

Appendix 4E

Neuren Pharmaceuticals Limited ARBN 111 496 130

Preliminary final report Financial year ended 31 December 2012

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

1. Reporting Details

Neuren Pharmaceuticals Limited ARBN 111 496 130 (“Neuren”, the “Company” or the “Group”) presents the following consolidated information for the year ended 31 December 2012 together with comparative results 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

	Reported 2012 NZ\$'000	Variance to 2011 NZ\$'000	% Change
2.1 Operating Revenue	5,586	1,262	29%
2.2 Loss after Tax attributable to equity holders	(6,422)	(309)	(5)%
2.3 Net Loss attributable to equity holders	(6,422)	(309)	(5)%
2.4 Dividends	N/A	N/A	N/A

Operating Revenue

Grant income of NZ\$5,586,000 in 2012 related to four quarterly receipts of funding for the NNZ-2566 trials in moderate/severe and mild traumatic brain injury (TBI) from the US Army to cover direct costs. The increase over 2011 was due to the timing of grants received in 2011 when there were only three instalments received.

Interest income earned of NZ\$253,000 was again higher than in the previous year due to higher average cash balances following the Rights Issue and private placements in mid-2011. At 31 December 2012 the Group had cash balances of NZ\$6,477,000 (2011: NZ\$9,844,000).

Loss after Income Tax and Net Loss after Minority Interests

The *Intrepid*²⁵⁶⁶ trial continued throughout 2012, and in addition Neuren undertook an additional phase 1 safety study to support the oral administration of NNZ-2566. Following the successful completion of this, the Company commenced trial start-up activities for the mild-TBI (concussion) and Rett Syndrome phase 2 studies, which together with the Perseis trefoil factor anti-cancer programme and a study of NNZ-2566 in a Fragile X animal model,

resulted in higher research & development costs in 2012 than in 2011. The foreign exchange loss in 2012 arose mainly on Australian dollar cash balances held since the Rights Issue and private placements conducted in 2011, and the non-cash share option compensation expense largely related to the amortisation over the vesting period of the cost of options awarded to employees and directors during the previous year.

3. Income Statement

	Notes	12 months to 31 December 2012 NZ\$'000	12 months to 31 December 2011 NZ\$'000
Revenue			
Grants		5,333	4,150
Interest income		253	174
Total revenue		5,586	4,324
Expenses			
Depreciation and amortisation expense		(456)	(465)
Research and development costs		(8,053)	(7,002)
Patent costs		(177)	(192)
Share option compensation expense		(1,694)	(1,729)
Foreign exchange gain (loss)		(179)	299
Interest expense		-	(8)
Corporate and administrative costs		(1,571)	(1,459)
Total expenses		(12,130)	(10,556)
Loss before income tax	3.1	(6,544)	(6,232)
Income tax		-	-
Net loss after income tax		(6,544)	(6,232)
Other comprehensive income (expense) after tax:			
Exchange differences on translation of foreign operations		(122)	(70)
Total comprehensive loss		\$ (6,666)	\$ (6,302)
Income (loss) after income tax attributable to:			
Equity holders of the company		(6,422)	(6,113)
Minority interest		(122)	(119)
		\$ (6,544)	\$ (6,232)
Total comprehensive loss attributable to:			
Equity holders of the company		(6,544)	(6,183)
Minority interest		(122)	(119)
		\$ (6,666)	\$ (6,302)
Net loss per share:			
Basic and diluted	3.2	(\$0.01)	(\$0.01)
Weighted average number of shares outstanding:			
Basic	3.2	1,174,106,753	764,781,209
Diluted	3.2	1,174,106,753	764,781,209

3.1 Loss before income tax

	12 months to 31 December 2012 NZ\$'000	12 months to 31 December 2011 NZ\$'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Scientific equipment	-	8
Computer equipment	10	6
Fixtures and fittings	1	3
Leasehold improvements	1	2
Total depreciation	<u>12</u>	<u>19</u>
Amortisation		
Intellectual property	442	446
Software	2	-
Total amortisation	<u>444</u>	<u>446</u>
Remuneration of auditors		
Audit fees	45	47
Taxation and other advisory fees	-	1
Total remuneration of auditors	<u>45</u>	<u>48</u>
Employee benefits expense		
Salaries and wages	1,581	1,567
Share option compensation	997	833
Total employee benefits expense	<u>2,578</u>	<u>2,400</u>
Directors' fees	208	205
Directors' fees waived	(159)	-
Directors' share option compensation	697	720
Lease expense	128	175

3.2 Earnings (loss) per Share

	12 months to 31 December 2012 NZ\$'000	12 months to 31 December 2011 NZ\$'000
Basic and diluted:		
Unadjusted net loss attributable to equity holders	(6,422)	(6,113)
Weighted average shares outstanding (basic)	1,174,106,753	764,781,209
Weighted average shares outstanding (diluted)	<u>1,174,106,753</u>	<u>764,781,209</u>
Earnings (loss) per share	<u>(\$0.01)</u>	<u>(\$0.01)</u>

Basic loss per share is based upon the weighted average number of outstanding ordinary shares. For the years ended 31 December 2012 and 2011, the Company's potentially dilutive ordinary share equivalents (being the options over ordinary shares) have an anti-dilutive effect on loss per share and, therefore, have not been included in determining the total weighted average number of ordinary shares outstanding for the purpose of calculating diluted loss per share.

4. Balance Sheet

	Notes	31 December 2012 NZ\$'000	31 December 2011 NZ\$'000
ASSETS			
Current assets:			
Cash and cash equivalents		6,477	9,844
Trade and other receivables		164	138
Total current assets		6,641	9,982
Non-current assets:			
Property, plant and equipment	4.1	32	6
Intangible assets	4.2	4,021	4,651
Total non-current assets		4,053	4,657
TOTAL ASSETS		\$ 10,694	\$ 14,639
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables		2,676	2,204
Lease incentive – short term		7	9
Total current liabilities		2,683	2,213
Non-current liabilities:			
Lease incentive – long term		17	-
Total liabilities		2,700	2,213
Equity:			
Share capital	4.3	80,914	80,374
Other reserves		9,933	8,361
Accumulated deficit	8	(82,672)	(76,250)
Total equity attributable to equity holders		8,175	12,485
Minority interest in equity		(181)	(59)
Total equity		7,994	12,426
TOTAL LIABILITIES AND EQUITY		\$ 10,694	\$ 14,639

4.1 Property, plant and equipment

	Scientific Equipment NZS'000	Computer Equipment NZS'000	Fixtures & Fittings NZS'000	Leasehold Improvements NZS'000	Total NZS'000
As at 1 January 2011					
Cost	100	80	43	10	233
Accumulated depreciation	(92)	(73)	(39)	(6)	(210)
Net book value	8	7	4	4	23
Movements in the year ended 31 December 2011					
Opening net book value	8	7	4	4	23
Additions	-	2	-	-	2
Depreciation	(8)	(6)	(3)	(2)	(19)
Disposals	-	-	-	-	-
Exchange differences	-	-	-	-	-
Closing net book value	-	3	1	2	6
As at 31 December 2011					
Cost	100	82	43	10	235
Accumulated depreciation	(100)	(79)	(42)	(8)	(229)
Net book value	-	3	1	2	6
Movements in the year ended 31 December 2012					
Opening net book value	-	3	1	2	6
Additions	-	37	1	-	38
Depreciation	-	(10)	(1)	(1)	(12)
Disposals	-	-	-	-	-
Exchange differences	-	-	-	-	-
Closing net book value	-	30	1	1	32
As at 31 December 2012					
Cost	41	58	36	2	137
Accumulated depreciation	(41)	(28)	(35)	(1)	(105)
Net book value	\$ -	\$ 30	\$ 1	\$ 1	\$ 32

4.2 Intangible Assets

	Intellectual Property NZ\$'000	Acquired Software NZ\$'000	Total NZ\$'000
As at 1 January 2011			
Cost	6,873	35	6,908
Accumulated amortisation	(1,752)	(35)	(1,787)
Net book value	5,121	-	5,121
Movements in the year ended 31 December 2011			
Opening net book value	5,121	-	5,121
Amortisation	(446)	-	(446)
Exchange differences	(24)	-	(24)
Closing net book value	4,651	-	4,651
As at 31 December 2011			
Cost	6,856	-	6,856
Accumulated amortisation	(2,205)	-	(2,205)
Net book value	4,651	-	4,651
Movements in the year ended 31 December 2012			
Opening net book value	4,651	-	4,651
Additions	-	8	8
Amortisation	(442)	(2)	(444)
Exchange differences	(194)	-	(194)
Closing net book value	4,015	6	4,021
As at 31 December 2012			
Cost	6,583	8	6,591
Accumulated amortisation	(2,568)	(2)	(2,570)
Net book value	\$ 4,015	\$ 6	\$ 4,021

4.3 Share Capital

	31 December 2012 000's	31 December 2011 000's
Issued share capital		
<i>Ordinary shares - number of shares</i>		
Balance at beginning of year	1,155,864	424,765
Shares issued in private placements	-	384,092
Shares issued in rights issue	-	293,484
Shares issued on conversion of notes	-	39,274
Shares issued on option exercise	26,922	14,249
Ordinary shares issued as at end of year	1,182,786	1,155,864

	31 December 2012 NZ\$'000	31 December 2011 NZ\$'000
Issued share capital		
<i>Ordinary shares - value</i>		
Balance at beginning of year	80,374	68,858
Shares issued in private placements	-	6,330
Shares issued in rights issue	-	4,774
Shares issued on conversion of notes	-	928
Shares issued on option exercise	547	311
Share issue expenses ⁽¹⁾	(7)	(827)
Total issued share capital	\$ 80,914	\$ 80,374

(1) In 2011 share issue expenses included the notional cost of options with an assessed fair value of \$716,000 issued in conjunction with capital raising activities.

5. Statement of Cash Flows

	12 months to 31 December 2012 NZ\$'000	12 months to 31 December 2011 NZ\$'000
Cash flows in operating activities:		
Receipts from grants	5,333	4,150
Interest received	254	174
Net GST received (paid)	77	57
Payments to suppliers	(7,687)	(6,948)
Payments to employees	(1,696)	(1,545)
Net cash used in operating activities	(3,719)	(4,112)
Cash flows in investing activities:		
Purchase of property, plant and equipment	(37)	(2)
Purchase of intangible assets	(8)	-
Sale of property, plant and equipment	2	-
Net cash used in investing activities	(43)	(2)
Cash flows in financing activities:		
Proceeds from the issue of shares	-	11,104
Proceeds from the exercise of options	547	311
Proceeds from the issue of convertible notes	-	316
Proceeds from minority interest	-	113
Payment of share issue costs	(7)	(113)
Cash provided from financing activities	540	11,731
Net (decrease) increase in cash	(3,222)	7,617
Effect of exchange rate changes on cash balances	(145)	271
Cash at the beginning of the year	9,844	1,956
Cash at end of the year	\$ 6,477	\$ 9,844
Reconciliation with loss after income tax:		
Loss after income tax	(6,544)	(6,232)
<i>Non-cash items requiring adjustment:</i>		
Depreciation of property, plant and equipment	12	19
Amortisation of intangible assets	444	446
Convertible note interest	-	8
Share option compensation expense	1,694	1,729
Foreign exchange loss (gain)	179	(299)
Lease incentive amortisation	15	(12)
<i>Changes in working capital:</i>		
Trade and other receivables	(29)	282
Trade and other payables	510	(53)
Net cash used in operating activities	\$ (3,719)	\$ (4,112)

6. Dividends

No ordinary share dividend or distribution payments were made in the financial year. The directors do not recommend the payment of any dividends with respect to the financial year.

7. Dividend or Distribution Reinvestment Plan

Not applicable.

8. Statement of Retained Earnings

	12 months to 31 December 2012 NZ\$'000	12 months to 31 December 2011 NZ\$'000
Net income (loss) for the year	(6,422)	(6,113)
Retained earnings at the beginning of the year	(76,250)	(70,137)
Retained earnings at the end of the year	\$ (82,672)	\$ (76,250)

9. Net Tangible Assets per Security

	31 December 2012 NZ\$	31 December 2011 NZ\$
Net tangible assets per security	\$0.00	\$0.01

10. Control Over Entities

Investment in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Date of incorporation	Principal activities	Interest held	Domicile
AgVentures Limited	7 October 2003	Dormant	100%	New Zealand
NeuroendocrinZ Limited	10 July 2002	Dormant	100%	New Zealand
Neuren Pharmaceuticals Inc.	20 August 2002	US based office	100%	USA
Hamilton Pharmaceuticals Inc.	2 April 2004	Clinical research	100%	USA
Neuren Pharmaceuticals (Australia) Pty Ltd	9 November 2006	Dormant	100%	Australia
Perseis Therapeutics Limited	25 March 2009	Preclinical research	72.2%	New Zealand

All subsidiaries have a balance date of 31 December, except Perseis Therapeutics which has a 31 March year end.

11. Associates and Joint Venture Entities

Not applicable.

12. Significant Information

None.

13. Accounting Standards

The financial statements of the Company are prepared in conformity with generally accepted accounting practice and accounting standards in New Zealand.

14. Commentary on the Results

The earnings per share is presented in note 3.2 above and no ordinary share dividends have been declared in the year.

A commentary on the Company's results for the year ended 31 December 2012 is presented above in note 2.

15. Audit Status

This report is based upon financial statements for the year ended 31 December 2012 which are in the process of being audited. The results for the year ended 31 December 2011 as presented in this report have been extracted from audited financial statements.

The Company's auditor is PricewaterhouseCoopers, Auckland and no disputes have arisen.