U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2020

OR

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

For the transition period from ______________ to ______________

Commission File Number 001-38174

Citius Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

Nevada	**27-3425913**
(*State or other jurisdiction of incorporation or organization*)	(*IRS Employer Identification No.*)

11 Commerce Drive, First Floor, Cranford, NJ 07016
(*Address of principal executive offices and zip code*)

(908) 967-6677
(*Registrant's telephone number, including area code*)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, $0.001 par value	CTXR	Nasdaq Capital Market
Warrants to purchase common stock	CTXRW	Nasdaq Capital Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

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

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

As of August 10, 2020, there were 55,475,822 shares of common stock, $0.001 par value, of the registrant issued and outstanding.

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EXPLANATORY NOTE

In this Quarterly Report on Form 10-Q, and unless the context otherwise requires, the “Company,” “we,” “us,” and “our” refer to Citius Pharmaceuticals, Inc. and its wholly owned subsidiaries, Citius Pharmaceuticals, LLC and Leonard-Meron Biosciences, Inc., taken as a whole.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements.” Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors discussed from time to time in this report and in other documents which we file with the Securities and Exchange Commission. In addition, such statements could be affected by risks and uncertainties related to:

- our ability to raise funds for general corporate purposes and operations, including our clinical trials;
- the cost, timing and results of our clinical trials;
- our ability to obtain and maintain required regulatory approvals for our product candidates;
- the commercial feasibility and success of our technology;
- our ability to recruit qualified management and technical personnel to carry out our operations; and
- the other factors discussed in the “Risk Factors” section of our most recent Annual Report on Form 10-K and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and elsewhere in this report.

Any forward-looking statements speak only as of the date on which they are made, and except as may be required under applicable securities laws, we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the filing date of this report.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CITIUS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2020	September 30, 2019 (as restated)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 8,517,339	$ 7,893,804
Prepaid expenses	51,582	48,111
Total Current Assets	8,568,921	7,941,915
Property and equipment, net	1,789	590
Operating lease right-of-use asset, net	1,025,119	—
Other Assets:		
Deposits	57,093	57,093
In-process research and development	19,400,000	19,400,000
Goodwill	9,346,796	9,346,796
Total Other Assets	28,803,889	28,803,889
Total Assets	$ 38,399,718	$ 36,746,394
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,811,624	$ 2,713,542
Accrued expenses	163,864	246,225
Accrued compensation	1,220,314	1,400,688
Accrued interest	86,513	74,297
Notes payable – related parties	172,970	172,970
Operating lease liability	154,663	—
Total Current Liabilities	3,609,948	4,607,722
Note payable – paycheck protection program	164,583	—
Deferred tax liability	4,985,800	4,985,800
Operating lease liability – non current	897,325	—
Total Liabilities	9,657,656	9,593,522
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock – $0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock – $0.001 par value; 200,000,000 shares authorized; 46,316,298 and 28,930,493 shares issued and outstanding at June 30, 2020 and September 30, 2019, respectively	46,316	28,930
Additional paid-in capital	95,168,985	80,169,724
Accumulated deficit	(66,473,239)	(53,045,782)
Total Stockholders' Equity	28,742,062	27,152,872
Total Liabilities and Stockholders' Equity	$ 38,399,718	$ 36,746,394

See notes to unaudited condensed consolidated financial statements.

CITIUS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2020 AND 2019
(Unaudited)

	Three Months Ended		Nine Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenues	$ —	$ —	$ —	$ —
Operating Expenses				
Research and development	2,644,244	2,766,260	7,324,730	6,579,237
General and administrative	1,869,636	1,456,451	5,690,953	4,782,972
Stock-based compensation – general and administrative	175,011	204,002	554,228	578,946
Total Operating Expenses	4,688,891	4,426,713	13,569,911	11,941,155
Operating Loss	(4,688,891)	(4,426,713)	(13,569,911)	(11,941,155)
Other Income (Expense)				
Other income	—	—	110,207	—
Interest income	13,018	25,268	44,463	41,159
Interest expense	(4,245)	(4,138)	(12,216)	(12,246)
Total Other Income, Net	8,773	21,130	142,454	28,913
Net Loss	$ (4,680,118)	$ (4,405,583)	$ (13,427,457)	$ (11,912,242)
Net Loss Per Share - Basic and Diluted	$ (0.11)	$ (0.20)	$ (0.38)	$ (0.61)
Weighted Average Common Shares Outstanding				
Basic and diluted	41,600,428	22,000,387	35,017,739	19,412,641

See notes to unaudited condensed consolidated financial statements.

CITIUS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2020 AND 2019
(Unaudited)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total
Balance, October 1, 2019, as previously reported	—	28,930,493	$ 28,930	$ 80,169,724	$ (55,819,982)	$ 24,378,672
Restatement (see Note 9)	—	—	—	—	2,774,200	2,774,200
Balance, October 1, 2019, as restated	—	28,930,493	28,930	80,169,724	(53,045,782)	27,152,872
Issuance of common stock upon exercise of warrants	—	1,060,615	1,061	(955)	—	106
Issuance of common stock for services	—	186,566	187	99,813	—	100,000
Stock-based compensation expense	—	—	—	220,384	—	220,384
Net loss	—	—	—	—	(4,322,370)	(4,322,370)
Balance, December 31, 2019	—	30,177,674	30,178	80,488,966	(57,368,152)	23,150,992
Issuance of common stock upon exercise of warrants	—	7,614,388	7,614	6,019,417	—	6,027,031
Issuance of common stock for services	—	286,000	286	305,734	—	306,020
Stock-based compensation expense	—	—	—	158,833	—	158,833
Net loss	—	—	—	—	(4,424,969)	(4,424,969)
Balance, March 31, 2020	—	38,078,062	38,078	86,972,950	(61,793,121)	25,217,907
Issuance of common stock for services	—	50,000	50	22,700	—	22,750
Issuance of common stock in registered direct offering, net of costs of $622,900	—	7,058,824	7,059	6,870,041	—	6,877,100
Issuance of common stock upon exercise of warrants	—	1,129,412	1,129	1,128,283	—	1,129,412
Stock-based compensation expense	—	—	—	175,011	—	175,011
Net loss	—	—	—	—	(4,680,118)	(4,680,118)
Balance, June 30, 2020	$ —	46,316,298	$ 46,316	$ 95,168,985	$ (66,473,239)	$ 28,742,062
Balance, October 1, 2018, as previously reported	$ —	16,198,791	$ 16,199	$ 68,107,323	$ (40,257,838)	$ 27,865,684
Restatement (see Note 9)	$ —	—	—	—	2,774,200	2,774,200
Balance, October 1, 2018, as restated	$ —	16,198,791	16,199	68,107,323	(37,483,638)	30,639,884
Issuance of common stock upon exercise of warrants	—	1,600,000	1,600	14,400	—	16,000
Stock-based compensation expense	—	—	—	171,249	—	171,249
Net loss	—	—	—	—	(3,874,730)	(3,874,730)
Balance, December 31, 2018	—	17,798,791	17,799	68,292,972	(41,358,368)	26,952,403
Issuance of common stock upon exercise of warrants	—	721,569	721	6,495	—	7,216
Issuance of common stock for services		125,000	125	117,375	—	117,500
Stock-based compensation expense	—	—	—	203,695	—	203,695
Net loss	—	—	—	—	(3,631,929)	(3,631,929)
Balance, March 31, 2019	—	18,645,360	18,645	68,620,537	(44,990,297)	23,648,885
Issuance of common stock in registered direct offering, net of costs of $466,000	—	3,430,421	3,430	4,830,571	—	4,834,001
Stock-based compensation expense	—	—	—	204,002	—	204,002
Net loss	—	—	—	—	(4,405,583)	(4,405,583)
Balance, June 30, 2019	$ —	22,075,781	$ 22,075	$ 73,655,110	$ (49,395,880)	$ 24,281,305

See notes to unaudited condensed consolidated financial statements.

CITIUS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JUNE 30, 2020 AND 2019
(Unaudited)

	2020	2019
Cash Flows From Operating Activities:		
Net loss	$ (13,427,457)	$ (11,912,242)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	554,228	578,946
Issuance of common stock for services	428,770	117,500
Amortization of operating lease right-of-use asset	112,605	—
Depreciation	632	706
Changes in operating assets and liabilities:		
Other receivables	—	818,343
Prepaid expenses	(3,471)	13,276
Accounts payable	(901,918)	857,419
Accrued expenses	(82,361)	(23,434)
Accrued compensation	(180,374)	6,771
Accrued interest	12,216	12,246
Operating lease liability	(85,736)	—
Net Cash Used In Operating Activities	(13,572,866)	(9,530,469)
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,831)	—
Net Cash Used in Investing Activities	(1,831)	—
Cash Flows From Financing Activities:		
Proceeds from note payable – paycheck protection program	164,583	—
Net proceeds from registered direct offerings	6,877,100	4,834,001
Net proceeds from common stock warrant exercises	7,156,549	23,216
Net Cash Provided By Financing Activities	14,198,232	4,857,217
Net Change in Cash and Cash Equivalents	623,535	(4,673,252)
Cash and Cash Equivalents - Beginning of Period	7,893,804	9,184,003
Cash and Cash Equivalents - End of Period	$ 8,517,339	$ 4,510,751
Supplemental Disclosures Of Cash Flow Information and Non-cash Activities:		
Operating lease right-of-use asset and liability recorded upon adoption of ASC 842	$ 1,137,724	$ —

See notes to unaudited condensed consolidated financial statements.

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Citius Pharmaceuticals, Inc. ("Citius," the "Company," "we" or "us") is a specialty pharmaceutical company dedicated to the development and commercialization of critical care products targeting important medical needs with a focus on anti-infective products in adjunct cancer care and unique prescription products.

On March 30, 2016, Citius acquired Leonard-Meron Biosciences, Inc. ("LMB") as a wholly-owned subsidiary. The Company acquired all of the outstanding stock of LMB by issuing shares of its common stock. The net assets acquired included identifiable intangible assets of $19,400,000 related to in-process research and development. The Company recorded goodwill of $9,346,796, as restated, for the excess of the purchase price over the net assets.

In-process research and development represents the value of LMB's leading drug candidate, which is an antibiotic solution used to treat catheter-related bloodstream infections (Mino-Lok®) and is expected to be amortized on a straight-line basis over a period of eight years commencing upon revenue generation. Goodwill represents the value of LMB's industry relationships and its assembled workforce. Goodwill will not be amortized but will be tested at least annually for impairment.

Citius is subject to a number of risks common to companies in the pharmaceutical industry including, but not limited to, risks related to the development by Citius or its competitors of research and development stage product candidates, market acceptance of its product candidates that might be approved, competition from larger companies, dependence on key personnel, dependence on key suppliers and strategic partners, the Company's ability to obtain additional financing and the Company's compliance with governmental and other regulations.

Basis of Presentation and Summary of Significant Accounting Policies

Basis of Preparation — The accompanying condensed consolidated financial statements include the operations of Citius Pharmaceuticals, Inc., and its wholly-owned subsidiaries, Citius Pharmaceuticals, LLC, and LMB. All significant inter-company balances and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to fairly state the condensed consolidated financial position of the Company as of June 30, 2020, the results of its operations for the three- and nine-month periods ended June 30, 2020 and 2019, and cash flows for the nine months ended June 30, 2020 and 2019. The operating results for the three- and nine-month periods ended June 30, 2020 are not necessarily indicative of the results that may be expected for the year ending September 30, 2020. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2019 filed with the Securities and Exchange Commission.

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842). ASU 2016-02 requires a lessee to record a right-of-use asset and a corresponding lease liability, initially measured at the present value of the lease payments, on the balance sheet for all leases with terms longer than 12 months, as well as the disclosure of key information about leasing arrangements. Leases will be classified as either finance leases or operating leases, with classification affecting the pattern of expense recognition in the statement of operations. In January, July and December 2018, the FASB issued ASU Nos. 2018-01, 2018-10, 2018-11 and 2018-20 and in 2019 issued ASU No. 2019-01, which were targeted improvements to ASU No. 2016-02 (collectively, with ASU No. 2016-02, "ASC 842") and provided entities with an additional (and optional) transition method to adopt the new lease standard, and provided clarifications to address potential narrow-scope implementation issues. The Company adopted ASU 2016-02 effective October 1, 2019 and elected the optional transition method for adoption. The Company also took advantage of the transition package of practical expedients permitted within ASU 2016-02, which among other things, allowed it to carryforward historical lease classifications. The Company also elected to keep leases with an initial term of 12 months or less off of the balance sheet as a policy election and will recognize those lease payments in the consolidated statements of operations on a straight-line basis over the lease term. As of the adoption date, the Company identified one operating lease arrangement in which it is a lessee. The adoption of ASU 2016-02 resulted in the recognition of a right-of-use asset and lease liability of $1,137,724.

In June 2018, the FASB issued ASU No. 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, which is intended to reduce cost and complexity and to improve financial reporting for nonemployee share-based payments. The amendment is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company adopted ASU 2018-07 on October 1, 2019 and it did not have a material effect on the Company's financial position, results of operations or disclosures.

Recently Issued Accounting Standards

In December 2019, the FASB issued ASU No. 2019-12 Simplifications to Accounting for Income Taxes. ASU 2019-12 removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation, and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including deferred taxes for goodwill and allocating taxes for members of a consolidated group. ASU 2019-12 is effective for all entities for fiscal years beginning after December 15, 2020, and earlier adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2019-12 on its consolidated financial statements.

Use of Estimates — Our accounting principles require our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Estimates having relatively higher significance include stock-based compensation, accounting for leases, valuation of warrants, and income taxes. Actual results could differ from those estimates and changes in estimates may occur.

Basic and Diluted Net Loss per Common Share — Basic and diluted net loss per common share is computed by dividing net loss in each period by the weighted average number of shares of common stock outstanding during such period. For the periods presented, common stock equivalents, consisting of stock options and warrants were not included in the calculation of the diluted loss per share because they were anti-dilutive.

2. GOING CONCERN UNCERTAINTY AND MANAGEMENT'S PLAN

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company experienced negative cash flows from operations of $13,572,866 for the nine months ended June 30, 2020. The Company has generated no operating revenue to date and has principally raised capital through the issuance of debt and equity instruments to finance its operations. At June 30, 2020, the Company had working capital of $4,958,973 to fund its operations. The Company estimates that its cash resources as of that date will be sufficient to fund its operations through January 2021. This raises substantial doubt about the Company's ability to continue as a going concern.

The Company plans to raise capital through equity financings from outside investors as well as raise additional funds from existing investors and, to a lesser extent, continued borrowings under related party debt agreements. There is no assurance, however, that the Company will be successful in raising the needed capital and, if funding is available, that it will be available in amounts sufficient for and on terms acceptable to the Company. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of the above uncertainty.

3. PATENT AND TECHNOLOGY LICENSE AGREEMENTS

Patent and Technology License Agreement – Mino-Lok

LMB has a patent and technology license agreement with Novel Anti-Infective Therapeutics, Inc. ("NAT") to develop and commercialize Mino-Lok® on an exclusive, worldwide sub licensable basis, as amended. LMB pays an annual maintenance fee each June until commercial sales of a product subject to the license commence. The annual fee paid in June 2020 was $90,000 (at which level it will remain for as long as it is due).

LMB will also pay annual royalties on net sales of licensed products, with royalties ranging from the mid-single digits to the low double digits or, in the event the licensed product is not subject to a valid patent claim, the royalty is reduced to mid- to lower-single digits. In limited circumstances in which the licensed product is not subject to a valid patent claim and a competitor is selling a competing product, the royalty rate is in the low single digits. After a commercial sale is obtained, LMB must pay minimum aggregate annual royalties of $100,000 in the first commercial year which is prorated for a less than 12-month period, increasing $25,000 per year to a maximum of $150,000 annually. LMB must also pay NAT up to $1,100,000 upon achieving specified regulatory and sales milestones. Finally, LMB must pay NAT a specified percentage of payments received from any sub licensees.

Unless earlier terminated by NAT, based on the failure by the Company to achieve certain development and commercial milestones or for various breaches by the Company, the license agreement remains in effect until the date that all patents licensed under the agreement have expired and all patent applications within the licensed patent rights have been cancelled, withdrawn or expressly abandoned.

Patent and Technology License Agreement – Mino-Wrap

On January 2, 2019, we entered into a patent and technology license agreement with the Board of Regents of the University of Texas System on behalf of the University of Texas M. D. Anderson Cancer Center ("Licensor"), whereby we in-licensed exclusive worldwide rights to the patented technology for any and all uses relating to breast implants. We intend to develop a liquefying gel-based wrap containing minocycline and rifampin for the reduction of infections associated with breast implants following breast reconstructive surgeries ("Mino-Wrap"). We are required to use commercially reasonable efforts to commercialize Mino-Wrap under several regulatory scenarios and achieve milestones associated with these regulatory options leading to an approval from the U.S. Food and Drug Administration ("FDA").

Under the license agreement, the Company paid a nonrefundable upfront payment of $125,000, which was recorded as research and development expense during the nine months ended June 30, 2019. During the nine months ended June 30, 2020, we paid an annual maintenance fee of $30,000. The annual maintenance fee increases annually by $15,000 per year up to a maximum of $90,000. Annual maintenance fees cease on the first sale of product. We also must pay up to an aggregate of $2.1 million in milestone payments, contingent on the achievement of various regulatory and commercial milestones. Under the terms of the license agreement, we also must pay a royalty of mid- to upper-single digit percentages of net sales, depending on the amount of annual sales, and subject to downward adjustment to lower- to mid-single digit percentages in the event there is no valid patent for the product in the United States at the time of sale. After the first sale of product, we will owe an annual minimum royalty payment of $100,000 that will increase annually by $25,000 for the duration of the term. We will be responsible for all patent expenses incurred by Licensor for the term of the agreement although Licensor is responsible for filing, prosecution and maintenance of all patents. Unless earlier terminated by Licensor, based upon the failure by us to achieve certain development and commercial milestones or for various breaches by us, the agreement expires on the later of the expiration of the patents or January 2, 2034.

Option to License Novel Stem-Cell Therapy for Acute Respiratory Distress Syndrome (ARDS)

On March 31, 2020, we entered into an option agreement with a subsidiary of Novellus, Inc. ("Novellus") whereby for the duration of the option agreement we will have the exclusive opportunity to in-license from Novellus on a worldwide basis, a novel cellular therapy for acute respiratory distress syndrome (ARDS). The option exercise period runs for six months, during which period, if and when we exercise the option, we and Novellus must negotiate a mutually acceptable definitive license agreement. The option agreement contains the agreed upon financial terms for the license. Novellus also agreed to allow us access to such records as we deem necessary for our due diligence to determine whether to exercise the option. In April 2020 we paid Novellus $100,000 for the option and recorded it as a research and development expense.

Our Board Chairman Leonard Mazur, who is also our largest stockholder, is a director and significant shareholder of Novellus. As required by our Code of Ethics, the Audit Committee of our Board of Directors considered the potential conflict of interest of Mr. Mazur in the transaction with Novellus and on March 31, 2020 approved the entry into the option agreement with Novellus, as did the disinterested members of our Board of Directors.

4. NOTES PAYABLE

Notes Payable – Related Parties

The aggregate principal balance as of June 30, 2020 consists of notes payable held by our Chairman, Leonard Mazur, in the amount of $160,470 and notes payable held by our Chief Executive Officer, Myron Holubiak, in the amount of $12,500. Notes with an aggregate principal balance of $104,000 accrue interest at the prime rate plus 1.0% per annum and notes with an aggregate principal balance of $68,970 accrue interest at 12% per annum.

Interest expense on notes payable – related parties was $3,909 and $4,138, respectively, for the three months ended June 30, 2020 and 2019. Interest expense on notes payable – related parties was $11,880 and $12,246, respectively, for the nine months ended June 30, 2020 and 2019.

Paycheck Protection Program

On April 12, 2020, due to the business disruption caused by the COVID-19 health crisis, the Company applied for a forgivable loan through the Small Business Association's Paycheck Protection Program (the "PPP"). In accordance with the provisions of the PPP, the loan accrues interest at a rate of 1% and a portion of the loan may be forgiven if it is used to pay qualifying costs such as payroll, rent and utilities. Amounts that are not forgiven will be repaid 2 years from the date of the loan. On April 15, 2020, the Company received funding in the amount of $164,583 from the Paycheck Protection Program through its bank.

Interest expense for the PPP loan was $336 for the three and nine months ended June 30, 2020.

5. COMMON STOCK, STOCK OPTIONS AND WARRANTS

Registered Direct/Private Placement Offerings

On April 3, 2019, the Company closed a registered direct offering with several institutional and accredited investors for the sale of 3,430,421 shares of common stock at $1.545 per share for gross proceeds of $5,300,001. Simultaneously, the Company also privately sold and issued 3,430,421 immediately exercisable two-year unregistered warrants to the investors with an exercise price of $1.42 per share. The Company paid the placement agent for the offering a fee of 7% of the gross proceeds totaling $371,000 and issued the placement agent 240,130 immediately exercisable two-year warrants with an exercise price of $1.93125 per share. The Company also reimbursed the placement agent for $85,000 in expenses and incurred $10,000 in other expenses. Net proceeds from the offering were $4,834,001. The estimated fair value of the 3,430,421 warrants issued to the investors was $2,709,467 and the estimated fair value of the 240,130 warrants issued to the placement agent was $169,854.

On September 27, 2019, Citius closed an underwritten at-the-market offering of (i) 6,760,615 units, each unit consisting of one share of common stock and one immediately exercisable five-year warrant to purchase one share at $0.77 per share, and (ii) 1,060,615 pre-funded units, each pre-funded unit consisting of one pre-funded warrant to purchase one share and one immediately exercisable five-year warrant to purchase one share at $0.77 per share. The pre-funded warrants included in the pre-funded units are immediately exercisable at a price of $0.0001 per share and do not expire. The offering price was $0.8951 per unit and $0.895 per pre-funded unit. The net proceeds of the offering were $6,290,335. The Company issued the underwriter immediately exercisable five-year warrants to purchase up to 547,486 shares at $1.118875 per share with an estimated fair value of $323,414. The estimated fair value of the 1,060,615 pre-funded warrants was $809,145, and the estimated fair value of the 7,821,230 warrants included in the units and the pre-funded units issued to the investors was $4,845,341.

On May 18, 2020, the Company closed a registered direct offering with several institutional and accredited investors for the sale of 7,058,824 shares of common stock at $1.0625 per share for gross proceeds of $7,500,001. The Company also agreed to issue 3,529,412 unregistered immediately exercisable warrants to the investors with an exercise price of $1.00 per share and a term of five and one-half years. The Company paid the placement agent for the offering a fee of 7% of the gross proceeds totaling $525,000 and issued the placement agent 494,118 immediately exercisable warrants with an exercise price of $1.3281 per share and a term of five years. The Company also reimbursed the placement agent for $85,000 in expenses and incurred $12,901 in other expenses. Net proceeds from the offering were $6,877,100. The estimated fair value of the 3,529,412 warrants issued to the investors was $2,138,998 and the estimated fair value of the 494,118 warrants issued to the placement agent was $275,724.

Common Stock Issued for Services

On February 13, 2019, the Company issued 125,000 shares of common stock for investor relations services and expensed the $117,500 fair value of the common stock issued.

On September 16, 2019, the Company issued 94,097 shares of common stock for investor relations services and expensed the $94,097 fair value of the common stock issued.

On November 4, 2019, the Company issued 186,566 shares of common stock for strategic consulting and corporate development services and expensed the $100,000 fair value of the common stock issued.

On February 10, 2020, the Company issued 150,000 shares of common stock for investor relations services and 136,000 shares of common stock for general advisory and business development advisory services. The Company expensed the $306,020 fair value of the common stock issued.

On April 6, 2020, the Company issued 50,000 shares of common stock for strategic consulting and corporate development services and expensed the $22,750 fair value of the common stock issued.

Stock Option Plans

Pursuant to its 2014 Stock Incentive Plan (the "2014 Plan") the Company reserved 866,667 shares of common stock for issuance to employees, directors and consultants. The Board of Directors (or committees and/or executive officers delegated by the Board of Directors) may grant stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and cash-based awards under the 2014 Plan. As of June 30, 2020, there were options to purchase an aggregate of 855,171 shares of common stock outstanding under the 2014 Plan, options to purchase 4,829 shares were exercised, options to purchase 6,667 shares expired, and no shares remain available for future grants.

On February 7, 2018, our stockholders approved the 2018 Omnibus Stock Incentive Plan (the "2018 Plan") and the Company reserved 2,000,000 shares of common stock for issuance to employees, directors and consultants. Pursuant to the 2018 Plan, the Board of Directors (or committees and/or executive officers delegated by the Board of Directors) may grant stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and cash-based awards. As of June 30, 2020, there were options to purchase an aggregate of 1,890,000 shares of common stock outstanding under the 2018 Plan and no shares available for future grants.

On February 10, 2020, the Company's stockholders approved the 2020 Omnibus Stock Incentive Plan ("2020 Stock Plan"). The 2020 Stock Plan authorizes a maximum of 3,110,000 shares. The 2020 Stock Plan provides incentives to employees, directors, and consultants of the Company in form of granting an option, SAR, dividend equivalent right, restricted stock, restricted stock unit, or other right or benefit under the 2020 Stock Plan. As of June 30, 2020, there were options to purchase 20,000 shares outstanding under the 2020 Plan and 3,090,000 shares available for future grants.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant commensurate with the expected term assumption. The expected term of stock options granted, all of which qualify as "plain vanilla," is based on the average of the contractual term (generally 10 years) and the vesting period. For non-employee options, the expected term is the contractual term.

A summary of option activity under the Company's stock option plans is presented below:

	Option Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at October 1, 2019	1,771,039	$ 4.03		
Granted	1,000,799	0.68		
Exercised	—	—		
Forfeited or expired	(6,667)	9.00		
Outstanding at June 30, 2020	2,765,171	$ 2.80	7.9 years	$ 547,433
Exercisable at June 30, 2020	1,293,260	$ 4.90	6.6 years	$ 83,540

On October 8, 2019, the Board of Directors granted stock options to purchase a total of 705,799 shares to employees, 125,000 shares to directors and 125,000 shares to consultants at $0.67 per share. On October 28, 2019, the Board of Directors granted stock options to purchase a total of 25,000 shares to a consultant at $0.55 per share. On May 12, 2020, the Board of Directors granted stock options to purchase a total of 20,000 shares to a consultant at $1.05 per share. All of these options vest over terms of 12 to 36 months and have a term of 10 years.

Stock-based compensation expense for the nine months ended June 30, 2020 and 2019 was $554,228 and $578,946, respectively.

At June 30, 2020, unrecognized total compensation cost related to unvested awards of $765,775 is expected to be recognized over a weighted average period of 1.6 years.

Warrants

As of June 30, 2020, the Company has reserved shares of common stock for the exercise of outstanding warrants. The following table summarizes the warrants outstanding:

	Exercise price	Number	Expiration Dates
Investor Warrants	$ 9.00	59,446	July 2, 2020 – September 14, 2020
Investor Warrants	9.00	307,778	November 5, 2020 – April 25, 2021
LMB Warrants	6.15	38,771	November 20, 2020 – March 2, 2021
LMB Warrants	7.50	73,883	August 18, 2020 – March 14, 2021
LMB Warrants	7.50	53,110	March 24, 2022 – April 29, 2022
Financial Advisor Warrants	3.00	25,833	August 15, 2021
2016 Offering Warrants	4.13	140,819	November 23, 2021 – February 27, 2022
2017 Public Offering Warrants	4.13	1,622,989	August 2, 2022
2017 Public Offering Underwriter Warrants	4.54	65,940	February 2, 2023
December 2017 Registered Direct/Private Placement Offering Investor Warrants	4.63	640,180	June 19, 2023
December 2017 Registered Direct/Private Placement Offering Placement Agent Warrants	5.87	89,625	December 19, 2022
March 2018 Registered Direct/Private Placement Offering Investor Warrants	2.86	218,972	October 2, 2023
March 2018 Registered Direct/Private Placement Offering Placement Agent Warrants	3.73	46,866	March 28, 2023
August 2018 Offering Investor Warrants	1.15	7,843,138	August 14, 2023
August 2018 Offering Agent Warrants	1.59	549,020	August 8, 2023
April 2019 Registered Direct/Private Placement Offering Investor Warrants	1.42	1,294,498	April 5, 2021
April 2019 Registered Direct/Private Placement Offering Placement Agent Warrants	1.93	240,130	April 5, 2021
September 2019 Offering Investor Warrants	0.77	2,793,297	September 27, 2024
September 2019 Offering Underwriter Warrants	1.12	547,486	September 27, 2024
February 2020 Exercise Agreement Warrants	1.02	6,298,673	August 19, 2025
February 2020 Exercise Agreement Placement Agent Warrants	1.28	440,907	August 19, 2025
May 2020 Registered Direct Offering Investor Warrants	1.00	2,400,000	November 18, 2025
May 2020 Registered Direct Offering Placement Agent Warrants	1.33	494,118	May 14, 2025
		26,285,479	

During the nine months ended June 30, 2019, 2,321,569 August 2018 Offering Pre-Funded Unit Warrants were exercised at $0.01 per share for net proceeds of $23,216.

In December 2019, 1,060,615 of the September 2019 Offering Pre-Funded Unit Warrants were exercised at $0.0001 per share for net proceeds of $106.

In January 2020, 1,315,715 of the September 2019 Offering Investor Warrants were exercised at $0.77 per share for net proceeds of $1,013,101.

On February 14, 2020, the Company entered into a warrant exercise agreement for an aggregate of 3,712,218 shares of common stock having an existing exercise price of $0.77 and 2,586,455 shares of common stock at a reduced exercise price of $1.02. In consideration for the exercise of the warrants for cash, the exercising holders received new unregistered warrants to purchase 6,298,673 shares of common stock at an exercise price of $1.02 per share, exercisable six months after issuance and which have a term of exercise equal to five years. The offering closed on February 19, 2020 and net proceeds were $5,013,930 after placement agent fees and offering expenses. The Company also issued warrants to purchase 440,907 shares to the placement agent. The placement agent warrants have identical terms to the investor warrants except that the exercise price is $1.275 per share. The estimated fair value of the 6,298,673 warrants issued to the investors was $5,360,465 and the estimated fair value of the 440,907 warrants issued to the placement agent was $367,022.

On June 26, 2020, 1,129,412 of the May 2020 Registered Direct Offering Investor Warrants were exercised at $1.00 per share for net proceeds of $1,129,412.

At June 30, 2020, the weighted average remaining life of the outstanding warrants is 3.75 years, all warrants are exercisable except for the February 2020 warrants, and the aggregate intrinsic value of the warrants outstanding was $2,016,532.

Common Stock Reserved

A summary of common stock reserved for future issuances as of June 30, 2020 is as follows:

Stock plan options outstanding	2,765,171
Stock plan shares available for future grants	3,090,000
Warrants outstanding	26,285,479
Total	32,140,650

6. RELATED PARTY TRANSACTIONS

Our Chairman of the Board, Leonard Mazur, was the cofounder and Vice Chairman of Akrimax Pharmaceuticals, LLC ("Akrimax"), a privately held pharmaceutical company specializing in producing cardiovascular and general pharmaceutical products. The Company leased office space from Akrimax through April 30, 2019 (see Note 7).

The Company has outstanding debt due to Leonard Mazur (Chairman of the Board) and Myron Holubiak (Chief Executive Officer) (see Note 4).

In connection with the April 2019 registered direct/private placement offering (See Note 5), Mr. Mazur purchased 1,165,048 shares of common stock at $1.545 per share and received 1,165,048 warrants with an exercise price of $1.42 per share, and Mr. Holubiak purchased 129,450 shares of common stock at $1.545 per share and received 129,450 warrants with an exercise price of $1.42 per share. The purchases were made on the same terms as for all other investors.

In connection with the September 2019 offering (See Note 5), Mr. Mazur purchased 2,234,700 shares of common stock at $0.8951 per share and received 2,234,700 warrants exercisable at $0.77 per share, and Mr. Holubiak purchased 558,597 shares of common stock at $0.8951 per share and received 558,597 warrants exercisable at $0.77 per share. The purchases were made on the same terms as for all other investors.

Leonard Mazur is a director and significant shareholder of Novellus, Inc. On March 31, 2020, we entered into an option agreement with a subsidiary of Novellus (See Note 3).

7. OPERATING LEASE

LMB leased office space from Akrimax (see Note 6) in Cranford, New Jersey at a monthly rental rate of $2,167 pursuant to an agreement which expired on April 30, 2019. Rent expense for the nine months ended June 30, 2019 was $56,063.

Effective July 1, 2019, Citius entered into a 76-month lease for office space in Cranford, NJ.

Citius will also pay its proportionate share of real estate taxes and operating expenses in excess of the base year expenses. These costs are considered to be variable lease payments and are not included in the determination of the lease's right-of-use asset or lease liability.

The Company identified and assessed the following significant assumptions in recognizing its right-of-use assets and corresponding lease liabilities:

- As the Company's current Cranford lease does not provide an implicit rate, the Company estimated the incremental borrowing rate in calculating the present value of the lease payments. The Company has estimated its incremental borrowing rate based on the remaining lease term as of the adoption date.

- Since the Company elected to account for each lease component and its associated non-lease components as a single combined component, all contract consideration was allocated to the combined lease component.

- The expected lease terms include noncancelable lease periods.

The elements of lease expense are as follows:

Lease cost	**Nine Months Ended June 30, 2020**
Operating lease cost	$ 167,725
Variable lease cost	—
Total lease cost	$ 167,725
Other information	
Weighted-average remaining lease term - operating leases	5.3 Years
Weighted-average discount rate - operating leases	8.0

Maturities of lease liabilities due under the Company's non-cancellable leases as of June 30, 2020 is as follows:

Year Ending September 30,	June 30, 2020
2020 (excluding the 9 months ended June 30, 2020)	$ 58,308
2021	234,447
2022	239,306
2023	244,165
2024	249,024
Thereafter	275,343
Total lease payments	1,300,593
Less: interest	(248,605)
Present value of lease liabilities	$ 1,051,988

Leases	Classification	June 30, 2020
Assets		
Lease asset	Operating	$ 1,025,119
Total lease assets		$ 1,025,119
Liabilities		
Current	Operating	$ 154,663
Non-current	Operating	897,325
Total lease liabilities		$ 1,051,988

Interest expense on the lease liability was $66,512 for the nine months ended June 30, 2020.

8. FDA REFUND

In November 2019, the Company received an additional $110,207 refund from the FDA for 2016 product and establishment fees because the fees paid by the Company exceeded the costs of the FDA's review of the associated applications. The Company recorded the $110,207 as other income during the nine months ended June 30, 2020.

9. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Our Consolidated Balance Sheet as of September 30, 2019 and our beginning balances in the Condensed Consolidated Statements of Changes in Stockholders' Equity for the nine months ended June 30, 2020 and 2019, have been restated for errors made with regard to deferred tax liability, goodwill and accumulated deficit as further described below.

We determined that a deferred tax liability should have been recorded in the amount of $7,760,000 related to recording of the in-process research and development, in connection with the acquisition of LMB in March 2016 (see Note 1), which would have resulted in additional goodwill being recorded in the same amount of $7,760,000. Had the deferred tax liability been recorded upon acquisition of LMB, in 2018 we would have also recognized an income tax benefit of $2,774,200 as a result of the Tax Cuts and Jobs Act enacted into law on December 21, 2017 lowering the U.S. corporate tax rate from 35% to 21%.

Below indicates the impact of restatements at September 30, 2019:

	As of Year Ended September 30, 2019		
	As Previously Recorded	**Adjustment**	**As Restated**
ASSETS			
Goodwill	$ 1,586,796	$ 7,760,000	$ 9,346,796
Total Assets	$ 28,986,394	$ 7,760,000	$ 36,746,394
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deferred Tax Liability	$ -	$ 4,985,000	$ 4,985,000
Total Liabilities	$ -	$ 4,985,000	$ 4,985,000
Stockholders' Equity:			
Accumulated deficit	$ (55,819,982)	$ 2,774,200	$ (53,045,782)
Total Stockholders' Equity	$ 24,378,672	$ 2,774,200	$ 27,152,872
Total Liabilities and Stockholders' Equity	$ 28,986,394	$ 7,760,000	$ 36,746,394

10. SUBSEQUENT EVENTS

Nasdaq Listing

On April 1, 2020, Citius received notice from The Nasdaq Stock Market, ("Nasdaq"), indicating that, because the closing bid price for the common stock has fallen below $1.00 per share for 30 consecutive business days, the Company no longer complied with the $1.00 minimum bid price requirement for continued listing. On July 10, 2020, the Company received notice from Nasdaq that the Company had regained compliance because the Company's common stock had closed at a price greater than $1.00 for the 10 consecutive trading days between June 25 and July 9, 2020. As a result, Nasdaq has closed the matter.

Employment Agreement

On July 13, 2020, Citius entered into an employment agreement with Myron Czuczman, M.D. In exchange for his services as Executive Vice President, Chief Medical Officer, Dr. Czuczman will receive an annual base salary of $400,000 and be eligible for an annual bonus of up to 35% of his base salary at the discretion of our Chief Executive Officer and Board of Directors. Dr. Czuczman will also be entitled to severance benefits under certain conditions.

Dr. Czuczman was granted an option to purchase 500,000 shares of common stock under the 2020 Omnibus Stock Incentive Plan. The exercise price of the options is $1.19, which was the fair market value of the common stock on the date of grant. One-third of the options will vest on the first anniversary of the employment agreement and the remainder will vest in 24 equal monthly installments thereafter, subject to continued employment on the applicable vesting dates.

Public Offering

On August 10, 2020, Citius closed a public offering of 9,159,524 shares of common stock at a price of $1.05 per share, less underwriting discounts and commissions. The gross proceeds to Citius, before deducting offering expenses, was approximately $9.6 million. The Company intends to use the net proceeds from this offering for general corporate purposes, including its Phase 3 clinical Mino-Lok® trial for the treatment of catheter related bloodstream infections, development of Mino-Wrap, its Phase 2b trial of Halo-Lido cream for the treatment of hemorrhoids, its other product development initiatives and working capital and capital expenditures.

The shares of common stock were offered by the Company pursuant to a "shelf" registration statement on Form S-3 (File No. 333-221492) originally filed with the Securities and Exchange Commission (the "SEC") on November 9, 2017, and declared effective by the SEC on December 15, 2017.

The Company also issued to the underwriter of the offering and its designees, as underwriting compensation, warrants to purchase up to an aggregate of 641,166 shares of common stock, which represents 7% of the aggregate number of shares sold in the offering. The exercise price of these warrants is $1.3125 per share and they are exercisable for five years until August 5, 2025. These warrants and the shares issuable upon their exercise were issued as a private placement exempt from registration under the federal securities laws.

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

The following discussion and analysis of our financial condition and results of operations for the three and nine months ended June 30, 2020 should be read together with our unaudited consolidated financial statements and related notes included elsewhere in this report and in conjunction with the audited financial statements of Citius Pharmaceuticals, Inc. included in our Annual Report on Form 10-K for the year ended September 30, 2019. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors. We caution that assumptions, expectations, projections, intentions or beliefs about future events may, and often do, vary from actual results and the differences can be material. Please see "Cautionary Note Regarding Forward-Looking Statements."

Historical Background

Citius Pharmaceuticals, Inc. ("Citius," the "Company," "we" or "us") is a specialty pharmaceutical company dedicated to the development and commercialization of critical care products targeting important medical needs with a focus on anti-infective products in adjunct cancer care and unique prescription products. On September 12, 2014, we acquired Citius Pharmaceuticals, LLC as a wholly-owned subsidiary and on March 30, 2016, we acquired Leonard-Meron Biosciences, Inc. ("LMB") as a wholly-owned subsidiary.

In-process research and development represents the value of LMB's leading drug candidate, Mino-Lok®, which is an antibiotic solution used to treat catheter-related bloodstream infections. Goodwill represents the value of LMB's industry relationships and its assembled workforce. In-process research and development is expected to be amortized on a straight-line basis over a period of eight years commencing upon revenue generation. Goodwill will not be amortized, but will be tested at least annually for impairment.

Through June 30, 2020, the Company has devoted substantially all of its efforts to business planning, acquiring our proprietary technology, research and development, recruiting management and technical staff, and raising capital. We are developing three proprietary products: Mino-Lok, an antibiotic lock solution used to treat patients with catheter-related bloodstream infections by salvaging the infected catheter; Mino-Wrap, a liquifying gel-based wrap for reducting tissue expander infections following breast reconstructive surgeries; and Halo-Lido, a corticosteroid-lidocaine topical formulation that is intended to provide anti-inflammatory and anesthetic relief to persons suffering from hemorrhoids. On March 31, 2020, we entered into an option agreement with a subsidiary of Novellus, Inc. for a novel cellular therapy for acute respiratory distress syndrome (ARDS). We believe these unique markets for our proposed products are large, growing, and underserved by the current prescription products or procedures.

Patent and Technology License Agreements

Mino-Lok® - LMB has a patent and technology license agreement with Novel Anti-Infective Therapeutics, Inc. ("NAT") to develop and commercialize Mino-Lok® on an exclusive, worldwide sub-licensable basis, as amended. Since May 2014, LMB has paid an annual maintenance fee, which began at $30,000 and that increased over five years to $90,000, where it will remain until the commencement of commercial sales of a product subject to the license commence. LMB will also pay annual royalties on net sales of licensed products, with royalties ranging from the mid-single digits to the low double digits or, in the event the licensed product is not subject to a valid patent claim, the royalty is reduced to mid- to lower-single digits. In limited circumstances in which the licensed product is not subject to a valid patent claim and a competitor is selling a competing product, the royalty rate is in the low single digits. After a commercial sale is obtained, LMB must pay minimum aggregate annual royalties that increase in subsequent years. LMB must also pay NAT up to $1,100,000 upon achieving specified regulatory and sales milestones. Finally, LMB must pay NAT a specified percentage of payments received from any sub licensees.

Mino-Wrap - On January 2, 2019, we entered into a patent and technology license agreement with the Board of Regents of the University of Texas System on behalf of the University of Texas M. D. Anderson Cancer Center ("Licensor"), whereby we in-licensed exclusive worldwide rights to the patented technology for any and all uses relating to breast implants. We intend to develop a liquefying gel-based wrap containing minocycline and rifampin for the reduction of infections associated with breast implants following breast reconstructive surgeries ("Mino-Wrap"). We are required to use commercially reasonable efforts to commercialize Mino-Wrap under several regulatory scenarios and achieve milestones associated with these regulatory options leading to an approval from the Food and Drug Administration ("FDA").

Under the license agreement, the Company paid a nonrefundable upfront payment of $125,000. We paid an annual maintenance fee of $30,000 in January 2020 that increases annually by $15,000 per year up to a maximum of $90,000. Annual maintenance fees cease on the first sale of product. We also must pay up to an aggregate of $2.1 million in milestone payments, contingent on the achievement of various regulatory and commercial milestones. Under the terms of the license agreement, we also must pay a royalty of mid- to upper-single digit percentages of net sales, depending on the amount of annual sales, and subject to downward adjustment to lower- to mid-single digit percentages in the event there is no valid patent for the product in the United States at the time of sale. After the first sale of product, we will owe an annual minimum royalty payment of $100,000 that will increase annually by $25,000 for the duration of the term. We will be responsible for all patent expenses incurred by Licensor for the term of the agreement although Licensor is responsible for filing, prosecution and maintenance of all patents.

RESULTS OF OPERATIONS

Three months ended June 30, 2020 compared with the three months ended June 30, 2019

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
Revenues	$ —	$ —
Operating expenses:		
Research and development	2,644,244	2,766,260
General and administrative	1,869,636	1,456,451
Stock-based compensation expense	175,011	204,002
Total operating expenses	4,688,891	4,426,713
Operating loss	(4,688,891)	(4,426,713)
Interest income	13,018	25,268
Interest expense	(4,245)	(4,138)
Net loss	$ (4,680,118)	$ (4,405,583)

Revenues

We did not generate any revenues for the three months ended June 30, 2020 or 2019.

Research and Development Expenses

For the three months ended June 30, 2020, research and development expenses were $2,644,244 as compared to $2,766,260 during the three months ended June 30, 2019, a decrease of $122,016. Research and development costs for Mino-Lok® decreased by $881,515 to $1,489,285 for the three months ended June 30, 2020 as compared to $2,370,800 for the three months ended June 30, 2019. Research and development costs for our Halo-Lido product candidate decreased by $27,147 to $368,313 for the three months ended June 30, 2020 as compared to $395,460 for the three months ended June 30, 2019. Research and development costs for our Mino-Wrap product candidate increased to $22,216 for the three months ended June 30, 2020 as compared to no costs during the three months ended June 30, 2019. During the three months ended June 30, 2020, research and development costs for our new proposed novel cellular therapy for acute respiratory distress syndrome (ARDS) were $764,430.

We expect that research and development expenses will continue to increase in fiscal 2020 as we continue to focus on our Phase 3 trial for Mino-Lok®, progress the Halo-Lido product candidate and commence our research and development efforts related to ARDS and Mino-Wrap. We are actively seeking to raise additional capital in order to fund our research and development efforts.

On December 19, 2019, the Company announced a positive outcome of the pre-specified interim futility analysis for the Phase 3 clinical trial of Mino-Lok® versus the standard-of-care antibiotic locks. The analysis was conducted by the Mino-Lok trial Data Monitoring Committee (“DMC”), an independent panel of experts charged with periodically monitoring the safety and efficacy of the progress of the pivotal trial. The Company reached and completed the prespecified 40% enrollment required for the interim futility analysis in late September and, based on the analysis of the data and recommendations of the DMC, will proceed with the current trial as planned. The DMC is expected to meet again prior to September 30, 2020 to perform a second interim analysis.

General and Administrative Expenses

For the three months ended June 30, 2020, general and administrative expenses were $1,869,636 as compared to $1,456,451 during the three months ended June 30, 2019. General and administrative expenses increased by $413,185 in comparison with the prior period. General and administrative expenses consist primarily of compensation costs, consulting fees incurred for financing activities and corporate development services, and investor relations expenses. During the three months ended June 30, 2020, the Company incurred $347,315 in increased expenses for investor relations services compared to the three months ended June 30, 2019.

Stock-based Compensation Expense

For the three months ended June 30, 2020, stock-based compensation expense was $175,011 as compared to $204,002 for the three months ended June 30, 2019. Stock-based compensation expense includes options granted to directors, employees and consultants. Stock-based compensation expense for the most recently completed quarter decreased by $28,991 in comparison to the prior period.

Other Income (Expense)

Interest income for the three months ended June 30, 2020 was $13,018 as compared to interest income of $25,268 for the prior period. We have invested some of the proceeds of our recent equity offerings in money market accounts. Interest income has decreased as interest rates have declined.

Interest expense on notes payable for the three months ended June 30, 2020 was $4,245 compared to $4,138 for the three months ended June 30, 2019. The three months ended June 30, 2020 includes $336 in interest on the paycheck protection program loan received on April 15, 2020.

Net Loss

For the three months ended June 30, 2020, we incurred a net loss of $4,680,118 compared to a net loss for the three months ended June 30, 2019 of $4,405,583. The $274,535 increase in the net loss was primarily due to the increase of $413,185 in general and administrative expenses.

Nine months ended June 30, 2020 compared with the nine months ended June 30, 2019

	Nine Months Ended June 30, 2020	Nine Months Ended June 30, 2019
Revenues	$ —	$ —
Operating expenses:		
Research and development	7,324,730	6,579,237
General and administrative	5,690,953	4,782,972
Stock-based compensation expense	554,228	578,946
Total operating expenses	13,569,911	11,941,155
Operating loss	(13,569,911)	(11,941,155)
Other income	110,207	—
Interest income	44,463	41,159
Interest expense	(12,216)	(12,246)
Net loss	$ (13,427,457)	$ (11,912,242)

Revenues

We did not generate any revenues for the nine months ended June 30, 2020 or 2019.

Research and Development Expenses

For the nine months ended June 30, 2020, research and development expenses were $7,324,730 as compared to $6,579,237 during the nine months ended June 30, 2019, an increase of $745,493. Research and development costs for Mino-Lok® decreased by $371,508 to $5,200,607 for the nine months ended June 30, 2020 as compared to $5,572,115 for the nine months ended June 30, 2019. Research and development costs for our Halo-Lido product candidate increased by $366,238 to $1,248,360 for the nine months ended June 30, 2020 as compared to $882,122 for the nine months ended June 30, 2019. Research and development costs for our Mino-Wrap product candidate decreased by $13,667 to $111,333 for the nine months ended June 30, 2020 as compared to $125,000 during the nine months ended June 30, 2019.

We expect that research and development expenses will continue to increase in fiscal 2020 as we continue to focus on our Phase 3 trial for Mino-Lok®, progress the Halo-Lido product candidate and commence our research and development efforts related to ARDS and Mino-Wrap. We are actively seeking to raise additional capital in order to fund our research and development efforts.

General and Administrative Expenses

For the nine months ended June 30, 2020, general and administrative expenses were $5,690,953 as compared to $4,782,972 during the nine months ended June 30, 2019. General and administrative expenses increased by $907,981 in comparison with the prior period. General and administrative expenses consist primarily of compensation costs, consulting fees incurred for financing activities and corporate development services, and investor relations expenses. During the nine months ended June 30, 2020, the Company issued $428,770 in common stock for investor relations and other consulting services, and incurred additional legal and business advisory expenses.

Stock-based Compensation Expense

For the nine months ended June 30, 2020, stock-based compensation expense was $554,228 as compared to $578,946 for the nine months ended June 30, 2019. Stock-based compensation expense includes options granted to directors, employees and consultants.

Other Income (Expense)

In November 2019, we received an additional $110,207 refund from the FDA for 2016 product and establishment fees because the fees paid by the Company exceeded the costs of the FDA's review of the associated applications. The Company recorded the $110,207 as other income during the nine months ended June 30, 2020.

Interest income for the nine months ended June 30, 2020 was $44,463 compared to interest income of $41,159 for the prior period. We have invested some of the proceeds of our recent equity offerings in money market accounts and the interest is dependent on the amounts invested and the rates paid during any given period.

Interest expense on notes payable for the nine months ended June 30, 2020 was $12,216 compared to $12,246 for the nine months ended June 30, 2019.

Net Loss

For the nine months ended June 30, 2020, we incurred a net loss of $13,427,457 compared to a net loss for the nine months ended June 30, 2019 of $11,912,242. The $1,515,215 increase in the net loss was primarily due to the increase of $745,493 in research and development expenses and the increase of $907,981 in general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Going Concern Uncertainty and Working Capital

Citius has incurred operating losses since inception and incurred a net loss of $13,427,457 for the nine months ended June 30, 2020. At June 30, 2020, Citius had an accumulated deficit of $66,473,239. Citius' net cash used in operations during the nine months ended June 30, 2020 was $13,572,866.

Our September 30, 2019 consolidated financial statements contains an emphasis of a matter regarding substantial doubt about our ability to continue as a going concern and that the consolidated financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result if we do not continue as a going concern.

As of June 30, 2020, Citius had working capital of $4,958,973. Our limited working capital is attributable to the operating losses incurred by the Company since inception offset by our capital raising activities. At June 30, 2020, Citius had cash and cash equivalents of $8,517,339 available to fund its operations. The Company's primary sources of cash flow since inception have been from financing activities. Our primary uses of operating cash were for in-licensing of intellectual property, product development and commercialization activities, employee compensation, consulting fees, legal and accounting fees, insurance and investor relations expenses.

In January 2020, investors who participated in the September 2019 Offering exercised 1,315,715 warrants to purchase 1,315,715 shares of common stock. The exercise price of each warrant was $0.77 per share resulting in net proceeds of $1,013,101 to the Company.

On February 14, 2020, the Company entered into a warrant exercise agreement for an aggregate of 3,712,218 shares of common stock having an existing exercise price of $0.77 and 2,586,455 shares of common stock at a reduced exercise price of $1.02. The offering closed on February 19, 2020 and net proceeds were $5,013,930 after placement agent fees and offering expenses.

On May 18, 2020, the Company closed a registered direct offering with several institutional and accredited investors for the sale of 7,058,824 shares of common stock at $1.0625 per share for gross proceeds of $7,500,001. The Company also agreed to issue 3,529,412 unregistered immediately exercisable warrants to the investors with an exercise price of $1.00 per share and a term of five and one-half years. Net proceeds from the offering were $6,877,100.

On June 26, 2020, 1,129,412 of the May 2020 Registered Direct Offering Investor Warrants were exercised at $1.00 per share for net proceeds of $1,129,412.

Based on our cash and cash equivalents at June 30, 2020, we expect that we will have sufficient funds to continue our operations through January 2021. We plan to raise additional capital in the future to support our operations. There is no assurance, however, that we will be successful in raising the needed capital or that the proceeds will be received in an amount or in a timely manner to support our operations.

Inflation

Our management believes that inflation has not had a material effect on our results of operations.

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The preparation of our financial statements and related disclosures 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, and the disclosure of contingent assets and liabilities as of the date of the financial statements and the amounts of revenues and expenses recorded during the reporting periods. We base our estimates on historical experience, where applicable, and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions.

Our critical accounting policies and use of estimates are discussed in, and should be read in conjunction with, the annual consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended September 30, 2019 as filed with the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance 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 specified time periods and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure.

Our Chief Executive Officer (who is our principal executive officer) and Chief Financial Officer (who is our principal financial officer and principal accounting officer), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of June 30, 2020. In designing and evaluating disclosure controls and procedures, we recognize that any disclosure controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objective. As of June 30, 2020, based on the evaluation of these disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes In Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There has been no change in the Company's risk factors since the Company's Form 10-Q filed with the SEC on May 14, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

4.1	Form of Investor Warrant issued May 18, 2020 (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on May 18, 2020).
4.2	Form of Placement Agent Warrant issued May 18, 2020 (incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on May 18, 2020).
10.1	Form of Securities Purchase Agreement, dated May 14, 2020, by and between Citius Pharmaceuticals, Inc. and the purchasers signatory thereto (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on May 18, 2020).
10.2	Engagement letter, dated February 14, 2020, between Citius Pharmaceuticals, Inc. and H. C. Wainwright & Co., LLC (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on May 18, 2020).
10.3	Employment Agreement, effective as of July 14, 2020, between Citius Pharmaceuticals, Inc. and Myron Czuczman.*
31.1	Certification of the Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a).*
31.2	Certification of the Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a).*
32.1	Certification of the Principal Executive and Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.*
EX-101.INS	XBRL INSTANCE DOCUMENT*
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT*
EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE*
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE*
EX-101.LAB	XBRL TAXONOMY EXTENSION LABELS LINKBASE*
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE*

* Filed herewith.

SIGNATURES

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

		CITIUS PHARMACEUTICALS, INC.
Date: August 14, 2020	By:	/s/ *Myron Holubiak* Myron Holubiak Chief Executive Officer (Principal Executive Officer)
Date: August 14, 2020	By:	/s/ *Jaime Bartushak* Jaime Bartushak Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 10.3

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), is entered into effective as of July 13, 2020 (the 'Effective Date"), by and between Citius Pharmaceuticals, Inc., a Nevada corporation with principal executive offices at 11 Commerce Drive, First Floor, Cranford, New Jersey 07016 (the "Company"), and Myron Czuczman, M.D., residing at 26 Quail Run, Randolph, NJ 07869 (the "Employee").

W I T N E S S E T H:

WHEREAS, the Company desires to employ Employee as its Executive Vice President, Chief Medical Officer and Employee desires to be employed by the Company, pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. Employment. The Employee will be employed by the Company as its Executive Vice President, Chief Medical Officer and shall perform such duties as are consistent with such position, as well as such other duties as are reasonably requested by the Company from time to time (the "Services"). The Employee agrees to perform such duties faithfully, to devote substantially all of his working time, attention and energies to the business of the Company, and while he remains employed and subject to the terms of this Agreement, not to engage in any other business activity that is in conflict with his duties and obligations to the Company. Employee hereby accepts such employment and agrees to render the Services.

2. At Will Employment. The Employee's employment under this Agreement shall commence on the Effective Date and shall continue thereafter until terminated by either party. Employee's employment with the Company is at-will, and either party can terminate the employment relationship at any time, for any or no cause or reason, and with or without prior notice. Notwithstanding the foregoing, Employee may be entitled to severance benefits pursuant to Section 8 of this Agreement depending on the circumstances of his termination of employment with the Company.

3. Best Efforts. The Employee shall devote substantially all of his business time, attention and energies to the business and affairs of the Company and shall use his best efforts to advance the best interests of the Company and shall not during his employment with the Company be actively engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage, that will interfere with the performance by the Employee of his duties hereunder or the Employee's availability to perform such duties or that will adversely affect, or negatively reflect upon, the Company.

4. Compensation. As full compensation for the performance by the Employee of his duties under this Agreement, the Company shall pay the Employee as follows:

(a) Base Salary. The Company shall pay Employee an annual salary (the "Base Salary") equal to Four Hundred Thousand Dollars ($400,000) per year. Payment shall be made in accordance with the Company's normal payroll practices. The Base Salary will be subject to periodic review and adjustment at the Company's discretion.

(b) Discretionary Annual Bonus. Employee will be eligible for a discretionary bonus of up to 35% of Employee's Base Salary (the "Annual Bonus") at year end. The actual amount of Employee's Annual Bonus, if any, will be determined based on the Employee's and the Company's performance and in the discretion of the Company's Chief Executive Officer and the Company's Board of Directors (the "Board") or a designated committee thereof. The Annual Bonus for any given year will be payable no later than March 15 of the year immediately following the year in which the Annual Bonus, if any, is earned. If Employee leaves the Company or is terminated for any reason before the final day of the bonus year, Employee will be ineligible for an Annual Bonus for that year; provided that, Employee will be eligible to receive a prorated Annual Bonus where his employment is terminated by the Company without Cause, or when Employee terminates his employment for Good Reason, before the final day of the bonus year, subject to the provisions of Section 8 below.

(c) Stock Options. The Company will grant to Employee stock options to purchase 500,000 shares of the Company's common stock (the "Options"). The Options will be granted pursuant to the terms of the Company's 2020 Omnibus Stock Incentive Plan (the "Plan") and a related stock option grant agreement between Employee and the Company. The exercise price of the Options will be the Fair Market Value of the Company's common stock on the date of grant, determined in accordance with the Plan. One-third of the total number of Options will vest on the first anniversary of the Effective Date, with the remainder vesting in 24 equal monthly installments thereafter, in each case subject to Employee's continued employment with the Company on the applicable vesting dates.

(d) Withholding. The Company shall withhold all applicable federal, state and local taxes and social security and such other amounts as may be required by law from all amounts payable to the Employee under this Agreement.

(e) Expenses. The Company shall reimburse the Employee for all normal, usual and necessary expenses incurred by the Employee in furtherance of the business and affairs of the Company, including reasonable travel and entertainment, upon timely receipt by the Company of appropriate vouchers or other proof of the Employee's expenditures and otherwise in accordance with any expense reimbursement policy as may from time to time be adopted by the Company.

(f) Other Benefits. During Employee's employment at the Company, Employee will be eligible to participate in the Company's then-current employee benefits programs applicable to Employee's position, if any, on the same basis and subject to the same qualifications and limitations, as other similarly situated employees in the Company. All Company benefit plans will be governed by and subject to plan documents and/or written policies. These benefits may include group medical, dental and vision, group life insurance, AD&D insurance, STD and LTD insurance, and paid vacation and holidays. The Company reserves the right to amend, modify, and/or terminate any of its employee benefit plans or policies at any time.

(g) Vacation. Employee shall be eligible to accrue vacation days ratably throughout each calendar year of his employment, equating to 20 vacation days in a full calendar year, subject to the Company's vacation plan or policy. Unless otherwise provided by the Company's vacation policy, Employee shall be entitled to carry up to ten (10) days of unused, accrued vacation forward from one year of employment to the next and will be paid for unused accrued vacation time upon termination of employment.

5. Confidential Information and Inventions. As a condition of Employee's employment hereunder, Employee will execute a Confidentiality and Assignment of Inventions Agreement in the form attached hereto as Exhibit A (the "Confidentiality Agreement"), which agreement is incorporated by reference herein and made a part hereof.

6. Non-Competition and Non-Solicitation. Employee understands and recognizes that his services to the Company are special and unique and that in the course of performing such services the Employee will have access to and knowledge of confidential and proprietary information and will become knowledgeable of and familiar with the Company's customers as well as the Company's business. Employee acknowledges that, due to the unique nature of the Company's business, the loss of any of its clients or business flow or the improper use of its confidential and proprietary information could create significant instability and cause substantial damage to the Company and therefore the Company has a strong legitimate business interest in protecting the continuity of its business interests and the restriction herein agreed to by the Employee narrowly and fairly serves such an important and critical business interest of the Company. Therefore, Employee covenants and agrees as follow:

(a) Definitions. As used in this Agreement, the following terms have the meanings given to such terms below:

(i) "Business" means (A) acquiring, developing and commercializing drug products focused on adjunctive cancer therapies; (B) acquiring, developing and commercializing drug products for the treatment of hemorrhoids; (C) acquiring, developing and commercializing drug products in areas other than those listed in clauses (A) or (B); and (D) any other business that the Company is actively engaged in at the time of the date of termination, provided that this clause (D) shall only apply if Employee is involved with that other business.

(ii) "Customer" means (A) any Person who is or was a customer of the Company at the time of, or during the six month period prior to, the date of Employee's termination and with whom Employee had dealings on behalf of the Company in the course of his employment with the Company, or about whom Employee received confidential and proprietary information in the course of his employment with the Company, and (B) any prospective customer to whom, within the six month period prior to the Employee's date of termination, the Company had submitted proposals to for services of which Employee has knowledge, whether or not such proposals have yet to be executed into contracts, provided that, the Company has a legitimate expectation of doing business with such prospective customer, and provided further that the Employee has had material business contacts with such prospective customer on behalf of the Company, whether such contact was initiated by the prospective customer or by Employee.

(iii) "Company Employee" means (A) any Person who is an employee of the Company at the time of the date of Employee's termination of employment, and (B) any Person who was an employee of the Company during the six month period prior to, the termination of Employee's employment.

(iv) "Person" means any individual person, firm, partnership, joint venture, corporation, limited liability company, or other business entity.

(v) "Restricted Period" means the period commencing on the date of Employee's termination of employment and ending six months thereafter, provided, however, that this period will be tolled and will not run during any time Employee is in violation of this Section 6, it being the intent of the parties that the Restricted Period will be extended for any period of time in which Employee is in violation of this Section.

(vi) "Restricted Territory" means any state, province or similar geographic subdivision in which the Company does business at time of, or in the six months immediately preceding, the Employee's date of termination.

(b) Non-Competition. During his employment with the Company, Employee will not, on his own behalf or on behalf of any other Person, engage in any business competitive with or adverse to that of the Company. In addition, during his employment with the Company and during the Restricted Period, Employee will not (i) engage in the Business in the Restricted Territory, or (ii) hold a position based in or with responsibility for all or part of the Restricted Territory, with any Person engaging in the Business, whether as employee, consultant, or otherwise, in which Employee will use or disclose or be reasonably expected to use or disclose any confidential and proprietary information of the Company for the purpose of providing, or attempting to provide, such Person with a competitive advantage with respect to the Business. For purposes of clarification, nothing contained in this Section 6(b) shall be deemed to prohibit the Employee from acquiring or holding, solely for investment, publicly traded securities of any corporation, some or all of the activities of which are competitive with the business of the Company so long as such securities do not, in the aggregate, constitute more than 5% of any class or series of outstanding securities of such corporation.

(c) Non-Solicitation. During his employment with the Company and during the Restricted Period, Employee will not, directly or indirectly, on Employee's own behalf or on behalf of any other Person:

(i) Call upon, solicit, divert, encourage or attempt to call upon, solicit, divert or encourage any Customer for purposes of marketing, selling or providing products or services to such Customer that are similar to or competitive with those offered by the Company;

(ii) Induce, encourage or attempt to induce or encourage any Customer to reduce, limit or cancel its business with the Company;

(iii) Induce, encourage or attempt to induce or encourage any Customer to purchase or accept products or services competitive with those offered by the Company from any Person (other than the Company) engaging in the Business;

(iv) Otherwise interfere or engage in any conduct that would have the effect of interfering, in any manner, with the business relationship between the Company and any of the Company's Customers; or

(v) Solicit, induce, or attempt to solicit or induce any Company Employee or any independent contractor (who is then engaged by the Company or was engaged by the Company in the prior six months) to terminate his or her employment or engagement with the Company or to accept employment or engagement with any Person engaging in the Business within the Restricted Territory.

(d) [Intentionally Omitted]

(e) Enforcement. In the event that the Employee breaches or threatens to breach any provisions of Section 5 (inclusive of the Confidentiality Agreement) or this Section 6, then the Company may suffer irreparable harm and monetary damages may be inadequate to compensate the Company. Accordingly, in addition to any other rights which the Company may have, the Company may (i) be entitled, without the posting of bond or other security, to seek injunctive relief to enforce the restrictions contained in such Sections and (ii) in addition to any equitable remedies, have the right to seek money damages for said alleged breach.

(f) Reasonableness and Severability. Each of the rights and remedies enumerated in Section 6(e) shall be independent of the others and shall be in addition to and not in lieu of any other rights and remedies available to the Company at law or in equity. The Employee hereby acknowledges and agrees that the covenants provided for pursuant to Section 6 are essential elements of Employee's employment by the Company and are reasonable with respect to their duration, geographic area and scope and in all other respects. If, at the time of enforcement of this Section 6, a court holds that the restrictions stated herein are unreasonable under the circumstances then existing, the parties hereto agree that the maximum duration, scope or geographic area legally permissible under such circumstances will be substituted for the duration, scope or area stated herein. If any of the covenants contained in this Section 6, or any part of any of them, is hereafter construed or adjudicated to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants or rights or remedies which shall be given full effect without regard to the invalid portions. No such holding of invalidity or unenforceability in one jurisdiction shall bar or in any way affect the Company's right to the relief provided in this Section 6 or otherwise in the courts of any other state or jurisdiction within the geographical scope of such covenants as to breaches of such covenants in such other respective states or jurisdictions, such covenants being, for this purpose, severable into diverse and independent covenants.

(g) Survival. The provisions of this Section 6 shall survive any termination of this Agreement.

7. Representations and Warranties.

(a) The Employee hereby represents and warrants to the Company as follows:

(i) Neither the execution or delivery of this Agreement nor the performance by the Employee of his duties and other obligations hereunder violate or will violate any statute, law, determination or award, or conflict with or constitute a default or breach of any covenant or obligation under (whether immediately, upon the giving of notice or lapse of time or both) any prior employment agreement, contract, or other instrument to which the Employee is a party or by which he is bound.

(ii) The Employee has the full right, power and legal capacity to enter and deliver this Agreement and to perform his duties and other obligations hereunder. This Agreement constitutes the legal, valid and binding obligation of the Employee enforceable against him in accordance with its terms. No approval or consent of any Person is required for the Employee to execute and deliver this Agreement or perform his duties and other obligations hereunder.

(b) The Company hereby represents and warrants to the Employee that this Agreement and the employment of the Employee hereunder have been duly authorized by and on behalf of the Company, including, without limitation, by all required action by the Board.

8. Separation Payments.

(a) If Employee's employment is terminated by the Company without Cause (as defined below) or by Employee for Good Reason (as defined below), provided that Employee signs and does not revoke a general release of claims against the Company within the time period specified therein, but in no event later than 60 days after the termination date, in form and substance satisfactory to the Company and Employee (the "Release"), then the Company will provide Employee with the following benefits, referred to herein as the "Separation Benefits":

(i) an amount of severance pay equal to Employee's then-current Base Salary, paid less applicable taxes and withholdings over a period of 12 months following the date of termination (the "Separation Pay");

(ii) a pro-rated portion of the Annual Bonus for which Employee is eligible for the year of termination, based on actual performance for the year as determined by the Board based on the period between the first day of the fiscal year in which the Annual Bonus is in force and the actual day of termination, and payable when the Company would otherwise have paid the Annual Bonus; and

(iii) provided that Employee properly and timely elects to continue his health insurance benefits under COBRA or applicable state continuation coverage law after the date of termination, reimbursement for Employee's applicable health continuation coverage premiums actually paid, less the amount of any premium amount that would have been payable by Employee for such coverage, if any, if Employee had been actively employed by the Company, for a period of 12 months or until Employee becomes eligible for insurance benefits from another employer, whichever is earlier (the "COBRA Reimbursement").

The Separation Pay described in clause (i) above will be payable to Executive over time in accordance with the Company's payroll practices and procedures beginning on the 60th day following the termination of Executive's employment with the Company, provided that the first installment will include all amounts that would have been paid if such payments had commenced effective on the date of termination. The COBRA Reimbursement shall continue for the specified period provided that (A) the Company may terminate the COBRA Reimbursement if Employee becomes eligible to receive health benefits pursuant to a plan maintained by a subsequent employer during such period, and Employee will promptly notify the Company of his becoming eligible for such coverage, and (B) the Company has the right to discontinue the reimbursement payment and pay to the Employee a lump sum amount equal to the current COBRA premium times the number of months remaining in the specified period if the Company determines that continued payment of the COBRA reimbursement is discriminatory under Section 105(h) of the Internal Revenue Code of 1986, as amended. If Employee is entitled to receive the Separation Benefits but materially breaches his obligations under this Agreement or any other agreement entered into by Employee and the Company (including but not limited to the Confidentiality Agreement) after termination of employment, the Company will be entitled to immediately stop paying any further installments of the Separation Benefits.

(b) For purposes of this Agreement, "Cause" shall mean Employee's: (i) willful or repeated failure, disregard or refusal to perform his duties as an employee of the Company; (ii) willful misconduct with respect to Employee's duties as an employee of the Company; (iii) material breach of any agreement between Employee and the Company (including but not limited to this Agreement or the Confidentiality Agreement); (iv) conviction on charges of, or plea of guilt or no contest to any felony or a misdemeanor involving illegal drugs or substances or moral turpitude (including entry of a nolo contendere plea); (v) engagement in a form of discrimination or harassment prohibited by law (including, without limitation, discrimination or harassment based on race, color, religion, sex, national origin, age or disability); and/or (vi) intentional or negligent act that injures or, in the reasonable opinion of the Company, has the capacity to injure, the operations or reputation of the Company. " Good Reason" shall mean any of the following occurring at the time of, or within 12 months immediately following, a Change in Control: (i) a material reduction in Employee's Base Salary without his consent; (ii) any reduction or material change in his duties as Employee; (iii) a material breach by the Company (or by any successor) of the terms and conditions of any agreement between Employee and the Company; or (iv) any directive of the Company that would require Employee to commit any act or omission involving fraud, embezzlement, or unethical behavior or would bring Employee into substantial public or professional disgrace or disrepute. To effectuate a termination of employment for Good Reason, Employee must give the Company written notice of the termination within 30 days of the initial existence of the circumstances alleged to be the grounds for Good Reason, setting forth such circumstances in reasonable detail. The Company shall have 30 days following the receipt of such notification to cure the specific circumstances that constitute Good Reason. In the event the Company takes effective action to cure, Good Reason for termination shall not be deemed to exist with respect to the specific circumstances set forth in the written notice. "Change in Control" means the sale of substantially all the assets of the Company, any merger, consolidation or acquisition of the Company by or into another party, entity or person, and or any change in the ownership of more than 50% of the voting capital stock of the Company in one or more related transactions.

(c) This Section 8 sets forth the only obligations of the Company with respect to the termination of the Employee's employment with the Company, except as otherwise required by law, and the Employee acknowledges that, upon the termination of his employment, he shall not be entitled to any payments or benefits which are not explicitly provided in Section 8 (other than payment of any accrued, unpaid Base Salary and accrued but unused vacation pay through the date of termination).

9. 409A Restrictions. The intent of the parties to the Agreement is that the payments, compensation and benefits under this Agreement be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively, "Section 409A") and, in this connection, the following shall be applicable:

(a) To the greatest extent possible, this Agreement shall be interpreted to be exempt or in compliance with Section 409A.

(b) If any severance, compensation, or benefit required by the Agreement is to be paid in a series of installment payments, each individual payment in the series shall be considered a separate payment for purposes of Section 409A.

(c) If any severance, compensation, or benefit required by the Agreement that constitutes "nonqualified deferred compensation" within the meaning of Section 409A is considered to be paid on account of "separation from service" within the meaning of Section 409A, and Employee is a "specified employee" within the meaning of Section 409A, no payments of any of such severance, compensation, or benefit shall made for six months plus one day after such separation from service (the "New Payment Date"). The aggregate of any such payments that would have otherwise been paid during the period between the date of separation from service and the New Payment Date shall be paid to the Employee in a lump sum on the New Payment Date. Thereafter, any severance, compensation, or benefit required by the Agreement that remains outstanding as of the day immediately following the New Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of this Agreement.

(d) The provisions of this Section 9 shall survive any termination of this Agreement.

10. Indemnification. The Company will indemnify Employee with respect to matters relating to his services as an officer and/or director of the Company, if applicable, to the extent set forth in the Company's bylaws and in accordance with the terms of any other indemnification which is generally applicable to executive officers of the Company that may be provided by the Company from time to time. The Company will also cover Employee under a policy of officers' and directors' liability insurance that provides coverage that is comparable to that provided to any other executive officer or director of the Company, if applicable; provided the Company is not required to obtain or maintain such insurance if in the reasonable judgment of the Company's Board such insurance cannot be obtained or maintained on reasonable terms.

11. Miscellaneous.

(a) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New Jersey, without giving effect to its principles of conflicts of laws.

(b) The parties agree that any litigation arising out of or related to this Agreement or Employee's employment by the Company will be brought exclusively in any state or federal court in Union County, New Jersey. Each party (i) consents to the personal jurisdiction of said courts, (ii) waives any venue or inconvenient forum defense to any proceeding maintained in such courts, and (iii) agrees not to bring any proceeding arising out of or relating to this Agreement or Employee's employment by Company in any other court.

(c) This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, legal representatives, successors and permitted assigns.

(d) This Agreement, and the Employee's rights and obligations hereunder, may not be assigned by the Employee. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company, including any successors or assigns in connection with any sale, transfer or other disposition of all or substantially all of its business or assets.

(e) This Agreement cannot be amended orally, or by any course of conduct or dealing, but only by a written agreement signed by the parties hereto.

(f) The failure of either party to insist upon the strict performance of any of the terms, conditions and provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and such terms, conditions and provisions shall remain in full force and effect. No waiver of any term or condition of this Agreement on the part of either party shall be effective for any purpose whatsoever unless such waiver is in writing and signed by such party.

(g) All notices, requests, consents and other communications, required or permitted to be given hereunder, shall be in writing and shall be delivered personally or by an overnight courier service or sent by registered or certified mail, postage prepaid, return receipt requested, to the parties at the addresses set forth on the first page of this Agreement, and shall be deemed given when so delivered personally or by overnight courier, or, if mailed, five days after the date of deposit in the United States mails. Either party may designate another address, for receipt of notices hereunder by giving notice to the other party in accordance with this Section 11(g).

(h) This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(i) The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(j) This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and intend it to be effective as of the Effective Date by proper person thereunto duly authorized.

Citius Pharmaceuticals, Inc.

By: /s/ Myron Holubiak
Name: Myron Holubiak
Title: CEO

Employee

/s/ Myron Czuczman
Myron Czuczman, M.D.

Exhibit A

Confidentiality and Assignment of Inventions Agreement

EXHIBIT 31.1

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Myron Holubiak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Citius Pharmaceuticals, 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. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

August 14, 2020

By: /s/ Myron Holubiak
Myron Holubiak
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Jaime Bartushak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Citius Pharmaceuticals, 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. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, 2020

By: /s/ Jaime Bartushak
Jaime Bartushak
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER AND THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Citius Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Myron Holubiak, President and Chief Executive Officer of the Company, and Jaime Bartushak, Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2020

By: /s/ Myron Holubiak
Myron Holubiak
President and Chief Executive Officer
(Principal Executive Officer,
Principal Financial Officer and
Principal Accounting Officer)

By: /s/ Jaime Bartushak
Jaime Bartushak
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)