

Appendix 4E

Neuren Pharmaceuticals Limited ARBN 111 496 130

Preliminary final report Financial year ended 31 December 2017

The following information is given to the ASX under listing rule 4.3A:

1. Reporting Period

Neuren Pharmaceuticals Limited ARBN 111 496 130 presents the following consolidated information for the year ended 31 December 2017 together with comparative results for the year ended 31 December 2016.

All amounts shown are in Australian dollars unless otherwise stated.

2. Results for announcement to the market

	2017	2016	Change	
	\$'000	\$'000	\$'000	% Change
2.1 Operating Revenue	3,926	1,494	2,432	163%
2.2 Loss after Tax attributable to equity holders	(1,808)	(12,014)	10,206	85%
2.3 Net Loss attributable to equity holders	(1,808)	(12,014)	10,206	85%
2.4 Dividends	N/A	N/A	N/A	N/A

3. Income Statement & Notes

	Consolidated	
	Dec 2017	Dec 2016
	\$'000	\$'000
Interest income	47	188
	47	188
Other income		
Grants	-	1,306
	-	1,306
Gains on financial assets measured at fair value through profit or loss	3,879	-
	3,879	-
Total income	3,926	1,494
Research and development costs	(4,304)	(12,441)
Corporate and administrative costs	(1,341)	(1,842)
Foreign exchange loss	(168)	(185)
Share based payment expense	(552)	(884)
Loss before income tax	(2,439)	(13,858)
Income tax benefit	1	631
Loss after income tax	(1,808)	(12,014)
Other comprehensive expense, net of tax		
Exchange differences on translation of foreign operations	34	(6)
Total comprehensive loss for the period	(1,774)	(12,020)
Loss after tax attributable to Equity holders of the company:	(1,808)	(12,014)
Total comprehensive loss attributable to Equity holders of the company:	(1,774)	(12,020)
Basic and diluted loss per share	2	\$0.019
		\$0.135

Note 1. Income Tax	Consolidated	
	2017	2016
	\$'000	\$'000
Income tax benefit		
Current tax	(631)	(1,844)
Deferred tax	-	-
Income tax benefit	<u>(631)</u>	<u>(1,844)</u>
Numerical reconciliation of income tax benefit to prima facie tax receivable:		
Loss before income tax	(2,439)	(13,858)
Tax at applicable rates	(707)	(4,157)
Share option compensation not deductible	160	265
R&D tax incentive rate benefit	(232)	(327)
	<u>(779)</u>	<u>(4,219)</u>
Effect of changes in exchange and tax rates on prior year losses	1,768	(712)
(Over) Under provision in prior years	172	(143)
Deferred tax not recognised	(1,792)	3,230
Income tax benefit	<u>(631)</u>	<u>(1,844)</u>
Current tax		
Current tax receivable at the beginning of the year	981	-
Current tax benefit	631	1,844
Received during the year	(981)	(863)
Current tax receivable at the end of the year	<u>631</u>	<u>981</u>
Deferred tax asset (liability)		
Provisions and accruals	29	23
Intangible assets	267	263
Exchange Differences	32	44
Unrealised gains in financial assets	(1,131)	-
Tax losses	26,729	27,389
	<u>25,926</u>	<u>27,718</u>
Unrecognised deferred tax assets	(25,926)	(27,718)
Deferred tax asset (liability)	<u>-</u>	<u>-</u>

Note 2: Loss per share	Consolidated		
	2017	2016	2016
		Restated	
Loss after income tax attributable to equity holders - (\$'000)	(1,808)	(12,014)	(12,014)
Weighted average shares outstanding (basic) - (No.)	96,460,841	89,175,171	1,783,503,420
Weighted average shares outstanding (diluted) - (No.)	96,460,841	89,175,171	1,783,503,420
Basic and diluted loss per share	<u>(\$0.019)</u>	<u>(\$0.135)</u>	<u>(\$0.007)</u>

4. Balance Sheet & Notes

	Notes	As at Dec 2017 \$'000	As at Dec 2016 \$'000
ASSETS			
Current Assets:			
Cash and cash equivalents	3	4,706	5,051
Current tax receivable	1	631	981
Trade and other receivables	4	61	21
Financial Assets measured at fair value through profit or loss	5	9,138	-
Total current assets		14,536	6,053
Non-current assets:			
Property, plant and equipment		7	12
Intangible assets	6	73	145
Financial Assets measured at fair value through profit or loss	5	1,374	-
Total non-current assets		1,454	157
TOTAL ASSETS		15,990	6,210
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	7	1,073	2,027
Total current liabilities		1,073	2,027
Non-current liabilities:			
		-	-
TOTAL LIABILITIES		1,073	2,027
EQUITY			
Share capital	8	124,785	112,829
Other reserves		(9,806)	(10,292)
Accumulated deficit		(100,062)	(98,354)
Total equity attributable to equity holders		14,917	4,183
TOTAL LIABILITIES AND EQUITY		15,990	6,210

Note 3. Cash and cash Equivalents

	Consolidated	
	2017	2016
	\$'000	\$'000
Cash	1,736	2,779
Demand and short-term deposits	2,970	2,272
	4,706	5,051

Note 4. Trade and other receivables

	Consolidated	
	2017	2016
	\$'000	\$'000
Trade receivables	44	-
Other receivables	14	15
Interest receivables	3	6
	<u>61</u>	<u>21</u>

Note 5. Financial Assets measured at fair value through profit or loss

	Consolidated	
	2017	2016
	\$'000	\$'000
Current		
Equity derivative	<u>9,138</u>	-
Non-Current		
Equity derivative	<u>1,374</u>	-
TOTAL	<u><u>10,512</u></u>	<u>-</u>

Reconciliation of the fair values at the end of the current financial year are set out below:

	Consolidated	
	2017	2016
	\$'000	\$'000
Recognition of equity derivative	9,000	-
Cash settlements received	(2,367)	-
Transaction cost	(500)	-
Realised gains on cash settlements received	478	-
Unrealised gains on future cash settlements	<u>3,901</u>	-
Net gain through profit or loss	<u>3,879</u>	-
Closing fair value	<u><u>10,512</u></u>	<u>-</u>

Note 6: Intangible Assets

	Consolidated		
	Intellectual Property \$'000	Acquired Software \$'000	Total \$'000
As at 1 January 2016			
Cost	1,074	10	1,084
Accumulated amortisation	(859)	(8)	(867)
Net Book Value	215	2	217
Movements in the year ended 31 December 2016			
Opening net book value	215	2	217
Amortisation	(71)	(1)	(72)
Closing net book value	144	1	145
As at 31 December 2016			
cost	1,074	10	1,084
Accumulated amortisation	(930)	(9)	(939)
Net book value	144	1	145
Movements in the year ended 31 December 2017			
Opening net book value	144	1	145
Amortisation	(71)	(1)	(72)
Closing net book value	73	0	73
As at 31 December 2017			
cost	1,074	10	1,084
Accumulated amortisation	(1,001)	(10)	(1,011)
Net book value	73	0	73

Intellectual Property

	NNZ-2566
Opening net book value	144
Amortisation	(71)
Closing net book value	<u>73</u>
Remaining amortisation period	1 year

Note 7: Trade and other payables

	Consolidated	
	2017 \$'000	2016 \$'000
Trade payables	723	1,035
Accruals	265	915
Employee Benefits	85	77
	<u>1,073</u>	<u>2,027</u>

Note 8: Share Capital

	2017		2016	
	Shares	Shares	\$'000	\$'000
Consolidated				
Issued Share Capital				
Ordinary shares on issue at beginning of year	1,841,929,015	1,767,003,738	112,829	111,912
Shares issued on exercise of Equity Performance Rights	1,308,901	12,925,277	-	-
Shares issued on exercise of share options	-	62,000,000	-	929
Shares issued in private placement	185,483,873	-	11,500	-
Shares issued for equity derivative	8,064,516	-	500	-
Share issue expenses - cash issue costs	-	-	(44)	(12)
	<u>2,036,786,305</u>	<u>1,841,929,015</u>	<u>124,785</u>	<u>112,829</u>
Share Consolidation	(1,934,946,285)	-	-	-
	<u>101,840,020</u>	<u>1,841,929,015</u>	<u>124,785</u>	<u>112,829</u>

Share options table

	Weighted Average Exercise Price		Weighted Average Exercise Price	
	Options	(\$AUD)	Exercisable	Price (AUD\$)
Consolidated				
Outstanding at 1 January 2016	62,000,000	\$0.015	62,000,000	\$0.015
Lapsed	-	\$0.000	-	\$0.000
Exercised	(62,000,000)	\$0.015	-	\$0.000
Outstanding at 31 December 2016	-	\$0.000	-	\$0.000
Outstanding at 31 December 2017	-	\$0.000	-	\$0.000

5. Statement of Cash Flows

	Consolidated	
	2017	2016
	\$'000	\$'000
Cash flows from operating activities:		
Receipts from grants	-	1,306
Interest received	49	206
GST refunded	70	134
Payments for employees and directors	(1,494)	(1,938)
Payments to other suppliers	(5,196)	(12,949)
R&D Tax Refund	981	863
Net cash used in operating activities	(5,590)	(12,378)
Cash flows from investing activities:		
Purchase of property, plant and equipment	-	(10)
Net cash used in investing activities	-	(10)
Cash flows from financing activities:		
Proceeds from the issue of shares	11,500	-
Purchase of financial asset	(8,500)	-
Proceeds from the exercise of options	-	929
Settlements from financial asset	2,367	-
Payment of share issue expenses	(44)	(12)
Net cash provided from financing activities	5,323	917
Net decrease in cash	(267)	(11,471)
Effect of exchange rate changes on cash balances	(78)	(120)
Cash at the beginning of the year	5,051	16,642
Cash at the end of the year	4,706	5,051
Reconciliation with loss after income tax:		
Loss after income tax	(1,808)	(12,014)
<i>Non-cash items requiring adjustment:</i>		
Depreciation of property, plant and equipment	6	8
Amortisation of intangible assets	72	72
Share based payment expense	552	884
Foreign exchange loss / (gain)	111	115
Gain on financial assets	(3,879)	-
<i>Changes in working capital:</i>		
Trade and other receivables	310	(968)
Trade and other payables	(954)	(475)
Net cash used in operating activities	(5,590)	(12,378)

6. Statement of Changes in Equity

	Share Capital	Share Option Reserve	Currency Translation Reserve	Accumulated Deficit	Total Equity
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000
Equity as at 1 January 2016	111,912	2,889	(10,653)	(89,746)	14,402
Shares issued on option exercise	929				929
Share issue costs expensed	(12)				(12)
Share based payments		884			884
Exercised options		(3,406)		3,406	-
Loss after income tax for the period				(12,014)	(12,014)
Other comprehensive expenses			(6)	-	(6)
Equity as at 31 December 2016	112,829	367	(10,659)	(98,354)	4,183
Shares issued in private placement	11,500				11,500
Shares issued for equity derivative	500				500
Share issue costs expensed	(44)				(44)
Share based payments		552			552
Exercised options		(100)		100	-
Loss after income tax for the period				(1,808)	(1,808)
Other comprehensive expenses			34	-	34
Equity as at 31 December 2017	124,785	819	(10,625)	(100,062)	14,917

7. Dividends

No dividends were paid in the financial year. The directors do not recommend the payment of any dividends with respect to the financial year.

8. Dividend or Distribution Reinvestment Plan

Not applicable.

9. Net Tangible Assets per Security

	31 December 2017 \$	31 December 2016 \$
Net tangible assets per security	\$0.007	\$0.002

10. Changes in Control Over Entities

Not applicable.

11. Associates and Joint Venture Entities

Not applicable.

12. Other Significant Information

Not applicable.

13. Accounting Standards

This report has been compiled from information prepared in accordance with and complying with generally accepted accounting practice in New Zealand, International Financial Reporting Standards, New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities in New Zealand.

14. Commentary on the Results

The consolidated loss after tax attributable to equity holders for the year ended 31 December 2017 was \$1.8 million (2016: \$12.0 million). The loss decreased by \$10.2 million, mainly due to the following:

- A decrease of \$8.1 million in research and development costs, following the completion of the Rett syndrome pediatric clinical trial in March 2017 and the Fragile X syndrome clinical trial in 2016;
- Gains of \$3.9 million in financial assets measured at fair value through profit or loss, relating to the Sharing Agreement with Lanstead Capital that was entered into as a part of the capital raising in July 2017;
- A decrease of \$1.3 million in grant revenue, due to completion in 2016 of the grant funding from Rettsyndrome.org towards the cost of the Rett syndrome clinical trial; and
- Income tax benefit from the R&D Tax Incentive of \$0.6 million, compared with \$1.8 million in 2016, reflecting the lower eligible research and development costs.

In November 2017, Neuren completed a 1-for-20 consolidation of its ordinary shares. The weighted average number of shares and loss per share for 2017 and 2016 have been restated to reflect the consolidation. The net loss per share for 2017 was \$0.019 (2016: \$0.135) based on a weighted average number of shares outstanding of 96,460,841 (2016: 89,175,171). There were no share options outstanding at 31 December 2017.

Cash reserves at 31 December 2017 were \$4.7 million (2016: \$5.1 million). Operating cash outflow decreased from \$12.4 million to \$5.6 million, due mainly to lower cash payments to R&D suppliers, partly offset by lower cash receipts from grants. Financing activities provided cash of \$5.3 million in 2017 from the issue of shares in the July 2017 capital raising and the subsequent settlements from the Sharing Agreement, compared with \$0.9 million in 2016 from the exercise of share options.

15. Audit Status

This report is based upon financial statements for the year ended 31 December 2017 which are in the process of being audited. The information for the year ended 31 December 2016 as presented in this report has been extracted from audited financial statements.