

U.S. 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, 2018

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 1-36598

**CELLECTAR BIOSCIENCES, INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**04-3321804**

(IRS Employer  
Identification No.)

**3301 Agriculture Drive  
Madison, Wisconsin 53716**

(Address of principal executive offices)

**(608) 441-8120**

(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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Number of shares outstanding of the issuer's common stock as of the latest practicable date: 17,388,344 shares of common stock, \$0.00001 par value per share, as of May 7, 2018.

CELLECTAR BIOSCIENCES, INC.

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This quarterly report on Form 10-Q of Collectar Biosciences, Inc. (the “Company”, “Collectar”, “we”, “us”, “our”) contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Examples of our forward-looking statements include:

- our current views with respect to our business strategy, business plan and research and development activities;
- the progress of our product development programs, including clinical testing and the timing of commencement and results thereof;
- our projected operating results including research and development expenses;
- our ability to continue development plans for CLR 131, CLR 1700 series, CLR 1800 series, CLR 1900 series, CLR 2000 series, CLR 2100 series and CLR 2200 series;
- our ability to maintain orphan drug designation in the United States for CLR 131 as a therapeutic for the treatment of multiple myeloma, neuroblastoma and rhabdomyosarcoma, and the expected benefits of orphan drug status;
- our ability to pursue strategic alternatives;
- our ability to further our technologies into product candidates;
- our consumption of current resources and ability to obtain additional funding;
- our current view regarding general economic and market conditions including our competitive strengths; and
- assumptions underlying any of the foregoing; and any other statements that address events or developments that we intend or believe will or may occur in the future.

In some cases, you can identify forward-looking statements by terminology, such as “expects,” “anticipates,” “intends,” “estimates,” “plans,” “believes,” “seeks,” “may,” “should”, “could” or the negative of such terms or other similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Forward-looking statements also involve risks and uncertainties, many of which are beyond our control. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus.

You should read this report completely and with the understanding that our actual future results may be materially different from what we expect. You should assume that the information appearing in this report is accurate as of the date hereof only. Because the risk factors referred to herein could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this prospectus and any accompanying prospectus supplement, and particularly our forward-looking statements, by these cautionary statements.

This quarterly report on Form 10-Q contains trademarks and service marks of Collectar Biosciences, Inc. Unless otherwise provided in this quarterly report on Form 10-Q, trademarks identified by <sup>TM</sup> are trademarks of Collectar Biosciences, Inc. All other trademarks are the properties of their respective owners.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CELLECTAR BIOSCIENCES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,820,163	\$ 10,006,421
Restricted cash	55,000	55,000
Prepaid expenses and other current assets	770,012	877,996
Total current assets	7,645,175	10,939,417
FIXED ASSETS, NET	228,836	244,713
GOODWILL	1,675,462	1,675,462
OTHER ASSETS	11,872	11,872
<b>TOTAL ASSETS</b>	<b>\$ 9,561,345</b>	<b>\$ 12,871,464</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,883,783	\$ 1,867,758
Derivative liability	132,000	105,050
Deferred rent	88,964	138,944
Capital lease obligations, current portion	3,119	3,036
Total current liabilities	2,107,866	2,114,788
LONG-TERM LIABILITIES:		
Capital lease obligation, less current portion	1,402	2,213
Total long-term liabilities	1,402	2,213
<b>TOTAL LIABILITIES</b>	<b>2,109,268</b>	<b>2,117,001</b>
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.00001 par value; 7,000 shares authorized; Series B preferred stock; 11.5 and 18 issued and outstanding as of March 31, 2018 and December 31, 2017 respectively	637,017	995,782
Common stock, \$0.00001 par value; 80,000,000 shares authorized; 17,101,676 and 16,661,446 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	171	167
Additional paid-in capital	94,640,028	94,107,830
Accumulated deficit	(87,825,139)	(84,349,316)
Total stockholders' equity	7,452,077	10,754,463
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 9,561,345</b>	<b>\$ 12,871,464</b>

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

**CELLECTAR BIOSCIENCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>COSTS AND EXPENSES:</b>		
Research and development	\$ 2,124,060	\$ 1,856,880
General and administrative	1,329,467	955,356
Total costs and expenses	<u>3,453,527</u>	<u>2,812,236</u>
<b>LOSS FROM OPERATIONS</b>	<u>(3,453,527)</u>	<u>(2,812,236)</u>
<b>OTHER INCOME (EXPENSE):</b>		
Loss on revaluation of derivative warrants	(26,950)	(82,475)
Interest income, net	4,654	3,387
Total other income (expense), net	<u>(22,296)</u>	<u>(79,088)</u>
<b>NET LOSS</b>	<u>\$ (3,475,823)</u>	<u>\$ (2,891,324)</u>
<b>BASIC AND DILUTED NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS PER COMMON SHARE</b>	<u>\$ (0.21)</u>	<u>\$ (0.24)</u>
<b>SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS PER COMMON SHARE</b>	<u>16,808,189</u>	<u>12,010,284</u>

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

**CELLECTAR BIOSCIENCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (3,475,823)	\$ (2,891,324)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	17,301	86,911
Stock-based compensation expense	173,438	165,674
Loss on revaluation of derivative warrants	26,950	82,475
Changes in:		
Accounts payable and accrued liabilities	16,025	(230,341)
Prepaid expenses and other current assets	107,984	(199,616)
Other assets and liabilities	(49,980)	(1,216)
Cash used in operating activities	(3,184,105)	(2,987,437)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(1,425)	(66,301)
Cash used in investing activities	(1,425)	(66,301)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of warrants	—	2,934,759
Payments on notes payable	—	(86,591)
Payments on capital lease obligations	(728)	(655)
Cash (used in) provided by financing activities	(728)	2,847,513
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(3,186,258)	(206,225)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF PERIOD	10,061,421	11,444,619
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$ 6,875,163	\$ 11,238,394
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest expense	\$ —	\$ 364

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

**CELLECTAR BIOSCIENCES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. NATURE OF BUSINESS, ORGANIZATION AND GOING CONCERN**

Cellectar Biosciences, Inc. (the “Company”) is a clinical stage biopharmaceutical company focused on the discovery, development and commercialization of drugs for the treatment of cancer. The Company’s core objective is to leverage its proprietary phospholipid drug conjugate™ (PDCs™) delivery platform to develop PDCs that specifically target cancer cells to deliver improved efficacy and better safety as a result of fewer off-target effects.

The Company is subject to a number of risks similar to those of other small pharmaceutical companies. Principal among these risks are the need to obtain additional financing necessary to fund future operations, dependence on key individuals, competition from substitute products and larger companies and the successful development and marketing of its products in a highly regulated environment.

The accompanying financial statements have been prepared on a basis that assumes that the Company will continue as a going concern and that contemplates the continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has devoted substantially all its efforts toward research and development and has, during the three months ended March 31, 2018, generated an operating loss of approximately \$3,454,000. The Company expects that it will continue to generate operating losses for the foreseeable future.

The Company believes that its cash balance at March 31, 2018 is adequate to fund operations into early first quarter 2019. The Company’s ability to execute its operating plan beyond early first quarter 2019 depends on its ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise. The Company plans to continue to actively pursue financing alternatives, but there can be no assurance that it will obtain the necessary funding, raising substantial doubt about the Company’s ability to continue as a going concern within one year of the date these financial statements are issued. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The accompanying condensed consolidated balance sheet as of December 31, 2017 has been derived from audited financial statements. The accompanying unaudited condensed consolidated balance sheet as of March 31, 2018, the condensed consolidated statements of operations for the three months ended March 31, 2018 and 2017, the condensed consolidated statements of cash flows for the three months ended March 31, 2018 and 2017 and the related interim information contained within the notes to the condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions, rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all the information and the notes required by U.S. GAAP for complete financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments which are of a nature necessary for the fair presentation of the Company’s consolidated financial position at March 31, 2018 and consolidated results of its operations and cash flows for the three months ended March 31, 2018 and 2017. The results for the three months ended March 31, 2018 are not necessarily indicative of future results.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and related notes thereto included in the Company’s Form 10-K for the fiscal year ended December 31, 2017, which was filed with the SEC on March 21, 2018.

**Principles of Consolidation** — The consolidated financial statements include the accounts of the Company and the accounts of its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

**Restricted Cash** — The Company accounts for cash that is restricted for other than current operations as restricted cash. Restricted cash at March 31, 2018 and December 31, 2017 consisted of a certificate of deposit of \$55,000 required under the Company’s lease agreement for its Madison, Wisconsin facility.

**Goodwill** — Goodwill is not amortized but is required to be evaluated for impairment annually or whenever events or changes in circumstances suggest that the carrying value of an asset may not be recoverable. The Company evaluates goodwill for impairment annually in the fourth fiscal quarter and additionally on an interim basis if an event occurs or there is a change in circumstances, such as a decline in the Company’s stock price or a material adverse change in the business climate, which would more likely than not reduce the fair value of the reporting unit below its carrying amount. No such event or change in circumstances occurred; therefore, no changes in goodwill were made during the three months ended March 31, 2018 and 2017.

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill. The standard streamlines the methodology for calculating whether goodwill is impaired based upon whether the carrying amount of goodwill exceeds the reporting unit's fair value. ASU 2017-04 applies to public business entities and those other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill and is effective for annual and interim reporting periods beginning after December 15, 2019, with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on its financial statements.

**Impairment of Long-Lived Assets** — Long-lived assets other than goodwill consist primarily of fixed assets, which we periodically evaluate for potential impairment. Whenever events or circumstances change, an assessment is made as to whether there has been an impairment in the value of long-lived assets by determining whether projected undiscounted cash flows generated by the applicable asset exceed its net book value as of the assessment date. No such event or change in circumstances occurred; therefore, no such impairment occurred during the three months ended March 31, 2018 and 2017.

**Stock-Based Compensation** — The Company uses the Black-Scholes option-pricing model to calculate the grant-date fair value of stock option awards. The resulting compensation expense, net of expected forfeitures, for awards that are not performance-based is recognized on a straight-line basis over the service period of the award, which is generally three years for stock options. For stock options with performance-based vesting provisions, recognition of compensation expense, net of expected forfeitures, commences if and when the achievement of the performance criteria is deemed probable. The compensation expense, net of expected forfeitures, for performance-based stock options is recognized over the relevant performance period. Awards of stock that are not performance-based are valued at the fair market value on the date of the grant and are amortized over the service period of the award. Non-employee stock-based compensation is accounted for in accordance with the guidance of Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 505, *Equity*. As such, the Company recognizes expense based on the estimated fair value of options granted to non-employees over their vesting period, which is generally the period during which services are rendered and deemed completed by such non-employees.

**Fair Value of Financial Instruments** — The guidance under FASB ASC Topic 825, *Financial Instruments*, requires disclosure of the fair value of certain financial instruments. Financial instruments in the accompanying financial statements consist of cash equivalents, accounts payable and long-term obligations. The carrying amount of cash equivalents and accounts payable approximate their fair value because of their short-term nature. The carrying value of remaining long-term obligations, including the current portion, approximates fair value because the fixed interest rate approximates current market interest rates available on similar instruments.

**Derivative Instruments** — The Company generally does not use derivative instruments to hedge exposures to cash flow or market risks. However, certain warrants to purchase common stock that do not meet the requirements for classification as equity, in accordance with the Derivatives and Hedging Topic of the FASB ASC, are classified as liabilities. In such instances, net-cash settlement is assumed for financial reporting purposes, even when the terms of the underlying contracts do not provide for a net-cash settlement. These warrants are considered derivative instruments because the agreements contain a certain type of cash settlement feature, "down-round" provisions whereby the number of shares for which the warrants are exercisable and/or the exercise price of the warrants is subject to change in the event of certain issuances of stock at prices below the then-effective exercise price of the warrants. The number of shares issuable under such warrants was 494,315 and 533,065 at March 31, 2018 and December 31, 2017 respectively. The primary underlying risk exposure pertaining to the warrants is the change in fair value of the underlying common stock. Such financial instruments are initially recorded at fair value with subsequent changes in fair value recorded as a component of gain or loss on derivatives on the consolidated statements of operations in each reporting period. If these instruments subsequently meet the requirements for equity classification, the Company reclassifies the fair value to equity. At March 31, 2018 and December 31, 2017, these warrants represented the only outstanding derivative instruments issued or held by the Company.

**Leases** — In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for in a similar fashion to existing guidance for operating leases. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. The Company is currently evaluating the method of adoption and the impact of adopting ASU 2016-02 on its results of operations, cash flows and financial position.

**Recent Accounting Pronouncements** - In July 2017, the FASB issued Accounting Standards Update (“ASU”) No. 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815)*. The amendments in Part I of this update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity’s own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. The Company is currently evaluating the method of adoption and the impact of adopting ASU 2017-11 on its results of operations, cash flows and financial position.

## 2. FAIR VALUE

In accordance with Fair Value Measurements and Disclosures Topic of the FASB ASC 820, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1: Input prices quoted in an active market for identical financial assets or liabilities.
- Level 2: Inputs other than prices quoted in Level 1, such as prices quoted for similar financial assets and liabilities in active markets, prices for identical assets, and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Input prices quoted that are significant to the fair value of the financial assets or liabilities which are not observable or supported by an active market.

To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company issued warrants to purchase an aggregate of 82,500 common shares in a February 2013 public offering (the “February 2013 Public Offering Warrants”). On February 20, 2014, 27,500 of the February 2013 Public Offering Warrants expired. On May 20, 2016, 16,250 warrants were exercised. The remaining 38,750 warrants expired on February 20, 2018.

In August 2014, as part of an underwritten public offering, the Company issued 494,315 warrants to purchase common stock (the “August 2014 Warrants”). The August 2014 Warrants are listed on the NASDAQ Capital Market under the symbol “CLR BW,” however, there are certain periods where trading volume is low; therefore, they are classified as Level 2 within the hierarchy.

The following tables set forth the Company's financial instruments carried at fair value using the lowest level of input applicable to each financial instrument as of March 31, 2018 and December 31, 2017:

	<b>March 31, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
<b>Liabilities:</b>				
August 2014 Warrants	\$ —	\$ 132,000	\$ —	\$ 132,000
<b>Total</b>	<b>\$ —</b>	<b>\$ 132,000</b>	<b>\$ —</b>	<b>\$ 132,000</b>

	<b>December 31, 2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
<b>Liabilities:</b>				
February 2013 Public Offering Warrants	\$ —	\$ —	\$ 5,050	\$ 5,050
August 2014 Warrants	—	100,000	—	100,000
<b>Total</b>	<b>\$ —</b>	<b>\$ 100,000</b>	<b>\$ 5,050</b>	<b>\$ 105,050</b>

In order to estimate the value of the February 2013 Public Offering Warrants considered to be derivative instruments, the Company uses a modified option-pricing model together with assumptions that consider, among other variables, the fair value of the underlying stock, risk-free interest rates, volatility, the contractual term of the warrants, future financing requirements and dividend rates. The future financing estimates are based on the Company's estimates of anticipated cash requirements over the term of the warrants as well as the frequency of required financings based on its assessment of its historical financing trends and anticipated future events. These warrants are classified within the Level 3 hierarchy because of the nature of the inputs and the valuation technique utilized.

The following table summarizes the modified option-pricing assumptions used:

	<b>Three Months Ended March 31, 2018</b>	<b>Twelve Months Ended December 31, 2017</b>
Volatility	N/A	76-118%
Risk-free interest rate	N/A	1.03-1.39%
Expected life (years)	N/A	0.14-0.89
Dividend	N/A	0%

The following table summarizes the changes in the fair market value of the Company's warrants which are classified within the Level 3 fair value hierarchy.

	<b>Three Months Ended March 31, 2018</b>	<b>Twelve Months Ended December 31, 2017</b>
Beginning balance – Fair value	\$ 5,050	\$ 27,125
(Gain) on derivatives resulting from change in fair value or extinguishment	(5,050)	(22,075)
<b>Ending balance – Fair value</b>	<b>\$ —</b>	<b>\$ 5,050</b>

To estimate the fair value of the August 2014 Warrants, the Company calculated the weighted average closing price for the trailing 10-day period with trades that ended on the balance sheet date.

### 3. STOCKHOLDERS' EQUITY

#### *Authorized Share Increase*

At a special meeting held on September 12, 2017, the Company's stockholders approved the ratification of the approval of the Certificate of Amendment to our Certificate of Incorporation to increase the number of authorized shares by 40,000,000 to 80,000,000 which was previously approved by the Company's stockholders at our annual meeting of stockholders held on May 31, 2017.

### October 2017 Registered Direct Offering

On October 12, 2017, the Company closed on a registered direct offering (the “October 2017 Registered Direct Offering”), priced at-the-market, of 1,954,388 shares of its common stock and 41,041,294 shares of its Series B Preferred Stock. The Series B Preferred Stock was offered at \$100,000 per share and is immediately convertible into approximately 53,369 shares of common stock for a total of 2,190,330 shares upon conversion at a price of \$1.87375 per share. The common stock was offered at \$1.87375 per share. Gross offering proceeds to the Company were \$7.76 million. In a concurrent private placement, the Company offered purchasers in the registered direct offering Series D warrants to purchase an aggregate of 3,108,538 shares of common stock, or 0.75 shares of common stock for each share of common stock purchased directly or issuable upon conversion of shares of preferred stock. The Series B Preferred Stock is non-voting, has no dividend rights (except to the extent dividends are also paid on common stock), liquidation preference, or other preferences over common stock. The Series D warrants are immediately exercisable at an exercise price of \$1.78 per share and expire seven years from the closing. The Series D warrants, which are callable by the Company under certain circumstances, will not trade. Gross proceeds were approximately \$7.8 million with net proceeds to the Company of approximately \$7.1 million.

In order to account for the October 2017 Registered Direct Offering, the Company allocated the proceeds to the common stock, the Series B Preferred Stock and the Series D warrants on a relative fair value basis. Then using the effective conversion price of the Series B Preferred Stock, the Company determined that there was a beneficial conversion feature of \$1,448,945.

On or prior to December 31, 2017, 23 shares of Series B Preferred Stock issued in the October 2017 Registered Direct Offering were converted into 1,227,485 shares of common stock. During the three months ended March 31, 2018, 6.5 shares of Series B Preferred Stock were converted into 346,898 shares of common stock. As of March 31, 2018 11.5 shares of Series B Preferred Stock remained outstanding which are convertible into 615,947 shares of common stock.

### Common Stock Warrants

The following table summarizes information with regard to outstanding warrants to purchase common stock as of March 31, 2018.

<b>Offering</b>	<b>Number of Shares Issuable Upon Exercise of Outstanding Warrants</b>	<b>Exercise Price</b>	<b>Expiration Date</b>
October 2017 Series D Warrants	3,108,538	\$ 1.78	October 14, 2024
November 2016 Public Offering Series C	4,157,850	\$ 1.50	November 29, 2021
April 2016 Underwritten Registered Series A	3,626,942	\$ 3.04	April 20, 2021
October 2015 Incremental Series A	300,006	\$ 2.13	October 20, 2021
October 2015 Private Placement Series A	86,365	\$ 2.13	April 1, 2021
October 2015 Offering – Placement Agent	3,750	\$ 28.30	October 1, 2020
August 2014 Public Offering <sup>(1)</sup>	504,019	\$ 46.80	August 20, 2019
Total	<u>11,787,470</u>		

(1) These warrants have a certain type of cash settlement feature and they have been accounted for as derivative instruments as described in Note 1, with the exception of 9,704 warrants issued in August 2014.

#### 4. STOCK-BASED COMPENSATION

##### Accounting for Stock-Based Compensation

During the three months ended March 31, 2018 there were no option grants issued. The following table summarizes amounts charged to expense for stock-based compensation related to employee and director stock option grants and recorded in connection with stock options granted to non-employee consultants:

	Three Months Ended March 31,	
	2018	2017
Employee and director stock option grants:		
Research and development	\$ 34,127	\$ 16,648
General and administrative	139,311	149,026
Total stock-based compensation	<u>\$ 173,438</u>	<u>\$ 165,674</u>

##### Assumptions Used in Determining Fair Value

*Valuation and amortization method.* The fair value of each stock award is estimated on the grant date using the Black-Scholes option-pricing model. The estimated fair value of employee stock options is amortized to expense using the straight-line method over the vesting period. The estimated fair value of the non-employee options is amortized to expense over the period during which a non-employee is required to provide services for the award (usually the vesting period).

*Volatility.* The Company estimates volatility based on an average of (1) the Company's historical volatility since its common stock has been publicly traded and (2) review of volatility estimates of publicly held drug development companies with similar market capitalizations.

*Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant commensurate with the expected term assumption.

*Expected term.* The expected term of stock options granted is based on an estimate of when options will be exercised in the future. The Company applied the simplified method of estimating the expected term of the options, as described in the SEC's Staff Accounting Bulletins 107 and 110, as the historical experience is not indicative of the expected behavior in the future. The expected term, calculated under the simplified method, is applied to groups of stock options that have similar contractual terms. Using this method, the expected term is determined using the average of the vesting period and the contractual life of the stock options granted. The Company applied the simplified method to non-employees who have a truncation of term based on termination of service and utilizes the contractual life of the stock options granted for those non-employee grants which do not have a truncation of service.

*Forfeitures.* The Company records stock-based compensation expense only for those awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. An annual forfeiture rate of 2% was applied to all unvested options for employees and directors, respectively, for the three months ended March 31, 2018 and for the year ended December 31, 2017. Ultimately, the actual expense recognized over the vesting period will be for only those shares that vest.

There were no stock option grants during the three months ended March 31, 2018.

## Stock Option Activity

A summary of stock option activity is as follows:

	<b>Number of Shares Issuable Upon Exercise of Outstanding Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contracted Term in Years</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at December 31, 2017	531,729	\$ 6.55		
Granted	—	\$ —		
Expired	(4,350)	\$ 48.57		
Forfeited	(17,987)	\$ 1.89		
Outstanding at March 31, 2018	<u>509,392</u>	\$ 6.36		
Exercisable, March 31, 2018	<u>278,499</u>	\$ 8.40	7.75	\$ —
Unvested, March 31, 2018	<u>230,893</u>	\$ 3.89	8.48	\$ —

The aggregate intrinsic value of options outstanding is calculated based on the positive difference between the estimated per-share fair value of common stock at the end of the respective period and the exercise price of the underlying options. There have been no option exercises to date. Shares of common stock issued upon the exercise of options are from authorized but unissued shares.

As of March 31, 2018, there was approximately \$1,023,289 of total unrecognized compensation cost related to unvested stock-based compensation arrangements. Of this total amount, the Company expects to recognize approximately \$489,116, \$462,703, and \$71,470 during 2018, 2019, and 2020, respectively. The Company's expense estimates are based upon the expectation that all unvested options will vest in the future, less the forfeiture rate discussed above. The weighted-average grant-date fair value of vested and unvested options outstanding at March 31, 2018 was \$6.67 and \$3.18, respectively.

*Restricted Stock Grants.* During 2017, the Company granted 480,000 shares of restricted common stock with a weighted average grant date fair value of \$2.10. The shares vest annually over a three year period. As of December 31, 2017 380,000 shares of restricted common stock were outstanding. There were no restricted stock grants issued during the three months ended March 31, 2018. A summary of restricted stock activity is as follows:

Outstanding at December 31, 2017	380,000
Granted	—
Vested	<u>(93,332)</u>
Outstanding at March 31, 2018	<u>286,668</u>

## 5. NOTES PAYABLE

During the quarter ended March 31, 2017, the two loans with initial principal amounts totaling \$450,000 from the Wisconsin Economic Development Corporation, dated September 15, 2010, were paid in full.

## 6. INCOME TAXES

The Company accounts for income taxes in accordance with the liability method of accounting. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax basis of assets and liabilities, and net operating loss carryforwards, (NOLs) using the enacted tax rates. Deferred income tax expense or benefit is based on changes in the asset or liability from period to period. The Company did not record a provision or benefit for federal, state or foreign income taxes for the three months ended March 31, 2018 or 2017 because the Company has experienced losses on a tax basis since inception. Because of the limited operating history, continuing losses and uncertainty associated with the utilization of the NOLs in the future, management has provided a full allowance against the value of its gross deferred tax assets.

The Company also accounts for the uncertainty in income taxes related to the recognition and measurement of a tax position taken or expected to be taken in an income tax return. The Company follows the applicable accounting guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition related to the uncertainty in income tax positions. No uncertain tax positions have been identified.

## 7. NET LOSS PER SHARE

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share for the three months ended March 31, 2018 is computed by dividing net income by the sum of the weighted average number of shares of common stock and the dilutive potential common stock equivalents then outstanding. Potential common stock equivalents consist of stock options, non-vested restricted stock and warrants. Since there is a net loss attributable to common stockholders for the three months ended March 31, 2018, the inclusion of common stock equivalents in the computation for that period would be antidilutive.

The following potentially dilutive securities have been excluded from the computation of diluted net income (loss) per share since their inclusion would be antidilutive:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Warrants	11,787,470	8,760,446
Preferred shares as converted into common stock	615,947	—
Stock options	509,392	508,733
Non-vested restricted stock	286,668	—
<b>Total potentially dilutive shares</b>	<b>13,199,477</b>	<b>9,269,179</b>

## 8. COMMITMENTS AND CONTINGENCIES

The Company is involved in legal matters and disputes in the ordinary course of business. We do not anticipate that the outcome of such matters and disputes will materially affect the Company's financial statements.

### *Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations*

#### Overview

Collectar Biosciences, Inc. (the "Company") is a clinical stage biopharmaceutical company focused on the discovery, development and commercialization of drugs for the treatment of cancer. The Company's core objective is to leverage its proprietary phospholipid drug conjugate™ (PDCs™) delivery platform to develop PDCs that specifically target cancer cells to deliver improved efficacy and better safety as a result of fewer off-target effects. The PDC™ platform possesses the potential for the discovery and development of the next generation of cancer-targeting treatments and the Company plans to develop PDCs independently and through research and development collaborations.

Our lead PDC candidate, CLR 131, provides targeted delivery of the cytotoxic (cell-killing) radioisotope iodine 131. CLR 131 is in a Phase 1 clinical study for relapsed or refractory (R/R) multiple myeloma (MM) and a Phase 2 clinical study in R/R MM and a range of other B-cell malignancies. In the second half of 2018, the company plans to initiate a Phase 1 study for pediatric solid tumors and lymphomas and a second Phase 1 study of CLR 131 in combination with external beam radiation for head and neck cancer. The company's pipeline also includes two preclinical PDC chemotherapeutic programs, CLR 1700 and 1900. CLR 1700 possess a Burton's tyrosine kinase inhibitor (BTK) payload and is targeted for development in hematologic cancers and CLR 1900 is being developed for solid tumors with a payload that inhibits mitosis (cell division) which is a validated pathway for cell apoptosis.

Our PDC platform provides selective delivery of a diverse range of oncologic payloads to cancerous cells, whether a hematologic cancer or solid tumor, the primary tumor, or a metastatic tumor and cancer stem cells. Our PDC platform takes advantage of a metabolic pathway utilized by all tumor cell types in all stages of the tumor "cycle." This allows the PDC molecules to gain access to the intracellular compartment of the tumor cells and for the PDCs to continue to accumulate over time, which enhances drug efficacy. The PDC platform's mechanism of entry does not rely upon specific cell surface epitopes or antigens as are required by other targeted delivery platforms. Specific cell surface epitopes are limited in number on the cell surface, undergo internalization and cycling upon binding and are not present on all tumor cells of a particular cancer type. This means a subpopulation of tumor cells will always remain. In addition to the benefits provided by the mechanism of entry, PDCs offer the potential advantage of having the ability to be conjugated to molecules in numerous ways, thereby increasing the types of molecules selectively delivered via the PDC.

We employ a drug discovery and development approach that allows us to efficiently design, research and advance drug candidates. Our iterative process allows us to rapidly and systematically produce multiple generations of incrementally improved targeted drug candidates.

## Clinical Pipeline

CLR 131 is a small-molecule, cancer-targeting radiotherapeutic PDC designed to deliver cytotoxic radiation directly and selectively to cancer cells and cancer stem cells. CLR 131 is our lead therapeutic PDC product candidate and is currently being evaluated in both Phase 2 and Phase 1 clinical studies. The Investigational New Drug (IND) application was accepted by the U.S. Food and Drug Administration (FDA) in March 2014. In December 2014, the FDA granted orphan drug designation for CLR 131 for the treatment of multiple myeloma (MM) and the Phase 1 study was initiated in April 2015. This clinical study is a standard three-by-three dose escalation safety study in patients with relapse or refractory multiple myeloma (R/RMM). Multiple myeloma is an incurable cancer of the plasma cells and is the second most common form of hematologic cancers. This cancer type was selected for clinical, regulatory and commercial rationales, including multiple myeloma's highly radiosensitive nature, and continued unmet medical need in the relapse/refractory setting and has been determined to be a rare disease by the FDA based upon the current definition within the Orphan Drug Act. The primary goal of the Phase 1 study is to assess the compound's safety and tolerability in patients with relapsed or refractory multiple myeloma. Secondary objectives include the establishment of a recommended Phase 2 dose, both with and without dexamethasone, as well as an evaluation of therapeutic activity by assessing surrogate efficacy markers which include M protein, Free Light Chain (FLC), Progression Free Survival (PFS) and Overall Survival (OS). The FDA granted orphan drug designation for CLR 131 for the treatment of neuroblastoma in March 2018 and rhabdomyosarcoma in May 2018. In April 2018, the FDA granted a rare pediatric disease designation (RPDD) for CLR 131 also for the treatment of neuroblastoma. The FDA previously accepted our IND application for a Phase 1 open-label, dose-escalating study to evaluate the safety and tolerability of a single intravenous administration of CLR 131 in up to 30 children and adolescents with cancers including neuroblastoma, sarcomas, lymphomas (including Hodgkin's lymphoma) and malignant brain tumors. We expect to initiate this study during the second half of 2018.

### Phase 2 Study in Patients with R/R select B-Cell Malignancies

In July 2016, we were awarded a \$2,000,000 National Cancer Institute Fast-Track Small Business Innovation Research (SBIR) grant to further advance the clinical development of CLR 131. The funds are supporting the Phase 2 study initiated in March 2017 to define the clinical benefits of CLR 131 in R/RMM and other niche hematologic malignancies with high unmet clinical need. These niche hematologic malignancies include Chronic Lymphocytic Leukemia, Small Lymphocytic Lymphoma, Marginal Zone Lymphoma, Lymphoplasmacytic Lymphoma, and Diffuse Large B-Cell Lymphoma. The study will be conducted in approximately 10 top U.S. cancer centers in patients with orphan-designated relapse or refractory hematologic cancers. The study's primary endpoint is clinical benefit response (CBR), with additional endpoints of progression free survival PFS, median OS and other markers of efficacy following a single 25.0 mCi/m<sup>2</sup> dose of CLR 131, with the option for a second 25.0 mCi/m<sup>2</sup> dose approximately 75-180 days later. On January 29, 2018 the fourth cohort was initiated and patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL) cancers began enrolling in the study.

### Phase 1 Study in Patients with R/R Multiple Myeloma

CLR 131 in combination with dexamethasone is currently under investigation in a Phase 1 trial in adult patients with relapsed/refractory MM following treatment with both a proteasome inhibitor and an immunomodulatory agent. All patients have been heavily pretreated. To date, 4 dose cohorts have been examined: 12.5 mCi/m<sup>2</sup>, 18.75 mCi/m<sup>2</sup>, 25 mCi/m<sup>2</sup>, and 31.25 mCi/m<sup>2</sup>, all in combination with 40 mg dexamethasone weekly. Eighteen patients have been dosed to date and an independent Data Monitoring Committee has confirmed all four dose levels safe and tolerable. Of the 5 patients in the first cohort, 4 achieved SD (1 patient progressed at Day 15 after administration and was taken off the study). Of the five patients have been admitted to the second cohort, 4 achieved SD (1 patient progressed at Day 41 after administration and was taken off study). Four patients were enrolled to the third cohort and all achieved stable disease. In September 2017, Cohort 4 results were announced and these results showed that a single 30 minute infusion of 31.25mCi/m<sup>2</sup> of CLR 131 was safe and well tolerated by the three patients in the cohort. Additionally, all three patients experienced clinical benefit with one patient achieving a partial response (PR). We are monitoring response rates via surrogate markers of efficacy including M protein and free light chain FLC. The International Myeloma Working Group (IMWG) defines a PR as a greater than or equal to 50 percent decrease in FLC levels (for patients in whom M protein is unmeasurable) or 50 percent decrease in M protein. The patient experiencing a PR had an 82 percent reduction in FLC. This patient did not produce M protein, received seven prior lines of treatment including radiation, stem cell transplantation and multiple triple combination treatments including one with daratumumab that was not tolerated. One patient experiencing stable disease attained a 44 percent reduction in M protein. We have recently converted the Phase 1a clinical data (single CLR 131 dose) to pooled data for presentation of the total performance of the results to date as the pooled data is more likely to be reflective of larger Phase 2/3 clinical studies. This is beneficial as it is a compilation of all the data and results in an N of 15, which gives the data more weight and a sense of maturity compared to reporting on individual cohorts with an N of 3-4 in each. As of February 2018, the preliminary pooled overall survival data from the first four cohorts was 15.0 months. This preliminary data point is a compilation of all four cohorts that were enrolled at different times over the entirety of the study and will not be considered final until the median survival is met for all patients.

Based on the safety observed to date as well as various efficacy signals, including reductions in m-protein and free light chain, the fact that we have not yet reached median overall survival at this time, we modified the protocol to begin a second part and a cohort 5, the main objective of which is to determine an optimal dose-range for CLR 131. Cohort 5 is actively enrolling and should complete by the end of the second quarter. In this cohort, we split the 31.25 mCi/m<sup>2</sup> dose into two 30-minute infusions of 15.625 mCi/m<sup>2</sup> doses given approximately one week apart.

#### **Phase 1 Study in R/R Pediatric Patients with select Solid tumors, Lymphomas and Malignant Brain Tumors.**

On December 14, 2017, we filed an IND application with the Division of Oncology at the FDA for a proposed Phase 1 study of CLR 131 in children and adolescents with select rare and orphan designated cancers. The Phase 1 clinical trial of CLR 131 is an open-label, sequential-group, dose-escalation study to evaluate the safety and tolerability of a single intravenous administration of CLR 131 in up to 30 children and adolescents with cancers including neuroblastoma, sarcomas, lymphomas (including Hodgkin's lymphoma) and malignant brain tumors. Secondary objectives of the study are to identify the recommended Phase 2 dose of CLR 131 and to determine preliminary antitumor activity (treatment response) of CLR 131 in children and adolescents. The FDA granted orphan drug designation for CLR 131 for the treatment of neuroblastoma in March 2018 and rhabdomyosarcoma in May 2018.. We expect to initiate the Phase 1 study during the second half of 2018.

The study will be initiated with the pediatric oncologists and Nuclear Medicine/Radiology Group at the University of Wisconsin Carbone Cancer Center (UWCCC). Investigators at The University of Wisconsin have demonstrated uptake of CLR 131 and other fluorescently and isotopically tagged PDCs across a wide range of childhood solid cancer cell lines including, Ewing sarcoma, rhabdomyosarcoma, pediatric brain tumors such as high-grade gliomas, medulloblastoma and atypical teratoid rhabdoid tumor. In subsequent testing in mouse xenograft models of neuroblastoma, Ewing sarcoma, rhabdomyosarcoma and osteosarcoma, CLR 131 provided significant benefits on tumor growth rates and survival.

#### **Phase 1 Study in R/R Head and Neck Cancer**

In August 2016, the UWCCC was awarded a five year Specialized Programs of Research Excellence (SPORE) grant from the National Cancer Institute to improve treatments and outcomes for head and neck cancer (HNC) patients. HNC is the sixth most common cancer across the world with approximately 56,000 new patients diagnosed every year in the United States. As a key component of this grant, the UWCCC researchers will test CLR 131 in various animal HNC models as well as initiating the first human clinical trial combining CLR 131 and external beam radiation in patients with recurrent HNC. The UWCCC is currently anticipated to initiate this clinical trial in 2H 2018.

#### ***Pre-Clinical Pipeline***

- CLR 1700 Series is an internally developed PDC program leveraging a payload which inhibits Burton's tyrosine kinase (BTK) and is designed to treat a broad range of hematologic cancers. The payload provides further specificity by targeting a pathway within hematologic cancers that is significantly upregulated in comparison to normal tissue. We believe that this additional level of targeting will allow us to provide a new drug candidate that has the ability to significantly improve patient outcomes. Leveraging our iterative discovery and screening process, we have been able to accelerate the development of this program.
- CLR 1800 Series is a collaborative PDC program with Pierre Fabre that we entered into in December 2015 and extended in October 2017. Pierre Fabre is the third largest French pharmaceutical company with an extensive oncology research and development infrastructure. The objective of the research collaboration is to co-design a library of PDCs employing Pierre Fabre's chemotherapeutics in combination with our proprietary cancer-targeting delivery vehicle. The newly developed PDCs may provide enhanced therapeutic indices to otherwise highly potent, non-targeted payloads through the targeted delivery to cancer cells provided by our cancer-targeting delivery vehicle. Significant progress has been achieved and the program continues to rapidly advance with a number of PDC molecules showing enhanced pharmacologic behavior over the parent compound alone.

- CLR 1900 Series is an internally developed proprietary PDC program leveraging a novel small molecule cytotoxic compound as the payload. The payload inhibits mitosis (cell division) and targets a key pathway required to inhibit rapidly dividing cells that results in apoptosis. We believe that this program could produce a product candidate targeted to select solid tumors. Currently, the program is in early preclinical development.
- CLR 2000 Series is a collaborative PDC program with Avicenna Oncology, or Avicenna, that we entered into in July 2017. Avicenna is a leading developer of antibody drug conjugates (ADCs). The objective of the research collaboration is to design and develop a series of PDCs utilizing Avicenna's proprietary cytotoxic payload. Although Avicenna is a leading developer of ADCs, this collaboration was sought as a means to overcome many of the challenges associated with ADCs, including those associated with the targeting of specific cell surface epitopes.
- CLR 2100 and 2200 Series are collaborative PDC programs with Onconova Therapeutics, Inc., or Onconova, that we entered into in September 2017. Onconova is a biotechnology company specializing in the discovery and development of novel small molecule cancer therapies. The collaboration is structured such that we will design and develop a series of PDCs utilizing different small molecules that Onconova was developing as payloads with the intent to show improved targeting and specificity to the tumor. At least one of the molecules was taken into Phase 1 clinical trials previously by Onconova. We would own all new intellectual property associated with the design of the new PDCs and both companies will have the option to advance compounds.

We believe our PDC platform has potential to provide targeted delivery of a diverse range of oncologic payloads, as exemplified by the product candidates listed above, that may result in improvements upon current standard of care (SOC) for the treatment of a broad range of human cancers.

## Results of Operations

**Research and development expense.** Research and development expense consists of costs incurred in identifying, developing and testing, and manufacturing product candidates, which primarily include salaries and related expenses for personnel, costs of our research and manufacturing facility, cost of manufacturing materials and contract manufacturing fees paid to contract research organizations, fees paid to medical institutions for clinical trials, and costs to secure intellectual property. The Company analyzes its research and development expenses based on four categories as follows: clinical projects, preclinical projects, chemistry and manufacturing costs, and general fixed and overhead costs that are not allocated to the functional project costs, including personnel costs, facility costs, related overhead costs and patent costs.

**General and administrative expense.** General and administrative expense consists primarily of salaries and other related costs for personnel in executive, finance and administrative functions. Other costs include insurance, costs for public company activities, investor relations, directors' fees and professional fees for legal and accounting services.

### Three Months Ended March 31, 2018 and 2017

**Research and Development.** Research and development expense for the three months ended March 31, 2018 was approximately \$2,124,000 (composed of \$524,000 in clinical project costs, \$574,000 in pre-clinical project costs, \$480,000 of manufacturing and related costs and \$546,000 in general unallocated research and development costs) compared to approximately \$1,857,000 (composed of \$501,000 in clinical project costs, \$430,000 of manufacturing and related costs, \$33,000 in pre-clinical project costs, and \$893,000 in general unallocated research and development costs) for the three months ended March 31, 2017. The increase of \$267,000 or 14% was primarily the result of an increase of approximately \$541,000 in pre-clinical costs offset by a decrease of \$210,000 in purchased services resulting from NCI reimbursements and a \$71,000 decrease in depreciation expense.

**General and Administrative.** General and administrative expense for the three months ended March 31, 2018 was approximately \$1,329,000 compared to approximately \$955,000 in the three months ended March 31, 2017. The overall increase of approximately \$374,000, or 39% was primarily attributable to an approximately \$298,000 increase in purchased services, primarily consulting, legal and marketing fees. In connection with the decision to outsource our manufacturing, we incurred approximately \$81,000 of one time personnel related costs in the first quarter ended March 31, 2018. Our headcount decreased from 15 at December 31, 2017 to 10 at March 31, 2018.

*Loss on Derivative Warrants.* We recorded a loss on derivative warrants of approximately \$26,950 in the three months ended March 31, 2018, as compared to a loss of approximately \$82,475 in the three months ended March 31, 2017. These amounts represent the change in fair value (resulting primarily from changes in the Company's stock price as well as a reduction in term), during the respective periods, of outstanding warrants which are classified as liabilities because they contain a certain type of cash settlement feature, "down-round" anti-dilution provisions whereby the number of shares for which the warrants are exercisable and/or the exercise price of the warrants is subject to change in the event of certain issuances of stock at prices below the then-effective exercise prices of the warrants. The fluctuations we experienced in historical periods have been substantially reduced as a result of the renegotiation or extinguishment of a significant portion of the liability-classified warrants.

*Interest income, net.* Interest income, net, for the three months ended March 31, 2018 was approximately \$5,000, as compared to approximately \$3,000 for the three months ended March 31, 2017. The increase resulted from the interest earned on the Company's cash equivalents.

#### **Liquidity and Capital Resources**

As of March 31, 2018, we had cash and cash equivalents of approximately \$6,820,000 compared to \$10,006,000 as of December 31, 2017. This decrease was largely attributable to our cash used in operating activities of approximately \$3,184,000 during the three months ended March 31, 2018. Net cash used in operating activities during the three months ended March 31, 2017 was approximately \$3,184,000.

Our cash requirements have historically been for our research and development activities, finance and administrative costs, capital expenditures and overall working capital. We have experienced negative operating cash flows since inception and have funded our operations primarily from sales of common stock and other securities. As of March 31, 2018, we had an accumulated deficit of approximately \$87,825,000.

We believe our March 31, 2018 cash balance of approximately \$6,820,000 is adequate to fund operations into early first quarter of 2019. Our ability to execute our operating plan beyond early first quarter of 2019 depends on our ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise. We plan to actively pursue all available financing alternatives; however, there can be no assurance that we will obtain the necessary funding. If we are unsuccessful in raising additional capital, we may need to reduce activities, curtail or cease operations. Other than the uncertainties regarding our ability to obtain additional funding, there are currently no known trends, demands, commitments, events or uncertainties that are likely to materially affect our liquidity.

#### **Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures.* Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), as of March 31, 2018, our management has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

*Changes in internal control over financial reporting.* There have not been any significant changes in the Company's internal control of financial reporting.

The Chief Executive Officer and the Audit Committee perform significant roles in ensuring the accuracy and completeness of our financial reporting and the effectiveness of our disclosure controls and procedures. We have not identified any changes that occurred during the Company's fiscal quarter ended March 31, 2018 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

*Important Considerations.* Any system of controls, however well designed and operated, can provide only reasonable, and not absolute assurance that the objectives of the system are met. In addition, the design of any control system is based in part on certain assumptions about the likelihood of future events. The effectiveness of our disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Because of these and other inherent limitations of control systems, there can be no assurance that any system of disclosure controls and procedures will be successful in achieving its stated goals, including but not limited to preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management, under all potential future conditions, regardless of how remote.

## PART II. OTHER INFORMATION

### *Item 1. Legal Proceedings*

None.

### *Item 1A. Risk Factors*

#### **We will require additional capital in order to continue our operations, and may have difficulty raising additional capital.**

We expect that we will continue to generate significant operating losses for the foreseeable future. At March 31, 2018, our consolidated cash balance was approximately \$6.8 million. We believe our cash balance at March 31, 2018, is adequate to fund operations at budgeted levels into the first quarter of 2019. We will require additional funds to conduct research and development, establish and conduct clinical and preclinical trials, establish commercial-scale manufacturing arrangements and provide for the marketing and distribution of our products. Our ability to execute our operating plan depends on our ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise. We plan to actively pursue financing alternatives. However, there can be no assurance that we will obtain the necessary funding in the amounts we seek or that it will be available on a timely basis or upon terms acceptable to us. If we obtain capital by issuing debt or preferred stock, the holders of such securities would likely obtain rights that are superior to those of holders of our common stock.

Our capital requirements and our ability to meet them depend on many factors, including:

- the number of potential products and technologies in development;
- continued progress and cost of our research and development programs;
- progress with preclinical studies and clinical trials;
- the time and costs involved in obtaining regulatory clearance;
- costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims;
- costs of developing sales, marketing and distribution channels and our ability to sell our drugs;
- costs involved in establishing manufacturing capabilities for clinical trial and commercial quantities of our drugs;
- competing technological and market developments;
- market acceptance of our products;
- costs for recruiting and retaining management, employees and consultants;
- costs for educating physicians regarding the application and use of our products;
- whether we are able to maintain our listing on a national exchange;
- uncertainty and economic instability resulting from terrorist acts and other acts of violence or war; and
- the condition of capital markets and the economy generally, both in the U.S. and globally.

We may consume available resources more rapidly than currently anticipated, resulting in the need for additional funding sooner than expected. We may seek to raise any necessary additional funds through the issuance of warrants, equity or debt financings or executing collaborative arrangements with corporate partners or other sources, which may be dilutive to existing stockholders or have a material effect on our current or future business prospects. In addition, in the event that additional funds are obtained through arrangements with collaborative partners or other sources, we may have to relinquish economic and/or proprietary rights to some of our technologies or products under development that we would otherwise seek to develop or commercialize by ourselves. If we cannot secure adequate financing when needed, we may be required to delay, scale back or eliminate one or more of our research and development programs or to enter into license or other arrangements with third parties to commercialize products or technologies that we would otherwise seek to develop ourselves and commercialize ourselves. In such an event, our business, prospects, financial condition, and results of operations may be adversely affected.

We will require additional funds to conduct research and development, establish and conduct preclinical and clinical trials, establish commercial-scale manufacturing arrangements and provide for the marketing and distribution of our products. Our ability to execute our operating plan depends on our ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise.

We have incurred net losses and negative cash flows since inception. We currently have no product revenues, and may not succeed in developing or commercializing any products that will generate product or licensing revenues. We do not expect to have any products on the market for several years. Our primary activity to date has been research and development and conducting clinical trials. Development of our product candidates requires a process of preclinical and clinical testing, during which our product candidates could fail. We may not be able to enter into agreements with one or more companies experienced in the manufacturing and marketing of therapeutic drugs and, to the extent that we are unable to do so, we may not be able to market our product candidates. Whether we achieve profitability or not will depend on our success in developing, manufacturing, and marketing our product candidates. We have experienced net losses and negative cash flows from operating activities since inception and we expect such losses and negative cash flows to continue for the foreseeable future. As of March 31, 2018, we had a stockholders' equity of approximately \$7,452,000. The operating loss for the three months ended March 31, 2018 was approximately \$3,454,000, and we may never achieve profitability.

Item 6. Exhibits

Exhibit No.	Description	Filed with this Form 10-Q	Incorporation by Reference		
			Form	Filing Date	Exhibit No.
<a href="#">10.1</a>	<a href="#">Offer Letter between the Company and Brian Posner dated April 1, 2018</a>		<a href="#">8-K</a>	<a href="#">April 4, 2018</a>	<a href="#">10.1</a>
<a href="#">31.1</a>	<a href="#">Certification of chief executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X			
<a href="#">31.2</a>	<a href="#">Certification of chief financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X			
<a href="#">32.1</a>	<a href="#">Certification of chief executive officer and chief financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	X			
101	Interactive Data Files	X			

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**CELLECTAR BIOSCIENCES, INC.**

Date: May 11, 2018

By: /s/ James V. Caruso  
James V. Caruso  
President and Chief Executive Officer

I, JAMES V. CARUSO, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Collectar Biosciences, Inc., a Delaware Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2018

/s/ James V. Caruso

James V. Caruso  
President and Chief Executive Officer (Principal Executive Officer)

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I, BRIAN M. POSNER, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Collectar Biosciences, Inc., a Delaware Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2018

/s/ Brian M. Posner

Brian M. Posner  
Chief Financial Officer (Principal Financial and Accounting Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. § 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Collectar Biosciences, Inc. (the "Company") for the quarter ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, James V. Caruso, President and Chief Executive Officer of the Company, and Brian M. Posner, Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ James V. Caruso*

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James V. Caruso  
President and Chief Executive Officer (Principal Executive Officer)

Date: May 11, 2018

*/s/ Brian M. Posner*

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Brian M. Posner  
Chief Financial Officer (Principal Financial and Accounting Officer)

Date: May 11, 2018

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