

## Regulatory Announcement

For immediate release

29 August 2007

### **PROXIMAGEN NEUROSCIENCE PLC**

(“Proximagen” or “the Company”)

#### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2007**

London, UK, 29 August 2007 – Proximagen Neuroscience plc (AIM: PRX), the specialty drug discovery and development company focused on neurodegenerative diseases, today announces its interim results for the six months ended 31 May 2007.

#### **Operational Highlights:**

- Encouraging pre-clinical studies from the PRX1 programme revealed enhanced efficacy compared to L-DOPA (the gold standard of care treatment for patients with Parkinson’s disease) which has led to the identification of a lead molecular series that is currently being considered for development status
- A new indication within the PRX2 programme has been initiated targeting neuropathic pain, a global market worth \$2.7 billion, which leverages the Company’s growing expertise with selective neuronal nitric oxide synthase (nNOS) inhibitors
- Proprietary compounds from the PRX5 programme targeting cognitive decline and Parkinson’s disease, have been shown to be orally active, selective, and highly potent.

#### **Financial Highlights:**

- R&D investment was in line with expectations and totalled £1.03 million, compared with £708,000 for the same period last year, as proprietary programmes accelerate
- One new research contract signed during the period, one post-period – revenue from research service contracts was £191,000
- Strong net cash position as at 31 May 2007 of £10.4 million.

**Post period-end Highlights:**

- Funding award received from The Michael J. Fox Foundation with Elan Corporation plc having first option to obtain exclusive worldwide commercial licensing rights to the PRX4 programme
- Statement made regarding possible acquisition offer.

**Commenting on the Group's interim results, Kenneth Mulvany, Chief Executive Officer of Proximagen Neuroscience plc, said:** "I am delighted to report that Proximagen has made strong progress with its R&D programmes in our focused area of neurodegeneration. We have generated exciting efficacy and safety data from some of our compounds and have expanded the portfolio to now include five announced programmes. With a strong cash position and strengthened pipeline, we have been pleased to invest more resource during this interim period into our in-house R&D, whilst still servicing and generating a revenue stream from our contract research capability."

**For more information please contact:****Proximagen Neuroscience plc** ([www.proximagen.com](http://www.proximagen.com))

Kenneth Mulvany, Chief Executive Officer 020 7848 6938

James Hunter, Finance Director 020 7848 6938

**Buchanan Communications**

Tim Anderson / Mary-Jane Johnson / Catherine Breen 020 7466 5000

**KBC Peel Hunt (Nominated Adviser and Broker)**

Capel Irwin / Gordon Suggett 020 7418 8900

**Chairman's and Chief Executive's Statement**

The six months to 31 May 2007 have seen substantial progress made in our research and development programmes. During the period we are pleased to announce the introduction of a further indication from our PRX2 programme.

This indication, which targets neuropathic pain, a global market worth \$2.7 billion according to IMS Health, leverages the Company's growing expertise with selective neuronal nitric oxide synthase (nNOS) inhibitors.

The Company is pleased with the encouraging pre-clinical studies in our PRX1 programme. Studies conducted in this programme have demonstrated a drug candidate with an enhanced efficacy compared to L-DOPA, the gold standard of care treatment for patients with Parkinson's disease (PD). This programme leads our commitment 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 and CNS indications.

The Company was delighted to announce an award from The Michael J. Fox Foundation (MJFF), made possible through leadership funding from Elan Corporation (Elan). The funding is to continue Proximagen's PRX4 programme which studies a neuroprotective gene that delivers genetic material directly into brain cells. The combined neuroprotective gene and viral vector is targeted to an area of the brain that degenerates in PD.

The financial results for the first six months of 2007 reflect the significant investment made in research and development. As we hit our milestones and bring our programmes through discovery and into development the expenditure has increased in line with expectations.

Our service business continues to make an important contribution to the Group's operations, though the group has needed to be mindful to reserve resource capacity for our proprietary research and development programmes.

Following press speculation, the Company made a statement on 31 July 2007 that confirmed that it had been approached by a number of parties who have expressed an interest in acquiring the Company.

## **Discovery and Development**

Considerable progress has been made in our leading drug discovery programmes during 2007. Pre-clinical development for PRX1 for the symptomatic treatment of PD is ongoing with the intention to conduct a first proof of concept clinical trial study in 2008. The global market for PD is worth over \$2bn annually with the potential for a longer acting L-DOPA with a reliable absorption profile to make significant headway into this market. Results generated to date are very encouraging with a pre-clinical profile showing reliable onset of activity, a longer plasma half-life, and an overall improved efficacy compared to L-DOPA.

The PRX2 programme is designed as a novel treatment for the uncontrollable movements that are frequently seen in PD. Once established, these involuntary movements are persistent and may become the factor significantly limiting

current Parkinson's disease treatment strategies. Our pre-clinical studies indicate that our lead candidate series is likely to be safe and well tolerated.

Our PRX5 programme is aimed at both the symptomatic treatment of PD and the control of cognitive decline. During the period, compounds from our PRX5 programme were demonstrated to be potent and selective for the D1 receptor as well as orally active. Studies had previously shown the association between the D1 receptor and improvements in cognitive awareness. Recent pre-clinical data shows these compounds to be effective in experimental models of PD.

The Company's PRX4 programme is aimed at slowing or preventing the inevitable progression of neurodegenerative disease. The Company has now published data showing that a specific gene product may provide a naturalistic approach to neuroprotection, which may be relevant to cell death in a range of neurodegenerative disorders. Proximagen's pre-clinical studies have already shown that this neuroprotective gene product is implicated in the control of many mechanisms associated with the degeneration of neurons in PD. If successful, the treatment may prevent the disease from causing further damage and may restore normal brain function to patients, reversing the difficulties in movement that characterise the illness.

During the period, a new indication within the PRX2 programme has been initiated in the area of neuropathic pain. Drug candidates which selectively inhibit nNOS were shown to be as potent as the known analgesic, L-NG-nitroarginine methyl ester (L-NAME). However, unlike the nonselective NOS inhibitor L-NAME, which is known to cause hypertension in pre-clinical models, these compounds were shown not to affect heart rate or blood pressure. The Company has initiated a lead optimization chemistry campaign in areas of unique intellectual property to improve the pharmacokinetic profile of its existing compounds.

Pioneering research originated at King's College London by Professor Jenner, Proximagen's chief Scientific Officer and co-founder, in the fields of PD and cognition has formed the foundation of a rich pipeline at Proximagen. As Proximagen continues to grow, it has been essential that our pipeline portfolio be expanded to include further areas of neurodegenerative and CNS medical need. To meet this challenge, Proximagen enhanced its development capabilities to enable it to efficiently profile early opportunities in specialised disease areas, and which, through careful selection, can bring commercial success. The Company now has growing drug discovery programmes in both niche PD and PD-related disease, as well as more common central nervous system disorders.

### **Intellectual property**

During the period, Proximagen continued to pursue its aggressive intellectual property strategy and three new patent applications were filed based upon the Company's growing pipeline of in-house discovery initiatives.

To date, the Group has rights to patent applications pending in nine 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.

### **Financial review**

R&D expenditure of £1.03m for the period was in line with expectations and compares with R&D expenditure of £1.03m for H2 2006. Our PRX1 and PRX5 programmes accounted for the majority of this expenditure and PRX5, in particular, has seen a significant increase in the rate of investment. We expect expenditure on R&D to increase in H2 as we move to late stage pre-clinical development on PRX1 and accelerate investment in PRX5.

Revenue for the period at £191,000 was achieved with a gross margin of 54%. The total is materially below the levels achieved for the same period in 2006 owing to the fact that we prioritised our more advanced R&D

programmes when allocating our finite resources, consequently reducing our capacity for undertaking client research contracts.

Cash balances totalled £10.4m, a net outflow of £1.1m since the year end in November 2006. We expect our cash consumption to increase in H2 as in addition to continued investment in our programmes we will be investing in capital equipment and taking in hand new laboratory facilities at King's College, London.

## Outlook

Proximagen has a growing number of quality programmes. Our PRX1 is well positioned to deliver clear proof of concept data in the next twelve months and which will, if successful, add significant value to the Company. We are also encouraged by the commercial interest in our other programmes from potential partners. The Board is confident that the Company's clear strategic focus, coupled with the progress made in the first half of 2007 leaves Proximagen well placed to deliver increased value to shareholders.

Bruce Campbell  
Chairman  
28 August 2007

Kenneth Mulvany  
Chief Executive  
28 August 2007

## PROXIMAGEN NEUROSCIENCE PLC

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2007

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 May 2007

	Note	Six months ended 31 May 2007	Restated See Note 1 Six months ended 31 May 2006	Restated See Note 1 Year ended 30 November 2006
		£	£	£
<b>Turnover</b>		<b>191,089</b>	<b>379,060</b>	<b>737,509</b>
Cost of sales		(87,204)	(176,164)	(334,353)
<b>Gross profit</b>		<b>103,885</b>	<b>202,896</b>	<b>403,156</b>
Net operating costs				
Research and		(1,027,104)	(708,128)	(1,742,528)

development				
Administrative expenses		(442,373)	(496,136)	(916,331)
		(1,469,477)	(1,204,264)	(2,658,859)
<b>Operating loss</b>		<b>(1,365,592)</b>	<b>(1,001,368)</b>	<b>(2,255,703)</b>
Net interest receivable		276,435	286,823	564,033
<b>Loss before tax</b>		<b>(1,089,157)</b>	<b>(714,545)</b>	<b>(1,691,670)</b>
Corporation Tax		-	-	32,361
<b>Loss after tax and retained for the period</b>		<b>(1,089,157)</b>	<b>(714,545)</b>	<b>(1,659,309)</b>
<b>Basic loss per share (pence)</b>	2	(5.4)	(3.6)	(8.3)
<b>Diluted loss per share (pence)</b>	2	(5.4)	(3.6)	(8.3)

#### CONSOLIDATED BALANCE SHEET AT 31 MAY 2007

	Note	31 May 2007	Restated See Note 1 31 May 2006	Restated See Note 1 30 November 2006
		£	£	£
<b>Fixed assets</b>				
Tangible fixed assets		213,106	119,722	231,543
<b>Current assets</b>				
Debtors		547,304	602,547	526,934
Cash at bank and in hand		10,381,355	12,424,498	11,486,310
		10,928,659	13,027,045	12,013,244
<b>Creditors: amounts falling due within one year</b>		(622,888)	(667,956)	(673,057)
<b>Net current assets</b>		10,305,771	12,359,089	11,340,187
<b>Net assets</b>		<b>10,518,877</b>	<b>12,478,811</b>	<b>11,571,730</b>
<b>Capital and Reserves</b>				
Called up share capital		200,461	200,356	200,356
Share premium account		12,660,212	12,659,223	12,659,223
Merger reserve		298,900	298,900	298,900

Share based payment reserve	99,834	26,942	64,624
Profit and loss account	(2,740,530)	(706,610)	(1,651,373)
<b>Equity shareholders' funds</b>	<b>10,518,877</b>	<b>12,478,811</b>	<b>11, 571,730</b>

## CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 May 2007

Note	Six months ended 31 May 2007	Six months ended 31 May 2006	Year ended 30 November 2006
	£	£	£
Net cash flow from operating activities	(1,192,411)	(873,922)	(1,941,183)
Returns on investment	95,378	314,712	580,624
Capital expenditure	(9,016)	(43,991)	(180,830)
Cash withdrawn from term deposits	700,000	900,000	1,600,000
Financing	1,094	-	-
(Decrease)/increase in cash in the period	(404,955)	296,799	58,611

## RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

For the six months ended 31 May 2007

Note	Six months ended 31 May 2007	Restated See Note 1 Six months ended 31 May 2006	Restated See Note 1 Year ended 30 November 2006
	£	£	£
Operating loss	(1,365,592)	(1,001,368)	(2,255,703)
Depreciation charge	27,453	11,706	36,724
FRS20 charge	35,209	17,830	55,513
Decrease in debtors	160,688	48,096	167,366

(Decrease)/increase in creditors	(50,169)	49,814	54,917
Net cash outflow from operating activities	(1,192,411)	(873,922)	(1,941,183)

## Notes to the interim report

### 1. Accounting policies

#### a. Basis of preparation

The results for the six months to 31 May 2007 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. They have been prepared on the same basis and by applying the same accounting policies as the accounts for the year ended 30 November 2006, except where noted below.

The financial information for the year ended 30 November 2006 has been derived from the Group's audited financial statements for the year as filed with the Registrar of Companies. The auditor's report on the statutory financial statements for the year ended 30 November 2006 was not qualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

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.

#### b. New accounting standard

The 2006/7 financial year is the first year in which the Company has adopted FRS 20 – 'Share-based payments'. FRS20 requires the recognition of a charge for share based payment transactions. The adoption of FRS 20 also requires a prior period adjustment to be made. This has created a share option reserve as at 31 May 2007 of £99,834 and increased retained loss by £99,834. Of this amount, £35,209 related to the six months ended 31 May 2007 and £55,513 related to the year ended 30 November 2006.

**2. Loss per share**

The calculation of loss per share for the period ended 31 May 2007 is based upon the loss after tax for the period of £1,089,157 divided by the weighted average number of 20,036,888 shares in issue during the six month period to 31 May 2007. There is no difference between the diluted loss per share and the basic loss per share.

- 3.** Copies of this interim report are available at the Registered Office of the Company, Hodgkin Building, Guy's Campus, King's College, London SE1 1UL and on the Company's website, [www.proximagen.com](http://www.proximagen.com).

The interim results were approved by the Board of Directors on 28 August 2007.