

PALATIN TECHNOLOGIES INC

Form 424B3

October 14, 2011

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Filed pursuant to Rule 424(b)(3)

Registration No. 333-170227

PROSPECTUS

PALATIN TECHNOLOGIES, INC.

Up to 2,000,000 Shares of Common Stock Issuable Upon Exercise of Series A Warrants

We previously sold 23,000,000 units (the Units) in a firm commitment public offering, consisting in the aggregate of 23,000,000 shares of our common stock, Series A Warrants to purchase up to 2,000,000 shares of our common stock and Series B Warrants to purchase up to 21,000,000 shares of our common stock. This prospectus relates to the issuance of up to 2,000,000 shares of our common stock issuable upon exercise of the Series A Warrants. The Series A Warrants were exercisable immediately upon issuance on March 1, 2011 at an exercise price of \$1.00 per share of common stock, and expire on the fifth anniversary of the date of issuance. For a more detailed description of the securities offered by this prospectus, see the section entitled “Description of the Securities” beginning on page 11 of this prospectus.

All costs associated with this registration will be borne by us. Our common stock is listed on the NYSE Amex under the symbol “PTN.” On October 11, 2011, the closing price of the common stock was \$0.57.

Investing in our securities involves a high degree of risk. You should purchase these shares only if you can afford a complete loss of your investment. See “Risk Factors” beginning on page 6 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Carl Spana, Ph.D., our President, Chief Executive Officer and Director, and Stephen T. Wills, our Executive Vice President, Chief Financial Officer and Chief Operating Officer, each hold Series A Warrants to purchase 4,378 shares of our common stock, which common stock is covered by this prospectus.

Roth Capital Partners and Madison Williams and Company were the underwriters for the offering of Units. We do not intend to sell any more Units or issue any additional Series A Warrants.

The date of this prospectus is October 12, 2011

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You should rely only on the information contained in this prospectus and any free writing prospectus prepared by us or on our behalf. We have not authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. The information in this prospectus is accurate only as of the date on the front of this prospectus. Our business, financial condition, results of operations and prospects may have changed since the date of this prospectus. This prospectus is not an offer or solicitation relating to the securities in any jurisdiction in which such an offer or solicitation relating to the securities is not authorized. You should not consider this prospectus to be an offer or solicitation relating to the securities if the person making the offer or solicitation is not qualified to do so, or if it is unlawful for you to receive such an offer or solicitation.

We are not making any representation to you regarding the legality of an investment in us under any legal investment or similar laws or regulations. You should not consider any information in this prospectus to be legal, business, tax or other advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in us.

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PROSPECTUS SUMMARY

This is a summary of our business and this offering. For a more complete understanding of our business and this offering, you should read the entire prospectus and the documents incorporated by reference. If you invest in our securities, you are assuming a high degree of risk. In this prospectus, references to “we,” “our,” “us,” the “Company” or “Palatin” means Palatin Technologies, Inc. and its subsidiary.

Our Company

We are a biopharmaceutical company developing targeted, receptor-specific peptide therapeutics for the treatment of diseases with significant unmet medical need and commercial potential. Our programs are based on molecules that modulate the activity of the melanocortin and natriuretic peptide receptor systems. Our primary product in development is bremelanotide for the treatment of female sexual dysfunction (FSD). In addition, we have drug candidates or development programs for obesity, erectile dysfunction, pulmonary diseases, heart failure and inflammatory diseases.

The following drug candidates are actively under development:

- Bremelanotide, a peptide melanocortin receptor agonist, for treatment of FSD. This drug candidate is in Phase 2B clinical trials.
- AZD2820, a melanocortin receptor-based compound for treatment of obesity, under development by AstraZeneca AB (AstraZeneca) pursuant to our research collaboration and license agreement. This drug candidate is in Phase 1 clinical trials.
- An inhalation formulation of PL-3994, a peptide mimetic natriuretic peptide receptor A (NPR-A) agonist, for treatment of acute exacerbations of asthma. This PL-3994 formulation is in preclinical research.

The following chart shows the status of our drug candidates, including drug candidates being developed by AstraZeneca and drug candidates for which we are seeking additional capital from licensing or development agreements or other sources.

We intend to utilize our existing capital resources primarily for development of bremelanotide for FSD, and secondarily for limited development work on PL-3994. We will not initiate the preclinical activities that are required to start clinical trials with an inhaled formulation of PL-3994, initiate clinical trials with subcutaneous formulations of PL-3994, or initiate preclinical toxicity and other studies with new peptide drug candidates for sexual dysfunction unless we obtain additional capital, through collaborative arrangements or other sources, to support such activities. We believe that our cash and cash equivalents are adequate to complete our ongoing Phase 2B clinical trial with bremelanotide for FSD, but we expect that the Phase 3 bremelanotide clinical trial program for FSD, which will not commence before calendar year 2013, will require significant additional resources and capital.

Key elements of our business strategy include: using our technology and expertise to develop and commercialize innovative therapeutic products; entering into alliances and partnerships with pharmaceutical companies to facilitate the development, manufacture, marketing, sale and distribution of product candidates that we are developing; and, partially funding our product development programs with the cash flow generated from our license agreement with AstraZeneca and any other companies.

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We incorporated in Delaware in 1986 and commenced operations in the biopharmaceutical area in 1996. Our corporate offices and research and development facility are located at 4C Cedar Brook Drive, Cranbury, New Jersey 08512 and our telephone number is (609) 495-2200. We maintain an Internet site at <http://www.palatin.com>, where among other things, we make available free of charge on and through this website our Forms 3, 4 and 5, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) and Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act of 1934) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the SEC). Our website and the information contained in it or connected to it are not incorporated into this prospectus.

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THE OFFERING

Securities offered	2,000,000 shares of our common stock issuable upon exercise of the Series A Warrants issued in connection with the sale of Units on March 1, 2011 in our firm commitment public offering.
Exercise price	The Series A Warrants have an exercise price of \$1.00 per share.
Term of Series A Warrants	The Series A Warrants are exercisable at any time prior to March 1, 2016.
Common stock outstanding before this offering	34,900,591 shares.
Use of proceeds	We plan to use the net proceeds of this offering, if any, for general corporate purposes and working capital, including our clinical trial programs with bremelanotide for female sexual dysfunction, PL-3994 development programs for asthma and a development program for new peptides for sexual dysfunction.
Risk factors	See “Risk Factors” beginning on page 6 and the other information set forth in this prospectus and the documents incorporated by reference for a discussion of factors you should consider before deciding to invest in our securities.
NYSE Amex symbol	“PTN.”

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RISK FACTORS

Investing in our securities involves risks which you should consider carefully. We have set forth below risk factors related specifically to this offering. For risks related to our business operations, see "Risk Factors" in our annual report on Form 10-K for the year ended June 30, 2011 and all subsequent reports that we file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934. We have incorporated those reports by reference into this prospectus. See "Incorporation of Information by Reference" and "Where You Can Find More Information" below.

Risks Relating to this Offering

We expect to sell additional equity securities, which will cause dilution.

We expect to sell more equity securities in the future to obtain operating funds. The proceeds from this offering, if any, will not be sufficient to complete clinical trials and other studies required for the approval of any product by the United States Food and Drug Administration (FDA). We expect that the Phase 3 bremelanotide clinical trial program for FSD will require significant additional resources and capital. If we sell more equity securities, we may sell these securities at a discount to the market price. Any future sales of equity will dilute the holdings of existing stockholders, possibly reducing the value of their investment.

Investors in this offering may suffer immediate dilution.

As of June 30, 2011, we had a net tangible book value of \$18.2 million which yields a net tangible book value of approximately \$0.52 per share of common stock, assuming the conversion of all then convertible preferred stock and no exercise of any warrants or options. The net tangible book value per share is less than the current market price per share. If you pay more than the net tangible book value per share for stock in this offering, you will suffer immediate dilution.

As of October 11, 2011, there were 27,104,955 shares of common stock underlying outstanding convertible preferred stock, options, warrants and restricted stock units, and stockholders may experience dilution from the conversion of preferred stock, exercise of outstanding options and warrants and vesting of restricted stock units.

As of October 11, 2011, holders of our outstanding dilutive securities had the right to acquire the following amounts of underlying common stock:

- 26,865 shares issuable on the conversion of immediately convertible Series A Convertible preferred stock, subject to adjustment, for no further consideration;
- 24,371,817 shares issuable on the exercise of warrants at exercise prices ranging from \$1.00 to \$28.20 per share, including (a) the 2,000,000 shares issuable on exercise of the Series A Warrants registered under this prospectus, and (b) 21,575,000 shares issuable on the exercise of warrants that are exercisable starting March 2, 2012 at an exercise price of \$1.00 per share;
- 2,206,273 shares issuable on the exercise of stock options, at exercise prices ranging from \$0.86 to \$42.10 per share; and
- 500,000 shares issuable under restricted stock units of which half vest on June 22, 2012 and the balance on June 22, 2013, subject to the fulfillment of service conditions.

If the holders convert, exercise or receive those securities, or similar dilutive securities we may issue in the future, stockholders may experience dilution in the net tangible book value of their common stock. In addition, the sale or availability for sale of the underlying shares in the marketplace could depress our stock price. We have registered or agreed to register for resale substantially all of the underlying shares listed above. Holders of registered underlying shares could resell the shares immediately upon issuance, which could result in significant downward pressure on our stock price.

We will have broad discretion over the use of the proceeds of this offering and you may not realize a return.

We will have considerable discretion in the application of the net proceeds of this offering. We intend to use the net proceeds to further develop our product candidates and for general corporate purposes. We may use the net proceeds for purposes that do not yield a significant return, if any, for our stockholders.

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NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934, that involve risk and uncertainties. Any statements contained in this prospectus that are not statements of historical fact may be forward-looking statements. When we use the words “anticipates,” “plans,” “expects” and similar expressions, we are identifying forward-looking statements. Forward-looking statements involve risks and uncertainties which may cause our actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements. These factors include, among others:

- current or future financial performance,
- management’s plans and objectives for future operations,
- uncertainties associated with product research and development,
- clinical trials and results,
- uncertainties associated with dependence upon the actions of our collaborators and of government regulatory agencies,
- product plans and performance,
- management’s assessment of market factors, and
- statements regarding our strategy and plans and those of our strategic partners.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from our historical results or from any results expressed or implied by forward-looking statements. Our future operating results are subject to risks and uncertainties and are dependent upon many factors, including, without limitation, the risks identified under the caption “Risk Factors,” and in our other SEC filings. The statements we make in this prospectus are as of the date of this prospectus.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as may be required by law, we do not intend to update any of the forward-looking statements for any reason after the date of this prospectus to conform such statements to actual results or if new information becomes available.

All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

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USE OF PROCEEDS

We received net proceeds of approximately \$21.0 million from the offer and sale of the Units in the firm commitment public offering that closed on March 1, 2011, after deducting underwriting discounts and offering expenses. This amount does not include the proceeds which we may receive in connection with the exercise of either the Series A Warrants or the Series B Warrants.

In the event of full exercise of all of the Series A Warrants, we will receive additional net proceeds of approximately \$2.0 million. We cannot predict when or if the warrants will be exercised, and it is possible that the warrants may expire and never be exercised.

While we have no specific plan for the proceeds from the exercise of Series A Warrants, we expect to use the net proceeds of this offering, if any, for general corporate purposes and working capital, including our clinical trial programs with bremelanotide for female sexual dysfunction, PL-3994 development programs for asthma and a development program for new peptides for sexual dysfunction. The amounts actually expended for each purpose may vary significantly depending on numerous factors, including the timing of the proceeds, if any, from this offering. Expenditures will also depend on the availability of additional financing and other factors. Pending use of the net proceeds, we may invest these net proceeds in interest-bearing, investment-grade securities. Investors will be relying on the judgment of our management regarding the application of the proceeds of any sale of securities.

The proceeds from this offering will not be sufficient to complete clinical trials and other studies required for the approval of any product by the FDA, and we will need significant additional funds in the future. See “Risk Factors” beginning on page 6 of this prospectus.

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DILUTION

Our net tangible book value as of June 30, 2011, was \$18,191,775, or \$0.52 per share of common stock. Net tangible book value per share is calculated by subtracting our total liabilities from our total tangible assets, which is total assets less intangible assets, and dividing this amount by the number of shares of common stock outstanding as of June 30, 2011.

After giving effect to the exercise of outstanding Series A Warrants to issue 2,000,000 shares of common stock at an exercise price of \$1.00 per share, our as adjusted net tangible book value as of June 30, 2011, would have been \$20,191,775, or \$0.55 per share of common stock. This represents an immediate increase in net tangible book value of \$0.03 per share to our existing stockholders and an immediate and substantial dilution of \$0.45 per share to purchasers of common stock on exercise of the Series A Warrants, as illustrated in the following table:

Series A Warrant exercise price per share	\$ 1.00
Net tangible book value per share as of June 30, 2011	\$0.52
Increase in net tangible book value per share attributable to investors participating in this offering	\$0.03
Net tangible book value per share after this offering	\$0.55
Dilution per share to investors participating in this offering	\$0.45

The foregoing table further does not take into account further dilution to purchasers of shares in this offering that could occur upon the exercise of outstanding options and warrants having a per share exercise price less than the per share offering price to the public in this offering. As of June 30, 2011, there were 34,900,591 shares of common stock outstanding, which does not include:

- 26,865 shares issuable on the conversion of immediately convertible Series A Convertible preferred stock, subject to adjustment, for no further consideration;
- 22,371,817 shares issuable on the exercise of warrants at exercise prices ranging from \$1.00 to \$28.20 per share, excluding the 2,000,000 shares issuable on exercise of the Series A Warrants registered under this prospectus;
- 2,231,898 shares issuable on the exercise of stock options, at exercise prices ranging from \$0.86 to \$42.50 per share;
- 500,000 shares issuable under restricted stock units of which half vest on June 22, 2012 and the balance on June 22, 2013, subject to the fulfillment of service conditions; and
- 1,894,451 shares reserved for future issuance under our 2011 Stock Incentive Plan.

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MARKET PRICE OF AND DIVIDENDS ON COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The table below provides, for the fiscal quarters indicated, the reported high and low sales prices for our common stock on the NYSE Amex since July 1, 2009. Prices per share of our common stock have been adjusted for the one-for-ten reverse stock split on September 27, 2010 on a retroactive basis.

FISCAL YEAR ENDED JUNE 30,

2011	HIGH	LOW
Fourth Quarter	\$1.38	\$0.79
Third Quarter	1.45	0.78
Second Quarter	1.90	0.84
First Quarter	2.40	1.26

FISCAL YEAR ENDED JUNE 30,

2010	HIGH	LOW
Fourth Quarter	\$3.50	\$1.70
Third Quarter	3.70	2.50
Second Quarter	4.40	2.30
First Quarter	4.80	2.20

Our common stock has been listed on NYSE Amex under the symbol "PTN" since December 21, 1999. It previously traded on The Nasdaq SmallCap Market under the symbol "PLTN."

Holders of common stock. On October 11, 2011, we had approximately 226 record holders of common stock and the closing sales price of our common stock as reported on the NYSE Amex was \$0.57 per share.

Dividends and dividend policy. We have never declared or paid any dividends. We currently intend to retain earnings, if any, for use in our business. We do not anticipate paying dividends in the foreseeable future.

Dividend restrictions. Our outstanding Series A Preferred Stock, consisting of 4,997 shares on October 11, 2011, provides that we may not pay a dividend or make any distribution to holders of any class of stock unless we first pay a special dividend or distribution of \$100 per share to the holders of the Series A Preferred Stock.

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DESCRIPTION OF SECURITIES

General

The following description of our capital stock is intended as a summary only and is qualified in its entirety by reference to our amended and restated certificate of incorporation and bylaws, which are filed as exhibits to the registration statement of which this prospectus forms a part. Our authorized capital stock consists of

- 100,000,000 shares of common stock, par value \$0.01 per share, and
- 10,000,000 shares of preferred stock, par value \$0.01 per share, of which 9,736,000 shares are undesignated.

As of October 11, 2011, we had outstanding:

- 34,900,591 shares of our common stock;
- 4,997 shares of Series A Convertible Preferred Stock, convertible into 26,865 shares of common stock, subject to adjustment, for no further consideration;
- warrants to purchase 24,371,817 shares of common stock at exercise prices ranging from \$1.00 to \$28.20 per share, including (a) the 2,000,000 shares issuable on exercise of the Series A Warrants registered under this prospectus, and (b) 21,575,000 shares issuable on the exercise of warrants that are exercisable starting March 2, 2012 at an exercise price of \$1.00 per share;
- stock options to purchase 2,206,273 shares of common stock, at exercise prices ranging from \$0.86 to \$42.10 per share; and
- restricted stock units representing 500,000 shares of common stock of which half vest on June 22, 2012 and the balance on June 22, 2013, subject to the fulfillment of service conditions.

Common Stock

We have the authority to issue 100,000,000 shares of common stock, par value \$0.01 per share. As of October 11, 2011, 34,900,591 shares of our common stock were outstanding, and a maximum of 27,104,955 shares of common stock were issuable on conversion of outstanding convertible preferred stock, exercise of outstanding options and warrants, including exercise of the Series A Warrants, and vesting of performance-based stock grants.

Holders of our common stock are entitled to one vote per share for the election of directors and on all other matters that require stockholder approval. Holders of shares of common stock do not have any cumulative voting rights. Subject to any preferential rights of any outstanding preferred stock, in the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in the assets remaining after payment of liabilities and the liquidation preferences of any outstanding preferred stock. Our common stock does not carry any redemption rights or any preemptive or preferential rights enabling a holder to subscribe for, or receive shares of, any class of our common stock or any other securities convertible into shares of any class of our common stock. Holders of our common stock have the right to participate ratably in dividend distributions. Our outstanding Series A Preferred Stock, consisting of 4,997 shares on October 11, 2011, provides that we may not pay a dividend or make any distribution to holders of any class of stock unless we first pay a special dividend or distribution of \$100 per share to the holders of the Series A Preferred Stock.

Market Information

Our common stock is listed on the NYSE Amex under the symbol "PTN." On October 11, 2011, the closing price of the common stock was \$0.57 per share. We do not have any other class of securities listed for trading.

Transfer Agent and Registrar

The transfer agent for our common stock and our Series A and Series B Warrants is American Stock Transfer & Trust Company, located at 6201 15th Avenue, Brooklyn, New York 11219. Their telephone number is (800) 937-5449.

Preferred Stock

We have the authority to issue 10,000,000 shares of preferred stock. As of October 11, 2011, 264,000 shares of our preferred stock were designated as a single class, Series A Convertible Preferred Stock, of which 4,997

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shares were outstanding (see “Series A Convertible Preferred Stock” below). The description of preferred stock provisions set forth below is not complete and is subject to and qualified in its entirety by reference to our amended and restated certificate of incorporation and the certificate of designations relating to the Series A Convertible Preferred Stock.

The board of directors has the right, without the consent of holders of common stock, to designate and issue one or more series of preferred stock, which may be convertible into common stock at a ratio determined by the board. A series of preferred stock may bear rights superior to common stock as to voting, dividends, redemption, distributions in liquidation, dissolution, or winding up, and other relative rights and preferences. The board may set the following terms of any series preferred stock:

- the number of shares constituting the series and the distinctive designation of the series;
- dividend rates, whether dividends are cumulative, and, if so, from what date and the relative rights of priority of payment of dividends;
 - voting rights and the terms of the voting rights;
- conversion privileges and the terms and conditions of conversion, including provision for adjustment of the conversion rate;
- redemption rights and the terms and conditions of redemption, including the date or dates upon or after which shares may be redeemable, and the amount per share payable in case of redemption, which may vary under different conditions and at different redemption dates;
 - sinking fund provisions for the redemption or purchase of shares;