
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: September 30, 2016

☐ 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, 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 ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☒

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

Number of shares outstanding of the issuer's common stock as of the latest practicable date: 5,368,235 shares of common stock, \$0.00001 par value per share, as of November 7, 2016.

CELLECTAR BIOSCIENCES, INC.

FORM 10-Q INDEX

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CELLECTAR BIOSCIENCES, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,645,968	\$ 3,857,791
Restricted cash	55,000	55,000
Prepaid expenses and other current assets	437,601	267,783
Total current assets	6,138,569	4,180,574
FIXED ASSETS, NET	1,464,410	1,728,471
GOODWILL	1,675,462	1,675,462
OTHER ASSETS	17,572	11,872
TOTAL ASSETS	<u>\$ 9,296,013</u>	<u>\$ 7,596,379</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of notes payable	\$ 147,939	\$ 243,590
Accounts payable and accrued liabilities	1,087,440	675,924
Derivative liability	187,650	4,781,082
Capital lease obligations	2,654	2,449
Total current liabilities	1,425,683	5,703,045
LONG-TERM LIABILITIES:		
Notes payable, less current maturities	—	86,632
Deferred rent	147,800	148,924
Capital lease obligation, less current portion	5,958	7,975
Total long-term liabilities	153,758	243,531
TOTAL LIABILITIES	1,579,441	5,946,576
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.00001 par value; 7,000 shares authorized; none issued and outstanding as of September 30, 2016 and December 31, 2015	—	—
Common stock, \$0.00001 par value; 40,000,000 shares authorized; 5,368,235 and 858,140 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	54	9
Additional paid-in capital	75,918,419	66,256,494
Deficit accumulated	(68,201,901)	(64,606,700)
Total stockholders' equity	7,716,572	1,649,803
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 9,296,013</u>	<u>\$ 7,596,379</u>

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
COSTS AND EXPENSES:				
Research and development	\$ 1,305,610	\$ 1,167,768	\$ 3,310,248	\$ 4,194,727
General and administrative	1,162,278	834,888	3,491,259	2,595,979
Restructuring costs	—	89,848	—	180,348
Total costs and expenses	<u>2,467,888</u>	<u>2,092,504</u>	<u>6,801,507</u>	<u>6,971,054</u>
LOSS FROM OPERATIONS	<u>(2,467,888)</u>	<u>(2,092,504)</u>	<u>(6,801,507)</u>	<u>(6,971,054)</u>
OTHER INCOME (EXPENSE):				
Gain on revaluation of derivative warrants	177,912	233,649	3,201,004	526,024
Interest income (expense), net	3,116	617	5,303	(913)
Total other income (expense), net	<u>181,028</u>	<u>234,266</u>	<u>3,206,307</u>	<u>525,111</u>
NET LOSS	<u>\$ (2,286,860)</u>	<u>\$ (1,858,238)</u>	<u>\$ (3,595,200)</u>	<u>\$ (6,445,943)</u>
BASIC AND DILUTED NET LOSS PER COMMON SHARE	<u>\$ (.43)</u>	<u>\$ (2.46)</u>	<u>\$ (1.02)</u>	<u>\$ (8.53)</u>
SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	<u>5,368,235</u>	<u>756,370</u>	<u>3,541,000</u>	<u>756,308</u>

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,595,200)	\$ (6,445,943)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	269,317	271,508
Stock-based compensation expense	397,132	428,561
Loss on disposal of fixed assets	—	858
Gain on revaluation of derivative warrants	(3,201,004)	(526,024)
Changes in:		
Accounts payable and accrued liabilities	411,516	(354,067)
Prepaid expenses and other current assets	(208,387)	(95,014)
Other assets and liabilities	(6,824)	1,475
Cash used in operating activities	<u>(5,933,450)</u>	<u>(6,718,646)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(5,258)	(39,787)
Cash used in investing activities	<u>(5,258)</u>	<u>(39,787)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt payments	(182,283)	(59,701)
Proceeds from issuance of common stock, net of underwriting issuance costs	7,371,121	—
Cash paid for common stock issuance costs	(150,633)	—
Change in deferred issuance costs	38,569	(129,656)
	652,516	—
Proceeds from exercise of warrants		
Reverse stock split fractional shares redeemed	(594)	—
Payments on capital lease obligations	(1,811)	(2,310)
Cash provided by (used in) financing activities	<u>7,726,885</u>	<u>(191,667)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	1,788,177	(6,950,100)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	3,857,791	9,422,627
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 5,645,968	\$ 2,472,527
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest expense	\$ 3,702	\$ 43,597
Reclassification to equity for warrants that are no longer derivative instruments	<u>\$ 1,392,000</u>	<u>\$ —</u>

See accompanying notes to the condensed consolidated financial statements.

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

1. NATURE OF BUSINESS, ORGANIZATION AND GOING CONCERN

Collectar Biosciences, Inc. (the “Company”) is a biopharmaceutical company developing compounds for the treatment, diagnosis and imaging of cancer. The Company’s headquarters are located in Madison, Wisconsin.

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

The accompanying financial statements have been prepared on a basis that assumes 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 of its efforts toward research and development and has, during the nine months ended September 30, 2016, generated an operating loss of approximately \$6,802,000. The Company expects that it will continue to generate operating losses for the foreseeable future. The Company’s ability to execute its operating plan 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. 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, 2015 has been derived from audited financial statements. The accompanying unaudited condensed consolidated balance sheet as of September 30, 2016, the condensed consolidated statements of operations for the three months and nine months ended September 30, 2016 and 2015, the condensed consolidated statements of cash flows for the nine months ended September 30, 2016 and 2015 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 of 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 September 30, 2016 and consolidated results of its operations for the three months and nine months ended September 30, 2016 and 2015, and its cash flows for the nine months ended September 30, 2016 and 2015. The results for the nine months ended September 30, 2016 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/A for the fiscal year ended December 31, 2015, which was filed with the SEC on October 20, 2016, as amended.

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 in consolidation.

Restricted Cash — The Company accounts for cash that is restricted for other than current operations as restricted cash. Restricted cash at September 30, 2016 and December 31, 2015 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 nine months ended September 30, 2016 and 2015.

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 nine months ended September 30, 2016 and 2015.

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. 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 due to 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 533,065 at September 30, 2016 and 747,592 at December 31, 2015. 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 September 30, 2016 and December 31, 2015, these warrants represented the only outstanding derivative instruments issued or held by the Company.

Going Concern — In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern*. The standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date the financial statements are issued and provides guidance on determining when and how to disclose going concern uncertainties in the financial statements.

ASU 2014-15 applies to all entities and is effective for annual and interim reporting periods ending after December 15, 2016, with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on its financial statements.

2. FAIR VALUE

In accordance with the 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 are classified within the Level 3 hierarchy.

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 "CLRBW," however, there are certain periods where trading volume is low; therefore, they are classified as Level 2 within the hierarchy.

The Series A Warrants issued on October 1, 2015 were previously considered financial instruments; however, they were amended on April 20, 2016 in such a manner that they no longer contain a price protection clause, which was the characteristic that had initially resulted in their being accounted for as derivative financial instruments at fair value. As a result, they have been removed from the financial instruments table below for the period ended September 30, 2016.

The Series B Warrants issued on October 1, 2015 were all exercised by the holders during the nine months ended September 30, 2016; therefore, they have been removed from financial instruments table presented below as of June 30, 2016. See Note 3 for further discussion of the warrants issued as part of the October 1, 2015 offering.

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 September 30, 2016 and December 31, 2015:

	September 30, 2016			Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
February 2013 Public Offering Warrants	\$ —	\$ —	\$ 66,650	\$ 66,650
August 2014 Warrants	—	121,000	—	121,000
Total	\$ —	\$ 121,000	\$ 66,650	\$ 187,650

	December 31, 2015			
	Level 1	Level 2	Level 3	Fair Value
Liabilities:				
February 2013 Public Offering Warrants	\$ —	\$ —	\$ 209,000	\$ 209,000
August 2014 Warrants	—	2,714,000	—	2,714,000
October 2015 Warrants	—	—	1,858,000	1,858,000
Total	<u>\$ —</u>	<u>\$ 2,714,000</u>	<u>\$ 2,067,000</u>	<u>\$ 4,781,000</u>

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 rate, volatility, remaining contractual term, 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. Due to the nature of these inputs and the valuation technique utilized, these warrants are classified within the Level 3 hierarchy.

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

	Nine Months Ended September 30, 2016	Twelve Months Ended December 31, 2015
Volatility	92.72-120.0%	87.3-90.0%
Risk-free interest rate	0.53-0.73%	0.82-1.10%
Expected life (years)	1.39-1.89	2.14-2.89
Dividend	—%	—%

To estimate the value of the October 2015 Warrants considered to be derivative instruments, the Company used a modified option-pricing model together with assumptions that consider, among other variables, the fair value of the underlying stock, risk-free interest rate, volatility, the contractual term of the warrants, future financing requirements and dividend rates. The future financing estimates were 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. Due to the nature of these inputs and the valuation technique utilized, these warrants were also classified within the Level 3 hierarchy.

As is noted above, none of the October 2015 Warrants are considered financial instruments as of September 30 2016; however, they were considered financial instruments for a portion of the current fiscal year, and the following table summarizes the modified option-pricing assumptions used during the period they were outstanding:

	Nine Months Ended September 30, 2016	Twelve Months Ended December 31, 2015
Volatility	89.73%	97.57%
Risk-free interest rate	1.65%	1.70%
Expected life (years)	4.50	4.75
Dividend	—%	—%

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.

	Nine Months Ended September 30, 2016	Twelve Months Ended December 31, 2015
Beginning balance – Fair value	\$ 2,067,000	\$ 1,127,500
Fair value of warrants issued in connection with the October 2015 offering	—	3,272,000
Gain on derivatives resulting from change in fair value or extinguishment	(2,000,350)	(2,332,500)
Ending balance – Fair value	<u>\$ 66,650</u>	<u>\$ 2,067,000</u>

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

3. STOCKHOLDERS' EQUITY

2016 Underwritten Offering

On April 15, 2016 the Company entered into an Underwriting Agreement with Ladenburg Thalmann & Co., Inc. in connection with the Company's Registration Statement on Form S-1. Pursuant to the Underwriting Agreement, the Company agreed to sell to the Underwriter 1,378,364 shares of common stock, Series B pre-funded warrants to purchase 1,908,021 shares of common stock and Series A warrants to purchase 3,286,385 shares of common stock, plus up to an additional 492,957 shares of common stock and Series A warrants to purchase up to an additional 492,957 shares of common stock in the event of the exercise by the Underwriter of its over-allotment option. The public offering price of a share of common stock together with a Series A warrant to purchase one share of common stock was \$2.13. The public offering price of a Series B pre-funded warrant to purchase one share of common stock together with a Series A warrant to purchase one share of common stock was \$2.12. The Series B pre-funded warrants have an exercise price of \$0.01 per share, are immediately exercisable and do not expire. The Series A warrants have an exercise price of \$3.04 per share, are exercisable for five years from the date of issuance, and are callable by the Company under certain circumstances.

On April 20, 2016 the Company closed on its underwritten public offering (the "2016 Underwritten Offering") of 1,871,321 shares of its common stock and Series B pre-funded warrants to purchase 1,908,021 shares of common stock, plus the issuance of Series A warrants to purchase 3,779,342 shares of common stock, reflecting the exercise in full of the Underwriter's over-allotment option. The gross proceeds of the offering amounted to approximately \$8.0 million with net proceeds to the Company of approximately \$7.2 million.

2016 Reverse Stock Split and Recapitalization

At a special meeting held on February 8, 2016, the Company's stockholders approved an amendment to the Company's certificate of incorporation to effect a reverse split of the Company's common stock at a ratio between 1:5 to 1:10 in order to ensure that adequate authorized but unissued shares would be available for anticipated future financings, and to satisfy requirements for the continued listing of the Company's common stock on the NASDAQ Capital Market. In addition, the proposal approved by the stockholders provided that if the reverse split was effected, the number of shares of common stock that the Company is authorized to issue remained unchanged at 40,000,000. The Company's stockholders further authorized the board of directors to determine the ratio at which the reverse split would be effected by filing an appropriate amendment to the Company's certificate of incorporation. The board of directors authorized the ratio of the reverse split and corresponding reduction in authorized shares on February 24, 2016, and effective at the close of business on March 4, 2016, the Company's certificate of incorporation was amended to effect a 1-for-10 reverse split of the Company's common stock (the "2016 Reverse Split"). All share and per share numbers included in these consolidated financial statements give effect to the 2016 Reverse Split.

October 2015 Registered Direct Offering

On October 1, 2015, the Company completed a registered direct offering of 101,727 shares of our common stock and Series B pre-funded warrants to purchase an aggregate of 48,274 shares of our common stock at an offering price of \$22.00 per share (collectively, the “2015 Registered Offering”).

In a concurrent private placement (the “2015 Private Placement” and, together with the 2015 Registered Offering, the “2015 Offerings”), the Company issued a Series A warrant (the “Series A Warrants” and, together with the Shares and the Pre-Funded Warrants, the “Securities”) to purchase one share of our common stock for each share of common stock purchased or pre-funded in the Registered Offering. The Series A Warrants cover, in the aggregate, 150,003 shares of common stock and become exercisable six months following the date of issuance at an exercise price of \$28.30 per share and expire five years from the date they become exercisable. The Offerings resulted in gross proceeds of \$3,300,000 and net proceeds of approximately \$2,868,000. The placement agent received a warrant to purchase up to 3,750 shares of our common stock at \$28.30 per share, the fair value of which was approximately \$61,000 at issuance and had no effect on stockholders’ equity.

In connection with the entry into the purchase agreement, the Company and the purchasers entered into a registration rights agreement, which required the Company to file a registration statement on Form S-3 to provide for the resale of the shares of Common Stock issuable upon the exercise of the Series A Warrants. The Company will also be required to file one or more registration statements from time to time to register the issuance or resale of any additional shares of Common Stock that may become issuable as a result of the Offerings. The Company will be obligated to use its commercially reasonable efforts to keep any registration statement effective until the earlier of (i) the date on which the shares of Common Stock subject to the registration statement may be sold without registration pursuant to Rule 144 under the Securities Act, or (ii) the date on which all of the shares of Common Stock subject to the registration statement have been sold under the registration statement or pursuant to Rule 144 under the Securities Act or any other rule of similar effect.

Warrant Restructuring

On April 13, 2016, the Company entered into an exchange and amendment agreement (the “Warrant Restructuring Agreement”) pursuant to which the Company agreed to exchange the 2015 Pre-Funded Warrants relating to 48,273 shares of the Company’s common stock for shares of a newly designated Series Z Convertible Preferred Stock (the “Series Z Preferred Stock”) having an aggregate stated value equal to approximately \$1,062,000, which was the aggregate purchase price of the 2015 Pre-Funded Warrants. The exchange of the 2015 Pre-Funded Warrants for shares of Series Z Preferred Stock was conditioned upon the Company obtaining the approval of its stockholders as required by the applicable rules and regulations of the Nasdaq Stock Market. The Company agreed to hold a meeting of stockholders to obtain their approval of the issuance of the Series Z Preferred Stock and the shares of common stock issued upon conversion on June 29, 2016; however, prior to that date, the holders of all the 2015 Pre-Funded Warrants chose to exercise them, eliminating the need for the exchange.

Pursuant to the Warrant Restructuring Agreement, the Company also agreed with the holders of 2015 Series A Warrants that upon the consummation of the 2016 Underwritten Offering, the exercise price of the 2015 Series A Warrants would be reduced to the public offering price per share of the shares of common stock sold in this offering and that the warrants would be amended such that the exercise price would no longer be subject to adjustment in connection with future equity offerings we may undertake. In consideration of this amendment, the Company agreed to issue to each of those holders a new warrant to purchase an additional number of shares of common stock equal to twice the number of shares of common stock underlying the 2015 Series A Warrants held by them. The new warrants have an exercise price equal to \$2.13 (the public offering price of the shares of common stock sold in the 2016 Underwritten Offering), become exercisable on October 20, 2016, and expire on the fifth anniversary of that date.

Registration Rights

In connection with securities purchase agreements the Company is required to keep the related registration statements continuously effective under the Securities Act of 1933, as amended (the “Securities Act”), until the earlier of the date when all the registrable securities covered by the registration statement have been sold or such time as all the registrable securities covered by the registration statement can be sold under Rule 144 without any volume limitations. The Company will be allowed to suspend the use of the registration statement for not more than 30 consecutive days on not more than two occasions in any 12-month period (the “Allowed Delay”). If the Company suspends the use of the registration for longer than the Allowed Delay, it may be required to pay to the purchasers liquidated damages equal to 1.5% per month (pro-rated on a daily basis for any period of less than a full month) of the aggregate purchase price of the units purchased until the use of the registration statement is no longer suspended, not to exceed 5% of the aggregate purchase price. As of September 30, 2016, and through the date of this filing, the Company has not concluded that it is probable that damages will become due; therefore, no accrual for damages has been recorded.

Additionally, in connection with registered offerings of common stock and warrants the Company has entered into certain securities purchase agreements which require the Company to use commercially reasonable efforts to keep the applicable registration statements effective for the issuance of shares of common stock pursuant to the exercise of warrants issued in the offering as long as the warrants remain outstanding.

Common Stock Warrants

The following table summarizes information with regard to outstanding warrants to purchase common stock as of September 30, 2016.

Offering	Number of Shares Issuable Upon Exercise of Outstanding Warrants	Exercise Price	Expiration Date
April 2016 Underwritten Registered A Warrants	3,626,942	\$ 3.04	August 20, 2021
October 2015 Incremental Series A Warrants	300,006	2.13	October 20, 2021
October 2015 Registered Direct Series A Warrants	86,365	2.13	April 1, 2021
October 2015 Placement Agent	3,750	28.30	October 1, 2020
August 2014 Public ⁽¹⁾	504,019	46.80	August 20, 2019
February 2013 Public Offering ⁽²⁾	38,750	2.13	February 20, 2018
February 2013 Placement Agents	3,854	125.00	February 4, 2018
November 2012 Private Placement	5,000	250.00	November 2, 2017
June 2012 Public Offering	14,910	250.00	June 13, 2017
December 2011 Underwritten Offering	46,246	120.00	December 6, 2016
Total	4,629,842		

(1) These warrants have a certain type of cash settlement feature and the warrants have been accounted for as derivative instruments as described in Note 3, with the exception of 9,704 warrants issued to the underwriter.

(2) These warrants' exercise prices are subject to adjustment for "down-rounds" and the warrants have been accounted for as derivative instruments as described in Note 3.

4. NOTES PAYABLE

The notes payable balance at September 30, 2016 consists of two notes with original principal amounts that totaled \$450,000 from the Wisconsin Economic Development Corporation dated September 15, 2010.

5. STOCK-BASED COMPENSATION

Accounting for Stock-Based Compensation

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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Employee and director stock option grants:				
Research and development	\$ 22,281	\$ 25,749	\$ 46,651	\$ 109,402
General and administrative	151,965	142,319	350,819	316,755
	<u>174,246</u>	<u>168,068</u>	<u>397,470</u>	<u>426,157</u>
Non-employee consultant stock option grants:				
Research and development	—	(3,052)	(338)	2,404
Total stock-based compensation	<u>\$ 174,246</u>	<u>\$ 165,016</u>	<u>\$ 397,132</u>	<u>\$ 428,561</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% and 0% was applied to all unvested options for employees and directors, respectively, for the nine months ended September 30, 2016 and for the year ended December 31, 2015. Ultimately, the actual expense recognized over the vesting period will be for only those shares that vest.

The following table summarizes weighted-average values and assumptions used for options granted to employees, directors and consultants in the periods indicated:

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Volatility	104-105%	105-107%
Risk-free interest rate	1.29-1.39%	1.70-1.95%
Expected life (years)	6.0	6.0
Dividend	0%	0%
Weighted-average exercise price	\$ 1.97	\$ 2.65-2.69
Weighted-average grant-date fair value	\$ 1.59	\$ 2.17-2.20

Exercise prices for all grants made during the nine months ended September 30, 2016 were equal to the market value of the Company's common stock on the date of grant.

Stock Option Activity

A summary of stock option activity is as follows:

	Number of Shares Issuable Upon Exercise of Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Term in Years	Aggregate Intrinsic Value
Outstanding at December 31, 2015	70,933	\$ 78.63		
Granted	475,300	\$ 1.97		
Expired	(8,542)	\$ 143.75		
Forfeited	(49,549)	\$ 3.22		
Outstanding at September 30, 2016	<u>488,142</u>	\$ 10.51		
Vested, September 30, 2016	<u>52,738</u>	\$ 64.84	7.60	\$ 29,182
Unvested, September 30, 2016	<u>435,404</u>	\$ 3.92	9.60	\$ 321,122
Exercisable at September 30, 2016	<u>52,738</u>	\$ 64.84	7.60	\$ 29,182

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. Shares of common stock issued upon the exercise of options are from authorized but unissued shares.

As of September 30, 2016, there was approximately \$1,237,000 of total unrecognized compensation cost related to unvested stock-based compensation arrangements. Of this total amount, the Company expects to recognize approximately \$174,000, \$527,000, \$374,000 and \$162,000 during 2016, 2017, 2018 and 2019 respectively. The Company expects 428,093 unvested options to vest in the future. The weighted-average grant-date fair value of vested and unvested options outstanding at September 30, 2016 was \$46.68 and \$3.19, respectively.

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 nine months ended September 30, 2016 or 2015 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 asset.

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 loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period, including warrants that are exercisable for little or no additional consideration. Diluted net loss per share is computed by dividing net loss 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 and warrants. Since there is a net loss attributable to common stockholders for the three and nine months ended September 30, 2016 and 2015, the inclusion of common stock equivalents in the computation for those periods would be antidilutive. Accordingly, basic and diluted net loss per share is the same for all periods presented.

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

	Nine Months Ended September 30,	
	2016	2015
Warrants	4,629,842	6,597,483
Stock options	488,142	788,383

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.

9. RELATED PARTY TRANSACTIONS

The Company's former Chief Scientific Officer and principal founder of Collectar, who resigned after the end of the fiscal period ended June 30, 2016 and continues to be a shareholder of the Company, is a faculty member at the University of Wisconsin-Madison ("UW"). During the nine months ended September 30, 2016, the Company incurred approximately \$199,000 in expenses from UW for costs associated with clinical trial agreements. The Company had accrued liabilities to UW of approximately \$17,000 as of September 30, 2016.

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

Forward-Looking Statements

This quarterly report on Form 10-Q includes 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. For this purpose, any statements contained herein regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management, other than statements of historical facts, are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those disclosed in the forward-looking statements we make. These important factors include our significant accounting estimates, such as those for amounts due to clinical research organizations, and clinical investigators and the risk factors set forth in our annual report on Form 10-K and below under the caption "Risk Factors". Although we may elect to update forward-looking statements in the future, we specifically disclaim any obligation to do so, even if our estimates change, and readers should not rely on those forward-looking statements as representing our views as of any date subsequent to the date of this quarterly report.

Overview

Cellectar Biosciences, Inc. (the Company) is a clinical stage biopharmaceutical company focused on the development of targeted phospholipid drug conjugates (PDCs) for the treatment and imaging of cancer. The Company's research and development program is based on its proprietary PDC cancer targeting delivery platform. The delivery platform possesses the potential for the discovery and development of a broad range of cancer targeting agents. The company's pipeline is comprised of pre-clinical and clinical product candidates including radiotherapeutic and chemotherapeutic PDC's. The pipeline also includes diagnostic and optical imaging assets. The company's research and development resources are focused on the clinical advancement of its therapeutic PDC's.

Our core company strategy is to leverage our industry leading PDC, proprietary cancer targeting delivery platform to generate capital, supplement internal resources and accelerate and broaden product candidate clinical development through strategic asset and research collaborations.

Our shares are listed on the Nasdaq® Capital Market under the symbol CLRB; prior to August 15, 2014, our shares were quoted on the OTCQX® marketplace, and prior to February 12, 2014 were quoted under the symbol NVLT.

Our PDC platform is based on our cancer-targeting and delivery technology which provides selective delivery of a diverse range of oncologic payloads to cancer cells and cancer stem cells. By linking various drug payloads to our proprietary phospholipid ether cancer-targeting vehicle, we believe we can create PDCs with the potential to provide highly targeted delivery of chemotherapeutic and radiotherapeutic payloads to a broad range of cancers. As a result, our PDC platform has the potential to improve the therapeutic index of drug payloads, enhancing or maintaining efficacy while reducing adverse events by minimizing drug delivery to healthy cells, increasing delivery to cancer cells and a broad range of cancerous tumors. The PDC product portfolio includes:

- CLR 131 is a small-molecule, broad-spectrum, cancer-targeting radiotherapeutic PDC that is designed to deliver cytotoxic (cell-killing) radiation directly and selectively to cancer cells and cancer stem cells. CLR 131 is our lead PDC radiotherapeutic product candidate and is currently being evaluated in a Phase 1 study for the treatment of relapse or refractory multiple myeloma. Multiple myeloma is an incurable cancer of plasma cells. This cancer type was selected for both clinical and commercial rationales, including multiple myeloma's highly radiosensitive nature, continued unmet medical need in the relapse/refractory setting and the receipt of an orphan drug designation. 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. The Phase 1 study was initiated in April 2015 and we announced performance results from the first patient cohort in January of 2016. The DMC reviewed Cohort 2 patient data in September 2016, and unanimously agreed to our request to increase the dose by 33% and advance to Cohort 3; patients are currently being enrolled. In July 2016, the Company was awarded a \$2,000,000 National Cancer Institute Fast-Track Small Business Innovation Research (SBIR) grant to further advance CLR 131. The funds will support a Phase 2 study the company plans to initiate in the first quarter of 2017 to further define the clinical benefits of CLR 131 in multiple myeloma and other hematologic malignancies.
- The Company is exploring the creation of additional PDCs ranging from newly discovered to well-characterized chemotherapeutic payloads under its CLR CTX Chemotherapeutic PDC program. The objective of our CTX program is to develop PDC chemotherapeutics through conjugation of our delivery vehicle and non-targeted anti-cancer agents to improve therapeutic indices and expand potential indications through the targeted delivery of chemotherapeutic payloads. Initial CTX product candidates include CLR 1601-PTX, CLR 1602-PTX and CLR 1603-PTX; all are small-molecule, broad-spectrum, cancer-targeting chemotherapeutics in pre-clinical research. These PDCs are designed to selectively deliver paclitaxel, a chemotherapeutic payload to cancer cells and cancer stem cells to increase the therapeutic index of paclitaxel as a monotherapy. Each of our paclitaxel PDC's have been evaluated *in vitro* to demonstrate formulation stability and CLR 1602-PTX is currently being studied *in vivo* to further explore the PDC's cancer targeting selectivity. In December 2015, the company initiated a research collaboration for our PDC technology with Pierre Fabre laboratories, the third largest French pharmaceutical company. The objective of the research collaboration is to co-design a library of PDC's employing Pierre Fabre's natural product derived chemotherapeutics in combination with our proprietary cancer targeting delivery vehicle. The newly developed PDC's may provide enhanced therapeutic indices to otherwise highly potent, non-targeted payloads through the targeted delivery to cancer cells provided by our cancer targeted delivery vehicle.

- CLR 125 is a broad-spectrum, cancer-targeting radiotherapeutic currently under pre-clinical investigation for the treatment of micrometastatic disease. In October 2015, the company was awarded a national Cancer Institute Fast-Track Small Business Innovation Research (SBIR) grant to further advance its PDC delivery platform through CLR 125 preclinical and clinical research. The collaboration is designed to further explore the targeted delivery of radioisotopes for improved cancer therapy outcomes. The grant is awarded in two installments with up to \$2.3 million in funding. In July 2016, the second phase of the SBIR grant was applied to CLR 131, as described above. Similar to CLR 131, the selective uptake and retention of CLR 125 has been observed in malignant tissues during pre-clinical studies. CLR 125 uses the radioisotope Iodine-125 (which has a 60-day half-life), which may provide an excellent tumor kinetics match with Collectar's proprietary delivery vehicle. Ongoing pre-clinical research includes: chemistry, manufacturing and controls of CLR 125; biodistribution and toxicity studies of CLR 125 in pre-clinical models; and efficacy and dose-response studies.
- CLR 124 is a small-molecule, broad-spectrum, cancer-targeting positron emission tomography (PET) imaging PDC that we believe has the potential to be the first of its kind for the selective detection of tumors and metastases in a broad range of cancers. CLR 124 has been used for PET/CT imaging in a broad array of tumor types through Company and investigator-sponsored clinical trials. We are in the process of evaluating the data from those studies. In April 2014, the FDA granted CLR 124 orphan status as a diagnostic for the management of glioma.
- CLR 1502 is a small-molecule, broad-spectrum, cancer-targeting NIR-fluorophore optical imaging PDC for intraoperative tumor and tumor margin illumination. This past June, after review of the Company's IND application, the FDA determined that CLR 1502 will be evaluated as a combination product and assigned to the Center for Devices and Radiological Health (CDRH). As a result of this classification, the FDA has advised Collectar that it will need to submit a new investigational application for the combination product prior to initiating its Phase I study in breast cancer surgery. As a result, Collectar is working to identify the optimal clinical development and value optimizing strategic pathway. Based on our assessment, the Company believes that product will be similarly treated post marketing approval regardless of regulatory pathway.

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 and imaging 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.

Nine Months Ended September 30, 2016 and 2015

Research and Development. Research and development expense for the nine months ended September 30, 2016 was approximately \$3,310,000 (comprised of \$707,000 in clinical project costs, \$200,000 of manufacturing and related costs and \$2,403,000 in general unallocated research and development costs) compared to approximately \$4,195,000 (comprised of \$957,000 in clinical project costs, \$26,000 of preclinical project costs, \$489,000 of manufacturing and related costs and \$2,723,000 in general unallocated research and development costs) for the nine months ended September 30, 2015. The overall decrease in research and development expense of approximately \$885,000, or 21%, was due primarily to the following items: a decrease in personnel and related travel of approximately \$417,000 as a result of our continuing efforts to drive operational efficiencies; reductions in raw materials and purchased services related to the closure of the glioma trial of approximately \$328,000; reduced costs related to the SBIR funding of approximately \$79,000; and an overall reduction in equipment and building repairs and maintenance of approximately \$27,000.

General and Administrative. General and administrative expense for the nine months ended September 30, 2016 was approximately \$3,491,000 compared to approximately \$2,596,000 in the nine months ended September 30, 2015. The approximately \$895,000 or 34% increase was primarily related to the following items: an increase of approximately \$240,000 in consulting fees; an increase of approximately \$270,000 in professional fees; an increase of approximately \$100,000 in investor relations; an increase in personnel costs of approximately \$214,000 primarily due to higher incentive compensation; an increase of approximately \$79,000 in public company expenses and general business insurance.

Restructuring Costs. The Company recorded approximately \$180,000 of restructuring expenses related primarily to the elimination of executive and other positions in the nine months ended September 30, 2015. The Company did not incur restructuring costs in the nine months ended September 30, 2016.

Gain on Derivative Warrants. We recorded a gain on derivative warrants of approximately \$3,201,000 and \$526,000 in the nine month periods ended September 30, 2016 and 2015, respectively. These amounts represent the change in fair value, during the respective period, of outstanding warrants which contain a certain type of cash settlement feature, or “down-round” anti-dilution provisions whereby the number of shares for which the warrants are exercisable 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.

Interest expense, net. Interest income, net, for the nine months ended September 30, 2016 was approximately \$5,000, consisting of approximately \$6,000 of interest income offset by approximately \$1,000 for interest expense related to the Company’s outstanding debt with the Wisconsin Economic Development Corporation (the “WEDC”). For the nine months ended September 30, 2015 the approximately \$1,000 of interest expense, net included approximately \$3,500 of interest expense related to the accrual of interest on the outstanding debt with the WEDC, partially offset by interest income.

Liquidity and Capital Resources

We have financed our operations since inception primarily through the sale of equity securities. As of September 30, 2016, we had approximately \$5,646,000 in cash and cash equivalents. To date, we have raised capital aggregating approximately \$155 million.

During the nine months ended September 30, 2016, we reported a net loss of approximately \$3,595,000, while using approximately \$5,933,000 in cash in operations. The net loss included an approximately \$3,201,000 gain on the revaluation of derivative warrants, which was partially offset by approximately \$397,000 in stock-based compensation expense and approximately \$269,000 in depreciation and amortization expense. After adjustment for these non-cash items, changes in working capital used cash of \$196,000, which was the result of \$412,000 from the timing of payments of accounts payable and accrued expenses, partially offset by increased prepaid and other assets of approximately \$215,000.

During the nine months ended September 30, 2016, we purchased approximately \$5,000 in fixed assets.

The accompanying consolidated financial statements have been prepared on a basis that assumes that we 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. During the nine months ended September 30, 2016, we generated an operating loss of approximately \$6,802,000 and we expect that we will continue to generate operating losses for the foreseeable future. At September 30, 2016, our consolidated cash balance was approximately \$5,646,000. We believe this cash balance is adequate to fund operations into the first quarter of 2017. Our ability to execute our operating plan beyond that time depends on our ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise. We have, in the past, successfully completed multiple rounds of financings, but, due to market conditions and other factors, including our development stage, the proceeds we have been able to secure have been less than the amounts we sought to obtain. We plan to actively pursue all available financing alternatives; however, we have not entered into negotiations for any such transactions and there can be no assurance that we will obtain the necessary funding. 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.

On January 21, 2016 we received a notice from Nasdaq of non-compliance with its listing rules regarding the requirement that the listed securities maintain a minimum bid price of \$1 per share. On March 4, 2016, the Company effected a reverse stock split at a ratio of 1-for-10, and on March 21, 2016, Nasdaq notified the Company that we had regained compliance with the minimum bid price requirement.

On August 14, 2015 we received a notice from Nasdaq of non-compliance with its continuing listing rules, namely that our stockholders' equity at June 30, 2015 of \$2,373,371, as reported in our Form 10-Q for the quarter then ended, was less than the required minimum of \$2.5 million. We did not satisfy the terms of the initial compliance plan approved by Nasdaq. On February 11, 2016, Nasdaq issued a second notice of noncompliance. At a hearing on March 31, 2016, the Company requested, and Nasdaq granted, an extension through May 16, 2016, to effect transactions to allow us to regain compliance and to report the same. On April 20, 2016, we closed the 2016 Underwritten Offering, and on May 16, 2016, Nasdaq issued a determination that the Company had evidenced compliance with all requirements for continued listing on The Nasdaq Capital Market and, accordingly, the listing qualifications matter had been closed.

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 September 30, 2016, 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 not 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 due to the material weakness described below.

Management's report on internal control over financial reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of record that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in the 1992 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's evaluation included such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. Based on this evaluation and the identification of the material weakness in internal control over financial reporting below, our management concluded that our internal control over financial reporting was not effective as of September 30, 2016.

On October 20, 2016 our Annual Report on Form 10-K/A for the year ended December 31, 2015 was filed. At that time, our principal executive officer and principal financial officer had concluded that our internal control over financial reporting was not effective as of December 31, 2015. This material weakness has not been fully remediated as of September 30, 2016. Notwithstanding this material weakness, management has concluded that our condensed consolidated financial statements included in this Form 10-Q are fairly stated in all material respects in accordance with generally accepted accounting principles for each of the periods presented therein.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company has experienced a decline in stock price, which has added complexity to its financial reporting. The market pressures have added to the accounting complexity with issues such as goodwill, fixed asset impairment, and other related issues. Due to the added accounting complexities, limited resources, and the challenge of performing multiple functions for a development stage business with limited capital resources; Collectar management determined that the internal control over financial reporting for complex transactions may not always operate at the appropriate level of precision required to prevent or detect material misstatements of the Company's financial statements on a timely basis. In response to this material weakness, the Company's management has expended, and will continue to expend, a substantial amount of effort and resources for the remediation and improvement of our internal control over financial reporting. While we have processes to properly identify and evaluate the appropriate accounting technical pronouncements and other literature for all significant or unusual transactions, we are improving these processes to ensure that the nuances of such transactions are effectively evaluated in the context of the increasingly complex accounting standards. Our plans at this time include acquiring enhance access to accounting literature, research materials and documents and increased communication among our personnel and third party professionals with whom we consult regarding the application of complex accounting transactions. Our remediation plan can only be accomplished over time and will be continually reviewed to determine that it is achieving its objectives. We can offer no assurance that these initiatives will ultimately have the intended effects.

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 identified the changes described above as changes in the internal control over the financial reporting process that occurred during the Company's fiscal quarter ended June 30, 2016 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 September 30, 2016, our consolidated cash balance was approximately \$5,646,000. We believe our cash balance at September 30, 2016, is adequate to fund operations into the first quarter of 2017. 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. 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 September 30, 2016, we had a stockholders' equity of approximately \$7,717,000. The operating loss for the nine months ended September 30, 2016 was approximately \$6,802,000 and we may never achieve profitability.

Item 6. Exhibits

Exhibit No.	Description	Filed with this Form 10-Q	<u>Incorporation by Reference</u>		Exhibit No.
			<u>Form</u>	<u>Filing Date</u>	
3.1	Second Amended and Restated Certificate of Incorporation		8-K	April 11, 2011	3.1
3.1.1	Certificate of Amendment to Second Amended and Restated Certificate of Incorporation		8-K	June 13, 2014	3.1
3.1.2	Certificate of Amendment to Second Amended and Restated Certificate of Incorporation		8-K	June 19, 2015	3.2
3.1.3	Certificate of Amendment to Second Amended and Restated Certificate of Incorporation		8-K	March 4, 2016	3.1
3.2	Amended and Restated By-laws		8-K	June 1, 2011	3.1
31.1	Certification of chief executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of chief financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certification of chief executive officer and chief financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	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: November 10, 2016

By: /s/ James Caruso

James Caruso
President and Chief Executive Officer

I, JAMES 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 effected, 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 effect 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: November 10, 2016

/s/ James Caruso

James Caruso

President and Chief Executive Officer (Principal Executive Officer)

I, CHAD KOLEAN, 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 effected, 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 effect 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: November 10, 2016

/s/ Chad Kolean

Chad Kolean

Chief Financial Officer (Principal Financial and Accounting Officer)

**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 September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, James Caruso, President and Chief Executive Officer of the Company, and Chad Kolean, 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 Caruso

James Caruso

President and Chief Executive Officer (Principal Executive Officer)

Date: November 10, 2016

/s/ Chad Kolean

Chad Kolean

Chief Financial Officer (Principal Financial and Accounting Officer)

Date: November 10, 2016
