

PALATIN TECHNOLOGIES INC

Form 10-Q

May 12, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

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: 001-15543

\_\_\_\_\_  
PALATIN TECHNOLOGIES, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

95-4078884  
(I.R.S. Employer Identification No.)

4C Cedar Brook Drive  
Cranbury, New Jersey  
(Address of principal executive  
offices)

08512  
(Zip Code)

(609) 495-2200  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No

As of May 11, 2010, 107,028,183 shares of the registrant's common stock, par value \$.01 per share, were outstanding.

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PALATIN TECHNOLOGIES, INC.  
Table of Contents

	Page
PART I – FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
<u>Consolidated Balance Sheets as of March 31, 2010 and June 30, 2009</u>	2
<u>Consolidated Statements of Operations for the Three and Nine Months Ended March 31, 2010 and 2009</u>	3
<u>Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 2010 and 2009</u>	4
<u>Notes to Consolidated Financial Statements</u>	5
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	12
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	15
Item 4. <u>Controls and Procedures</u>	15
PART II – OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	16
Item 1A. <u>Risk Factors</u>	16
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	16
Item 3. <u>Defaults Upon Senior Securities</u>	16
Item 5. <u>Other Information</u>	16
Item 6. <u>Exhibits</u>	16
<u>SIGNATURES</u>	

Table of Contents

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

PALATIN TECHNOLOGIES, INC.  
and SubsidiaryConsolidated Balance Sheets  
(unaudited)

	March 31, 2010	June 30, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$6,775,679	\$4,378,662
Available-for-sale investments	3,449,720	3,439,650
Accounts receivable	530,092	508,528
Prepaid expenses and other current assets	377,303	492,824
Total current assets	11,132,794	8,819,664
Property and equipment, net	2,688,702	3,650,783
Restricted cash	475,000	475,000
Other assets	257,420	254,364
Total assets	\$14,553,916	\$13,199,811
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Capital lease obligations	\$19,170	\$87,675
Accounts payable	681,190	206,363
Accrued expenses	1,477,682	1,420,741
Deferred revenue	-	6,955,553
Total current liabilities	2,178,042	8,670,332
Capital lease obligations	19,393	33,954
Deferred rent	793,608	1,182,026
Total liabilities	2,991,043	9,886,312
Stockholders' equity:		
Preferred stock of \$0.01 par value – authorized 10,000,000 shares; Series A Convertible; issued and outstanding 4,997 shares as of March 31, 2010 and June 30, 2009, respectively	50	50
Common stock of \$0.01 par value – authorized 150,000,000 shares; issued and outstanding 106,571,465 and 86,662,901 shares as of March 31, 2010 and June 30, 2009, respectively	1,065,715	866,629
Additional paid-in capital	215,308,724	209,712,379
Accumulated other comprehensive income	126,181	116,111
Accumulated deficit	(204,937,797)	(207,381,670)
Total stockholders' equity	11,562,873	3,313,499
Total liabilities and stockholders' equity	\$14,553,916	\$13,199,811

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

Table of ContentsPALATIN TECHNOLOGIES, INC.  
and SubsidiaryConsolidated Statements of Operations  
(unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
REVENUES	\$2,559,852	\$5,159,453	\$13,505,770	\$7,124,704
OPERATING EXPENSES:				
Research and development	3,356,956	3,813,878	8,739,389	10,311,328
General and administrative	1,238,187	1,273,365	3,526,883	3,881,688
Total operating expenses	4,595,143	5,087,243	12,266,272	14,193,016
Income/(Loss) from operations	(2,035,291 )	72,210	1,239,498	(7,068,312 )
OTHER INCOME/ (EXPENSE):				
Investment income	16,641	34,966	120,270	195,182
Interest expense	(2,287 )	(8,998 )	(9,303 )	(21,016 )
Gain on sale of supplies and equipment	-	-	95,000	550,968
Total other income, net	14,354	25,968	205,967	725,134
Income/(Loss) before income taxes	(2,020,937 )	98,178	1,445,465	(6,343,178 )
Income tax benefit	-	-	998,408	1,741,476
NET INCOME/(LOSS)	\$(2,020,937 )	\$98,178	\$2,443,873	\$(4,601,702 )
Basic net income/(loss) per common share	\$(0.02 )	\$0.00	\$0.02	\$(0.05 )
Diluted net income/(loss) per common share	\$(0.02 )	\$0.00	\$0.02	\$(0.05 )
Weighted average number of common shares outstanding used in computing basic net income/(loss) per common share	99,873,230	86,662,901	95,753,143	86,273,130
Weighted average number of common shares outstanding used in computing diluted net income/(loss) per common share	99,873,230	86,662,901	96,467,914	86,273,130

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

Table of ContentsPALATIN TECHNOLOGIES, INC.  
and SubsidiaryConsolidated Statements of Cash Flows  
(unaudited)

	Nine Months Ended March 31,	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income/(loss)	\$2,443,873	\$ (4,601,702)
Adjustments to reconcile net income/(loss) to net cash used in operating activities:		
Depreciation and amortization	969,076	997,994
Gain on sale of supplies and equipment	(95,000 )	(550,968 )
Stock-based compensation	807,506	1,154,121
Amortization of deferred revenue	(11,955,553)	(1,516,670)
Changes in operating assets and liabilities:		
Accounts receivable	(21,564 )	(581,064 )
Prepaid expenses and other assets	112,465	(139,674 )
Accounts payable	474,827	(436,839 )
Accrued expenses and other liabilities	(331,477 )	(740,129 )
Deferred revenues	5,000,000	4,100,000
Net cash used in operating activities	(2,595,847 )	(2,314,931)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of supplies and equipment	95,000	700,000
Purchases of property and equipment	(6,995 )	(32,884 )
Net cash provided by investing activities	88,005	667,116
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on capital lease obligations	(83,066 )	(204,386 )
Payment of withholding taxes related to restricted stock units	(165,861	15-Jun-2023 Swap Cash 57,709 <sup>0.01%</sup>



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Swap	5-Sep-2019	Cash	55,700	0.01%
CFD	17-Jul-2028	Cash	55,000	0.01%
Swap	2-Feb-2023	Cash	54,448	0.01%
CFD	27-Feb-2023	Cash	52,650	0.01%
CFD	14-Jan-2021	Cash	51,561	0.01%
CFD	25-Apr-2019	Cash	50,000	0.01%
CFD	10-Mar-2028	Cash	47,012	0.01%
CFD	25-Feb-2027	Cash	46,703	0.01%
CFD	1-Mar-2028	Cash	45,091	0.01%
CFD	27-Feb-2023	Cash	44,822	0.01%
CFD	18-Sep-2019	Cash	43,473	0.01%
Swap	1-Feb-2023	Cash	43,214	0.01%
CFD	14-Jan-2021	Cash	42,705	0.01%
Swap	21-Nov-2018	Cash	42,200	0.01%
CFD	25-Apr-2019	Cash	41,002	0.01%
Swap	14-Jun-2023	Cash	40,052	0.01%
CFD	17-Jul-2023	Cash	39,200	0.01%
Swap	12-Jul-2023	Cash	37,897	0.005%
CFD	21-Jan-2028	Cash	35,029	0.004%
CFD	21-Jul-2028	Cash	34,000	0.004%
Call Option	19-Nov-2018	Cash	33,949	0.004%
Swap	7-Jul-2023	Cash	32,746	0.004%
Swap	12-Jun-2023	Cash	30,225	0.004%
CFD	25-Apr-2019	Cash	29,469	0.004%
CFD	25-Sep-2028	Cash	28,800	0.004%
CFD	30-Oct-2028	Cash		0.004%

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			28,773	
CFD	14-Jul-2023	Cash	28,400	0.004%
CFD	22-Sep-2028	Cash	27,275	0.003%
Swap	15-Jun-2023	Cash	26,702	0.003%
CFD	1-Nov-2028	Cash	26,197	0.003%
CFD	13-Sep-2028	Cash	26,000	0.003%
CFD	6-Jul-2023	Cash	25,488	0.003%
CFD	25-Apr-2019	Cash	24,541	0.003%
CFD	26-Nov-2021	Cash	24,179	0.003%
Swap	14-Jun-2023	Cash	23,383	0.003%
Swap	12-Jul-2023	Cash	22,173	0.003%
CFD	17-Jul-2023	Cash	20,900	0.003%
CFD	25-Sep-2028	Cash	20,406	0.003%
Swap	1-Feb-2023	Cash	20,297	0.003%
CFD	27-Feb-2023	Cash	19,800	0.003%
Swap	7-Jul-2023	Cash	19,160	0.002%
Swap	5-Sep-2019	Cash	18,900	0.002%
CFD	20-Oct-2021	Cash	18,158	0.002%
CFD	25-Oct-2028	Cash	17,786	0.002%
Swap	7-May-2019	Cash	16,302	0.002%
Swap	28-Mar-2019	Cash	16,200	0.002%
Swap	22-May-2020	Cash	16,129	0.002%
Swap	30-Apr-2019	Cash	15,800	0.002%
Swap	22-May-2020	Cash	15,796	0.002%
Swap	15-Jun-2023	Cash	15,589	0.002%
CFD	21-Jul-2028	Cash		0.002%

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			15,000	
CFD	19-Oct-2028	Cash	15,000	0.002%
Swap	28-Nov-2018	Cash	14,300	0.002%
Swap	17-Sep-2020	Cash	14,153	0.002%
Swap	12-Jun-2023	Cash	13,985	0.002%
CFD	25-Oct-2019	Cash	13,601	0.002%
Swap	3-Nov-2021	Cash	12,609	0.002%
Swap	22-May-2020	Cash	12,597	0.002%
Swap	1-Feb-2023	Cash	11,847	0.002%
CFD	26-Jun-2019	Cash	11,475	0.001%
Swap	29-Nov-2018	Cash	10,900	0.001%
CFD	28-Oct-2020	Cash	10,812	0.001%
Swap	5-Sep-2019	Cash	10,800	0.001%
Swap	6-Feb-2019	Cash	10,500	0.001%
Call Option	20-Nov-2018	Cash	8,642	0.001%
Swap	12-Oct-2023	Cash	8,622	0.001%
Swap	12-Jun-2023	Cash	8,165	0.001%
CFD	5-Oct-2028	Cash	7,978	0.001%
Swap	22-May-2020	Cash	7,925	0.001%
CFD	25-Apr-2019	Cash	7,650	0.001%
CFD	21-Oct-2021	Cash	7,596	0.001%
Swap	22-May-2020	Cash	7,437	0.001%
CFD	27-Jan-2028	Cash	7,372	0.001%
Call Option	21-Nov-2018	Cash	7,206	0.001%
Swap	22-May-2020	Cash	6,834	0.001%
Swap	22-May-2020	Cash		0.001%

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			6,153	
CFD	20-Oct-2028	Cash	5,123	0.001%
CFD	15-Dec-2027	Cash	5,000	0.001%
CFD	8-Mar-2028	Cash	5,000	0.001%
CFD	12-May-2028	Cash	5,000	0.001%
Swap	22-May-2020	Cash	4,774	0.001%
CFD	27-Apr-2020	Cash	4,652	0.001%
CFD	27-Oct-2028	Cash	4,511	0.001%
Call Option	2-Nov-2018	Cash	4,501	0.001%
Swap	22-May-2020	Cash	3,941	0.001%
Swap	5-Sep-2019	Cash	3,900	0.0005%
Swap	3-Nov-2021	Cash	3,634	0.0005%
CFD	27-Feb-2023	Cash	3,247	0.0004%
CFD	25-Apr-2019	Cash	3,060	0.0004%
Swap	22-May-2020	Cash	3,050	0.0004%
Swap	22-May-2020	Cash	2,857	0.0004%
CFD	27-Sep-2028	Cash	2,723	0.0003%
Swap	3-Nov-2021	Cash	2,556	0.0003%
CFD	29-Sep-2028	Cash	2,500	0.0003%
CFD	28-Oct-2020	Cash	2,350	0.0003%
CFD	28-Oct-2020	Cash	2,350	0.0003%
Swap	3-Nov-2021	Cash	2,214	0.0003%
CFD	27-Sep-2028	Cash	2,000	0.0003%
CFD	27-Sep-2028	Cash	1,900	0.0002%
CFD	27-Jan-2028	Cash	1,845	0.0002%
Swap	22-May-2020	Cash		0.0002%

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			1,768	
CFD	27-Jan-2028	Cash	1,723	0.0002%
CFD	6-Sep-2028	Cash	1,700	0.0002%
CFD	26-Oct-2028	Cash	1,547	0.0002%
Call Option	31-Oct-2018	Cash	1,387	0.0002%
CFD	6-Sep-2028	Cash	946	0.0001%
CFD	18-Sep-2028	Cash	907	0.0001%
CFD	7-Sep-2028	Cash	800	0.0001%
CFD	27-Oct-2028	Cash	800	0.0001%
CFD	27-Jan-2028	Cash	780	0.0001%
CFD	21-Sep-2028	Cash	600	0.0001%
CFD	18-Oct-2028	Cash	600	0.0001%
CFD	23-Oct-2028	Cash	481	0.0001%
Swap	22-May-2020	Cash	461	0.0001%
CFD	8-Sep-2028	Cash	437	0.0001%
Swap	22-May-2020	Cash	419	0.0001%
CFD	11-Oct-2028	Cash	400	0.0001%
CFD	28-Sep-2028	Cash	396	0.0001%
Swap	22-May-2020	Cash	329	0.00004%
Swap	22-May-2020	Cash	323	0.00004%
CFD	25-Oct-2028	Cash	304	0.00004%
CFD	19-Oct-2028	Cash	228	0.00003%
CFD	27-Sep-2028	Cash	200	0.00003%
CFD	29-Sep-2028	Cash	196	0.00003%
CFD	27-Sep-2028	Cash	123	0.00002%
CFD	5-Oct-2028	Cash		0.00002%

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			122	
CFD	13-Sep-2028	Cash	100	0.00001%
CFD	14-Sep-2028	Cash	100	0.00001%
CFD	2-Oct-2028	Cash	100	0.00001%
CFD	4-Oct-2028	Cash	100	0.00001%
CFD	16-Oct-2028	Cash	100	0.00001%
CFD	18-Oct-2028	Cash	100	0.00001%
CFD	19-Oct-2028	Cash	100	0.00001%
CFD	27-Sep-2028	Cash	90	0.00001%
CFD	6-Oct-2028	Cash	82	0.00001%
CFD	2-Oct-2028	Cash	61	0.00001%
CFD	23-Oct-2028	Cash	19	0.000002%
Total Number of voting rights and percentage of voting rights			28,300,226	3.62%

Additional information: Please note, total amount of voting rights have been rounded to 2 decimal places therefore there is a possibility of a rounding error.

SIGNATURE

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.

PEARSON plc

Date: 01 November 2018

By: /s/ NATALIE WHITE

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Natalie White  
Deputy Company Secretary