Neuren Pharmaceuticals Limited

Appendix 4D Half-Year Financial Report

30 June 2012

Name of entity

Neuren Pharmaceuticals Limited

ARBN

111 496 130

Half-year ended

30 June 2012

1. Neuren Pharmaceuticals Limited ("Neuren" or the "Company") presents this financial report, including the interim financial statements, for the six months ended 30 June 2012.

The interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, International Accounting Standard 34 and NZ IAS 34 *Interim Financial Reporting*.

The Interim Report should be read in conjunction with the Company's Annual Report for the year ended 31 December 2011.

All amounts shown are in New Zealand dollars unless otherwise stated.

2. Results for announcement to the market

	30 June 2012 NZ$'000	30 June 2011 NZ$'000	% Change
2.1 Operating revenue	2,820	2,799	0.7%
2.2 Loss after tax from ordinary activities	(2,990)	(1,430)	(109.1)%
2.3 Net loss from ordinary activities	(2,990)	(1,430)	(109.1)%
2.4 Dividends and franked amount per security	nil	nil	n/a
2.5 Dividend record date	n/a	n/a	n/a

2.6 Explanation of results:

The financial results presented in this report are consistent with the Company's expectations for the period, with closing cash at 30 June 2012 of NZ$9,893,000. Grant revenue from the US Army was unchanged with the small decrease attributable to a change in the US:NZ dollar exchange rate. Interest income was NZ$120,000 higher as a result of higher average cash balances in 2012. Research and development costs, which relate primarily to the NNZ-2566 programs, increased as a result of costs incurred on the oral NNZ-2566 Phase I safety study and in planning and preparation for the upcoming concussion and Rett Syndrome Phase II trials. The consolidated net loss attributable to equity holders for the period was NZ$3.0 million compared with NZ$1.4 million in the previous year, the increase largely due to the ongoing amortisation over the vesting period of the non-cash share option compensation expense arising on the options which were issued later in 2011. A more detailed discussion of the activities undertaken in the period is set out in the Chief Executive's Report contained in the attached Interim Report to shareholders.

+ See chapter 19 for defined terms.

3. Net Tangible Assets per Security

	Current period	Comparative period
Net tangible assets per share	NZ$ 0.006	NZ$ 0.003

4. Entities over which control has been gained or lost during the period:

Not applicable.

5. Details of dividends

Not applicable.

6. Details of dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

None.

8. Accounting standards

The interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, International Accounting Standard 34 and NZ IAS 34 *Interim Financial Reporting*.

9. Audit dispute or qualification

The interim financial statements have been subject to independent review by the Company's auditors. The unqualified review report is included in the attached Interim Report.

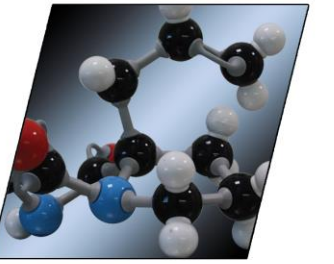
[+] See chapter 19 for defined terms.

2012

INTERIM REPORT

Neuren Pharmaceuticals Limited

ARBN 111 496 130



neuren

pharmaceuticals

Directors' Report

The Directors submit the financial report of Neuren Pharmaceuticals Limited for the six months ended 30 June 2012.

Directors' details
The names of Directors who held office during or since the end of the half-year are:

Dr Robin Congreve (Chairman)
Mr Larry Glass (Managing Director; appointed 31 May 2012)
Mr Bruce Hancox (appointed 6 March 2012)
Dr John Holaday
Dr Graeme Howie (retired 31 May 2012)
Dr Trevor Scott
Dr Douglas Wilson

Review of Operations
During the period the Phase II trials of NNZ-2566 in traumatic brain injury and Motiva® continued and significant progress was made in advancing the NNZ-2566 concussion and Rett Syndrome programs as well as the Perseis program. Research and development costs, which relate primarily to the NNZ-2566 programs, increased as a result of costs incurred on the oral NNZ-2566 Phase I safety study and in planning and preparation for the upcoming concussion and Rett Syndrome Phase II trials in the current period. Grant revenue from the US Army was unchanged with the small decrease attributable to a change in the US:NZ dollar exchange rate. The consolidated net loss attributable to equity holders for the period was NZ$3.0 million, and at 30 June 2012 net assets were NZ$11.0 million with NZ$9.9 million cash. A more detailed discussion of the activities undertaken in the period is set out in the Chief Executive's Report.

Corporations Act, Australia - Directors' declaration
The Directors of Neuren Pharmaceuticals Limited ("Neuren") declare that:

1. The accompanying financial statements of Neuren and its subsidiaries for the six months ended 30 June 2012 and the notes to those financial statements:
   (a) comply with the accounting standards issued by the New Zealand Accounting Standards Review Board; and
   (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the six months ended on that date of Neuren and its subsidiaries.
2. In the Directors' opinion there are reasonable grounds to believe that Neuren will be able to pay its debts as and when they become due and payable.

This report is signed and declaration made in accordance with a resolution of the Board of Directors dated 28 August 2012.

On behalf of the Board

Dr Robin Congreve
Chairman

Chief Executive's Report

Dear Shareholders

During the first half of 2012 and the ensuing two months, the significant progress in our key programs that marked 2011 has been sustained. Accomplishments include:

- Preparations for the final interim DSMC review of data from the *INTREPID-2566* trial are well underway
- New sites have been added to the *INTREPID-2566* study to improve enrolment and additional sites are moving toward approval
- Implementation of the EFIC protocol is proceeding well
- Completion of the Phase I study of oral NNZ-2566 at a substantially higher dose than originally planned
- Development of the protocol for the Phase II trial of NNZ-2566 in concussion is nearing completion
- A second site for the Phase II concussion trial has been confirmed to ensure adequate enrolment
- Funding commitment from the International Rett Syndrome Foundation for the Phase II trial in Rett Syndrome
- Completion of the clinical trial protocol for the Phase II trial in Rett Syndrome
- Execution of a contract with Noble Life Sciences to continue development of the Perseis anti-TFF antibody program
- Successful transfection of a stable cell line with the anti-TFF-1 sequences from the UCSF library by Noble to initiate production of a new batch of antibodies

I would like to welcome Joseph Horrigan, MD, former Assistant Vice President and Head of Medical Research at Autism Speaks, who this month accepted a position as VP for Clinical Development and Medical Affairs and to reiterate how excited and pleased we are to have Joe on our team. We are honoured that Joe has chosen Neuren as the venue in which to continue his commitment to developing therapies for conditions of major public health consequence and look forward to his contribution to the advancement of our clinical development strategy and its implementation.

To summarise recent progress in the Company's programs:

INTREPID-2566

While enrolment continues to be slower than expected at the outset of the trial, the pace has increased somewhat over the past few months. With enrolment of the 20th patient in the third cohort, preparation of data for the final planned Data and Safety Monitoring Committee (DSMC) review is nearly complete. As the incidence of serious adverse events, including deaths, continues to be very low, we anticipate no concerns from the DSMC. Enrolment continues pending feedback from the DSMC following their review next month of safety and PK data from all subjects in the first 2 dosing cohorts and the first 20 subjects enrolled into Cohort 3. We have recently completed initiation of two additional sites and are continuing to progress up to an additional 15 sites toward initiation.

The Exception from Informed Consent or EFIC process is moving forward well. Three of the seven current sites that will be participating in the EFIC protocol have IRB approval for the Community Consultation and Public Disclosure program that precedes final approval. The first fully approved site is continuing to undergo the US Army review required for all clinical trials funded by it. Trials conducted under EFIC require the approval of the US Secretary of Defense or his designee.

Chief Executive's Report

Oral NNZ-2566 in concussion

Concussion or mild TBI, which represents at least 75% of all traumatic brain injury in both civilian and military populations, is a growing public health problem and the focus of increasing public and government awareness and concern. With a single concussion, a significant proportion of patients – up to 30% in some studies – continue to have symptoms a month or more later which can include trouble with memory and thinking, attention, depression, irritability, problems sleeping, dizziness and headaches. With multiple concussions, the persistence of symptoms increases dramatically and, in some patients, a neurodegenerative condition called chronic traumatic encephalopathy or CTE develops that can result in symptoms of dementia including memory loss, confusion, aggressiveness, and depression.

The Phase I safety and pharmacokinetic study has now been completed. Because virtually no adverse events were reported during the first two cohorts and the lack of toxicity in the bridging toxicology study completed before the Phase I was initiated, we decided to amend the protocol to significantly increase the dose in the third and final cohort. This three-fold higher dose will give us substantially more latitude to explore dose response in both the concussion and Rett Syndrome Phase II trials and to mitigate the potential risk of suboptimal dosing. A final report, including pharmacokinetic data, is expected before the end of September, after which the Phase II trials will be initiated.

With the Phase I study now complete, our plan to start a Phase II trial in Q4 this year remains on track. Because the IND is already open, initiation of the study requires only submission of the protocol to the FDA and approval by the IRBs and the US Army's Human Research Protections Office. The study will be led by the University of Pittsburgh Sports Medicine Concussion Program, one of the leading centres for research in concussion, and we have recently decided to add a second site at Michigan State University to ensure adequate enrolment. The US Army is funding the direct costs of the trial. Patients enrolled in the trial will be athletes who are already enrolled in a screening program called Immediate Post-Concussion Assessment and Cognitive Testing or ImPACT®. People enrolled in ImPACT® have baseline, pre-injury neurocognitive assessments completed such that each subject will essentially serve as his or her own control to measure against in the event of injury. This design increases the statistical power and decreases sample size requirements, allowing us to use return to baseline as the measure of efficacy which is much more sensitive than comparison with normative, general population-based data. We are forecasting that enrolment in the Phase II trial will be completed within 12 months.

Oral NNZ-2566 in Rett Syndrome

Rett Syndrome is a profoundly disabling neurological condition that occurs almost exclusively in girls following apparently normal development for the first six months of life. Typically, between 6 to 18 months of age, patients experience a period of rapid decline with loss of purposeful hand use and the ability to speak. Many patients have recurrent seizures. They experience a variety of motor problems including increased muscle tone (spasticity) and abnormal movements as well as cardiac, respiratory, gastrointestinal and sometimes orthopedic problems. They are never able to provide for their own needs. Although it is a rare disorder, it is believed to be second only to Down Syndrome as a cause of chronic neurological problems that include severe communication, motor disabilities and epilepsy. Rett Syndrome is caused by mutations on the X chromosome on a gene called MECP2. There are more than 200 different mutations found on the MECP2 gene. Rett Syndrome affects all racial and ethnic groups and occurs worldwide in 1 of every 10,000 to 23,000 female births. Patients with Rett Syndrome can live for 40 years or more.

Importantly, Rett Syndrome is no longer considered to be a neurodevelopmental disorder because experiments in a mouse model of Rett Syndrome in which the normal MECP2 gene was added back showed that the symptoms can actually be reversed. Experiments conducted at MIT with the n-terminal tripeptide of IGF-1 or IGF-1(1-3) – Glypromate, the parent compound of NNZ-2566 – also showed that symptoms can be partially reversed with therapy. Following on from the MIT experiments, a Phase I/II clinical trial of Increlex® (recombinant human IGF-1) has been initiated at Boston Children's Hospital. That trial is being supported by the International Rett Syndrome Foundation and Autism Speaks. As recently announced, the International Rett Syndrome Foundation will also be supporting Neuren's Phase II trial of NNZ-2566 in Rett Syndrome.

In Rett Syndrome, the therapeutic goal is to restore neuronal function as a way of reducing the symptoms of the condition. Neurons in Rett Syndrome patients have not died or atrophied; they exist in an immature state with impaired intra-neuronal communication, called synaptic plasticity. Deficits in synaptic plasticity are a feature of other autism spectrum disorders (ASDs) as well. The Company is presently evaluating opportunities to expand the NNZ-2566 franchise into other ASDs.

Neuren is planning to initiate a Phase II proof of concept trial in adolescents and adults with Rett Syndrome late this year with a second study in paediatric patients planned for 2013. Both studies are expected to take approximately one year to complete. Drs Daniel Glaze and Jeffrey Neul, Director and Assistant Director, respectively, of the Blue Bird Circle Rett Center at Texas Children's Hospital, one of the world's leading Rett clinical centres, will direct the trials. The protocol for the trial has now been finalised. FDA has advised Neuren that they would prefer to review the protocol as part of the IND that will be submitted shortly after we receive the final Phase I study report. However, the protocol and associated documentation will be submitted to the Baylor IRB in advance of submission to the FDA.

Perseis

Neuren's subsidiary Perseis Therapeutics, a joint venture with the New Zealand Breast Cancer Research Trust, is developing monoclonal antibodies against two trefoil factors, TFF-1 and TFF-3, proteins expressed by a wide range of cancers that increase the spread of the tumour, decrease its susceptibility to therapy and are associated with more metastatic disease and poorer survival in patients. Our first target is TFF-1 in breast cancer which we are targeting with human monoclonal antibodies produced from antibody fragments selected from a fragment library licensed from the University of California San Francisco. The fragments were first selected by screening them for binding against the TFF protein then testing them against a human breast cancer cell line in vitro. The best were selected for testing in a xenograft model where human breast cancer cells are implanted into immunocompromised mice and allowed to become established before treatment begins.

As we reported earlier, the first xenograft experiment was completed and, of the two monoclonal antibodies tested, one resulted in a statistically significant reduction in tumor volume (approximately 35%) compared to a vehicle control as well as 3-fold higher survival at the end of the experiment. In the course of the experiment, a technical error on the part of a supplier resulted in our using an antibody that had been raised against a known cancer antigen which meant that it was not a true control. Our monoclonal antibody TFF1.4 outperformed that antibody as well but the study will need to be repeated with a valid control antibody.

Based on the results from the xenograft study, we decided to continue the program and entered into a fee for service contract with Noble Life Sciences to develop a stable cell line to produce antibodies fully capable of going from lab to patient to market. Noble specialises in development of drugs and biologics for cancer and was founded by former senior staff from Human Genome Sciences, MedImmune and other companies. Noble has now successfully transfected the cell line they will be using for antibody production with the anti-TFF sequences identified from the UCSF library and expect to complete initial in vitro testing on antibodies by the end of September.

NNZ-2591

NNZ-2591 is the lead molecule in Neuren's diketopiperazine or DKP portfolio. DKPs are dipeptides that, like NNZ-2566, are also naturally occurring neuroprotective and neurorestorative molecules. NNZ-2591 is 100% orally available and, from the initial tests that have been performed, appears to be very safe and a promising candidate for chronic oral administration in a range of neurological conditions. It has shown strong in vivo results in Parkinson's disease, stroke, cognitive impairment and peripheral neuropathy models. We have allocated some resources to develop a reliable manufacturing process for NNZ-2591 and, as we did with NNZ-2566, to conduct a study with the US Army to elucidate the mechanism of action. These initial steps will inform our future decisions about which indications to pursue and how to position the molecule with respect to commercialisation.

Chief Executive's Report

Motiva®

Motiva® is presently in a Phase IIb trial in patients with post-stroke apathy, a common and highly problematic symptom of stroke and many other acute and chronic neurological conditions. A Phase II trial conducted in the US and Canada, showed a statistically significant effect of the drug on apathy in patients with co-morbid depression and apathy. The current trial is seeking to assess the efficacy of Motiva® in patients with apathy but not depression in order to clarify future development strategy. The trial is being conducted by Professor Sergio Starkstein at the University of Western Australia under a grant from the National Health and Medical Research Council. Screening, randomization, enrolment and follow-up are ongoing with an interim analysis expected around year end.

Financial Position

Grant revenue from the US Army was unchanged with the small decrease attributable to a change in the US:NZ dollar exchange rate. Interest income was NZ$120,000 higher as a result of higher average cash balances in 2012. Research and development costs, which relate primarily to the NNZ-2566 programs, increased as a result of costs incurred on the oral NNZ-2566 Phase I safety study and in planning and preparation for the upcoming concussion and Rett Syndrome Phase II trials. The consolidated net loss attributable to equity holders for the period was NZ$3.0 million compared with NZ$1.4 million in the previous year, the increase largely due to the ongoing amortisation over the vesting period of the non-cash share option compensation expense arising on the options which were issued later in 2011. At 30 June 2012 net assets were NZ$11.0 million with NZ$9.9 million cash, and the Company continues to believe that this will be sufficient to cover operating expenses and approved R&D programs through the end of 2013.

Mr Larry Glass
Chief Executive Officer

Interim Statement of Comprehensive Income (Unaudited)

for the six months ended 30 June 2012

Group	Six months Jun 2012 NZ$'000	Six months Jun 2011 NZ$'000
Revenue - interest income	142	22
Other income - grants	2,678	2,777
Total revenue and other income	2,820	2,799
Depreciation and amortisation expense	(225)	(237)
Research and development costs	(3,386)	(2,972)
Patent costs	(97)	(77)
Corporate and administrative costs	(863)	(765)
Finance costs	-	(8)
Share option compensation expense	(1,165)	(177)
Foreign exchange gain (loss)	(154)	(63)
Loss before income tax	(3,070)	(1,500)
Income tax expense	-	-
Loss after income tax for the period	(3,070)	(1,500)
Other comprehensive income (expense), net of tax		
Exchange differences on translation of foreign operations	(61)	(303)
Total comprehensive loss for the period	$ (3,131)	$ (1,803)
Loss after tax attributable to:		
Equity holders of the company	(2,990)	(1,430)
Minority interest	(80)	(70)
	$ (3,070)	$ (1,500)
Total comprehensive loss attributable to:		
Equity holders of the company	(3,051)	(1,733)
Minority interest	(80)	(70)
	$ (3,131)	$ (1,803)
Basic and diluted loss per share	0.3 cents	0.3 cents

The accompanying notes form part of this financial report.

Interim Statement of Financial Position (Unaudited)

as at 30 June 2012

Group	As at Jun 2012 NZ$'000	As at Dec 2011 NZ$'000	As at Jun 2011 NZ$'000
ASSETS			
Current Assets:			
Cash and cash equivalents	9,893	9,844	3,821
Trade and other receivables	82	138	183
Total current assets	9,975	9,982	4,004
Non-current assets:			
Property, plant and equipment	30	6	12
Intangible assets	4,348	4,651	4,620
Total non-current assets	4,378	4,657	4,632
TOTAL ASSETS	$ 14,353	$ 14,639	$ 8,636
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	1,989	2,204	1,983
Deferred grant income	1,351	-	-
Lease incentive – short term	6	9	12
Total current liabilities	3,346	2,213	1,995
Non-current liabilities:			
Lease incentive – long term	4	-	3
Total liabilities	3,350	2,213	1,998
EQUITY			
Share capital	80,917	80,374	71,639
Other reserves	9,465	8,361	6,576
Accumulated deficit	(79,240)	(76,250)	(71,567)
Total equity attributable to equity holders	11,142	12,485	6,648
Minority interest in equity	(139)	(59)	(10)
Total equity	11,003	12,426	6,638
TOTAL LIABILITIES AND EQUITY	$ 14,353	$ 14,639	$ 8,636

The accompanying notes form part of this financial report.

Interim Statement of Changes in Equity (Unaudited)

for the six months ended 30 June 2012

Group	Attributable to Equity Holders: Share Capital NZ$'000	Share Option Reserve NZ$'000	Currency Translation Reserve NZ$'000	Accumulated Deficit NZ$'000	Total NZ$'000	Minority Interest NZ$'000	Total Equity NZ$'000
Equity as at 1 January 2011	$ 68,858	$ 6,053	$ (67)	$ (70,137)	$ 4,707	$ (53)	$ 4,654
Minority interest issued in subsidiary					-	113	113
Shares issued on conversion of notes	928				928		928
Shares issued in private placements	2,624				2,624		2,624
Share issue costs expensed	(55)				(55)		(55)
Share option grants for services	(716)	893			177		177
Total comprehensive loss for the period			(303)	(1,430)	(1,733)	(70)	(1,803)
Equity as at 30 June 2011	$ 71,639	$ 6,946	$ (370)	$ (71,567)	$ 6,648	$ (10)	$ 6,638
Shares issued in private placements	3,706				3,706		3,706
Shares issued in rights issue	4,774				4,774		4,774
Shares issued on option exercise	311				311		311
Share issue costs expensed	(56)				(56)		(56)
Share option grants for services		1,552			1,552		1,552
Total comprehensive loss for the period			233	(4,683)	(4,450)	(49)	(4,499)
Equity as at 31 December 2011	$ 80,374	$ 8,498	$ (137)	$ (76,250)	$ 12,485	$ (59)	$ 12,426
Shares issued on option exercise	547				547		547
Share issue costs expensed	(4)				(4)		(4)
Share option grants for services		1,165			1,165		1,165
Total comprehensive loss for the period			(61)	(2,990)	(3,051)	(80)	(3,131)
Equity as at 30 June 2012	$ 80,917	$ 9,663	$ (198)	$ (79,240)	$ 11,142	$ (139)	$ 11,003

The accompanying notes form part of this financial report.

Interim Cash Flow Statement (Unaudited)

for the six months ended 30 June 2012

Group	Six months Jun 2012 NZ$'000	Six months Jun 2011 NZ$'000
Cash flows from operating activities:		
Receipts from grants	4,006	2,777
Interest received	143	22
GST refunded	35	27
Payments to employees	(776)	(879)
Payments to other suppliers	(3,750)	(2,945)
Net cash used in operating activities	(342)	(998)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(29)	(2)
Proceeds from the sale of plant and equipment	2	-
Net cash used in investing activities	(27)	(2)
Cash flows from financing activities:		
Proceeds from the exercise of options	547	-
Proceeds from the issue of shares	-	2,624
Proceeds from the issue of convertible notes	-	316
Proceeds from minority interest	-	113
Payments for share issue expenses	(4)	(46)
Net cash from (used in) financing activities	543	3,007
Net increase (decrease) in cash held	174	2,007
Effect of exchange rate changes on cash balances	(125)	(142)
Cash at the beginning of the period	9,844	1,956
Cash at the end of the period	$ 9,893	$ 3,821
Reconciliation with loss after income tax:		
Loss after income tax	(3,070)	(1,500)
Non-cash items requiring adjustment:		
Depreciation and amortisation	225	237
Loss on disposal of intangible asset	-	-
Share option compensation expense	1,165	177
Lease incentive amortisation	1	(6)
Foreign exchange (gain) loss	154	63
Movements in working capital	1,183	31
Net cash used in operating activities	$ (342)	$ (998)

The accompanying notes form part of this financial report.

1. Nature of business

Neuren Pharmaceuticals Limited (Neuren or the Company, and its subsidiaries, or the Group) is a publicly listed biopharmaceutical company focusing on the development of drugs for neurological disorders and cancer. In neurology, the drugs target both acute indications such as traumatic brain injury and concussion as well as chronic conditions such as autism spectrum disorders and neurodegenerative diseases. In oncology, the focus is on developing monoclonal antibodies to treat breast and other cancers.

Neuren has three lead candidates: NNZ-2566 and Motiva® presently in clinical development to treat a range of acute and chronic neurological conditions, and NNZ-2591 in preclinical development for chronic neurodegenerative conditions. The Group has operations in New Zealand and the United States.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office in New Zealand is level 1, 59 Wellington Street, Auckland, and in Australia Level 13, 122 Arthur Street, North Sydney. Neuren has its primary listing on the Australian Securities Exchange (ASX code: NEU).

These consolidated interim financial statements have been approved for issue by the Board of Directors on 28 August 2012.

2. Summary of significant accounting policies

These general-purpose interim financial statements are for the six months ended 30 June 2012 and have been prepared in accordance with and comply with generally accepted accounting practice in New Zealand, International Accounting Standard 34 and NZ IAS 34 *Interim Financial Reporting*.

The accounting policies that materially affect the measurement of the Statement of Comprehensive Income, Statement of Financial Position and the Statement of Cash Flows have been applied on a basis consistent with those used in the audited financial statements for the year ended 31 December 2011 and the unaudited financial statements for the six months ended 30 June 2011.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 31 December 2011.

Changes in accounting policies

There have been no significant changes in accounting policies during the current period. Accounting policies have been applied on a basis consistent with the comparative interim period and the annual financial statements.

3. Loss before income tax

The loss before income tax includes:

Group	Jun 2012 NZ$'000	Jun 2011 NZ$'000
Depreciation	(3)	(13)
Amortisation of intangible assets		
- Intellectual property	(222)	(224)
Employee benefits expense		
- Salaries and wages	(713)	(832)
- Share option compensation	(1,165)	-

4. Share capital

During the period to 30 June 2012, 26,922,145 options with exercise prices ranging from A$0.0146 to A$0.0163 were exercised for a total amount of A$428,610.

During the period to 30 June 2011, convertible notes amounting to A$521,400 were converted to 39,273,507 ordinary shares and 39,273,507 options in the Company. The option exercise prices range from A$0.0154 – A$0.0163 with terms of four years. 10,000,000 options with an exercise price of A$0.0154 per option and a term of 3 years were also issued for future broker services. In addition, in conjunction with the termination of the convertible loan facility, proceeds due to the Company of A$184,600 on subscription of previously issued collateral shares were set-off against amounts due by the Company on outstanding convertible notes.

5. Commitments and contingencies

(a) Cash and cash equivalents

Total cash and cash equivalents as at 30 June 2012 includes $1.3 million received under grant and funding arrangements which require this amount to be spent on future specific research and development programs.

(b) Operating leases

The current premises commitment is for a four years and three months lease, with yearly rental reviews.

Group	Jun 2012 NZ$'000	Dec 2011 NZ$'000	Jun 2011 NZ$'000
Non-cancellable operating lease commitments			
Not later than one year	83	111	148
Later than one year and not later than five years	259	-	37
Later than five years	-	-	-
	$ 342	$ 111	$ 185

(c) Legal claims

The Company has not entered into any collaborative arrangements and has no other significant legal or other contingencies as at 30 June 2011 and 2012, or 31 December 2011.

(d) Capital commitments

The Company is not committed to the purchase of any property, plant or equipment as at 30 June 2012 (30 June 2011 and 31 December 2011: nil).

6. Segment information

(a) Description of segments

The chief operating decision maker has been identified as the CEO, who reviews the business largely on a geographic basis and assesses results from New Zealand and the USA separately. The information reviewed is prepared in the same format as included in the financial statements.

(b) Geographic segments

Group	2012 New Zealand NZ$'000	2012 United States NZ$'000	2012 Consolidation Adjustments NZ$'000	2012 Total Group NZ$'000
Segment revenue	162	2,658	-	2,820
Segment result	(2,745)	(245)	-	(2,990)
Segment assets	14,771	5,123	(5,541)	14,353
Segment liabilities	1,879	2,755	(1,284)	3,350
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	29	-	-	29
Depreciation and amortisation expense	45	180	-	225

Group	2011 New Zealand NZ$'000	2011 United States NZ$'000	2011 Consolidation Adjustments NZ$'000	2011 Total Group NZ$'000
Segment revenue	78	2,721	-	2,799
Segment result	(1,729)	299	-	(1,430)
Segment assets	7,903	5,671	(4,938)	8,636
Segment liabilities	1,495	1,166	(663)	1,998
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	2	-	-	2
Depreciation and amortisation expense	51	186	-	237

7. Events after balance date

As at the date of this financial report there were no events arising since 30 June 2012 which require disclosure.

Independent Accountants' Report
to the shareholders of Neuren Pharmaceuticals Limited

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements of Neuren Pharmaceuticals Limited on pages 5 to 11, which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income and statement of changes in equity and statement of cash flows for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Statements

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company as at 30 June 2012, and its financial performance and cash flows for the period ended on that date.

Accountants' Responsibility

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Company for the period ended 30 June 2012 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

Other than in our capacity as accountants conducting this review we have no relationship with, or interests in, Neuren Pharmaceuticals Limited.

Opinion

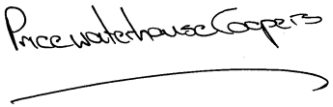
Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly the financial position of the Company as at 30 June 2012 and its financial performance and cash flows for the period ended on that date.

Independent Accountants' Report

Neuren Pharmaceuticals Limited

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountants' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our review procedures, for this report or for the opinions we have formed.



Chartered Accountants
Auckland
28 August 2012

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Mr Larry Glass
Mr Bruce Hancox
Dr John Holaday
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Dr Douglas Wilson

Company Secretary
Mr Robert Waring

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Stock Exchange Listing
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ASX Code: NEU

INTERIM REPORT 2012

neuren pharmaceuticals

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