PALATIN TECHNOLOGIES INC

FORM 10-Q
(Quarterly Report)

Filed 02/13/25 for the Period Ending 12/31/24

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	CRANBURY, NJ, 08512
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **December 31, 2024**

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	**95-4078884**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4B Cedar Brook Drive Cranbury, New Jersey	**08512**
(Address of principal executive offices)	(Zip Code)

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

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

Title of Each Class	**Trading Symbol**	**Name of Each Exchange on Which Registered**
Common Stock, par value $0.01 per share	PTN	NYSE American

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, as amended 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 (§232.405 of this chapter) during the preceding 12 months (or for 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 ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date (February 12, 2025): 26,005,846

PALATIN TECHNOLOGIES, INC.
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Special Note Regarding Forward-Looking Statements

In this Quarterly Report on Form 10-Q (this "Quarterly Report") references to "we," "our," "us," the "Company" or "Palatin" mean Palatin Technologies, Inc. and its subsidiary.

Statements in this Quarterly Report, as well as oral statements that may be made by us or by our officers, directors, or employees acting on our behalf, that are not historical facts constitute "forward-looking statements," which are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The forward-looking statements in this Quarterly Report do not constitute guarantees of future performance. Investors are cautioned that statements that are not strictly historical facts contained in this Quarterly Report, including, without limitation, the following are forward looking statements:

- our significant operating losses since our inception and our need to obtain additional financing has caused management to determine there is substantial doubt regarding our ability to continue as a going concern;
- our ability to obtain additional financing on terms acceptable to us, or at all, including unavailability of funds or delays in receiving funds as a result of economic disruptions;
- our expectation that we will incur losses for the foreseeable future and may never achieve or maintain profitability;
- our business, financial condition, and results of operations may be adversely affected by increases in costs of and delays in conducting human clinical trials and the performance of our contractors and suppliers, reduction in our productivity or the productivity of our contractors and suppliers, supply chain constraints, and labor shortages;
- whether Cosette Pharmaceuticals, Inc. ("Cosette"), which acquired our product Vyleesi® (the trade name for bremelanotide for treatment of hyperactive sexual desire disorder in premenopausal women) in December 2023, will have sufficient sales to generate significant milestone payments under our purchase agreement with Cosette;
- the results of clinical trials with our late-stage products, including co-administration of bremelanotide with tirzepatide, a GLP-1 agonist for treatment of obesity, which entered Phase 2 in the second quarter of calendar year 2024 with topline results expected in the first quarter of calendar year 2025; PL9643, an ophthalmic peptide solution for dry eye disease ("DED"), which completed a first Phase 3 clinical trials with top line results announced from the Phase 3 clinical trial in the first quarter of calendar year 2024 and which has concluded a positive Type C meeting with the Food and Drug Administration ("FDA") and can, depending on financial resources and product development priority, commence patient enrollment as early as the first half of calendar year 2025; and PL8177, an oral peptide formulation for treatment of ulcerative colitis, which entered Phase 2 clinical trials in the third quarter of calendar year 2022 and is expected to report topline results in the first quarter of calendar year 2025;
- estimates of our expenses, future revenue and capital requirements;
- our ability to achieve profitability;
- our ability to advance product candidates into, and successfully complete, clinical trials;
- the initiation, timing, progress and results of future preclinical studies and clinical trials, and our research and development programs;
- the timing or likelihood of regulatory filings and approvals;
- our expectations regarding the clinical efficacy and utility of our melanocortin agonist product candidates for treatment of inflammatory and autoimmune related diseases and disorders, including ocular indications;
- our ability to compete with other products and technologies treating the same or similar indications as our product candidates;
- the ability of our third-party collaborators to timely carry out their duties under their agreements with us;
- our ability to recognize the potential value of our licensing arrangements with third parties;
- the potential to achieve revenues from the sale of our product candidates;
- our ability to obtain adequate reimbursement from private insurers and other healthcare payers;
- our ability to maintain product liability insurance at a reasonable cost or in sufficient amounts, if at all;

- the performance and retention of our management team, senior staff professionals, other employees, and third-party contractors and consultants;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology in the United States and throughout the world;
- our compliance with federal and state laws and regulations;
- the timing and costs associated with obtaining regulatory approval for our product candidates;
- the impact of fluctuations in foreign exchange rates;
- the impact of any geopolitical instability, economic uncertainty, inflationary pressure, supply chain disruptions, financial markets volatility, or capital markets disruption resulting from the ongoing Russia-Ukraine and Israel-Hamas military conflicts, and any resulting effects on our revenue, financial condition, or results of operations;
- the impact of legislative or regulatory healthcare reforms in the United States;
- our ability to adapt to changes in global economic conditions as well as competing products and technologies; and
- our ability to remain listed on the NYSE American stock exchange.

Such forward-looking statements involve risks, uncertainties and other factors that could cause our actual results to be materially different from historical results or from any results expressed or implied by such 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 elsewhere in this Quarterly Report, and any of those made in our other reports filed with the U.S. Securities and Exchange Commission (the “SEC”). Except as required by law, we do not intend, and undertake no obligation, to publicly update forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

PALATIN TECHNOLOGIES, INC.
and Subsidiary
Consolidated Balance Sheets
(unaudited)

	December 31, 2024	June 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,416,604	$ 9,527,396
Prepaid expenses and other current assets	253,113	242,272
Total current assets	3,669,717	9,769,668
Property and equipment, net	235,741	388,361
Right-of-use assets - operating leases	347,644	527,321
Other assets	56,916	56,916
Total assets	$ 4,310,018	$ 10,742,266
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	$ 6,718,233	$ 4,101,929
Accrued expenses	1,650,700	4,185,046
Short-term operating lease liabilities	257,673	380,542
Short-term finance lease liabilities	-	46,014
Other current liabilities	932,150	944,150
Total current liabilities	9,558,756	9,657,681
Long-term operating lease liabilities	100,071	163,782
Other long-term liabilities	1,032,300	1,032,300
Total liabilities	10,691,127	10,853,763
Commitments and contingencies (Note 12)		
Stockholders' deficiency:		
Preferred stock of $0.01 par value – authorized 10,000,000 shares: shares issued and outstanding designated as follows:		
Series A Convertible: authorized 4,030 shares as of December 31, 2024: issued and outstanding 4,030 shares as of December 31, 2024 and June 30, 2024	40	40
Common stock of $0.01 par value – authorized 300,000,000 shares: issued and outstanding 23,455,846 shares as of December 31, 2024 and 17,926,640 shares as of June 30, 2024	234,558	179,266
Additional paid-in capital	445,416,974	441,475,747
Accumulated deficit	(452,032,681)	(441,766,550)
Total stockholders' deficiency	(6,381,109)	(111,497)
Total liabilities and stockholders' deficiency	$ 4,310,018	$ 10,742,266

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

PALATIN TECHNOLOGIES, INC.
and Subsidiary
Consolidated Statements of Operations
(unaudited)

	Three Months Ended December 31		Six Months Ended December 31	
	2024	**2023**	**2024**	**2023**
REVENUES				
Product revenue, net	$ -	$ 2,034,113	$ -	$ 4,140,090
OPERATING EXPENSES				
Cost of products sold	-	97,637	-	97,637
Research and development	3,429,479	5,554,200	9,173,233	10,568,830
Selling, general and administrative	1,681,844	3,032,613	3,702,775	6,232,857
Gain on sale of Vyleesi	(2,500,000)	(7,823,482)	(2,500,000)	(7,823,482)
Total operating expenses	2,611,323	860,968	10,376,008	9,075,842
(Loss) Income from operations	(2,611,323)	1,173,145	(10,376,008)	(4,935,752)
OTHER INCOME (EXPENSE)				
Investment income	29,044	62,026	107,620	133,656
Foreign currency transaction gain (loss)	143,600	(306,697)	12,000	(146,947)
Interest expense	(3,803)	(1,605)	(9,743)	(12,487)
Offering expenses	-	(696,912)	-	(696,912)
Change in fair value of warrant liabilities	-	(8,073,991)	-	(7,391,591)
Total other income (expense), net	168,841	(9,017,179)	109,877	(8,114,281)
NET LOSS	$ (2,442,482)	$ (7,844,034)	$ (10,266,131)	$ (13,050,033)
Basic and diluted net loss per common share	$ (0.12)	$ (0.56)	$ (0.51)	$ (0.99)
Weighted average number of common shares outstanding used in computing basic and diluted net loss per common share	20,634,887	14,097,757	20,239,997	13,134,228

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

PALATIN TECHNOLOGIES, INC.
and Subsidiary
Consolidated Statements of Changes in Stockholders' Deficiency
(unaudited)

Three Months Ended December 31, 2024

	Stockholders' Deficiency						
	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance September 30, 2024	4,030	$ 40	19,548,167	$ 195,481	$ 441,709,073	$ (449,590,199)	$ (7,685,605)
Stock-based compensation	-	-	-	-	348,955	-	348,955
Warrant exercises	-	-	3,907,679	39,077	3,358,946	-	3,398,023
Net loss	-	-	-	-	-	(2,442,482)	(2,442,482)
Balance December 31, 2024	4,030	40	23,455,846	234,558	445,416,974	(452,032,681)	(6,381,109)

Six Months Ended December 31, 2024

	Stockholders' Deficiency						
	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance June 30, 2024	4,030	$ 40	17,926,640	$ 179,266	$ 441,475,747	$ (441,766,550)	$ (111,497)
Stock-based compensation	-	-	232,941	2,329	695,649	-	697,978
Withholding taxes related to restricted stock units	-	-	(54,691)	(547)	(98,935)	-	(99,482)
Shares released from abeyance	-	-	1,443,277	14,433	(14,433)	-	-
Warrant exercises	-	-	3,907,679	39,077	3,358,946	-	3,398,023
Net loss	-	-	-	-	-	(10,266,131)	(10,266,131)
Balance December 31, 2024	4,030	40	23,455,846	234,558	445,416,974	(452,032,681)	(6,381,109)

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

PALATIN TECHNOLOGIES, INC.
and Subsidiary
Consolidated Statements of Changes in Stockholders' Deficiency
(unaudited)

Three Months Ended December 31, 2023

		Stockholders' (Deficiency) Equity						
		Series A Convertible Preferred Stock		Common Stock				
	Contingently Redeemable Warrants	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance September 30, 2023	$ 263,400	4,030	$ 40	11,946,646	$ 119,466	$ 410,796,364	$ (417,236,436)	$ (6,320,566)
Stock-based compensation	-	-	-	-	-	549,971	-	549,971
Conversion of liability classified warrants upon warrant exercise	-	-	-	2,358,491	23,585	2,366,318	-	2,389,903
Reclassification of contingently redeemable warrants	159,700	-	-	-	-	(159,700)	-	(159,700)
Net loss	-	-	-	-	-	-	(7,844,034)	(7,844,034)
Balance December 31, 2023	423,100	4,030	40	14,305,137	143,051	413,552,953	(425,080,470)	(11,384,426)

Six Months Ended December 31, 2023

		Stockholders' (Deficiency) Equity						
		Series A Convertible Preferred Stock		Common Stock				
	Contingently Redeemable Warrants	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance June 30, 2023	$ 263,400	4,030	$ 40	11,656,714	$ 116,567	$ 409,933,959	$ (412,030,437)	(1,979,871)
Stock-based compensation	-	-	-	98,372	984	939,323	-	940,307
Withholding taxes related to restricted stock units	-	-	-	(25,467)	(255)	(56,146)	-	(56,401)
Sale of common stock, net of costs	-	-	-	217,027	2,170	529,199	-	531,369
Conversion of liability classified warrants upon warrant exercise	-	-	-	2,358,491	23,585	2,366,318	-	2,389,903
Reclassification of contingently redeemable warrants	159,700	-	-	-	-	(159,700)	-	(159,700)
Net loss	-	-	-	-	-	-	(13,050,033)	(13,050,033)
Balance December 31, 2023	423,100	4,030	40	14,305,137	143,051	413,552,953	(425,080,470)	(11,384,426)

PALATIN TECHNOLOGIES, INC.
and Subsidiary
Consolidated Statements of Cash Flows
(unaudited)

	Six Months Ended December 31,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (10,266,131)	$ (13,050,033)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	152,620	172,060
Decrease in right-of-use asset	179,677	174,098
Unrealized foreign currency transaction loss (gain)	(12,000)	146,947
Stock-based compensation	697,978	940,307
Change in fair value of liability classified warrants	-	7,391,591
Gain on sale of Vyleesi	(2,500,000)	(7,823,482)
Changes in operating assets and liabilities:		
Accounts receivable	-	569,597
Prepaid expenses and other assets	(10,841)	1,047,164
Inventories	-	(1,154,355)
Accounts payable	2,616,304	(2,710,051)
Accrued expenses	(2,534,346)	(896,812)
Operating lease liabilities	(186,580)	(176,913)
Other liabilities	-	(1,012,197)
Net cash used in operating activities	(11,863,319)	(16,382,079)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturity of marketable securities	-	2,992,890
Proceeds from sale of Vyleesi	2,500,000	9,500,000
Purchases of property and equipment	-	(37,615)
Net cash provided by investing activities	2,500,000	12,455,275
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of withholding taxes related to restricted stock units	(99,482)	(56,401)
Proceeds from the sale of common stock and warrants, net	-	5,531,266
Payment of finance lease obligations	(46,014)	(52,494)
Proceeds from exercise of warrants	3,398,023	103
Net cash provided by financing activities	3,252,527	5,422,474
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,110,792)	1,495,670
CASH AND CASH EQUIVALENTS, beginning of period	9,527,396	7,989,582
CASH AND CASH EQUIVALENTS, end of period	$ 3,416,604	$ 9,485,252
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 9,743	$ 10,882
Conversion of liability classified warrants upon warrant exercise	-	2,389,903

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

PALATIN TECHNOLOGIES, INC.
and Subsidiary

Notes to Consolidated Financial Statements

(1) ORGANIZATION

Nature of Business - Palatin Technologies, Inc. ("Palatin" or the "Company") is a biopharmaceutical company developing first-in-class medicines based on molecules that modulate the activity of the melanocortin receptor system. The Company's product candidates are targeted, receptor-specific therapeutics for the treatment of diseases with significant unmet medical need and commercial potential.

Melanocortin Receptor System. The melanocortin receptor system has effects on food intake, metabolism, sexual function, inflammation, and immune system responses. There are five melanocortin receptors, MC1r through MC5r. Modulation of these receptors, through use of receptor-specific agonists, which activate receptor function, or receptor-specific antagonists, which block receptor function, can have significant pharmacological effects.

The Company's prior commercial product, Vyleesi®, was approved by the U.S. Food and Drug Administration ("FDA") in June 2019 for the treatment of hypoactive sexual desire disorder ("HSDD") in premenopausal women. As disclosed in Note 5, this product was acquired by Cosette Pharmaceuticals, Inc. ("Cosette") on December 19, 2023.

Our new product development activities focus primarily on use of bremelanotide, or other MC4r agonists, with tirzepatide, a GLP-1 agonist for treatment of obesity, which entered Phase 2 in the second quarter of calendar year 2024, with topline results expected in the first quarter of calendar year 2025.

The Company is also developing, dependent on resources for development activities, MC1r agonist products, with potential to treat inflammatory and autoimmune diseases, such as dry eye disease, which is also known as keratoconjunctivitis sicca, uveitis, diabetic retinopathy, and inflammatory bowel disease. The Company believes that the MC1r agonist peptides in development have broad anti-inflammatory effects and appear to utilize mechanisms engaged by the endogenous melanocortin system in regulation of the immune system and resolution of inflammatory responses. The Company is also developing peptides that are active at more than one melanocortin receptor, and MC4r peptide and small molecule agonists with potential utility in obesity and metabolic-related disorders, including rare disease and orphan indications.

Business Risks and Liquidity – The Company has incurred operating losses and negative cash flows from operations since inception and will need additional funding to complete its planned product development efforts. As shown in the accompanying consolidated financial statements, the Company had an accumulated deficit as of December 31, 2024 of $452,032,681 and a net loss for the three and six months ended December 31, 2024 of $2,442,482 and $10,266,131, respectively. The Company anticipates incurring significant expenses in the future as a result of spending on its development programs and will require substantial additional financing or revenues to continue to fund its planned activities. To achieve sustained profitability, if ever, the Company, alone or with others, must successfully develop and commercialize its technologies and proposed products, conduct successful preclinical studies and clinical trials, obtain required regulatory approvals, and successfully manufacture and market such technologies and proposed products. The time required to reach sustained profitability is highly uncertain, and the Company may never be able to achieve profitability on a sustained basis, if at all.

As of December 31, 2024, the Company's cash and cash equivalents were $3,416,604 and current liabilities were $9,558,756. Management intends to utilize existing capital resources for general corporate purposes and working capital, including clinical development of the Company's MC1r and MC4r programs, and development of other portfolio products.

The Company follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 205-40, *Presentation of Financial Statements — Going Concern*, which requires management to assess the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are issued. While the Company has raised funding in the past, the ability to raise funding in future periods is not considered probable, as defined under the accounting standards. As such, under the requirements of ASC 205-40, management may not consider the potential for future funding in their assessment of the Company's ability to meet its obligations for the next year.

PALATIN TECHNOLOGIES, INC.
and Subsidiary

Notes to Consolidated Financial Statements

Based on our available cash and cash equivalents as of December 31, 2024 and $4,309,641 received in February 2025, management has concluded that substantial doubt exists about the Company's ability to continue as a going concern for one year from the date these consolidated financial statements are issued. The Company is evaluating strategies to obtain additional funding for future operations which include but are not limited to obtaining equity financing, issuing debt, or reducing planned expenses. A failure to raise additional funding or to effectively implement cost reductions could harm the Company's business, results of operations, and future prospects. If the Company is not able to secure adequate additional funding in future periods, the Company could be forced to make additional reductions in certain expenditures. This could include liquidating assets and suspending or curtailing planned programs. The Company may also have to delay, reduce the scope of, suspend, or eliminate one or more research and development programs or its commercialization efforts or pursue a strategic transaction. If the Company is unable to raise capital when needed or enter into a strategic transaction, then the Company could be required to cease operations, which could cause its stockholders to lose all or part of their investment. The consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the continuity of operations, the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Assuming no additional funding and based on its current operating and development plans, the Company expects that existing cash and cash equivalents as of the date of this filing will be sufficient to fund currently anticipated operating expenses into the second half of calendar year 2025.

The Company may receive contingent, sales-based milestone payments of up to $159,000,000 on sales of Vyleesi by Cosette and its licensees.

Concentrations – Concentrations in the Company's assets and operations subject it to certain related risks. Financial instruments that subject the Company to concentrations of credit risk primarily consist of cash and cash equivalents. The Company's cash and cash equivalents are primarily invested in one investment account sponsored by a large financial institution.

(2) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnote disclosures required to be presented for complete financial statements. In the opinion of management, these consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation. The results of operations for the three and six months ended December 31, 2024, may not necessarily be indicative of the results of operations expected for the full fiscal year.

The accompanying unaudited 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 June 30, 2024, filed with the U.S. Securities and Exchange Commission ("SEC"), which includes consolidated financial statements as of June 30, 2024 and 2023 and for the fiscal years then ended.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its wholly-owned inactive subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents – Cash and cash equivalents include cash on hand, cash in banks, and all highly liquid investments with a purchased maturity of less than three months. Cash equivalents consisted of $3,005,361 and $9,089,113 in a money market account at December 31, 2024 and June 30, 2024, respectively.

Fair Value of Financial Instruments – The Company's financial instruments consist primarily of cash equivalents, accounts payable and warrants. Management believes that the carrying values of cash equivalents, accounts payable and warrants are representative of their respective fair values based on the short-term nature of these instruments.

Credit Risk – Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. Total cash and cash equivalent balances have exceeded balances insured by the Federal Depository Insurance Company.

PALATIN TECHNOLOGIES, INC.
and Subsidiary

Notes to Consolidated Financial Statements

Property and Equipment – Property and equipment consists of office and laboratory equipment, office furniture, and leasehold improvements and includes assets acquired under finance leases. Property and equipment are recorded at cost. Depreciation is recognized using the straight-line method over the estimated useful lives of the related assets, generally five years for laboratory and computer equipment, seven years for office furniture and equipment, and the lesser of the term of the lease or the useful life for leasehold improvements. Amortization of assets acquired under finance leases is included in depreciation expense. Maintenance and repairs are expensed as incurred while expenditures that extend the useful life of an asset are capitalized.

Impairment of Long-Lived Assets – The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of a long-lived asset, management evaluates whether the estimated future undiscounted net cash flows from the asset are less than its carrying amount. If impairment is indicated, the long-lived asset would be written down to fair value. Fair value is determined by an evaluation of available price information at which assets could be bought or sold, including quoted market prices, if available, or the present value of the estimated future cash flows based on reasonable and supportable assumptions.

Leases - At lease inception, the Company determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use ("ROU") assets, short-term operating lease liabilities, and long-term operating lease liabilities in the consolidated financial statements. Finance leases are included in property and equipment for ROU assets, short-term finance lease liabilities, and long-term finance lease liabilities in the consolidated financial statements. ROU assets represent the Company's right to use leased assets over the term of the lease. Lease liabilities represent the Company's contractual obligation to make lease payments over the lease term. ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses an estimate based on a hypothetical rate provided by a third party as the Company currently does not have issued debt. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause incremental costs to the Company if the option were not exercised.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the Company or the Company is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented as an operating expense separately from interest expense on the lease liability.

The Company has elected not to recognize an ROU asset and obligation for leases with an initial term of 12 months or less. The expense associated with short-term leases is included in selling, general and administrative expenses in the statements of operations. To the extent a lease arrangement includes both lease and non-lease components, the Company has elected to account for the components as a single lease component.

Revenue Recognition (Prior to the sale of Vyleesi) – The Company recognized product revenues in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*. The provisions of ASC Topic 606 require the following steps to determine revenue recognition: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

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In accordance with ASC Topic 606, the Company recognized product revenue when its performance obligations were satisfied by transferring control of the product to a customer. Per the Company's contracts with customers, control of the product was transferred upon the conveyance of title, which occurred when the product was sold to and received by a customer. Trade accounts receivable due to the Company from contracts with its customers were stated separately in the consolidated balance sheet, net of various allowances.

Product revenues consisted of sales of Vyleesi in the United States. The Company sold Vyleesi to specialty pharmacies at the wholesale acquisition cost and payment was made within approximately 30 days.

The Company recorded product revenues net of allowances for direct and indirect fees, discounts, co-pay assistance programs, estimated chargebacks and rebates. Product sales were also subject to return rights, which were not significant.

Gross product sales offset by product sales allowances for the three and six months ended December 31, 2024 and 2023 are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Gross product sales	$ -	$ 4,288,003	$ -	$ 8,875,153
Product sales allowances and accruals	-	(2,253,890)	-	(4,735,063)
Net sales	$ -	$ 2,034,113	$ -	$ 4,140,090

Revenue Recognition —– For licenses of intellectual property, the Company assesses at contract inception whether the intellectual property is distinct from other performance obligations identified in the arrangement. If the licensing of intellectual property is determined to be distinct, revenue is recognized for nonrefundable, upfront license fees when the license is transferred to the customer and the customer can use and benefit from the license. If the licensing of intellectual property is determined not to be distinct, then the license is bundled with other promises in the arrangement into one performance obligation. The Company determines if the bundled performance obligation is satisfied over time or at a point in time. If the Company concludes that the non-refundable, upfront license fees will be recognized over time, the Company assesses the appropriate method of measuring proportional performance.

Regulatory milestone payments are excluded from the transaction price due to the inability to estimate the probability of reversal. Revenue relating to achievement of these milestones is recognized in the period in which the milestone is achieved.

Sales-based royalty and milestone payments resulting from customer contracts solely or predominately for the license of intellectual property will only be recognized upon occurrence of the underlying sale or achievement of the sales milestone in the future and such sales-based royalties and milestone payments will be recognized in the same period earned.

The Company recognizes revenue for reimbursements of research and development costs under collaboration agreements as the services are performed. The Company records these reimbursements as revenue and not as a reduction of research and development expenses as the Company is the principal in the research and development activities based upon its control of such activities, which is considered part of its ordinary activities.

Development milestone payments are generally due 30 business days after the milestone is achieved. Sales milestone payments are generally due 45 business days after the calendar year in which the sales milestone is achieved. Royalty payments are generally due on a quarterly basis 20 business days after being invoiced.

Research and Development Costs – The costs of research and development activities are charged to expense as incurred, including the cost of equipment for which there is no alternative future use.

Accrued Expenses – Third parties perform a significant portion of the Company's development activities. The Company reviews the activities performed under all contracts each quarter and accrues expenses and the amount of any reimbursement to be received from its collaborators based upon the estimated amount of work completed considering milestones achieved. Estimating the value or stage of completion of certain services requires judgment based on available information. If the Company does not identify services performed for it but not billed by the service-provider, or if it underestimates or overestimates the value of services performed as of a given date, reported expenses will be understated or overstated.

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Stock-Based Compensation – The Company charges to expense the fair value of stock options and other equity awards granted to employees and nonemployees for services. Compensation costs for stock-based awards with time-based vesting are determined using the quoted market price of the Company's common stock on the grant date or for stock options, the value determined utilizing the Black-Scholes option pricing model, and are recognized on a straight-line basis, while awards containing a market condition are valued using multifactor Monte Carlo simulations and are recognized over the derived service period. Compensation costs for awards containing a performance condition are determined using the quoted price of the Company's common stock on the grant date or for stock options, the value determined utilizing the Black-Scholes option pricing model and are recognized based on the probability of achievement of the performance condition over the service period. Forfeitures are recognized as they occur.

Income Taxes – The Company and its subsidiary file consolidated federal and separate-company state income tax returns. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences or operating loss and tax credit carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The Company has recorded and continues to maintain a full valuation allowance against its deferred tax assets based on the history of losses incurred and lack of experience projecting future product revenue and sales-based royalty and milestone payments.

Net Loss per Common Share – Basic and diluted loss per common share ("EPS") are calculated in accordance with the provisions of FASB ASC Topic 260, *Earnings per Share*.

For the three months ended December 31, 2024 and 2023, no additional common shares were added to the computation of diluted EPS because to do so would have been anti-dilutive. The potential number of common shares excluded from diluted EPS during the three and six months ended December 31, 2024 and 2023 were 13,059,777 and 6,595,422, respectively.

Included in the weighted average common shares used in computing basic and diluted net loss per common share are 279,700 vested restricted stock units that had not been issued as of December 31, 2024, and 2023 due to a provision in the restricted stock unit agreements to delay delivery.

Translation of foreign currencies – Transactions denominated in currencies other than the Company's functional currency (US Dollar) are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in the consolidated statements of operations as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions.

(4) New Accounting Pronouncements

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures. This ASU requires that a public entity provide additional segment disclosures on an interim and annual basis. The amendments in this ASU should be applied retrospectively to all prior periods presented in the financial statements, unless impracticable. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The ASU is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Company is currently assessing the impact of the adoption on the consolidated financial statements and accompanying footnotes.

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(5) ASSET PURCHASE AGREEMENT

On December 19, 2023, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement") with Cosette pursuant to which Cosette acquired from the Company worldwide rights to Vyleesi®.

Under the terms of the Purchase Agreement, the Company sold certain assets (the "Purchased Assets") to Cosette, comprising the exclusive right to market and sell Vyleesi for treatment of hypoactive sexual desire disorder in women, and contracts relating to manufacturing and distribution of Vyleesi. The Purchased Assets include applicable intellectual property pertaining to the marketing and sale of Vyleesi, including patents, patent applications, trademarks and copyrights. In addition, Cosette acquired records pertaining to the historical sales and distribution of Vyleesi, as well as quality control and pharmacovigilance records and other records. The Company will receive up to $171,000,000, consisting of an upfront purchase price of $9,500,000, $2,500,000 payable upon the settlement of certain purchase commitments, which was received November 1, 2024, and sales-based milestone payments of up to $159,000,000. As of December 31, 2024, none of the sales-based milestones have been achieved. The closing of the transaction took place simultaneously with the signing of the Purchase Agreement.

The Purchase Agreement includes customary representations, warranties and covenants, as well as standard mutual indemnities covering losses arising from any material breach of the Purchase Agreement or inaccuracy of representations and warranties.

The parties have also entered into a transition service agreement pursuant to which the Company provided certain transition services to Cosette through May 31, 2024, and the Company was reimbursed for the costs of the transition services.

The Company is also eligible to receive regulatory approval milestones associated with previous licensing of Vyleesi to Kwangdong for the Republic of Korea ("Korea") (see Note 8).

(6) MANUFACTURING SUPPLY AGREEMENTS FOR VYLEESI

The Company has transferred to Cosette its right, title and interest in contracts and agreements to manufacture Vyleesi, including manufacturing contracts with Catalent Belgium S.A. ("Catalent"), a subsidiary of Catalent Pharma Solutions, Inc., to manufacture drug product and prefilled syringes and assemble prefilled syringes into an auto-injector device; Ypsomed AG ("Ypsomed"), to manufacture the auto-injector device (the "Ypsomed Agreement"); and Lonza Ltd. ("Lonza"), to manufacture the active pharmaceutical ingredient peptide (the "Lonza Agreement").

(7) AGREEMENT WITH FOSUN

On September 6, 2017, the Company entered into a license agreement with Shanghai Fosun Pharmaceutical Industrial Development Co. Ltd. ("Fosun") for exclusive rights to commercialize Vyleesi in China (the "Fosun License Agreement"). Under the terms of the Fosun License Agreement, the Company received $4,500,000 in October 2017, which consisted of an upfront payment of $5,000,000 less $500,000 that was withheld in accordance with tax withholding requirements in China and recorded as an expense during the year ended June 30, 2018. In July 2024, Fosun, Cosette and Palatin entered into a termination agreement, effective as of May 20, 2024, terminating the Fosun License Agreement and ancillary agreements.

(8) AGREEMENT WITH KWANGDONG

On November 21, 2017, the Company entered into a license agreement with Kwangdong Pharmaceutical Co., Ltd. ("Kwangdong") for exclusive rights to commercialize Vyleesi in Korea (the "Kwangdong License Agreement"). Under the terms of the Kwangdong License Agreement, the Company received $417,500 in December 2017, consisting of an upfront payment of $500,000, less $82,500, which was withheld in accordance with tax withholding requirements in Korea and recorded as an expense during the year ended June 30, 2018. The Company has assigned the Kwangdong License Agreement to Cosette, provided that the Company retains the right to receive a $3,000,000 milestone payment based on the first commercial sale in Korea which has not occurred as of December 31, 2024.

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(9) PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2024	June 30, 2024
Clinical / regulatory costs	$ 43,314	$ 23,926
Insurance premiums	85,744	71,097
Other	124,055	147,249
	$ 253,113	$ 242,272

(10) FAIR VALUE MEASUREMENTS

The fair value of cash equivalents is classified using a hierarchy prioritized based on inputs. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on management's own assumptions used to measure assets and liabilities at fair value. A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets carried at fair value:

	Carrying Value	Quoted prices in active markets (Level 1)	Other quoted/observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2024:				
Cash equivalents - Money market funds	$ 3,005,361	$ 3,005,361	$ -	$ -
June 30, 2024:				
Cash equivalents - Money market funds	$ 9,089,113	$ 9,089,113	$ -	$ -

(11) ACCRUED EXPENSES

Accrued expenses consist of the following:

	December 31, 2024	June 30, 2024
Clinical / regulatory costs	$ 1,153,170	$ 1,509,797
Other research related expenses	36,003	65,972
Professional Services	61,484	284,215
Personnel costs	-	1,771,694
Selling expenses	324,640	351,485
Other	75,403	201,883
	$ 1,650,700	$ 4,185,046

(12) COMMITMENTS AND CONTINGENCIES

Inventory Purchases - The Company had certain supply agreements with manufacturers and suppliers, including the manufacturing agreement with Catalent entered into in September 2020 (the "Catalent Agreement"), Ypsomed Agreement, and Lonza Agreement, all of which have been transferred to Cosette. As a result of the sale of Vyleesi to Cosette, the Company is still required to make certain payments for the manufacture and supply of Vyleesi.

The following table summarizes the contractual obligations under the Catalent Agreement and Ypsomed Agreement as of December 31, 2024:

	Total	Current	1 - 3 Years	4 - 5 Years
Inventory purchase commitments	$ 2,480,600	$ 1,448,300	$ 1,032,300	$ -

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As of December 31, 2024, the Company has $932,150 and $1,032,300 accrued within other current and long-term liabilities, respectively, in the consolidated balance sheet related to estimated losses for firm commitment contractual obligations under these agreements. As of June 30, 2024, $944,150 and $1,032,300 was accrued within other current and long-term liabilities, respectively. Losses on these firm commitment contractual obligations are recognized based upon the terms of the respective agreement and similar factors considered for the write-down of inventory, including expected sales requirements as determined by internal sales forecasts.

The commitment contractual obligation amounts above are denominated in Swiss Francs and Euros and have been translated using period end exchange rates. The Company may experience a negative impact on future earnings and equity solely as a result of future foreign currency exchange rate fluctuations.

Contingencies - The Company accounts for litigation losses in accordance with ASC 450-20, *Loss Contingencies*. In addition, the Company is subject to other contingencies, such as product liability, arising in the ordinary course of business. Loss contingency provisions are recorded for probable losses when management is able to reasonably estimate the loss. Any outcome upon settlement that deviates from the Company's best estimate may result in additional expense or in a reduction in expense in a future accounting period. The Company records legal expenses associated with such contingencies as incurred.

The Company is involved, from time to time, in various claims and legal proceedings arising in the ordinary course of its business. The Company is not currently a party to any such claims or proceedings that, if decided adversely to it, would either individually or in the aggregate have a material adverse effect on its business, financial condition, or results of operations.

(13) STOCKHOLDERS' DEFICIENCY

Series A Convertible Preferred Stock – As of December 31, 2024, 4,030 shares of Series A Convertible Preferred Stock were outstanding. Each share of Series A Convertible Preferred Stock is convertible at any time, at the option of the holder, into the number of shares of common stock equal to $100 divided by the Series A Conversion Price. As of December 31, 2024, the Series A Conversion Price was $75.45, and each share of Series A Convertible Preferred Stock is convertible into approximately 1.33 shares of common stock. The Series A Conversion Price is subject to adjustment, under certain circumstances, upon the sale or issuance of common stock for consideration per share less than either (i) the Series A Conversion Price in effect on the date of such sale or issuance, or (ii) the market price of the common stock as of the date of such sale or issuance. The Series A Conversion Price is also subject to adjustment upon the occurrence of a merger, reorganization, consolidation, reclassification, stock dividend or stock split which will result in an increase or decrease in the number of shares of common stock outstanding. Shares of Series A Convertible Preferred Stock have a preference in liquidation, including certain merger transactions, of $100 per share, or $403,000 in the aggregate as of December 31, 2024. Additionally, the Company may not pay a dividend or make any distribution to holders of any class of stock unless the Company first pays a special dividend or distribution of $100 per share to holders of the Series A Convertible Preferred Stock.

Financing Transactions – On January 29, 2024, the Company entered into a securities purchase agreement (the "January 2024 Purchase Agreement") to sell in a registered direct offering (the "January 2024 RD Offering"), an aggregate of 1,831,503 shares of common stock of the Company. Pursuant to the January 2024 Purchase Agreement, the Company issued to the investors in the January 2024 RD Offering unregistered warrants (the "January 2024 Private Warrants") to purchase up to 1,831,503 shares of the Company's common stock (the "January 2024 Private Warrant Shares") in a concurrent private placement (the "Private Offering" and together with the January 2024 RD Offering, the "January 2024 Offering"). The shares of common stock and accompanying January 2024 Private Warrants were offered at a combined offering price of $5.46.

The January 2024 Private Warrants are exercisable on the six-month anniversary of the issuance date for a period of four years from the issuance date, at an exercise price equal to $5.46 per January 2024 Private Warrant Share. The January 2024 Private Warrants are exercisable for cash, or, solely during any period when a registration statement for the issuance or resale of the January 2024 Private Warrant Shares issuable upon exercise of the January 2024 Private Warrants to or by the holder of such January 2024 Private Warrants is not in effect, on a cashless basis.

The Company paid the placement agent a cash fee equal to 7.0% of the aggregate gross proceeds of the January 2024 Offering and for certain expenses and legal fees in connection with the January 2024 Offering. In addition, the Company also issued to the placement agent or its designees warrants (the "2024 Placement Agent Warrants") to purchase up to 91,575 shares of the Company's common stock (the "January 2024 Placement Agent Warrant Shares") as part of the compensation payable to the placement agent. The January 2024 Placement Agent Warrants have substantially the same terms as the January 2024 Private Warrants, except that the January 2024 Placement Agent Warrants have an exercise price of $6.825 per share.

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On March 14, 2024, the Company filed a registration statement on Form S-1 to register the January 2024 Private Warrants and the January 2024 Placement Agent Warrants, which registration statement was declared effective on March 28, 2024 and a prospectus was filed on the same date.

The gross proceeds from the January 2024 Offering totaled $10,000,006, with net proceeds from the January 2024 Offering, after deducting the placement agent fees and offering expenses, amounting to $9,224,056. The Company intends to use the net proceeds received from the January 2024 Offering for general working capital purposes.

On October 20, 2023, the Company entered into a securities purchase agreement (the "October 2023 Purchase Agreement") with a certain institutional investor, to sell in a registered direct offering (the "October 2023 RD Offering"), an aggregate of (i) 1,325,000 shares of common stock (the "October 2023 Shares"), of the Company and (ii) pre-funded warrants (the "October 2023 Pre-Funded Warrants") to purchase up to 1,033,491 shares of the Company's common stock (the "October 2023 Pre-Funded Warrant Shares"). Pursuant to the October 2023 Purchase Agreement the Company also issued unregistered warrants (the "October 2023 Private Warrants") to purchase up to 2,358,491 shares of the Company's common stock (the "October 2023 Private Warrant Shares") in a concurrent private placement (the "October 2023 Private Offering" and together with the October 2023 RD Offering, the "October 2023 Offering"). The October 2023 Shares and accompanying October 2023 Private Warrants were offered at a combined offering price of $2.12. The October 2023 Pre-Funded Warrants and accompanying October 2023 Private Warrants were offered at a combined offering price of $2.1199. The October 2023 Offering closed on October 24, 2023.

The October 2023 Private Warrants are exercisable on the six-month anniversary of issuance for a period of five and one-half years from the issuance date, at an exercise price equal to $2.12 per October 2023 Private Warrant Share. The October 2023 Private Warrants will be exercisable for cash, or, solely during any period when a registration statement for the issuance or resale of the October 2023 Private Warrant Shares issuable upon exercise of the October 2023 Private Warrants to or by the holder of such October 2023 Private Warrants is not in effect, on a cashless basis.

The October 2023 Pre-Funded Warrants had an exercise price of $0.0001 per October 2023 Pre-Funded Warrant Share, were exercisable upon issuance, and during the three months ended December 31, 2023, the institutional investor exercised the outstanding October 2023 Pre-Funded Warrants to purchase 1,033,491 shares of the Company's common stock.

The net proceeds from the October 2023 Offering, after deducting the placement agent fees and offering expenses, were $4,573,948.

The placement agent warrants were issued to non-employees in exchange for services related to the offering are accounted for in accordance ASC 718 which requires the fair value of the warrants to be recognized as an offering expense. The placement agent warrants contain certain contingent cash settlement features that are not probable of occurring and not within the control of the Company, therefore the placement agent warrants are classified out of permanent equity.

On January 24, 2024, the Company and warrant holders amended the terms of warrants related to the October 2023 financings. As a result, all liability classified warrants were reclassified to additional paid-in capital.

On April 12, 2023, the Company entered into a new equity distribution agreement (the "2023 Equity Distribution Agreement") with Canaccord Genuity LLC ("Canaccord"), pursuant to which the Company may, from time to time, sell shares of the Company's common stock at market prices by methods deemed to be an "at-the-market offering" as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. The 2023 Equity Distribution Agreement and related prospectus is limited to sales of up to an aggregate maximum $50.0 million of shares of the Company's common stock. The Company pays Canaccord 3.0% of the gross proceeds as a commission.

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Proceeds raised under the 2023 Equity Distribution Agreement are as follows:

	Six Months Ended December 31, 2023		Cumulative from inception	
	Shares	**Proceeds**	**Shares**	**Proceeds**
Gross proceeds	217,027	$ 547,803	721,061	$ 1,744,542
Fees	-	(16,434)	-	(52,336)
Expenses	-	-	-	(126,800)
Net proceeds	217,027	$ 531,369	721,061	$ 1,565,406

No proceeds were raised under the 2023 Equity Distribution Agreement during the three and six months ended December 31, 2024.

Stock Warrants – On December 13, 2024, the Company entered into a letter agreement (the "December 2024 Inducement Letter") with a holder (the "December 2024 Exercising Holder") of outstanding common stock purchase warrants that the Company issued on June 24, 2024, with an initial exercise price of $1.88, and October 24, 2023, with an initial exercise price of $2.12 (the "December 2024 Existing Warrants"). To induce the exercise of a portion of the December 2024 Existing Warrants by the December 2024 Exercising Holder, the Company agreed to adjust the exercise price of such portion of the December 2024 Existing Warrants to $0.875. Pursuant to the December 2024 Inducement Letter, the December 2024 Exercising Holder agreed to exercise, for cash, the December 2024 Existing Warrants to purchase an aggregate of 3,907,679 shares of common stock at the adjusted exercise price in exchange for the Company's agreement to issue to the December 2024 Exercising Holder Series C common stock purchase warrants to purchase 3,907,679 shares of common stock (the "Series C Warrants") and Series D common stock purchase warrants to purchase 1,953,839 shares of common stock (the "Series D Warrants" and together with the Series C Warrants, the "December 2024 Inducement Warrants," and the shares issuable upon exercise of the December 2024 Inducement Warrants, the "December 2024 Inducement Warrant Shares"). The Company received aggregate gross proceeds of $3,419,219 from the exercise of the December 2024 Existing Warrants by the December 2024 Exercising Holder (the "December 2024 Warrant Inducement"). The incremental value of the December 2024 Warrant Inducement was recorded as an offering expense against the proceeds received in additional paid-in capital.

On June 20, 2024, the Company entered into a letter agreement (the "June 2024 Inducement Letter") with a holder (the "June 2024 Exercising Holder") of outstanding common stock purchase warrants that the Company issued on November 2, 2022, and October 24, 2023 (the "June 2024 Existing Warrants"). Pursuant to the June 2024 Inducement Letter, the June 2024 Exercising Holder agreed to exercise, for cash, June 2024 Existing Warrants to purchase, in the aggregate, 3,233,277 shares of common stock in exchange for the Company's agreement to (i) lower the exercise price to $1.88 per share for the 3,233,277 June 2024 Existing Warrants being exercised pursuant to the June 2024 Inducement Letter and (ii) issue to the June 2024 Exercising Holder an aggregate of 4,849,915 warrants to purchase shares of common stock, comprised of Series A common stock purchase warrants to purchase 2,727,273 shares of common stock (the "June 2024 Series A Warrants") and Series B common stock purchase warrants to purchase 2,122,642 (of which 1,624,201 shares of common stock are subject to stockholder approval) shares of common stock (the "June 2024 Series B Warrants" and together with the June 2024 Series A Warrants, the "June 2024 Inducement Warrants"). The Company received aggregate gross proceeds of $6,078,561 from the exercise of the June 2024 Existing Warrants by the June 2024 Exercising Holder (the "Warrant Inducement"). As part of the agreement, 1,443,277 shares of common stock were held in abeyance on behalf of the June 2024 Exercising Holder. During the three months ended December 31, 2024, at the request of the June 2024 Exercising Holder, 1,443,277 shares were released from abeyance. The incremental value of the June 2024 Warrant Inducement was recorded as an offering expense against the proceeds received in additional paid-in capital.

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As of December 31, 2024, the Company had outstanding warrants for shares of common stock as follows:

Description	Shares of Common Stock	Exercise Price per Share	Latest Expiration Date
May 2022 Warrants	66,666	$ 12.50	May 11, 2026
October 2022 Placement Agent Warrants	90,909	$ 6.88	October 31, 2027
October 2023 Placement Agent Warrants	117,925	$ 2.65	October 20, 2028
January 2024 Private Warrants	1,831,503	$ 5.46	February 1, 2028
January 2024 Placement Agent Warrants	91,575	$ 6.83	February 1, 2028
June 2024 Series B Warrants	1,885,632	$ 1.88	June 24, 2029*
December 2024 Series C Warrants	3,907,679	$ 0.88	December 17, 2029
December 2024 Series D Warrants	1,953,839	$ 0.88	**

* 1,624,201 shares expire on the five year anniversary following stockholder approval of the warrant issuance and the balance expire on June 24, 2029
** 1,953,839 shares expire on the five year anniversary following stockholder approval of the warrant issuance

Stock Options – For the three and six months ended December 31, 2024, the Company recorded stock-based compensation related to stock options of $177,673 and $355,407, respectively. For the three and six months ended December 31, 2023, the Company recorded stock-based compensation related to stock options of $205,223 and $410,540, respectively.

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Term in Years	Aggregate Intrinsic Value
Outstanding - June 30, 2024	2,263,440	$ 6.11	8.2	
Granted	-	-		
Forfeited	-	-		
Exercised	-	-		
Expired	(14,338)	4.50		
Outstanding - December 31, 2024	2,249,102	$ 6.12	7.7	$ -
Exercisable at December 31, 2024	935,714	$ 10.76	6.1	$ -
Expected to vest at December 31, 2024	1,313,387	$ 2.82	8.9	$ -

Stock options granted to the Company's executive officers and employees generally vest over a 48-month period, while stock options granted to its non-employee directors vest over a 12-month period.

Included in the outstanding options in the table above are 418,945 and 88,911 unvested performance-based stock options granted to executive officers and other employees, respectively, which were granted in June 2020, 2021, 2022 and 2023. Grants in June 2021, 2022, 2023 and 2024 were 95,167, 60,566, 238,838 and 264,945, respectively. The performance-based stock options vest on annual performance criteria through the fiscal years ending June 30, 2028 relating to advancement of MC1r programs, including initiation of clinical trials and licensing of Vyleesi in additional countries or regions.

Restricted Stock Units – For the three and six months ended December 31, 2024, the Company recorded stock-based compensation related to restricted stock units of $171,281 and $342,571, respectively. For the three and six months ended December 31, 2023, the Company recorded stock-based compensation related to restricted stock units of $185,019 and $370,038, respectively.

PALATIN TECHNOLOGIES, INC.
and Subsidiary

Notes to Consolidated Financial Statements

A summary of restricted stock unit activity is as follows:

Outstanding at June 30, 2024	1,374,980
Granted	-
Forfeited	-
Vested	(232,941)
Expirations	(2,726)
Outstanding at December 31, 2024	1,139,313

Included in outstanding restricted stock units in the table above are 279,700 vested shares that have not been issued as of December 31, 2024, due to a provision in the restricted stock unit agreements to delay delivery.

Time-based restricted stock units granted to the Company's executive officers, other employees, and non-employee directors generally vest over 48 months, 48 months, and 12 months, respectively.

Included in the outstanding restricted stock units in the table above are 274,549 and 59,842 unvested performance-based restricted stock units granted to executive officers and other employees, respectively, which were granted in June 2021, 2022, 2023, and 2024. Grants in June 2021, 2022, 2023 and 2024 were 22,343, 40,707, 152,432 and 184,443 restricted stock units, respectively. The performance-based restricted stock units vest on annual performance criteria through the fiscal years ending June 30, 2026 relating to advancement of MC1r programs, including initiation of clinical trials, and licensing of Vyleesi in additional countries or regions

In connection with the vesting of restricted share units during the six months ended December 31, 2024, the Company withheld 54,691 shares, with an aggregate value of $99,482, in satisfaction of minimum tax withholding obligations.

(14) SUBSEQUENT EVENTS

On February 10, 2025, the Company entered into definitive agreements with a single healthcare focused institutional investor for the purchase and sale of 4,688,000 shares of its common stock (or common stock equivalents in lieu thereof) in a registered direct offering (the "Registered Direct Offering") at a purchase price of $1.00 per share.

The Company also agreed to issue to the same investor in a concurrent private placement warrants to purchase up to an aggregate of 4,688,000 shares of common stock (the "Private Placement" and, together with the Registered Direct Offering, the "Offering"). The warrants being issued in the concurrent Private Placement will have an exercise price of $1.00 per share, will be exercisable beginning on the six-month anniversary of the date of issuance and will expire five and a half years from the date of issuance.

The gross proceeds from the Offering totaled $4,687,786. The Company intends to use the net proceeds from the Offering for general corporate purposes.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements filed as part of this report and the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended June 30, 2024.

The following discussion and analysis contain forward-looking statements within the meaning of the federal securities laws. You are urged to carefully review our description and examples of forward-looking statements included earlier in this Quarterly Report immediately prior to Part I, under the heading "Special Note Regarding Forward-Looking Statements." Forward-looking statements are subject to risk that could cause actual results to differ materially from those expressed in the forward-looking statements. You are urged to carefully review the disclosures we make concerning risks and other factors that may affect our business and operating results, including those made in this Quarterly Report and our Annual Report on Form 10-K for the year ended June 30, 2024, as well as any of those made in our other reports filed with the SEC. You are cautioned not to place undue reliance on the forward-looking statements included herein, which speak only as of the date of this document. We do not intend, and undertake no obligation, to publish revised forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

Critical Accounting Policies and Estimates

Our significant accounting policies, which are described in the notes to our consolidated financial statements included in this report and in our Annual Report on Form 10-K for the year ended June 30, 2024, have not changed during the three and six months ended December 31, 2024. We believe that our accounting policies and estimates relating to the carrying value of inventory, revenue recognition, accrued expenses, purchase commitment liabilities, warrants and stock-based compensation are the most critical.

Our Business

We are a biopharmaceutical company developing first-in-class medicines based on molecules that modulate the activity of the melanocortin peptide receptor systems. Our product candidates are targeted, receptor-specific therapeutics for the treatment of diseases with significant unmet medical need and commercial potential.

Melanocortin Receptor System. The melanocortin receptor ("MCr") system has effects on food intake, metabolism, sexual function, inflammation, and immune system responses. There are five melanocortin receptors, MC1r through MC5r. Modulation of these receptors, through use of receptor-specific agonists, which activate receptor function, or receptor-specific antagonists, which block receptor function, can have significant pharmacological effects.

Our prior commercial product, Vyleesi®, was approved by the U.S. Food and Drug Administration ("FDA") in June 2019 and was being marketed in the United States by AMAG Pharmaceuticals, Inc. ("AMAG") for the treatment of hypoactive sexual desire disorder ("HSDD") in premenopausal women pursuant to a license agreement between them for Vyleesi for North America, which was entered into on January 8, 2017 (the "AMAG License Agreement"). The AMAG License Agreement was terminated effective July 24, 2020, and we commenced marketing Vyleesi in North America. As disclosed in Note 5 to the Consolidated Financial Statements, effective December 19, 2023, Cosette acquired all rights to Vyleesi.

Our new product development activities focus on obesity, including co-administration of bremelanotide with tirzepatide, a GLP-1 agonist for treatment of obesity, which has completed Phase 2 in the fourth quarter of calendar year 2024, with topline results expected in the first quarter of calendar year 2025; and secondarily on ocular indications, including PL9643, an ophthalmic peptide solution for dry eye disease ("DED"), which completed Phase 3 clinical trials and announced top line results from the first Phase 3 clinical trial in the first quarter of calendar year 2024; ulcerative colitis, including PL8177, an oral peptide formulation, which entered Phase 2 ulcerative colitis clinical trials in the third quarter of calendar year 2022 and is expected to report topline results in the first quarter of calendar year 2025. We are actively engaged in discussions with potential partners and licensees that have the financial and operational resources to progress our products for ocular conditions through development, approval and commercialization.

Pipeline Overview

The following chart illustrates the status of our drug development programs.

Our Strategy

Key elements of our business strategy include:

- Maintaining a team to create, develop and commercialize MCr products addressing unmet medical needs;
- Entering into strategic alliances and partnerships with pharmaceutical companies to facilitate the development, manufacture, marketing, sale, and distribution of product candidates that we are developing;
- Partially funding our product development programs with the cash flow generated from the sale of Vyleesi to Cosette and existing license agreements, as well as any future research, collaboration, or license agreements; and
- Completing development and seeking regulatory approval of certain of our other product candidates.

Corporate Information

We were incorporated under the laws of the State of Delaware on November 21, 1986 and commenced operations in the biopharmaceutical area in 1996. Our corporate offices are located at 4B Cedar Brook Drive, Cedar Brook Corporate Center, Cranbury, New Jersey 08512, and our telephone number is (609) 495-2200. We maintain an Internet site, 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 Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our website and the information contained in it or connected to it are not incorporated into this Quarterly Report on Form 10-Q. The reference to our website is an inactive textual reference only.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (*www.sec.gov*).

Results of Operations

Three and Six Months Ended December 31, 2024, Compared to the Three and Six Months Ended December 31, 2023:

Revenues – For the six months ended December 31, 2024, we recognized $0 in product revenue, net of allowances. For the three and six months ended December 31, 2023, we recognized $2,034,113 and $4,140,090 in product revenue, net of allowances, respectively. The decrease in product revenue, net of allowances is a result of the sale to Cosette of worldwide rights to Vyleesi.

Cost of Products Sold – Cost of products sold was $0 for the six months ended December 31, 2024 compared to $97,637 for the three and six months ended December 31, 2023. The decrease is a result of the sale to Cosette of worldwide rights to Vyleesi.

Research and Development – Research and development expenses were $3,429,479 and $9,173,233 for the three and six months ended December 31, 2024, respectively, compared to $5,554,200 and $10,568,830 for the three and six months ended December 31, 2023, respectively. The decrease was primarily related to a decrease in spending on our MCr programs.

Research and development expenses related to our MCr other preclinical programs were $1,888,065 and $5,969,102 for the three and six months ended December 31, 2024, respectively compared to $3,828,383 and $7,287,971 for the three and six months ended December 31, 2023, respectively. The decrease was primarily related to a decrease in spending on our MCr programs.

The amounts of project spending above exclude general research and development spending, which was $1,662,717 and $3,204,131 for the three and six months ended December 31, 2024, respectively, compared to $1,725,817 and $3,280,859 for the three and six months ended December 31, 2023, respectively. The decrease is primarily attributable to a decrease in compensation-related expenses.

Cumulative spending from inception to December 31, 2024, was approximately $311,900,000 on our Vyleesi program and approximately $243,100,000 on all our other programs (which include PL3994, melanocortin receptor agonists, other discovery programs and terminated programs). Due to various risk factors described in our Annual Report on Form 10-K for the year ended June 30, 2024, under “Risk Factors,” including the difficulty in currently estimating the costs and timing of future Phase 1 clinical trials and larger-scale Phase 2 and Phase 3 clinical trials for any product under development, we cannot predict with reasonable certainty when, if ever, a program will advance to the next stage of development or be successfully completed, or when, if ever, related net cash inflows will be generated.

Selling, General and Administrative – Selling, general and administrative expenses, which consist mainly of compensation and related costs, were $1,681,844 and $3,702,775 for the three and six months ended December 31, 2024, respectively, compared to $3,032,613 and $6,232,857 for the three and six months ended December 31, 2023, respectively. The decrease is a result of the elimination of selling expenses relating to Vyleesi.

Gain on Sale of Vyleesi – For the three and six months ended December 31, 2024, the Company recorded a gain of $2,500,000 on the sale of Vyleesi as a result of the settlement of certain purchase commitments. For the three and six months ended December 31, 2024, the Company recorded a gain of $7,823,482 on the sale of worldwide rights to Vyleesi. The gain represents the upfront purchase price of $9,500,000 less the cost of net assets transferred to the purchaser.

Other Income (Expense) – For the three and six months ended, December 31, 2024, total other income (expense), net was $168,841 and $109,877, respectively. For the three and six months ended December 31, 2023, other (expense) income was $(9,017,179) and $(8,114,281), respectively. The increase in other income (expense) for the three and six months ended December 31, 2024 compared to the three and six months ended December 31, 2023 was driven primarily by the change in fair values of the warrant liability, a decrease in offering expenses and foreign currency transaction gains.

Liquidity and Capital Resources

Since inception, we have generally incurred net operating losses, primarily related to spending on our research and development programs. We have financed our net operating losses primarily through debt and equity financings and amounts received under collaborative and license agreements.

Our product candidates are at various stages of development and will require significant further research, development, and testing and some may never be successfully developed or commercialized. We may experience uncertainties, delays, difficulties, and expenses commonly experienced by early-stage biopharmaceutical companies, which may include unanticipated problems and additional costs relating to:

- the development and testing of products in animals and humans;
- product approval or clearance;
- regulatory compliance;
- good manufacturing practices (“GMP”) compliance;
- intellectual property rights;
- product introduction;
- marketing, sales, and competition; and
- obtaining sufficient capital.

Failure to enter into or successfully perform under collaboration agreements and obtain timely regulatory approval for our product candidates and indications would impact our ability to generate revenues and could make it more difficult to attract investment capital for funding our operations. Any of these possibilities could materially and adversely affect our operations and require us to curtail or cease certain programs.

During the six months ended December 31, 2024, net cash used in operating activities was $11,863,319 compared to $16,382,079 for the six months ended December 31, 2023. The decrease was primarily related to a decrease in net loss during the period and working capital changes.

During the six months ended December 31, 2024, net cash provided by investing activities was $2,500,000, which consisted of proceeds from the sale of Vyleesi. During the six months ended December 31, 2023, net cash provided by investing activities was $12,455,275, which consisted of $9,500,000 of proceeds from the sale of Vyleesi and $2,992,890 proceeds from the maturity of marketable securities, offset by $37,615 used for the purchase of property and equipment.

During the six months ended December 31, 2024, net cash provided by financing activities was $3,252,527, which consisted of $3,398,023 of proceeds from the exercise of warrants, offset by $99,482 for payment of withholding taxes related to restricted stock units and $46,014 for payment of finance lease obligations. During the six months ended December 31, 2023, net cash provided by financing activities was $5,422,474, which consisted of proceeds from the sale of common stock of $5,531,266, proceeds from the exercise of warrants of $103, offset by $56,401 for payment of withholding taxes related to restricted stock units and $52,494 for payment of finance lease obligations.

We have incurred cumulative negative cash flows from operations since our inception, and have expended substantial funds to advance our planned product development efforts. Continued operations are dependent upon our ability to complete equity or debt financing activities and to enter into additional licensing or collaboration arrangements. As of December 31, 2024, our cash and cash equivalents were $3,416,604, and our current liabilities were $9,558,756.

Our obligations include short-term lease obligations in an aggregate amount of $257,673 in current liabilities as of December 31, 2024, $100,071 in long-term lease liabilities, inventory purchase commitments in an aggregate amount of $1,964,450 which consists of $932,150 in current liabilities as of December 31, 2024, and $1,032,300 in other long-term liabilities.

There have been no material changes outside the ordinary course of business to our contractual obligations and commitments, as disclosed in our Annual Report on Form 10-K for the year ended June 30, 2024.

We intend to utilize existing capital resources for general corporate purposes and working capital requirements, including preclinical and clinical development of our MC1r and MC4r programs, and development of other portfolio products.

As a result of our sale of worldwide rights to Vyleesi pursuant to the Purchase Agreement, we currently do not have a recurring source of revenue. Based on our available cash and cash equivalents as of December 31, 2024, and $4,309,641 received in February 2025, the Company has concluded that substantial doubt exists about our ability to continue as a going concern for one year from the date our consolidated financial statements are issued. We are evaluating strategies to obtain additional funding for future operations which include but are not limited to obtaining equity financing, issuing debt, or reducing planned expenses. A failure to raise additional funding or to effectively implement cost reductions could harm our business, results of operations, and future prospects. If we are not able to secure adequate additional funding in future periods, we would be forced to make additional reductions in certain expenditures. This may include liquidating assets and suspending or curtailing planned programs. We may also have to delay, reduce the scope of, suspend, or eliminate one or more research and development programs or its commercialization efforts or pursue a strategic transaction. If we are unable to raise capital when needed or enter into a strategic transaction, then we may be required to cease operations, which could cause our stockholders to lose all or part of their investment. Based on our current operating and development plans, we expect that our existing cash and cash equivalents as of the date of this filing will be sufficient to enable the Company to fund its operations into the second half of the calendar year 2025.

We will need additional funding to complete required clinical trials for our product candidates and development programs and, if those clinical trials are successful (which we cannot predict), to complete submission of required regulatory applications to the FDA. However, current economic conditions may negatively impact our operations, including possible effects on our financial condition, ability to access the capital markets on attractive terms or at all, liquidity, operations, suppliers, industry, and workforce. We will continue to evaluate the impact that these events could have on the operations, financial position, and the results of operations and cash flows during fiscal year 2025 and beyond.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required to be provided by smaller reporting companies.

Item 4. Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective due to the previously-reported material weakness in our controls over financial reporting related to the accounting for complex financial instruments. As a result, we performed additional analysis as deemed necessary to ensure that our financial statements were prepared in accordance with U.S. GAAP. Accordingly, Company management believes that the consolidated financial statements included in this Form 10-Q present fairly, in all material respects, our financial position, results of operations and cash flows for the period presented. We will continue to improve these processes to ensure that the nuances of such significant or non-routine transactions are effectively evaluated in the context of the appropriate accounting standards. There were no other changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We may be involved, from time to time, in various claims and legal proceedings arising in the ordinary course of our business. We are not currently a party to any claim or legal proceeding.

Item 1A. Risk Factors.

This report and other documents we file with the SEC contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, our future performance, our business, our beliefs, and our management's assumptions. These statements are not guarantees of future performance, and they involve certain risks, uncertainties and assumptions that are difficult to predict. You should carefully consider the risks and uncertainties facing our business.

Other than set forth below, there have been no material changes to our risk factors disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended June 30, 2024.

We are currently not in compliance with the continued listing standards of the NYSE American. Our failure to resume compliance with the continued listing standards or make continued progress toward compliance consistent with a plan of compliance that we submitted to NYSE Regulation may result in the delisting of our common stock.

We are currently not in compliance with the continued listing standards of the NYSE American. If we fail to regain compliance with the NYSE American listing standards, our common stock could be de-listed from the NYSE American.

Our common stock is listed on the NYSE American, a national securities exchange, under the symbol "PTN". As a result, we are subject to NYSE American's listing standards, which generally mandate that we meet certain requirements relating to stockholders' equity, market capitalization, aggregate market value of publicly held shares and distribution requirements.

On October 4, 2024, the Company received a letter from the staff of NYSE American LLC (the "NYSE American") stating that the Company's stockholders' equity as reported in its Annual Report on Form 10-K for the year ended June 30, 2024 was not in compliance with the NYSE American's continued listing standards under Section 1003(a)(iii) of the NYSE American Company Guide. Section 1003(a)(iii) requires a listed company to have stockholders' equity of $6 million or more if the listed company has reported losses from continuing operations and/or net losses in its five most recent fiscal years.

On October 10, 2023, the Company received a notice from the staff of NYSE American that the Company was not in compliance with the NYSE American's continued listing standards under Section 1003(a)(i) and (ii) of the NYSE American Company Guide. Section 1003(a)(i) requires a listed company to have stockholders' equity $2 million or more if the listed company has reported losses from continuing operations and/or net losses in two of its three most recent fiscal years, and Section 1003(a)(ii) requires a listed company to have stockholders' equity of $4 million or more if the listed company has reported losses from continuing operations and/or net losses in three of its four most recent fiscal years. The Company remains subject to the procedures and requirements of Section 1009 of the Company Guide, and previously submitted a plan (the "Plan") of actions it has taken or will take to regain compliance with the continued listing standards by April 10, 2025.

The NYSE American accepted the Plan and granted a Plan period through April 10, 2025 to regain compliance with the continued listing standards, which now includes continued listing standards under Section 1003(a)(iii). The Company will be able to continue its listing during the Plan period and will be subject to periodic reviews including quarterly monitoring for compliance with the Plan until it has regained compliance. If the Company is not in compliance with the continued listing standards by that date or if the Company does not make progress consistent with the Plan during the plan period, the Exchange may commence delisting procedures.

There can be no assurance that the Company will be able to meet milestones set forth in the Plan between now and April 10, 2025.

If we fail to regain compliance with the continued listing requirements of the NYSE American, the NYSE American may take steps to de-list our common stock. If the NYSE American de-lists our securities for trading on its exchange, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our shares of common stock are "penny stock" which will require brokers trading in our shares of common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our shares of common stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Such a de-listing would likely have a negative effect on the price of our common stock and would impair our investors' ability to sell or purchase our common stock when investors wish to do so.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities." Shares of our common stock are considered to be covered securities because they are listed on the NYSE American. Although the states are preempted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. Further, if we were no longer listed on the NYSE American, our common stock would not be deemed covered securities and we would be subject to regulation in each state in which we offer our securities.

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.

Exhibits filed or furnished with this report:

Exhibit Number	Description	Filed Herewith	Form	Filing Date	SEC File No.
3.1	Amended and Restated Bylaws of Palatin Technologies, Inc.		8-K	September 17, 2021	001-15543
3.2	Restated Certificate of Incorporation of Palatin Technologies, Inc., as amended.		10-K	September 27, 2013	001-15543
3.3	Certificate of Amendment to the Restated Certificate of Incorporation of Palatin Technologies, Inc., as amended.		8-K	August 31, 2022	001-15543
3.4	Certificate of Decrease of Series A Convertible Preferred Stock.		10-Q	May 16, 2022	001-15543
4.1	Form of Series C Common Stock Purchase Warrant, dated December 17, 2024.		8-K	December 16, 2024	001-15543
4.2	Form of Series D Common Stock Purchase Warrant, dated December 17, 2024.		8-K	December 16, 2024	001-15543
10.1	Inducement Letter, between Palatin Technologies, Inc. and the Holder (as defined therein), dated December 13, 2024.		8-K	December 16, 2024	001-15543
31.1	Certification of Chief Executive Officer.	X			
31.2	Certification of Chief Financial Officer.	X			
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*			
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*			
101.INS	Inline XBRL Taxonomy Extension Instance Document (the instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).	X			
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

*In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certification furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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.

Palatin Technologies, Inc.
(Registrant)

Date: February 13, 2025

/s/ Carl Spana
Carl Spana, Ph.D.
President and
Chief Executive Officer (Principal
Executive Officer)

Date: February 13, 2025

/s/ Stephen T. Wills
Stephen T. Wills, CPA, MST
Executive Vice President, Chief Financial Officer
and Chief Operating Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

Certification of Chief Executive Officer

I, Carl Spana, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Palatin Technologies, 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 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 subsidiary, 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 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 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:

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

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

Date: February 13, 2025

/s/ Carl Spana
Carl Spana, President and Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer

I, Stephen T. Wills, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Palatin Technologies, 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 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 subsidiary, 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 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 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:

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

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

Date: February 13, 2025

/s/ Stephen T. Wills

Stephen T. Wills, Executive Vice President,
Chief Financial Officer and Chief Operating Officer

EXHIBIT 32.1

Certification of Principal Executive Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Carl Spana, President and Chief Executive Officer of Palatin Technologies, Inc., hereby certify, to my knowledge, that the Quarterly Report on Form 10-Q for the period ended December 31, 2024 of Palatin Technologies, Inc. (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Palatin Technologies, Inc.

Dated: February 13, 2025

/s/ Carl Spana
Carl Spana, President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

Certification of Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Stephen T. Wills, Executive Vice President, Chief Financial Officer and Chief Operating Officer of Palatin Technologies, Inc., hereby certify, to my knowledge, that the Quarterly Report on Form 10-Q for the period ended December 31, 2024 of Palatin Technologies, Inc. (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Palatin Technologies, Inc.

Dated: February 13, 2025

/s/ Stephen T. Wills
Stephen T. Wills, Executive Vice President,
Chief Financial Officer and Chief Operating Officer
(Principal Financial Officer)