

CALLISTO PHARMACEUTICALS INC

Form 10-Q

August 20, 2012

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**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: June 30, 2012**

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: 001-32325

# CALLISTO PHARMACEUTICALS, INC.

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**13-3894575**  
(I.R.S. Employer  
Identification No.)

**420 Lexington Avenue, Suite 1609, New York, New York 10170**

(Address of principal executive offices) (Zip Code)

**(212) 297-0010**

(Registrant's telephone number)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(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). Yes  No

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The number of the registrant's shares of common stock outstanding was 158,965,071 as of August 17, 2012.

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CALLISTO PHARMACEUTICALS, INC.

FORM 10-Q

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**INTRODUCTORY NOTE**

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

**The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties set forth under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the Securities Exchange Commission on March 30, 2012. Accordingly, to the extent that this Report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that Callisto's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements.**

**On May 9, 2012, Callisto deconsolidated Synergy and derecognized the Synergy assets, liabilities, and non-controlling interest from its financial statements. All drug candidates to treat GI disorders and diseases, currently plecatanide and SP-333, are being developed exclusively by Synergy Pharmaceuticals, Inc., our former controlled subsidiary ( Synergy ). Use of the terms we , our or us in connection with GI drug candidates discussed herein refer to research and development activities and plans of Synergy.**

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****CALLISTO PHARMACEUTICALS, INC.****(A Development Stage Company)****CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2012</b>		<b>December 31, 2011</b>
	<b>(Unaudited)</b>		
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 120	\$	13,244,961
Prepaid expenses and other			796,028
Tax credits receivable			377,865
<b>Total Current Assets</b>	<b>120</b>		<b>14,418,854</b>
Equity investment in Synergy	117,814,450		
Property and equipment, net			5,774
Security deposits	73,715		87,740
<b>Total Assets</b>	<b>\$ 117,888,285</b>	<b>\$</b>	<b>14,512,368</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
Current Liabilities:			
Accounts payable	\$ 1,710,216	\$	3,206,827
Accrued expenses	332,507		1,457,427
<b>Total Current Liabilities</b>	<b>2,042,723</b>		<b>4,664,254</b>
Derivative financial instruments, at estimated fair value warrants			3,325,114
Due to related party	1,936,610		
<b>Total Liabilities</b>	<b>3,979,333</b>		<b>7,989,368</b>
Commitments and contingencies			
Stockholders' Deficit:			
Series A convertible preferred stock, par value \$0.0001, 700,000 shares authorized, 8,000 shares outstanding at June 30, 2012 and December 31, 2011	1		1
Common stock, par value of \$0.0001 per share: 225,000,000 shares authorized; 158,516,071 shares outstanding at June 30, 2012 and December 31, 2011	15,852		15,852
Additional paid-in capital	169,106,403		168,531,201
Deficit accumulated during development stage	(55,213,304)		(142,366,313)
<b>Total Callisto Stockholders' Equity</b>	<b>113,908,952</b>		<b>26,180,741</b>
Non-controlling interest			(19,657,741)

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Total Stockholders	Equity	113,908,952	6,523,000
		\$ 117,888,285	\$ 14,512,368

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

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## CALLISTO PHARMACEUTICALS, INC.

(A Development Stage Company)

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		June 5, 1996 (Inception) to June 30, 2012
	2012	2011	2012	2011	
Revenues	\$	\$	\$	\$	\$
Costs and expenses:					
Research and development	2,542,089	2,356,099	7,880,229	3,728,027	66,974,746
Government grants			3,508		(1,131,810)
Purchased in process research and development					6,944,553
General and administrative	805,193	1,875,688	2,758,502	3,835,532	63,131,159
Loss from operations	(3,347,282)	(4,231,787)	(10,642,239)	(7,563,559)	(135,918,648)
Gain on deconsolidation of Synergy	120,393,000		120,393,000		120,393,000
Loss related to equity method investment	(2,390,000)		(2,390,000)		(2,390,000)
Interest and investment income	16,039	3	20,942	54	937,519
Tax credit (expense)	(224,963)		(224,963)		1,168,256
Other income	85,180	6,208	85,180	(6,206)	(857,944)
Loss on debt extinguishment					(2,099,892)
Change in fair value of derivative instruments	(439,116)	(697,660)	(431,170)	(1,036,375)	(17,341,455)
Net income/(loss)	114,092,858	(4,923,236)	106,810,750	(8,606,086)	(36,109,164)
Add: Net Loss (income) of subsidiary attributable to non-controlling interest	2,817,956	2,422,640	6,957,805	4,344,123	26,615,546
Net income/(loss) attributable to Callisto	116,910,814	(2,500,596)	113,768,555	(4,261,963)	(9,493,618)
Series A Preferred stock conversion rate change and beneficial conversion feature accreted as a dividend					(5,025,849)
Series B Preferred stock conversion rate change and beneficial conversion feature accreted as a dividend					(12,174,391)
Cumulative effect of adopting ASC Topic 815 January 1, 2009					(1,903,900)
	\$	\$	\$	\$	\$
	116,910,814	(2,500,596)	113,768,555	(4,261,963)	(28,597,758)



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Net income/(loss) available to  
Callisto common stockholders

*Weighted average common shares  
outstanding*

basic	158,516,071	158,506,181	158,516,071	158,078,170
diluted	158,629,281	158,506,181	158,629,281	158,078,170

*Net income/(loss) per common  
share*

Basic	\$	0.74	\$	(0.02)	\$	0.72	\$	(0.03)
Diluted	\$	0.74	\$	(0.02)	\$	0.72	\$	(0.03)

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

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## CALLISTO PHARMACEUTICALS, INC.

(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS EQUITY (DEFICIT)

(Unaudited)

	Preferred Shares	Preferred Stock, Par Value	Common Shares	Common Stock, Par Value	Additional Paid in Capital
Balance at inception, June 5, 1996		\$		\$	\$
Net loss for the year					
Issuance of founder shares			2,642,500	264	528
Common stock issued			1,356,194	136	272
Common stock issued via private placement			1,366,667	137	1,024,863
Balance, December 31, 1996			5,365,361	537	1,025,663
Net loss for the year					
Common stock issued via private placement			1,442,666	144	1,081,855
Balance, December 31, 1997			6,808,027	681	2,107,518
Net loss for the year					
Amortization of Stock based Compensation					52,778
Common stock issued via private placement			1,416,667	142	1,062,358
Common stock issued for services			788,889	79	591,588
Common stock repurchased and cancelled			(836,792)	(84)	(96,916)
Balance, December 31, 1998			8,176,791	818	3,717,326
Net loss for the year					
Deferred Compensation stock options					9,946
Amortization of Stock based Compensation					
Common stock issued for services					3,168,832
Common stock issued via private placement			346,667	34	259,966
Balance, December 31, 1999			8,523,458	852	7,156,070
Net loss for the year					
Amortization of Stock based Compensation					
Common stock issued			4,560,237	455	250,889
Other					432
Preferred shares issued	3,485,299	348			5,986,302
Preferred stock issued for services	750,000	75			1,124,925
Balance, December 31, 2000	4,235,299	423	13,083,695	1,307	14,518,618
Net loss for the year					
Deferred Compensation stock Options					20,000
Amortization of Stock based Compensation					

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Balance, December 31, 2001	4,235,299	423	13,083,695	1,307	14,538,618
Net loss for the year					
Amortization of Stock based Compensation					
Balance, December 31, 2002	4,235,299	\$ 423	13,083,695	\$ 1,307	\$ 14,538,618

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

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**CALLISTO PHARMACEUTICALS, INC.**  
**(A Development Stage Company)**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS EQUITY (DEFICIT) (Continued)**

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

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

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**CALLISTO PHARMACEUTICALS, INC.**  
**(A Development Stage Company)**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS EQUITY (DEFICIT) (Continued)**

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

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

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**CALLISTO PHARMACEUTICALS, INC.**  
**(A Development Stage Company)**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS EQUITY (DEFICIT) (Continued)**

	Common Stock	Common Stock Par Value	Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity
Balance, December 31, 2003	25,928,760	\$ 2,590	\$ 34,149,975	\$ (5,480,007)	\$ (25,817,730)	\$ 2,854,828
Net loss for the year					(7,543,467)	(7,543,467)
Amortization of deferred Stock-based compensation expense				3,084,473		3,084,473
Variable accounting for stock options			(816,865)			(816,865)
Stock-based compensation net of forfeitures			240,572	93,000		333,572
Common stock issued via private placements, net	3,311,342	331	6,098,681			6,099,012
Warrant and stock-based compensation for services in connection with the Merger			269,826			269,826
Common stock returned from former Synergy stockholders	(90,000)	(9)	(159,083)			(159,092)
Stock issued for patent rights	25,000	3	56,247			56,250
Common stock issued for services	44,000	7	70,833			70,840
Balance, December 31, 2004	29,219,102	\$ 2,922	\$ 39,910,186	\$ (2,302,534)	\$ (33,361,197)	\$ 4,249,377

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

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## CALLISTO PHARMACEUTICALS, INC.

(A Development Stage Company)

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

	Common Stock	Common Stock Par Value	Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity (Deficit)
Balance, December 31, 2004	29,219,102	\$ 2,922	\$ 39,910,186	\$ (2,302,534)	\$ (33,361,197)	\$ 4,249,377
Net loss for the year					(11,779,457)	(11,779,457)
Deferred stock-based compensation new grants			1,571,772	(1,571,772)		
Amortization of deferred stock-based compensation				2,290,843		2,290,843
Variable accounting for stock options			75,109			75,109
Common stock issued via private placement:						
March 2005	1,985,791	198	3,018,203			3,018,401
August 2005	1,869,203	187	1,812,940			1,813,127
Finders fees and expenses			(176,249)			(176,249)
Exercise of common stock warrant	125,000	13	128,737			128,750
Common stock issued for services	34,000	3	47,177			47,180
Balance, December 31, 2005	33,233,096	\$ 3,323	\$ 46,387,875	\$ (1,583,463)	\$ (45,140,654)	\$ (332,919)

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



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## CALLISTO PHARMACEUTICALS, INC.

(A Development Stage Company)

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

	Series A Convertible Preferred Shares	Series A Convertible Preferred Stock	Common Stock	Common Stock Par Value	Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity (Deficit)
Balance, December 31, 2005		\$	33,233,096	\$ 3,323	\$ 46,387,875	\$ (1,583,463)	\$ (45,140,654)	\$ (332,919)
Net loss for the year							(12,919,229)	(12,919,229)
Reclassification of deferred unamortized stock-based compensation upon adoption of FAS 123R					(1,583,463)	1,583,463		
Stock based compensation expense					2,579,431			2,579,431
Common stock issued via private placement:								
February 2006			4,283,668	428	5,139,782			5,140,210
Finders fees and expenses					(561,808)			(561,808)
April 2006			666,667	67	799,933			800,000
Finders fees and expenses					(41,000)			(41,000)
Waiver and Lock-up Agreement			740,065	74	579,622			579,696
Common stock issued for services			87,000	9	121,101			121,110
Exercise of common stock warrants			184,500	18	190,017			190,035
Series A convertible preferred stock issued via private placement:	574,350	57			5,743,443			5,743,500
Finders fees and expenses	11,775	1			(448,909)			(448,908)
Detachable warrants					2,384,485			2,384,485
Beneficial conversion feature accreted as a dividend							(2,384,485)	(2,384,485)
Balance, December 31, 2006	586,125	\$ 58	39,194,996	\$ 3,919	\$ 61,290,509	\$	\$ (60,444,368)	\$ 850,118

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

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## CALLISTO PHARMACEUTICALS, INC.

(A Development Stage Company)

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

	Series A Convertible Preferred Shares	Series A Convertible Stock, Par Value	Series B Convertible Preferred Shares	Series B Convertible Stock, Par Value	Common Shares	Common Stock, Par Value	Additional Paid in Capital	Deficit Accumulated during the Development Stage	Total Stockholders Equity
Balance, December 31, 2006	586,125	\$ 58		\$	39,194,996	\$ 3,919	\$ 61,290,509	\$ (60,444,368)	\$ 850,118
Net loss for the year								(7,887,265)	(7,887,265)
Stock-based compensation expense							591,561		591,561
Common stock issued for services					80,000	8	36,792		36,800
Series A convertible preferred stock, issued via private placement	28,000	4					279,997		280,001
Finders fees and expenses, Series A private placement							(36,400)		(36,400)
Conversion of Series A preferred stock to common stock	(395,450)	(40)			7,668,165	767	(727)		
Beneficial conversion feature accreted as a dividend to Series A preferred stock							2,504,475	(2,504,475)	
Series B convertible preferred stock, issued via private placement			1,147,050	115			11,470,385		11,470,500
Finders fees and expenses, Series B private placement							(920,960)		(920,960)
Beneficial conversion feature accreted as a dividend to Series B preferred stock							10,495,688	(10,495,688)	
Change in fair value of Series B warrants from date of issuance to expiration of put option							(2,591,005)		(2,591,005)
	218,675	22	1,147,050	115	46,943,161	4,694	83,120,315	(81,331,796)	1,793,350

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Balance, December 31, 2007															
Net loss for the year								(9,655,471)		(9,655,471)					
Recapitalization of majority owned subsidiary via private placements of common stock								2,951,913		2,951,913					
Minority interest in equity of subsidiary acquired								(42,824)		(42,824)					
Stock-based compensation expense								589,063		589,063					
Proceeds from issuance of 11% Notes attributable to detachable warrants								181,732		181,732					
Conversion of Series A preferred stock to common stock	(120,675)	(12)		2,413,500	241			(229)							
Conversion of Series B preferred stock to common stock		(10,000)	(1)	200,000	20			(19)							
Balance, December 31, 2008	98,000	\$	10	1,137,050	\$	114	49,556,661	\$	4,955	\$	86,799,951	\$	(90,987,267)	\$	(4,182,237)

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

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**CALLISTO PHARMACEUTICALS, INC.**  
**(A Development Stage Company)**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS EQUITY (DEFICIT) (Continued)**

(Unaudited)

	Series A Convertible Preferred Shares	Series A Preferred Stock	Series B Convertible Preferred Shares	Series B Convertible Preferred Stock	Common Shares	Common Stock Par Value	Additional Paid in Capital	Deficit Accumulated during the Development Stage	Non- Controlling Interest	Total Stockholders Equity (Deficit)
Balance, December 31, 2008	98,000	\$ 10	1,137,050	\$ 114	49,556,661	4,955	\$ 86,799,951	\$ (90,987,267)		\$ (4,182,237)
Cumulative effect of adoption of ASC Topic 815							(181,732)	(1,903,900)		(2,085,632)
Net Loss								(15,073,021)	(3,282,393)	(18,355,414)
Stock based compensation expense							1,119,856			1,119,856
Conversion of Series A preferred stock to common stock	(35,000)	(4)			894,445	89	(85)			
Conversion of Series B preferred stock to common stock			(122,884)	(12)	2,963,236	296	(284)			
Private placements of common stock of majority owned subsidiary							15,970,100			15,970,100
Fees and expenses associated with private placements of majority owned subsidiary							(260,002)			(260,002)
Preferred Stock dividend attributable to reset of conversion price in conjunction with waiver of liquidation preference							1,815,592	(1,815,592)		
					193,769	19	(19)			

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Cashless Conversion of Warrants to Common Stock											
Balance December 31, 2009	63,000	\$ 6	1,014,166	\$ 102	53,608,111	\$ 5,359	\$ 105,263,377	\$ (109,779,780)	\$ (3,282,393)	\$ (7,793,329)	
Net Loss								(25,793,488)	(7,854,264)	(33,647,752)	
Stock based compensation expense							854,651			854,651	
Conversion of Series A preferred stock to common stock	(55,000)	(5)			1,527,777	153	(148)				
Conversion of Series B preferred stock to common stock			(1,014,166)	(102)	28,171,278	2,817	(2,715)				
Common shares in exchange for modification of convertible notes					265,770	27	100,169			100,196	
Extinguishment on debt							2,809,531			2,809,531	
Cashless conversion of Warrants to common stock upon extinguishment of convertible notes					72,355,769	7,236	(7,236)				
Warrants exchanged					1,505,699	151	(151)				
Direct offering of common stock of controlled subsidiary							7,179,000			7,179,000	
Fair value of warrants issued in connection with controlled subsidiary registered direct offerings reclassified to derivative liability							(3,784,743)			(3,784,743)	
Fees and expenses associated with direct offering of controlled subsidiary							(468,130)			(468,130)	
Reclassification of derivative liability to equity upon termination of price protection							27,511,730			27,511,730	
Common stock issued as settlement for director s fees					75,000	8	41,117			41,125	
Balance December 31, 2010	8,000	\$ 1	\$		157,509,404	\$ 15,751	\$ 139,496,452	\$ (135,573,268)	\$ (11,136,657)	\$ (7,197,721)	

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

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**CALLISTO PHARMACEUTICALS, INC.**  
**(A Development Stage Company)**

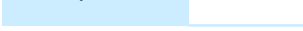
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS EQUITY (DEFICIT) (Continued)**

(Unaudited)

	Series A Convertible Preferred Shares	Series A Convertible Preferred Stock	Series B Convertible Preferred Shares	Series B Convertible Preferred Stock	Common Shares	Common Stock Par Value	Additional Paid in Capital	Deficit Accumulated during the Development Stage	Non- Controlling Interest	Total Stockholders Equity (Deficit)
Balance December 31, 2010	8,000	\$ 1			157,509,404	\$ 15,751	\$ 139,496,452	\$ (135,573,268)	\$ (11,136,657)	\$ (7,197,721)
Net Loss								(6,793,045)	(8,521,084)	(15,314,129)
Stock based compensation expense							424,168			424,168
Common stock issued for services					850,000	85	532,915			533,000
Value of common stock issued by controlled subsidiary for consulting services provided							341,295			341,295
Placement of common stock of controlled subsidiary							34,369,064			34,369,064
Fees and expenses associated with direct offering of controlled subsidiary							(2,148,384)			(2,148,384)
Warrant exercise					106,667	11	53,323			53,334
Warrants issued in connection with controlled subsidiary registered direct offering reclassified to derivative liability-net							(5,094,186)			(5,094,186)
Exercise of warrants-controlled subsidiary							415,309			415,309
Common stocks issued for settlement of directors fee					50,000	5	41,245			41,250
Sale of option to purchase shares of							100,000			100,000



controlled  
subsidiary

A light blue rectangular redaction box covers the text following the words "controlled" and "subsidiary".