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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **July 31, 2012**

or

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number **333-161157**

NEUROKINE PHARMACEUTICALS INC.

(Exact name of registrant as specified in its charter)

British Columbia	**N/A**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1275 West 6th Avenue, Vancouver, British Columbia, Canada	**V6H 1A6**
(Address of principal executive offices)	(Zip Code)

(604) 805-7783

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] YES [ ] NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

[X] YES [ ] NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ] (Do not check if a smaller reporting company)	Smaller reporting company	[X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act

[ ] YES [X] NO

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

[ ] YES [ ] NO

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

35,767,073 common shares issued and outstanding as of September 13, 2012.

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Our unaudited interim financial statements for the three and six months ended July 31, 2012 form part of this quarterly report. All currency references in this report are to Canadian dollars unless otherwise noted.

NEUROKINE PHARMACEUTICALS INC.

(A Development Stage Company)
Financial Statements
(Expressed in Canadian dollars)
Period ended July 31, 2012 (unaudited) and January 31, 2012

NEUROKINE PHARMACEUTICALS INC.
(A Development Stage Company)
Balance Sheets
(Expressed in Canadian dollars)

	July 31, 2012 $ (unaudited)	January 31, 2012 $
Assets		
Current Assets		
Cash	1,839	2,061
Amounts receivable	3,321	–
'otal Current Assets	5,160	2,061
Property and equipment (Note 3)	1,555	1,783
Total Assets	6,715	3,844
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable and accrued liabilities	61,338	44,128
Note payable (Note 4)	30,000	–
Due to related parties (Note 9)	201,634	162,941
Convertible debentures, net of unamortized discount of $63,218 and $95,759, respectively (Note 5)	132,357	99,814
Derivative liabilities – current portion (Note 6)	100,937	559,382
Total Current Liabilities	526,266	866,265
Derivative liabilities (Note 6)	33,022	161,142
Total Liabilities	559,288	1,027,407
Nature of operations and continuance of business (Note 1)		
Stockholders' Deficit		
Common stock: 200,000,000 shares authorized, without par value 35,767,073 shares issued and outstanding	1,086,148	1,086,148
Common stock issuable	225,000	225,000
Additional paid-in capital	167,086	167,086
Accumulated deficit during the development stage	(2,030,807)	(2,501,797)
Total Stockholders' Deficit	(552,573)	(1,023,563)
Total Liabilities and Stockholders' Deficit	6,715	3,844

(The accompanying notes are an integral part of these financial statements)

NEUROKINE PHARMACEUTICALS INC.
(A Development Stage Company)
Statements of Operations
(Expressed in Canadian dollars)

	Three Months Ended July 31, 2012 $	Three Months Ended July 31, 2011 $	Six Months Ended July 31, 2012 $	Six Months Ended July 31, 2011 $	Accumulated from June 10, 2002 (Date of Inception) to July 31, 2012 $
Revenue	–	–	–	–	–
Expenses					
Amortization	114	114	228	228	721
Consulting	–	–	–	–	126,519
Foreign exchange (gain) loss	1,517	1,274	36	1,545	9,824
General and administrative	6,758	29,575	9,073	130,685	212,234
Management fees (Note 9)	15,000	17,026	30,000	32,860	169,161
Professional fees	9,725	12,029	29,304	32,886	170,787
Research and development	–	13,333	–	48,541	282,715
Royalties	–	-	–	–	500,000
Total Expenses	33,114	73,351	68,641	246,745	1,471,961
Loss from Operations	(33,114)	(73,351)	(68,641)	(246,745)	(1,471,961)
Other Income (Expenses)					
Accretion of discount on convertible debt (Note 5)	(21,423)	(45,705)	(32,541)	(75,151)	(139,770)
Financing costs	–	–	–	–	(306,449)
Gain (loss) on change in fair value of derivative liability (Note 6)	(60,514)	262,696	586,565	2,584,613	(36,549)
Interest expense	(7,864)	(10,018)	(14,393)	(14,203)	(76,078)
Total Other Income (Expenses)	(89,801)	206,923	539,631	2,495,259	(558,846)
Net Income (Loss)	(122,915)	133,622	470,990	2,248,514	(2,030,807)
Net income (loss) per share, basic	–	–	0.01	0.07	
Net income (loss) per share, diluted	–	–	–	0.06	
Weighted average shares outstanding - basic	35,767,073	33,790,788	35,767,073	33,707,605	
Weighted average shares outstanding - diluted	167,694,183	38,513,886	167,694,183	38,456,224	

(The accompanying notes are an integral part of these financial statements)

NEUROKINE PHARMACEUTICALS INC.
(A Development Stage Company)
Statements of Cash Flows
(Expressed in Canadian dollars)

	Six Months Ended July 31, 2012 $	Six Months Ended July 31, 2011 $	Accumulated from June 10, 2002 (Date of Inception) to July 31, 2012 $
Operating Activities			
Net income (loss) for the period	470,990	2,248,514	(2,030,807)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion of discounts on convertible debentures	32,541	75,151	139,770
Amortization	228	228	721
Loss (gain) on change in fair value of derivative liabilities	(586,565)	(2,584,613)	36,549
Shares issued for royalties	-	-	500,000
Shares issued/issuable for services	-	-	449,919
Stock-based compensation	-	14,676	61,911
Changes in operating assets and liabilities:			
Other receivables	(3,321)	-	(3,321)
Accounts payable and accrued liabilities	17,212	15,261	117,297
Due to related parties	38,693	111,787	201,634
Net Cash Used In Operating Activities	(30,222)	(118,996)	(526,327)
Investing Activities			
Purchase of property and equipment	-	-	(2,276)
Net Cash Used In Investing Activities	-	-	(2,276)
Financing Activities			
Proceeds from loan payable	30,000	235,000	270,000
Repayment of loan payable	-	(150,000)	(150,000)
Proceeds from issuance of convertible debentures	-	37,870	102,949
Proceeds from issuance of common shares	-	-	307,493
Net Cash Provided by Financing Activities	30,000	122,870	530,442
Increase (Decrease) in Cash	(222)	3,874	1,839
Cash – Beginning of Period	2,061	15,037	-
Cash – End of Period	1,839	18,911	1,839
Supplemental disclosures:			
Interest paid	14,393	14,203	76,078
Income tax paid	-	-	-
Non-cash investing and financing activities:			
Shares issued for conversion of debentures	-	43,736	43,736
Shares issued for settlement of debt	-	-	10,000
Fair value of options and warrants exercised	-	-	5,175

(The accompanying notes are an integral part of these financial statements)

1.
Nature of Operations and Continuance of Business

Neurokine Pharmaceuticals Inc. (the "Company") was incorporated in British Columbia under the Business Corporations Act on June 10, 2002. The Company is a development stage company, as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 915, *Development Stage Entities*, and is in the business of developing and commercializing new uses for existing prescription drugs for diseases mediated by acute and chronic inflammatory reactions as well as developing proprietary encapsulation technology in the treatment of neurodegenerative diseases.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2012, the Company has not earned any revenue, has a working capital deficit of $521,106 and an accumulated deficit of $2,030,807. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. These factors raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recorded assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

2.
Significant Accounting Policies

(a)
Basis of Presentation

The financial statements and the related notes of the Company are prepared in accordance with generally accepted accounting principles in the United States and are expressed in Canadian dollars. The Company's fiscal year-end is January 31.

(b)
Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to the recoverability of long-lived assets, valuation of convertible debentures, assumptions used to determine the fair value of stock-based compensation and derivative liabilities, and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

(c)
Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

(d)
Property and Equipment

Property and equipment is comprised of office equipment and is recorded at cost. The Company amortizes the cost of equipment on a straight-line basis over their estimated useful lives of five years.

2.
Significant Accounting Policies (continued)

(e)
Long-lived Assets

In accordance with ASC 360, "Property, Plant and Equipment", the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life. Recoverability is assessed based on the carrying amount of the asset and its fair value, which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

(f)
Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC 718, *Compensation – Stock-Based Compensation*, using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

(g)
Derivative Financial Instruments

Derivative financial instruments that are not classified as equity and are not used in hedging relationships are measured at fair value. Subsequent changes to fair value are recorded in the statement of operations.

(h)
Basic and Diluted Net Loss Per Share

The Company computes net loss per share in accordance with ASC 260, *Earnings Per Share.* ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive.

(i)
Comprehensive Loss

ASC 220, *Comprehensive Income*, establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at July 31, 2012 and January 31, 2012, the Company had no items representing comprehensive income or loss.

(j)
Research and Development Costs

Research costs are expensed in the period that they are incurred.

2.
Significant Accounting Policies (continued)

(k)
Financial Instruments and Fair Value Measures

ASC 820, *Fair Value Measurements*, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, accounts payable and accrued liabilities, amounts due to related parties, and convertible debentures. Pursuant to ASC 820, the fair value of our cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. We believe that the recorded values of all of our other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

(l)
Foreign Currency Translation

The Company's functional currency and its reporting currency is the Canadian dollar and foreign currency transactions are primarily undertaken in United States dollars. Monetary assets and liabilities are translated using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Expenses are translated at average rates for the period. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income.

(m)
Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

(Expressed in Canadian dollars)

3.
Property and Equipment

	Cost $	Accumulated amortization $	July 31, 2012 Net carrying value $	January 31, 2012 Net carrying value $
Office furniture and equipment	2,276	721	1,555	1,783

4. Note Payable

On March 30, 2012, the Company issued a note to a non-related party for $30,000. The note is unsecured, bears interest at 24% per annum, and is due on March 30, 2013.

5. Convertible Debentures

(a)

On December 17, 2010, the Company issued a convertible debenture with a non-related party for $65,079 (US$65,000). The debenture is unsecured, bears interest at 8% per annum, and matured on September 17, 2011. The note is convertible into common shares at a conversion price equal to 55% of the average closing market price of the lowest three trading prices of the Company's common stock during the preceding ten days prior to conversion. The Company recorded the conversion feature of the convertible debenture as a derivative liability at an estimated fair value of $65,079 with a corresponding discount to the convertible debenture. On June 23, 2011, the Company issued 145,455 to convert $11,674 (US$12,000). On June 29, 2011, the Company issued 169,697 common shares to convert $13,792 (US$14,000). During the six months ended July 31, 2012, the Company recorded accretion expense of the discount on the convertible debenture of $nil (2011 - $21,169). As of July 31, 2012, the carrying value of the convertible debenture is $39,113 (US$39,000) (January 31, 2012 - $39,178 (US$39,000)), plus the accrued default penalty of $21,457 (US$21,395). As of July 31, 2012, the fair value of the conversion option derivative liability was $41,308 (January 31, 2012 - $228,914).

(b)

On February 23, 2011, the Company issued a convertible debenture with a non-related party for $37,944 (US$40,000). The debenture is unsecured, bears interest at 8% per annum, and matured on December 23, 2011. The note is convertible into common shares at a conversion price equal to 55% of the average closing market price of the lowest three trading prices of the Company's common stock during the preceding ten days prior to conversion. The Company recorded the conversion feature of the convertible debenture as a derivative liability at an estimated fair value of $37,944 with a corresponding discount to the convertible debenture. On July 11, 2011, the Company issued 230,303 common shares to convert $18,270 (US$19,000). During the six months ended July 31, 2012, the Company recorded accretion expense of the discount on the convertible debenture of $nil (2011 - $8,277). As of July 31, 2012, the carrying value of the convertible debenture is $21,061 (US$21,000) (January 31, 2012 - $21,096 (US$21,000)), plus the accrued default penalty of $13,944 (US$13,904). As of July 31, 2012, the fair value of the conversion option derivative liability was $22,244 (January 31, 2012 - $123,261).

5. Convertible Debentures (continued)

(c)

On July 4, 2011, the Company issued a note payable with a non-related party for $85,000. The note was unsecured, due interest at 24% per annum, and due on October 4, 2011. On October 4, 2011, the note was extended to January 4, 2012 under the same terms of the original agreement.

On December 4, 2011, the Company agreed to modify the principal balance owing of $85,000 and accrued interest of $8,551 into a new $100,000 note payable, which is unsecured, due interest at 24% per annum, and due on December 3, 2012. In addition, the note became convertible into common shares of the Company at a conversion rate of $0.001 per share. As part of the conversion to extend the note, the Company issued 10,000,000 common shares with a fair value of $225,000 as a termination fee of the original note agreement.

As the modified debt terms include a beneficial conversion feature, the Company accounted for the modified debt terms in accordance with ASC 470, *Debt – Debt with Conversions and Other Options.* The conversion feature resulted in a discount on the convertible note of $100,000. During the six months ended July 31, 2012, the Company recorded accretion expense of $32,541 (2011 - $nil). As of July 31, 2012, the carrying value of the convertible debenture is $36,782 (January 31, 2012 - $4,241).

6.
Derivative Liabilities

Derivative liabilities consist of convertible debentures and share purchase warrants originally issued in private placements with conversion/exercise prices denominated in United States dollars, which differs from the Company's functional currency. The fair values of these derivative liabilities are as follows:

	July 31, 2012 $	January 31, 2012 $
December 2010 convertible debenture	41,308	228,914
February 2011 convertible debenture	22,244	123,261
Default penalty on convertible debenture	37,385	207,190
100,000 warrants expiring on April 6, 2012	-	17
75,000 warrants expiring on July 4, 2013	-	346
3,800,000 warrants expiring on July 30, 2015	33,022	160,796
	133,959	720,524

(Expressed in Canadian dollars)

6.
Derivative Liabilities (continued)

The fair values of derivative financial liabilities were determined using the Black-Scholes option pricing model, using the following assumptions:

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
As at issuance date:				
December 2010 convertible debenture	125%	1.19%	0%	0.75
February 2011 convertible debenture	125%	1.27%	0%	0.75
Default penalty on convertible debenture	125%	0.08%	0%	0.50
100,000 warrants expiring on April 6, 2012	125%	0.29%	0%	1.00
75,000 warrants expiring on July 4, 2013	125%	0.30%	0%	2.00
3,800,000 warrants expiring on July 30, 2015	125%	1.26%	0%	4.50
As at July 31, 2012:				
December 2010 convertible debenture	150%	0.11%	0%	0.50
February 2011 convertible debenture	150%	0.11%	0%	0.50
Default penalty on convertible debenture	150%	0.11%	0%	0.50
100,000 warrants expiring on April 6, 2012	-	-	-	-
75,000 warrants expiring on July 4, 2013	150%	0.16%	0%	0.93
3,800,000 warrants expiring on July 30, 2015	150%	0.30%	0%	3.00

7.
Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price $
Balance, January 31, 2012	3,975,000	0.011
Expired	(100,000)	0.15
Balance, July 31, 2012	3,875,000	0.001

As at July 31, 2012, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price $	Expiry Date
3,800,000	0.005	July 30, 2015
75,000	0.15	July 4, 2013
3,875,000		

(Expressed in Canadian dollars)

8.
Stock Options

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price (US$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US$)
Outstanding and exercisable, July 31, 2012 and January 31, 2012	800,000	0.005	2.8	4,000

Additional information regarding stock options as of July 31, 2012, is as follows:

Number of Options	Exercise Price $	Expiry Date
800,000	0.005	May 25, 2015

As of July 31, 2012, the Company had no unrecognized compensation expense relating to unvested options.

9.
Related Party Transactions

(a)
As at July 31, 2012, the Company owed $179,134 (January 31, 2012 - $155,441) to the former President of the Company, which is unsecured, non-interest bearing, and due on demand.

(b)
As at July 31, 2012, the Company owed $22,500 (January 31, 2012 - $7,500) to the President of the Company, which is unsecured, non-interest bearing, and due on demand.

(c)
During the six months ended July 31, 2012, the Company incurred $30,000 (2011 - $15,834) of management fees to directors and officers of the Company.

10.
Subsequent Event

The Company has evaluated subsequent events through the date of issuance of the financial statements, and did not have any material recognizable subsequent events.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This report on Form 10-Q contains certain forward-looking statements. All statements other than statements of historical fact are “forward-looking statements” for purposes of these provisions, including any projections of earnings, revenues, or other financial items; any statements of the plans, strategies, and objectives of management for future operation; any statements concerning proposed new products, services, or developments; any statements regarding future economic conditions or performance; statements of belief; and any statement of assumptions underlying any of the foregoing. Such forward-looking statements are subject to inherent risks and uncertainties, and actual results could differ materially from those anticipated by the forward-looking statements.

These forward-looking statements involve significant risks and uncertainties, including, but not limited to, the following: competition, promotional costs and the risk of declining revenues. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of a number of factors. These forward-looking statements are made as of the date of this filing, and we assume no obligation to update such forward-looking statements. The following discusses our financial condition and results of operations based upon our unaudited financial statements which have been prepared in conformity with accounting principles generally accepted in the United States. It should be read in conjunction with our financial statements and the notes thereto included elsewhere herein.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in Canadian Dollars (CDN$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in Canadian Dollars (CDN$) and all references to “common shares” refer to the common shares in our capital stock.

As used in this quarterly report, the terms “we”, “us”, “our” and “our company” mean Neurokine Pharmaceuticals Inc., unless otherwise indicated.

General Overview

We are a development stage biopharmaceutical company. We were incorporated in the Province of British Columbia, Canada under the name “649186 B.C. Ltd.” on June 10, 2002. On September 9, 2003, we changed our name to “Xerxes Health Corp.” and on June 26, 2007, we adopted our current name, “Neurokine Pharmaceuticals Inc.”. We have no subsidiaries.

Our principal executive office is located at 1275 West 6th Avenue, Vancouver, British Columbia, Canada, V6H 1A6. Our telephone number is (604) 805-7783.

We are engaged in the development and commercialization of therapeutic pharmaceutical products with a strategic emphasis on research and development to innovate applications for existing drugs. This is commonly known as drug re-profiling. Our research and development activities are focused on assessing known drugs and compounds, developing hypotheses concerning their usage for new indications (diseases), and conducting experimentation and clinical research to test those hypotheses. Where appropriate based on our research, we intend to depart from a strict re-profiling strategy to develop new variants of, or delivery methods for, existing drugs or compounds.

Our Current Business

We are a development stage biopharmaceutical company engaged in the development and commercialization of therapeutic pharmaceutical products, with a strategic emphasis on the innovation of new therapeutic uses for existing drugs. This is commonly known as drug re-profiling. Our research and development activities are focused on assessing known drugs and compounds, developing hypotheses concerning their usage for new indications (diseases), and conducting experimentation and clinical research to test those hypotheses. Where appropriate based on our research, we intend to depart from a strict re-profiling strategy to develop new variants of, or delivery methods for, existing drugs or compounds. Our focus on drug re-profiling, although not uncommon amongst pharmaceutical companies, differs from traditional drug development practices which focus largely on the development of new drugs.

To date, we have concentrated our research on innovating applications for existing drugs for the treatment of diseases and conditions mediated by acute and chronic inflammatory reactions. The diseases and conditions that have been the subject of our research include:

- neurocognitive impairment, and specifically, neurocognitive impairment in post-coronary artery bypass graft (also known as “CABG” or ”heart bypass”) surgery patients;

- degenerative central nervous system diseases, and specifically, Alzheimer’s disease; and

- degenerative disk disease, and specifically, discogenic neck and back pain conditions.

Through our research we have identified and, where required, secured the rights necessary to develop two anti-inflammatory products, NK-001 and NK-002, that we believe hold promising prospects for the treatment of neurocognitive impairment and Alzheimer’s disease, respectively. Of these, NK-001 falls under our re-profiling strategy, as it is a new application of the drug Etanercept, which is marketed under FDA approval as a treatment for rheumatoid arthritis. Accordingly, we do not anticipate that NK-001 will require pre-clinical, preliminary safety or pharmacokinetic (the process by which the drug is metabolized by the body) studies. Because Etanercept has already been the subject of safety studies on a patient population similar to patients targeted by NK-001, we do not anticipate requiring additional pre-clinical or safety studies before proceeding to later stage clinical trials, and we have received approval to conduct clinical trials in South Africa on that basis.

In contrast, NK-002 is a new formulation for the delivery of Etanercept and is therefore properly classified as a new drug. As a new drug, NK-002 will require a full development program, including a full range of successful pre-clinical, safety, and pharmacokinetic studies before advanced clinical testing will be permitted to occur. Both of our planned products, including our flagship product NK-001, are in the development stage as of the date of this quarterly report and neither has been approved for sale to the public in any country.

The research and development activities required to produce the intellectual property underlying our two product candidates, NK-001 and NK-002, was carried out by Dr. Ahmad Doroudian, our director and former president, chief executive officer and secretary, Jonathan Willmer, our former chief medical officer and former director, and Dr. Hassan Salari, a former officer and former director. To date, we have outsourced all other research and development work to third parties, including clinical trial planning, laboratory services, data management, statistical services and report writing. We have relied primarily on three contractors in this regard. The first, Globe Laboratories Inc., is a center for drug research and development founded and controlled by Julian Salari, a former officer and former director of our company, which provides us with expertise in manufacturing certain generic drugs that are the basis of our planned products. The second, Virtus Clinical Development (Pty.) Limited is a South African firm that specializes in the planning and execution of clinical trials and has developed the clinical protocol of NK-001 on our behalf and entered into an agreement with us to conduct that clinical trial. The third, Northern Lipids Inc., assisted us to develop certain liposomal encapsulations for our development of NK-002. We anticipate that we will continue to rely on third parties to satisfy our research and development requirements until such time as it becomes cost effective to hire employees to satisfy those requirements.

Results of Operations

The following summary of our results of operations should be read in conjunction with our financial statements for the quarter ended July 31, 2012, which are included herein.

Our operating results for the three and six months ended July 31, 2012 and 2011 are summarized as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2012	**2011**	**2012**	**2011**
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Amortization	$ 114	$ 114	$ 228	$ 228
Foreign exchange (gain) loss	$ 1,517	$ 1,274	$ 36	$ 1,545
General and administrative	$ 6,758	$ 29,575	$ 9,073	$ 130,685
Management fees	$ 15,000	$ 17,026	$ 30,000	$ 32,860
Professional fees	$ 9,725	$ 12,029	$ 29,304	$ 32,886
Research and development	$ Nil	$ 13,333	$ Nil	$ 48,541
Net Income (Loss)	$ (122,915)	$ 133,622	$ 470,990	$ 2,248,514

For the three months ended July 31, 2012, our net income decreased by $256,527 as compared to the three months ended July 31, 2011. For the six months ended July 31, 2012, our net income decreased by $1,777,524 as compared to the six months ended July 31, 2011. Our income decreased primarily due to decreased operating expenses and decreases in gain on change in fair value of derivative liability. Our net loss from inception is $2,030,807.

Revenue

We have not earned any revenues since our inception and we do not anticipate earning revenues in the upcoming quarter.

Liquidity and Financial Condition

Working Capital

	At July 31, 2012	At January 31, 2012
Current Assets	$ 5,160	$ 2,061
Current Liabilities	$ 526,266	$ 866,265
Working Capital (Deficit)	$ (521,106)	$ (864,204)

Our total current assets as of July 31, 2012 were $5,160 as compared to total current assets of $2,061 as of January 31, 2012. The increase was primarily due to an increase in amounts receivable. Our total current liabilities as of July 31, 2012 were $526,266 as compared to total current liabilities of $866,265 as of January 31, 2012. The decrease in current liabilities was attributed to a decrease of $458,455 in derivative liabilities due to the change in fair value, offset by increases of $17,210 in accounts payable and accrued liabilities and $38,693 in amounts due to related parties due to lack of sufficient cash flow from our company to repay outstanding obligations, $300,000 increase for outstanding notes payable and an increase of $32,543 in convertible debentures for additional penalty charges for non-payment..

Cash Flows

	Six Months Ended July 31, 2012	Six Months Ended July 31, 2011
Net Cash Provided (Used) by Operating Activities	$ (30,222)	$ (118,996)
Net Cash Provided (Used) by Financing Activities	$ 30,000	$ 122,870
Increase (Decrease) in Cash During the Period	$ (222)	$ 3,874

Operating Activities

Cash used by operating activities decreased from $118,996 to $30,222 as there is less cash provided by financing activities, which continues to limit the Company's ability to repay its obligations.

Investing Activities

We did not have any investing activities during the six months ended July 31, 2012 and 2011.

Financing Activities

The decrease in cash provided by financing activities during the six month period ended July 31, 2012 continues to be primarily a result of less financing opportunities available in the marketplace.

We will require additional funds to fund our budgeted expenses over the next 12 months. These funds may be raised through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our shares. There is still no assurance that we will be able to maintain operations at a level sufficient for an investor to obtain a return on his investment in our common stock. Further, we may continue to be unprofitable. We need to raise additional funds in the immediate future in order to proceed with our budgeted expenses.

Specifically, we estimate our operating expenses and working capital requirements for the next 12 months to be as follows:

Description	Estimated Expenses $
Sales and Marketing Costs:	
Advertising	3,600
Investor Relations	60,000
Literature	6,000
Conference Attendance	21,000
Travel	42,000
Entertainment and Promotions	2,400
Marketing Costs	115,000
Operating Expenses:	
Professional Fees	140,000
Employee Salaries and Benefits	384,000
Office Equipment	1,600
Office Supplies	1,200
Office and Lab Lease	40,000
Telephone, Fax, Cellular, Internet	6,000
Vehicles and Transportation	14,400
	837,200

Based on our planned expenditures, we will require additional funds of approximately $837,200 to proceed with our business plan over the next 12 months. If we secure less than the full amount of financing that we require, we will not be able to carry out our complete business plan and we will be forced to proceed with a scaled back business plan based on our available financial resources.

Inflation

The amounts presented in the financial statements do not provide for the effect of inflation on our operations or financial position. The net operating losses shown would be greater than reported if the effects of inflation were reflected either by charging operations with amounts that represent replacement costs or by using other inflation adjustments.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with the accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financial statements.

Basis of Presentation

The financial statements and the related notes of our company are prepared in accordance with generally accepted accounting principles in the United States and are expressed in Canadian dollars. Our company's fiscal year-end is January 31.

Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our company regularly evaluates estimates and assumptions related to the recoverability of long-lived assets, valuation of convertible debentures, assumptions used to determine the fair value of stock-based compensation and derivative liabilities, and deferred income tax asset valuation allowances. Our company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by our company may differ materially and adversely from our company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Cash and Cash Equivalents

Our company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

Property and Equipment

Property and equipment is comprised of office equipment and is recorded at cost. Our company amortizes the cost of equipment on a straight-line basis over their estimated useful lives of five years.

Long-lived Assets

In accordance with ASC 360, "Property, Plant and Equipment", our company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life. Recoverability is assessed based on the carrying amount of the asset and its fair value, which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

Stock-Based Compensation

Our company records stock-based compensation in accordance with ASC 718, Compensation – Stock-Based Compensation, using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

Derivative Financial Instruments

Derivative financial instruments that are not classified as equity and are not used in hedging relationships are measured at fair value. Subsequent changes to fair value are recorded in the statement of operations.

Basic and Diluted Net Loss Per Share

Our company computes net loss per share in accordance with ASC 260, Earnings Per Share. ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive.

Comprehensive Loss

ASC 220, Comprehensive Income, establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at July 31, 2012 and January 31, 2012, our company had no items representing comprehensive income or loss.

Research and Development Costs

Research costs are expensed in the period that they are incurred.

Financial Instruments and Fair Value Measures

ASC 820, Fair Value Measurements, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 - Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Our company's financial instruments consist principally of cash, accounts payable and accrued liabilities, amounts due to related parties, and convertible debentures. Pursuant to ASC 820, the fair value of our cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. We believe that the recorded values of all of our other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

Foreign Currency Translation

Our company's functional currency and its reporting currency is the Canadian dollar and foreign currency transactions are primarily undertaken in United States dollars. Monetary assets and liabilities are translated using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Expenses are translated at average rates for the period. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income.

Recent Accounting Pronouncements

Our company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

As a "smaller reporting company", we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our president (our principal executive officer) and our chief financial officer (principal financial officer and principal accounting officer), as appropriate to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our president (our principal executive officer) and our chief financial officer (principal financial officer and principal accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of quarter covered by this report. Based on the evaluation of these disclosure controls and procedures the president (our principal executive officer) and our chief financial officer (principal financial officer and principal accounting officer) concluded that our disclosure controls and procedures were not effective.

Changes in Internal Controls

During the quarter covered by this report there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We know of no material, existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
(3)	**Articles of Incorporation and Bylaws**
3.1	Articles of Incorporation 649186 B.C. Ltd. (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
3.2	"Company Act" Memorandum of 649186 B.C. Ltd. Certificate of Amendment (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
3.3	Certificate of Filing of 649186 B.C. Ltd. (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
3.4	Certificate of Incorporation of 649186 B.C. Ltd. (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
3.5	Certificate of Name Change of 649186 B.C. Ltd. to Xerxes Health Corp. (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
3.6	Transition Application of Xerxes Health Corp. (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
3.7	Certificate of Name Change of Xerxes Health Corp. to Neurokine Pharmaceuticals Inc. (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
3.8	Notice of Alteration to Authorized Share Structure (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
(10)	**Material Contracts**
10.1	Share Subscription of Dr. Ahmad Doroudian dated September 17, 2007 (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
10.2	Non-Exclusive License Agreement with Globe Laboratories Inc. dated June 17, 2008 (incorporated by reference from our Registration Statement on Form S-1/A filed on December 3, 2009)
10.3	Management Consulting Agreement with Penny Green dated April 1, 2009 (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
10.4	Director and Option Agreement with Dr. Kamran Shojania dated July 13, 2009 (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
10.5	Director and Option Agreement with Dr. Maziar Badii dated July 13, 2009 (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
10.6	Shareholder's Agreement with Dr. Hassan Salari dated July 24, 2009 (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
10.7	Shareholder's Agreement with Francine Salari dated July 24, 2009 (incorporated by reference from our Registration Statement on Form S-1 filed on August 7, 2009)
10.8	Clinical Trial Services Agreement with Virtus Clinical Development (Pty) Limited dated March 1, 2009 (incorporated by reference from our Registration Statement on Form S-1/A filed on March 4, 2010)
10.9	Master Service Agreement with Northern Lipids Inc. Dated October 2, 2007 (incorporated by reference from our Registration Statement on Form S-1/A filed on December 3, 2009)
10.10	Assignment of Invention (NK-001) dated January 30, 2008 (incorporated by reference from our Registration Statement on Form S-1/A filed on December 3, 2009)
10.11	Assignment of Invention (NK-002) dated April 18, 2008 (incorporated by reference from our Registration Statement on Form S-1/A filed on December 3, 2009)
10.12	Subscription Agreement with Hassan Salari (incorporated by reference from our Form 8-K filed on August 12, 2010)
10.13	Subscription Agreement with Ahmad Doroudian (incorporated by reference from our Form 8-K filed on August 12, 2010)
(31)	**Rule 13a-14(d)/15d-14(d) Certifications**
31.1*	Section 302 Certification under the Sarbanes-Oxley Act of 2002 of Hamid Doroudian
31.2*	Section 302 Certification under the Sarbanes-Oxley Act of 2002 of Moira Ong
(32)	**Section 1350 Certifications**

32.1*	Section 906 Certification under the Sarbanes-Oxley Act of 2002 of Hamid Doroudian
32.2*	Section 302 Certification under the Sarbanes-Oxley Act of 2002 of Moira Ong
101**	**Interactive Data Files**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*

Filed herewith

**

Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of any registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEUROKINE PHARMACEUTICALS INC.
(Registrant)

Dated: September 14, 2012

/s/ Hamid Doroudian
Dr. Hamid Doroudian
President, Chief Executive Officer and Secretary
(Principal Executive Officer)

Dated: September 14, 2012

/s/ Moira Ong
Moira Ong
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)