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EQUITY RESEARCH
Company Report

September 2, 2014

Actinium Pharmaceuticals, Inc. (ATNM - $ 6.22)

Actinium Update, Pipeline Continues to Move Forward

Healthcare / Biotechnology

Ticker:	**ATNM**
Rating:	**Buy**
Price Target:	**$ 18.00**

Actinium continues to make progress with its lead product candidates, Iomab-B and Actimab-A. The company is on schedule to meet near term development targets.

- **Iomab-B On Track**. The company continues to project its lead product, Iomab-B (BC8-I-131 construct), will be brought to market in 2017. This radiopharmaceutical has demonstrated the ability to successfully prepare patients otherwise ineligible for myeloablative conditioning for bone marrow transplants when no other treatment option was available. Actinium is on track to begin a single, pivotal, multicenter Phase III clinical study of Iomab-B in refractory and relapsed AML patients over the age of 55 with a primary endpoint of durable complete remission in the first half of 2015. We expect the enrollment to take 1 year and for data to be available in late 2016 or early 2017. According to management, manufacturing development and commercialization standards are close to completion for the product.
- **Actimab-A Interim Data Expected in November or December.** In addition to its Iomab-B progress, we expect the company to present interim results for its on-going Phase I/II study of Actimab-A for newly diagnosed AML patients over the age of 60 in November 2014 in an abstract for the annual meeting of the American Society of Hematology (ASH), which is scheduled for December 6-9, 2014. Of course we do not know for certain if the company will submit an abstract or if it does so if the abstract will be accepted, but the company has stated that it is on target to reveal interim results in December by ASH. We estimate the company will have data based on a population of 10-15 patients and believe that Actimab-A is well poised to build on the safety and efficacy precedent set by its first generation Bismab-A Phase I/II trial. See page 2 for additional information.
- **Additional Pipeline Updates, Third Development Program.** Actinium has advanced two additional product candidates, BC8-Y-90 and BC8-SA, from its preclinical pipeline into investigator sponsored clinical Phase I trials. The trials are being conducted and paid for by the Fred Hutchinson Cancer Research Center with molecules owned by Actinium. In addition, the company announced the development of an additional actinium-225 preclinical development program, though the indication has not been revealed.
- **Maintain BUY Rating and Price Target.** Our price target for Actinium of $18.00 is based on the NPV of our probability-adjusted forecasts for Iomab-B and Actimab-A plus a small value for the company's additional pipeline products.

Trading Data:

Last Price (08/29/2014)	$ 6.22
52–Week High (4/3/2014)	$ 15.00
52–Week Low (9/3/2013)	$ 3.60
Market Cap. (MM)	$ 175
Shares Out. (MM)	28

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY_15E	-0.14	-0.14	-0.14	-0.15	-0.56	NM
FY_14E	-0.66A	0.10A	-0.12	-0.13	-0.66	NM
FY_13A	-0.03	-0.13	-0.06	-0.26	-0.47	NM
FY_12A	-0.07	-0.09	NA	NA	-7.58	NM

Source: Laidlaw & Company estimates

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Actimab-A: Second Generation Builds on Safety/Efficacy Evidence

Actinium's positive outcomes in its clinical trials of Bismab-A make us optimistic about the upcoming interim analysis for the on-going Phase I/II trial of its second generation Actimab-A. Bismab-A is a radiopharmaceutical consisting of Lintuzumab (HuM195, a humanized version of M195, a murine monoclonal antibody), and bismuth-213. Bismuth-213 is a daughter, i.e., product of the degradation of Ac-225, with cancer cell killing properties similar to Ac-225, but it is less potent. The Phase II arm of the Bismab-A study showed signs of the drug's efficacy and safety, including reduction in peripheral blast counts and complete responses in some patients. Despite the success of the trial, a comparison to the second generation agent, Actimab-A, led Actinium to conclude that it should halt the development of Bismab-A in favor of dedicating resources to the development of Actimab-A. Actimab-A is a construct of the same antibody, HuM195, and actinium-225 (Ac-225) instead of bismuth-213. Actimab-A has far superior potency at lower dosing levels, supply and logistics advantages, and far lower manufacturing costs.

Bismuth-213 is made from actinium-225 in a process that required in-hospital preparation using high quantities of actinium-225. This leads to severe supply limitations, high costs and special training requirements. By utilizing Ac-225 directly, Actinium has improved the drug's potency, cost margin and ease of use. Because of Bismab-A's similarity to Actimab-A, it is thought that the results of the Bismab-A Phase I/II trial provide an important indication of the safety and efficacy of Actimab-A. Bismab-A was administered to approximately 50 patients. It maintained a low side effect record and showed clear indications of efficacy. Comparison of safety and efficacy data of Bismab-A to comparable products in similar patient populations (relapsed/poor cytogenetics/secondary AML patients over 60 years of age) is presented in Figure 1 on page 3. Figures 2 and 3 provide data on the Bismab-A Phase I/II results and compare the improved product attributes of Actimab-A with Bismab-A.

Bismab-A trials were focused on relapsed, refractory and other difficult to treat acute myeloid leukemia patients. In the on-going multicenter Phase I/II trial of Actimab-A, patients are eligible if they have previously untreated newly diagnosed acute myeloid leukemia, are aged 60 years or older and are unfit for or decline intensive chemotherapy, or are 70 years or older with newly diagnosed AML. This target population has had better outcomes than relapsed and refractory patients who have been most of the patients in Actinium's previous trials. In addition, the Actimab-A trial includes low doses of chemotherapy with the goal of further improving patient outcomes.

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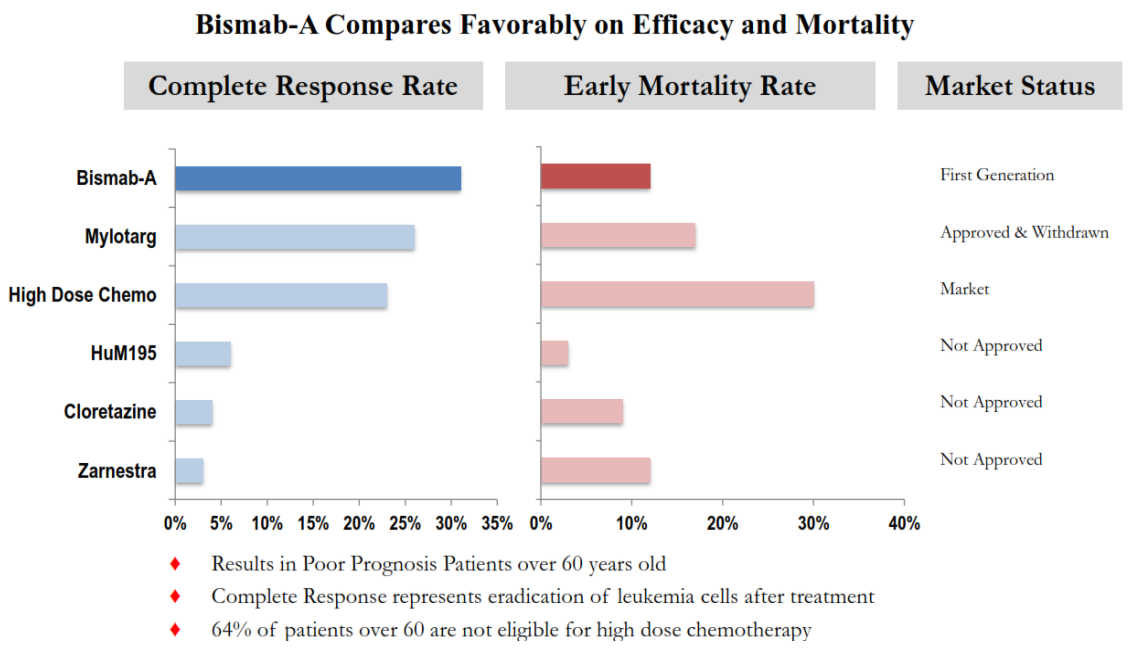
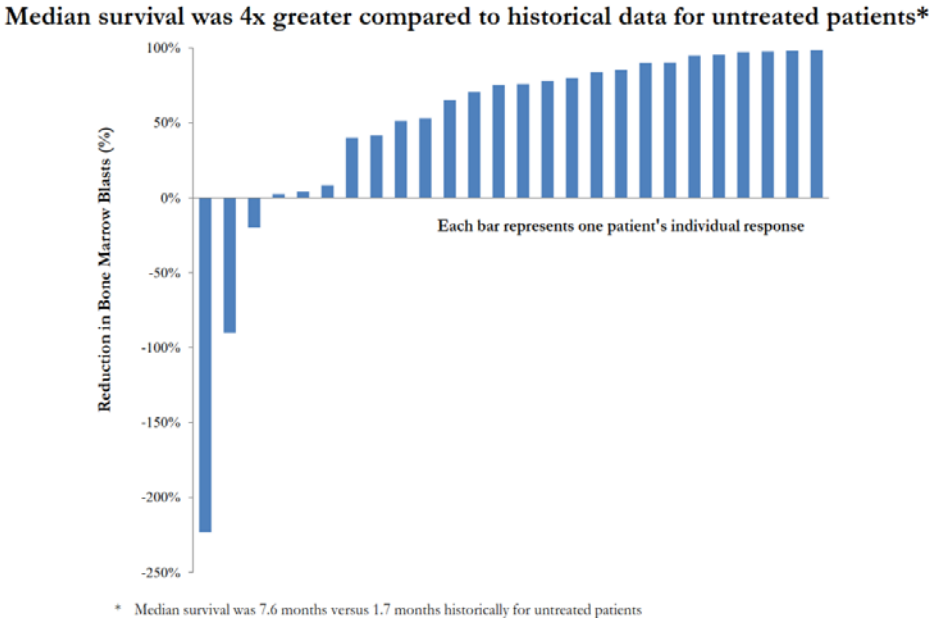
Figure 1: Bismab-A Clinical Trial Safety and Efficacy Profile



Source: Company reports

Figure 2: Bismab-A Phase I/II Results



Source: Company reports

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Figure 3: The Next Generation: Actimab-A and Bismab-A Comparison

Product Characteristics		
	Actimab-A	**Bismab-A**
Indication:	AML	AML
Outcome / Effectiveness:	500x more potent than Bismab-A	Achieved Proof of Concept in Humans
Clinical Stage Achieved:	On-going Phase I/II Trial	Phase II Results
Commercial Viability:	10x Lower COGS compared to Bismab-A	Not Commercially Viable
Additional Characteristics:	Product Suited for Large Scale Manufacture	Required On-Site Preparation
Efficacy		
	Actimab-A	**Bismab-A**
Elimination of Peripheral Blasts	63%	27%
Bone Marrow Blasts Decrease by 50% Or More	50%	28%
Bone Marrow Blasts 5% Or Less Post Treatment	20%	0%

Source: Company reports

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Risks to Owning the Stock

There are many standard risks for development stage biotechnology companies that hold true for the entire industry. There are development risks associated with preclinical and clinical studies, and potential delays in the start of trials. There is regulatory risk that the company will be unable to receive regulatory approvals for drugs or that regulatory approval may be delayed. Manufacturing risks are associated with the upgrading of facilities from clinical study production to commercial production. There is also commercial risk for a company to successfully market and sell its drug or drugs. Other risks include financing risk, currency risk, potential governmental price controls, and IP (generic) risks. The stock of biotechnology companies, like all publically traded companies, is subject to market volatility and liquidity risks if there are small trading floats. Actinium is susceptible to all of these risks.

Downside risks specific to Actinium include the likelihood of the need to sell more stock to raise capital for the continuation of the company's clinical trials. However, we believe investors already assume that the company will have to raise funds for the continued development of the company's products. We expect the company will have to raise capital in each of the next two years and have included those assumptions in our models. The near-term value of the stock is hinged on binary events, including the success of the Phase I/II trial for Actimab-A in AML and the start of the Phase III trial for Iomab-B HSCT in refractory/relapsed older AML patients in 2015. The longer-term value for the company is based on the timing of regulatory submission and approval, the ultimate market potential and expectations for the company's drugs, and the successful commercialization of these drugs.

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Figure 4: Income Statement

Actinium Pharmaceuticals *Income Statement (000s, except per share data)*	FY 2013 Q1_13 Mar	FY 2013 Q2_13 Jun	FY 2013 Q3_13 Sept	FY 2013 Q4_13 Dec	FY 2014E Q1_14 Mar	FY 2014E Q2_14 Jun	FY 2014E Q3_14E Sept	FY 2014E Q4_14E Dec	FY 2015E Q1_15E Mar	FY 2015E Q2_15E Jun	FY 2015E Q3_15E Sept	FY 2015E Q4_15E Dec	FY_11 Dec	FY_12 Dec	FY_13 Dec	FY_14E Dec	FY_15E Dec
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating expenses:																	
Selling, general and administrative	933.1	966.4	830.7	1,189.1	2,461.0	2,414.6	2,439.6	2,469.6	2,489.6	2,469.6	2,519.6	2,549.6	2,959.2	4,506.2	3,919.4	9,784.8	10,028.5
Research and development	1,085.7	509.3	778.2	293.7	1,676.1	2,001.9	2,097.0	2,267.9	2,881.3	2,917.3	2,978.8	3,183.6	323.8	3,440.5	2,666.9	8,042.9	11,961.1
Depreciation and amortization	-	-	-	1.6	1.4	8.1	8.1	8.0	8.0	7.9	7.9	7.8	0.6	0.6	1.6	25.5	31.6
Loss on disposition of equipment	4.1	-	-	-	-	-	-	-	-	-	-	-	-	-	4.1	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	**2,023.0**	**1,475.6**	**1,609.0**	**1,484.3**	**4,138.4**	**4,424.6**	**4,544.6**	**4,745.6**	**5,378.9**	**5,394.9**	**5,506.3**	**5,741.0**	**3,283.7**	**7,947.3**	**6,591.9**	**17,853.2**	**22,021.1**
Operating Income/(loss)	**(2,023.0)**	**(1,475.6)**	**(1,609.0)**	**(1,484.3)**	**(4,138.4)**	**(4,424.6)**	**(4,544.6)**	**(4,745.6)**	**(5,378.9)**	**(5,394.9)**	**(5,506.3)**	**(5,741.0)**	**(3,283.7)**	**(7,947.3)**	**(6,591.9)**	**(17,853.2)**	**(22,021.1)**
Other Income:																	
Interest income (expense)	(0.6)	(0.6)	(1.3)	-	-	-	-	-	-	-	-	-	(175.1)	(1,099.3)	(2.5)	-	-
Gain on change in fair value of derivative liabilities	1,334.5	(1,307.7)	189.3	(4,395.5)	(12,561.1)	7,939.7	-	-	-	-	-	-	14.0	685.4	(4,179.4)	(4,621.4)	-
Income (loss) before provision for income taxes	**(689.0)**	**(2,784.0)**	**(1,420.9)**	**(5,879.8)**	**(16,699.5)**	**3,515.1**	**(4,544.6)**	**(4,745.6)**	**(5,378.9)**	**(5,394.9)**	**(5,506.3)**	**(5,741.0)**	**(3,444.8)**	**(8,361.2)**	**(10,773.8)**	**(22,474.6)**	**(22,021.1)**
Tax: (%) non-GAAP	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	**(689.0)**	**(2,784.0)**	**(1,420.9)**	**(5,879.8)**	**(16,699.5)**	**3,515.1**	**(4,544.6)**	**(4,745.6)**	**(5,378.9)**	**(5,394.9)**	**(5,506.3)**	**(5,741.0)**	**(3,444.8)**	**(8,361.2)**	**(10,773.8)**	**(22,474.6)**	**(22,021.1)**
Diluted EPS (GAAP)	**(0.03)**	**(0.13)**	**(0.06)**	**(0.26)**	**(0.66)**	**0.10**	**(0.12)**	**(0.13)**	**(0.14)**	**(0.14)**	**(0.14)**	**(0.15)**	**(4.30)**	**(7.58)**	**(0.47)**	**(0.66)**	**(0.56)**
Weighted Diluted Shares outstanding	21,391.7	22,178.6	23,601.9	22,752.8	25,228.3	35,862.2	37,689.3	37,689.3	37,689.3	39,507.5	39,507.5	39,507.5	801.8	1,103.5	22,752.8	34,117.3	39,052.9
Weighted Diluted Shares YOY change (%)	*56.1%*	*30.3%*	*NA*	*NA*	*17.9%*	*61.7%*	*59.7%*	*65.6%*	*49.4%*	*10.2%*	*4.8%*	*4.8%*		*37.6%*	*NM*	*49.9%*	*14.5%*

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

Figure 5: Balance Sheet

Actinium Pharmaceuticals *Balance Sheet ($ 000s, except per share data)*	FY 2013 Q1_13 Mar	FY 2013 Q2_13 Jun	FY 2013 Q3_13 Sept	FY 2013 Q4_13 Dec	FY 2014E Q1_14 Mar	FY 2014E Q2_14 Jun	FY 2014E Q3_14E Sept	FY 2014E Q4_14E Dec	FY 2015E Q1_15E Mar	FY 2015E Q2_15E Jun	FY 2015E Q3_15E Sept	FY 2015E Q4_15E Dec	FY_11 Dec	FY_12 Dec	FY_13 Dec	FY_14E Dec	FY_15E Dec
Assets:																	
Cash and cash equivalents	3,239.9	5,650.3	3,990.1	5,533.4	5,877.8	14,670.8	10,205.3	6,077.8	2,625.8	18,679.0	13,340.2	8,311.5	5,703.8	5,618.7	5,533.4	6,077.8	8,311.5
R&D reimbursement receivable	-	-	-	-	-	-	-	-	-	-	-	-	237.8	-	-	-	-
Prepaid expenses and other current assets	117.1	84.3	53.0	218.4	667.9	608.1	624.6	652.2	739.3	741.5	756.8	789.0	5.4	167.1	218.4	652.2	789.0
Deferred financing costs, net of accumulated amortization	-	-	-	-	-	-	-	-	-	-	-	-	252.2	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	**3,357.0**	**5,734.6**	**4,043.1**	**5,751.8**	**6,545.7**	**15,278.9**	**10,829.9**	**6,730.0**	**3,365.0**	**19,420.5**	**14,096.9**	**9,100.5**	**6,199.3**	**5,785.8**	**5,751.8**	**6,730.0**	**9,100.5**
Property and equipment, net	-	-	6.9	13.9	14.2	132.9	135.3	137.7	140.0	142.4	144.8	144.8	1.2	3.0	13.9	137.7	144.8
Security Deposit	-	-	-	-	-	34.7	34.7	34.7	34.7	34.7	34.7	34.7	-	-	-	34.7	34.7
Total Assets	**3,357.0**	**5,734.6**	**4,050.0**	**5,765.7**	**6,559.9**	**15,446.6**	**10,999.9**	**6,902.4**	**3,539.8**	**19,597.6**	**14,276.4**	**9,280.0**	**6,200.5**	**5,788.8**	**5,765.7**	**6,902.4**	**9,280.0**
Liabilities & Shareholders' Equity:																	
Accounts payable and accured expenses	459.9	793.6	312.0	379.0	615.3	1,045.4	1,073.8	1,121.3	1,270.9	1,274.7	1,301.0	1,356.5	644.5	897.0	379.0	1,121.3	1,356.5
Accounts payable and accured expenses - related party	31.2	31.2	375.7	81.2	189.5	189.5	194.7	203.3	230.4	231.1	235.9	245.9	-	31.2	81.2	203.3	245.9
Note payable	74.7	37.0	-	157.8	94.5	55.0	15.5	(24.1)	(43.6)	(43.6)	(43.6)	(43.6)	-	140.0	157.8	-24.1	(43.6)
Derivative liabilities	2,240.4	2,958.0	2,758.0	6,707.3	19,128.8	9,826.6	9,826.6	9,826.6	9,826.6	9,826.6	9,826.6	9,826.6	124.4	3,575.0	6,707.3	9,826.6	9,826.6
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	4,439.6	-	-	-	-
Total Current Liabilities	**2,806.2**	**3,819.7**	**3,445.7**	**7,325.2**	**20,028.1**	**11,116.6**	**11,110.5**	**11,127.1**	**11,284.4**	**11,288.8**	**11,319.9**	**11,385.5**	**5,208.5**	**4,643.2**	**7,325.2**	**11,127.1**	**11,385.5**
Total Liabilities	**2,806.2**	**3,819.7**	**3,445.7**	**7,325.2**	**20,028.1**	**11,116.6**	**11,110.5**	**11,127.1**	**11,284.4**	**11,288.8**	**11,319.9**	**11,385.5**	**5,208.5**	**4,643.2**	**7,325.2**	**11,127.1**	**11,385.5**
Stockholders' Equity	**550.8**	**1,914.9**	**604.3**	**(1,559.5)**	**(13,468.1)**	**4,330.0**	**(110.6)**	**(4,224.7)**	**(13,468.1)**	**8,308.8**	**2,956.5**	**(2,105.4)**	**992.0**	**1,145.6**	**(1,559.5)**	**(4,224.7)**	**(2,105.4)**
Total Liabilities & Equity	**3,357.0**	**5,734.6**	**4,050.0**	**5,765.7**	**6,559.9**	**15,446.6**	**10,999.9**	**6,902.4**	**(2,183.8)**	**19,597.6**	**14,276.4**	**9,280.0**	**6,200.5**	**5,788.8**	**5,765.7**	**6,902.4**	**9,280.0**

Source: Bloomberg LP; Company reports; Laidlaw & Company estimate

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Figure 6: Cash Flow Statement

Actinium Pharmaceuticals *Non-GAAP Cash Flow Cont. Ops.($ 000s, except per share data)*	**FY_11** Dec	**FY_12** Dec	**FY_13** Dec	**FY_14E** Dec	**FY_15E** Dec
Cash flows from operating activities:					
Net income (loss)	(3,444.8)	(8,361.2)	(10,773.8)	(22,474.6)	(22,021.1)
Adjustments to reconcile net income to net cash provided by operating activities:					
Stock-based compensation expense	2,173.4	2,223.9	657.8	3,860.6	4,110.6
Depreciation expense	0.6	0.6	1.6	25.6	32.2
Loss on disposition of equipment	-	-	4.1	-	-
Amortization of debt discount	124.4	775.6	-	-	-
Amortization of deferred financing costs	40.4	252.2	-	-	-
Gain on extinguishment of liability	-	-	-	-	-
Gain on change in fair value of derivative liabilities	(14.0)	(685.4)	4,179.4	4,621.4	-
Other	-	-	-	-	-
				-	-
Changes in assets and liabilities:					-
R&D reimbursement receivable	41.6	234.1	-	-	-
Prepaid expenses and other current assets	4.8	(18.0)	106.6	(433.8)	(136.8)
Other assets					
Accounts payable and accrued expenses	556.0	334.3	(518.1)	742.3	235.2
Accounts payable and accrued expenses - related parties	-	31.2	50.0	122.1	42.6
Net cash provided by (used in) operating activities	(517.6)	(5,212.7)	**(6,292.4)**	**(13,536.5)**	**(17,737.3)**
Cash flow from investing activities:					
Payment made for patent rights	-	-	-	-	-
Purchases of property and equipment	-	(2.4)	(16.6)	(133.2)	(9.5)
Cash provided by investing activities	**-**	**(2.4)**	**(16.6)**	**(133.2)**	**(9.5)**
Cash flows from financing activities:					
Borrowings on convertible debt, net of offering costs	645.9	-	-	-	-
Sales of stock, net of offering costs	5,379.4	5,129.9	2,883.3	14,328.7	20,000.0
Payments on note payable	-	-	(140.0)	(181.9)	(19.5)
Proceeds from the exercise of options and warrants for cash	-	-	3,480.4	102.1	-
Cash (used in) provided by financing activities	**6,025.3**	**5,129.9**	**6,223.7**	**14,248.9**	**19,980.5**
Effect of exchange rates on cash	-	-	-	-	-
Net (decrease) increase in cash and cash equivalents	5,507.7	(85.1)	(85.3)	579.2	2,233.7
Cash and cash equivalents at beginning of the period	196.1	5,703.8	5,618.7	5,533.4	6,112.6
Cash and cash equivanlents at end of period -	**5,703.8**	**5,618.7**	**5,533.4**	**6,112.6**	**8,346.2**

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

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DISCLOSURES:

ANALYST CERTIFICATION

The analyst responsible for the content of this report hereby certifies that the views expressed regarding the company or companies and their securities accurately represent his personal views and that no direct or indirect compensation is to be received by the analyst for any specific recommendation or views contained in this report. Neither the author of this report nor any member of his immediate family or household maintains a position in the securities mentioned in this report.

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Additional information available upon request.

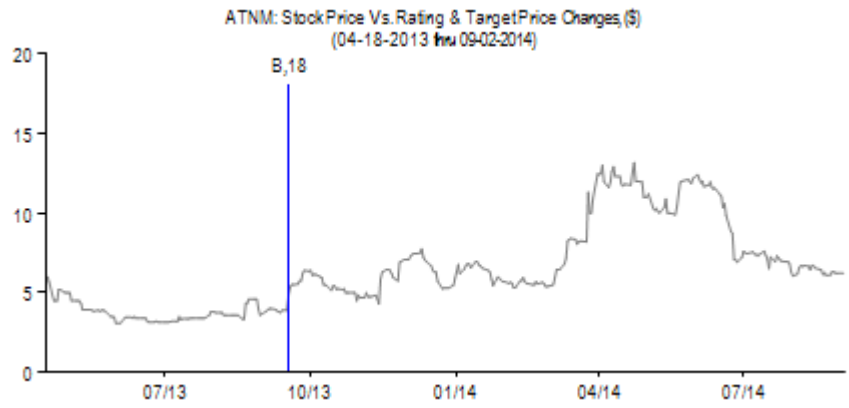
‡ Laidlaw & Company has received compensation from the subject company for investment banking services in the past 12 months and expects to receive or intends to seek compensation for investment banking services from the company in the next three months.

^ Laidlaw & Company and/or its affiliated investment advisor and/or associated persons of Laidlaw & Co (UK) Ltd. maintain a position in this security of more than 1% of the outstanding equity securities.

An employee of Laidlaw & Co (UK) Ltd. is Chairman of the Board of Directors of the subject company.

RATINGS INFORMATION

Rating and Price Target Change History



3 Year Rating Change History

Date	Rating	Closing Price ($)
09/17/2013	Buy (B)	4.90

3 Year Price Change History

Date	Target Price ($)	Closing Price, ($)
09/17/2013	18.00	4.90

Source: Laidlaw & Company **Created by: Blue-Compass.net**

Laidlaw & Company Rating System*		% of Companies Under Coverage With This Rating	% of Companies for which Laidlaw & Company has performed services for in the last 12 months	
			Investment Banking	Brokerage
Strong Buy (SB)	Expected to significantly outperform the sector over 12 months.	0.00%	0.00%	0.00%
Buy (B)	Expected to outperform the sector average over 12 months.	94.74%	31.58%	10.53%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	5.26%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

ADDITIONAL COMPANIES MENTIONED

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