



Napo Pharmaceuticals, Inc
("Napo" or "the Company")

Interim Results for the Six Months Ended 30 June 2008

South San Francisco, California, 29 August 2008 – Napo Pharmaceuticals, Inc., (LSE: NAPL and NAPU), which focuses on bringing proprietary products to the global marketplace in collaboration with local partners, today announces its interim results for the six months ended 30 June 2008.

Financial Highlights:

- Cash and short-term investment position of approximately US\$1.1 million at 30 June 2008 compared with US\$7.2 million at 31 December 2007 and US\$14.1 million at 30 June 2007 ;
- Raised approximately US\$6.1 million gross proceeds through the issuance of convertible debt and common stock to investors in late 2007 and 2008; and
- Net loss attributable to common shareholders of US\$15.8 million compared to US\$10.3 million in the prior six month period ended 30 June 2007 is reflective of increased expenditures for CRO-HIV related trial expenses, the issuance of warrants associated with convertible debt financing and other operating costs.

Operational Highlights:

- Announced positive clinical results in Phase 2 study of crofelemer in acute adult infectious diarrhoea conducted by licensee-Glenmark Pharmaceuticals Limited ("Glenmark")
- Full commercial rights of crofelemer previously licensed to Trine Pharmaceuticals, Inc. ("Trine") have reverted to Napo, and Napo will receive 100% of the profits from each of these indications. These include worldwide rights to CRO-IBS; co-commercial rights to CRO-HIV in the US; acute infectious diarrhoea ("CRO-ID") rights in western territories; as well as any future potential clinical indications, such as cancer or transplant patient related diarrhoeas, among others.
 - Napo is actively engaged in discussions with potential commercial partners for crofelemer.
- Strengthened intellectual property position through:
 - Approval from US Patent Office for "enteric formulations of proanthocyanidin polymer antidiarrheal compositions" from the United States Patent Office
 - Agreement with the University of Iowa Research Foundation for the non exclusive, royalty free license of United States Patent No. 5,234,922, and titled

Use of Sulfonylureas and Other Potassium Channel Regulators to Treat Secretory Diarrhoea, and in the inventions described and claimed therein.

Trading update

The net proceeds of the fundraising completed in late June 2008 ("Net Funds") are not sufficient to complete the Phase 3 adaptive design trial for CRO-HIV. The Company originally announced on 23 June 2008, that the Net Funds provided the Company with funds into August 2008 but the Company can now announce that the Net Funds will provide the Company with funds into September 2008.

Napo received a "going concern" opinion from its US auditors, BDO Seidman LLP in conjunction with their audit of Napo's 2007 year end results. The opinion states that the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern.

The Directors have plans to raise additional funds, which include: (a) pursuing a partnership(s) in relation to the development and marketing of crofelemer; and (b) seeking additional funding strategies including debt and further equity issuances. If Napo does not raise any additional funds then Napo will be forced to terminate or suspend some or all of its drugs trials including the CRO-HIV trial and potentially cease operations.

The attached financial statements were compiled by Company management and have not been reviewed by an independent auditor.

Commenting on Napo's results, Ms Lisa Conte, Chief Executive Officer of Napo Pharmaceuticals Inc, said:

“We are making significant progress in our efforts to license crofelemer to a commercial pharmaceutical partner and are prioritizing finding a partner to license the North American rights for crofelemer for people living with HIV/AIDS (“CRO-HIV”). The CRO-HIV trial, in our opinion our strongest licensing asset, is ongoing in the US and we continue to expect a NDA filing around mid 2009. Enrolment for the interim phase of the CRO-HIV trial is anticipated to be completed by year end and there will be an interim analysis following thereafter. Our ability to meet trial timelines is predicated on securing additional funding. We will also be receiving clinical results from a trial in cholera patients in Bangladesh before the end of 2008. I greatly appreciate the support we have received thus far from our shareholders.”

About Napo

Napo Pharmaceuticals, Inc. focuses on the development and commercialisation of proprietary pharmaceuticals for the global marketplace in collaboration with local partners. Napo was founded in November 2001, and is based in California, USA with subsidiaries in Mumbai, India and London UK.

Napo's late-stage proprietary gastro-intestinal compound, crofelemer, is in various stages of clinical development for four distinct product indications, including a late-stage Phase 3 program:

- CRO-HIV for AIDS diarrhoea, Phase 3
- CRO-IBS for diarrhoea irritable bowel syndrome ("D-IBS"), Phase 2
- CRO-ID for acute infectious diarrhoea (including cholera), Phase 2
- CRO-PED for paediatric diarrhoea, Phase 1

The FDA has granted fast-track status to CRO-IBS and CRO-HIV.

Crofelemer, a proprietary patented agent, is extracted from *Croton lechleri*, a medicinal plant which can be sustainably harvested in several countries in South America. Napo also plans to develop an early clinical stage product, NP-500, for the treatment of insulin-resistant diseases of Type II diabetes and metabolic syndrome. Napo also has a plant library of approximately 2,300 medicinal plants from tropical regions, and Napo has entered two screening relationships associated with this collection. Currently, products are based on the chemical and biological diversity derived from plants with medicinal properties, but future products may be in-licensed from other sources.

Napo has partnerships with Glenmark Pharmaceuticals Limited of India; and AsiaPharm Group Ltd. of China. For more information please visit www.napopharma.com.

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Disclaimer The Shares referenced in this announcement are not for distribution, directly or indirectly, in or into the United States or to any US person as defined in Regulation S under the US Securities Act of 1933, as amended ("Regulation S"). This announcement is not an offer of securities for sale into the United States or elsewhere. The Shares described above have not been registered under the US Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S) unless they are registered under the Securities Act or they are exempt from registration under the Securities Act. No offer or sale of Regulation S securities has been made or will be made in the United States. Hedging transactions involving these securities may not be conducted unless in compliance with the Securities Act.

This announcement contains forward-looking statements relating to Napo Pharmaceuticals and its products that involve risks and uncertainties, including statements regarding future products and developments that are not historical facts. Such statements are only predictions and the company's actual results may differ materially from those anticipated in these forward-looking statements. These statements can be identified by the use of forward-looking terminology such as "believe," "expect," "may," "will," "should," "could," "project," "plan," "seek," "intend," or "anticipate" or the negative thereof or comparable terminology and statements about industry trends and Napo's future performance, operations and products.

Key Events

Highlights from the first six months of 2008 include the following:

Financing

In June 2008, Napo raised approximately US\$2.1 million gross (US\$2.0 million net) through the issue of approximately US\$1.98 million of convertible debt and approximately US\$.1million through the issuance of Common Shares at 9.85 pence.

In March 2008, Napo entered into note and warrant purchase agreements for the issuance of convertible promissory notes that bear interest at a rate of 3.2 per cent for a total of US\$2,250,000.

In March 2008, Napo raised US\$2.55 million gross, US\$2.47 million net of expenses, through the issue of \$2.25 million of convertible debt and approximately US\$0.3 million of common shares.

The overall impact of the first half financing activities on the consolidated balance sheet of the Company was that the Company's convertible debt increased from US\$1.0 million as at 31 December 2007 (US\$0 as at 30 June 2007) to US\$5.8 million as at 30 June 2008.

Ongoing Partnership Discussions

Napo has progressed commercial license discussions with at least two potential partners, with customary commercial pharmaceutical license provisions including milestones and royalty payments. Any license agreement will be subject to mutual diligence and a definitive agreement. Napo hopes to sign definitive agreement(s) in October, 2008.

IP Development

Napo reached agreement with the University of Iowa Research Foundation to obtain the non-exclusive, royalty-free license of United States Patent No. 5,234,922 and titled Use of Sulfonyleureas and Other Potassium Channel Regulators to Treat Secretary Diarrhoea, and in the inventions described and claimed therein.

Napo obtained United States Patent No. 7,323,195 for "enteric formulations of proanthocyanidin polymer antidiarrheal compositions" from the United States Patent Office.

People

Napo appointed Dr Jerome Ernst as Clinical Science Advisor

CRO-HIV

The final pivotal Phase 3 CRO-HIV trial is currently on-going at multiple sites in the United States. The trial, also referred to as the ADVENT trial-(Anti-Diarrhoea therapy in HIV disease-Emerging treatment concepts) is a randomised, double-blind, parallel-group, placebo-controlled, two-stage, adaptive design study to assess the efficacy and safety of crofelemer at 125mg, 250 mg, and 500 mg oral doses twice daily ("p.o.b.i.d") for the treatment of HIV-Associated Diarrhoea.

The ADVENT trial will be executed in two stages. Stage I represents a dose selection stage and Stage II a dose assessment stage. Four dose groups (placebo, 125 mg, 250 mg, and 500 mg) will be assessed in Stage I. When 50 subjects per group complete the initial efficacy dosing period (28 days), an interim analysis will be conducted to select an optimal single dose of crofelemer for Stage II. Stage II will continue until an additional 75 subjects are randomised both to this dose of crofelemer and the placebo, providing for 125 patients on placebo and 125 patients the selected crofelemer dose. The primary study analysis is planned after all subjects complete the 28-day efficacy period. A full study analysis and final study report will be prepared at that time that will form the basis of a subsequent New Drug Application (NDA) filing to FDA. Subjects who complete the efficacy part of the study will be allowed to continue into an open-label 5 month extension. The purpose of the extension is to provide additional safety and tolerability information about crofelemer in longer term use.

Napo anticipates filing a NDA for CRO-HIV around mid-2009, assuming Napo's funding goals are achieved.

CRO-ID

Napo announced the positive results of a successfully completed Phase 2 trial for CRO-ID (crofelemer for the treatment of acute adult infectious Diarrhoea) conducted by its partner, Glenmark. The primary endpoints of the trial were stool weight, duration of diarrhoea, stool frequency and stool consistency; additional endpoints followed include degree of patient dehydration and reduction in gastrointestinal index score.

The conclusions from the study were that treatment with crofelemer was well tolerated and resulted in statistically significant improvements in all the primary endpoints and statistically significant reduction in the additional endpoints as well. Overall clinical success was achieved in 79.1% of the evaluable patients receiving crofelemer compared to 28.2% of the evaluable patients receiving placebo. There were no drug related adverse events associated with crofelemer.

The Phase 2 study was a randomised, parallel group, double-blind, placebo-controlled which enrolled 98 Indian adult male and female patients aged between 18 to 65 years with acute Diarrhoea defined as the occurrence of three or more unformed stools (soft or watery consistency) within the 24 hour period preceding entry into the study. Patients suffering from acute infectious Diarrhoea were dosed 250mg of crofelemer, QID (4 times per day) until recovery or for a maximum of three days. Details regarding the stool weight, stool frequency, stool consistency, duration of Diarrhoea, and other gastrointestinal symptoms were recorded by

the investigators at baseline, and days 1, 2 and 3 of treatment. All patients had a scheduled follow-up visit 30 days after the end of the last dose.

In conclusion, adult Indian patients with infectious Diarrhoea treated with crofelemer showed a faster recovery with the first dose itself as observed by the reduction in stool weight, stool frequency and passage of formed stools. Crofelemer was well tolerated and most adverse events were mild to moderate in severity and not different from the placebo group. Furthermore, the adverse events disappeared with continued therapy and causality was not attributed to the treatment.

Glenmark is Napo's exclusive licensee for crofelemer in over 140 countries for the indications of CRO-HIV, CRO-ID and CRO-PED. Glenmark anticipates it will begin another dose-ranging trial for CRO-ID in 2008, investigating the opportunity to treat with lower doses and lower frequency of dosing.

In combination with previous success in treating infectious diarrhoea in travellers in Mexico and Jamaica with crofelemer, Napo is investigating the regulatory pathway to file an NDA for acute infectious Diarrhoea treatment with crofelemer coincident with its on-going Phase 3 programme in chronic Diarrhoea in people living with HIV/AIDS (CRO-HIV).

Cholera Trial

The clinical study for crofelemer in cholera patients is complete and results are expected by the end of 2008. The trial was conducted in Bangladesh at the International Centre for Diarrhoeal Disease Research. In total the trial enrolled 166 patients and tested varying formulations and doses of crofelemer.

CRO-IBS

As noted previously, Napo reacquired worldwide rights to crofelemer for the indication of diarrhoea predominant irritable bowel syndrome ("D-IBS") in February 2008 after a single dose evaluation of crofelemer in a Phase 2 study in female D-IBS patients conducted by Trine Pharmaceuticals, Inc. ("Trine") failed to meet its endpoint. Trine previously conducted a dose ranging Phase 2 trial for crofelemer for D-IBS in male and female D-IBS patients

An analysis of the data of the dose-ranging Phase 2 study in D-IBS patients indicates that crofelemer at a dose of 500 mg twice daily, produced statistically and clinically meaningful improvement in pain-discomfort free days in female D-IBS patients. This improvement represents an important observation with respect to a key regulatory endpoint for D-IBS. Crofelemer did not affect any other bowel function parameters. This statistical analysis of the data was conducted by an independent third party.

The results from an outlier analysis of the dose-ranging Phase 2 study were presented at Digestive Disease Week in May 2007. In the later single dose Phase 2 study with crofelemer, Trine evaluated a 125 mg twice daily dose of a different formulation of crofelemer from the one used in the dose-ranging Phase 2 study. There were no serious drug related adverse events associated with crofelemer in either of the Phase 2 studies in D-IBS patients.

Napo is currently in discussions with potential licensees regarding this indication.

NP 500

Napo entered into a license for a use patent and regulatory and other information regarding NP-500, a clinical stage product which in pre-clinical animal studies has been shown to benefit symptoms of diabetes and cardiovascular risk factors known as metabolic disease, and to mitigate risk of stroke. NP-500 is a known compound with a novel mechanism of action relative to agents currently approved and in clinical testing. The compound has progressed through multi-dose Phase 1 testing.

Principal risks and uncertainties for the second half of 2008

The principal risks and uncertainties for the Company set out in the Company's prospectus published 28 September 2007 continue to apply in all material respects to the second half of 2008. These are summarised as follows:

Risks relating to Napo's business

- Early stage development of Napo's products may mean that drug candidates may not receive regulatory approval and will require considerable capital to develop before there is any possible return
- The Company has never made an operating profit and has a track record of losses. There are no assurances that it will achieve significant resources or profitability
- Need to raise capital. The Company continues to require additional funds. The net proceeds of the fundraising completed in late July 2008 only promote sufficient funds to finance the Company's working capital requirements into September 2008
- Market acceptance of Napo's products is uncertain and the failure of the Company's products to achieve market acceptance would prevent it from ever generating meaningful product resources
- Research and development efforts may not result in additional drug candidates being discovered or additional delivery technologies being developed
- Napo depends on key personal and it must continue to attract and retain key employees and consultants
- Napo has limited experience of selling and distributing products and currently has no initial capability to do so
- Developing country risk in some of the countries in which Napo does business
- Animal rights activists could adversely affect Napo's business
- Napo must manage the growth of its operations effectively
- If Napo faces product liability claims, damages may exceed its insurance cover
- Reimbursement from government and health administration bodies for newly approved products will be required in some countries and is uncertain
- Exchange rate fluctuations may impact operations
- Competition from entities in the same sector may affect Napo's business

Risks relating to development and clinical testing and regulatory approval

- No guarantees that Napo will be able to demonstrate the efficacy or safety of the drug candidates in development or be able to conduct the appropriate trials to provide this data
- Implementation, outcome and delays in clinical trials may affect the Company's ability to generate revenues
- The regulatory process is expensive, time consuming and uncertain
- Napo and its drug candidates will be subject to thorough ongoing regulatory review which will require the application of significant time and money
- Failure to comply with laws regulating the protection of the environment and health and safety may expose the Company to significant fees and other payments

Risks relating to Napo's reliance on third parties

- Napo relies on third parties for the development and exploitation of its products, manufacturing and supply of raw material

Risks relating to patents and other intellectual property

- Third party rights to intellectual property could affect the business and/or financial position
- Napo may not be able to protect adequately its technology and intellectual property rights
- If Napo infringes intellectual property rights of third parties, it may increase Napo's costs or prevent Napo from being able to commercialise product programmes
- Adverse impact of third party patents on the manufacture and marketing of Napo's products-
- Breach of licence terms by Napo may have an adverse effect on Napo's right to use the licensed intellectual property

Related party transactions

There have been no related party transactions in the last 6 months.

Condensed Consolidated Statements of Operations

	<i>Period from Inception (15 November 2001)</i>		
	<i>Six months ended 30 June</i>	<i>Through 30 June</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>\$USD</i>	<i>\$USD</i>	<i>\$USD</i>
Revenue	27,142	142,372	2,892,277
Operating expenses:			
Cost of revenue	---	---	194,601
General and administrative ⁽¹⁾	3,776,749	3,639,411	20,557,842
Research and development ⁽²⁾	8,691,951	7,039,909	39,959,166
Total operating expenses	<u>12,468,700</u>	<u>10,679,320</u>	<u>60,711,609</u>
Loss from operations	(12,441,558)	(10,536,948)	(57,819,332)
Interest (expense) income, net	(2,973,308)	494,010	(2,201,973)
Other income, net	---	---	106,795
Net loss	<u>(15,414,866)</u>	<u>(10,042,938)</u>	<u>(59,914,510)</u>
Deemed dividends	<u>(375,000)</u>	<u>(300,000)</u>	<u>(4,954,507)</u>
Net loss attributable to common stockholders	<u>(15,789,866)</u>	<u>(10,342,938)</u>	<u>(64,869,017)</u>
Basic and diluted net loss per common share	0.32	0.24	
Basic and diluted net loss per common share (Pounds)	0.16	0.12	
Shares used in basic and diluted net loss per common share calculation	49,571,747	43,287,532	

Included in operating expenses is noncash stock-based compensation as follows:

(1) General and administrative	260,022	27,490	919,503
(2) Research and development	627,906	639,342	3,246,970

See summary of accounting policies and notes to condensed financial statements.

Financial Review

Six months ended 30 June 2008 compared to 30 June 2007

In the first six months of the year Napo had contract revenue of US\$27 thousand compared to US\$142 thousand related to the NIH-NIAID grant associated with the development of a formulation of crofelemer for cholera.

Research and development expenses were US\$8.7 million in the six month period ended 30 June 2008 compared to US\$7.0 million in the six months ended 30 June 2007. Included in expenses

in the six month period ended 30 June 2008 was an expense of US\$1.5 million related to the in-license of a clinical and regulatory package for NP 500. Expenses related to manufacturing, formulation and packaging of clinical supplies for the CRO-HIV trial collectively increased approximately \$840 thousand over the prior year period. These increased expenses were offset by approximately \$500 thousand of reduced expenses for accrued compensation, travel and recruiting. In 2008, there was a decrease in headcount in manufacturing and clinical and development functions compared to the period ending 30 June 2007. At the end of June 2008, there were 14 research and development employees compared to 17 at the end of June 2007. In 2008, the Company recognised US\$628 thousand of non-cash expense related to stock based compensation compared to US\$639 thousand in the prior year period.

General and administrative expenses were US\$3.8 million in the six month period ended 30 June 2008 compared to US\$3.6 million in the six months ended 30 June 2007. Contributing factors to the increase in general and administrative expenses were increases in non-cash stock based compensation of approximately US\$232 thousand; costs associated with financing activities of US\$154 thousand, occupancy expenses of US\$300 thousand including deferred rent of US\$204 thousand and miscellaneous expenses of US\$123 thousand; plus higher benefit and personnel costs - US\$159 thousand. These higher expenses were offset by decreases in legal expense of US\$87 thousand, other operational costs of US\$87 thousand; decreased travel costs of US\$338 thousand and lower accrued compensation of US\$92 thousand.

Net interest expense was US\$3.0 million in the six months ended 30 June 2007 compared to US\$494 thousand in the six months ended 30 June 2007 with the decrease attributable to the issuance of warrants to convertible debt investors and trade creditors in March 2008, as well as lower cash balances in the six month period ended 30 June 2008 compared to the six months ended 30 June 2007.

Net loss for the six months ended 30 June 2008 was US\$15.4 million compared to US\$10.0 million in the period ended 30 June 2007. Net loss attributable to common shareholders was US\$15.8 million compared to US\$10.3 million in the prior year period. The deemed dividend in 2008 and 2007 is associated with US\$3.5 million of optionally redeemable convertible preferred shares issued by Napo India and Sindu, which are India-based Napo subsidiaries, to ILFS Investment Management.

Cash and short term investments on hand at 30 June 2008 were US\$1.1 million compared with US\$7.2 million at December 2007. The decrease from December 2007 to June 2008 is related to operating losses, offset by US\$5.9 million gross proceeds from convertible debt and equity investors in 2008.

Outlook

Napo is currently conducting a final pivotal Phase 3 trial for crofelemer for the CRO-HIV indication and costs related to this activity will continue well into 2008 and 2009. The net proceeds of the fundraising completed in late June 2008 ("Net Funds") are not sufficient to complete the aforementioned trial. The Net Funds provide the Company with funds into September 2008. The Directors have plans to raise additional funds, which include: (a) pursuing a partnership(s) in relation to the development and marketing of crofelemer; and (b) seeking additional funding strategies including debt and further equity issuances. If Napo does not raise

any additional funds then Napo will be forced to terminate or suspend some or all of its drugs trials including the CRO-HIV trial and potentially cease operations.

As mentioned in the Annual Report, Napo's auditing firm, BDO Seidman, LLP issued a going concern statement stating that the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern.

Responsibility Statement

The Directors confirm to the best of their knowledge that:

- (a) the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8, being the disclosure of related party transactions in the first six months of the financial year that have materially affected the financial position or performance of the entity during the period and any material changes in the related party transactions described in the last Annual Report.

A list of the current directors is maintained on the Company website: www.napopharma.com

By order of the Board:

Lisa A. Conte
Chief Executive Officer

Condensed and Consolidated Balance Sheets, Statements of Operations and Cash Flows for the Periods Ended 30 June 2008, 30 June 2007 and 31 December 2007.

Condensed Consolidated Balance Sheets

	30 June 2008 (Unaudited) \$USD	30 June 2007 (Unaudited) \$USD	31 December 2007 \$USD
Assets			
Cash and cash equivalents	301,938	661,347	1,502,006
Short-term investments	800,000	13,430,384	5,736,971
Stock subscriptions receivable	94,107	---	---
Deferred financing costs	---	1,211,054	---
Due from lender for convertible notes	1,478,400	---	---
Prepaid expenses and deposits	297,348	281,705	193,650
Accounts receivable	---	---	160,925
Prepaid license fee	---	156,522	---
Other current assets	280,866	527,137	583,611
Total current assets	<u>3,252,659</u>	<u>16,268,149</u>	<u>8,177,163</u>
Property and equipment, net	562,520	557,717	588,941
Prepaid license fee	---	1,291,304	1,369,565
Deposits	79,888	---	79,888
Patent, net	69,439	97,219	83,329
Total Assets	<u>3,964,506</u>	<u>18,214,389</u>	<u>10,298,886</u>
Liabilities			
Accounts payable	2,435,540	2,349,278	2,732,917
Accrued compensation	253,368	451,137	492,069
Convertible notes payable	5,823,400	---	---
Other current liabilities	1,301,612	1,368,872	697,791
Total current liabilities	<u>9,813,920</u>	<u>4,169,287</u>	<u>3,922,777</u>
Convertible notes payable	---	---	975,000
Total Liabilities	<u>9,813,920</u>	<u>4,169,287</u>	<u>4,897,777</u>
Convertible Redeemable Preference Shares (Optionally convertible, redeemable preference shares, 1 Indian Rupee par value, 3,886,555 shares authorized, issued and outstanding, aggregate liquidation preference of \$7,223,330)	7,223,330	6,010,830	6,848,330
Commitments and Contingencies (Notes 4 and 6)			
Stockholders' Equity (Deficit)			
Common stock: \$0.0001 par value, 90,000,000 shares authorized; 49,815,080, 43,638,470 and 49,215,080 shares issued and outstanding	4,991	4,363	4,931
Common stock subscribed	51	---	---
Accumulated other comprehensive income (loss)	---	(6,073)	12,954
Additional paid-in capital	51,838,704	41,341,390	47,661,518
Deficit accumulated during the development stage	(64,869,017)	(33,257,945)	(49,079,151)
Common stock in treasury at cost, 125,614 shares at 30 June 2008	(47,473)	(47,463)	(47,473)
Total Stockholders' Equity (Deficit)	<u>(13,072,744)</u>	<u>8,034,272</u>	<u>(1,447,221)</u>
Total Liabilities, Convertible Redeemable Preference Shares and Stockholders' Equity	<u>3,964,506</u>	<u>18,214,389</u>	<u>10,298,886</u>

See summary of accounting policies and notes to condensed financial statements

Condensed Consolidated Statements of Operations

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Consolidated Statement of Shareholder's Equity, Optionally Convertible Redeemable Preference Shares ("OCRPS") and Accumulated Other Comprehensive Income

	OCRPS		Common Stock		Common Stock Subscribed	Stock Subscriptions	Paid-In	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Accumulated Deficit	Accumulated Other Comprehensive Income	Stockholders' Equity
	Shares	Amount \$	Shares	Amount \$				Shares	Amount \$	Shares	Amount \$	Shares	Amount \$			
Issuance of common stock in December 2001 for cash			9,378	1			277									278
Issuance of Series A preferred stock for cash								750,000	225,000							225,000
Issuance of Series A preferred stock to pay predecessor expenses, net issuance of costs of \$10,150								1,932,341	569,169							569,169
Issuance of common stock warrants for services							2,503									2,503
Issuance of series A warrants for services									3,002							3,002
Issuance of common stock for cash			11,106	1			336									337
Issuance of Series A preferred stock, net of issuance costs of \$3,543								3,176,009	962,164							962,164
Compensation recognized under incentive stock option plans							31,602									31,602
Net loss from inception through 31 December 2002													(1,845,358)			(1,845,358)
Balances at 31 December 2002			20,484	2			34,718	5,858,350	1,759,335				(1,845,358)			(51,303)
Compensation recognized under incentive stock option plans							67,667									67,667
Net loss													(1,972,121)			(1,972,121)
Balances at 31 December 2003			20,484	2			102,385	5,858,350	1,759,335				(3,817,479)			(1,955,757)

See summary of accounting policies and notes to condensed financial statements

(continued)

	OCRPS		Common Stock		Common Stock	Stock	Paid-In	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Accumulated	Accumulated	Stockholders'
	Shares	Amount \$	Shares	Amount \$	Subscribed	Subscriptions	Capital \$	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$	Deficit \$	Other Comprehensive Income \$	Equity \$
Balances at 31 December 2003			20,484	2			102,385	5,858,350	1,759,335					(3,817,479)		(1,955,757)
Issuance of common stock in exchange for services			20,000	2			600									602
Issuance of common stock warrants in exchange for services in March and April 2004							4,117									4,117
Issuance of Series B preferred stock, including conversion of short term personal notes payable										6,999,233	3,459,001					3,459,001
Issuance of common stock warrants with preferred stock							115,585									115,585
Compensation recognized under incentive stock option plan							54,851									54,851
Net loss														(1,748,280)		(1,748,280)
Balances at 31 December 2004			40,484	4			277,538	5,858,350	1,759,335	6,999,233	3,459,001			(5,565,759)		(69,881)
Issuance of common stock warrants in exchange for services							5,705									5,705
Issuance of Series C preferred stock, net of issuance costs of \$24,185												5,260,017	4,451,029			4,451,029
Compensation recognized under incentive stock option plans							42,006									42,006
Net loss														(3,336,607)		(3,336,607)
Balances at 31 December 2005			40,484	4			325,249	5,858,350	1,759,335	6,999,233	3,459,001	5,260,017	4,451,029	(8,902,366)		1,092,252

See summary of accounting policies and notes to condensed financial statements

(continued)

	OCRPS		Common Stock		Common Stock Subscribed		Stock Subscriptions	Paid-In	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Accumulated Deficit	Accumulated Other Comprehensive Income	Stockholders'
	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$	Receivable \$	Capital \$	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$	\$	\$	Equity \$
Balances at 31 December 2005			40,484	4				325,249	5,858,350	1,759,335	6,999,233	3,459,001	5,260,017	4,451,029	(8,902,366)		1,092,252
Issuance of Series C Preferred stock net of issuance costs													3,135,291	2,654,110			2,654,110
Conversion of preferred stock into common stock on initial public offering			21,352,958	2,135				13,582,517	(5,958,417)	(1,789,335)	(6,999,233)	(3,459,001)	(8,395,308)	(8,336,316)			
Issuance of common stock in connection with option exercises			1,247,090	124				38,039									38,163
Issuance of common and preferred stock upon warrant exercises			2,569,036	257				1,315,761	100,067	30,000							1,346,018
Compensation recognized under incentive stock option plans								981,060									981,060
Issuance of OCRPS, net of issuance costs of \$141,979	3,529,412	2,858,021															
Deemed dividend on OCRPS		2,294,118													(2,294,118)		(2,294,118)
Accretion of OCRPS		416,712													(416,712)		(416,712)
Recognition of issuance costs on issuance of OCRPS		141,979						(141,979)									(141,979)
Preferred stock deemed dividend													1,231,177	(1,231,177)			
Issuance of common stock for cash, net of issuance cost of \$139,981			400,606	41				368,989									369,030
Issuance of common stock for cash in connection with initial public offering, net of issuance costs of \$3,192,308			14,300,048	1,430				18,932,814									18,934,244
Common stock issuable for cash					324,727	32		599,966									599,998
Common stock issuable under subscription agreements					170,482	17	(300,000)	299,983									
Issuance of warrants for services								25,936									25,936
Unrealized loss on investments																(7,658)	(7,658)
Net loss															(10,070,634)		(10,070,634)
Comprehensive loss																	(10,078,292)
Balances at 31 December 2006	3,529,412	5,710,830	39,910,222	3,991	495,209	49	(300,000)	36,328,335							(22,915,007)	(7,658)	13,109,710

See summary of accounting policies and notes to condensed financial statements

(continued)

	OCRPS		Common Stock		Common Stock Subscribed		Stock Subscriptions	Paid-In	Treasury Stock		Accumulated	Accumulated Other Comprehensive	Stockholders'
	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$	Receivable \$	Capital \$	Shares	Amount \$	Deficit \$	Income \$	Equity \$
Balances at 31 December 2006	3,529,412	5,710,830	39,910,222	3,991	495,209	49	(300,000)	36,328,335			(22,915,007)	(7,658)	13,109,710
Common stock issued under subscription agreements			495,209	49	(495,209)	(49)	300,000						300,000
Issuance of common stock for cash in January and October 2007, net of issuance costs of \$2,888,996			4,921,475	492				5,240,975					5,241,467
Issuance of common stock in connection with acquisition in October 2007			2,906,193	291				4,099,709					4,100,000
Issuance of common stock in connection with option exercises			672,000	67				48,589	25,614	(47,463)			1,193
Issuance costs paid with common stock in January and October 2007			409,981	41					100,000				41
Common stock repurchased in July 2007			(100,000)							(10)			(10)
Compensation recognized under incentive stock option plans								1,943,910					1,943,910
Issuance of OCRPS in October 2007	(357,143)	500,000											
Accretion of OCRPS		637,500									(637,500)		(637,500)
Unrealized gain on investments												20,612	20,612
Net loss											(25,526,644)		(25,526,644)
Comprehensive loss													(25,506,032)
Balances at 31 December 2007	3,886,555	6,848,330	49,215,080	4,931				47,661,518	125,614	(47,473)	(49,079,151)	12,954	(1,447,221)

See summary of accounting policies and notes to condensed financial statements

	OCRPS		Common Stock		Common Stock Subscribed		Paid-In Capital \$	Treasury Stock		Accumulated Deficit \$	Accumulated Other Comprehensive Income \$	Stockholders' Equity \$
	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$		Shares	Amount \$			
Balances at 31 December 2007	3,886,555	6,848,330	49,215,080	4,931			47,661,518	125,614	(47,473)	(49,079,151)	12,954	(1,447,221)
Common stock issuable for cash					507,614	51	94,056					94,107
Issuance of common stock for cash in March 2008			600,000	60			188,163					188,223
Compensation recognized under incentive stock option plans							887,928					887,928
Issuance of warrants in March 2008							3,007,039					3,007,039
Accretion of OCRPS		375,000								(375,000)		(375,000)
Unrealized loss investments											(12,954)	(12,954)
Net loss										(15,414,866)		(15,414,866)
Comprehensive loss												(15,427,820)
Balances at 30 June 2008	3,886,555	7,223,330	49,815,080	4,991	507,614	51	51,838,704	125,614	(47,473)	(64,869,017)		(13,072,744)

See summary of accounting policies and notes to condensed financial statements

Condensed Consolidated Statements of Cash Flows

	<i>Six months Ended 30 June 2008 (unaudited) \$USD</i>	<i>Six months Ended 30 June 2007 (unaudited) \$USD</i>	<i>Period from Inception (15 November 2001) through 30 June 2008 (unaudited) \$USD</i>
Operating Activities			
Net loss	(15,414,866)	(10,042,938)	(59,914,510)
Adjustments to reconcile net loss to net cash Used in operating activities:			
Depreciation and amortization	157,404	133,887	688,499
Warrants issued to investors and creditors	3,007,039	---	3,007,039
In-process research and development purchased with common stock	---	---	4,092,758
Stock based compensation expense	887,928	666,832	4,166,473
Write-off of prepaid license fee	1,369,565	---	---
Issuance of preferred stock to pay predecessor expenses	---	---	569,169
Changes in assets and liabilities:			
Deferred issuance costs	---	(1,211,054)	---
Prepaid expenses and deposits	(103,698)	(244,849)	(377,236)
Prepaid license fee	---	(1,447,826)	---
Other current assets	463,670	(305,425)	(205,799)
Accounts payable	(297,377)	1,935,218	2,435,540
Accrued compensation	(238,701)	(84,278)	253,368
Other current liabilities	603,821	18,666	1,230,209
Total Cash Used in Operating Activities	<u>(9,565,215)</u>	<u>(10,581,767)</u>	<u>(44,054,490)</u>
Investing Activities			
Purchase of property and equipment	(117,093)	(251,753)	(1,069,857)
Purchase of patent	---	---	(250,600)
Purchase of short-term investments	---	(8,305,281)	(31,964,629)
Sale of short-term investments	4,924,017	13,680,363	31,168,197
Total Cash Provided by (Used in) Investing Activities	<u>4,806,924</u>	<u>5,123,329</u>	<u>(2,116,889)</u>
Financing Activities			
Proceeds from issuance of common stock on initial public offering	---	---	18,934,244
Proceeds from issuance of redeemable convertible preference shares	---	---	3,358,021
Proceeds from issuance of convertible notes payable	3,370,000	---	6,801,000
Sale of preferred stock for cash, net of issuance costs	---	---	9,295,304
Common stock issuable for exercise of warrants	---	---	1,346,018
Proceeds from stock option exercises	---	193	39,356
Sale of common stock for cash, net of issuance costs	188,223	4,298,890	5,799,376
Proceeds from issuance of common stock under subscription	---	899,998	899,998
Total Cash Provided by Financing Activities	<u>3,558,223</u>	<u>5,199,081</u>	<u>46,473,317</u>
Net increase (decrease) in cash	(1,200,068)	(259,357)	301,938
Cash, beginning of period	1,502,006	920,704	---
Cash, end of period	<u>301,938</u>	<u>661,347</u>	<u>301,938</u>

(Continued)

	<i>Six months</i>	<i>Six months</i>	<i>Period from</i>
	<i>Ended</i>	<i>Ended</i>	<i>Inception</i>
	<i>30 June</i>	<i>30 June</i>	<i>(15 November</i>
	<i>2008</i>	<i>2007</i>	<i>2001) through 30 June</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>\$USD</i>	<i>\$USD</i>	<i>\$USD</i>
Supplemental Schedule of Cash Flow Information:			
Cash paid for:			
Interest	---	---	---
Income taxes	---	---	---
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of preferred stock in connection with initial public offering	---	---	<u>13,584,652</u>
Deemed dividend on optionally convertible redeemable preference shares	---	---	<u>2,294,118</u>
Deemed dividend on preferred stock	---	---	<u>1,231,177</u>
Issuance of preferred stock as repayment of short-term notes	---	---	<u>2,456,000</u>
Accretion of optionally convertible redeemable preference shares	<u>375,000</u>	<u>300,000</u>	<u>1,429,212</u>
Issuance of convertible notes, proceeds not yet received	<u>1,478,400</u>	---	<u>1,478,400</u>
Common stock subscribed	<u>94,107</u>	---	<u>94,107</u>
Accrued interest paid with preferred stock	---	---	<u>73,840</u>

See summary of accounting policies and notes to condensed financial statements

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Organisation, Business and Basis of Presentation

Napo Pharmaceuticals, Inc. (“Napo” or “the Company”) was incorporated on 15 November 2001 in Delaware and is focused on licensing, developing and commercialising proprietary specialty pharmaceuticals for the global marketplace in collaboration with partners. Napo is currently developing its proprietary product, crofelemer, for gastrointestinal indications such as diarrhoea-predominant Irritable Bowel Syndrome (“D-IBS”), chronic diarrhoea in people living with HIV/AIDS (AIDS diarrhoea), paediatric diarrhoea and acute infectious diarrhoea. The Company operates in one segment. Napo prepares its financial statements in conformity with accounting principles generally accepted in the United States on a basis consistent with that applied in the annual report. These consolidated interim financial statements have not been reviewed by an independent auditing firm.

The Directors have confirmed to the best of their knowledge that the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. Under IAS 34 the Company is required to prepare its interim report using the same accounting policies as were applied in the most recent annual financial statements (i.e. under US generally applicable accounting policies). Pursuant to the EC Commission Decision of 4 December 2006 on the use by third country issuers of securities of information prepared under internationally accepted accounting standards (2006/891/EC), prior to financial years starting on or after 1 January 2009 an issuer whose registered office is in a third country (such as the Company) may prepare its annual consolidated financial statements and half-yearly consolidated financial statements in accordance with the accounting standards of the United States of America.

The Company is considered to be in the development stage as, since inception, its activities have consisted primarily of acquiring the rights to crofelemer, raising capital, attracting employees, establishing facilities, performing research and development, entering into agreements with other entities for the development and commercialisation rights to crofelemer and the analysis of its collection of plant samples for bioactive molecules which could result in potential new drug candidates. Revenue received from inception to date includes initial license payments and miscellaneous sales of non-core product obtained through the purchase of certain Shaman Pharmaceutical, Inc. assets as discussed below.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Liquidity

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. At 30 June 2008, Napo had an accumulated deficit of approximately US\$64.9 million and expects to incur substantial losses over the next several years while it continues in the development stage. The Company’s operations are subject to certain risks and uncertainties frequently encountered by companies in the early stages of operations, particularly in the evolving market for small biotech and specialty pharmaceuticals companies. Such risks and uncertainties include, but are not limited to, timing and uncertainty of achieving milestones in clinical trials and in obtaining approvals by the Food and Drug Administration (the “FDA”) and regulatory agencies in other countries, not only by the Company, but by its licensees as well. The ability to generate revenues in the future will depend

substantially on the timing and success of reaching development milestones and in obtaining regulatory approvals and market acceptance of the Company's products, assuming the FDA, and similar regulatory authorities in other countries, approves new drug applications.

The Company plans to meet its future capital requirements and to complete its clinical studies to obtain the necessary FDA approvals requires substantial amounts of additional sources of funding. Management has plans to raise additional funds, which include: (a) pursuing a partnership(s) in relation to the development and marketing of crofelemer; and (b) seeking additional funding strategies including debt and further equity issuances

There is no assurance that the Company will be successful in obtaining a partnership or sufficient funding on acceptable terms, if at all. If Napo is unable to secure additional funding or shareholders, if required, do not approve such financing, Napo would have to curtail certain expenditures which it considers necessary for optimizing the probability of success of Napo's clinical development programs, including delaying the CRO-HIV clinical trial which would have a material adverse effect on the Company's operations. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Company's management to make judgments, assumptions and estimates that affect the amounts reported in its financial statements and the accompanying notes. Actual results could differ materially from those estimates. Significant estimates include, but are not limited to, valuation of stock based compensation, impairment of long lived assets, impairment of intangible assets and valuation of deferred tax assets.

Concentration of Credit Risk and Cash and Cash Equivalents

The financial instruments that potentially subject the Company to a concentration of credit risk are cash equivalents and short-term investments. The counterparty to the agreement relating to the Company's investment securities is a financial institution of high credit standing. The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Cash is placed with a high-credit quality financial institution. Cash is generally in excess of FDIC insurance limits. Napo is exposed to credit risk in the event of default by the financial institution holding the cash to the extent of the amount recorded on the balance sheet. The carrying value of cash and cash equivalents approximates estimated market value at 30 June 2008.

Short-Term Investments

All short-term investments are classified as available-for-sale and therefore carried at estimated fair value based on quoted market prices. All investments are highly liquid (can be liquidated in less than one month) with a ready market. The Company views its available-for-sale portfolio as available for use in its current operations. Accordingly, all investments are classified as short-term, even though the stated maturity date may be one year or more beyond the current balance sheet date. Available-for-sale securities are stated at estimated fair value based upon the quoted market price of the securities. Unrealized gains and losses on such securities are reported as a separate component of stockholders' equity. Realized gains and losses on available-for-sale securities are included in interest income/expense. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

The following table summarizes the maturities of the Company's investments at 30 June 2008 (US\$):

	Fair Value
Due in 2028	700,000
Due in 2040	100,000
Total	800,000

Intangible Asset

In accordance with the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 142, *Goodwill and Intangible Assets*, the Company performs an annual impairment test for the intangible asset. If the carrying amount is in excess of the fair value, an impairment loss will be recorded. No impairment has been recorded through the date of these financial statements.

The purchased intangible asset represents a composition of matter patent on crofelemer. A composition of matter patent affords patent protection on the novel chemical structure of crofelemer, previously undescribed in the scientific literature. The purchased intangible asset is carried at cost, net of accumulated amortization and is amortized over its remaining estimated useful life of nine years; the remaining legal patent life without extensions.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally three years.

Foreign Currency Translation

Napo translates the assets and liabilities of its foreign subsidiaries to US\$ at the rates of exchange in effect at the end of the period. Expenses are translated using rates of exchange in effect during the period.

Impairment of Long-Lived Assets

In accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews long-lived assets, including property and equipment and patents, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Impairment, if any, is assessed using discounted cash flows or other appropriate measures of fair value. Through 30 June 2008, there have been no such losses.

Research and Development Expenses

Research and development expenses consist of expenses incurred in performing research and development activities including related salaries, clinical trial and related drug product costs, contract services and other outside service expenses. Research and development expenses are charged to operating expense in the period incurred.

Napo is currently conducting a trial for crofelemer for the indication of cholera. This trial is being conducted at the International Center for Diarrhoeal Disease in Bangladesh. Approximately 60 patients have been treated since March 2006. Additionally, the Company is conducting a Phase 3 trial for crofelemer for the indication of diarrhoea associated with HIV/AIDS.

Income Taxes

Napo uses the liability method for income taxes as required by SFAS No. 109, *Accounting for Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax reporting bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Currently there is no provision for income taxes as the Company has incurred net losses since inception. To date, Napo has no history of earnings. Therefore, net deferred tax assets are reduced by a valuation allowance to the extent that realization of the related deferred tax asset is not assured. The Company has recorded a valuation allowance for the full amount of its calculated deferred tax assets.

In July 2006, the FASB issued Interpretation No. 48, “*Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*” (FIN 48), which clarifies the recognition measurement, accounting and disclosure for uncertainty in tax positions. The Company is subject to the provisions of FIN 48 as of January 1, 2007. The Company is subject to audit by the IRS and state authorities for all years since inception. There are currently no ongoing examinations by these authorities. No changes were made to any liabilities for net unrecognized tax benefits as a result of the implementation of FIN 48.

Basic and Diluted Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. The computation of basic net loss per share for all periods presented is derived from the information on the face of the statements of operations, and there are no reconciling items in either the numerator or denominator.

Diluted net loss per common share is computed as though all potential common shares that are dilutive were outstanding during the year, using the treasury stock method for the purposes of calculating the weighted-average number of dilutive common shares outstanding during the period. Potential dilutive common shares consist of shares issuable upon exercise of stock options and warrants. The Company has excluded 8,231,973 and 7,841,871 shares for the six months ended 30 June 2008 and 2007, respectively, from the diluted net loss calculation because their inclusion would have been anti-dilutive.

Revenue Recognition

Napo has a federal government research grant which provides for the reimbursement of qualified expenses for research and development related to a cholera study, as defined under the terms of the grant agreement. Revenue under this grant agreement is recognized when the related qualified research expenses are incurred. Grant reimbursements are received on a quarterly or monthly basis and are subject to the issuing agency’s right of audit. During the six months ended 30 June 2008 and 2007, the Company recognized US\$27,000 and US\$142,000, respectively, of revenue under this grant.

Milestone payments under research, partnering, or licensing agreements are recognized as revenue upon the achievement of mutually agreed upon milestones, provided that (i) the milestone event is substantive and its achievement is not reasonably assured at the inception of the agreement, and (ii) there are no performance obligations associated with the milestone payment.

Stock-Based Compensation

Effective 1 January 2002, Napo adopted the preferable fair value recognition provisions of SFAS No. 123, *Stock-Based Compensation*. In December 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 123(R), *Share-Based Payment*, which is a revision of SFAS No. 123. SFAS 123(R) supercedes SFAS 123 and Accounting Principles Board (“APB”) Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends SFAS No. 95, *Statement of Cash Flows*. SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognised in the financial statements based on their fair values at the date of grant and to record that cost as compensation

expense over the period during which the employee is required to perform service in exchange for the award (generally over the vesting period of the award). Excess tax benefits, as defined by SFAS 123(R), will be recognized as an addition to additional paid-in capital.

The Company has calculated stock-based compensation expense using the Black-Scholes option valuation model and included the portion of share-based payment awards that is ultimately expected to vest during future periods. Historically, there have been few forfeitures. Additionally, at this time, no forfeitures are anticipated in the foreseeable future. However, in the event that there are forfeitures, estimates will be revised to reflect actual experience. Stock-based compensation expense is recognised on a straight-line basis.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for the Company on January 1, 2008. The adoption of SFAS No. 159 did not have a material impact on the Company's financial statements.

Notes to the Consolidated Financial Statements

1. License and Other Agreements

Milestone Revenue

In June 2004, Napo entered into an agreement with Trine Pharmaceuticals, Inc. ("Trine") regarding certain development responsibilities and commercialization rights of crofelemer, including worldwide development and commercialization rights for IBS and co-development and commercialisation rights in North America for HIV. In accordance with this agreement, Trine was required to make a US\$1.0 million cash milestone payment at the earlier of six months from the final study report or the initiation of the enrollment of a Phase 2b study. Trine initiated patient enrollment in the study in October 2006 and subsequently paid the Company US\$1.0 million, which has been recorded as revenue during 2006 in these consolidated financial statements. In February 2008, full commercial rights of crofelemer previously licensed to Trine have reverted to Napo, and Napo will receive 100% of the profits from each of these indications. These include worldwide rights to CRO-IBS (previously a 65:35 Trine:Napo profit share); co-commercial rights to CRO-HIV in the US (previously a 50:50 profit share); acute infectious diarrhoea ("CRO-ID") rights in western territories; as well as any future potential clinical indications, such as cancer or transplant patient related diarrhoeas, among others (which were also all subject to the 65:35 Trine:Napo profit share).

As part of the termination, Napo has agreed to pay US\$500,000 and US\$750,000 CRO-HIV success milestone payments to Trine based on future NDA filing, approval, and/or commercial alliances. There are no other future obligations to Trine.

Revenue from the License or Assignment of Intellectual Property Rights

The Company recognises revenue from the license or assignment of intellectual property rights to third parties, including development milestone payments associated with such agreements if the funds have been received, the rights to the property have been delivered, and the Company has no further obligations under the agreements in accordance with the date(s) when the payment has been received or collection is assured. In June 2004, Napo recognised US\$950,000 of license revenue from the grant of a license to Trine Pharmaceuticals, Inc. for the worldwide development and commercialisation rights to Crofelemer for the indication of D-IBS.

Royalty Revenue

In May and June 2005, the Company entered into licensing agreements with AsiaPharm Group Ltd, based in the Peoples Republic of China and Glenmark Pharmaceuticals Limited, based in Mumbai, India, for the license of crofelemer for the indications of AIDS-related diarrhoea, acute infectious diarrhoea and paediatric diarrhoea in their respective territories. AsiaPharm Group, through its subsidiary, AsiaPharm Investments Ltd., invested in Napo's Series C preferred stock as did Glenmark Pharmaceuticals. No royalty revenue has been recognized from these licenses to date.

License Agreement

In February 2007 Napo entered into a license agreement with a company to use certain regulatory information and existing patent held by the licensor in its drug development program. In connection with the license, the Company paid a total of US\$1.5 million as an upfront license fee. Napo is committed to pay additional amounts totalling US\$1.4 million upon the occurrence of certain future milestones. Future royalty payments will also be due to the licensor in the event that the Company begins selling a product developed in connection with this license. Prior to 31 December 2007, the amount was included as prepaid license fee in the consolidated financial statements. On 1 January 2008, it was determined that this asset has been impaired and thus the entire amount was recorded as research and development expense during the six month period ended 30 June 2008.

2. Property and Equipment

Property and equipment consists of the following:

	<i>30 June</i> <i>2008</i>	<i>30 June</i> <i>2007</i>	<i>31 December</i> <i>2007</i>
Lab equipment	\$804,384	\$758,531	\$780,026
Office equipment	145,052	55,673	62,963
Construction in progress	92,447	---	92,447
Software	18,146	---	16,029
Furniture and fixtures	<u>9,828</u>	<u>1,299</u>	<u>1,299</u>
	1,069,857	815,503	952,764
Less accumulated depreciation	<u>(507,337)</u>	<u>(257,786)</u>	<u>(363,823)</u>
Property and equipment, net	<u>\$562,520</u>	<u>\$557,717</u>	<u>\$588,941</u>

3. Leases

The Company entered into a lease agreement in June 2007 for office space under a noncancelable operating lease, which expired in December 2007. Previous to June 2007, this same space was leased on a month-to-month basis. From January through March 2008, this same space was again leased on a month-to-month basis. Rent expense under this operating lease for the six month periods ended 30 June 2008 and 2007 amounted to US\$76,000 and US\$95,000, respectively.

The Company entered into two separate noncancelable lease agreements for new office space, commencing 1 April 2007. The first lease expires on 31 March 2010 and the second lease, beginning on 1 April 2010, expires on 31 March 2014. These two leases relate to the same property, the first being a sub-lease and the second being a primary lease with the ultimate landlord. Rent expense under these operating leases amounted to US\$294,000 and US\$102,000 during the six month periods ended 30 June 2008 and 2007, respectively.

The Company entered into two separate noncancelable lease agreements, commencing on 1 April 2008. One of these leases relates to lab space and the other to office space located at the same address. Both leases expire on 30 September 2008. Rent expense under these operating leases for the six month period ended 30 June 2008 amounted to US\$96,000.

Future minimum lease payments under these noncancelable leases are as follows:

2008	
Remaining Year	\$201,893
2009	225,772
2010	483,054
2011	581,404
2012	599,157
Thereafter	<u>772,247</u>
	<u>\$2,863,527</u>

4. Commitments

On 14 November 2007, certain members of Napo management and all members of the Company's board of directors were granted the right to receive an aggregate of 1,100,000 shares of the common stock of the Company upon the occurrence of certain criteria, including a 250% increase in the value of Napo common stock from its price at the time of the grant. If the criteria are not met within two years from the date of grant, the right to receive the shares will expire. If the criteria are met within two years from the date of grant, these shares will be issued to the recipients and will be fully vested at that time. The exercise price for these shares is US\$1.40. During the six month period ended 30 June 2008, the right to receive 68,750 of these shares was forfeited by employees upon leaving the Company.

On 1 May 2008, certain member of Napo management, all members of the Company's board of directors, employees and certain consultants were granted the right to receive an aggregate of 2,165,000 shares of the common stock of the Company upon the occurrence of one of three events, those events being an NDA approval for crofelemer, Napo common stock reaching a price per share of US\$3.50 or a change of control. If none of these three criteria are met within three years from the date of grant, the right to receive the shares will expire. If one or more of the criteria are met within three years from the date of grant, these shares will be issued to the recipients and will be fully vested at that time. The exercise price for these shares is US\$0.0001.

The Company has at-will employment agreements with certain employees that provide severance payments, including healthcare benefits to be paid in the event of a change of control of Napo, defined in the agreements as a transaction where more than 50 *per cent* of the total combined voting power of its outstanding securities changes ownership, whereby pursuant to a change of control any of the following occur: (i) the employment of these employees is not maintained; (ii) their compensation is changed; (iii) their job title is changed; or (iv) the geographic location of their workplace is changed.

The severance payments vary in length from 6 months to 12 months of the employee's then current level of compensation, including healthcare benefits, as set by the board of directors. As of 30 June 2008, the cost of such severance would equal US\$1.3 million.

The Company's licensing agreements with licensees contain provisions whereby Napo has agreed to indemnify and hold harmless its licensees from claims or damages arising from the licensing arrangements.

License Agreement with Michael Tempesta

The Company has entered into a license agreement dated 16 October 2002 with Michael Tempesta. This agreement settled disputes between Shaman and Dr. Tempesta relating to previous license arrangements between Shaman or the Company and Dr. Tempesta. The agreement provides for the payment of a royalty to Dr. Tempesta of between 2 *per cent* and 4 *per cent* of net sales of products containing Crofelemer or any derivative thereof obtained from any species of the Croton plant. "Product" for the purposes of calculating royalties is defined as all products for the treatment, maintenance or improvement of human

health which include prescription medicines, botanicals, dietary supplements sold for the treatment of diarrhoea, Irritable Bowel Syndrome (“IBS”) or herpes. This excludes cosmetic products, non-medicinal agricultural products and products for non-human animal health.

Healing Forest Conservancy

The Company has entered into an agreement dated 2 May 2006 with the Healing Forest Conservancy (“HFC”) pursuant to which the Company has agreed to: (i) issue to HFC 30 thousand common shares in Napo at a purchase price of \$0.0001 each; (ii) pay 2 *per cent* of the net profit derived from the sale of all of its products to HFC once Napo has achieved net profits after tax over a consecutive period of 6 months. The aim of Napo’s arrangement with HFC is, amongst other things, (i) to promote the conservation of the biological diversity of tropical forests, particularly medicinal plants (ii) to promote the survival of cultural diversity of tropical forest peoples, and in particular, their traditional knowledge of medicinal plants, (iii) to develop and implement a process to return financial benefits from net profits made on certain products to collaborating countries and cultural groups, (iv) to promote initiatives addressing total community health for developing and emerging communities; and (v) to lead efforts to encourage sustainable global communication and participation from other organisations, including corporate, non-governmental organizations, governmental agencies, and others.

5. Convertible Notes Payable

In December 2007 and January 2008, the Company issued convertible notes payable totaling US\$1,475,000 (the “December and January Notes”). These notes are for a term of three years and bear interest at 8% until the notes are paid or converted into common stock. The notes may not be converted before an equity financing of \$10 million or more or 1 July 2008, whichever is earlier. Only the principal is convertible. Interest will be paid in cash. If the Company enters into an equity fundraising in excess of US\$10 million prior to 1 July 2008, the notes are convertible into common stock at the same price as the investors in the financing. If no equity financing occurs prior to 1 July 2008, the notes will be convertible into common stock at the ten day average price as traded on the London Stock Exchange. The conversion price cannot be less than US\$0.38 per share. It has been determined that the conversion feature embedded in the December and January Notes should not be bifurcated and the host instrument is classified as a liability at 30 June 2008.

In March 2008, the December and January Notes were amended to have a maturity date of 31 May 2009. The Notes, as amended, are convertible at US\$0.55 per share, representing 2,665,896 common shares of Napo and holders of the notes also received warrants to purchase 1,332,948 shares of Napo for US\$0.55 per share.

In March 2008, the Company issued convertible notes totaling US\$2.3 million (the “March Notes”). The March Notes bear interest at 3.2% and are due 31 July 2008. Up to 25% of the principal amount of these notes may be converted into 1,016,655 shares of common stock and the note holders were also issued ten-year warrants to purchase 3,049,965 shares of common stock at US\$0.55 per share. These notes were amended to adjust the price per share of the warrants to US\$.194. It has been determined that the conversion feature embedded in the March Notes should not be bifurcated and the host instrument is classified as a liability at 30 June 2008.

In June 2008, Napo issued convertible notes totaling US\$2.0 million (the “June Notes”). The June Notes are repayable on the first anniversary of their issue and bear interest at 8% per annum, payable in cash or common stock. In most circumstances, the June Notes are convertible after 90 days from issuance at the option of the holders into common stock at 9.85 pence per share. Up to 10,189,366 common shares may be issued on conversion. Although the June Notes were issued in June 2008, US\$1.5 million of the proceeds were not received until July 2008. This amount is reflected as due from lender for convertible

notes at 30 June 2008. It has been determined that the conversion feature embedded in the June Notes should not be bifurcated and the host instrument is classified as a liability at 30 June 2008.

In June 2008, Napo issued convertible notes (the "Creditor") totaling US\$120,000 to a trade creditor in settlement of payments due. This trade creditor had previously agreed in March 2008 to defer US\$100,000 of payments to 1 August 2008. The additional US\$20,000 relates to settlement of a payment due to the creditor arising after 1 August 2008. The Creditor Notes are repayable on the first anniversary of their issue and bear interest at 8% per annum, payable in cash or common stock. In most circumstances, the Creditor Notes are convertible after 90 days from issuance at the option of the holder at 10.1 pence per share. Up to 606,366 common shares may be issued on conversion. It has been determined that the conversion feature embedded in the Creditor Notes should not be bifurcated and the host instrument is classified as a liability at 30 June 2008.

6. Stockholders' Equity (Deficit)

Initial Public Offering

On 31 July 2006, upon the initial public offering of its common stock on the Main Market of the London Stock Exchange, Napo issued 14,300,048 shares of common stock at an offering price of US\$1.54 per share. At that time, all Series A, B and C Convertible Preferred Stock automatically converted into 21,352,958 shares of common stock. Cash proceeds from the sale, net of underwriters' discount and offering expenses, totaled US\$18.9 million. Total shares of Napo common stock outstanding under accounting principles generally accepted in the United States immediately subsequent to the IPO were 39,536,282.

Common Stock

90,000,000 shares of Common Stock are authorised, with a par value of US\$0.0001 per share. The Company has reserved shares of common stock for future issuance as follows:

	<i>30 June 2008</i>
Stock options outstanding	8,600,306
Stock options available for future grant	3,489,162
Warrants to purchase common stock	5,579,979
	<u>17,669,447</u>

In January 2007, the Company sold 2,431,300 shares of common stock to an investor at US\$1.85 per share. Total cash proceeds were US\$4.3 million, net of issuance costs of \$423 thousand.

In October 2007, Napo sold 2,490,171 shares of common stock to various investors at US\$1.46 per share. Total cash proceeds were US\$1.2 million, net of issuance costs of US\$2.4 million.

On 23 October 2007, the Company entered into an Agreement and Plan of Merger (the "Merger") with Indus Pharmaceuticals, Inc. ("Indus") whereby the Company agreed to acquire 100% of the outstanding shares of Indus for 2,906,193 shares of Napo common stock valued at US\$4.1 million. Although there were also net assets of US\$8,000 acquired in the Merger, the substance of the transaction was to purchase in-process research and development related to cancer, diabetes and infectious disease from Indus. As of the date of the Merger, Napo recorded current assets of US\$79,000 and current liabilities of US\$71,000. The remainder of the purchase price was immediately recorded as in-process research and development expense.

In March 2008, the Company sold 600,000 shares of common stock to an investor at US\$0.50 per share. Total cash proceeds were US\$188,000.

In June 2008, Napo entered into subscription agreements to sell 507,614 shares of common stock to an investor at US\$0.19 per share. Total cash proceeds received in July 2008 were US\$94,000.

Warrants

During 2002, the Company issued fully vested and immediately exercisable warrants to purchase 83,479 shares of common stock at US\$0.30 per share, for a period of ten years, to three individuals in return for services provided to the Company. These warrants were valued at US\$3,000, and recorded as additional paid-in capital. As of 31 December 2007, none of these warrants have been exercised.

During 2002, the Company issued warrants to purchase 100,067 shares of Series A Preferred Stock at US\$.2998 per share, valued at US\$3,000, to its outside counsel for legal fees. These warrants were exercised at the time of the Company's initial public offering.

In March 2004 the Company issued warrants to purchase 2,329,616 shares of common stock at US\$0.50 per share, valued at US\$108,000. These warrants were exercised at the time of the Company's initial public offering.

In September 2004, the Company issued warrants to purchase 175,000 shares of common stock at US\$0.50 per share, valued at US\$8,000. These warrants were exercised at the time of the Company's initial public offering.

In September 2005, the Company issued warrants to purchase 90,000 shares of common stock at US\$0.85 per share, valued at US\$6,000. These warrants were exercised at the time of the Company's initial public offering.

In September 2006, the Company issued fully vested and immediately exercisable warrants to a consultant to purchase 15,625 shares of common stock at US\$1.80, valued at US\$26,000, and recorded as additional paid-in capital. These warrants are exercisable for three years from 15 September 2006. As of 30 June 2008, none of these warrants have been exercised.

In January 2007, the Company issued fully vested and immediately exercisable warrants to a consultant to purchase 13,530 shares of common stock at US\$1.85, valued at US\$25,000, and recorded as additional paid-in capital. These warrants are exercisable for three years from 8 January 2007. As of 30 June 2008, none of these warrants have been exercised.

In March 2008, the Company issued fully vested and immediately exercisable warrants to a group of trade creditors to purchase 1,084,432 shares of common stock at US\$0.55, valued at US\$596,000, and recorded as additional paid-in capital. These warrants are exercisable for five years from 3 March 2008. As of 30 June 2008, none of these warrants have been exercised.

Optionally Convertible, Redeemable, Non-Cumulative, Non-Participating Preference Shares

In October 2007, IL&FS Investment Managers Limited (IL&FS), a third-party investor, invested US\$500,000 in Sindu Private Limited (Sindu) in exchange for 10 shares of Sindu common stock and 357,143 optionally convertible, redeemable, non-cumulative, non-participating preference shares of Sindu

having a par value of Rupee Ten (□Sindu OCRPS□). The Sindu OCRPS held by IL&FS has a term of four (4) years from the completion of the subscriptions as set forth in the subscription agreement. During the four (4) year term, IL&FS can require Sindu to sell in part or in full the number of shares that Sindu holds of Napo Pharmaceutical common stock and pay the proceeds to IL&FS. Also, during the term, IL&FS can convert the OCRPSs into Sindu□s common shares, such that the value of Sindu□s common shares will be the initial investment plus the 30% annualized premium. At the end of the four (4) year term, the redemption, as described below, is compulsorily redeemable.

Subsequent to this investment, Napo US acquired 100% of the stock of Sindu. These consolidated financial statements include the accounts of Sindu at 30 June 2008.

The Sindu OCRPS have a redemption premium that yields for IL&FS an internal rate of return of 30 *per cent* per annum on their US\$500,000 investment, calculated from the date of the investment in Sindu until the date of actual receipt by IL&FS of the redemption of the OCRPS. This redemption premium resulted in deemed dividends of US\$75,000 during the six months ended 30 June 2008.

In April 2006, IL&FS invested US\$3 million in Napo India Private Limited (□Napo India□), a company organized by Napo for the purpose of this investment and its ongoing activity in India, in exchange for 100 shares of Napo India and 3,529,412 optionally convertible, redeemable, non-cumulative, non-participating preference shares of Napo India having a par value of Rupee One (□Napo India OCRPS□). Napo India subsequently invested the US\$3 million invested by IL&FS in the Company□s Series C Preferred Stock at US\$0.85 per share pursuant to a subscription agreement dated 19 April 2006. The Napo India OCRPS held by IL&FS has a term of four (4) years from the completion of the subscriptions as set forth in the subscription agreement. During the four (4) year term subsequent to the initial public offering and associated lock-up period, IL&FS can exchange, one for one, into common shares of Napo India, in part or in full, the OCRPSs; or require Napo India to sell the common shares of Napo Pharmaceuticals it holds and pay the proceeds to IL&FS. If no action is taken during the four (4) year term and the term expires, the OCRPS is then compulsorily exchangeable for an amount equal to the investment plus the 20% annualized redemption premium.

Subsequent to Napo India□s investment in Napo Series C Preferred stock, the Company bought 10,000 Shares of Napo India from the existing shareholders of Napo India, and Napo India became an approximately 99 *per cent* owned subsidiary of the Company. These consolidated financial statements include the accounts of Napo India at 30 June 2008.

The Napo India OCRPS have a redemption premium that yields for IL&FS an internal rate of return of 20 *per cent* per annum on their US\$3,000,000 investment, calculated from the date of the investment in Napo India until the date of actual receipt by IL&FS of the redemption of the OCRPS. This redemption premium resulted in deemed dividends of US\$300,000 during each of the six months periods ended 30 June 2008 and 2007. In addition, it was determined that there was a beneficial conversion feature associated with the Napo India OCRPS due to the fair value of the Company□s common stock being more than the price per share paid by the investor for the Napo India OCRPS. As such, the Company recorded a deemed dividend of \$2,294,118 in 2006.

The rights under these agreements are subject to any changes in current India law.

Stock Options

The Napo Pharmaceuticals, Inc. 2001 Equity Incentive Plan (the □Plan□), provides for grants of incentive and non-qualified stock options, restricted stock awards, and stock bonuses to our employees directors and consultants. Under the Plan, the total number of shares originally reserved and available for grant was 2,600,000. As a result of a series of amendments which were approved by the stockholders, the number of shares reserved and either granted or available for grant as of 30 June 2008 is 8,500,000. Under the Plan, incentive stock options may be granted at a price per share not less than the fair market value at the date of grant, and nonqualified stock options may be granted at a price per share not less than 85 *per cent* of the fair market value at the date of grant. If, at the time the Company grants an option, the optionee owns

stock possessing more than 10 *per cent* of the total combined voting power of all classes of stock of the Company, the option price shall be 110 *per cent* of the fair market value of the shares of the date of grant. Options granted generally have a maximum term of ten years from the grant date and become exercisable over two to three years. As of 30 June 2007, there were options to purchase 6,190,757 shares outstanding under the Plan and 1,631,775 shares available for future grant.

The Napo Pharmaceuticals, Inc. 2006 Equity Incentive Plan (the "2006 Plan"), provides for grants of incentive and nonqualified stock options, restricted stock awards, and stock bonuses to employees, directors and consultants. Under the 2006 Plan, the total number of shares reserved and available for grant is not to exceed 10% of the outstanding common stock of the Company. Under the 2006 Plan, incentive and nonqualified stock options may be granted at a price per share not less than the fair market value at the date of grant. If, at the time the Company grants an option, the optionee owns stock possessing more than 10 per cent of the total combined voting power of all classes of stock of the Company, the option price shall be 110 per cent of the fair market value of the shares of the date of grant. Options granted generally have a maximum term of ten years from the grant date and become exercisable over two to three years. As of 30 June 2007, there were options to purchase 1,575,000 shares outstanding under the 2006 Plan and 3,139,227 shares available for future grant.

The application of the Black-Scholes option valuation model (see Note 1) involves the use of assumptions that are judgmental and sensitive in the determination of stock-based compensation expense. The key assumptions used in determining the fair value of options granted during the six months ended 30 June 2008 and 2007 are as follows:

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2008</i>	<i>2007</i>
Expected price volatility	267%	267%
Risk-free interest rate	3.98%	5.00%
Weighted average expected life in years	10	10
Dividend yield	□	□
Forfeiture rate	□	□

A summary of activity under the Plan as of 30 June 2008 is as follows:

	<i>Outstanding Options</i>		<i>Weighted-Average Price Per</i>
	<i>Shares Available for Grant</i>	<i>Number of Shares</i>	<i>Share</i>
Balances at 31 December 2007	4,041,662	9,162,565	\$0.815
Additional shares authorised	---	---	---
Options granted	(552,500)	552,500	\$0.100
Options exercised	---	---	---
Options forfeited	1,114,759	(1,114,759)	\$0.839
Balances at 30 June 2008	<u>4,603,921</u>	<u>8,600,306</u>	\$0.766

The following table summarises information about stock options outstanding at 30 June 2008:

<i>Exercise Prices</i>	<i>Number Outstanding at 30 June 2008</i>	<i>Outstanding Options Weighted- Average Remaining Contract Life</i>	<i>Options Vested at 30 June 2008</i>
\$0.030	518,617	4.21	518,617
\$0.050	1,183,932	5.54	1,183,932
\$0.085	252,899	7.07	247,529
\$0.100	552,500	9.84	39,909
\$0.170	754,669	7.51	619,273
\$0.340	1,358,689	7.80	1,085,013
\$0.850	100,000	7.96	100,000
\$1.400	2,729,000	9.38	902,092
\$1.520	390,000	9.25	183,840
\$1.730	300,000	8.09	181,916
\$1.800	460,000	8.28	386,663
	<u>8,600,306</u>	7.96	<u>5,448,784</u>

The weighted-average fair value of options granted during the six months ended 30 June 2008 and 2007 was US\$0.10 and US\$1.80, respectively.

7. 401(k) Plan

In April 2005, Napo adopted a Tax Deferred Savings Plan under Section 401(k) of the Internal Revenue Code (the "Plan") for all full-time employees. Under the Plan, eligible employees can contribute amounts to the Plan via payroll withholding, subject to certain limitations. Matching contributions to the Plan are discretionary and can only be made in cash. To date, the Company has made no employer contributions to the plan.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Sir William N. Young <i>Non-executive Chairperson</i> Lisa A. Conte <i>Chief Executive Officer</i> Gregory Stock <i>Non-executive Director</i> Thomas Van Dyck <i>Non-executive Director</i> Jack Van Hulst <i>Non-executive Director</i>
Company Secretary	Charles Thompson
Principal Place of Business and Directors' Business Address	250 E. Grand Boulevard, Suite 90 South San Francisco, California 94080 Tel: _1 650 616 1903
Solicitors to the Company	Reed Smith Richards Butler LLP Minerva House 5 Montague Close London SE1 9BB
Financial Public Relations	Buchanan Communications Limited 45 Moorfields London EC2Y 9AE
Registrars	Computershare Investor Services (Channel Islands Limited) PO Box 83 Ordanance House 31 Pier Road St. Helier Jersey JE4 8PW
Principal Bankers	Bank of America South San Francisco Branch 955 El Camino Real South San Francisco CA 94080