

28 February 2007

PROXIMAGEN NEUROSCIENCE PLC
("Proximagen" or "the Company")

**Audited preliminary results for the twelve months
ended 30 November 2006**

London, UK, 28 February 2007 – Proximagen Neuroscience plc (AIM: PRX), the drug discovery and development company focused on neurodegenerative diseases, today announces its preliminary results for the twelve months ended 30 November 2006.

Highlights:

- Positive pre-clinical data for PRX1 – extended half-life of our Parkinson's disease drug candidates compared to current treatments
- Important milestones reached across discovery and development pipeline
- Signed in-licensing agreement with Northwestern University for a platform of drug candidates for the treatment of central nervous system disorders
- Five service contracts signed during the year with leading pharmaceutical companies
- Three new patent applications filed and three existing UK applications extended internationally
- Strong cash position at year end of £11.5 million (2005: £13.0 million)
- Two Board appointments – Finance Director and non-executive Director

Commenting on the results, Kenneth Mulvany, Chief Executive of Proximagen, said:

"Proximagen has made exciting progress with its internal drug discovery and development pipeline by hitting several important developmental milestones. Our service business also remains strong and a reliable source of revenue to help fund our research and development. In addition to the revenue generated, these contracts serve to consolidate our relationships with industry partners. The excellent progress of the past year has left the Company well positioned to meet corporate goals on which we expect to report during 2007."

For further information, please contact:

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Chairman's statement

Since my report last year, Proximagen has made excellent progress. Based on the world-class expertise and scientific knowledge of Proximagen's founder, Professor Peter Jenner, Proximagen is developing a unique pipeline of drug candidates that target the treatment and prevention of neurodegenerative disease. With a growing ageing population, this market is expected to be one of the largest segments of the pharmaceutical market, and represents a large unmet medical need. Our development programmes are well positioned to reach important pre-clinical and clinical milestones over the next two years.

Progress in Proximagen's focused discovery and development programmes can be demonstrated, for example, by the success of PRX1, our pro-drug programme designed to improve the characteristics of L-DOPA for the treatment of Parkinson's disease. Our drug candidates in this programme showed significantly increased biological half-life (the period of time required for the concentration or amount of drug in the body to be reduced by one-half) in pre-clinical studies compared with L-DOPA. This could represent a significant advance in the current treatment of patients since the existing L-DOPA controlled release preparations increase the half-life of L-DOPA by less than two hours. Preliminary data generated by Proximagen shows that the half-life can be significantly extended in preclinical models. By increasing the plasma half-life in patients, the desired effect of Proximagen's drug candidate would be to reduce the peak and trough blood levels associated with involuntary movements in Parkinson's disease, reduce the number of daily doses needed, and improve patients' sleep.

Several of the programmes in our pipeline have the potential to address a range of other indications and markets such as pain, depression and anxiety. In addition to our proprietary programmes, we continue to evaluate in-licensing opportunities that we believe will complement our pipeline. Once our drug candidates have reached a value inflection point at or before Phase II clinical development, we intend to partner these programmes with companies who have the necessary resources to achieve rapid global commercialisation. We believe that this strategy gives Proximagen many chances of success, enhancing shareholder value and reducing risk for our investors.

Board

We were pleased to welcome Michael Ashton and James Hunter to the Board of Directors as non-executive Director and Finance Director respectively. Mr Ashton has more than 30 years experience in the pharmaceutical industry having worked for Merck Inc., Pfizer Inc., Purepac Inc. and SkyePharma plc where he was CEO for seven years. Prior to SkyePharma, Mr Ashton worked for Faulding Inc., where he was Chairman, President and CEO. He is currently also Chief Executive of LMA International NV. Mr. Hunter joined Proximagen in 2005 as Financial Controller after six years in corporate finance at Ernst and Young.

I would like to thank the entire Board for their support and sound commercial and scientific advice.

Outlook

2007 will be a very important year for Proximagen as we look forward to bringing our drug candidates into later stage development and laying the foundation for their future commercialisation.

I would like to thank our shareholders for their steadfast support, and thank our staff for their continuing outstanding contribution to Proximagen's progress and success.

Bruce Campbell

Chairman

February 2007

Chief Executive's review

I am pleased to report that Proximagen continued to make important progress in all areas of the business during the year, delivering on milestones to advance drug candidates in the pipeline and enhancing our portfolio by acquiring promising new drug candidates. Our achievements demonstrate some of the key strengths of the business, whereby we aim to develop a risk-weighted portfolio of development programmes which can be out-licensed at early stages up to and including Phase II.

Pipeline advances

We remain committed to maximising returns from our pipeline of promising drug candidates for the treatment of Parkinson's disease, cognitive decline, and other age related neurodegenerative diseases. Our guiding strategy is to raise the probability of successful development through stringent selection criteria and develop these programmes to a point where they become valuable out-licensing candidates.

Our proprietary programmes have generated a pipeline of drug candidates designed to improve the standard of care for patients with age-related neurodegenerative diseases. The current market for Parkinson's disease drugs is characterised by a number of drugs offering symptomatic treatment, primarily by increasing dopamine levels or mimicking dopamine's activity in the brain. Our drug candidate programme for the symptomatic treatment of Parkinson's disease, PRX1, has achieved important milestones and could represent a major advance in Parkinson's disease therapy. We are encouraged by the extensive pre-clinical studies conducted in our laboratories that show plasma levels of drug over an extended time period, and by other supporting evidence showing that this series of compounds has the potential to reduce the incidence of major side-effects typical of current treatments for Parkinson's disease. In 2007, we expect to announce that we have selected a development compound to further characterise safety, determine how the drug will be formulated and manufactured, and determine how it will be administered in our first human clinical trials anticipated next year.

Our second drug candidate programme, PRX2, was discovered in our laboratories as a novel treatment for the involuntary movements associated with Parkinson's disease. Involuntary movements in patients, known as 'dyskinesia', are produced following dosing of dopaminergic anti-Parkinson's disease medication and may become the factor significantly limiting some current Parkinson's disease treatments. In 2006 we announced that we had advanced this programme significantly by in-licensing a series of highly selective and potent drug candidates from Northwestern University after extensive evaluation of these compounds in our predictive models of disease to determine their therapeutic potential. These compounds were discovered by Professor Richard Silverman, who was responsible for the discovery of Lyrica, a new and novel medicine for the management of pain marketed by Pfizer. Proximagen has the exclusive rights to further develop, manufacture and market this series of compounds worldwide. In addition to these drug candidates providing an excellent fit with our therapeutic pipeline, this agreement with Northwestern University underlines the value of our in-house expertise and technology, and reflects the careful approach we take to selecting drug development programmes. In 2007 we anticipate further data on efficacy and safety to support our pre-clinical dossier. Future clinical trials are expected to demonstrate that a drug candidate will provide a novel treatment that greatly reduces the incidence and severity of debilitating dyskinesia. Furthermore, we are encouraged by the development potential of these potent molecules in other indications. Considerable preclinical studies in our laboratories and elsewhere have provided supporting evidence that drug candidates with this mechanism of action may be able to treat not only movement disorders but also depression and pain.

Our proprietary discovery programme PRX4 is for the prevention and treatment of a pathological change common in a large number of neurodegenerative diseases. This programme represents what we believe to be a groundbreaking approach to addressing these major unmet medical needs as there is nothing currently marketed which slows or stops the inevitable progression of age-related neurodegenerative diseases. For example, there is enormous demand for a treatment to halt or control the underlying brain tissue degeneration in diseases such as Alzheimer's disease since current treatments only offer symptomatic relief in the early stages of the disease. Our current studies have shown that osteopontin is implicated in the control of many mechanisms associated with the degeneration of neurones. We have shown that even in very low concentrations, PRX4 derivatives act as highly potent inhibitors of neurodegeneration in neuronal cells. We have initiated a series of development routes, for example gene therapy and peptide mimetics, so that we can focus future resources on the development route which is shown to be the most promising.

Finally, the PRX5 drug discovery programme aims to improve the lives of patients with age-related cognitive decline. Many older individuals suffer from cognitive decline with advancing age, which in its severest forms translates into dementias such as Alzheimer's disease. The PRX5 programme has been initiated utilising both traditional medicinal chemistry as well as computational chemistry in areas of unique intellectual property. Proximagen applies biochemical and pharmacological models which are selective and predictive of activity in humans as part of our screening cascade. Discoveries in this programme have led to the identification of a novel series of compounds which show behavioural effects. In 2007, we expect to report that we have characterised orally active drug candidates with an effect on cognitive decline in Parkinson's disease, Alzheimer's disease and dementing illnesses.

Solid infrastructure

As Proximagen grows, it is essential that its pipeline portfolio expands to include further areas of neurodegenerative and CNS medical need. Proximagen has a strong infrastructure for developing drug candidates so that we can rapidly add value to our programmes as well as efficiently evaluate opportunities in specialised CNS disease areas, which through careful selection, can be in-licensed into our programmes portfolio. In 2006, we further enhanced our development capabilities through the recruitment of experienced scientists from industry and academia, and through investment in state-of-the-art analytical equipment. We continue to be located in offices and laboratories on Guy's Campus, part of King's College London, one of the largest biomedical campuses in the United Kingdom. In 2006, our academic facility was designated as a Centre of Excellence by the National Parkinson's Foundation.

Growing intellectual property

During the period, Proximagen continued to pursue its aggressive intellectual property strategy. Two new UK patent applications were filed, and three existing UK applications were extended internationally. In addition, a new US patent application under which the Group has licence rights was filed by Northwestern University in accordance with our licence agreement.

To date, the Group has rights to patent applications pending in eight distinct patent families that encompass all aspects of our discovery programmes, ranging from specific composition of matter patents to use patents claiming novel mechanisms of actions associated with those programmes.

We recognise the enormous value that our existing and future intellectual property represents and we will continue to safeguard this value as we develop our proprietary programmes.

Financial review

The Group made prudent use of investors' funds during the year and closed the year with £11.5 million cash, compared with £13.0 million in 2005. Research and development investment has advanced multiple programmes to a stage where we expect to reach further important milestones in development during 2007 and 2008, and although we anticipate significant further investment, we expect current resources to be sufficient to reach these and future milestones.

In our service business we signed five contracts during the year which made an important contribution to the Group's operations. We are pleased to report that revenues for the period were in line with expectations but with an improved gross margin. In addition to generating revenue, contracts with many of the world's leading pharmaceutical companies demonstrate the value of our technology and expertise in the field of Parkinson's disease, and help us build relationships with these important industry partners. The outlook for the service business is healthy although we are mindful of the need to retain capacity for our own programmes.

Summary

Proximagen moves into 2007 with a strong and diverse pipeline of drug candidates, and with enthusiasm for the opportunities that our drug programmes offer in the focused area of neurodegenerative disease. The Company expects to continue to generate value in its balanced, focused pipeline, while remaining disciplined in its use of capital and resources.

The Board is confident that the Company's clear strategic and scientific focus, coupled with the progress made in 2006, has left Proximagen well placed to deliver increased value to shareholders.

I would like to thank our employees, who are crucial to the success of Proximagen, for their continued commitment, hard work and enthusiasm. It is their skill and expertise that drives the business forward and enables us to meet our objectives.

Kenneth Mulvany
Chief Executive Officer
February 2007

Proximagen Neuroscience plc
Consolidated profit and loss account
For the year ended 30 November 2006

	Note	Year ended 30 November 2006	Year ended 30 November 2005
		£	£
Turnover		737,509	878,310
Cost of sales		(334,353)	(405,798)
Gross profit		403,156	472,512
Net operating costs			
Research and development		(1,742,528)	(329,842)
Administrative expenses		(860,818)	(632,087)
		(2,603,346)	(961,929)
Operating loss		(2,200,190)	(489,417)
Net interest receivable		564,033	410,432
Loss before tax		(1,636,157)	(78,985)
Corporation Tax		32,361	83,597
(Loss)/profit after tax and retained for the period		(1,603,796)	4,612
Basic (loss)/earnings per share (pence)	2	(8.0)	0.03
Diluted (loss)/earnings per share (pence)		(8.0)	0.03

No separate statement of Total Recognised Gains and Losses has been presented since all such gains and losses have been dealt with in the profit and loss account.

All Group activities relate to continuing operations.

Proximagen Neuroscience plc
Consolidated balance sheet
At 30 November 2006

	Note	30 November 2006	30 November 2005
		£	£
Fixed assets			
Tangible fixed assets		231,543	87,437
Current assets			
Debtors		526,934	678,530
Cash at bank and in hand	3	11,486,310	13,027,699
		<u>12,013,244</u>	<u>13,706,229</u>
Creditors: amounts falling due within one year		(673,057)	(618,140)
Net current assets		<u>11,340,187</u>	<u>13,088,089</u>
Net assets		<u>11,571,730</u>	<u>13,175,526</u>
Capital and Reserves			
Called up share capital		200,356	200,356
Share premium account		12,659,223	12,659,223
Merger reserve		298,900	298,900
Profit and loss account		(1,586,749)	17,047
Equity shareholders' funds	4	<u>11, 571,730</u>	<u>13,175,526</u>

Proximagen Neuroscience plc
Company balance sheet
At 30 November 2006

	Note	30 November 2006	30 November 2005
		£	£
Fixed assets			
Investments		102,000	102,000
Current assets			
Debtors			
Amounts due within one year		164,344	220,148
Amounts due after one year		2,742,194	230,319
Cash at bank and in hand		11,018,451	12,763,848
		<u>13,924,989</u>	<u>13,214,315</u>
Creditors: amounts falling due within one year		(190,208)	(52,541)
Net current assets		<u>13,734,781</u>	<u>13,161,774</u>
Net assets		<u>13,836,781</u>	<u>13,263,774</u>
 Capital and Reserves			
Called up share capital		200,356	200,356
Share premium account		12,659,223	12,659,223
Profit and loss account		977,202	404,195
Equity shareholders' funds	4	<u>13,836,781</u>	<u>13,263,774</u>

Proximagen Neuroscience plc
Consolidated cash flow statement
For the year ended 30 November 2006

	Note	30 November 2006	30 November 2005
		£	£
Net cash outflow from operating activities	5	(1,941,183)	(195,875)
Returns on investment		580,624	244,707
Capital expenditure		(180,830)	(93,877)
Management of liquid resources		1,600,000	(12,600,000)
Financing		-	12,757,580
Increase in cash in the period		58,611	112,535

Notes

1. Basis of preparation

The financial information on the Group set out above, which has been prepared on the same basis as the prior year, does not constitute 'statutory accounts' within the meaning of section 240 of the Companies Act 1985. The financial information for the year ended 30 November 2006 has been extracted from the Group's audited consolidated statutory accounts, which will be delivered to the Registrar of Companies for England and Wales following the Company's Annual General Meeting in April 2007. The report of the auditors on these accounts was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

The annual report will be posted to shareholders in March 2007 and will be laid before shareholders at the AGM.

The financial information contained in this report has been prepared under the historical cost convention and in accordance with applicable accounting standards. Comparative figures for the period ended 30 November 2005 are on the basis set out in the following paragraphs.

Proximagen Neuroscience plc acquired the entire share capital of Proximagen Limited on 9 March 2005 by way of a share for share exchange. In accordance with the principles set out in Financial Reporting Standard 6 the financial information is presented as though the merged business had always been a single group. Accordingly, in those years where mergers take place, the whole of the results, assets, liabilities and shareholders' funds of the merger companies are consolidated, regardless of the actual merger date and corresponding figures for previous years are re-stated.

The comparative consolidated profit and loss account has been presented as if the merger took place on the first day of each financial period presented and as though the Group, as presently constituted, had been in existence throughout these periods. The figures for the year to 30 November 2005 have been extracted from the Group's audited consolidated statutory accounts adjusted for the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

2. Basic and diluted (loss)/earnings per ordinary share

	Year ended 30 November 2006	Year ended 30 November 2005
	£	£
(Loss)/ profit for the year	(1,603,796)	4,612
	2006	2005
	Number of shares	Number of shares
Weighted average number of shares		
For basic earnings per share	20,035,622	16,790,695
Dilutive effect of share options	-	833,718
For diluted earnings per share	20,035,622	17,624,413

In 2006 the number of shares used in the calculation of diluted loss per share was the same as that used in the calculation of basic loss per share as the Group incurred a loss.

3. Reconciliation of net cash flow to movement in net funds

	Year ended 30 November 2006	Year ended 30 November 2005
	£	£
Increase in cash in the year	58,611	112,535
Cash (drawn down from)/placed on deposit in the period	(1,600,000)	12,600,000
Change in net funds resulting from cash flows	(1,541,389)	12,712,535
Movement in net funds in the year	(1,541,389)	12,712,535
Net funds at beginning of period	13,027,699	315,164
Net funds at end of year	11,486,310	13,027,699

4. Reconciliation of movement in shareholders' funds

Group	Year ended 30 November 2006	Year ended 30 November 2005
	£	£
Opening shareholders' funds	13,175,526	413,335
Shares issued during the year	-	98,356
Premium on shares issued during the year (net of expenses)	-	12,659,223
(Loss)/profit for the year	(1,603,796)	4,612
Closing shareholders' funds	11,571,730	13,175,526

Company	Year ended 30 November 2006	Period ended 30 November 2005
	£	£
Opening shareholders' funds	13,263,774	-
Shares issued during the year/period	-	200,356
Premium on shares issued during the year/period (net of expenses)	-	12,659,223
Profit for the year/period	573,007	404,195
Closing shareholders' funds	<u>13,836,781</u>	<u>13,263,774</u>

5. Reconciliation of operating profit to operational cash flow

	Year ended 30 November 2006	Year ended 30 November 2005
	£	£
Operating loss	(2,200,190)	(489,417)
Depreciation	36,724	6,441
Decrease in debtors	167,366	114,663
Increase in creditors	54,917	172,438
Net cash outflow from operating activities	<u>(1,941,183)</u>	<u>(195,875)</u>