ReGen Therapeutics Plc

Interim Results for the Six Months' to 30 June 2006

CHAIRMAN'S STATEMENT

The first half sales figures, which relate entirely to Guildford Clinical Pharmacology Unit Limited ('GCPUL') are as expected at £55,000, reflecting the start of a healthy upturn in business. As we reported earlier in the year 2006 has been a much better year for new business, mainly due to our strengthening of the business team. Turnover for the first two months of the second half of the year is £159,000. The directors are pleased to note that the current external pipeline looking forward is around £750,000.

Development costs increased by 15% reflecting our increased activity in this area, particularly in the development of Colostrinin™. Other costs, mainly salaries, fell slightly as we kept strict control of expenditure.

The interest in a biotech company, at this stage in its development, is not mainly about the revenue figures but in the Company's development prospects. Therefore, I give a short update of the developments so far this year in our business areas and likely further development.

Colostrinin™

We announced in July a licensing agreement with Metagenics Inc., a Californian developer, manufacturer and marketer of science-based nutraceuticals and medical foods sold to healthcare professionals worldwide, for the sale of our product in North America through the professional channel. Subject to satisfactory completion of the conditions of the licensing agreement and requisite US regulatory filings, we continue to anticipate launch of a human nutraceutical containing Colostrinin™ during the first half of 2007.

Colostrinin™ peptides/peptide mimetics

At the time of writing we are systematically evaluating a number of peptides for activity. Our prime target remains Alzheimer's disease, particularly in view of the clinical results obtained from our trial RG 010 in Poland. We have, however, as we have announced, had results in a cell line model with one peptide, which suggests possible activity in Parkinson's disease. This and other related peptides are now being screened to assess their potential in these and other neurodegenerative diseases such as Multiple Sclerosis, Amyotrophic Lateral Sclerosis and Huntingdon's Chorea. We would hope to have a pre-clinical candidate or candidates during 2008. We also continue to explore licensing and further development opportunities.

Zolpidem

Our potential new use for zolpidem, which is in relation to secondary brain trauma following stroke, traumatic brain injury, vascular dementia and Bell's Palsy has received considerable press attention. The effects of the drug have been reported particularly in an article in The Guardian of 12 September 2006, which includes a number of interesting case studies.

In dry clinical speak a significant body of 'open' clinical case observations has shown that zolpidem can normalise areas of brain dormancy secondary to a primary lesion in brain damage conditions e.g. stroke, traumatic brain injury, vascular dementia and Bell's palsy. The clinical effects of this dormancy reversal generally depend on the extent of the dormant area and their importance but have included restoration of consciousness, swallowing, co-ordination and motor function.

Whilst to date these effects have been achieved with existing 'high dose' formulations these are less than ideal for the new use, with sedation as a significant limiting factor. ReGen is therefore looking to develop new formulations to optimise the delivery of this important clinical benefit to a diverse range of patients.

Although the zolpidem composition of matter patent has lapsed in almost all countries, and will finally expire this year, ReGen has patents pending on this new use. In addition to this potential use patent ReGen is also planning to defend its intellectual property position further with other patents such as those derived from new formulations.

An application to conduct a study is currently being reviewed by the South African regulatory authorities. This will be a Phase IIa 'clinical proof of concept' study in known zolpidem responders and in collaboration with ReGen's subsidiary, GCPUL. This study will compare a 'low-dose' version of a spray formulation with an existing 'high-dose' tablet formulation, hoping to achieve efficacy but without sedation.

We currently expect clinical data to be available in the first quarter of 2007. If the data is positive we would look for a licensing deal. Our market estimate for the drug is $4.3bn so that it should be attractive to even the largest of drug companies.

GCPUL

During 2005 and 2006 we restructured GCPUL. With an external pipeline currently in the region of £750,000 we believe that GCPUL is gaining strength in its external market. We are also benefiting from having their advice on our clinical development projects and using them to carry this out cost effectively.

Financial

As we announced on the 1 September 2006, we have convened an Extraordinary General Meeting of the Company for 11.00 a.m. on 26 September 2006. At that meeting resolutions will be proposed to renew shareholder authority to be able to issue shares and/or other securities of the Company to facilitate future fundraisings (if required) and/or acquisitions of complementary businesses.

I am aware that there has been considerable speculation over financing needs and I am pleased to report that we now have over £1.2m of cash in the bank taking into account our placing in July, which raised £1.1m gross. Therefore the directors do not currently intend to raise further funds through a share issue.

Conclusions

As you can see from this report ReGen has progressed in all its areas. We continue to look forward to the future with confidence and I would like to take this opportunity on behalf of the Board to thank our staff for their continuing hard work and our shareholders for their valued support.

Percy Lomax
Executive Chairman
26 September 2006

For further information contact:
Andrew Marshall
Greycoat Communications
Tel: 020 7960 6007
Mobile: 07785 297111

ReGen Therapeutics Plc

Interim Results for the Six Months' to 30 June 2006

Consolidated Profit and Loss Account
For the six months ended 30 June 2006

	Unaudited 6 months to 30-Jun-06	Unaudited 6 months to 30-Jun-05	Audited Year to 31-Dec-05
	(£000)	(£000)	(£000)
Turnover	**55**	**100**	**116**
Cost of sales	4	43	40
Gross profit	51	57	76
Administrative costs			
Development costs	360	313	745
Other	760	780	1,497
Goodwill amortisation	48	47	94
	1,168	1,140	2,336
Operating loss	(1,117)	(1,083)	(2,260)
Interest Receivable	11	24	47
Interest Payable	(5)	(5)	(10)
Loss on ordinary activities before taxation	(1,111)	(1,064)	(2,223)
Tax on ordinary activities	(40)	(30)	(82)
Loss on ordinary activities after taxation	(1,071)	(1,034)	(2,141)
Loss per share (basic and diluted)	(0.21)p	(0.30)p	(0.56)p

ReGen Therapeutics Plc

Consolidated Balance Sheet

	Unaudited As at 30-Jun-06 (£000)	Unaudited As at 30-Jun-05 (£000)	Audited As at 31-Dec-05 (£000)
Fixed Assets			
Intangible assets	2,216	2,178	2,167
Tangible assets	21	24	21
	2,237	2,202	2,188
Current assets			
Stocks	11	2	4
Debtors	216	194	309
Cash at bank	617	572	942
	844	768	1,255
Creditors: amounts falling due within one year	(547)	(461)	(618)
Net current assets	297	307	637
Net assets	2,534	2,509	2,825
Capital and reserves			
Share Capital - Issued and fully paid	583	342	500
- Deferred	5,298	5,298	5,298
Share premium	11,112	9,173	10,438
Other reserves	266	242	242
Profit and loss account	(14,725)	(12,546)	(13,653)
Equity shareholders' funds	2,534	2,509	2,825

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Consolidated Cash Flow Statement

	Unaudited 6 months to 30-Jun-06	Unaudited 6 months to 30-Jun-05	Audited Year to 31-Dec-05
	(£000)	(£000)	(£000)
Operating loss	(1,117)	(1,083)	(2,260)
Amortisation	65	57	119
Depreciation	3	4	8
Increase in stocks	(7)	(1)	(4)
Decrease in debtors	133	957	832
(Decrease)/increase in creditors	(64)	(117)	41
Net cash outflow from operating activities	(987)	(183)	(1,264)
Returns on investments and servicing of finance			
Interest received	11	24	47
Interest paid	(5)	(5)	(10)
Taxation	-	43	104
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(3)	(10)	(11)
Payments to acquire intangible fixed assets	(68)	(45)	(95)
Acquisitions			
Purchase of a subsidiary undertaking:			
Acquisition expenses	(21)	-	-
Net cash outflow before management of liquid resources and financing	(1,073)	(176)	(1,229)
Management of liquid resources			
Decrease/(Increase) in short term deposits	308	243	(175)
Financing			
Proceeds of shares issued for cash	820	-	1,556
Expenses paid on share issue	(64)	-	(134)
	756	-	1,422
(Decrease)/Increase in cash	(9)	67	18

Notes to the Interim Report:

Basis of preparation
The results for the six months ended 30 June 2006 are unaudited and have been prepared on a basis consistent with the statutory accounts for the year ended 31 December 2005. The comparative amounts for the year ended 31 December 2005 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 but have been extracted from the audited statutory accounts delivered to the Register of Companies on which the auditors issued an unqualified report which did not contain a statement under section 237 of that Act.

Loss per share
The calculation of loss per share is based on the weighted average number of shares in issue for the period of 516,834,400 and the loss for the period of £1,071,000.

Reconciliation of movements in equity shareholders' funds

	30-Jun-06 (£000)
Loss for the six months	(1,071)
New shares issued	780
Decrease to equity shareholders' funds	(291)
Opening equity shareholders' funds	2,825
Closing equity shareholders' funds	2,534

Intangible fixed assets

Costs amounting to £68,000 relating to patent rights have been capitalised for the six months to 30 June 2006 in accordance with the company's stated accounting policy.

Share Capital

On 14 February 2006, the Company issued 1,562,500 ordinary shares of 0.1p each at a premium of 1.5p per share for a consideration of £25,000 in exchange for 100 £1 ordinary, the entire share capital of Sciencom Limited. In accordance with Section 131 of the Companies Act 1985 this premium has not been recorded as share premium. However, it has been included in other reserves.

On 25 May 2006, the Company issued 77,500,000 ordinary shares of 0.1p each at a premium of 0.9p per share for a consideration of £775,000.

On 8 June 2006, the Company issued 4,500,000 ordinary shares of 0.1p each at a premium of 0.9p per share for a consideration of £45,000.