

Actinium Pharmaceuticals, Inc.  
Form 10-Q  
November 14, 2013

---

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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, 2013  
or

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: 000-52446

ACTINIUM PHARMACEUTICALS, INC.  
(Exact name of registrant as specified in its charter)

Delaware	88-0378336
(State or Other	(I.R.S. Employer
Jurisdiction of	Identification No.)
Incorporation or	
Organization)	

501 Fifth Avenue, 3rd	
Floor	
New York, NY	10017
(Address of Principal	(Zip Code)
Executive Offices)	

(646) 459-4201  
(Registrant's Telephone Number, Including Area Code)

(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

Edgar Filing: Actinium Pharmaceuticals, Inc. - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of November 12, 2013;  
23,656,582

---

---

---

Actinium Pharmaceuticals, Inc.  
FORM 10-Q  
For period ended September 30, 2013

INDEX

PART I-- FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited)	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	25
Item 4.	Controls and Procedures	25

PART II-- OTHER INFORMATION

Item 1.	Legal Proceedings	
Item 1A.	Risk Factors	26
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	26
Item 3.	Defaults Upon Senior Securities	26
Item 4.	Mine Safety Disclosures	26
Item 5.	Other Information	26
Item 6.	Exhibits	26
SIGNATURES		27

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company and are unaudited. In the opinion of management, all adjustments (which include all normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 2013 and 2012 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's audited financial statements for the year ended December 31, 2012. The results of operations for the period ended September 30, 2013 are not necessarily indicative of the operating results for the full year.

Actinium Pharmaceuticals, Inc.  
(Formerly Cactus Ventures, Inc.)  
(A Development Stage Company)  
Consolidated Balance Sheets  
(Unaudited)

	September 30, 2013	December 31, 2012
Assets		
Current Assets:		
Cash and cash equivalents	\$3,990,063	\$5,618,669
Prepaid expenses and other current assets	53,000	167,143
<b>Total Current Assets</b>	<b>4,043,063</b>	<b>5,785,812</b>
Property and equipment, net of accumulated depreciation	6,918	3,010
<b>Total Assets</b>	<b>\$4,049,981</b>	<b>\$5,788,822</b>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$312,001	\$897,044
Accounts payable and accrued expenses - related party	375,686	31,185
Note payable	-	140,000
Derivative liabilities	2,757,966	3,574,958
<b>Total Current Liabilities</b>	<b>3,445,653</b>	<b>4,643,187</b>
<b>Total Liabilities</b>	<b>3,445,653</b>	<b>4,643,187</b>
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$0.001 par value; 10,000,000 authorized 0 shares issued and outstanding	-	-
Common stock, \$0.001 par value; 100,000,000 shares authorized; 23,656,582 and 21,391,665 shares issued and outstanding, respectively	236,565	213,916
Additional paid in capital	61,005,177	56,675,182
Deficit accumulated during the development stage	(60,637,414)	(55,743,463)
<b>Total Stockholders' Equity</b>	<b>604,328</b>	<b>1,145,635</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$4,049,981</b>	<b>\$5,788,822</b>

See accompanying notes to consolidated financial statements.

Actinium Pharmaceuticals, Inc.  
(Formerly Cactus Ventures, Inc.)  
(A Development Stage Company)  
Consolidated Statements of Operations  
(Unaudited)

	For the three months ended		For the nine months ended		For the Period from June 13, 2000 (Inception) to September 30, 2013
	September 30, 2013	2012	September 30, 2013	2012	2013
Revenue	\$-	\$-	\$-	\$-	\$-
Operating expenses:					
Research and development, net of reimbursements	778,232	1,677,301	2,373,200	2,723,459	28,793,719
General and administrative	830,730	722,037	2,730,233	1,520,221	27,235,208
Depreciation and amortization expense	-	112	-	429	3,262,462
Loss on disposition of equipment	-	-	4,122	-	554,308
Total operating expenses	1,608,962	2,399,450	5,107,555	4,244,109	59,845,697
Loss from operations	(1,608,962 )	(2,399,450 )	(5,107,555 )	(4,244,109 )	(59,845,697 )
Other income (expense):					
Interest expense	(1,299 )	(318,623 )	(2,508 )	(952,241 )	(1,967,215 )
Gain on extinguishment of liability	-	-	-	-	260,000
Change in fair value - derivative liabilities	189,348	(294,381 )	216,112	(287,604 )	915,498
Total other income (expense)	188,049	(613,004 )	213,604	(1,239,845 )	(791,717 )
Net loss	\$(1,420,913 )	\$(3,012,454 )	\$(4,893,951 )	\$(5,483,954 )	\$(60,637,414 )
Net loss per common share - basic and diluted	\$(0.06 )	\$(3.76 )	\$(0.22 )	\$(6.84 )	
Weighted average number of common shares outstanding - basic and diluted	23,601,895	801,799	22,401,711	801,799	

See accompanying notes to consolidated financial statements.

Actinium Pharmaceuticals, Inc.

(Formerly Cactus Ventures, Inc.)  
(A Development Stage Company)  
Consolidated Statements of Cash Flows  
(Unaudited)

	For the Nine Months Ended September 30, 2013	For the Nine Months Ended September 30, 2012	For the Period from June 13, 2000 (Inception) to September 30, 2013
<b>Cash Flows From Operating Activities:</b>			
Net loss	\$ (4,893,951 )	\$ (5,483,954 )	\$ (60,637,414 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Stock-based compensation expense	284,371	312,500	6,336,407
Depreciation expense	-	429	3,262,462
Loss on disposition of equipment	4,122	-	554,308
Amortization of debt discount	-	678,116	900,000
Amortization of deferred financing costs	-	219,725	292,692
Gain on extinguishment of liability	-	-	(260,000 )
Change in fair value derivative liabilities	(216,112 )	287,604	(915,498 )
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Prepaid expenses and other current assets	114,143	14,386	87,000
Increase (decrease) in:			
Accounts payable and accrued liabilities	(585,043 )	173,614	653,730
Accounts payable and accrued liabilities - related party	344,501	2,100	375,686
<b>Net Cash Used In Operating Activities</b>	<b>(4,947,969 )</b>	<b>(3,795,480)</b>	<b>(49,350,627 )</b>
<b>Cash Flows From Investing Activities:</b>			
Payment made for patent rights	-	-	(3,000,000 )
Purchase of property and equipment	(8,030 )	(1,812 )	(823,689 )
<b>Net Cash Used In Investing Activities</b>	<b>(8,030 )</b>	<b>(1,812 )</b>	<b>(3,823,689 )</b>
<b>Cash Flows From Financing Activities:</b>			
Borrowings on convertible debt, net of offering costs	-	-	645,888
Payments on note payable	(140,000 )	-	(140,000 )
Sales of common stock, net of offering costs	-	660,163	53,191,098
Proceeds from the exercise of warrants for cash	3,467,393	-	3,467,393
<b>Net Cash Provided By Financing Activities</b>	<b>3,327,393</b>	<b>660,163</b>	<b>57,164,379</b>
<b>Net change in cash</b>	<b>(1,628,606 )</b>	<b>(3,137,129)</b>	<b>3,990,063</b>

Edgar Filing: Actinium Pharmaceuticals, Inc. - Form 10-Q

Cash at beginning of period		5,618,669	5,703,798	-
Cash at end of period	\$	3,990,063	\$ 2,566,669	\$ 3,990,063
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$	561	\$ -	\$ 1,243
Cash paid for taxes	\$	-	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities:				
Beneficial conversion feature discount	\$	-	\$ -	\$ 372,850
Fair value of warrants issued with debt	\$	-	\$ -	\$ 377,150
Fair value of warrants issued with stock	\$	-	\$ 318,087	\$ 5,985,238
Fair value of warrants issued to the placement agent	\$	-	\$ 159,044	\$ 2,170,282
Conversion of notes payable and accrued interest to stock	\$	-	\$ -	\$ 981,729
Transfer from derivative liability classification to equity classification	\$	600,880	\$ -	\$ 4,832,204

See accompanying notes to consolidated financial statements.



Actinium Pharmaceuticals, Inc.

(Formerly Cactus Ventures, Inc.)  
(A Development Stage Company)  
Notes to Consolidated Financial Statements  
(Unaudited)

Note 1 – Description of Business and Summary of Significant Accounting Policies

Nature of Business – Actinium Pharmaceuticals, Inc. formerly known as Cactus Ventures, Inc. (the “Company”, “Actinium”, “Cactus”), was incorporated under the laws of the State of Nevada on October 6, 1997. The Company was a shell entity that was in the market for a merger with an appropriate operating company.

On December 28, 2012, the Company entered into a transaction (the “Share Exchange”), pursuant to which the Company acquired 100% of the issued and outstanding equity securities of Actinium Pharmaceuticals, Inc. (“API”), in exchange for the issuance of approximately 99% of the issued and outstanding common stock, par value \$0.01 per share, of the Company. The Share Exchange closed on December 28, 2012. As a result of the Share Exchange, the former shareholders of API became the controlling shareholders of the Company. At the closing, each API shareholder received 0.333 shares (the “Exchange Ratio”) of Actinium common stock for each API share exchanged. At the closing, all of the API shareholders’ options and warrants to purchase API common stock was exchanged at the Exchange Ratio for new options or warrants, as applicable, to purchase Actinium common stock. The Share Exchange was accounted for as a reverse takeover/recapitalization effected by a share exchange, wherein API is considered the acquirer for accounting and financial reporting purposes. The capital, share price, and earnings per share amount in these consolidated financial statements for the period prior to the reverse merger were restated to reflect the recapitalization in accordance with the exchange ratio established in the merger except otherwise noted.

API, incorporated on June 13, 2000, is a biotechnology company committed to developing breakthrough therapies for life threatening diseases using its alpha particle immunotherapy (APIT) platform and other related and similar technologies. API, together with its wholly owned subsidiary, MedActinium, Inc. (MAI), (hereinafter referred to collectively as “API”) has initiated collaborative efforts with large institutions to establish the proof of concept of alpha particle immunotherapy and has supported one Phase I/II clinical trial and one Phase I clinical trial at Memorial Sloan-Kettering Cancer Center (MSKCC) under an MSKCC Physician Investigational New Drug Application. In 2012, API launched a multi-center corporate sponsored trial in acute myeloid leukemia (AML) patients. API’s objective, through research and development, is to produce reliable cancer fighting products which utilize monoclonal antibodies linked with alpha particle emitters or other appropriate payloads to provide very potent targeted therapies. The initial clinical trials of API’s compounds have been with patients having acute myeloid leukemia and it is believed that API’s APIT platform will have wider applicability for different types of cancer where suitable monoclonal antibodies can be found.

As a result of the Share Exchange, the Company is now a holding company operating through API, a clinical-stage biopharmaceutical company developing certain cancer treatments.

On March 20, 2013, in anticipation of the Company changing its name to Actinium Pharmaceuticals, Inc. and its domicile from Nevada to Delaware, the Company’s subsidiary, Actinium Pharmaceuticals, Inc., changed its name to Actinium Corporation. On April 11, 2013, the Company changed its domicile from the State of Nevada to the State of Delaware and changed its name from Cactus Ventures, Inc. to Actinium Pharmaceuticals, Inc.

On September 25, 2013, in accordance with a Certificate of Ownership Merging Actinium Corporation into the Actinium Pharmaceuticals, Inc. (filed in Delaware, the Company merged (the “Merger”) into itself Actinium

Corporation (a 93.7% owned subsidiary), and Actinium Corporation ceased to exist. As a result of the Merger, Actinium Corporation stock owned by the Company has been cancelled and each share of Actinium Corporation not owned by the Company was exchanged for 0.333 shares of Company common stock. A total of 3,970,137 shares of Actinium Corporation common stock was exchanged for 1,322,055 shares of Company common stock.

**Basis of Presentation - Unaudited Interim Financial Information** – The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information, and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the “SEC”) with respect to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim consolidated financial statements furnished reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Interim results are not necessarily indicative of the results for the full year. These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2012 and notes thereto contained in the Company’s annual report on Form 10-K for the year ended December 31, 2012, as filed with the SEC March 29, 2013.

**Development Stage Company** – The Company is considered a development stage company and has had no commercial revenue to date.

**Principles of Consolidation** – The consolidated financial statements include the Company’s accounts and those of the Company’s wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

**Use of Estimates in Financial Statement Presentation** – The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassification** – Certain prior period amounts have been reclassified to conform to current period presentation.

**Cash and Cash Equivalents** – The Company considers all highly liquid accounts with original maturities of three months or less to be cash equivalents. Such balances are usually in excess of FDIC insured limits. At September 30, 2013 and December 31, 2012, all of the Company’s cash was deposited in one bank.

**Property and Equipment** – Machinery and equipment are recorded at cost and depreciated on a straight-line basis over estimated useful lives of five years. Furniture and fixtures are recorded at cost and depreciated on a straight-line basis over estimated useful lives of seven years. When assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in operations. Repairs and maintenance expenditures are charged to operations.

**Impairment of Long-Lived Assets** – Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be realizable or at a minimum annually during the fourth quarter of the year. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset’s carrying value to determine if an impairment of such asset is necessary. The effect of any impairment would be to expense the difference between the fair value of such asset and its carrying value.

**Derivatives** – All derivatives are recorded at fair value on the balance sheet. Fair values for securities traded in the open market and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates.



Fair Value of Financial Instruments – Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. A fair value hierarchy has been established for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs – Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The following tables set forth assets and liabilities measured at fair value on a recurring and non-recurring basis by level within the fair value hierarchy as of September 30, 2013 and December 31. As required by ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
Derivative liabilities:				
At September 30, 2013	-	-	\$2,757,966	\$2,757,966
At December 31, 2012	-	-	3,574,958	3,574,958

Income Taxes – The Company uses the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and income tax carrying amounts of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company reviews deferred tax assets for a valuation allowance based upon whether it is more likely than not that the deferred tax asset will be fully realized. A valuation allowance, if necessary, is provided against deferred tax assets, based upon management's assessment as to their realization.

Research and Development Costs – Research and development costs are expensed as incurred. Research and development reimbursements and grants are recorded by the Company as a reduction of research and development costs.

Share-Based Payments – The Company estimates the fair value of each stock option award at the grant date by using the Black-Scholes option pricing model and value of common shares based on the last common stock valuation done by third party valuation expert of the Company's common stock on the date of the share grant. The fair value determined represents the cost for the award and is recognized over the vesting period during which an employee is required to provide service in exchange for the award. As share-based compensation expense is recognized based on awards ultimately expected to vest, the Company reduces the expense for estimated forfeitures based on historical forfeiture rates. Previously recognized compensation costs may be adjusted to reflect the actual forfeiture rate for the entire award at the end of the vesting period. Excess tax benefits, if any, are recognized as an addition to paid-in

capital.

Earnings (Loss) Per Common Share – The Company provides basic and diluted earnings per common share information for each period presented. Basic earnings (loss) per common share is computed by dividing the net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per common share is computed by dividing the net income available to common stockholders by the weighted average number of common shares outstanding plus dilutive securities. Since the Company has only incurred losses, basic and diluted net loss per common share are the same. The potentially dilutive securities (options, warrants and convertible instruments) were excluded from the diluted loss per common share calculation because their effect would have been antidilutive. For the nine months ended September 30, 2013, potentially issuable shares included stock options to purchase 2,280,184 shares and warrants to purchase 9,441,942 shares of the Company's common stock. For the nine months ended September 30, 2012, potentially issuable shares included stock options to purchase 1,968,829 shares; warrants in the amount of 5,861,044 shares; convertible notes payable in the amount of 1,152,692 shares; and convertible preferred stock in the amount of 13,831,762 shares of the Company's common stock have been excluded from the calculation.

Recent Accounting Pronouncements – The Company does not expect that any recently issued accounting pronouncements will have a significant impact on the results of operations, financial position, or cash flows of the Company.

Subsequent Events – The Company’s management reviewed all material events through the date the consolidated financial statements were issued for subsequent event disclosure consideration.

#### Note 2 – Going Concern

As reflected in the accompanying consolidated financial statements, the Company has suffered recurring losses from operations since its inception. The Company has a net loss of \$4,893,951 and net cash used in operations of \$4,947,969, for the nine months ended September 30, 2013; and a deficit accumulated during the development stage of \$60,637,414 at September 30, 2013. In addition, the Company has not completed its efforts to establish a stable recurring source of revenues sufficient to cover its operating costs for the next twelve months. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern.

The ability of the Company to continue its operations is dependent on the successful execution of management's plans, which include the expectation of raising debt or equity based capital, with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to issue additional equity and incur additional liabilities with related parties to sustain the Company’s existence although no commitments for funding have been made and no assurance can be made that such commitments will be available.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of assets or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

#### Note 3 – Property and Equipment

Property and equipment consisted of the following at September 30, 2013 and December 31, 2012:

	Lives	2013	2012
Office equipment	5 years	\$ 162,384	\$ 156,162
Furniture and fixture	7 years	3,100	1,292
Total property and equipment		165,484	157,454
Less: accumulated depreciation		(154,444 )	(154,444 )
Loss on disposition of equipment		(4,122 )	-
Property and equipment, net		\$ 6,918	\$ 3,010

Depreciation expense for the nine months ended September 30, 2013 and 2012 were \$0 and \$429 respectively.

## Note 4 – Note Payable

On December 28, 2012, the Company entered into a premium finance agreement to pay a \$140,000 premium for its director and officer liability insurance policy. Pursuant to the agreement, the Company paid a down payment of \$28,000 in January 2013 and is required to pay \$12,636 in monthly installment for nine months. As of September 30, 2013, the outstanding balance related to the premium finance agreement was \$0.

## Note 5 – Derivatives

The Company has determined that certain warrants the Company has issued contain provisions that protect holders from future issuances of the Company's common stock at prices below such warrants' respective exercise prices and these provisions could result in modification of the warrants' exercise price based on a variable that is not an input to the fair value of a "fixed-for-fixed" option as defined under FASB ASC Topic No. 815 – 40. The warrants granted in connection with the issuance of the Company's Stock Offering and 2012 Common Stock Offering, the Convertible Notes (previously issued and converted) and the placement agent warrants contain anti-dilution provisions that provide for a reduction in the exercise price of such warrants in the event that future common stock (or securities convertible into or exercisable for common stock) is issued (or becomes contractually issuable) at a price per share (a "Lower Price") that is less than the exercise price of such warrant at the time. The amount of any such adjustment is determined in accordance with the provisions of the warrant agreement and depends upon the number of shares of common stock issued (or deemed issued) at the Lower Price and the extent to which the Lower Price is less than the exercise price of the warrant at the time.

Activities for derivative warrant instruments during the nine months ended September 30, 2013 were as follows:

	Units	Fair Value
Balance, December 31, 2012	5,146,338	\$3,574,958
Reclassification to paid-in capital	(3,130,536)	(600,880 )
Change in fair value	-	(216,112 )
Balance, September 30, 2013	2,015,802	\$2,757,966

The fair values of the derivative warrants were calculated using a modified binomial valuation model with the following assumptions at September 30, 2013 and December 31, 2012.

	December 31, 2012		September 30, 2013	
Market value of common stock on measurement date (1)	\$1.17		\$1.65	
	0.48 -		1.50 -	
Adjusted exercise price	\$0.81		\$2.475	
	0.10% -			
Risk free interest rate (2)	0.77	%	0.33	%
Warrant lives in years	4 months/5		0 days/4.22	
	years		years	
Expected volatility (3)		%	139	%



Edgar Filing: Actinium Pharmaceuticals, Inc. - Form 10-Q

	125% -		
	161		
Expected dividend yield (4)	-		-
Probability of stock offering in any period over 5 years (5)	25	%	25% - 40 %

11

---

- (1) The market value of common stock is based on an enterprise valuation.
- (2) The risk-free interest rate was determined by management using the Treasury Bill as of the respective measurement date.
- (3) Because the Company does not have adequate trading history to determine its historical trading volatility, the volatility factor was estimated by management using the historical volatilities of comparable companies in the same industry and region.
- (4) Management determined the dividend yield to be 0% based upon its expectation that it will not pay dividends for the foreseeable future.
- (5) Management has determined that the probability of a stock offering is 25% - 40% for each quarter of the next five years.

#### Note 6 – Commitments and Contingencies

##### Employment Contracts

On September 16, 2013, the Company's Board of Directors appointed Dr. Kaushik J. Dave as its new Chief Executive Officer (CEO) and Director. Material terms of the Employment Agreement are as follows:

- a A base salary at an annual rate of \$350,000, which will be re-evaluated upon the six month anniversary of the start date and reimbursement of certain expenses.
- b The CEO shall be entitled to participate in an executive bonus program, which shall be established by the Board pursuant to which the Board shall award bonuses to the CEO, based upon the achievement of written individual and corporate objectives such as the Board shall determine. Upon the attainment of such performance objectives, the CEO shall be entitled to a cash bonus in an amount to be determined by the Board with a target of forty percent (40%) of the base salary.
- c An option to purchase common shares of the Company and restricted stock (the "Grant"). The Grant will consist of (i) an option grant to purchase 675,000 common shares of the Company; (ii) 125,000 shares of restricted and (iii) 100,000 shares of restricted stock a sign-on bonus of which fifty percent will vest at the one year anniversary of the start date upon starting work. An additional twenty-five percent each will vest at eighteen months and twenty-four months after the start date. As of October 25, 2013, the option has not been granted by the Board.

License and Research Agreements

The Company has entered into license and research and development agreements with third parties under which the Company is obligated to make payments in the form of upfront payments as well as milestone and royalty payments. Notable inclusions in this category are:

- a. Abbott Biotherapeutics Corp – The Company entered into a Product Development and Patent License Agreement with Abbott Biotherapeutics Corp. (formerly Facet Biotech formerly known as Protein Design Labs) in 2003 to secure exclusive rights to a specific antibody when conjugated with alpha emitting radioisotopes. Upon execution of the agreement, the Company made a license fee payment of \$3,000,000.

The Company agreed to make milestone payments totaling \$7,750,000 for the achievement of the following agreed to and contracted milestones:

Milestones	Payments
(1) when Company initiates a Phase I Clinical Trial of a licensed product	\$ 750,000
(2) when Company initiates a Phase II Clinical Trial of a licensed product	750,000
(3) when Company initiates a Phase III Clinical Trial of a licensed product	1,500,000
(4) Biological License Application filing with U.S. FDA	1,750,000
(5) First commercial sale	1,500,000
(6) after the first \$10,000,000 in net sales	1,500,000

Under the agreement, the Company shall pay to Abbott Biotherapeutics Corp on a country-by-country basis a royalty of 12% of net sales of all licensed products until the later of: (1) 12.5 years after the first commercial sale, or (2) when the patents expire.

The Company met its first milestone in 2012 and upon reaching the milestone the Company paid Abbott Biotherapeutics Corp. a milestone payment of \$750,000 on July 24, 2012. The milestone payment for the Phase I Clinical Trial was recorded as research and development expense.

- b. Memorial Sloan Kettering Cancer Center (MSKCC) – In February 2002, the Company entered into a license agreement with MSKCC that requires a technology access fee of \$50,000 upon execution, an annual maintenance fee of \$50,000 and annual research funding of \$50,000 for as long as the agreement is in force.

Milestones	Payments
1) filing of an New Drug Application (“NDA”) or regulatory approval for each licensed product	\$ 750,000
(2) upon the receipt of regulatory approval from the U.S. FDA for each licensed product	1,750,000

Under the agreement, the Company shall pay to MSKCC on a country-by-country basis a royalty of 2% of net sales of all licensed products until the later of: (1) 10 years from the first commercial sale, or (2) when the patents expire.

The Company expects to file the NDA for regulatory approval in the 2016-2017 time frame.

- c. Oak Ridge National Laboratory (ORNL) – API is contracted to purchase \$233,100 of radioactive material to be used for research and development, with a renewal option at the contract end. The Company is currently negotiating the 2013 agreement.
- d. AptivSolutions provides project management services for the study of the drug Ac-225-HuM195 (Actimab-A) used in the Company clinical trials, Phase I and Phase II. The total project is estimated to cost approximately \$1.9 million and requires a 12.5% down payment of the total estimated project cost. The down payment totaling \$239,000 was paid in 2007 and 2012. On August 6, 2012, October 22, 2012 and May 16, 2013, the agreement was amended to provide for additional services. The total project is now estimated at approximately \$2.2 million. AptivSolutions bills the Company when services are rendered and the Company records the related expense to research and development costs.
- e. On June 15, 2012, the Company entered into a license and sponsored research agreement with Fred Hutchinson Cancer Research Center (FHCRC). The Company will build upon previous and ongoing clinical trials, with BC8 (licensed antibody). FHCRC has currently completed Phase I and Phase II of the clinical trial and the Company intends to start preparation for a pivotal trial leading to an FDA approval. The Company has been granted exclusive rights to the BC8 antibody and related master cell bank developed by FHCRC. The cost to develop the trial will range from \$13.2 million to \$23.5 million, depending on the trial design as required by the FDA. Under the terms of the sponsored research agreement, the Company will fund the FHCRC lab with \$150,000 per year for the first two years and \$250,000 thereafter. Payments made toward funding the lab will be credited toward royalty payments owed to FHCRC in the given year. A milestone payment of \$1 million will be due to FHCRC upon FDA approval of the first drug. Upon commercial sale of the drug, royalty payments of 2% of net sales will be due to FHCRC.
- f. On March 27, 2012, the Company entered into a clinical trial agreement with MSKCC. The Company will pay \$31,185 for each patient that has completed the clinical trial. Upon execution of the agreement, the Company is required to pay a start-up fee of \$79,623. The amount due of \$79,623 was paid on July 10, 2012.



- g. On July 19, 2012, the Company entered into a clinical trial agreement with FHCRC. The Company will pay \$31,366 for each patient that has completed the clinical trial. Upon execution of the agreement, the Company is required to pay a start-up fee of \$19,749. During the clinical trial additional fees apply and will be invoiced when applicable. The amount due has not been invoiced but accrued by the Company as of September 30, 2013.
- h. On August 28, 2012, the Company entered into a clinical trial agreement with The University of Texas M.D. Anderson Cancer Center. The total estimated cost of conducting the clinical trial is approximately \$500,000, which includes a non-refundable institutional fee of \$14,500. The estimated cost is based on treating 24 patients through 2013. Upon execution of the agreement, the Company is required to make a payment of \$33,946.
- i. On September 26, 2012, the Company entered into a clinical trial agreement with Johns Hopkins University. The Phase I/II clinical trial will be conducted with Actinium 225. The clinical trial will be conducted under the protocols established by the Company and pursuant to an Investigational New Drug Exemption (IND 10807) held by the Company. The Company will pay \$38,501 per patient, who has completed the clinical trial. The Company is required to pay a start-up fee of \$22,847, an annual pharmacy fee of \$2,025 and an amendment processing fee of \$500, when applicable.
- j. On November 21, 2012, the Company entered into a clinical trial agreement with the University of Pennsylvania. The Phase I/II clinical trial will be conducted with Actinium 225. The clinical trial will be conducted under the protocols established by the Company and pursuant to an Investigational New Drug Exemption (IND 10807) held by the Company. The Company will pay \$31,771 per patient, who has completed the clinical trial. The Company will be required to pay a start-up fee of \$16,000 and additional administrative fees, when applicable.

On August 1, 2012, the Company entered into a rental agreement for office space at 501 Fifth Avenue, New York, NY. The agreement terminated on May 31, 2013. On June 1, 2013, the Company entered into a rental agreement for office space at 546 Fifth Avenue, New York, NY. This agreement terminates on December 31, 2013. Upon the expiration of the term, the agreement automatically renews on a month-to-month basis and requires a two month notice of termination. The Company paid a one month refundable deposit.

On February 28, 2013, the Company entered into a Separation and Settlement Agreement with its former CEO. Pursuant to the agreement, the Company paid the former CEO \$125,000 on March 8, 2013 and a second payment of \$125,000 on September 1, 2013. The Company also paid the former CEO a performance bonus of \$60,000 for his service from August 15, 2012 to December 31, 2012.

## Note 7 – Equity

## Approval of the 2013 Stock Plan

The Board approved the Company’s 2013 Stock Plan. The expiration date of the plan is September 9, 2023 and the total number of underlying shares of the Company’s common stock available for grant to employees, directors and consultants of the Company under the plan is 2,750,000 shares.

## Approval of the Equity Incentive Plan

The Board approved the Company’s 2013 Equity Incentive Plan. The expiration date of the plan is September 9, 2023 and the total number of shares of the Company’s common stock available for grant to employees, directors and consultants of the Company under the plan is 450,000 shares.

## Options

The following is a summary of option activities:

	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding, December 31, 2012	2,330,134	\$0.96	8.91	\$685,800
Cancellation	(49,950 )			
Outstanding, September 30, 2013	2,280,184	\$0.95	8.17	\$1,609,035

All options issued and outstanding are being amortized over their respective vesting periods. The unrecognized compensation expense at September 30, 2013 was \$1,014,474.

## Warrants

The following is a summary of warrant activities:

	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding, December 31, 2012	12,770,636	\$0.97	4.48	\$6,114,768
Warrants exercised	(2,304,910 )	\$1.65		
Warrants expired	(1,023,784 )	\$1.65		

Edgar Filing: Actinium Pharmaceuticals, Inc. - Form 10-Q

Outstanding, September 30, 2013	9,441,942	\$0.77	5.09	\$9,611,403
---------------------------------	-----------	--------	------	-------------

During the three months ended September 31, 2013 and 2012, the Company recorded option and warrant expenses of \$95,971, and \$72,100, respectively. During the nine months ended September 31, 2013 and 2012, the Company recorded option and warrant expenses of \$284,371 and \$168,000, respectively.

Note 8 – Subsequent Events

Management has evaluated subsequent events and has concluded no events warrant disclosure.



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

### FORWARD-LOOKING STATEMENT NOTICE

This Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained in this Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as “may,” “will,” “expect,” “believe,” “anticipate,” “estimate” or “continue” or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include but are not limited to economic conditions generally and in the industries in which we may participate; competition within our chosen industry, including competition from much larger competitors; technological advances and failure to successfully develop business relationships.

### Description of Business

The Company was incorporated under the laws of the State of Nevada on October 6, 1997. The Company was a shell entity that was in the market for a merger with an appropriate operating company.

On December 28, 2012, the Company entered into a transaction (the “Share Exchange”), pursuant to which Cactus Ventures, Inc. (now the Company) acquired 100% of the issued and outstanding equity securities of Actinium Pharmaceuticals, Inc. (“API”), in exchange for the issuance of approximately 99% of the issued and outstanding common stock, par value \$0.01 per share, of the Company. The Share Exchange closed on December 28, 2012. As a result of the Share Exchange, the former shareholders of API became the controlling shareholders of the Company. At the closing, each API shareholder received 0.333 shares (the “Exchange Ratio”) of Cactus Ventures, Inc. common stock for each API share exchanged. At the closing, all of the API shareholders’ options and warrants to purchase API common stock were exchanged at the Exchange Ratio for new options or warrants, as applicable, to purchase Cactus common stock. As a result of the Share Exchange, the Company became a holding company operating through API, a clinical-stage biopharmaceutical company developing certain cancer treatments.

API, incorporated on June 13, 2000, is a biopharmaceutical company focused on the \$50 billion market for cancer drugs. Our most advanced products are Actimab™-A, an antibody-drug construct containing actinium 225 (Ac-225), currently in human clinical trials for acute myeloid leukemia (AML) and Iomab™-B, an antibody-drug construct containing iodine 131 (I-131), used in myeloconditioning for hematopoietic stem cells transplantation (HSCT) in various indications. The Company is currently designing a trial which the Company intends to submit for registration approval in HSCT in the settings of refractory and relapsed acute myeloid leukemia in older patients. The Company is developing its cancer drugs using its expertise in radioimmunotherapy. In addition, the Ac-225 based drugs development relies on the patented Alpha Particle Immunotherapy Technology (APIT) platform technology co-developed with Memorial Sloan- Kettering Cancer Center, whose indirect subsidiary, Actinium Holdings Ltd., is a significant stockholder of the Company. The APIT technology couples monoclonal antibodies (mAb) with extremely potent but comparatively safe alpha particle emitting radioactive isotopes, in particular actinium 225 and bismuth 213. The final drug construct is designed to specifically target and kill cancer cells while minimizing side effects. The Company intends to develop a number of products for different types of cancer and derive revenue from partnering relationships with large pharmaceutical companies and/or direct sales of its products in specialty markets in the U.S.

On March 20, 2013, in anticipation of the Company changing its name to Actinium Pharmaceuticals, Inc. and its domicile from Nevada to Delaware, the Company’s subsidiary, Actinium Pharmaceuticals, Inc., changed its name to Actinium Corporation. On April 11, 2013, the Company changed its domicile from the State of Nevada to the State of

Edgar Filing: Actinium Pharmaceuticals, Inc. - Form 10-Q

Delaware and changed its name from Cactus Ventures, Inc. to Actinium Pharmaceuticals, Inc. Effective April 18, 2013, the Company's trading symbol is ATNM.

On September 25, 2013 in accordance with a Certificate of Ownership Merging Actinium Corporation into the Company, the Company merged into itself Actinium Corporation, and Actinium Corporation ceased to exist. As a result of the merger, Actinium Corporation stock owned by the Company has been cancelled and each share of Actinium Corporation not owned by the Company was exchanged for 0.333 shares of Company common stock.

## Plan of Operation

We develop drugs for treatment of cancer with intent to cure or significantly improve survival of the affected patients. As of now none of our drugs have been approved for sale in the United States or elsewhere. We have no commercial operations in sales or marketing of our products. All our product candidates are under development. In order to market and sell our products we must conduct clinical trials on patients and obtain regulatory approvals from appropriate regulatory agencies like the Food and Drug Administration (FDA) in the United States and similar agencies elsewhere in the world.

Our products under development are monoclonal antibodies labeled with radioisotopes. We have one program with an antibody labeled with a beta emitter and several programs based on a proprietary patent protected platform technology called alpha particle immunotherapy or APIT. Our APIT technology is based on attaching actinium 225 (Ac-225) or bismuth 213 (Bi-213) alpha emitting radioisotopes to monoclonal antibodies. Alpha emitting radioisotopes are unstable chemical elements that decay by releasing alpha particles. Alpha particles can kill any cell in whose immediate proximity they are released. Monoclonal antibodies are genetically engineered proteins that target specifically certain cells, and can target cancer cells. It is crucial for the success of our drug candidates to contain monoclonal antibodies that can successfully seek cancer cells and can kill them with the attached isotope while not harming nearby normal cells. We do not have technology and operational capabilities to develop and manufacture such monoclonal antibodies and we therefore rely on collaboration with third parties to gain access to such monoclonal antibodies. We have secured rights to two monoclonal antibodies, HuM195 (Lintuzumab), in 2003 through a collaborative licensing agreement with Abbott Laboratories and BC8 in 2012 with the Fred Hutchinson Cancer Research Center. We expect to negotiate collaborative agreements with other potential partners that would provide us with access to additional monoclonal antibodies. Establishing and maintaining such collaborative agreements is a key to our success as a company.

Under our own sponsorship as well as activity at FHCRC, we have four product candidates in active clinical trials: Actimab™-A (HuM195-Ac-225), Iomab™-B (BC8-I-131), BC8-Y-90 and BC8-SA. At this time, the Company is actively pursuing development of Actimab™-A and Iomab™-B while BC8-Y-90 and BC8-SA are in physician sponsored clinical phase I trials at the Fred Hutchinson Cancer Research Center. Actimab™-A is a combination of the monoclonal antibody we have in-licensed, Lintuzumab (HuM195), and the alpha emitting isotope actinium 225. Actimab™-A has shown promising results throughout preclinical development and an ongoing clinical trial started in 2006 in treating acute myeloid leukemia (AML) in the elderly. We have expanded the number of patients and number of clinical centers by commencing a new AML clinical trial which we have launched in 2012. This trial targets newly diagnosed AML patients over the age of 60. In order to conduct the trial we are engaged in funding, monitoring and quality assurance and control of the Lintuzumab antibody; procurement of actinium 225 isotope; funding, monitoring and quality assurance and control of the drug candidate Actimab™-A manufacturing and organizing and monitoring clinical trials. We estimate that the direct costs to completion of both parts of the ongoing Phase I/II trial will be approximately US \$7.5 million. Iomab™-B is a combination of the in-licensed monoclonal antibody BC8 and the beta emitting radioisotope iodine 131. This construct has been extensively tested in Phase I and Phase II clinical trials in approximately 250 patients with different blood cancer indications who were in need of a hematopoietic stem cell transplantation (HSCT). Iomab™-B is used to condition the bone marrow of these patients by destroying blood cancer cells in their bone marrow and elsewhere thus allowing for a subsequent transplant containing healthy donor bone marrow stem cells. We have decided to develop this drug candidate by initially focusing on the patients over 55 with active acute myeloid leukemia in relapse and/or refractory to existing treatments. Our intention is to request the FDA in 2014 to allow us to enter into a pivotal trial with Iomab™-B. We estimate the direct costs of such a trial will be approximately US \$15-20 million.

We have primarily management position employees and consultants who direct, organize and monitor the activities described above through contractors. Much of the *in vivo* laboratory and clinical work contracted for by the

Company has been conducted at Memorial Sloan-Kettering Cancer Center in New York. The Company has also made clinical trial arrangements with other-well known cancer centers. Our Actimab™-A drug candidate and its components are contract manufactured and maintained under our supervision by specialized contract manufacturers and suppliers in the U.S., including IsoTex Diagnostics, Oak Ridge National Laboratory, Pacific GMP, Fischer Bioservices, BioReliance and others.

We are a development stage company and have never generated revenue. Currently we do not have a stable recurring source of revenues sufficient to cover our operating costs. As of September 30, 2013, we had an accumulated deficit of \$60.6 million. We incurred net losses of \$4.9 million for the nine months ended September 30, 2013.

## Opportunities, Challenges and Risks

The market for drugs for cancer treatment is a large market in need of novel products, in which successful products can command multibillion dollars in annual sales. A number of large pharmaceutical and biotechnology company regularly acquire products in development, with preference given to products in Phase II or later clinical trials. These transactions are typically structured to include an upfront payment that ranges from several million dollars to tens of million dollars or more and additional milestone payments tied to regulatory submissions and approvals and sales milestones. Our goal is to develop our product candidates through Phase II clinical trials or later and enter into partnership agreements with one or more large pharmaceutical and/or biotechnology companies or eventually commercialize some of our products ourselves or through other appropriate partnerships.

We believe our future success will be heavily dependent upon our ability to successfully conduct clinical trials and preclinical development of our drug candidates. This will in turn depend on our ability to continue our collaboration with Memorial Sloan-Kettering Cancer Center and our Clinical Advisory Board members plan to continue and expand other research and clinical trial collaborations. In addition, we will have to maintain sufficient supply of actinium 225 and successfully maintain and if and when needed replenish or obtain our reserves of monoclonal antibodies. We will have to maintain and improve manufacturing procedures we have developed for production of our drug candidates from the components that include the iodine 131 and actinium 225 isotopes, monoclonal antibodies and other materials. It is possible that despite our best efforts our clinical trials results may not meet regulatory requirements for approval. Despite our best efforts and regardless of the clinical trial, we may not be able to find a partner for our compounds. If our efforts are successful, we will be able to partner our development stage products on commercially favorable terms only if they enjoy appropriate patent coverage and/or considerable know-how and other protection that ensures market exclusivity. For that reason we intend to continue our efforts to maintain existing and generate new intellectual property. Intellectual property is a key factor in the success of our business as well as market exclusivity.

To achieve the goals discussed above we intend to continue to invest in research and development at high and constantly increasing rates thus incurring further losses until one or more of our products are sufficiently developed to partner them to large pharmaceutical and biotechnology companies.

## Results of Operations – Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

	For the three months ended September 30,	
	2013	2012
Revenues	\$ -	\$ -
Operating expenses:		
Research and development, net of reimbursements	778,232	1,677,301
General and administrative	830,730	722,037
Other expenses	-	112
Total operating expenses	1,608,962	2,399,450
Other (income) expense:		
Interest expense	1,299	318,623
(Gain) loss on change in fair value of derivative liabilities	(189,348)	294,381
Total other (income) expense	(188,049)	613,004

Net loss

\$ (1,420,913) \$ (3,012,454)

19

---

#### Revenues

We recorded no commercial revenues for the three months ended September 30, 2013 and 2012.

#### Research and Development Expense

Research and development expenses decreased by \$899,069 to \$778,232 for the three months ended September 30, 2013 compared to \$1,677,301 for the three months ended September 30, 2012. The decrease is primarily attributable to the Company conserving capital during the three months ended September 30, 2013.

#### General and Administrative Expenses

Overall, total general and administrative expenses increased by \$108,693 to \$830,730 for the three months ended September 30, 2013 compared to \$722,037 for the three months ended September 30, 2012. The increase was largely attributable to increases in professional fees, financing related fees and the stock-based compensation incurred by the Company as discussed below.

## Other Expense

Other expenses decreased by \$801,053 for the three months ended September 30, 2013 compared to the three months ended September 30, 2012. The decrease is primarily attributable a significant decrease in interest expense related to the amortization of the convertible debt discount and deferred financing costs related to the convertible debt and the gain on the change in fair value of the derivative liability.

## Net Loss

Net loss decreased by \$1,591,541 to \$1,420,913 for the three months ended September 30, 2013 compared \$3,012,454 for the three months ended September 30, 2012. The decrease was primarily due to the gain on the change in fair value of the derivative liability, a decrease in interest expense associated with the amortization of debt discount to interest expense and a significant decrease in research and development, offset by an increase in professional fees and payroll related expense.

## Results of Operations – Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

The following table sets forth, for the periods indicated, data derived from our statements of operations:

	For the nine months ended September 30,	
	2013	2012
Revenues	\$ -	\$ -
Operating expenses:		
Research and development, net of reimbursements	2,373,200	2,723,459
General and administrative	2,730,233	1,520,221
Other expenses	4,122	429
Total operating expenses	5,107,555	4,244,109
Other (income) expense:		
Interest expense	2,508	952,241
(Gain) loss on change in fair value of derivative liabilities	(216,112)	287,604
Total other (income) expense	(213,604)	1,239,845
Net loss	\$ (4,893,951)	\$ (5,483,954)

## Revenues

We recorded no commercial revenues for the nine months ended September 30, 2013 and 2012.

## Research and Development Expense

Research and development expenses decreased by \$350,259 to \$2,373,200 for the nine months ended September 30, 2013 compared to \$2,723,459 for the nine months ended September 30, 2012. The decrease is primarily attributable to the Company conserving capital during the three months ended September 30, 2013.



General and Administrative Expenses

Overall, total general and administrative expenses increased by \$1,210,012 to \$2,730,233 for the nine months ended September 30, 2013 compared to \$1,520,221 for the nine months ended September, 2012. The increase was largely attributable to increases in professional fees and financing related fees incurred by the Company as discussed below.

### Other Expense

Other expense decreased by \$1,453,449 for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012. The decrease is primarily attributable a decrease in interest expense related to the amortization of the convertible debt discount and deferred financing costs related to the convertible debt and an increase in the gain on the change in fair value of the derivative liability.

### Net Loss

Net loss decreased by \$590,003 to \$4,893,951 for the nine months ended September 30, 2013 compared \$5,483,954 for the nine months ended September 30, 2012. The decrease was primarily due to a decrease in interest expense associated with the amortization of debt discount to interest expense, a decrease in research and development and a gain from change in fair value of the derivative liability efforts and offset by an increase in professional fees and payroll related expense.

### Liquidity and Capital Resources

We have financed our operations primarily through sales of the Company's stock and the issuance of convertible promissory notes.

The following tables sets forth selected cash flow information for the periods indicated:

	For the nine months ended September 30,	
	2013	2012
Cash used in operating activities	\$(4,947,969)	\$ (3,795,480)
Cash used in investing activities	(8,030)	(1,812)
Cash provided by financing activities	3,327,393	660,163
Net change in cash	\$(1,628,606)	\$ (3,137,129)

Net cash used in operating activities was \$4,947,969 for the nine months ended September 30, 2013 compared to \$3,795,480 used in operations for the same period in 2012. Cash used in operations increased due to the increase in spending related to preparations and eventual launch and conduct of a multicenter trial and an increase in spending related to professional fees combined with an increase in payroll-related expenses.

Net cash provided by financing activities was \$3,327,393 for the nine months ended September 30, 2013 compared to net cash provided by financing activities of \$660,163 for the same period in 2012. During the nine months ended September 30, 2013, the Company received proceeds from the exercise of warrants as more discussed below. During the nine months ended September 30, 2012, the Company received net proceeds of \$660,163 from sale of its stock.

We have experienced cumulative losses of \$60,637,414 from inception (June 13, 2000) through September 30, 2013, and have stockholders' equity of \$604,328 at September 30, 2013. In addition, the Company has not completed its efforts to establish a stable recurring source of revenues sufficient to cover its operating costs for the next twelve months. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

#### Recent Debt and Equity Offerings

In the second and third quarters 2013 we issued shares of common stock pursuant to the exercise of A-Warrants originally issued in connection with a private placement that closed in January 2013. The warrants were exercised at \$1.65 per share, resulting in gross proceeds of \$3,467,393 for the Company.

The Company intends to increase funds available to continue our research and development efforts, which include material supply, manufacturing, clinical development and pre-clinical trials and working capital. In 2013, we expect cash needs of up to \$2.9 million to finance research and development, which include material supply, manufacturing, clinical trials and pre-clinical trials and to cover our ongoing working capital needs.

To satisfy our research and development requirements beyond 2013, we are contemplating additional funding activities but we can give no assurances that these activities will be successful. In the event we do not meet our cash needs of \$25,000,000, it may be necessary for us to delay the timing of various product development efforts.

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### Seasonality

We do not have a seasonal business cycle. Our revenues and operating results are generally derived evenly throughout the calendar year.

#### Critical Accounting Policies

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States. To prepare these consolidated financial statements, we must make estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates also affect our expenses. Judgments must also be made about the disclosure of contingent liabilities. Actual results could be significantly different from these estimates. We believe that the following discussion addresses the accounting policies that are necessary to understand and evaluate our reported financial results.

#### Derivatives

All derivatives are recorded at fair value and recorded on the balance sheet. Fair values for securities traded in the open market and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates.

#### Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. A fair value hierarchy has been established for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.



Level 3 Inputs – Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

#### Research and Development Costs

Research and development costs are expensed as incurred. Research and development reimbursements and grants are recorded by the Company as a reduction of research and development costs.

#### Share-Based Payments

The Company estimates the fair value of each stock option award at the grant date by using the Black-Scholes option pricing model and common shares based on the last common stock valuation done by third party valuation expert of the Company's common stock on the date of the share grant. The fair value determined represents the cost for the award and is recognized over the vesting period during which an employee is required to provide service in exchange for the award. As share-based compensation expense is recognized based on awards ultimately expected to vest, the Company reduces the expense for estimated forfeitures based on historical forfeiture rates. Previously recognized compensation costs may be adjusted to reflect the actual forfeiture rate for the entire award at the end of the vesting period. Excess tax benefits, if any, are recognized as an addition to paid-in capital.

#### Recent Accounting Pronouncements

There were various accounting standards and interpretations issued during 2013 and 2012, none of which are expected to have a material impact on the Company's financial position, operations or cash flows.

#### Subsequent Events

On October 24, 2013, the Company's board of directors appointed Sandesh Seth as Chairman of the Board.

On November 8, 2013, the Company's board of directors appointed Richard I. Steinhart as a Director of the Company. The Board also named Mr. Steinhart as Chairman of the Board's Audit Committee and a member of the Board's Compensation Committee.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required by smaller reporting companies.

### ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon our evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are not effective, as of September 30, 2013, in ensuring that material information that we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the

time periods specified in the Securities and Exchange Commission rules and forms. The ineffective was due to the material weaknesses described in Management's Report on Internal Control over Financial Reporting as reported in our Form 10-K for the year ended December 31, 2012.

Changes in Internal Control over Financial Reporting. There were no changes in our system of internal controls over financial reporting during the period covered by this report that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1A. RISK FACTORS

Not Applicable to a smaller reporting company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On August 22, 2013, the Company closed on a share exchange agreement (the “Exchange Agreement”) with (i) Actinium Corporation, a Delaware corporation (“Actinium Corporation”), and (ii) the former shareholders of Actinium Corporation (the “Actinium Corporation Shareholders”), pursuant to which the Company acquired 24,052,702 additional shares of capital stock of Actinium Corporation from the Actinium Corporation Shareholders in exchange for the issuance of 8,009,550 additional shares of shares of common stock, par value \$0.001 per share, of the Company (the “Common Stock”) to the Actinium Corporation Shareholders (the “Share Exchange”). The 24,052,702 shares of Common Stock constitute 38.2% of the issued and outstanding equity securities of Actinium Corporation.

The shares of common stock issued to the former shareholders of Actinium Corporation in connection with the Share Exchange were offered and sold in a private transaction in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D (“Regulation D”) promulgated under the Securities Act and Regulation S promulgated under the Securities Act. The Company made this determination based on the representations of the investors which included, in pertinent part, that each such investor was an “accredited investor” within the meaning of Rule 501 of Regulation D.

On September 25, 2013, in accordance with a Certificate of Ownership Merging Actinium Corporation into the Actinium Pharmaceuticals, Inc. (the “Company”) filed in Delaware, the Company merged (the “Merger”) into itself Actinium Corporation (a 93.7% owned subsidiary), and Actinium Corporation ceased to exist. As a result of the Merger, Actinium Corporation stock owned by the Company has been cancelled and each share of Actinium Corporation not owned by the Company was exchanged for 0.333 shares of Company common stock. A total of 3,970,137 shares of Actinium Corporation common stock was exchanged for 1,322,055 shares of Company common stock. As of the September 30, 2013, the Company has acquired a total of 63,018,053, or 100%, of the issued and outstanding equity securities of Actinium Corporation.

The shares of common stock issued to the former shareholders of Actinium Corporation in connection with the Merger were offered and sold in a private transaction in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D (“Regulation D”) promulgated under the Securities Act and Regulation S promulgated under the Securities Act. The Company made this determination based on the representations of the investors which included, in pertinent part, that each such investor was an “accredited investor” within the meaning of Rule 501 of Regulation D.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION.



None

## ITEM 6. EXHIBITS

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

Exhibit No.	Title of Document	Location
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
31.2	Certification of the Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	Attached
32.1	Certification of the Principal Financial and Accounting Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	Attached
101.INS	X XBRL Instance Document	Attached
101.SCH	X XBRL Taxonomy Extension Schema Document	Attached
101.CAL	X XBRL Taxonomy Calculation Linkbase Document	Attached
101.DEF	X XBRL Taxonomy Extension Definition Linkbase Document	Attached
101.LAB	X XBRL Taxonomy Label Linkbase Document	Attached
101.PRE	X XBRL Taxonomy Presentation Linkbase Document	Attached

\* The Exhibit attached to this Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

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.

ACTINIUM PHARMACEUTICALS, INC.

Date: November 14, 2013

By: /s/ Kaushik J. Dave  
Kaushik J. Dave  
President and Chief Executive  
Officer (Duly Authorized Officer,  
and Principal Executive Officer)

By: /s/ Sergio Traversa  
Sergio Traversa  
Interim Chief Financial  
Officer (Duly Authorized Officer, and  
Principal Financial and Accounting  
Officer)