Neuren Pharmaceuticals Limited

Appendix 4D Half-Year Financial Report

30 June 2007

Name of entity

Neuren Pharmaceuticals Limited

ARBN

111 496 130

Half-year ended

30 June 2007

1. Neuren Pharmaceuticals Limited ("Neuren" or the "Company") presents this financial report, including the interim financial statements, for the six months ended 30 June 2007.

   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 2006.

   All amounts shown are in NZ$'000s unless otherwise stated.

2. Results for announcement to the market

	30 June 2007 NZ$'000	30 June 2006 NZ$'000	% Change
2.1 Operating revenue	778	1,092	-28.8%
2.2 Loss after tax from ordinary activities	(8,228)	(3,936)	-109.0%
2.3 Net loss from ordinary activities	(8,228)	(3,936)	-109.0%
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:

During the period Neuren commenced its Phase 3 trial of Glypromate® and continued to make good progress in its preclinical and clinical programmes. Research and development costs have increased from $4.1 million to $6.6 million as a result of significant preparatory work and product manufacture ahead of the Glypromate® Phase 3 and NNZ-2566 Phase 1b trials. The net loss for the period was NZ$8.2 million, and at 30 June 2007 net assets were NZ$10.1 million with NZ$4.5 million cash. These results were in line with the Company's expectations. As the Company holds its cash balances predominantly in the expected currency of future expenditure, it is subject to foreign exchange variations on its cash balances. A significant depreciation of the New Zealand dollar against most major currencies in the six months ended 30 June 2006 resulted in the recognition of a $1.2 million foreign exchange gain on cash balances, whereas the New Zealand dollar strengthened significantly over the last 12 months, resulting in a foreign exchange loss of $204,000 in the six months to 30 June 2007. 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$ 0.004	NZ$ 0.06

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

On 31 July 2007, Neuren entered into a binding term sheet to acquire Hamilton Pharmaceuticals Inc, for which shareholder approval will be sought in September 2007.

The acquisition of Hamilton and its core asset, Motiva™, provides Neuren with a late stage clinical compound with human efficacy data under a U.S. IND. Subject to completion of the acquisition, the intention is to conduct a Phase 2 clinical trial of Motiva™ for the treatment of post-stroke depression in 2008. Through the acquisition three U.S. and European-based institutional investors will become shareholders in Neuren, two of which have agreed to invest a further US$3 million by way of convertible notes.

No operations or results of Hamilton are included in the results of Neuren for the period ended 30 June 2007.

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*.

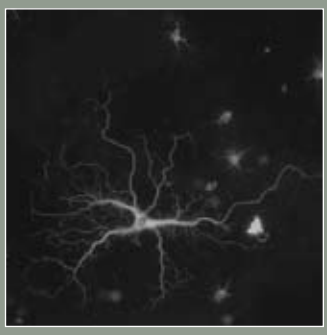
9. Audit dispute or qualification

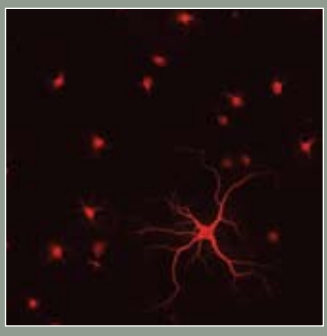
The interim financial statements have been subject to independent review by the Company's auditors. The unqualified review report is included in the attached Interim Report.

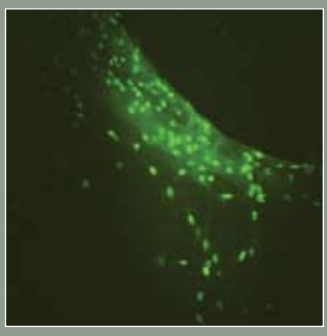
[+] See chapter 19 for defined terms.

INTERIM REPORT 2007

Neuren Pharmaceuticals Limited
ARBN 111 496 130







neuren
pharmaceuticals

The Directors submit the financial report of Neuren Pharmaceuticals Limited for the six months ended 30 June 2007.

Directors' details

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

Dr Robin Congreve (Chairman)
Mr Tom Amos
Mr David Clarke
Dr Graeme Howie
Mr Trevor Scott
Dr Douglas Wilson

Review of Operations

During the period Neuren commenced its Phase 3 trial of Glypromate® and continued to make good progress in its preclinical and clinical programmes. Research and development costs were again higher than the comparative period as a result of significant preparatory work and product manufacture ahead of the Glypromate® Phase 3 and NNZ-2566 Phase 1b trials. The net loss for the period was NZ$8.2 million, and at 30 June 2007 net assets were NZ$10.1 million with NZ$4.5 million cash. These results were in line with the Company's expectations. 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 2007 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 2007 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 29 August 2007.

On behalf of the Board

Dr Robin Congreve
Chairman

Dear Shareholders

As in previous periods, we have made significant progress clinically and preclinically. Achievements this period have included:

- Completed and announced favourable safety and tolerability data from the Phase 1a trial of IV administration of NNZ-2566 in healthy volunteers
- Initiated enrolment in our Phase 3 trial of Glypromate® to reduce cognitive impairment in patients following major cardiac surgery
- Executed a license agreement with the University of Auckland for a discovery-stage anti-cancer programme based on development of antibodies against human growth hormone (hGH) in hGH-producing cancers
- Initiated enrolment in our Phase 1b trial of NNZ-2566 in healthy volunteers
- Announced the pending acquisition of Hamilton Pharmaceuticals, incorporating Motiva™

Glypromate® Clinical Development Programme

The first patients have entered the Phase 3 clinical trial of our lead compound, Glypromate®, to reduce cognitive impairment following cardiac surgery. The first US patient was at the Lindner Center in Cincinnati, Ohio, U.S. The Phase 3 trial represents a key milestone for Neuren as it progresses Glypromate® through the clinical drug development pathway.

Glypromate®

Aim:
Reduce cognitive impairment in cardiac surgery patients

Endpoint(s):
Cognitive function, ADLs, safety

Patients:
600 cardiac surgery patients, males & females > 50 years

Dose:
1 mg/kg/hr infusion for 4 hours

Design:
Randomised, double-blind, placebo controlled, two equal arms

Almost 70 per cent of patients who have cardiac surgery with cardiopulmonary bypass experience cognitive decline at discharge and up to 35 per cent of patients' exhibit cognitive impairment three months after the operation. With nearly one million procedures performed annually in the US and other developed markets, more than 200,000 patients per year are left with persistent cognitive impairment. The goal of the Phase 3 trial is to reduce the level of cognitive decline and associated functional problems experienced by these patients.

Most importantly the U.S. Food and Drug Administration (FDA) has allowed a review of data on the primary endpoints after 300 patients have been enrolled, without un-blinding the study, to evaluate variance and possibly increase the number of patients. This adaptive trial design is an important element of the FDA agreed study design as it reduces the risk of a negative outcome that could result from higher than expected variation in the test results independent of the effects of the drug.

There are currently no drugs approved to reduce cognitive impairment following cardiac surgery, representing a market potential estimated at more than US$1 billion and an opportunity for Neuren's Glypromate®, once approved, to be the first available in the market.

The trial will involve approximately 600 patients across 24 sites in the United States, Australia and New Zealand with enrolment expected to be completed by the end of 2008. The six New Zealand sites were initiated in July 2007 and the 11 Australian sites in August 2007.

The majority of patients will be enrolled at sites in Australia and New Zealand, where Neuren will be monitoring and managing the double-blind, multi-centre, placebo-controlled trial. Change in cognitive function from before surgery to three months after surgery is a primary endpoint of the study and will be assessed using computerised software that combines 15 different standardised and well-validated tests to measure eight separate aspects of cognitive function called domains. Use of a score that measures change, and where each patient serves as his or her own control, has enabled Neuren to design a highly cost-effective study.

NNZ-2566 Clinical Development Programme

As previously announced, Neuren and the U.S. Army are planning two sets of clinical trials of NNZ-2566, one for severe traumatic brain injury (TBI) and one for mild-to-moderate TBI. A Phase 1a safety study comprising a single bolus injection has been successfully completed. To date the drug has been shown to be safe and well tolerated. A Phase 1b trial involving a single bolus injection followed by an infusion is underway. This trial has been designed to combine Phase 1 requirements for both severe and mild-to-moderate TBI and to allow significant flexibility in the design of Phase 2 trials for both of these indications. Although this has involved greater up front costs, especially in the case of severe TBI which requires high doses of the drug, the long-term benefit to Neuren will also be significant. The first two cohorts of the Phase 1b trial have been completed and overall trial completion is planned for later this year.

NNZ-2566

Aim:
Determine safety, tolerability and pharmacokinetics (PK)

Patients:
Normal, healthy volunteers

Doses:
Phase 1a — up to 20 mg/kg
Phase 1b — 20 mg/kg bolus followed by increasing infusions up to 6 mg/kg/hr iv for 72 hours. 4 cohorts (5 patients with drug: 2 control)

Design:
Randomised, double blind, single dose, multiple cohort, dose escalation

We expect to start the first Phase 2 trial in mild-to-moderate TBI around the end of this year and for the trial to involve up to 150 patients and take approximately 15 months to complete. The primary endpoints in the study will be neuropsychological and neurocognitive function. Depression, short-term memory loss and attention deficit are frequent consequences of mild-to-moderate TBI and can cause significant disability. We also plan to incorporate a number of biomarkers in this trial to determine the effect of the drug in reducing brain damage. The second Phase 2 trial in severe TBI involving up to 65 patients is expected to be initiated in the first half of 2008, and take approximately one year to complete. In addition to mortality and neurological function, the trial will incorporate biochemical and electroencephalographic markers. If the results from this Phase 2 trial are positive, we and the U.S. Army intend to initiate a pivotal Phase 3 trial in 2009.

As a response to growing awareness that TBI is an increasingly important cause of morbidity and mortality among U.S. Army service members in Iraq and Afghanistan, the U.S. Congress recently appropriated an additional US$150 million to be added to the 2007 Department of Defense budget for TBI research and development. Neuren intends to submit two proposals for funding under this programme — one for planning and preparatory activities associated with clinical trial initiation and one for conduct of the Phase 2 trial in severe TBI. We will be seeking funding of up to US$5 million in direct costs for the Phase 2 trials. If these initial efficacy trials are positive, we expect the US Army to provide additional funding for subsequent pivotal trials.

NNZ-2591 Development Programme

Further efficacy testing and preclinical development of our diketopiperazine lead compound NNZ-2591 has progressed well over the past six months.

In addition to demonstrating efficacy in an animal model of Parkinson's disease, in which the compound has previously exhibited an ability to reverse functional deficits associated with the condition, we have now also shown efficacy in a model of peripheral neuropathy. In this preclinical model, in which the peripheral sensory nerves are affected, we have reproducibly observed a beneficial functional effect of oral treatment with NNZ-2591. The data supports further investigation of the use of NNZ-2591 in neuropathic conditions, such as diabetic neuropathy, that afflicts up to 40% of diabetics at some stage. The prevalence rate for peripheral neuropathies in the U.S. alone is approximately 20 million, and treatment of these conditions is currently very poor.

Further studies of efficacy in neuropathy will progress in parallel with the development of NNZ-2591 to treat Parkinson's disease dementia as previously described. Efficacy in models of multiple disease conditions provides a variety of clinical development options. The specific clinical target will be determined in the first half of 2008 based on the drug's pharmacological profile, the medical need and commercial opportunity of each indication.

Preclinical development studies, characterising the safety profile of NNZ-2591 are ongoing. Initial studies have confirmed that NNZ-2591 appears to have no liability for genotoxicity or drug-drug interactions and further work is underway. These studies will pave the way for entry into clinical trials next year.

Neural Regeneration Peptides (NRPs) Research Programme

In the six months to 30 June 2007 there has been considerable progress in the NRP research programme. The efficacy observed with our original lead molecule, NNZ-4921, in the peripheral neuropathy model has been replicated with a new analogue molecule, NNZ-4945. NNZ-4945 was discovered as part of a chemical analogue programme designed to identify an NRP that retained the beneficial activities seen in NNZ-4921, while improving upon its pharmaceutical characteristics, including its stability. NNZ-4945 is now the lead development candidate from this programme, having superseded NNZ-4921. Preclinical development studies are underway to profile the pharmacokinetics and safety of NNZ-4945, as well as to extend our investigations of efficacy in multiple disease models of neuronal degeneration.

Growth and Metabolism Research Programmes

The cancer targeting Trefoil Factor (TFF) programme previously described continues to progress well. We have shown that the expression of TFFs by breast cancer cells is strongly associated with resistance to Tamoxifen, a leading treatment for breast cancers that are sensitive to oestrogen. Tamoxifen resistance often emerges during therapy and is a major contributor to cancer progression and mortality in women with breast cancer. Neuren also has shown that antibodies to TFF-1 and/or TFF-3 also reduce cell viability in stomach and colon cancers in vitro.

With preclinical proof of concept in hand, Neuren intends to seek early partnerships for clinical development and commercialisation of its therapeutic antibodies. To that end, the Company has entered into discussions with a number of major pharmaceutical and biotechnology companies concerning strategic partnerships.

Neuren has also acquired a license for exclusive, worldwide rights to develop and commercialise anti-cancer therapies targeting inhibition of human Growth Hormone (hGH). This programme is the second development platform in Neuren's growing cancer therapeutics franchise and reinforces the Company's commitment to focusing on the role of hGH pathways in cancer. Like the TFF programme, the new programme is also based on development of monoclonal antibodies as therapeutic molecules. There is a large unmet clinical and market need for cost effective inhibitors of human hGH driven by the demonstrated role of hGH in oncology. Neuren has demonstrated that antibody neutralisation of hGH markedly reduced viability of human carcinoma cells which produce hGH. The loss of cell viability with hGH neutralisation is caused by apoptosis (programmed cell death), an important function in normal cells which is often lost in cancer cells. In vitro data demonstrate that antibody inhibition of hGH is more effective in reducing carcinoma cell viability than the hGH antagonist currently available (Pegvisomant®, Pfizer, Inc.).

Hamilton Pharmaceuticals Inc Acquisition

On 31 July 2007, we entered into a binding term sheet to acquire Hamilton, for which we will be seeking shareholder approval in September 2007. Subject to our completion of the acquisition of Hamilton, we intend to conduct a Phase 2 clinical trial of Motiva™ for the treatment of post-stroke depression in 2008. 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 US$700 million in the first half of 2007, including Keppra for epilepsy and Nootropil for psycho-organic syndromes or cognitive decline and cortical myoclonus. Both Keppra and Nootropil are marketed by UCB Pharma. Motiva™ differs from other acetams by the addition of a substituted benzene ring, its pharmacologic profile and its behavioural effects in animal models. Motiva™'s mechanism of action increases neurotransmitter concentrations in the cortex of the brain. Motiva™ is protected by over 40 issued patents, including three issued in the U.S.

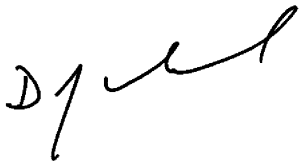
The acquisition of Hamilton and its core asset, Motiva™, is of significant strategic importance to us. It provides us with a late stage clinical compound with human efficacy data under a U.S. IND. It also compliments our capabilities in the field of neurocognitive end points. We believe this was a major factor in the selection of us as Hamilton's acquirer by its shareholders. The acquisition also provides us with three U.S. and European-based institutional investors, two of which have agreed to

invest a further US$3 million by way of convertible notes, subject to completion of the acquisition. Motiva™ gives us a new distinct class of drug belonging to a family of compounds which already has FDA-approved drugs on the market addressing large markets in CNS, and provides us with a compound which has exhibited an excellent safety profile in the approximately 1,700 patients that have been enrolled in previous clinical trials.

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 2007 of $4.5 million. Research and development costs have increased from $4.1 million to $6.6 million largely as a result of significant preparatory work and product manufacture ahead of the Glypromate® Phase 3 and NNZ-2566 Phase 1b trials.

In the short term, new funding of US$3 million is to be obtained as noted above through the issue of convertible notes in conjunction with the Hamilton acquisition. This acquisition and the related issue of shares and convertible notes are to be voted on at a special meeting of shareholders in September 2007. The Company is continuing to examine other longer term sources of funding, including licensing and partnering arrangements.



Mr David Clarke
Chief Executive Officer

Company and Group		Six months Jun 2007 NZ$'000	Six months Jun 2006 NZ$'000
Revenue	- interest income	207	285
	- contract research revenue	-	136
		207	421
Other income	- grants	571	671
Total revenue and other income		778	1,092
Depreciation and amortisation expense		(469)	(441)
Research and development costs		(6,630)	(4,113)
Patent costs		(144)	(417)
Share option compensation expense		(248)	(35)
Foreign exchange gain (loss)		(204)	1,216
Corporate and administrative costs		(1,311)	(1,238)
Loss before income tax		(8,228)	(3,936)
Income tax expense		-	-
Loss after income tax		$ (8,228)	$ (3,936)
Basic and diluted loss per share		$ (0.06)	$ (0.04)

The accompanying notes form part of this financial report.

Company and Group	As at Jun 2007 NZ$'000	As at Dec 2006 NZ$'000	As at Jun 2006 NZ$'000
ASSETS			
Current Assets:			
Cash and cash equivalents	4,506	10,609	9,068
Trade and other receivables	349	994	1,063
Other current assets	6	6	6
Total current assets	4,861	11,609	10,137
Non-current assets:			
Property, plant and equipment	318	303	71
Intangible assets	9,579	9,986	10,392
Total non-current assets	9,897	10,289	10,463
TOTAL ASSETS	$ 14,758	$ 21,898	$ 20,600
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade and other payables	4,538	3,698	3,215
Lease incentive – short term	15	15	-
Total current liabilities	4,553	3,713	3,215
Non-current liabilities:			
Lease incentive – long term	68	75	-
Total liabilities	4,621	3,788	3,215
SHAREHOLDERS' EQUITY			
Share capital	49,950	49,943	41,875
Other reserves	834	586	519
Accumulated deficit	(40,647)	(32,419)	(25,009)
Total shareholders' equity	10,137	18,110	17,385
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 14,758	$ 21,898	$ 20,600

The accompanying notes form part of this financial report.

Interim Statement of Changes in Equity (Unaudited)

Company and Group	Paid-in Capital: Shares 000's	Paid-in Capital: NZ$'000	Other Reserves NZ$'000	Accumulated Deficit NZ$'000	Total Equity NZ$'000	Recognised Income/ Expenses NZ$'000
Shareholders' equity as at 1 January 2006	112,000	$ 41,877	$ 484	$ (21,073)	$ 21,288	
Share issue costs expensed		(2)			(2)	
Share option grants for services			35		35	
Loss for the period				(3,936)	(3,936)	(3,936)
Total recognised income and expenses						(3,936)
Shareholders' equity as at 30 June 2006	112,000	$ 41,875	$ 519	$ (25,009)	$ 17,385	
Shares issued in private placement	15,000	6,705			6,705	
Shares issued in Share Purchase Plan	4,094	1,871			1,871	
Share issue costs expensed		(508)			(508)	
Share option grants for services			67		67	
Loss for the period				(7,410)	(7,410)	(7,410)
Total recognised income and expenses						$ (11,346)
Shareholders' equity as at 31 December 2006	131,094	$ 49,943	$ 586	$ (32,419)	$ 18,110	
Shares issued on option exercise	20	8			8	
Share issue costs expensed		(1)			(1)	
Share option grants for services			248		248	
Loss for the period				(8,228)	(8,228)	(8,228)
Total recognised income and expenses						$ (8,228)
Shareholders' equity as at 30 June 2007	131,114	$ 49,950	$ 834	$ (40,647)	$ 10,137	

The accompanying notes form part of this financial report.

Company and Group	Six months Jun 2007 NZ$'000	Six months Jun 2006 NZ$'000
Cash flows from operating activities:		
Receipts from customers	-	-
Receipts from grants	794	883
Interest received	207	284
GST refunded	230	117
Payments to employees	(1,410)	(1,115)
Income taxes (paid) refunded	-	-
Payments to other suppliers	(5,631)	(4,742)
Net cash used in operating activities	(5,810)	(4,573)
Cash flows from investing activities:		
Purchase of plant and equipment	(103)	(16)
Purchase of software	(16)	(8)
Net cash used in investing activities	(119)	(24)
Cash flows from financing activities:		
Proceeds from the issue of shares	8	-
Payments for share issue expenses	(21)	(49)
Net cash from (used in) financing activities	(13)	(49)
Net increase (decrease) in cash held	(5,942)	(4,646)
Effect of exchange rate changes on cash balances	(161)	1,215
Cash at the beginning of the period	10,609	12,499
Cash at the end of the period	$ 4,506	$ 9,068
Reconciliation with loss after income tax:		
Loss after income tax	$ (8,228)	$ (3,936)
Non-cash items requiring adjustment:		
Depreciation and amortisation	469	441
Share option compensation expense	248	35
Lease incentive amortisation	(7)	-
Foreign exchange loss (gain)	204	(1,216)
Movements in working capital	1,504	103
Net cash used in operating activities	$ (5,810)	$ (4,573)

The accompanying notes form part of this financial report.

1. Nature of business

Neuren Pharmaceuticals Limited (Neuren or the Company) is a publicly listed biopharmaceutical company focusing on the development of therapeutics for conditions associated with brain injury and neurodegeneration, including acute indications such as cognitive impairment resulting from cardiac surgery and traumatic brain injury, as well as chronic conditions such as Alzheimer's and Parkinson's diseases. In addition, the Company is engaged in research and development in metabolic disorders such as obesity, growth disturbances and cancers related to the functions of growth hormone. Neuren operates predominantly from New Zealand.

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, 103 Carlton Gore Road, 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 29 August 2007.

2. Summary of significant accounting policies

These general-purpose interim financial statements are for the six months ended 30 June 2007 and 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 accounting policies that materially affect the measurement of the Income Statement, Balance Sheet and the Cash Flow Statement have been applied on a basis consistent with those used in the audited financial statements for the year ended 31 December 2006 and the unaudited financial statements for the six months ended 30 June 2006.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2006.

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.

Certain comparatives have been restated in order to conform to current year presentation.

Six months ended 30 June 2007 (Unaudited)

3. Loss before income tax

The loss before income tax includes:

Company and Group	Six months Jun 2007 NZ$'000	Six months Jun 2006 NZ$'000
Depreciation	(45)	(25)
Amortisation of intangible assets		
- Intellectual property	(415)	(415)
- Software	(9)	(1)

4. Share capital

During the period to 30 June 2007, 20,000 share options previously granted under the Company's Share Option Plan were exercised at NZ$0.392 per share. No share options were exercised in prior periods. In addition, the 3,000,000 options granted in May 2005 for consulting services related to capital raising and financing expired unexercised in the period.

5. Contingent liabilities

There are no contingent liabilities as at 30 June 2007 (30 June 2006 and 31 December 2006: nil).

6. Commitments

Company and Group	Jun 2007 NZ$'000	Dec 2006 NZ$'000	Jun 2006 NZ$'000
Non-cancellable operating lease commitments			
Not later than one year	237	237	346
Later than one year and not later than five years	948	948	1,156
Later than five years	99	217	336
	$ 1,284	$ 1,402	$ 1,838

7. Segment information

Neuren predominantly operates in one business segment, being the research and development of therapeutic products for the treatment of brain injury and other diseases, and from one geographical location, being New Zealand.

8. Subsequent events

On 31 July 2007 the Company entered into a binding term sheet to acquire 100% of Hamilton Pharmaceuticals Inc. in exchange for US$4.4 million in Neuren ordinary shares at the average closing price for the preceding five trading days, which was A$0.354 (the Purchase Share Price).

Hamilton is a privately-held biopharmaceutical company based in the U.S., whose principal asset is Motiva™, or nefiracetam, a novel cyclic GABA derivative that Neuren intends to conduct a Phase 2 clinical trial for in post-stroke depression. Motiva™ has previously demonstrated safety and efficacy in clinical trials through

to Phase 2b. The ongoing operating costs for Hamilton are negligible, and the Company does not intend to retain any of Hamilton's personnel.

As a result of the acquisition, the investors in Hamilton, Vivo Ventures, LLC and associates, Index Ventures, and CNF Investments, LLC, will become shareholders in Neuren. Upon closing, two of these investors, Vivo and CNF, will invest US$3 million in a convertible note issued by the Company which will convert into securities of the Company on the date of, and on the same terms of issue as, the next capital raising in which Neuren has received subscriptions for, and issued, new securities in Neuren for an aggregate of at least US$5 million.

In addition, Neuren will be obligated to make the following payments to Hamilton's shareholders that are contingent upon the Company's ability to achieve certain development milestones for Motiva™:

- US$0.5 million in warrants to purchase our ordinary shares at the Purchase Share Price upon successful completion of a Phase 2 trial with results adequate to support initiation of a Phase 3 study;
- US$0.5 million in warrants to purchase our ordinary shares at the Purchase Share Price upon initiation of a pivotal Phase 3 trial;
- US$1.0 million in our ordinary shares at the then market share price upon filing of an NDA or equivalent in the U.S. or Western Europe; and
- US$2.0 million in our ordinary shares at the then market share price upon NDA or equivalent approval in the U.S. or Western Europe.

Motiva™ is also subject to future milestone payments and royalties to Daiichi Pharmaceutical Co., Ltd., now Daiichi Sankyo Co., Ltd., pursuant to an existing license agreement between Daiichi and Hamilton.

The acquisition is conditional on the approval of Neuren's shareholders at a meeting scheduled for September 2007, and accordingly acquisition values have yet to be determined. If approved, the acquisition will result in the issue of approximately 14,635,000 ordinary shares to acquire Hamilton, and the Company will receive US$3 million in cash for the issue of the convertible notes noted above.

There are no other events subsequent to 30 June 2007 to report for the Company or its subsidiaries as at 29 August 2007.

PRICEWATERHOUSECOOPERS

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Accountants' Report
To the shareholders of Neuren Pharmaceuticals Limited

We have reviewed the interim financial statements ("financial statements") on pages 6 to 12. The financial statements provide information about the past financial performance and cash flows of the Group, comprising Neuren Pharmaceuticals Limited and its subsidiaries for the half year ended 30 June 2007 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 10.

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 2007 and its financial performance and cash flows for the half year ended on that date.

Accountants' responsibilities
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.

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 half year ended 30 June 2007 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 Neuren Pharmaceuticals Limited or its subsidiaries other than in our capacities as accountants conducting this review, auditors under the Companies Act 1993, tax and accounting advisers.

Review opinion
We have reviewed the financial performance and cash flows of the Group for the half year ended 30 June 2007 and its financial position as at that date.

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 Group as at 30 June 2007 and its financial performance and cash flows for the half year ended on that date in accordance with both International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34.

Our review was completed on 29 August 2007 and our review opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Auckland

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INTERIM REPORT 2007

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