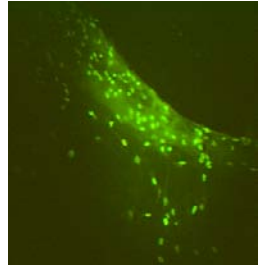
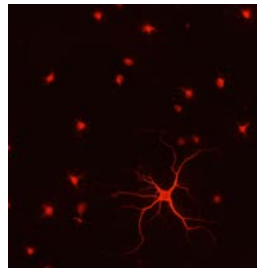
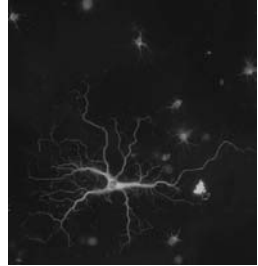


# INTERIM REPORT 2010

**Neuren Pharmaceuticals Limited**

ARBN 111 496 130



pharmaceuticals

# Directors' Report

The Directors submit the financial report of Neuren Pharmaceuticals Limited for the six months ended 30 June 2010.

## Directors' details

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

Dr Robin Congreve (Chairman)  
Dr John Holaday  
Dr Graeme Howie  
Dr Trevor Scott  
Dr Douglas Wilson

## Review of Operations

During the period Phase II trials were initiated in two of the Company's lead candidates, NNZ-2566 and Motiva™. An increase in grant funding reflects the ongoing US Army funding for the NNZ-2566 trial and similarly, research and development costs were higher than the comparative period as that trial got underway. The consolidated net loss for the period was NZ\$3.7 million, and at 30 June 2010 net assets were NZ\$7.3 million with NZ\$3,559,000 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 2010 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 2010 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 23 August 2010.

On behalf of the Board



Dr Robin Congreve  
Chairman

# Chief Executive's Report

Dear Shareholders

In this period we have focused on progressing the NNZ-2566 program for traumatic brain injury (TBI) in partnership with the US Army; facilitating initiation of the Motiva™ trial in stroke patients at the University of Western Australia; supporting the research and development activities of Perseis Therapeutics, our oncology subsidiary; and exploring additional indications potentially amenable to treatment with NNZ-2566. Key achievements have included:

- Initiation of the Phase 2 trial of NNZ-2566 in TBI patients
- Initiation of the Phase I safety and pharmacokinetics trial of NNZ-2566 in female volunteers
- Initiation of reproductive toxicology studies of NNZ-2566
- Initiation of the Phase 2 trial of Motiva™ in stroke patients
- Expansion of the Perseis discovery program
- Establishment of a research collaboration with the Rett Syndrome Research Trust

## **NNZ-2566 Development Program**

The NNZ-2566 program is progressing well. Over the past six months, Neuren has concentrated on establishing the infrastructure for the trial and on obtaining Investigational Review Board (IRB) and US Army Human Research Protection Office (HRPO) approvals for each site. We have recruited and qualified a total of 12 Level I and II trauma centres in the US. Five of these are now actively screening and recruiting patients; the remaining seven centres will be activated by the end of September. Drug, placebo and other clinical supplies have been provided to the active sites and are being stored centrally for immediate shipment to additional sites as they are activated and begin recruitment. The electronic data capture, continuous EEG, randomisation and drug distribution, pharmacovigilance (safety reporting) and site monitoring systems and protocols are all verified and operational. As we have previously communicated, the current Phase II trial is the first TBI trial to incorporate continuous EEG for detection of non-convulsive seizures as an efficacy endpoint. In May 2010, a US patent covering the use of NNZ-2566 to treat non-convulsive seizures was issued to the Company. The patent application was based on discoveries made by our collaborators at the Walter Reed Army Institute of Research.

In addition to the trial itself, the Company also has begun work on the studies and other tasks that will be necessary to initiate a pivotal trial. These include additional safety pharmacology studies, reproductive toxicology studies, a Phase I safety and pharmacokinetic study in female volunteers (so that female patients can be enrolled in the Phase II trial), a cardiovascular safety study and some additional analytical work on the drug. Funding for these activities is included in the grant from the US Army.

The additional safety studies included analysis of protein binding, liver enzyme (Cytochrome P-450) inhibition and interaction with transporter molecules. These studies have all been completed and confirm that there are no safety or toxicity related concerns in these areas. The feasibility study in rats conducted in preparation for the reproductive toxicology studies also has been completed and, again, the results show that the drug is safe and well-tolerated at doses well above those being administered during the trial. The reproductive toxicology studies are scheduled to be initiated later this year.

The Phase I study in female volunteers is being conducted by The Nucleus Network within the Alfred Medical Research Education Precinct in Melbourne. The study is a double-blind, placebo-controlled, randomized, safety, dose-escalation and PK study. Drug (or placebo) is administered to five cohorts at successively higher doses and longer infusion periods with review of safety, tolerability and adverse events by the Data Safety Monitoring Committee (DSMC) at the conclusion of each cohort before proceeding to the next. The first four cohorts, including DSMC review, have been completed and the findings indicate that the drug is safe and well-tolerated in females. Dosing of the fifth cohort has now been completed as well with DSMC review scheduled for early September. There have been no serious adverse events reported in any volunteer. Pending receipt

# Chief Executive's Report

of the final report from this study, Neuren is preparing a protocol amendment for submission to the local site IRBs, HRPO and the FDA for inclusion of female patients in the Phase II trial. A cardiovascular safety study is planned for early 2011.

We also have begun working toward development of an oral formulation of NNZ-2566 which will include formulation development and validation, pharmacokinetic and bridging toxicology studies in animals and a Phase I safety and pharmacokinetic study in human volunteers. These efforts will accelerate in the second half of 2010 and we are planning to initiate a Phase IIa proof of concept study with oral administration to patients with mild TBI in late 2011.

Completion of these studies in parallel with the Phase II trials has enabled us to develop and begin to implement a plan that will accelerate the program to the point where, if the results from the Phase II trial are positive, we will be able to initiate a Phase III trial almost immediately following the Phase II with most of the regulatory requirements for a pivotal trial already met. Our plan is to evaluate NNZ-2566 as an intravenous treatment for moderate to severe TBI concurrently with oral administration of the drug in patients with mild TBI. To the best of our knowledge, this is the first program to address TBI as a single indication across all degrees of severity. Mild and moderate TBI represent the vast majority of cases and often are associated with significant cognitive and other disabilities.

We previously have noted that the preclinical and Phase I safety studies with NNZ-2566 that led to approval of the IND and the current trial also enable potential use of the drug in conditions unrelated to TBI. One such indication is Rett Syndrome, a very severe and the most physically disabling form of the autism spectrum disorders. There is no approved drug for Rett Syndrome which occurs in approximately 1 of 10,000 female children worldwide. Rett Syndrome is caused by a mutation in a gene designated MeCP2. Different mutations in that gene also are believed to be associated with other autism spectrum and related developmental disorders. Researchers at the Massachusetts Institute of Technology have discovered that the n-terminal tripeptide of IGF-1 (Glypromate®) partially reverses symptoms in a mouse model of Rett Syndrome. Any treatment for Rett Syndrome in humans would be lifelong and an oral formulation would likely be the most desirable means of administering a drug. Since NNZ-2566 is an analogue of Glypromate® and has been shown to be orally available and bioactive, we are interested in determining whether NNZ-2566 is a good candidate as a therapy for Rett Syndrome. To that end, we have established a research collaboration with the Rett Syndrome Research Trust (RSRT; <http://www.rsrt.org/>) to evaluate NNZ-2566 in an established mouse model. This evaluation is being conducted at no cost to Neuren and we retain all rights to the use of NNZ-2566 in this field. If the results of the experiment are positive, Neuren and the RSRT will seek government or other funding to advance the program into the clinic.

## **Motiva™**

In late 2007, Neuren acquired rights to Motiva™ through the purchase of Hamilton Pharmaceuticals. Motiva™, or nefiracetam, is a novel cyclic GABA derivative that belongs to a class of compounds called acetams, which includes approved drugs with sales in excess of €1 billion in 2009. Motiva™ has already been tested in over 1700 patients in Phase I, II and III trials in Japan, the US and Canada and has an excellent safety profile. Motiva™ has shown efficacy in a range of neuropsychiatric outcomes in six Phase II and III trials in post-stroke patients. In a Phase IIb trial in patients with post-stroke depression conducted in the US and Canada under a US IND, statistically significant efficacy was observed in the treatment of apathy. The trial was the first randomised, placebo-controlled study to show a significant effect of a pharmacologic intervention on apathy in that population.

In March 2010, we announced that a Phase II trial of Motiva™ in patients with post-stroke apathy had been funded by a grant to Prof. Sergio Starkstein, MD, PhD, Winthrop Professor and Head of the Neuropsychiatry Unit at Fremantle Hospital. The grant was awarded by the National Health and Medical Research Council and covers virtually all costs associated with the study. From existing supplies of drug and placebo maintained by Hamilton, we confirmed the stability of the product, re-packaged it for storage and distribution by the hospital pharmacy and shipped the drug to the University of Western Australia for use in the trial. The study has now been initiated and patients are being actively recruited.

# Chief Executive's Report

## Cancer Research Programs

The Trefoil Factor (TFF) and Growth Hormone (GH) programs targeting breast and other cancers have been licensed to Perseis Therapeutics, a Neuren subsidiary jointly established with the New Zealand Breast Cancer Research Trust (BCRT) in 2009. Dr. Parmjot Bains, Neuren's former co-CEO, has moved into the CEO role at Perseis. With initial funding of \$1.18 million from the BCRT, Perseis has initiated a program to develop and test monoclonal antibodies against a range of cancers, focusing initially on breast cancer. Trefoil Factors are estrogen-regulated proteins that act as growth factors in a number of cancer cells, promoting growth and spread of tumours. TFF-1 is expressed in up to 68% of breast cancers and predicts survival in patients with metastatic disease. TFF-3 is strongly associated with tamoxifen resistance and inhibition of TFF-3 has been shown to be effective in treating tamoxifen resistant breast cancer cells in culture. Among patients treated with tamoxifen, survival is highly correlated with the level of TFF-3 expression.

In March 2010, we announced that a \$250,000 grant was awarded to Perseis by the New Zealand Foundation for Research, Science and Technology to support the trefoil factor program. That funding has enabled Perseis to expand the scope of its research which now includes antibody discovery at three separate institutions in Australia, Singapore and China as well as screening against a phage display library of fully human antibody fragments. Antibodies are first screened in vitro against established breast, gastric and other cancer cell lines to select the most promising molecules. The lead antibodies then will be evaluated in animal models of cancer to validate the proof of concept of targeting TFFs as a cancer therapy. Once lead molecules have been selected and definitive proof of concept has been obtained, Perseis will have the option of seeking a partnership or continuing development on its own. Perseis is actively engaged in business development activities designed to raise the awareness of its targets and programs among potential partners. These efforts will be accelerated as we move toward the selection of lead molecules.

## Financial Position

The financial results presented in this report are consistent with the Company's expectations for the period, with closing cash at 30 June 2010 of \$3,559,000, and shows an improved position compared to the 2009 period after securing ongoing convertible note funding in November 2009 and completing private share placements in December 2009. Grant income was higher in 2010 than 2009 as a result of grant funding from the US Army beginning to be received from July 2009 and has continued to be received through 2010. Similarly, research and development costs increased from \$1.4 million to \$4.9 million as a result of fully implementing Phase II start-up and recruitment activities for NNZ-2566 once the US Army funding had begun to be received.



Mr Larry Glass  
Chief Executive Officer

# Interim Statement of Comprehensive Income (Unaudited) for the six months ended 30 June 2010

Group	Six months Jun 2010 NZ\$'000	Six months Jun 2009 NZ\$'000
Revenue - interest income	31	9
Other income - grants	3,445	100
- out-licensing revenue	-	58
Total revenue and other income	3,476	167
Depreciation and amortisation expense	(274)	(341)
Loss on disposal of intangible asset	(225)	-
Research and development costs	(4,936)	(1,392)
Patent costs	(229)	(267)
Corporate and administrative costs	(618)	(705)
Finance costs	(2)	(1)
Share option compensation expense	(923)	(7)
Foreign exchange gain (loss)	18	154
<b>Loss before income tax</b>	(3,713)	(2,392)
Income tax expense	-	-
<b>Loss after income tax for the period</b>	\$ (3,713)	\$ (2,392)
<b>Other comprehensive income (expense), net of tax</b>		
Exchange differences on translation of foreign operations	266	(722)
<b>Total comprehensive loss for the period</b>	\$ (3,447)	\$ (3,114)
<b>Loss after tax attributable to:</b>		
Equity holders of the company	(3,637)	(2,333)
Minority interest	(76)	(59)
	\$ (3,713)	\$ (2,392)
<b>Total comprehensive loss attributable to:</b>		
Equity holders of the company	(3,371)	(3,055)
Minority interest	(76)	(59)
	\$ (3,447)	\$ (3,114)
<b>Basic and diluted loss per share</b>	\$ (0.01)	\$ (0.01)

The accompanying notes form part of this financial report.

# Interim Statement of Financial Position (Unaudited)

as at 30 June 2010

Group	As at Jun 2010 NZ\$'000	As at Dec 2009 NZ\$'000	As at Jun 2009 NZ\$'000
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	3,559	4,232	701
Trade and other receivables	655	2,270	117
Other current assets	-	-	-
<b>Total current assets</b>	<u>4,214</u>	<u>6,502</u>	<u>818</u>
<b>Non-current assets:</b>			
Property, plant and equipment	38	51	68
Intangible assets	5,864	6,153	7,165
<b>Total non-current assets</b>	<u>5,902</u>	<u>6,204</u>	<u>7,233</u>
<b>TOTAL ASSETS</b>	<u>\$ 10,116</u>	<u>\$ 12,706</u>	<u>\$ 8,051</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Trade and other payables	2,131	3,093	3,999
Convertible note – short term	121	-	-
Equipment finance – short term	2	11	17
Lease incentive – short term	12	12	12
<b>Total current liabilities</b>	<u>2,266</u>	<u>3,116</u>	<u>4,028</u>
<b>Non-current liabilities:</b>			
Equipment finance – long term	-	-	1
Convertible note – long term	486	490	-
Lease incentive – long term	16	22	28
<b>Total liabilities</b>	<u>2,768</u>	<u>3,628</u>	<u>4,057</u>
<b>EQUITY</b>			
Share capital	68,872	69,344	68,758
Other reserves	5,806	3,601	1,830
Accumulated deficit	(67,329)	(63,692)	(66,148)
<b>Total equity attributable to equity holders</b>	<u>7,349</u>	<u>9,253</u>	<u>4,440</u>
Minority interest in equity	(1)	(175)	(446)
<b>Total equity</b>	<u>7,348</u>	<u>9,078</u>	<u>3,994</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 10,116</u>	<u>\$ 12,706</u>	<u>\$ 8,051</u>

The accompanying notes form part of this financial report.

# Interim Statement of Changes in Equity (Unaudited)

## for the six months ended 30 June 2010

Group	Attributable to Equity Holders						
	Share Capital	Share Option Reserve	Currency Translation Reserve	Accumulated Deficit	Total	Minority Interest	Total Equity
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
<b>Equity as at 1 January 2009</b>	\$ 68,768	\$ 974	\$ 1,571	\$ (64,651)	\$ 6,662	\$ -	\$ 6,662
Minority interest issued in subsidiary					-	449	449
Gain on issue of minority interest				836	836	(836)	-
Share issue costs expensed	(10)				(10)		(10)
Share option grants for services		7			7		7
Total comprehensive loss for the period			(722)	(2,333)	(3,055)	(59)	(3,114)
<b>Equity as at 30 June 2009</b>	\$ 68,758	\$ 981	\$ 849	\$ (66,148)	\$ 4,440	\$ (446)	\$ 3,994
Shares issued in private placement	1,903				1,903		1,903
Shares issued in Share Purchase Plan	1,003				1,003		1,003
Shares issued on conversion of notes	190				190		190
Minority interest issued in subsidiary					-	368	368
Share issue costs expensed	(140)				(140)		(140)
Share option grants for services	(2,370)	2,370			-		-
Total comprehensive loss for the period			(599)	2,456	1,857	(97)	1,760
<b>Equity as at 31 December 2009</b>	\$ 69,344	\$ 3,351	\$ 250	\$ (63,692)	\$ 9,253	\$ (175)	\$ 9,078
Minority interest issued in subsidiary					-	250	250
Shares issued on conversion of notes	997				997		997
Share issue costs expensed	(453)				(453)		(453)
Share option grants for services	(1,016)	1,939			923		923
Total comprehensive loss for the period			266	(3,637)	(3,371)	(76)	(3,447)
<b>Equity as at 30 June 2010</b>	\$ 68,872	\$ 5,290	\$ 516	\$ (67,329)	\$ 7,349	\$ (1)	\$ 7,348

The accompanying notes form part of this financial report.

# Interim Statement of Cash Flows (unaudited)

## for the six months ended 30 June 2010

Group	Six months Jun 2010 NZ\$'000	Six months Jun 2009 NZ\$'000
<b>Cash flows from operating activities:</b>		
Receipts from grants	3,734	100
Receipts from licensing	-	107
Interest received	31	9
GST refunded	102	44
Payments to employees	(676)	(509)
Interest paid	(2)	(1)
Payments to other suppliers	(4,834)	(1,163)
<b>Net cash used in operating activities</b>	<b>(1,645)</b>	<b>(1,413)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(4)	-
Proceeds from the sale of plant and equipment	-	2
<b>Net cash used in investing activities</b>	<b>(4)</b>	<b>2</b>
<b>Cash flows from financing activities:</b>		
Proceeds from the issue of convertible notes	1,127	-
Proceeds from minority interest	250	449
Payments for share issue expenses	(465)	(4)
Repayment of borrowings	(10)	(8)
<b>Net cash from (used in) financing activities</b>	<b>902</b>	<b>437</b>
<b>Net increase (decrease) in cash held</b>	<b>(747)</b>	<b>(974)</b>
Effect of exchange rate changes on cash balances	74	56
Cash at the beginning of the period	4,232	1,619
<b>Cash at the end of the period</b>	<b>\$ 3,559</b>	<b>\$ 701</b>
<b>Reconciliation with loss after income tax:</b>		
Loss after income tax	\$ (3,713)	\$ (2,392)
Non-cash items requiring adjustment:		
Depreciation and amortisation	274	341
Loss on disposal of intangible asset	225	-
Share option compensation expense	923	7
Lease incentive amortisation	(6)	(6)
Interest on convertible notes	-	-
Foreign exchange (gain) loss	(18)	(154)
Movements in working capital	670	791
<b>Net cash used in operating activities</b>	<b>\$ (1,645)</b>	<b>\$ (1,413)</b>

The accompanying notes form part of this financial report.

# Notes to the Interim Financial Statements (Unaudited) for the six months ended 30 June 2010

## 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, metabolism and cancer. The drugs target acute indications such as traumatic brain injury and psychiatric symptoms of stroke, as well as chronic conditions such as Alzheimer's and Parkinson's diseases.

Neuren has three lead candidates; Motiva™ and NNZ-2566 presently in clinical development to treat four different neurological conditions, and NNZ-2591 in preclinical development for Parkinson's disease dementia and other 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 2, 57 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 23 August 2010.

## 2. Summary of significant accounting policies

These general-purpose interim financial statements are for the six months ended 30 June 2010 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 2009 and the unaudited financial statements for the six months ended 30 June 2009.

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 2009.

### 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 2010 NZ\$'000	Jun 2009 NZ\$'000
Depreciation	(18)	(23)
Amortisation of intangible assets		
- Intellectual property	(256)	(317)
- Software	-	(1)
Employee benefits expense		
- Salaries and wages	(670)	(581)
- Share option compensation	(923)	(7)

# Notes to the Interim Financial Statements (Unaudited) for the six months ended 30 June 2010

## 4. Share capital

During the period to 30 June 2010, 31,471,976 shares and options were issued on conversion of convertible notes amounting to A\$800,000. The option exercise prices range from A\$0.0224 – A\$0.0337 with terms of four years. In addition, 26 million options with an exercise price of A\$0.03 and a term of five years were issued to employees under the Company's Share Option Plan. 1,320,000 share options previously granted under the Share Option Plan also expired unexercised in the period.

During the period to 30 June 2009 17,517,627 share options previously granted under the Share Option Plan expired unexercised.

## 5. Commitments and contingencies

### (a) Cash and cash equivalents

Total cash and cash equivalents as at 30 June 2010 includes \$1.95 million received under grant and funding arrangements which require this amount to be spent on future specific research and development programmes.

### (b) Operating leases

The current premises commitment is for a four years and four months lease, with two five year rights of renewal and three yearly rental reviews.

Group	Jun 2010 NZ\$'000	Dec 2009 NZ\$'000	Jun 2009 NZ\$'000
<b>Non-cancellable operating lease commitments</b>			
Not later than one year	148	148	148
Later than one year and not later than five years	185	259	333
Later than five years	-	-	-
	\$ 333	\$ 407	\$ 481

### (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 2009 and 2010, or 31 December 2009. During 2008 a claim by a former employee for a share of any proceeds received on commercialisation of a portion of the Neural Regeneration Peptides (NRP) intellectual property was lodged against the Company. The Company disclaimed liability and the claim was withdrawn during 2009.

### (d) Capital commitments

The Company is not committed to the purchase of any property, plant or equipment as at 30 June 2010 (30 June 2009 and 31 December 2009: nil).

# Notes to the Interim Financial Statements (Unaudited) for the six months ended 30 June 2010

## 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 assess 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	2010	2010	2010	2010
	New Zealand	United States	Consolidation Adjustments	Total Group
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Segment revenue	44	3,432	-	3,476
Segment result	(2,507)	(1,130)	-	(3,637)
Segment assets	7,415	7,701	(5,000)	10,116
Segment liabilities	2,400	1,167	(799)	2,768
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	4	-	-	4
Depreciation and amortisation expense	67	207	-	274
Group	2009	2009	2009	2009
	New Zealand	United States	Consolidation Adjustments	Total Group
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Segment revenue	167	-	-	167
Segment result	(2,020)	(313)	-	(2,333)
Segment assets	7,033	5,928	(4,910)	8,051
Segment liabilities	4,019	690	(652)	4,057
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	-	-	-
Depreciation and amortisation expense	88	253	-	341

**Accountants' Report**  
**To the shareholders of Neuren Pharmaceuticals Limited**

We have reviewed the interim condensed consolidated financial statements ("financial statements") on pages 4 to 10. The financial statements provide information about the past financial performance and cash flows of the Group for the period ended 30 June 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 8.

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 accountant's 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.

**Directors' responsibilities**

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 30 June 2010 and its financial performance and cash flows for the period ended on that date.

**Accountants' responsibilities**

We are responsible for reviewing the financial statements presented by the Directors in order to report 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.

**Basis of opinion**

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 Group for the period ended 30 June 2010 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as accountants conducting this review, auditors of the annual financial statements and as tax advisors.

**Review opinion**

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 30 June 2010 and its financial performance and cash flows for the period ended on that date.

Our review was completed on 23 August 2010 and our review opinion is expressed as at that date.

*PriceWaterhouseCoopers*

Chartered Accountants  
Auckland

**Company**

Neuren Pharmaceuticals Limited  
ARBN 111 496 130

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**Directors**

Dr Robin Congreve  
Dr John Holaday  
Dr Graeme Howie  
Dr Trevor Scott  
Dr Douglas Wilson

**Company Secretary**

Mr Robert Waring

**Auditors**

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**Stock Exchange Listing**

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ASX Code: NEU



pharmaceuticals

**INTERIM REPORT 2010**

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