

Actinium Pharmaceuticals, Inc.
Form 10-Q
May 12, 2014

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 March 31, 2014

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
(State or Other Jurisdiction of
Incorporation or Organization)

88-0378336
(I.R.S. Employer
Identification No.)

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

10017
(Zip Code)

(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

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).

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x Yes No o

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 | <input type="radio"/> | Accelerated filer | <input type="radio"/> |
| Non-accelerated filer | <input type="radio"/> | Smaller reporting company | <input checked="" type="radio"/> |

(Do not check if a smaller reporting company)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May --9, 2014: 25,562,846

Actinium Pharmaceuticals, Inc.
FORM 10-Q
For period ended March 31, 2014

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements have been prepared by the Company and are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2014 and 2013 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, 2013. The results of operations for the period ended March 31, 2014 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)

| | March 31, 2014 | December 31, 2013 |
|---|---------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 5,877,781 | \$ 5,533,366 |
| Prepaid expenses and other current assets | 667,911 | 218,389 |
| Total Current Assets | 6,545,692 | 5,751,755 |
| Property and equipment, net of accumulated depreciation | 14,214 | 13,920 |
| Total Assets | \$ 6,559,906 | \$ 5,765,675 |
| Liabilities and Stockholders' Deficit | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 615,272 | \$ 378,955 |
| Accounts payable and accrued expenses - related party | 189,537 | 81,185 |
| Notes payable | 94,481 | 157,825 |
| Derivative liabilities | 19,128,761 | 6,707,255 |
| Total Current Liabilities | 20,028,051 | 7,325,220 |
| Commitments and contingencies | | |
| Stockholders' Deficit: | | |
| Preferred stock, \$0.01 par value; 50,000,000 authorized -0- issued and outstanding | - | - |
| Common stock, \$0.01 par value; 200,000,000 shares authorized; 25,562,346 and 24,565,447 shares issued and outstanding, respectively | 25,562 | 24,565 |
| Additional paid-in capital | 69,723,045 | 64,933,145 |
| Deficit accumulated during the development stage | (83,216,752) | (66,517,255) |
| Total Stockholders' Deficit | (13,468,145) | (1,559,545) |
| Total Liabilities and Stockholders' Deficit | \$ 6,559,906 | \$ 5,765,675 |

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 March 31, 2014 | For the Three Months Ended March 31, 2013 | For the Period from June 13, 2000 (Inception) to March 31, 2014 |
|---|---|--|--|
| Revenue | \$ - | \$ - | \$ - |
| Operating Expenses: | | | |
| Research and development, net of reimbursements | 2,460,968 | 1,085,707 | 31,548,346 |
| General and administrative | 1,676,053 | 933,135 | 30,100,379 |
| Depreciation and amortization | 1,405 | - | 3,265,427 |
| Loss on disposition of equipment | - | 4,122 | 554,308 |
| Total Operating Expenses | 4,138,426 | 2,022,964 | 65,468,460 |
| Loss From Operations | (4,138,426) | (2,022,964) | (65,468,460) |
| Other Income and (Expense): | | | |
| Interest expense | - | (575) | (1,967,215) |
| Gain on extinguishment of liability | - | - | 260,000 |
| Gain (loss) on change in fair value of derivative liabilities | (12,561,071) | 1,334,512 | (16,041,077) |
| Total Other Income and (Expense) | (12,561,071) | 1,333,937 | (17,748,292) |
| Net Loss | \$ (16,699,497) | \$ (689,027) | \$ (83,216,752) |
| Net Loss Per Common Share - Basic and Diluted | \$ (0.66) | \$ (0.03) | |
| Weighted Average Number of Common Shares Outstanding - Basic and Diluted | 25,228,299 | 21,391,665 | |

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 Three Months Ended March 31, 2014 | For the Three Months Ended March 31, 2013 | For the Period from June 13, 2000 (Inception) to March 31, 2014 |
|---|---|--|--|
| Cash Flows From Operating Activities: | | | |
| Net loss | \$(16,699,497) | \$(689,027) | \$(83,216,752) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Stock-based compensation expense | 1,750,926 | 94,200 | 8,460,774 |
| Depreciation expense | 1,405 | - | 3,265,427 |
| Loss on disposition of equipment | - | 4,122 | 554,308 |
| Amortization of debt discount | - | - | 900,000 |
| Amortization of deferred financing costs | - | - | 292,692 |
| Gain on extinguishment of liability | - | - | (260,000) |
| Loss (gain) on change in fair value of derivative liabilities | 12,561,071 | (1,334,512) | 16,041,077 |
| Changes in operating assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Prepaid expenses and other current assets | (449,522) | (50,000) | (370,086) |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | 236,317 | (437,121) | 957,001 |
| Accounts payable and accrued expenses - related party | 108,352 | - | 189,537 |
| Net Cash Used In Operating Activities | (2,490,948) | (2,312,338) | (53,186,022) |
| Cash Flows From Investing Activities: | | | |
| Payment made for patent rights | - | - | (3,000,000) |
| Purchase of property and equipment | (1,699) | (1,112) | (833,950) |
| Net Cash Used In Investing Activities | (1,699) | (1,112) | (3,833,950) |
| Cash Flows From Financing Activities: | | | |
| Borrowings on convertible debt, net of offering costs | - | - | 645,888 |
| Sales of stock, net of offering costs | 2,871,477 | - | 58,945,832 |
| Proceeds from the exercise of options | 5,220 | - | 18,273 |
| Proceeds from the exercise of warrants | 23,709 | - | 3,491,104 |
| Payments on note payable | (63,344) | (65,333) | (203,344) |
| Net Cash Provided By (Used in) Financing Activities | 2,837,062 | (65,333) | 62,897,753 |
| Net change in cash | 344,415 | (2,378,783) | 5,877,781 |

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| | | | |
|---|-------------|-------------|-------------|
| Cash at beginning of period | 5,533,366 | 5,618,669 | - |
| Cash at end of period | \$5,877,781 | \$3,239,886 | \$5,877,781 |
| Supplemental disclosures of cash flows 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 |
| Insurance prepaid through premium finance | \$- | \$- | \$297,825 |
| Fair value of warrants issued with debt | \$- | \$- | \$377,150 |
| Fair value of warrants issued with stock | \$- | \$- | \$5,985,238 |
| Fair value of warrants issued to the placement agent | \$- | \$- | \$2,170,282 |
| Conversion of notes payable and accrued interest to stock | \$- | \$- | \$981,729 |
| Transfer warrant derivatives from liability to equity classification | \$139,565 | \$- | \$5,417,984 |

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., 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 1/2 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.

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.

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's 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 condensed 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 condensed 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 condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2013 and notes thereto contained in the Company's annual report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on February 28, 2014.

Development Stage Company – The Company is considered a development stage company and has had no commercial revenue to date. The Company has been focusing on the development of its clinical drug candidates.

Principles of Consolidation – The condensed 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 condensed 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.

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 March 31, 2014 and December 31, 2013, 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 three 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 liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as of March 31, 2014 and December 31, 2013. 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 March 31, 2014 | - | - | \$ 19,128,761 | \$ 19,128,761 |
| At December 31, 2013 | - | - | 6,707,255 | 6,707,255 |

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 and warrants) were excluded from the diluted loss per common share calculation because their effect would have been antidilutive. For the three months ended March 31, 2014, potentially issuable shares included stock options to purchase 2,265,229 shares and warrants to purchase 9,680,333 shares of the Company's common stock. For the three months ended March 31, 2013, potentially issuable shares included stock options to purchase 2,330,134 shares and warrants to purchase 12,770,636 shares of the Company's common stock.

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 of the condensed consolidated financial statements were issued for subsequent event disclosure consideration.

Note 2 – Related Party Transactions

MSKCC:

In 2010, General Atlantic Group Limited donated all of the equity shares of its wholly owned subsidiary, Actinium Holdings Ltd. (formerly named General Atlantic Investments Limited) to Memorial Sloan Kettering Cancer Center (MSKCC), a principal owner of the Company.

On February 11, 2002, the Company entered into a License, Development and Commercialization Agreement with Sloan-Kettering Institute of Cancer Research (SKI), an entity related to MSKCC (“License Agreement”). The agreement was amended in August 2006. Pursuant to the agreement, the Company licenses certain intellectual property from SKI, including critical patents with respect to the Company’s core technology, and also supports ongoing research and clinical development of related drug candidates.

The Company is obligated to make the following milestone payments:

| 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.

Certain amounts due under the License Agreement were deferred and then forgiven under a forbearance-related arrangement. On June 19, 2011, the Company nonetheless agreed to pay SKI (a) \$50,000 in 2011, (b) \$200,000 in 2012 and (c) \$250,000 in 2013 under this agreement, in respect of the \$50,000 annual maintenance fees and research payments.

On September 4, 2013, the Company entered into a letter agreement with SKI to set forth the amount that the Company owes SKI for the period from 2011 to 2014 under the License Agreement. The total amount that the Company owes SKI for the period from 2011 to 2014 is \$815,100 plus all relevant licensed intellectual property related pass through costs to be determined. The amount owed does not include amounts the Company may owe for patent expenses under the License Agreement. As of March 31 2014, amount owed under this letter agreement for 2014 annual maintenance fee and 2014 research funding was approximately \$0.2 million plus pass through costs, respectively.

On March 27, 2012, the Company entered into an additional clinical trial agreement with MSKCC Cancer Center with respect to conducting a Phase 1/2 trial of combination therapy of low dose cytarabine and fractionated dose of Lintuzumab-Ac225. The Company will pay \$31,185 for each patient that has completed the clinical trial. Upon execution of the agreement, the Company paid a start-up fee of \$79,623 in 2012.

For the three months ended March 31, 2014 and 2013, the Company incurred \$189,537 and \$129,850, respectively, for maintenance fees and research conducted by MSKCC. As of March 31, 2014 and December 31, 2013, the Company has payable to MSKCC of \$189,537 and \$81,185, respectively, related to clinical trials.

Placement Agent:

On August 7, 2012, the Company entered into an engagement agreement with Healthcare Investment Banking as its placement agent for the 2012 Common Stock Offering. A director of the Company was the Head of Healthcare Investment Banking at the placement agent. Pursuant to the agreement, the placement agent was engaged as the exclusive agent for the 2012 Common Stock Offering. In consideration for its services, the placement agent will receive (a) a cash fee equal to 10% of the gross proceeds raised in the 2012 Common Stock Offering, (b) a non-accountable expense reimbursement equal to 2% of the gross proceeds raised in the 2012 Common Stock Offering, and (c) reimbursement of \$100,000 for legal expenses incurred by the placement agent. The placement agent or its designees have also received warrants to purchase shares of the Company's Common Stock in an amount equal to 10% of the shares of common stock issued as part of the units sold in the 2012 Common Stock Offering and the shares of Common Stock issuable upon exercise of the B warrants included in such units. The placement agent will also receive the same fee and expense schedule for any cash exercise of warrants within 6 months of the final closing of the 2012 Common Stock Offering and a 5% solicitation fee for any warrants exercised as a result of being called for redemption by the Company. Upon the final closing of the 2012 Common Stock Offering of the units, the placement agent has been engaged by the Company to provide certain financial advisory services to the Company for a period of at least 6 months for a monthly fee of \$25,000. The agreement also provides that (i) if the Company consummates any merger, acquisition, business combination or other transaction (other than the Share Exchange) with any party introduced to it by the placement agent, the placement agent would receive a fee equal to 10% of the aggregate consideration in such transactions, and (ii) if, within a period of 12 months after termination of the advisory services described above, the Company requires a financing or similar advisory transaction the placement agent will have the right to act as the Company's financial advisor and investment banker in such financing or transaction pursuant to a set fee schedule set forth in the August 7, 2012 engagement agreement. For a period ending one year after the expiration of all lock-up agreements entered into in connection with the Share Exchange, any change in the size of the Company board of directors must be approved by the placement agent. The placement agent also was engaged by the Company as placement agent for its Stock Offering and Convertible Notes financing in 2011 and, as a part of the fee for that engagement, designees of the placement agent also hold warrants to purchase 1,251,015 shares of the Company's Common Stock.

On December 9, 2013, the Company entered into another engagement agreement with its placement agent for the 2013 Common Stock Offering. The agreement entered in 2013 has similar terms as the 2012 agreement, including a cash fee equal to 10% of the gross proceeds raised, a non-accountable expense reimbursement equal to 2% of the gross proceeds raised and warrants to purchase shares of the Company's Common Stock in an amount equal to 10% of the shares of common stock issued or issuable. Subsequent to the closing of the 2013 offering, the placement agent continued to provide certain financial advisory services to the Company until three months after the Company has uplisted its securities for trading on a U.S. National Exchange for a monthly fee of \$25,000.

During quarter ended March 31, 2014, the placement agent received a cash fee of approximately \$0.4 million from the sale of securities and was issued warrants to purchase 68,976 shares of the Company's Common Stock at \$9 per share for a period of 5 years.

Note 3 – Property and Equipment

Property and equipment consisted of the following at March 31, 2014 and December 31, 2013:

| | Lives | 2014 | 2013 |
|--------------------------------|---------|-----------|-----------|
| Office equipment | 3 years | \$ 17,179 | \$ 15,480 |
| Less: accumulated depreciation | | (2,965) | (1,560) |
| Property and equipment, net | | \$ 14,214 | \$ 13,920 |

Depreciation expense for the three months ended March 31, 2014 and 2013 were \$1,405 and \$0, respectively. The Company wrote off its remaining undepreciated property and equipment during the three months ended March 31, 2013 and recorded a loss of \$4,122 on the disposition.

Note 4 – Note Payable

On December 28, 2013, the Company entered into a premium finance agreement to pay a \$157,825 premium for its director and officer liability insurance policy. Pursuant to the agreement, the Company paid a down payment of \$15,995 in January 2014 and is required to pay \$15,995 in monthly installment for nine months. For the quarter ended March 31, 2014, the Company paid \$63,344 under this finance agreement. As of March 31, 2014 and December 31, 2013, the outstanding balance related to the premium finance agreement was \$94,481 and \$157,825, respectively.

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 three months ended March 31, 2014 were as follows:

| | Units | Fair Value |
|---|-----------|---------------|
| Balance, December 31, 2013 | 1,968,623 | \$ 6,707,255 |
| Transfer from liability classification to equity classification | (46,025) | (139,565) |
| Change in fair value | - | 12,561,071 |
| Balance, March 31, 2014 | 1,922,598 | \$ 19,128,761 |

During the quarter ended March 31, 2014, 46,025 warrants were exercised. The fair value of these warrants totaling \$139,565 were measured on the various exercise dates and reclassified to additional paid-in capital.

The fair values of the derivative warrants were calculated using a modified binomial valuation model with the following assumptions at each balance sheet date.

| | March 31, 2014 | | December 31, 2013 | |
|--|-------------------|---|-------------------------|---|
| Market value of common stock on measurement date (1) | \$12.45 | | \$5.89 | |
| Adjusted exercise price | \$9.95 | | \$2.48 | |
| Risk free interest rate (2) | 1.32 | % | 1.27 | % |
| Warrant lives in years | 0.5 years | | 0.5 years | |
| Expected volatility (3) | 71 | % | 73 | % |
| Expected dividend yield (4) | - | | - | |
| Probability of stock offering in any period over 5 years (5) | - | | 25 | % |
| Range of percentage of existing shares offered (6) | - | | 35 | % |
| Offering price range (7) | \$9 | | \$9 | |

(1) The market value of common stock at the above measurement dates is based on the Company's trading price quoted on the OTC Markets for December 31, 2013 and on the NYSE MKT for March 31, 2014.

- (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 determines the probability of future stock offering at each evaluation date.
- (6) Management estimates that the range of percentages of existing shares offered in each stock offering will be 0% and 35% of the shares outstanding at March 31, 2014 and December 31, 2013, respectively.
- (7) Represents the estimated offering price range in future offerings as determined by management.

Note 6 – Commitments and Contingencies

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. The Company has not initiated a Phase II Clinical Trial and no payment has been made to Abbott Biotherapeutics Corp. since the July 24, 2012 payment.

- b. Memorial Sloan Kettering Cancer Center (MSKCC) – see related party disclosure.
- 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. For 2013, the Company was obligated and paid approximately \$0.3 million to purchase of radioactive material with ORNL. For

2014, the Company signed a contract with ORNL to purchase \$0.4 million of radioactive material.

- d. AptivSolutions provides project management services for the study of the drug Ac-225-HuM195 (Actimab-A) used in the Company clinical trials, Phase 1 and Phase 2. 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. As of March 31, 2014, approximately \$1.0 million has been expensed to date. 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 of BC8, a novel murine monoclonal antibody, 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 1 and Phase 2 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.

During the quarters ended March 31, 2014 and 2013, the Company recorded fees of \$37,500 and \$37,500, respectively, related to this agreement.

- f. On July 19, 2012, the Company entered into a clinical trial agreement with FHCRC for Actimab-A. The Company will pay \$31,366 for each patient that has completed the clinical trial. The Company paid a start-up fee of \$19,749 in 2013. During the clinical trial additional fees apply and will be invoiced when applicable. For the three months ended March 31, 2014, the Company paid approximately \$16,000 for patient enrollment.
- g. On August 28, 2012, the Company entered into a clinical trial agreement with The University of Texas M.D. Anderson Cancer Center for Actimab-A. 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 paid \$33,946. During 2013, there was one patient treated and the Company paid \$34,383 in July 2013. There have been no patients treated in 2014.

- h. On September 26, 2012, the Company entered into a clinical trial agreement with Johns Hopkins University. The Phase 1/2 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. The Company paid the \$22,847 start-up fee in February 2013. There were no payments made during the three months ended March 31, 2014 for this agreement.
- i. On November 21, 2012, the Company entered into a clinical trial agreement with the University of Pennsylvania. The Phase 1/2 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. The Company accrued \$16,000 fee at December 31, 2013 and paid the fee in January 2014.
- j. On January 27, 2014, the Company entered into a manufacturing agreement with Goodwin Biotechnology Inc. (“Goodwin”). Goodwin will oversee the current Good Manufacturing Practices (cGMP) production of a monoclonal antibody anticipated to be used in an upcoming phase 3 clinical trial of Iomab™-B. Total cost of the agreement is \$2,813,960. The Company paid a non-refundable payment of \$562,790 upon execution of the agreement. Periodic payments will be made upon reaching certain milestones. As of March 31, 2014, the remaining cost of the agreement is \$2,077,000.

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 4, 2013 and amended on October 4, 2013, the Company entered into a rental agreement for office space at 546 Fifth Avenue, New York, NY. This agreement terminates on July 6, 2014. Upon the expiration of the term, the agreement automatically renews on a month-to-month basis and requires a two month notice of termination.

Note 7 – Equity

In January 2014, the Company completed the final tranche of a private placement of the Company’s common stock and warrants and received approximately \$3.3 million total gross proceeds from accredited investors (“2014 Closing”). The Company paid its placement agent total cash fees of approximately \$395,000 and paid attorney fees of \$40,000 for their services. In the 2014 Closing, the Company sold 551,810 shares of common stock at \$6.00 per share and granted 137,952 units of five-year warrants with an exercise price of \$9.00 per share. The warrants are exercisable for a period of five years from the date of issuance. The transaction date fair value of the warrants of \$0.6 million was determined utilizing the Black-Scholes option pricing model utilizing the following assumptions: risk free interest rate 1.64%, expected volatility - 88%, expected dividend yield - 0%, and a contractual life of 5 years. As of March 31, 2014, all the warrants were outstanding.

On March 24, 2014, the Company filed a shelf registration statement on Form S-3 (the “Registration Statement”) which was effective on April 17, 2014. This Registration Statement contained two prospectuses: (i) a base prospectus which covers the offering, issuance and sale by the Company of up to \$200,000,000 of its common stock, preferred stock, warrants and/or units; and (ii) a sales agreement prospectus covering the offering, issuance and sale by us of up to a maximum aggregate offering price of \$75,000,000 of its common stock that may be issued and sold under a sales agreement (the “Sales Agreement”) with MLV & Co. LLC (“MLV”) dated March 24, 2014. The Company will pay MLV in cash, upon the sale of common stock pursuant to the Sales Agreement, an amount equal to 3.0% of the gross proceeds from the sale of common stock. To date 500 shares have been sold under the Sales Agreement with MLV (see Note 8 – Subsequent Event).

Placement Agent – During January 2014, in connection with 2014 Closing, the Company issued Laidlaw & Co. warrants to purchase an aggregate of 68,976 shares of common stock with an exercise price of \$9.00 per share. The transaction date fair value of the warrants of \$0.2 million was determined utilizing the Black-Scholes option pricing model utilizing the following assumptions: risk free interest rate – 1.64%, expected volatility - 88%, expected dividend yield - 0%, and a contractual life of 5 years.

Approval of the Equity Incentive Plan

During 2013, the Company granted employees, consultant and board members 312,500 shares of restricted stock. During the quarter ended March 31, 2014, the Company granted an additional 325,167 shares of restricted stock. During the three months ended March 31, 2014, 180,104 shares were issued for shares granted under the Equity Incentive Plan. Of the total shares of restricted stock, 22,500 shares vest 1 year from the grant date, 149,167 shares have a vesting period of 4 years and 150,000 shares vest at date of grant. The remaining restricted shares granted are performance based and vest over time.

All restricted stock issued and outstanding is being amortized over their respective vesting periods. The unrecognized compensation expense related to the restricted stock granted at March 31, 2014 was \$1,391,318. During the three months ended March 31, 2014 and 2013, the Company recorded expense of \$1,410,588 and \$0, respectively, related to the restricted stock granted.

Stock Option Plan

The following is a summary of stock options:

| | Weighted | Weighted | Aggregate |
|--|----------|-----------|-----------|
| | Average | Remaining | |

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| | Number of Units | Average Exercise Price | Contractual Term (in years) | Intrinsic Value |
|--------------------------------|--------------------|------------------------------|-----------------------------------|--------------------|
| Outstanding, December 31, 2013 | 1,985,384 | \$ 3.23 | 8.34 | \$ 5,908,696 |
| Issued | 291,500 | 7.86 | 10 | |
| Exercised | (11,655) | 0.78 | - | - |
| Outstanding, March 31, 2014 | 2,265,229 | \$ 3.84 | 8.34 | \$ 19,514,362 |

During the quarter ended March 31, 2014, the Company granted employees and board members 291,500 options to purchase the Company's common stock with exercise prices ranging from \$5.55 to \$8.19 and a term of 10 years and vest over a 4-year period. The fair value of \$1.7 million was calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) discount rate of 1.88% - 2.07% (2) expected life of 6 years, (3) expected volatility of 87.76%, and (4) zero expected dividends.

During quarter ended March 31, 2014, the Company received gross proceeds of \$5,220 for exercise of options for 11,655 shares of the Company's common stock.

All options issued and outstanding are being amortized over their respective vesting periods. The unrecognized compensation expense at March 31, 2014 was \$5,399,710. During the three months ended March 31, 2014 and 2013, the Company recorded option expense of \$281,404 and \$94,200, respectively.

Warrants

Following is a summary of warrant activities for the quarter ended March 31, 2014:

| | Number of Units | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|--------------------------------|--------------------|--|---|---------------------------------|
| Outstanding, December 31, 2013 | 9,673,290 | 1.06 | 4.89 | 47,396,307 |
| Granted | 306,928 | 7.88 | 6.63 | |
| Exercised | (299,885) | 1.04 | | |
| Outstanding, March 31, 2014 | 9,680,333 | \$ 1.28 | 4.71 | \$ 107,268,785 |

During the quarter ended March 31, 2014, the Company granted warrants to purchase 137,952 shares of the Company's common stock to investors and warrants to purchase 68,976 shares of the Company's common stock to its placement agent in connection with the 2014 Closing.

During the three months ended March 31, 2014, the Company also granted a consultant warrants to purchase 100,000 shares of the Company's common stock with exercise prices of \$5.55 per share and a term of 10 years. These warrants vest when certain milestones are met.

During the quarter ended March 31, 2014, 299,885 warrants were exercised by the warrant holders. The Company issued 253,330 shares of common stock and received gross proceeds of \$23,709.

During the quarter ended March 31, 2014 and 2013, the Company recorded stock-based compensation related to the warrants of \$58,934 and \$0, respectively.

Note 8 – Subsequent Events

In April 2014, the Company granted certain employees 50,000 shares of restricted common stock and options to purchase 600,000 shares of the Company's common stock with exercise prices ranging from \$11.76 to \$11.95 and a term of 10 years. These options and restricted stock vest over a 4-year period. Effective May 12, 2014, the Company entered into a sublease agreement for office space located at 379 Thornall Street, Edison, NJ. This agreement terminates on September 30, 2016. The Company issued a security deposit of approximately \$35,000 to the existing tenant.

On April 28, 2014, the Company issued 500 shares of its common stock and received net proceeds of \$6,000.

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

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

On December 28, 2012, we entered into a transaction (the “Share Exchange”), pursuant to which the Company agreed to acquire 100% of the issued and outstanding equity securities of Actinium Pharmaceuticals, Inc. (“Actinium”), in exchange for the issuance of common stock, par value \$0.001 per share, of the Company (the “Common Stock”), which were issued to the shareholders of Actinium. As a result of the Share Exchange, the former shareholders of Actinium became the controlling shareholders of the Company. The Share Exchange was accounted for as a reverse takeover/recapitalization effected by a share exchange, wherein Actinium is considered the acquirer for accounting and financial reporting purposes. As a result of the Share Exchange, the Company assumed the business and operations of Actinium.

On April 11, 2013, the change of domicile from the State of Nevada to the State of Delaware and the change of Cactus Ventures, Inc.’s name from Cactus Ventures, Inc. to Actinium Pharmaceuticals, Inc. became effective in accordance with Articles of Merger filed with the State of Nevada and a Certificate of Merger filed with the State of Delaware. In connection with the name change we also changed (i) the name of our subsidiary Actinium Pharmaceuticals, Inc. to Actinium Corporation, (ii) our par value to \$0.001 per share, and (iii) the number of authorized shares of preferred stock to 10 million shares. Effective April 18, 2013 our new trading symbol became ATNM. On September 25, 2013, we merged with our subsidiary, Actinium Corporation, and we were the surviving entity of the merger. In January 2014 we increased our authorized shares of common stock to 200 million shares and authorized shares of preferred stock to 50 million shares.

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

Actinium, 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. Actinium, together with its wholly owned subsidiary, MedActinium, Inc. (MAI), (hereinafter referred to collectively as “Actinium”) has initiated collaborative efforts with large institutions to establish the proof of concept of alpha particle immunotherapy and has supported one Phase 1/2 clinical trial and one Phase 1 clinical trial at

MSKCC under an MSKCC Physician IND Application. In 2012, Actinium launched a multi-center corporate sponsored trial in acute myeloid leukemia (AML) patients. Actinium'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 Actinium's compounds have been with patients having acute myeloid leukemia and it is believed that Actinium's APIT platform will have wider applicability for different types of cancer where suitable monoclonal antibodies can be found.

On March 26, 2014, we began trading our common stock on the NYSE MKT market under the symbol ATNM.

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 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 50 with active acute myeloid leukemia in relapse and/or refractory to existing treatments. Our intention is to request the FDA to allow us to enter into a pivotal trial with Iomab™-B. We estimate the direct costs of such a trial to completion anticipated in 2015 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. We also made clinical trial arrangements with other well-known cancer centers. Our ActimabTM-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 March 31, 2014, we had an accumulated deficit of \$83.2 million. We incurred net losses of \$16.7 million and \$0.7 million for the three months ended March 31, 2014 and 2013, respectively.

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 deals 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 and enter into partnership agreements with one or more large pharmaceutical and/or biotechnology companies.

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. 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 March 31, 2014 Compared to the Three Months Ended March 31, 2013

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

| | For the three months ended March 31, | |
|---|---|-------------|
| | 2014 | 2013 |
| Revenues | \$- | \$- |
| Operating expenses: | | |
| Research and development, net of reimbursements | 2,460,968 | 1,085,707 |
| General and administrative | 1,676,053 | 933,135 |
| Depreciation and amortization | 1,405 | - |
| Other expenses | - | 4,122 |
| Total operating expenses | 4,138,426 | 2,022,964 |
| Other (income) expense: | | |
| Interest expense | - | 575 |
| Loss (gain) on change in fair value of derivative liabilities | 12,561,071 | (1,334,512) |
| Total other (income) expense | 12,561,071 | (1,333,937) |

| | | |
|----------|-----------------|---------------|
| Net loss | \$ (16,699,497) | \$ (689,027) |
|----------|-----------------|---------------|

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Revenues

We recorded no commercial revenues for the three months ended March 31, 2014 and 2013.

Research and Development Expense

Research and development expenses increased by approximately \$1.4 million to approximately \$2.5 million for the three months ended March 31, 2014 compared to approximately \$1.1 million for the three months ended March 31, 2013. The increase is primarily attributable to the costs related to continuing the multi-center clinical trial for Actimab™-A which commenced in the third quarter of 2012 and the manufacturing of BC8, the antibody that is the key component of Iomab-B in-licensed by the Company in 2012. The increased expenses also reflect development work on significantly improving the efficacy and cost structure of the Actimab™-A manufacturing and costs related to Iomab-B's clinical development and regulatory submissions. We expect to incur increased research and development costs in the future.

General and Administrative Expenses

Overall, total general and administrative expenses increased by approximately \$0.8 million to \$1.7 million for the three months ended March 31, 2014 compared to approximately \$0.9 million for the three months ended March 31, 2013. The increase was largely attributable to increases in professional fees, staffing, and the stock-based compensation incurred by the Company as discussed below.

The increase of professional fees was mainly associated with the Company listing our common stock on the NYSE MKT. In addition to the professional fees incurred, we increased our personnel. As such, payroll-related expenses for the three months ended March 31, 2014 increased compared to the same period in 2013. We expect to incur increased general and administrative costs in the future.

Other (Income) Expense

Other expense was \$12.6 million for the three months ended March 31, 2014 compared to other income of \$1.3 million for the three months ended March 31, 2013. The Company recorded a loss on the change in fair value of the Company's embedded derivative liability in the approximate amount \$12.6 million during the three months ended March 31, 2014 as compared to a gain of approximately \$1.3 million during the comparable three-month period ended March 31, 2013. The change is mainly attributable to the fluctuation of the Company's stock price.

Net Loss

Net loss increased by approximately \$16.0 million to approximately \$16.7 million for the three months ended March 31, 2014 compared to approximately \$0.7 million for the three months ended March 31, 2013. The increase was primarily due to an increase in the loss from change in fair value of the derivative liability, in conjunction with additional costs incurred by the Company in research and development expenses, non-cash stock-based compensation costs and professional fees as discussed above.

Liquidity and Capital Resources

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

We did not have any cash or cash equivalents held in financial institutions located outside of the United States as of March 31, 2014 and December 31, 2013. We do not anticipate this practice will change in the future.

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

| | For the three months ended March 31, | |
|---|---|---------------|
| | 2014 | 2013 |
| Cash provided by (used in) operating activities | \$(2,490,948) | \$(2,312,338) |
| Cash provided by (used in) investing activities | (1,699) | (1,112) |
| Cash provided by (used in) financing activities | 2,837,062 | (65,333) |
| Net change in cash | \$344,415 | \$(2,378,783) |

Net cash used in operating activities was approximately \$2.5 million for the three months ended March 31, 2014 compared to approximately \$2.3 million used in operations for the same period in 2013. Cash used in operations increased due to the increase in spending related to preparations and eventual launch and conduct of a multicenter clinical trial and an increase in spending related to professional fees combined with an increase in payroll-related expenses.

Net cash provided by (used in) financing activities were approximately \$2.8 million and approximately (\$65,000) for the three months ended March 31, 2014 and 2013, respectively. During the three months ended March 31, 2014, the Company issued common stock and received net proceeds of approximately \$2.9 million.

We have experienced cumulative losses of approximately \$83.2 million from inception (June 13, 2000) through March 31, 2014, and have stockholders' deficit of \$13.5 million at March 31, 2014. We intend to fund our operations from a combination of equity and/or debt financing.

Recent Equity Offerings

In December 2013, we completed the sale of units pursuant the Unit Purchase Agreement, dated December 27, 2013 (the "December Purchase Agreement"), and Subscription Agreement, dated December 27, 2013 (the "December Subscription Agreement"), among the Company and certain accredited investors. The securities sold in the offering consisted of an aggregate of (i) 554,310 shares of its common stock, and (ii) warrants to purchase 138,577 shares of its Common Stock at an exercise price of \$9.00 per share, subject to adjustment ("2013 Common Stock Offering"). The warrants are exercisable for a period of five years from the date of issuance. The Company received gross proceeds of approximately \$3.3 million from the sale of securities under the Purchase Agreement.

On January 10, 2014, we conducted the final closing (the "Final Closing") of its private placement of securities (the "Offering") pursuant to a Unit Purchase Agreement, dated as of January 10, 2014 (the "January Purchase Agreement") and Subscription Agreement, dated as of January 10, 2014 (the "January Subscription Agreement"), with certain accredited investors named therein (the "Investors") pursuant to which: the Investors at the Final Closing agreed to purchase (i) an aggregate of 551,810 shares (the "Shares") of common stock at \$6.00 per share and (ii) five-year warrants to purchase an aggregate of 137,952 shares of common stock at an exercise price of \$9.00 per share (the "Warrants"). We received \$3,310,860 in gross proceeds from the sale of securities under the January Purchase Agreement at the Final Closing, bringing the total gross proceeds received by the Company in the Offering to \$6,636,720. The aggregate offering amount of securities sold to investors was increased from \$6,000,000 to \$6,636,720 in order to cover over-allotments.

On March 24, 2014, we filed a shelf registration statement on Form S-3 (the "Registration Statement") and deemed effective on April 17, 2014. This Registration Statement contained two prospectuses: (i) a base prospectus which covers the offering, issuance and sale by the Company of up to \$200,000,000 of its common stock, preferred stock, warrants and/or units; and (ii) a sales agreement prospectus covering the offering, issuance and sale by us of up to a maximum aggregate offering price of \$75,000,000 of its common stock that may be issued and sold under a sales agreement (the "Sales Agreement") with MLV & Co. LLC ("MLV"). To date 500 shares have been sold under the Sales Agreement with MLV.

Sales of the our common stock through MLV, if any, will be made on the NYSE MKT LLC, on any other existing trading market for the common stock or to or through a market maker. Subject to the terms and conditions of the Sales Agreement, MLV will use commercially reasonable efforts to sell our common stock from time to time, based upon our instructions (including any price, time or size limits or other customary parameters or conditions we may impose). We will pay to MLV in cash, upon the sale of common stock pursuant to the Sales Agreement, an amount equal to 3.0% of the gross proceeds from the sale of common stock. We have also provided MLV with customary indemnification rights.

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.

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 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 2014 and 2013, none of which are expected to have a material impact on the Company's financial position, operations or cash flows.

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 March 31, 2014, 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, 2013.

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.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION.

Item 1.01. Entry into a Material Definitive Agreement.

Effective May 12, 2014, the Company entered into a sublease agreement with Corporate Technologies, Inc. for office space located at 379 Thornall Street, Edison, NJ. The monthly rent for the first year of the lease is \$8,683.33 per month and the rent thereafter is \$9,334.59 per month until the end of the term. This agreement terminates on September 30, 2016. The Company issued a security deposit of approximately \$35,000 to the existing tenant.

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 |
|-------------|--|----------|
| 10.1 | Sublease Agreement, effective May 12, 2014, by and between Actinium Pharmaceuticals, In. and Corporate Technologies, Inc. | Attached |
| 31 | Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Attached |
| 32 | Certification of the Principal Executive Officer and Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* | Attached |
| 101.INS | XBRL Instance Document | Attached |
| 101.SCH | XBRL Taxonomy Extension Schema Document | Attached |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document | Attached |

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| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | Attached |
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| 101.LAB | XBRL Taxonomy Label Linkbase Document | Attached |
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| 101.PRE | 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: May 12, 2014

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