumulated during development stage	(54,861,600)	(45,140,654)
	(2,568,881)	(332,919)
	\$ 322,738	\$ 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 September 30, 2006		2005		Nine Months Ended September 30, 2006		2005		June 5, 1996 (Inception) to September 30, 2006	
	\$		\$		\$		\$		\$	
Revenues										
Costs and expenses:										
Research and development	1,139,094		1,787,956		4,898,524		4,946,525		20,904,386	
Government grants	(43,956	)	(152,866	)	(299,378	)	(152,866	)	(791,194)
Purchased in process research and development									6,944,553	
General and administrative	800,803		1,212,480		4,012,012		3,312,858		19,652,878	
Stock based compensation non employees	(139,501	)	506,199		820,747		509,931		9,145,317	
Loss from operations	(1,756,440	)	(3,353,769	)	(9,431,905	)	(8,616,448	)	(55,855,940)
Interest and investment income	3,304		33,200		45,405		91,071		700,390	
Other income (expense)	(177,010	)			(334,446	)			293,950	
Net loss	\$ (1,930,146	)	\$ (3,320,569	)	\$ (9,720,946	)	\$ (8,525,377	)	\$ (54,861,600)
Weighted average shares outstanding:										
basic and diluted	38,454,931		31,867,103		37,558,910		30,954,422			
Net loss per common share:										
basic and diluted	\$ (0.05	)	\$ (0.10	)	\$ (0.26	)	\$ (0.28)		

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 Shares	Preferred Stock, Par Value	Common Shares	Common Stock, Par Value	Additional Paid 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
Balance, December 31, 2000	4,235,299	423	13,083,695	1,307	14,518,618
Net loss for the year					
Deferred Compensation - stock Options					20,000
Amortization of Stock based Compensation					
Balance, December 31, 2001	4,235,299	423	13,083,695	1,307	14,538,618
Net loss for the year					
Amortization of Stock based Compensation					
Balance, December 31, 2002	4,235,299	\$ 423	13,083,695	\$ 1,307	\$ 14,538,618

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	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity
Balance at inception, June 5, 1996	\$	\$	\$
Net loss for the year		(404,005)	(404,005)
Issuance of founder shares			792
Common stock issued			408
Common stock issued via private placement			1,025,000
Balance, December 31, 1996		(404,005)	622,195
Net loss for the year		(894,505)	(894,505)
Common stock issued via private placement			1,081,999
Balance, December 31, 1997		(1,298,510)	809,689
Net loss for the year		(1,484,438)	(1,484,438)
Amortization of Stock based Compensation			52,778
Common stock issued			1,062,500
Common stock issued for services			591,667
Common Stock repurchased and cancelled			(97,000)
Balance, December 31, 1998		(2,782,948)	935,196
Net loss for the year		(4,195,263)	(4,195,263)
Deferred Compensation - stock options	(9,946)		
Amortization of Stock based Compensation	3,262		3,262
Common stock issued for services			3,168,832
Common stock issued via private placement			260,000
Balance, December 31, 1999	(6,684)	(6,978,211)	172,027
Net loss for the year		(2,616,261)	(2,616,261)
Amortization of Stock based Compensation	4,197		4,197
Common stock issue			251,344
Other			432
Preferred shares issued			5,986,650
Preferred stock issued for services			1,125,000
Balance, December 31, 2000	(2,487)	(9,594,472)	4,923,389
Net loss for the year		(1,432,046)	(1,432,046)
Deferred Compensation - stock options	(20,000)		
Amortization of Stock based Compensation	22,155		22,155
Balance, December 31, 2001	(332)	(11,026,518)	3,513,498
Net loss for the year		(1,684,965)	(1,684,965)
Amortization of Stock based Compensation	332		332
Balance, December 31, 2002	\$	\$ (12,711,483)	\$ 1,828,865

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	Preferred Stock	Preferred Stock Par Value	Common Stock	Common Stock Par Value	Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity
Balance December 31, 2002	4,235,299	\$ 423	13,083,695	\$ 1,307	\$ 14,538,618	\$	\$ (12,711,483)	\$ 1,828,865
Net loss for the year							(13,106,247)	(13,106,247)
Conversion of preferred stock in connection with the Merger	(4,235,299)	(423)	4,235,299	423				
Common stock issued to former Synergy stockholders			4,329,927	432	6,494,458			6,494,890
Common stock issued in exchange for Webtronics common stock			1,503,173	150	(150)			
Deferred Compensation - stock options					9,313,953	(9,313,953)		
Amortization of deferred Stock based Compensation						3,833,946		3,833,946
Private placement of common stock, net			2,776,666	278	3,803,096			3,803,374
Balance, December 31, 2003		\$	25,928,760	\$ 2,590	\$ 34,149,975	\$ (5,480,007)	\$ (25,817,730)	\$ 2,854,828

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	Preferred Stock	Preferred Stock Par Value	Common Stock	Common Stock Par Value	Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity
Balance, December 31, 2003		\$	25,928,760	\$ 2,590	\$ 34,149,975	\$ (5,480,007)	\$ (25,817,730)	\$ 2,854,828
Net loss for the period							(7,543,467)	(7,543,467)
Amortization of deferred Stock-based compensation expense						3,084,473		3,084,473
Variable accounting for stock options					(816,865)			(816,865)
Stock-based compensation net of forfeitures					240,572	93,000		333,572
Common stock issued via private placements, net			3,311,342	331	6,098,681			6,099,012
Warrant and stock-based compensation for services in connection with the Merger					269,826			269,826
Common stock returned from former Synergy stockholders			(90,000)	(9)	(159,083)			(159,092)
Stock issued for patent rights			25,000	3	56,247			56,250
Common stock issued for services			44,000	7	70,833			70,840
Balance, December 31, 2004		\$	29,219,102	\$ 2,922	\$ 39,910,187	\$ (2,302,534)	\$ (33,361,197)	\$ 4,249,378

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	Common Stock	Common Stock Par Value	Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity (Deficit)
Balance, December 31, 2004	29,219,102	\$ 2,922	\$ 39,910,187	\$ (2,302,534)	\$ (33,361,197)	\$ 4,249,378
Net loss for the year					(11,779,457)	(11,779,457)
Deferred stock-based compensation - new grants			1,571,772	(1,571,772)		
Amortization of deferred stock-based compensation				2,290,843		2,290,843
Variable accounting for stock options			75,109			75,109
Common stock issued via private placement:						
March 2005	1,985,791	198	3,018,203			3,018,401
August 2005	1,869,203	187	1,812,940			1,813,127
Finders fees and expenses			(176,250)			(176,250)
Exercise of common stock warrant	125,000	13	128,737			128,750
Common stock issued for services	34,000	3	47,177			47,180
Balance, December 31, 2005	33,233,096	\$ 3,323	\$ 46,387,875	\$ (1,583,463)	\$ (45,140,654)	\$ (332,919)

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	Common Stock	Common Stock Par Value	Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Deficit
Balance, December 31, 2005	33,233,096	\$ 3,323	\$ 46,387,875	\$ (1,583,463)	\$ (45,140,654)	\$ (332,919)
Net loss for the nine months ended September 30, 2006					(9,720,946)	(9,720,946)
Reclassification of deferred unamortized stock-based compensation upon adoption of FAS 123R			(1,583,463)	1,583,463		