

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

Commission file number: 000-51476

LIXTE BIOTECHNOLOGY HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-2903526

(I.R.S. Employer
Identification Number)

248 Route 25A, No. 2

East Setauket, New York 11733
(Address of principal executive offices)

(631) 942-7959

(Registrant's telephone number, including area code)

Not applicable

(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, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer

Non-accelerated filer

Accelerated filer

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

As of May 6, 2011, the Company had 35,077,178 shares of common stock, \$0.0001 par value, issued and outstanding.

Documents incorporated by reference: None

**LIXTE BIOTECHNOLOGY HOLDINGS, INC.
AND SUBSIDIARY
(a development stage company)**

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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. For example, statements regarding the Company's financial position, business strategy and other plans and objectives for future operations, and assumptions and predictions about future product demand, supply, manufacturing, costs, marketing and pricing factors are all forward-looking statements. These statements are generally accompanied by words such as "intend," "anticipate," "believe," "estimate," "potential(ly)," "continue," "forecast," "predict," "plan," "may," "will," "could," "would," "should," "expect" or the negative of such terms or other comparable terminology. The Company believes that the assumptions and expectations reflected in such forward-looking statements are reasonable, based on information available to it on the date hereof, but the Company cannot provide assurances that these assumptions and expectations will prove to have been correct or that the Company will take any action that the Company may presently be planning. However, these forward-looking statements are inherently subject to known and unknown risks and uncertainties. Actual results or experience may differ materially from those expected or anticipated in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, regulatory policies, available cash, research and development results, competition from other similar businesses, and market and general economic factors. This discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report on Form 10-Q.

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**LIXTE BIOTECHNOLOGY HOLDINGS, INC.
AND SUBSIDIARY**
(a development stage company)

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2011	December 31, 2010
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 42,831	\$ 119,091
Money market funds	1,601,053	1,601,006
Funds on deposit with law firm	—	50,000
Grant receivable	—	116,485
Advances on research and development contract services	22,550	10,100
Prepaid expenses and other current assets	22,271	34,646
Total current assets	1,688,705	1,931,328
Total assets	\$ 1,688,705	\$ 1,931,328
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 100,685	\$ 28,345
Research and development contract liabilities	35,070	—
Liquidated damages payable under registration rights agreement	74,000	74,000
Due to stockholder	92,717	92,717
Total current liabilities	302,472	195,062
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; authorized – 10,000,000 shares; issued – None	—	—
Common stock, \$0.0001 par value; authorized - 100,000,000 shares; issued and outstanding - 35,077,178 shares	3,508	3,508
Additional paid-in capital	7,663,541	7,662,559
Deficit accumulated during the development stage	(6,280,816)	(5,929,801)
Total stockholders' equity	1,386,233	1,736,266
Total liabilities and stockholders' equity	\$ 1,688,705	\$ 1,931,328

See accompanying notes to condensed consolidated financial statements.

**LIXTE BIOTECHNOLOGY HOLDINGS, INC.
AND SUBSIDIARY**
(a development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,		Period from August 9, 2005 (Inception) to March 31, 2011 (Cumulative)
	2011	2010	
Revenues	\$ —	\$ —	\$ —
Costs and expenses:			
General and administrative costs, including \$-0-, \$72,740 and \$2,252,523 of stock-based compensation costs for the three months ended March 31, 2011 and 2010, and the period from August 9, 2005 (inception) to March 31, 2011 (cumulative), respectively	89,616	188,579	3,695,492
Depreciation	—	—	1,910
Research and development costs, including \$982, \$19,888 and \$465,033 of stock-based costs for the three months ended March 31, 2011 and 2010, and the period from August 9, 2005 (inception) to March 31, 2011 (cumulative), respectively. Research and development costs include \$6,250 to a related party for the three months ended March 31, 2011 and \$23,958 for the period from August 9, 2005 (inception) to March 31, 2011 (cumulative). Research and development costs for the period from August 9, 2005 (inception) to March 31, 2011 (cumulative) have been reduced by \$244,479, representing the proceeds of a government grant related to such costs.	261,446	161,872	2,484,293
Reverse merger costs	—	—	50,000
Total costs and expenses	351,062	350,451	6,231,695
Loss from operations	(351,062)	(350,451)	(6,231,695)
Interest income	47	215	27,348
Interest expense	—	—	(2,469)
Liquidated damages under registration rights agreement	—	—	(74,000)
Net loss	\$ (351,015)	\$ (350,236)	\$ (6,280,816)
Net loss per common share – Basic and diluted	\$ (0.01)	\$ (0.01)	
Weighted average common shares outstanding – Basic and diluted	35,077,178	33,693,845	

See accompanying notes to condensed consolidated financial statements.

**LIXTE BIOTECHNOLOGY HOLDINGS, INC.
AND SUBSIDIARY**
(a development stage company)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)

Period from August 9, 2005 (Inception) to March 31, 2011

	<u>Common Stock</u>		<u>Advances Under Equity Financing</u>	<u>Additional Paid-in Capital</u>	<u>Deficit Accumulated During the Development Stage</u>	<u>Total Stockholders' Equity (Deficiency)</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, August 9, 2005 (inception)	—	\$ —	\$ —	\$ —	\$ —	\$ —
Shares issued to founding stockholder	19,021,786	1,902	—	(402)	—	1,500
Net loss	—	—	—	—	(16,124)	(16,124)
Balance, December 31, 2005	19,021,786	1,902	—	(402)	(16,124)	(14,624)
Shares issued in connection with reverse merger transaction	4,005,177	401	—	62,099	—	62,500
Shares issued in private placement, net of offering costs	3,555,220	355	—	969,017	—	969,372
Stock-based compensation costs	—	—	—	97,400	—	97,400
Net loss	—	—	—	—	(562,084)	(562,084)
Balance, December 31, 2006	26,582,183	2,658	—	1,128,114	(578,208)	552,564
Shares issued in private placement, net of offering costs	999,995	100	—	531,220	—	531,320
Stock-based compensation costs	250,000	25	—	890,669	—	890,694
Stock-based research and development costs	—	—	—	50,836	—	50,836
Net loss	—	—	—	—	(1,648,488)	(1,648,488)
Balance, December 31, 2007	27,832,178	2,783	—	2,600,839	(2,226,696)	376,926
Stock-based compensation costs	—	—	—	357,987	—	357,987
Stock-based research and development costs	100,000	10	—	213,051	—	213,061
Net loss	—	—	—	—	(1,271,522)	(1,271,522)
Balance, December 31, 2008	27,932,178	2,793	—	3,171,877	(3,498,218)	(323,548)
Shares issued in private placements, net of offering costs	2,420,000	242	—	1,096,808	—	1,097,050
Advances under equity financing	—	—	1,200,000	—	—	1,200,000
Stock-based compensation costs	150,000	15	—	745,965	—	745,980
Stock-based research and development costs	—	—	—	132,933	—	132,933
Net loss	—	—	—	—	(1,551,333)	(1,551,333)
Balance, December 31, 2009	30,502,178	3,050	1,200,000	5,147,583	(5,049,551)	1,301,082
Shares issued in private placements, net of offering costs	4,575,000	458	(1,200,000)	2,287,042	—	1,087,500
Stock-based compensation costs	—	—	—	160,712	—	160,712
Stock-based research and development costs	—	—	—	67,222	—	67,222
Net loss	—	—	—	—	(880,250)	(880,250)
Balance, December 31, 2010	35,077,178	3,508	—	7,662,559	(5,929,801)	1,736,266
Stock-based research and development costs	—	—	—	982	—	982
Net loss	—	—	—	—	(351,015)	(351,015)
Balance, March 31, 2011 (Unaudited)	<u>35,077,178</u>	<u>\$ 3,508</u>	<u>\$ —</u>	<u>\$ 7,663,541</u>	<u>\$ (6,280,816)</u>	<u>\$ 1,386,233</u>

See accompanying notes to condensed consolidated financial statements.

**LIXTE BIOTECHNOLOGY HOLDINGS, INC.
AND SUBSIDIARY**
(a development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31,		Period from August 9, 2005 (Inception) to March 31, 2011 (Cumulative)
	2011	2010	
Cash flows from operating activities:			
Net loss	\$ (351,015)	\$ (350,236)	\$ (6,280,816)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	—	—	1,909
Stock-based compensation costs	—	72,740	2,252,523
Stock-based research and development costs	982	19,888	465,034
Changes in operating assets and liabilities:			
(Increase) decrease in -			
Funds on deposit with law firm	50,000	—	—
Grant receivable	116,485	—	—
Advances on research and development contract services	(12,450)	(27,530)	(22,550)
Prepaid expenses and other current assets	12,375	6,125	(22,271)
Increase (decrease) in -			
Accounts payable and accrued expenses	72,340	20,656	100,685
Liquidated damages payable under registration rights agreement	—	—	74,000
Research and development contract liabilities	35,070	6,031	35,070
Net cash used in operating activities	(76,213)	(252,326)	(3,396,416)
Cash flows from investing activities:			
Increase in money market funds	(47)	(2,050,042)	(1,601,053)
Purchase of office equipment	—	—	(1,909)
Net cash used in investing activities	(47)	(2,050,042)	(1,602,962)
Cash flows from financing activities:			
Proceeds from sale of common stock to consulting firm	—	—	250
Proceeds from sale of common stock to founder	—	—	1,500
Proceeds from issuance of notes payable to consultant	—	—	200,000
Repayment of notes payable to consultant	—	—	(200,000)
Cash acquired in reverse merger transaction	—	—	62,500
Gross proceeds from sale of securities	—	1,087,500	5,331,389
Payment of private placement offering costs	—	—	(446,147)
Advances received from stockholder	—	—	92,717
Net cash provided by financing activities	—	1,087,500	5,042,209
Cash:			
Net increase (decrease)	(76,260)	(1,214,868)	42,831
Balance at beginning of period	119,091	1,543,991	—
Balance at end of period	<u>\$ 42,831</u>	<u>\$ 329,123</u>	<u>\$ 42,831</u>
Supplemental disclosures of cash flow information:			
Cash paid for -			
Interest	\$ —	\$ —	\$ 2,469
Income taxes	\$ —	\$ —	\$ —
Non-cash financing activities:			
Decrease in advances under equity financing	<u>\$ —</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

See accompanying notes to condensed consolidated financial statements.

LIXTE BIOTECHNOLOGY HOLDINGS, INC.
AND SUBSIDIARY
(a development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**Three Months Ended March 31, 2011 and 2010, and
Period from August 9, 2005 (Inception) to March 31, 2011 (Cumulative)**

1. Basis of Presentation

The condensed consolidated financial statements of Lixte Biotechnology Holdings, Inc. and its wholly-owned subsidiary, Lixte Biotechnology, Inc. (the “Company”) at March 31, 2011, for the three months ended March 31, 2011 and 2010, and for the period from August 9, 2005 (inception) to March 31, 2011 (cumulative), are unaudited. In the opinion of management, all adjustments (including normal recurring adjustments) have been made that are necessary to present fairly the financial position of the Company as of March 31, 2011, the results of its operations for the three months ended March 31, 2011 and 2010, and for the period from August 9, 2005 (inception) to March 31, 2011 (cumulative), and its cash flows for the three months ended March 31, 2011 and 2010, and for the period from August 9, 2005 (inception) to March 31, 2011 (cumulative). Operating results for the interim periods presented are not necessarily indicative of the results to be expected for a full fiscal year. The condensed balance sheet at December 31, 2010 has been derived from the audited financial statements.

The statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the financial statements and other information included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as filed with the SEC.

2. Organization and Business Operations

Organization

On June 30, 2006, Lixte Biotechnology, Inc., a privately-held Delaware corporation (“Lixte”) incorporated on August 9, 2005, completed a reverse merger transaction with SRKP 7, Inc. (“SRKP”), a non-trading public shell company, whereby Lixte became a wholly-owned subsidiary of SRKP. On December 7, 2006, SRKP amended its Certificate of Incorporation to change its name to Lixte Biotechnology Holdings, Inc. (“Holdings”). Unless the context indicates otherwise, Lixte and Holdings are hereinafter referred to as the “Company”.

For financial reporting purposes, Lixte was considered the accounting acquirer in the merger and the merger was accounted for as a reverse merger. Accordingly, the historical financial statements presented herein are those of Lixte. The stockholders’ equity section of SRKP has been retroactively restated for all periods presented to reflect the accounting effect of the reverse merger transaction. All costs associated with the reverse merger transaction were expensed as incurred.

The Company is considered a “development stage company” under current accounting standards, as it has not yet commenced any revenue-generating operations, does not have any cash flows from operations, and is dependent on debt and equity funding to finance its operations.

The Company’s common stock was listed for trading on the OTC Bulletin Board commencing September 24, 2007 under the symbol “LIXT”. It is presently traded on the OTC Market (also referred to as the “Pink Sheets”) under the symbol “LIXT.PK”.

Operating Plans

The Company is developing new treatments for human cancers for which better therapies are urgently needed. The Company’s drug discovery process is based on discerning clues to potential new targets for cancer treatments reported in the increasingly large body of literature characterizing the molecular variants, which characterize human cancers. In the past decade, there has been an unprecedented expansion in knowledge of biochemical defects in the cancer cell. The Company has assembled a small but intellectually diverse group which uses information about the regulatory pathways altered in cancer cells. The Company selects drugs for which there are existing data suggesting that they may affect the altered pathways of the cancer cell and may be given safely to humans. The Company seeks to rapidly arrive at patentable structures through analysis of the literature rather than screening of thousands of structures for activity against a particular biochemical pathway.

This approach has led to the development of two classes of drugs, phosphatase inhibitors (PTase-i), designated by the Company as the LB-100 series of compounds, and histone deacetylase inhibitors (HDACi), designated by the Company as the LB-200 series of compounds. The LB-100 series consists of novel structures, which have the potential to be first in their class and the latter group contains compounds, which have the potential to be the most effective of this class. The Company has demonstrated that that lead compounds of both series of drugs are active against a broad spectrum of human cancers in cell culture and, against several types of human cancers in animal models. The research on new drug treatment was initiated in 2006 with the National Institute of Neurologic Disorders and Stroke (NINDS), National Institutes of Health (NIH) under a continuing Cooperative Research and Development Agreement (CRADA). The research at NINDS is led by Dr. Zhengping Zhuang, an internationally recognized investigator in the molecular pathology of cancer. The initial focus of the CRADA was on the most common and uniformly fatal brain tumor of adults, glioblastoma multiforme (GBM). The work at NIH has now extended to the most common brain tumor of children, medulloblastoma and to the most common cancer of children, neuroblastoma. Because of the propensity of malignant melanoma to metastasize to the brain, recent studies have encompassed studying the effectiveness of drugs developed for the treatment of primary brain tumors to the treatment of melanoma.

The second class of drugs (LB-200) under development by the Company is the histone deacetylase inhibitors. Many pharmaceutical companies are also developing drugs of this type, and at least two companies have an HDACi approved for clinical use, in both cases for the treatment of a type of lymphoma. Despite this significant competition, the Company has demonstrated that its HDACi have broad activity against many cancer types, have neuroprotective activity, and have anti-fungal activity. In addition, these compounds have low toxicity, making them attractive candidates for development. It appears that one type of molecule has diverse effects, affecting biochemical processes that are fundamental to the life of the cell, whether they are cancer cells, nerve cells, or even fungal cells. The neuroprotective activity of the Company's HDACi has been demonstrated in the test tube in model systems that mimic injury to brain cells such as occurs in stroke and Alzheimer's disease. Potentially, this type of protective activity may have application to a broad spectrum of other chronic neurodegenerative diseases, including Parkinson's Disease and Amyotrophic Lateral Sclerosis (ALS, or Lou Gehrig's Disease).

The Company's primary objective is to bring one lead compound of the LB-100 series to clinical trial. In late 2009 and early 2010, the Company raised sufficient financial resources to carry out the preclinical studies needed for an application to the FDA to carry out a Phase I clinical trial. The Company has engaged a leading pharmaceutical manufacturing company, a clinical research organization, and a drug development company specializing in pharmacologic and toxicologic characterization of new anticancer drugs to oversee and carry out the studies necessary to obtain FDA approval to commence a Phase I clinical trial.

On September 17, 2010, the National Cancer Institute Experimental Therapeutics (NExT) Program Senior Advisory Committee (SAC) approved a collaboration by NCI with the Company for clinical evaluation of LB-100, one of the Company's drug compounds. This collaboration is a milestone-based approach in which NCI will first confirm studies of the LB-100 compound in an animal model of glioblastoma multiforme, the most common brain tumor of adults, and conduct an initial exploratory toxicology study in an animal model. At milestone intervals, the SAC will re-evaluate project progress before considering assignment of additional support and resources to this project.

The Company believes that it has adequate funds on hand to support operations at current levels, including commencing, but not necessarily completing, a Phase I clinical trial of the Company's LB-100 compound, and to continue to grow its patent portfolio and maintain its applications for international protection of lead compounds of both the LB-100 and LB-200 series, without having to raise additional funds until the first quarter of 2012.

Going Concern

The Company's condensed consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company is in the development stage and has not generated any revenues from operations to date, and does not expect to do so in the foreseeable future. The Company has experienced recurring operating losses and negative operating cash flows since inception, and has financed its working capital requirements through the recurring sale of its equity securities. As a result, the Company's independent registered public accounting firm, in its report on the Company's 2010 consolidated financial statements, has raised substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional capital and to ultimately achieve sustainable revenues and profitable operations. The Company's condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

At March 31, 2011, the Company had not yet commenced any revenue-generating operations. All activity through March 31, 2011 has been related to the Company's formation, capital raising efforts and research and development activities. As such, the Company has yet to generate any cash flows from operations, and is dependent on debt and equity funding from both related and unrelated parties to finance its operations. Prior to June 30, 2006, the Company's cash requirements were funded by advances from the Company's founder aggregating \$92,717.

Because the Company is currently engaged in research at an early stage, it will likely take a significant amount of time to develop any product or intellectual property capable of generating revenues. As such, the Company's business is unlikely to generate any sustainable revenues in the next several years, and may never do so. Even if the Company is able to generate revenues in the future through licensing its technologies or through product sales, there can be no assurance that the Company will be able to generate a profit.

The Company's activities for the remainder of 2011 will consist of continuing drug discovery and development efforts. The Company's primary objective is to make application to take the Company's LB-100 compound into a Phase I clinical trial by June 30, 2011. The Company raised \$500,000 in November 2009, \$1,787,500 in January 2010, and \$500,000 in February 2010, all through the sale of its securities to fund its business activities. The Company also received \$244,479 from the Internal Revenue Service under its Qualifying Therapeutic Discovery Grant program, consisting of \$127,994 on November 9, 2010 and \$116,485 on February 1, 2011. As a result, the Company believes that its existing resources are adequate to fund operations through the first quarter of 2012 at a level that will allow the continuation of the Company's two drug development programs currently in process and commencement, but not necessarily completion, of a Phase I clinical trial of LB-100.

The amount and timing of future cash requirements will depend on the pace of these programs, particularly the completion of the Phase I trial of LB-100. After completion of the Phase I trial, the next step will be to determine the anti-cancer activity against a particular type of human cancer in Phase II trials. To complete the Phase I trial and carry out Phase II trials, the Company anticipates that it will be necessary to raise additional funds in 2012 from a combination of debt or equity financings, and/or the sale, licensing or joint venturing of its intellectual properties. Market conditions present uncertainty as to the Company's ability to secure additional funds, as well as its ability to reach profitability. There can be no assurances that the Company will be able to secure additional financing, or obtain favorable terms on such financing if it is available, or as to the Company's ability to achieve positive earnings and cash flows from operations. Continued negative cash flows and lack of liquidity create significant uncertainty about the Company's ability to fully implement its operating plan beyond the first quarter of 2012, as a result of which the Company may have to reduce the scope of its planned operations. If cash resources are insufficient to satisfy the Company's liquidity requirements, the Company would be required to scale back or discontinue its technology and product development programs, or obtain funds, if available, through strategic alliances that may require the Company to relinquish rights to certain of its technologies products, or to discontinue its operations entirely.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying condensed consolidated financial statements include the financial statements of Holdings and its wholly-owned subsidiary, Lixte. All intercompany balances and transactions have been eliminated in consolidation.

Cash Concentrations

The Company's cash balances may periodically exceed federally insured limits. The Company has not experienced a loss in such accounts to date. The Company maintains its accounts with financial institutions with high credit ratings.

Research and Development

Research and development costs are expensed as incurred. Research and development expenses consist primarily of fees paid to consultants and outside service providers, patent fees and costs, and other expenses relating to the acquisition, design, development and testing of the Company's treatments and product candidates.

Amounts that become due, pursuant to contractual commitments, on research and development contracts with third parties are recorded as a liability, with the related amount of such contracts recorded as advances on research and development contract services on the Company's balance sheet. Such advances on research and development contract services are expensed over their life on the straight-line basis, unless the achievement of milestones, the completion of contracted work, or other information indicates that a different expensing schedule is more appropriate. The Company reviews the status of its research and development contracts on a quarterly basis.

The funds paid to NINDS of the NIH, pursuant to the CRADA effective March 22, 2006, as amended, represented an advance on research and development costs and therefore had future economic benefit. Accordingly, such costs have been charged to expense when they are actually expended by the provider, which is, effectively, as they perform the research activities that they were contractually committed to provide. Absent information that would indicate that a different expensing schedule was more appropriate (such as, for example, from the achievement of performance milestones or the completion of contract work), such advances have been expensed over the contractual service term on a straight-line basis, which, in management's opinion, reflects a reasonable estimate of when the underlying research and development costs were being incurred.

Patent Costs

Due to the significant uncertainty associated with the successful development of one or more commercially viable products based on the Company's research efforts and any related patent applications, all patent costs, including patent-related legal and filing fees, are expensed as incurred. Patent costs were \$139,145 and \$88,689 for the three months ended March 31, 2011 and 2010, respectively, and \$910,479 for the period from August 9, 2005 (inception) to March 31, 2011 (cumulative). Patent costs are included in research and development costs in the Company's condensed consolidated statements of operations.

Income Taxes

The Company accounts for income taxes under an asset and liability approach for financial accounting and reporting for income taxes. Accordingly, the Company recognizes deferred tax assets and liabilities for the expected impact of differences between the financial statements and the tax basis of assets and liabilities.

The Company has elected to deduct research and development costs on a current basis for federal income tax purposes. Start-up and organization costs were deferred until January 1, 2008. Accordingly, the Company then began to amortize such costs over a 180-month period.

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. In the event the Company was to determine that it would be able to realize its deferred tax assets in the future in excess of its recorded amount, an adjustment to the deferred tax assets would be credited to operations in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to operations in the period such determination was made.

For federal income tax purposes, net operating losses can be carried forward for a period of 20 years until they are either utilized or until they expire.

On January 1, 2007, the Company adopted new accounting rules which address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The new accounting rules also provide guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The adoption of the new accounting rules did not have a material effect on the Company's financial statements. As of March 31, 2011, no liability for unrecognized tax benefits was required to be recorded.

The Company files income tax returns in the U.S. federal jurisdiction and is subject to income tax examinations by federal tax authorities for the year 2008 and thereafter. The Company's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of March 31, 2011, the Company has no accrued interest or penalties related to uncertain tax positions.

Government Grant Under Qualifying Therapeutic Discovery Project

Under the Patient Protection and Affordable Care Act signed into law on March 23, 2010 (the "Act"), the Internal Revenue Service and the Department of Health and Human Services established the qualifying therapeutic discovery project to consider and award certifications for qualified investments by project sponsors. On July 20, 2010, the Company applied for a grant pursuant to the Act based upon qualified investments made in 2009 and 2010. On October 29, 2010, the Company was notified that qualified investments totaling \$488,958 had been certified and that a grant in the amount of \$244,479 had been awarded to the Company.

The proceeds of the grant were received by the Company in installments, consisting of \$127,994 on November 9, 2010, and \$116,485 on February 1, 2011, which was reflected as a receivable at December 31, 2010. For financial statement purposes, the grant of \$244,479 was offset against research and development costs in the statement of operations for the year ended December 31, 2010.

Stock-Based Compensation

The Company periodically issues stock options and warrants to officers, directors and consultants for services rendered. Options vest and expire according to terms established at the grant date.

The Company accounts for share-based payments to officers and directors by measuring the cost of services received in exchange for equity awards based on the grant date fair value of the awards, with the cost recognized as compensation expense in the Company's financial statements over the vesting period of the awards.

The Company accounts for share-based payments to consultants by determining the value of the stock compensation based upon the measurement date at either (a) the date at which a performance commitment is reached or (b) at the date at which the necessary performance to earn the equity instruments is complete.

Options granted to Scientific Advisory Board committee members and outside consultants are revalued each reporting period to determine the amount to be recorded as an expense in the respective period. As the options vest, they are valued on each vesting date and an adjustment is recorded for the difference between the value already recorded and the then current value on the date of vesting.

Earnings Per Share

The Company's computation of earnings per share ("EPS") includes basic and diluted EPS. Basic EPS is measured as the income (loss) available to common shareholders divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., warrants and options) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

Loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the respective periods. Basic and diluted loss per common share is the same for all periods presented because all warrants and stock options outstanding are anti-dilutive.

At March 31, 2011 and 2010, the Company excluded the outstanding securities summarized below, which entitle the holders thereof to acquire shares of common stock, from its calculation of earnings per share, as their effect would have been anti-dilutive.

	March 31,	
	2011	2010
Warrants	13,607,426	13,607,426
Stock options	3,540,000	3,540,000
Total	<u>17,147,426</u>	<u>17,147,426</u>

Fair Value of Financial Instruments

The carrying amounts of cash, money market funds, advances on research and development contract services, prepaid expenses and other current assets, accounts payable and accrued expenses, research and development contract liabilities, liquidated damages payable under registration rights agreement and due to stockholder approximate their respective fair values due to the short-term nature of these items.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In April 2010, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance in applying the milestone method of revenue recognition to research or development arrangements. Under this guidance, management may recognize revenue contingent upon the achievement of a milestone in its entirety, in the period in which the milestone is achieved, only if the milestone meets all of the criteria within the guidance to be considered substantive. The Company adopted this new accounting guidance effective January 1, 2011. The adoption of this guidance did not have any impact on the Company’s financial position or results of operations, as the Company does not have or currently expect to have any research and development arrangements which will be accounted for under the milestone method.

In January 2010, the FASB issued new accounting guidance which requires new disclosures regarding transfers in and out of Level 1 and Level 2 fair value measurements, as well as requiring presentation on a gross basis of information about purchases, sales, issuances and settlements in Level 3 fair value measurements. The new guidance also clarifies existing disclosures regarding level of disaggregation, inputs and valuation techniques. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2009. Disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010. As this guidance only requires additional disclosure, the adoption of this guidance did not have any impact on the Company’s financial position or results of operations.

Management does not believe that any other recently issued, but not yet effective, authoritative guidance, if currently adopted, would have a material impact on the Company’s financial statement presentation or disclosures.

4. Share Exchange Agreement and Private Placement

Share Exchange Agreement

On June 30, 2006, pursuant to a Share Exchange Agreement dated as of June 8, 2006 (the “Share Exchange Agreement”) by and among Holdings, Dr. John S. Kovach (“Seller”) and Lixte, Holdings issued 19,021,786 shares of its common stock in exchange for all of the issued and outstanding shares of Lixte (the “Exchange”). Previously, on October 3, 2005, Lixte had issued 1,500 shares of its no par value common stock to its founder for \$1,500, which constituted all of the issued and outstanding shares of Lixte prior to the Exchange. As a result of the Exchange, Lixte became a wholly-owned subsidiary of Holdings.

Pursuant to the Exchange, Holdings issued to the Seller 19,021,786 shares of its common stock. Holdings had a total of 25,000,832 shares of common stock issued and outstanding after giving effect to the Exchange and the 1,973,869 shares of common stock issued in the initial closing of the private placement.

As a result of the Exchange and the shares of common stock issued in the initial closing of the private placement, on June 30, 2006, the stockholders of the Company immediately prior to the Exchange owned 4,005,177 shares of common stock, equivalent to approximately 16% of the issued and outstanding shares of the Company’s common stock, and the former stockholder of Lixte acquired control of the Company.

The Share Exchange Agreement was determined through arms-length negotiations between Holdings, the Seller and Lixte. In connection with the Exchange, the Company paid WestPark Capital, Inc. an aggregate cash fee of \$50,000.

Private Placements

On June 30, 2006, concurrently with the closing of the Exchange, the Company sold an aggregate of 1,973,869 shares of its common stock to accredited investors in an initial closing of a private placement at a per share price of \$0.333, resulting in aggregate gross proceeds to the Company of \$657,299. The Company paid to WestPark Capital, Inc., as placement agent, a commission of 10% and a non-accountable fee of 4% of the gross proceeds of the private placement and issued five-year warrants to purchase common stock equal to (a) 10% of the number of shares sold in the private placement exercisable at \$0.333 per share and (b) an additional 2% of the number of shares sold in the private placement also exercisable at \$0.333 per share. A total of 236,864 warrants were issued. Net cash proceeds to the Company, after the deduction of all private placement offering costs and expenses, were \$522,939.

On July 27, 2006, the Company sold an aggregate of 1,581,351 shares of its common stock to accredited investors in a second closing of the private placement at a per share price of \$0.333 resulting in aggregate gross proceeds to the Company of \$526,590. The Company paid to WestPark Capital, Inc., as placement agent, a commission of 10% and a non-accountable fee of 4% of the gross proceeds of the private placement and issued five-year warrants to purchase common stock equal to (a) 10% of the number of shares sold in the private placement exercisable at \$0.333 per share and (b) an additional 2% of the number of shares sold in the private placement also exercisable at \$0.333 per share. A total of 189,762 warrants were issued. Net cash proceeds to the Company were \$446,433.

In conjunction with the private placement of common stock, the Company issued a total of 426,626 five-year warrants to WestPark Capital, Inc. exercisable at the per share price of the common stock sold in the private placement (\$0.333 per share). The warrants issued to WestPark Capital, Inc. do not contain any price anti-dilution provisions. However, such warrants contain cashless exercise provisions and demand registration rights, but the warrant holder has agreed to waive any claims to monetary damages or financial penalties for any failure by the Company to comply with such registration requirements. Based on the foregoing, the warrants were accounted for as equity and were not accounted for separately from the common stock and additional paid-in capital accounts. The warrants had no accounting impact on the Company's consolidated financial statements.

As part of the Company's private placement of its securities completed on July 27, 2006, the Company entered into a registration rights agreement with the purchasers, whereby the Company agreed to register the shares of common stock sold in the private placement, and to maintain the effectiveness of such registration statement, subject to certain conditions. The agreement required the Company to file a registration statement within 45 days of the closing of the private placement and to have the registration statement declared effective within 120 days of the closing of the private placement. On September 8, 2006, the Company filed a registration statement on Form SB-2 to register 3,555,220 shares of the common stock sold in the private placement. Since the registration statement was not declared effective by the Securities and Exchange Commission within 120 days of the closing of the private placement, the Company was required to pay each investor prorated liquidated damages equal to 1.0% of the amount raised per month, payable monthly in cash.

On the date of the closing of the private placement, the Company believed it would meet the deadlines under the registration rights agreement with respect to filing a registration statement and having it declared effective by the Securities and Exchange Commission. As a result, the Company did not record any liabilities associated with the registration rights agreement at June 30, 2006. At December 31, 2006, the Company determined that the registration statement covering the shares sold in the private placement would not be declared effective within the requisite time frame and therefore accrued six months liquidated damages under the registration rights agreement aggregating approximately \$74,000, which has been presented as a current liability for all periods presented. The Company's registration statement on Form SB-2 was declared effective by the Securities and Exchange Commission on May 14, 2007. At March 31, 2011, the registration penalty to the investors had not been paid.

On December 12, 2007, the Company sold an aggregate of 999,995 shares of its common stock to accredited investors in a second private placement at a per share price of \$0.65, resulting in aggregate gross proceeds to the Company of \$650,000. The Company paid to WestPark Capital, Inc., as placement agent, a commission of 10% and a non-accountable fee of 4% of the gross proceeds of the private placement and issued five-year warrants to purchase common stock equal to (a) 10% of the number of shares sold in the private placement exercisable at \$0.65 per share and (b) an additional 2% of the number of shares sold in the private placement also exercisable at \$0.65 per share. Net cash proceeds to the Company were \$531,320.

In conjunction with the second private placement of common stock, the Company issued a total of 120,000 five-year warrants to WestPark Capital, Inc. exercisable at the per share price of the common stock sold in the private placement (\$0.65 per share). The warrants issued to WestPark Capital, Inc. do not contain any price anti-dilution provisions. However, such warrants contain cashless exercise provisions and demand registration rights, but the warrant holder has agreed to waive any claims to monetary damages or financial penalties for any failure by the Company to comply with such registration requirements. Based on the foregoing, the warrants were accounted for as equity and were not accounted for separately from the common stock and additional paid-in capital accounts. The warrants had no accounting impact on the Company's consolidated financial statements.

As part of the Company's second private placement of its securities completed on December 12, 2007, the Company entered into a registration rights agreement with the purchasers, whereby the Company agreed to register the shares of common stock sold in the second private placement at its sole cost and expense. The registration rights agreement terminates at such time as the common shares may be sold in market transactions without regard to any volume limitations. The registration rights agreement requires the Company to file a registration statement within 75 days of receipt of written demand from holders who represent at least 50% of the common shares issued pursuant to the second private placement, provided that no demand shall be made for less than 500,000 shares, and to use its best efforts to cause such registration statement to become and remain effective for the requisite period. The registration rights agreement also provides for unlimited piggyback registration rights. The registration rights agreement does not provide for any penalties in the event that the Company is unable to comply with its terms.

During the year ended December 31, 2009, the Company completed three closings of the third private placement of common stock units, consisting of a total of 1,420,000 shares of common stock and 1,420,000 warrants to acquire common stock, as follows:

On February 10, 2009, the Company sold an aggregate of 658,000 common stock units to accredited investors in a first closing of a third private placement at a per unit price of \$0.50, resulting in aggregate gross proceeds to the Company of \$329,000. Net cash proceeds to the Company were \$269,790.

On March 2, 2009, the Company sold an aggregate of 262,000 common stock units to accredited investors in a second closing of the third private placement at a per unit price of \$0.50, resulting in aggregate gross proceeds to the Company of \$131,000. Net cash proceeds to the Company were \$112,460.

On April 6, 2009, the Company sold an aggregate of 500,000 common stock units to accredited investors in a third closing of the third private placement at a per unit price of \$0.50, resulting in aggregate gross proceeds to the Company of \$250,000. Net cash proceeds to the Company were \$214,800.

Each unit sold in the third private placement consisted of one share of the Company's common stock and a five-year warrant to purchase an additional share of the Company's common stock on a cashless exercise basis at an exercise price of \$0.50 per common share. The Company paid to WestPark Capital, Inc., as placement agent, a commission of 10% and a non-accountable fee of 4% of the gross proceeds of the third private placement and issued five-year warrants to purchase common stock equal to (a) 10% of the number of shares sold in the third private placement exercisable at \$0.50 per share and 10% of the number of shares issuable upon exercise of warrants issued in the third private placement exercisable at \$0.50 per share; and (b) an additional 2% of the number of shares sold in the third private placement also exercisable at \$0.50 per share and 2% of the number of shares issuable upon exercise of the warrants issued in the third private placement exercisable at \$0.50 per share.

In conjunction with the closings of the third private placement of common stock units during the year ended December 31, 2009, the Company issued a total of 340,800 five-year warrants to WestPark Capital, Inc., which are exercisable at the per unit price of the common stock units sold in the third private placement (\$0.50 per unit). Included in the 340,800 warrants issued to WestPark Capital, Inc. are 170,400 warrants which are only exercisable with respect to common shares that are acquired by investors upon their exercise of the warrants acquired as part of the units sold in the third private placement. The warrants issued to WestPark Capital, Inc. do not contain any price anti-dilution provisions. However, such warrants contain cashless exercise provisions and demand registration rights, but the warrant holder has agreed to waive any claims to monetary damages or financial penalties for any failure by the Company to comply with such registration requirements. Based on the foregoing, the warrants were accounted for as equity and were not accounted for separately from the common stock and additional paid-in capital accounts. The warrants had no accounting impact on the Company's consolidated financial statements.

At the request of the holders, the Company has agreed to include any shares sold in the third private placement and any shares issuable upon exercise of the related warrants to be included in any registration statement filed with the Securities and Exchange Commission permitting the resale of such shares, subject to customary cutbacks, at the Company's sole cost and expense.

Effective November 6, 2009, the Company sold 1,000,000 common stock units to an accredited investor in a fourth private placement at a per unit price of \$0.50, resulting in proceeds to the Company of \$500,000. There were no commissions paid with respect to the fourth private placement. The closing price of the Company's common stock on November 6, 2009 was \$0.50 per share.

Each unit sold in the fourth private placement consisted of one share of the Company's common stock, one three-year warrant to purchase an additional share of the Company's common stock at an exercise price of \$0.50 per share, and one three-year warrant to purchase an additional share of the Company's common stock at an exercise price of \$0.75 per share. The warrants do not have any reset provisions.

At the request of the holder, the Company has agreed to include the shares sold in the fourth private placement and any shares issuable upon exercise of the related warrants in any registration statement filed by the Company with the Securities and Exchange Commission permitting the resale of such securities, subject to customary cutbacks. The units sold were not registered under the Securities Act of 1933, as amended (the "Act"), in reliance upon the exemption from registration contained in Section 4(2) of the Act and Regulation D promulgated thereunder. Based on the foregoing, the warrants were accounted for as equity and were not accounted for separately from the common stock and additional paid-in capital accounts. The warrants had no accounting impact on the Company's consolidated financial statements.

Effective January 20, 2010, the Company raised \$1,787,500 in a fifth private placement of units sold to certain of its existing stockholders or their designees, all of whom were accredited investors, consisting of an aggregate of 3,575,000 units at a purchase price of \$0.50 per unit. Each unit consisted of one share of common stock, one three-year warrant to purchase a share of common stock at an exercise price of \$0.50 per share, and one three-year warrant to purchase a share of common stock at an exercise price of \$0.75 per share. The warrants do not have any reset provisions. The closing price of the Company's common stock on January 20, 2010 was \$0.49 per share. There were no commissions paid with respect to the private placement. Upon request by the holder, the Company has agreed to include the shares issued and those shares issuable upon exercise of the warrants in any registration statement filed by the Company with the Securities and Exchange Commission permitting the resale of such securities, subject to customary cutbacks. The units sold were not registered under the Act, in reliance upon the exemption from registration contained in Section 4(2) of the Act and Regulation D promulgated thereunder. The Company accounted for the issuance of the units as a capital transaction. As of December 31, 2009, \$1,200,000 had been advanced to the Company under this private placement, with the balance of \$587,500 being received by the Company in January 2010.

Effective February 22, 2010, the Company raised \$500,000 through the sale to an accredited investor of 1,000,000 units at a purchase price of \$0.50 per unit. Each unit consisted of one share of common stock, one three-year warrant to purchase a share of common stock at an exercise price of \$0.50 per share, and one three year-year warrant to purchase a share of common stock at an exercise price of \$0.75 per share. The warrants do not have any reset provisions. The closing price of the Company's common stock on February 22, 2010 was \$0.50 per share. There were no commissions paid with respect to the private placement. Upon request by the holder, the Company has agreed to include the shares issued and those shares issuable upon exercise of the warrants in any registration statement filed by the Company with the Securities and Exchange Commission permitting the resale of such securities, subject to customary cutbacks. The units sold were not registered under the Act, in reliance upon the exemption from registration contained in Section 4(2) of the Act and Regulation D promulgated thereunder. The Company accounted for the issuance of the units as a capital transaction.

5. Money Market Funds — Fair Value

Money market funds at March 31, 2011 and December 31, 2010 consisted of an investment in the Class A Shares of Western Asset New York Municipal Money Market Fund with a market value of \$1,601,053 and \$1,601,006, respectively. The stated purpose of this money market fund is to provide income exempt from both regular federal income tax and New York State and New York City personal income tax from a portfolio of high quality short-term municipal obligations selected for liquidity and stability of principal.

The authoritative guidance with respect to fair value established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, and requires that assets and liabilities carried at fair value be classified and disclosed in one of three categories, as presented below. Disclosure as to transfers in and out of Levels 1 and 2, and activity in Level 3 fair value measurements, is also required.

Level 1: quoted prices (unadjusted) in active markets for an identical asset or liability that the Company has the ability to access as of the measurement date. Financial assets and liabilities utilizing Level 1 inputs include active-exchange traded securities and exchange-based derivatives.

Level 2: inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange based derivatives, mutual funds, and fair-value hedges.

Level 3: unobservable inputs for the asset or liability are only used when there is little, if any, market activity for the asset or liability at the measurement date. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds, and are measured using present value pricing models.

The Company determines the level in the fair value hierarchy within which each fair value measurement falls in its entirety, based on the lowest level input that is significant to the fair value measurement in its entirety. In determining the appropriate levels, the Company performs an analysis of the assets and liabilities at each reporting period end.

Money market funds are the only financial instrument that is measured and recorded at fair value on the Company's balance sheet on a recurring basis. The following table presents money market funds at their level within the fair value hierarchy at March 31, 2011 and December 31, 2010.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
March 31, 2011:				
Money market funds	\$ 1,601,053	\$ 1,601,053	\$ —	\$ —
December 31, 2010:				
Money market funds	\$ 1,601,006	\$ 1,601,006	\$ —	\$ —

6. Related Party Transactions

Prior to June 30, 2006, the Company's founding stockholder and Chief Executive Officer, Dr. John Kovach, had periodically made advances to the Company to meet operating expenses. Such advances are non-interest-bearing and are due on demand. At and March 31, 2011 and December 31, 2011, stockholder advances totaled \$92,717.

The Company's office facilities have been provided without charge by Dr. Kovach. Such costs were not material to the financial statements and, accordingly, have not been reflected therein.

In view of the Company's development stage status and limited resources, Dr. Kovach did not receive any compensation from the Company prior to March 15, 2011. However, on February 18, 2011, the Company's Board of Directors approved a salary to Dr. Kovach of \$5,000 per month beginning March 15, 2011. Concomitant, Dr. Kovach reduced his academic commitment from 80% to 60% to devote more time to the Company's activities. Accordingly, during the three months ended March 31, 2011, and for the period from August 9, 2005 (inception) through March 31, 2011 (cumulative), Dr. Kovach was paid a salary of \$2,500.

Dr. Kovach is not involved in other business activities but could, in the future, become involved in other business opportunities that become available. Accordingly, he may face a conflict in selecting between the Company and his other business interests. The Company has not yet formulated a policy for the resolution of such potential conflicts.

7. Stock Options and Warrants

On June 30, 2006, effective with the closing of the Exchange, the Company granted to Dr. Philip Palmedo, an outside director of the Company, stock options to purchase an aggregate of 200,000 shares of common stock, exercisable for a period of five years at \$0.333 per share, with one-third of the options (66,666 shares) vesting immediately upon joining the Board and one-third vesting annually on each of June 30, 2007 and 2008. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be \$62,000 (\$0.31 per share), of which \$20,666 was charged to operations on June 30, 2006, and the remaining \$41,334 was charged to operations ratably from July 1, 2006 through June 30, 2008.

On June 30, 2006, effective with the closing of the Exchange, the Company also granted to Dr. Palmedo additional stock options to purchase 190,000 shares of common stock exercisable for a period of five years at \$0.333 per share for services rendered in developing the business plan for Lixte, all of which were fully vested upon issuance. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be \$58,900 (\$0.31 per share), and was charged to operations at June 30, 2006.

On June 30, 2006, effective with the closing of the Exchange, the Company granted to two members of its Scientific Advisory Committee stock options to purchase an aggregate of 100,000 shares of common stock exercisable for a period of five years at \$0.333 per share, with one-half of the options vesting annually on each of June 30, 2007 and June 30, 2008. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was charged to operations ratably from July 1, 2006 through June 30, 2008. In August 2008, one of the members resigned from his position and waived his right to his vested stock option to purchase 50,000 shares of common stock.

On June 30, 2006, the fair value of the aforementioned stock options was initially calculated using the following Black-Scholes input variables: stock price - \$0.333; exercise price - \$0.333; expected life - 5 to 7 years; expected volatility - 150%; expected dividend yield - 0%; risk-free interest rate - 5%. On June 30, 2007, the Black-Scholes input variables utilized to determine the fair value of the aforementioned stock options were stock price - \$0.333; exercise price - \$0.333; expected life - 4 to 6 years; expected volatility - 150%; expected dividend yield - 0%; risk-free interest rate - 4.5%. On June 30, 2008, the fair value of the aforementioned stock options was calculated using the following Black-Scholes input variables: stock price - \$0.30; exercise price - \$0.333; expected life - 3 to 5 years; expected volatility - 154.5%; expected dividend yield - 0%; risk-free interest rate - 3.28%.

On February 5, 2007, the Company entered into an agreement (the "Chem-Master Agreement") with Chem-Master International, Inc. ("Chem-Master"), a company co-owned by Francis Johnson, a consultant to the Company, pursuant to which the Company granted a five-year option to purchase 100,000 shares of the Company's common stock at an exercise price of \$0.333 per share. The fair value of this option, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be \$31,000 (\$0.31 per share) using the following Black-Scholes input variables: stock price on date of grant - \$0.333; exercise price - \$0.333; expected life - 5 years; expected volatility - 150%; expected dividend yield - 0%; risk-free interest rate - 4.5%. The \$31,000 fair value was charged to operations as research and development costs on February 5, 2007 as the option was fully vested and non-forfeitable on the date of issuance. The Company has the right to terminate the Chem-Master Agreement at any time during its term upon sixty days prior written notice. On February 5, 2009, provided that the Chem-Master Agreement had not been terminated prior to such date, the Company agreed to grant Chem-Master a second five-year option to purchase an additional 100,000 shares of the Company's common stock at an exercise price of \$0.333 per share. As of September 30, 2008, the Company determined that it was likely that this option would be issued. Accordingly, the fair value of the option has been reflected as a charge to operations for the period from October 1, 2008 through February 5, 2009. The Company granted the second five-year option on February 5, 2009.

On September 30, 2008, the fair value of the aforementioned stock option was initially calculated using the following Black-Scholes input variables: stock price - \$0.50; exercise price - \$0.333; expected life - 5.35 years; expected volatility - 275.7%; expected dividend yield - 0%; risk-free interest rate - 2.48%. On February 5, 2009, the fair value of the aforementioned stock option was calculated for the stock option revaluation purposes using the following Black-Scholes input variables: stock price - \$0.60; exercise price - \$0.333; expected life - 5 years; expected volatility - 414.1%; expected dividend yield - 0%; risk-free interest rate - 1.89%.

On January 29, 2008, the Chem-Master Agreement was amended to extend its term to February 15, 2014. Pursuant to the amendment, the Company issued 100,000 shares of its restricted common stock, valued at \$75,000, and granted an option to purchase 200,000 shares of common stock. The option is exercisable for a period of two years from the vesting date at \$1.65 per share, with one-half (100,000 shares) vesting on August 1, 2009, and one-half (100,000 shares) vesting on February 1, 2011. The fair value of this option, as calculated pursuant to the Black-Scholes option-pricing model, was initially determined to be \$96,000 (\$0.48 per share) using the following Black-Scholes input variables: stock price on date of grant - \$0.75; exercise price - \$1.65; expected life - 5 years; expected volatility - 120.1%; expected dividend yield - 0%; risk-free interest rate - 3.09%.

The fair value of the restricted common stock issued was charged to operations as research and development costs on January 29, 2008. On February 1, 2011, the fair value of the aforementioned stock options was determined to be \$66,000 (\$0.33 per share) calculated using the following Black-Scholes input variables: stock price - \$0.35; exercise price - \$1.65; expected life - 2 years; expected volatility - 325.6%; expected dividend yield - 0%; risk-free interest rate - 2.07%, which resulted in a charge to operations of \$982 during the three months ended March 31, 2011. On March 31, 2010, the fair value of the aforementioned stock options was determined to be \$92,000 (\$0.46 per share) calculated using the following Black-Scholes input variables: stock price - \$0.50; exercise price - \$1.65; expected life - 2.84 years; expected volatility - 238.6%; expected dividend yield - 0%; risk-free interest rate - 1.60%, which resulted in a charge to operations of \$7,258 during the three months ended March 31, 2010.

On June 20, 2007, the Board of Directors of the Company approved the 2007 Stock Compensation Plan (the "2007 Plan"), which provides for the granting of awards, consisting of common stock options, stock appreciation rights, performance shares, or restricted shares of common stock, to employees and independent contractors, for up to 2,500,000 shares of the Company's common stock, under terms and condition, as determined by the Company's Board of Directors.

On September 12, 2007, in conjunction with his appointment as a director of the Company, the Company granted to Dr. Stephen Carter stock options to purchase an aggregate of 200,000 shares of common stock under the 2007 Plan, exercisable for a period of five years from vesting date at \$0.333 per share, with one-half (100,000 shares) vesting annually on each of September 12, 2008 and 2009. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be \$204,000 (\$1.02 per share), and was charged to operations ratably from September 12, 2007 through September 12, 2009. Effective April 20, 2010, Dr. Carter resigned as a director for personal reasons. Consequently, pursuant to the stock option agreement, Dr. Carter had twelve months from April 20, 2010 to exercise his stock options to acquire 200,000 shares of the Company's common stock. On April 20, 2011 Dr. Carter's stock options expired unexercised.

On September 12, 2007, the Company entered into a consulting agreement with Gil Schwartzberg, pursuant to which the Company granted to Mr. Schwartzberg stock options to purchase an aggregate of 1,000,000 shares of common stock, exercisable for a period of four years from the vesting date at \$1.00 per share, with one-half of the options (500,000 shares) vesting immediately and one-half (500,000 shares) vesting on September 12, 2008. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was initially determined to be \$945,000 (\$0.945 per share), of which \$465,000 was attributed to the fully-vested options and was thus charged to operations on September 12, 2007. The remaining unvested portion of the fair value of the options was charged to operations ratably from September 12, 2007 through September 12, 2008.

On October 15, 2009, the Company amended the above described consulting agreement with Gil Schwartzberg to extend it for an additional four years and granted to Mr. Schwartzberg stock options to purchase an additional aggregate of 1,000,000 shares of common stock, exercisable for a period of four years from the vesting date at \$1.00 per share, with one-half of the options (500,000 shares) vesting immediately and one-half (500,000 shares) vesting on October 15, 2010. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be \$750,000 (\$0.75 per share) on October 15, 2009, of which \$375,000 was attributed to the fully-vested options and was thus charged to operations on October 15, 2009. The remaining unvested portion of the fair value of the options was charged to operations ratably from October 15, 2009 through October 15, 2010. On March 31, 2010, the fair value of the aforementioned stock options was determined to be \$245,000 (\$0.49 per share) calculated using the following Black-Scholes input variables: stock price - \$0.50; exercise price - \$1.00; expected life - 4.54 years; expected volatility - 238.6%; expected dividend yield - 0%; risk-free interest rate - 1.60%, which resulted in a charge to operations of \$60,411 during the three months ended March 31, 2010.

On September 12, 2007, the Company entered into a consulting agreement with Francis Johnson, a co-owner of Chem-Master International, Inc., and granted to Professor Johnson stock options to purchase an aggregate of 300,000 shares of common stock, exercisable for a period of four years from the vesting date at \$0.333 per share, with one-third (100,000 shares) vesting annually on each of September 12, 2008, 2009 and 2010. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was initially determined to be \$300,000 (\$1.00 per share). The unvested portion of the fair value of the options was charged to operations ratably from September 12, 2007 through September 12, 2010. On March 31, 2010, the fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be \$150,000 (\$0.50 per share) which resulted in a charge to operations of \$12,630 during the three months ended March 31, 2010.

On September 12, 2007, the fair value of the aforementioned stock options was initially calculated using the following Black-Scholes input variables: stock price - \$1.05; exercise price - \$0.333 to \$1.00; expected life - 4 to 6 years; expected volatility - 150%; expected dividend yield - 0%; risk-free interest rate - 5%. On October 15, 2009, the fair value of the aforementioned stock options was initially calculated using the following Black-Scholes input variables: stock price - \$0.75; exercise price - \$1.00; expected life - 5 years; expected volatility - 259.1%; expected dividend yield - 0%; risk-free interest rate - 1.91%. On March 31, 2010, the fair value of the aforementioned stock options was calculated for the stock option revaluation purposes using the following Black-Scholes input variables: stock price - \$0.50; exercise price - \$0.333; expected life - 4.48; expected volatility - 238.6%; expected dividend yield - 0%; risk-free interest rate - 1.60%.

As the Company's common stock commenced trading on September 24, 2007, the Company was able to utilize such trading data to generate revised volatility factors as of the various subsequent measurement dates.

On September 20, 2007, the Company entered into a one-year consulting agreement (the "Mirador Agreement") with Mirador Consulting, Inc. ("Mirador"), pursuant to which Mirador was to provide the Company with various financial services. Pursuant to the Mirador Agreement, the Company agreed to pay Mirador \$5,000 per month and also agreed to sell Mirador 250,000 shares of the Company's restricted common stock for \$250 (\$0.001 per share). The fair value of this transaction was determined to be in excess of the purchase price by \$262,250 (\$1.049 per share), reflecting the difference between the \$0.001 purchase price and the \$1.05 price per share as quoted on the OTC Bulletin Board on the transaction date, and was charged to operations as stock-based compensation on September 20, 2007, being that the shares were fully vested and non-forfeitable on the date of issuance.

On October 7, 2008, the Company appointed Dr. Mel Sorensen to its Board of Directors. Dr. Sorensen is a medical oncologist with extensive experience in cancer drug development, first at the National Cancer Institute, then at Bayer and GlaxoSmithKline, before becoming President and Chief Executive Officer of a new cancer therapeutics company, Ascenta Therapeutics, in 2004. Dr. Sorensen was paid an annual consulting fee of \$40,000, payable in quarterly installments over a one year period commencing October 7, 2008, to assist the Company in identifying a strategic partner. Dr. Sorensen was also granted a stock option to purchase 200,000 shares of the Company's common stock, exercisable at \$0.50 per share for a period of five years from each tranche's vesting date. The option vests as to 25,000 shares on January 1, 2009, and a further 25,000 shares on the first day of each subsequent calendar quarter until all of the shares are vested. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be \$100,000 (\$0.50 per share), and was charged to operations ratably from October 7, 2008 through October 7, 2010. During the three months ended March 31, 2010, the Company recorded a charge to operations of \$12,329 with respect to these options.

On October 7, 2008, the fair value of the aforementioned stock options was calculated using the following Black-Scholes input variables: stock price - \$0.50; exercise price - \$0.50; expected life - 5 years; expected volatility - 275.7%; expected dividend yield - 0%; risk-free interest rate - 2.48%.

On July 27, 2009, the Company entered into an agreement with Pro-Active Capital Group, LLC ("Pro-Active") to retain Pro-Active on a non-exclusive basis for a period of twelve months to provide consulting advice to the Company to assist the Company in obtaining research coverage, gaining web-site exposure and coverage on financial blogs and web-sites, enhancing the Company's visibility to the institutional, retail brokerage and on-line trading communities, and organizing, or assisting in organizing, investor road-shows and presentations. In exchange for such consulting advice, at the initiation of the agreement, the Company agreed to issue to Pro-Active 150,000 shares of restricted common stock and three-year warrants to purchase an aggregate of 150,000 shares of common stock, exercisable 50,000 at \$0.75 per share, 50,000 at \$1.00 per share, and 50,000 at \$1.25 per share. The fair value of the 150,000 shares issued was determined to be \$100,500 (\$0.67 per share), reflecting the price per share of the Company's common stock, as quoted on the OTC Bulletin Board, on the transaction date. The fair value of the three-year warrants, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be \$97,500 (\$0.65 per share) using the following Black-Scholes input variables: stock price on date of grant - \$0.67; exercise price - \$0.75 to \$1.25; expected life - 3 years; expected volatility - 259.1%; expected dividend yield - 0%; risk-free interest rate - 1.91%. The \$198,000 aggregate fair value of the shares and warrants issued was charged to operations as stock-based compensation on July 27, 2009, as the shares and warrants were fully vested and non-forfeitable on the date of issuance.

Additional information with respect to common stock warrants and stock options issued is provided at Notes 4 and 8.

If and when the aforementioned stock options and warrants are exercised, the Company expects to satisfy such stock obligations through the issuance of authorized but unissued shares of common stock.

A summary of stock option and warrant activity, including warrants to purchase common stock that were issued in conjunction with the Company's private placements, is presented in the tables below.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)
Options and warrants outstanding at December 31, 2009	7,997,426	\$ 0.664	
Granted	9,150,000	0.625	
Exercised	—	—	
Cancelled	—	—	
Options and warrants outstanding at December 31, 2010	17,147,426	\$ 0.643	
Granted	—	—	
Exercised	—	—	
Cancelled	—	—	
Options and warrants outstanding at March 31, 2011	17,147,426	\$ 0.643	1.89
Options and warrants exercisable at December 31, 2010	16,877,026	\$ 0.639	
Options and warrants exercisable at March 31, 2011	16,977,026	\$ 0.645	1.88

There was no deferred compensation expense remaining for the outstanding value of unvested stock options at March 31, 2011.

Information regarding stock options and warrants outstanding and exercisable is summarized as follows at March 31, 2011:

Exercise Prices	Warrants And Options Outstanding (Shares)	Warrants And Options Exercisable (Shares)
\$ 0.333	1,566,626	1,566,626
\$ 0.500	7,535,800	7,365,400
\$ 0.650	120,000	120,000
\$ 0.750	5,625,000	5,625,000
\$ 1.000	2,050,000	2,050,000
\$ 1.250	50,000	50,000
\$ 1.650	200,000	200,000
	17,147,426	16,977,026

The intrinsic value of exercisable but unexercised in-the-money stock options and warrants at March 31, 2011 was approximately \$4,414,600, based on a fair market value of \$0.88 per share on March 31, 2011. The intrinsic value of exercisable but unexercised in-the-money stock options and warrants at December 31, 2010 was approximately \$26,600, based on a fair market value of \$0.35 per share on December 31, 2010.

As of March 31, 2011 all outstanding options and warrants to acquire shares of the Company's common stock were vested. At March 31, 2011, warrants and options exercisable do not include warrants to acquire 170,400 shares of common stock that are contingent upon the exercise of warrants contained in units sold as part of the third private placement (see Note 4).

8. Commitments and Contingencies

CRADA

Effective March 22, 2006, the Company entered into a CRADA, as amended, with the NINDS of the NIH. The CRADA is for a term of 66 months from the effective date and can be unilaterally terminated by either party by providing written notice within sixty days. The CRADA provides for the collaboration between the parties in the identification and evaluation of agents that target the Nuclear Receptor CoRepressor (N-CoR) pathway for glioma cell differentiation. The CRADA also provides that NINDS and the Company will conduct research to determine if expression of N-CoR correlates with prognosis in glioma patients. Pursuant to the CRADA, the Company initially agreed to provide funds under the CRADA in the amount of \$200,000 per year to fund two technical assistants for the technical, statistical and administrative support for the research activities, as well as to pay for supplies and travel expenses. The first \$200,000 was due within 180 days of the effective date and was paid in full on July 6, 2006. The second \$200,000 was paid in full on June 29, 2007. In June 2008, the CRADA was extended to September 30, 2009, with no additional funding required for the period between July 1, 2008 and September 30, 2008. For the period from October 1, 2008 through September 30, 2009, the Company agreed to provide additional funding under the CRADA of \$200,000, to be paid in four quarterly installments of \$50,000, each commencing on October 1, 2008. The first and second quarterly installments of \$50,000 were paid on September 29, 2008 and March 5, 2009, respectively. During August 2009, the Company entered into an amendment to the CRADA to extend its term from September 30, 2009 through September 30, 2011. Pursuant to such amendment, the Company has agreed to aggregate payments of \$100,000 in two installments of \$50,000, payable on October 1, 2010 and January 5, 2011, inclusive of any prior unpaid commitments. The October 1, 2010 installment was paid on September 29, 2010 and the January 5, 2011 installment was paid on December 27, 2010.

Effective as of September 19, 2008, the Company entered into an agreement with the NIH providing the Company with an exclusive license for all patents submitted jointly with the NIH under the CRADA. The agreement provided for an initial payment of \$25,000 to NIH within 60 days of September 19, 2008, and for a minimum annual royalty of \$30,000 on January 1 of each calendar year following the year in which the CRADA is terminated. The agreement also provides for the Company to pay specified royalties based on (i) net sales by the Company and its sub-licensees, (ii) the achievement of certain clinical benchmarks, and (iii) the granting of sublicenses. The Company paid the initial \$25,000 obligation on November 10, 2008 and charged the amount to general and administrative costs during the year ended December 31, 2008. As of March 31, 2011, no additional amounts were due pursuant to this agreement.

Research and Development Contracts

On February 5, 2007, the Company entered into a two-year agreement pursuant to which the Company engaged Chem-Master to synthesize a compound designated as LB-100, and any other compound synthesized by Chem-Master pursuant to the Company's request, which have potential use in treating a disease, including, without limitation, cancers such as glioblastomas. Pursuant to the Chem-Master Agreement, the Company agreed to reimburse Chem-Master for the cost of materials, labor, and expenses for other items used in the synthesis process, and also agreed to grant Chem-Master a five-year option to purchase shares of the Company's common stock. The Company has the right to terminate the Chem-Master Agreement at any time during its term upon sixty days prior written notice.

On January 29, 2008, the Chem-Master Agreement was amended to extend its term to February 15, 2014, and to expressly provide for the design and synthesis of a new series of compounds designated as LB-300. Pursuant to the Chem-Master Agreement, as amended, the Company reimbursed Chem-Master for the costs of materials, labor and expenses aggregating \$4,825 and \$13,000 during the three months ending March 31, 2011 and 2010, respectively.

On March 17, 2010, the Company engaged Theradex to assist the Company in bringing LB-100 through the FDA approval process at a total estimated cost of \$105,064, of which \$15,205 had been incurred through March 31, 2011. As of March 31, 2011, work was proceeding under this contract.

On March 17, 2011, the Company entered into two agreements with Ascentage Pharma Group to conduct a series of studies at a total estimated cost of \$29,000, of which \$1,450 had been incurred through March 31, 2011. As of March 31, 2011, work was proceeding under this contract. Ascentage Pharma Group is an offshoot of Ascenta Therapeutics, of which Dr. Mel Sorensen, a director of the Company, is the President and Chief Executive Officer and a director. Ascentage Pharma Group and Ascenta Therapeutics have a continuing business relationship and certain common shareholders. However, Dr. Sorensen does not have any direct business relationship with or ownership in Ascentage Pharma Group.

From time-to-time, the Company has engaged Southern Research Institute to conduct various studies. During the three months ended March 31, 2011, two such studies were completed at an aggregate cost of \$39,545, of which \$19,775 had been paid as of March 31, 2011.

On January 7, 2011, the Company entered into a Master Laboratory Services Agreement with WIL Research Laboratories, LLC for a series of studies. On January 7, 2011, a work order for the first of such studies with a total estimated cost of \$48,500 was issued. As of March 31, 2011, the Company had paid \$24,250 towards this first study and work was proceeding under this agreement.

On January 18, 2011, the Company entered into an agreement with Ash Stevens for a series of studies with a total estimated cost of \$90,000. As of March 31, 2011, the Company had paid \$29,700 towards these studies and work was proceeding under this agreement.

Consulting Arrangements

On April 7, 2010, the Company entered into an agreement with Dr. Mel Sorensen providing for consultation and advice over the ensuing twelve month period regarding the preparation and strategy for obtaining FDA approval for the clinical trial of the lead compound of the LB-100 series. The agreement called for an annual fee of \$25,000, payable in two installments of \$12,500 on April 15, 2010 and October 15, 2010. On February 18, 2011, the Company's Board of Directors approved a one-year extension of the agreement for an additional annual fee of \$25,000, payable in two installments of \$12,500 on April 15, 2011 and October 15, 2011. All installments have been paid as due.

The following table sets forth the Company's principal cash obligations and commitments for the next five fiscal years as of March 31, 2011 aggregating \$390,896, of which \$201,787 is included in current liabilities in the condensed consolidated balance sheet at March 31, 2011. Amounts included in the 2011 column represent amounts due at March 31, 2011 for the remainder of the 2011 fiscal year ending December 31, 2011.

	Total	Payments Due By Year	
		2011	2012
Research and development contracts	\$ 199,179	\$ 199,179	\$ —
Consulting agreement	25,000	25,000	—
Liquidated damages payable under registration rights agreement	74,000	74,000	—
Due to stockholder	92,717	92,717	—
Total	\$ 390,896	\$ 390,896	\$ —

9. Subsequent Events

Effective May 2, 2011, Robert Royds was elected to the Company's Board of Directors to fill a vacancy. The Company agreed to issue to Dr. Royds five-year options to purchase an aggregate of 200,000 shares of the Company's common stock, vesting 25,000 shares quarterly commencing on May 1, 2011, at an exercise price of \$0.98 per share, which was the fair market value of the Company's common stock on the date of issuance.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

On June 30, 2006, Lixte Biotechnology, Inc., a privately-held Delaware corporation ("Lixte") incorporated on August 9, 2005, completed a reverse merger transaction with SRKP 7, Inc. ("SRKP"), a non-trading public shell company, whereby Lixte became a wholly-owned subsidiary of SRKP. On December 7, 2006, SRKP amended its Certificate of Incorporation to change its name to Lixte Biotechnology Holdings, Inc. ("Holdings"). Unless the context indicates otherwise, Lixte and Holdings are hereinafter referred to as the "Company".

For financial reporting purposes, Lixte was considered the accounting acquirer in the merger and the merger was accounted for as a reverse merger. Accordingly, the historical financial statements presented herein are those of Lixte. The stockholders' equity section of SRKP has been retroactively restated for all periods presented to reflect the accounting effect of the reverse merger transaction. All costs associated with the reverse merger transaction were expensed as incurred.

The Company is considered a "development stage company" under current accounting standards, as it has not yet commenced any revenue-generating operations, does not have any cash flows from operations, and is dependent on debt and equity funding to finance its operations.

The Company's common stock was listed for trading on the OTC Bulletin Board commencing September 24, 2007 under the symbol "LIXT". It is presently traded on the OTC Market (also referred to as the "Pink Sheets") under the symbol "LIXT.PK".

Going Concern

The Company's condensed consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company is in the development stage and has not generated any revenues from operations to date, and does not expect to do so in the foreseeable future. The Company has experienced recurring operating losses and negative operating cash flows since inception, and has financed its working capital requirements through the recurring sale of its equity securities. As a result, the Company's independent registered public accounting firm, in its report on the Company's 2010 consolidated financial statements, has raised substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to develop additional sources of capital and to ultimately achieve sustainable revenues and profitable operations. The Company's condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

At March 31, 2011, the Company had not yet commenced any revenue-generating operations. All activity through March 31, 2011 has been related to the Company's formation, capital raising efforts and research and development activities. As such, the Company has yet to generate any cash flows from operations, and is dependent on debt and equity funding from both related and unrelated parties to finance its operations. Prior to June 30, 2006, the Company's cash requirements were funded by advances from the Company's founder.

Because the Company is currently engaged in research at an early stage, it will likely take a significant amount of time to develop any product or intellectual property capable of generating revenues. As such, the Company's business is unlikely to generate any sustainable revenues in the next several years, and may never do so. Even if the Company is able to generate revenues in the future through licensing its technologies or through product sales, there can be no assurance that the Company will be able to generate a profit.

The Company's activities for the remainder of 2011 will consist of continuing drug discovery and development efforts. The Company's primary objective is to make application to take the Company's LB-100 compound into a Phase I clinical trial by June 30, 2011. The Company raised \$500,000 in November 2009, \$1,787,500 in January 2010, and \$500,000 in February 2010, all through the sale of its securities to fund its business activities. The Company also received \$244,479 from the Internal Revenue Service under its Qualifying Therapeutic Discovery Grant program, consisting of \$127,994 on November 9, 2010 and \$116,485 on February 1, 2011. As a result, the Company believes that its existing resources are adequate to fund operations through the first quarter of 2012 at a level that will allow the continuation of the Company's two drug development programs currently in process and commencement, but not necessarily completion, of a Phase I clinical trial of LB-100.

The amount and timing of future cash requirements will depend on the pace of these programs, in particular, completion of the Phase I trial of LB-100. After completion of the Phase I trial, the next step will be to determine the anti-cancer activity against a particular type of human cancer in Phase II trials. To complete the Phase I trial and carry out Phase II trials, the Company anticipates that it will be necessary to raise additional funds in 2012 from a combination of additional debt or equity financings, and/or the sale, licensing or joint venturing of its intellectual properties. Market conditions present uncertainty as to the Company's ability to secure additional funds, as well as its ability to reach profitability. There can be no assurances that the Company will be able to secure additional financing, or obtain favorable terms on such financing if it is available, or as to the Company's ability to achieve positive earnings and cash flows from operations. Continued negative cash flows and lack of liquidity create significant uncertainty about the Company's ability to fully implement its operating plan beyond the first quarter of 2012, as a result of which the Company may have to reduce the scope of its planned operations. If cash resources are insufficient to satisfy the Company's liquidity requirements, the Company would be required to scale back or discontinue its technology and product development programs, or obtain funds, if available, through strategic alliances that may require the Company to relinquish rights to certain of its technologies products, or to discontinue its operations entirely.

Recent Accounting Pronouncements

In April 2010, the Financial Accounting Standards Board ("FASB") issued new accounting guidance in applying the milestone method of revenue recognition to research or development arrangements. Under this guidance, management may recognize revenue contingent upon the achievement of a milestone in its entirety, in the period in which the milestone is achieved, only if the milestone meets all of the criteria within the guidance to be considered substantive. The Company adopted this new accounting guidance effective January 1, 2011. The adoption of this guidance did not have any impact on the Company's financial position or results of operations, as the Company does not have or currently expect to have any research and development arrangements which will be accounted for under the milestone method.

In January 2010, the FASB issued new accounting guidance which requires new disclosures regarding transfers in and out of Level 1 and Level 2 fair value measurements, as well as requiring presentation on a gross basis of information about purchases, sales, issuances and settlements in Level 3 fair value measurements. The new guidance also clarifies existing disclosures regarding level of disaggregation, inputs and valuation techniques. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2009. Disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010. As this guidance only requires additional disclosure, the adoption of this guidance did not have any impact on the Company's financial position or results of operations.

Management does not believe that any other recently issued, but not yet effective, authoritative guidance, if currently adopted, would have a material impact on the Company's financial statement presentation or disclosures.

Critical Accounting Policies and Estimates

The Company prepared its condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

The following critical accounting policies affect the more significant judgments and estimates used in the preparation of the Company's condensed consolidated financial statements.

Research and Development

Research and development costs are expensed as incurred. Research and development expenses consist primarily of fees paid to consultants and outside service providers, patent fees and costs, and other expenses relating to the acquisition, design, development and testing of the Company's treatments and product candidates.

Amounts that become due, pursuant to contractual commitments, on research and development contracts with third parties are recorded as a liability, with the related amount of such contracts recorded as advances on research and development contract services on the Company's balance sheet. Such advances on research and development contract services are expensed over their life on the straight-line basis, unless the achievement of milestones, the completion of contracted work, or other information indicates that a different expensing schedule is more appropriate. The Company reviews the status of its research and development contracts on a quarterly basis.

The funds paid to NINDS of the NIH, pursuant to the CRADA effective March 22, 2006, as amended, represented an advance on research and development costs and therefore had future economic benefit. Accordingly, such costs have been charged to expense when they are actually expended by the provider, which is, effectively, as they perform the research activities that they were contractually committed to provide. Absent information that would indicate that a different expensing schedule was more appropriate (such as, for example, from the achievement of performance milestones or the completion of contract work), such advances have been expensed over the contractual service term on a straight-line basis, which, in management's opinion, reflects a reasonable estimate of when the underlying research and development costs were being incurred.

Patent Costs

Due to the significant uncertainty associated with the successful development of one or more commercially viable products based on the Company's research efforts and any related patent applications, all patent costs, including patent-related legal and filing fees, are expensed as incurred.

Stock-Based Compensation

The Company periodically issues stock options and warrants to officers, directors and consultants for services rendered. Options vest and expire according to terms established at the grant date.

The Company accounts for share-based payments to officers and directors by measuring the cost of services received in exchange for equity awards based on the grant date fair value of the awards, with the cost recognized as compensation expense in the Company's financial statements over the vesting period of the awards.

The Company accounts for share-based payments to consultants by determining the value of the stock compensation based upon the measurement date at either (a) the date at which a performance commitment is reached or (b) at the date at which the necessary performance to earn the equity instruments is complete.

Options granted to Scientific Advisory Board committee members and outside consultants are revalued each reporting period to determine the amount to be recorded as an expense in the respective period. As the options vest, they are valued on each vesting date and an adjustment is recorded for the difference between the value already recorded and the then current value on the date of vesting.

The fair value of stock-based compensation is affected by several variables, the most significant of which are the life of the equity award, the exercise price of the security as compared to the fair market value of the common stock on the grant date, and the estimated volatility of the common stock over the term of the equity award.

Income Taxes

The Company accounts for income taxes under an asset and liability approach for financial accounting and reporting for income taxes. Accordingly, the Company recognizes deferred tax assets and liabilities for the expected impact of differences between the financial statements and the tax basis of assets and liabilities.

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. In the event the Company was to determine that it would be able to realize its deferred tax assets in the future in excess of its recorded amount, an adjustment to the deferred tax assets would be credited to operations in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to operations in the period such determination was made.

Plan of Operation

General Overview of Plans

The Company's original focus was the development of new treatments for the most common and most aggressive type of brain cancer of adults, glioblastoma multiforme ("GBM"), and the most common cancer of children, neuroblastoma. The Company has expanded the scope of its anti-cancer investigational activities to include the most common brain tumor of children, medulloblastoma, and also to several other types of more common cancers. This expansion of activity is based on documentation that each of two distinct types of drugs being developed by the Company has activity against cell lines of breast, colon, lung, prostate, pancreas, ovary, stomach and liver cancer, as well as against the major types of leukemias. LB-100 has now been shown to have activity in animal models of brain tumors of adults and children, and also against melanomas and sarcomas. Studies in animal models of human melanoma, lymphoma, sarcoma, brain tumors, and the rare neuroendocrine cancer, pheochromocytoma, have demonstrated marked potentiation by LB-100 of the anti-tumor activity of the widely used standard chemotherapeutic drugs. These studies confirm that the LB-100 compounds, combined with any of several "standard anti-cancer drugs", have broad activity, affecting many different cell types of cancer. This is unusual and important because these compounds may be useful for treatment of cancer in general.

The research on brain tumors is proceeding in collaboration with the National Institute of Neurological Disorders and Stroke (“NINDS”) of the National Institutes of Health (“NIH”) under a Cooperative Research and Development Agreement (“CRADA”) entered into on March 22, 2006, as amended. The research at NINDS continues to be led by Dr. Zhengping Zhuang, an internationally recognized investigator in the molecular pathology of cancer. Dr. Zhuang is aided by two senior research technicians supported by the Company as part of the CRADA. The goal of the CRADA is to develop more effective drugs for the treatment of GBM through the processes required to gain Food and Drug Administration (“FDA”) approval for clinical trials. The Company has entered into an amendment to the CRADA to extend its term from September 30, 2009 through September 30, 2011.

During 2009, the Company signed material transfer agreements with academic investigators at major cancer centers in the United States, as well as with one investigator in China with a unique animal model of a sarcoma, to expand molecular and applied studies of the anti-cancer activity of the Company’s compounds. The Company retained the right to all discoveries made in these studies.

The Company’s longer-term objective is to secure one or more strategic partnerships with pharmaceutical companies with major programs in cancer, anti-fungal treatments, and/or neuroprotective measures. The Company’s immediate focus is to obtain approval from the FDA to carry a lead compound of the LB-100 series into a Phase I clinical trial. The Company believes the potent activity of these drugs in combination with standard non-specific chemotherapeutic drugs against a diverse array of common and uncommon cancers of adults and children merits bringing this treatment to patients as rapidly as possible. In addition, the demonstration of clinical benefit would be very important to potential investors and to large pharmaceutical companies looking to add an entirely new approach to their anti-cancer drug portfolios.

The significant diversity of the potential therapeutic value of the Company’s compounds stems from the fact that these agents modify critical pathways in cancer cells and in microorganisms such as fungi and appear to ameliorate pathologic processes that lead to brain injury caused by trauma or toxins or through as yet unknown mechanisms that underlie the major chronic neurologic diseases, including Alzheimer’s Disease, Parkinson’s Disease, and Amyotrophic Lateral Sclerosis (ALS, or Lou Gehrig’s Disease). Studies of the potential neuroprotective effects of homologs of each class of the Company’s compounds are continuing under a contract with Southern Research Institute, Birmingham, Alabama.

Plans for 2011 and Beyond

The Company’s primary short-term objective is to complete the studies needed to be able to make an application to the FDA for an Investigational New Drug (“IND”) for the clinical evaluation of the Company’s LB-100 compound by June 30, 2011. The estimated cost for drug synthesis formulation and pharmacokinetic and toxicologic studies needed for an IND application is currently estimated to be approximately \$1,200,000. The Company believes that it currently has sufficient resources to fund its operations through the first quarter of 2012, including the commencement, but not necessarily the completion, of a Phase I clinical trial of LB-100 and the continued development of the LB-200 series.

The next step in the clinical development of LB-100 after the completion of a Phase I clinical trial is to obtain IND approval from the FDA to administer the drug to patients. In order to do this, the Company must demonstrate that LB-100 can be administered safely to human beings at a dose and at a frequency that achieves the desired pharmacologic effect, in this case inhibition of a specific enzyme, without being associated with toxicities considered unacceptable. A compound that has a mechanism of action similar to that of LB-100 has been given with safety and benefit to cancer patients outside the United States in the past. This similar compound has a chemical feature which appears to be responsible for most of its toxicity. This feature has been removed from LB-100, making it likely that the Company’s compound will be less toxic and, therefore, safer for human use.

Subject to the availability of resources, the Company expects to continue to fund additional studies to characterize the anti-cancer and anti-fungal activity of certain homologs of drugs of the LB-200 series in collaboration with academic partners and commercial research organizations.

As of March 16, 2011, Dr. Kovach reduced his academic commitment to 60% from 80% to devote more time to the management of development of the Company’s compounds. He began receiving compensation of \$5,000 per month from the Company at that time.

Results of Operations

The Company is a development stage company and had not commenced revenue-generating operations at March 31, 2011.

Three Months Ended March 31, 2011 and 2010

General and Administrative Costs. For the three months ended March 31, 2011, general and administrative costs were \$89,616, which consisted of the fair value of stock options issued to directors and consultants of \$-0-, consulting and professional fees of \$72,307, insurance expense of \$6,125, officer's salary and related costs of \$2,972, stock transfer fees of \$1,669, travel and entertainment costs of \$1,887, and other operating costs of \$4,656.

For the three months ended March 31, 2010, general and administrative costs were \$188,579, which consisted of the fair value of stock options issued to directors and consultants of \$72,740, consulting and professional fees of \$103,652, insurance expense of \$6,125, officer's salary and related costs of \$-0-, stock transfer fees of \$2,278, travel and entertainment costs of \$610, and other operating costs of \$3,174.

Research and Development Costs. For the three months ended March 31, 2011, research and development costs were \$261,446, which consisted of the vested portion of the fair value of stock options issued to a vendor of \$982, patent costs of \$139,144, third-party contractor costs of \$115,070, and consulting fees to a related party of \$6,250.

For the three months ended March 31, 2010, research and development costs were \$161,872, which consisted of the vested portion of the fair value of stock options issued to a consultant and a vendor of \$19,888, patent costs of \$88,688, and third-party contractor costs of \$53,296.

Interest Income. For the three months ended March 31, 2011 and 2010, interest income was \$47 and \$215, respectively.

Net loss. For the three months ended March 31, 2011, the Company incurred a net loss of \$351,015, as compared to a net loss of \$350,236 for the three months ended March 31, 2010.

Liquidity and Capital Resources – March 31, 2011

The Company's condensed consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company is in the development stage and has not generated any revenues from operations to date, and does not expect to do so in the foreseeable future. The Company has experienced recurring operating losses and negative operating cash flows since inception, and has financed its working capital requirements through the recurring sale of its equity securities. As a result, the Company's independent registered public accounting firm, in its report on the Company's 2010 consolidated financial statements, has raised substantial doubt about the Company's ability to continue as a going concern (see "Going Concern" above).

The Company raised \$500,000 in November 2009, \$1,787,500 in January 2010 (of which \$1,200,000 had been advanced to the Company at December 31, 2009), and \$500,000 in February 2010, all through the sale of its securities to fund its business activities. The Company also received an aggregate of \$244,479 (of which \$127,994 was received in 2010 and \$116,485 was received in 2011), from a federal grant program to support promising biotechnology initiatives. As a result, the Company believes that its existing resources are adequate to fund operations at current levels through the first quarter of 2012 at a level that will allow the continuation of the Company's two drug development programs currently in process and commencement, but not necessarily completion, of a Phase I clinical trial of LB-100.

Operating Activities. For the three months ended March 31, 2011, operating activities utilized cash of \$76,213, as compared to utilizing cash of \$252,326 for the three months ended March 31, 2010.

At March 31, 2011, the Company had a working capital surplus of \$1,386,233, as compared to \$1,736,266 at December 31, 2010.

Investing Activities. For the three months ended March 31, 2011 and 2010, investing activities consisted of \$47 and \$2,050,042, respectively, being placed into a money market fund.

Financing Activities. There were no financing activities for the three months ended March 31, 2011. For the three months ended March 31, 2010, financing activities provided net cash of \$1,087,500, consisting of the gross proceeds from the sale of securities of \$2,287,500, less \$1,200,000 of advances received through December 31, 2009.

Principal Commitments

Effective March 22, 2006, the Company entered into a CRADA, as amended, with the NINDS of the NIH. The CRADA is for a term of 66 months from the effective date and can be unilaterally terminated by either party by providing written notice within sixty days. The CRADA provides for the collaboration between the parties in the identification and evaluation of agents that target the Nuclear Receptor CoRepressor (N-CoR) pathway for glioma cell differentiation. The CRADA also provides that NINDS and the Company will conduct research to determine if expression of N-CoR correlates with prognosis in glioma patients. Pursuant to the CRADA, the Company initially agreed to provide funds under the CRADA in the amount of \$200,000 per year to fund two technical assistants for the technical, statistical and administrative support for the research activities, as well as to pay for supplies and travel expenses. The first \$200,000 was due within 180 days of the effective date and was paid in full on July 6, 2006. The second \$200,000 was paid in full on June 29, 2007. In June 2008, the CRADA was extended to September 30, 2009, with no additional funding required for the period between July 1, 2008 and September 30, 2008. For the period from October 1, 2008 through September 30, 2009, the Company agreed to provide additional funding under the CRADA of \$200,000, to be paid in four quarterly installments of \$50,000, each commencing on October 1, 2008. The first and second quarterly installments of \$50,000 were paid on September 29, 2008 and March 5, 2009, respectively. During August 2009, the Company entered into an amendment to the CRADA to extend its term from September 30, 2009 through September 30, 2011. Pursuant to such amendment, the Company has agreed to aggregate payments of \$100,000 in two installments of \$50,000, payable on October 1, 2010 and January 5, 2011, inclusive of any prior unpaid commitments. The October 1, 2010 installment was paid on September 29, 2010 and the January 5, 2011 installment was paid on December 27, 2010.

Effective as of September 19, 2008, the Company entered into an agreement with the NIH providing the Company with an exclusive license for all patents submitted jointly with the NIH under the CRADA. The agreement provided for an initial payment of \$25,000 to NIH within 60 days of September 19, 2008, and for a minimum annual royalty of \$30,000 on January 1 of each calendar year following the year in which the CRADA is terminated. The agreement also provides for the Company to pay specified royalties based on (i) net sales by the Company and its sub-licensees, (ii) the achievement of certain clinical benchmarks, and (iii) the granting of sublicenses. The Company paid the initial \$25,000 obligation on November 10, 2008 and charged the amount to general and administrative costs during the year ended December 31, 2008. As of March 31, 2011, no additional amounts were due pursuant to this agreement.

On February 5, 2007, the Company entered into a two-year agreement pursuant to which the Company engaged Chem-Master to synthesize a compound designated as LB-100, and any other compound synthesized by Chem-Master pursuant to the Company's request, which have potential use in treating a disease, including, without limitation, cancers such as glioblastomas. Pursuant to the Chem-Master Agreement, the Company agreed to reimburse Chem-Master for the cost of materials, labor, and expenses for other items used in the synthesis process, and also agreed to grant Chem-Master a five-year option to purchase shares of the Company's common stock. The Company has the right to terminate the Chem-Master Agreement at any time during its term upon sixty days prior written notice.

On January 29, 2008, the Chem-Master Agreement was amended to extend its term to February 15, 2014, and to expressly provide for the design and synthesis of a new series of compounds designated as LB-300. Pursuant to the Chem-Master Agreement, as amended, the Company reimbursed Chem-Master for the costs of materials, labor and expenses aggregating \$4,825 and \$13,000 during the three months ending March 31, 2011 and 2010, respectively.

On March 17, 2010, the Company engaged Theradex to assist the Company in bringing LB-100 through the FDA approval process at a total estimated cost of \$105,064, of which \$15,205 had been incurred through March 31, 2011. As of March 31, 2011, work was proceeding under this contract.

On March 17, 2011, the Company entered into two agreements with Ascentage Pharma Group to conduct a series of studies at a total estimated cost of \$29,000, of which \$1,450 had been incurred through March 31, 2011. As of March 31, 2011, work was proceeding under this contract. Ascentage Pharma Group is an offshoot of Ascenta Therapeutics, of which Dr. Mel Sorensen, a director of the Company, is the President and Chief Executive Officer and a director. Ascentage Pharma Group and Ascenta Therapeutics have a continuing business relationship and certain common shareholders. However, Dr. Sorensen does not have any direct business relationship with or ownership in Ascentage Pharma Group.

From time-to-time, the Company has engaged Southern Research Institute to conduct various studies. During the three months ended March 31, 2011, two such studies were completed at an aggregate cost of \$39,545, of which \$19,775 had been paid as of March 31, 2011.

On January 7, 2011, the Company entered into a Master Laboratory Services Agreement with WIL Research Laboratories, LLC for a series of studies. On January 7, 2011, a work order for the first of such studies with a total estimated cost of \$48,500 was issued. As of March 31, 2011, the Company had paid \$24,250 towards this first study and work was proceeding under this agreement.

On January 18, 2011, the Company entered into an agreement with Ash Stevens for a series of studies with a total estimated cost of \$90,000. As of March 31, 2011 the Company had paid \$29,700 towards these studies and work was proceeding under this agreement.

On April 7, 2010, the Company entered into an agreement with Dr. Mel Sorensen providing for consultation and advice over the ensuing twelve month period regarding the preparation and strategy for obtaining FDA approval for the clinical trial of the lead compound of the LB-100 series. The agreement called for an annual fee of \$25,000, payable in two installments of \$12,500 on April 15, 2010 and October 15, 2010. On February 18, 2011, the Company's Board of Directors approved a one-year extension of the agreement for an additional fee of \$25,000, payable in two installments of \$12,500 on April 15, 2011 and October 15, 2011. All installments have been paid as due.

The following table sets forth the Company's principal cash obligations and commitments for the next five fiscal years as of March 31, 2011 aggregating \$390,896, of which \$201,787 is included in current liabilities in the condensed consolidated balance sheet at March 31, 2011. Amounts included in the 2011 column represent amounts due at March 31, 2011 for the remainder of the 2011 fiscal year ending December 31, 2011.

	Total	Payments Due By Year	
		2011	2012
Research and development contracts	\$ 199,179	\$ 199,179	\$ —
Consulting agreement	25,000	25,000	—
Liquidated damages payable under registration rights agreement	74,000	74,000	—
Due to stockholder	92,717	92,717	—
Total	\$ 390,896	\$ 390,896	\$ —

Off-Balance Sheet Arrangements

At March 31, 2011, the Company did not have any transactions, obligations or relationships that could be considered off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, consisting of its principal executive officer and principal financial officer (who is the same person), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act (defined below)). Based upon that evaluation, the Company's principal executive officer and principal financial officer concluded that, as of the end of the period covered in this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to the Company's management, consisting of the Company's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

The Company's management, consisting of its principal executive officer and principal financial officer, does not expect that its disclosure controls and procedures or its internal controls will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. In addition, as conditions change over time, so too may the effectiveness of internal controls. However, management believes that the financial statements included in this report fairly present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented.

(b) Changes in Internal Controls Over Financial Reporting

The Company's management, consisting of its principal executive officer and principal financial officer, has determined that no change in the Company's internal control over financial reporting (as that term is defined in Rules 13(a)-15(f) and 15(d)-15(f) of the Securities Exchange Act of 1934) occurred during or subsequent to the end of the period covered in this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is currently not a party to any pending or threatened legal proceedings.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. RESERVED

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

A list of exhibits required to be filed as part of this report is set forth in the Index to Exhibits, which is presented elsewhere in this document, and is incorporated herein by reference.

SIGNATURES

In accordance with the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LIXTE BIOTECHNOLOGY HOLDINGS, INC.

(Registrant)

Date: May 6, 2011

By: /s/ JOHN S. KOVACH

John S. Kovach

Chief Executive Officer and

Chief Financial Officer

(Principal financial and accounting officer)

INDEX TO EXHIBITS

Exhibit Number	Description of Document
31.1	Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)
32.1	Officer's Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)
(1)	Filed herewith.

CERTIFICATIONS OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John S. Kovach, Chief Executive Officer and Chief Financial Officer of Lixte Biotechnology Holdings, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 of Lixte Biotechnology Holdings, Inc.;
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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and I have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

By: /s/ JOHN S. KOVACH
John S. Kovach
Chief Executive Officer and
Chief Financial Officer

**CERTIFICATIONS OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing by Lixte Biotechnology Holdings, Inc. (the "Registrant") of its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (the "Quarterly Report") with the Securities and Exchange Commission, I, John S. Kovach, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Quarterly Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 6, 2011

By: /s/ JOHN S. KOVACH
John S. Kovach
Chief Executive Officer and
Chief Financial Officer
