Neuren (NEU) – ASX Announcement **29 January 2021**

Quarterly report and cash flow statement for Q4 2020

Highlights:

- **Key high-value milestones expected in 2021 as Neuren advances treatments for five serious conditions that emerge in childhood and have no approved medicines**
- **Results from LAVENDER Phase 3 trial of trofinetide in Rett syndrome expected in H2 2021**
- **On track for commencement of NNZ-2591 Phase 2 trials:**
  - **Preparing for FDA meeting and IND applications in H1 2021**
  - **All dosing completed in final stage of Phase 1 clinical trial**
  - **Manufacturing campaign to supply Phase 2 trials on schedule**
- **Three orphan designations granted for NNZ-2591 in the European Union**
- **$24.1 million cash at 31 December 2020:**
  - **US partner ACADIA is fully funding the trofinetide Phase 3 program**
  - **Neuren is funded to achieve Phase 2 data for NNZ-2591 in three indications**
- **Discussions ongoing with potential partners for markets in Asia**
- **Evaluating potential additional indications for NNZ-2591**

Melbourne, Australia: Neuren Pharmaceuticals (ASX: NEU) today filed its quarterly activity and cash flow Report for Q4 2020.

Neuren CEO Jon Pilcher commented: "During the quarter, we continued to make good progress towards Neuren's three large value drivers in 2021. ACADIA confirmed that results of the trofinetide Phase 3 trial in Rett syndrome are expected in H2 2021 and Neuren again achieved all the planned milestones to remain on track to start NNZ-2591 Phase 2 trials in 2021. We also continue to explore commercial options for our products in Asian markets including China, as well as evaluating more potential indications for NNZ-2591. We have started the year in a very strong position with the potential to make 2021 a transforming year for Neuren."

Commentary on Q4 events and outlook

During the quarter, Neuren's US partner ACADIA continued to enroll new subjects into the Phase 3 trial of trofinetide in Rett syndrome. ACADIA confirmed that results from the LAVENDER trial are expected in the second half of 2021. The development and

commercialisation of trofinetide in North America is fully funded by ACADIA and Neuren may receive milestone payments of up to US$455 million, double digit percentage royalties on all sales, plus one third of the sale value of a Priority Review Voucher. In addition, Neuren has free and full access to all data for use in countries outside North America.

Neuren achieved further milestones towards the commencement of Phase 2 clinical trials for NNZ-2591 in patients with each of Phelan-McDermid syndrome, Angelman syndrome and Pitt Hopkins syndrome. Neuren is preparing to meet with the US Food and Drug Administration (FDA) and then submit Investigational New Drug (IND) applications in the first half of 2021. The INDs will incorporate data from manufacturing, non-clinical studies and the Phase 1 clinical trial, as well as the Phase 2 trial protocols.

The Phase 1 trial is generating information on the safety, tolerability and pharmacokinetics in healthy volunteers to inform the safety and efficacy assessment in patients for the Phase 2 trials. Ethics approval for the final stage of the Phase 1 trial was received in November. All dosing was recently completed as planned and the remaining data is currently being collected and analysed. In parallel with completing the Phase 1 trial, the drug substance manufacturing campaign to supply the Phase 2 trials has progressed on schedule and Neuren has continued to engage with the patient communities and key physicians across all three disorders in preparation for the Phase 2 trials.

In addition, orphan designation was received for NNZ-2591 in each of Phelan-McDermid, Angelman and Pitt Hopkins syndromes in the European Union, which means that Neuren now has orphan designation for all three in both the US and the EU. Orphan designation in the EU enables sponsors to benefit from incentives including free protocol assistance, fee reductions and 10 years of market exclusivity plus two additional years if approved for paediatric use.

Cash reserves at 31 December 2020 were $24.1 million, funding Neuren through to achieving Phase 2 data for NNZ-2591 in three indications, while ACADIA fully funds the trofinetide Phase 3 program. ACADIA's 10-Q financial report for the third quarter disclosed trofinetide costs in the nine months to 30 September 2020 for external service providers alone of US$38.3 million.

Neuren is continuing to explore options with potential partners for markets in Asia, including China. To date the potential for Neuren's products in Asia has not been factored into any analyst valuations.

Evaluation of potential additional indications for NNZ-2591 also continued. While Phase 2 trials in the three lead indications remain the primary focus, Neuren believes that NNZ-2591 may have broader application in neurological conditions. Further updates will be provided in due course.

Commentary on Q4 cash flows

Net cash of $1.6 million was used in operating activities, with R&D payments of $1.1 million mainly comprising the NNZ-2591 non-clinical studies, the Phase 1 clinical trial and manufacture of the drug to supply the planned Phase 2 clinical trials. The carrying value in AUD of USD cash held to eliminate exchange rate risk for USD expenditure fell by $0.7 million for the quarter, due to the weakening of the USD against the AUD.

Listing Rule 4.7C.3

In item 6 of the Appendix 4C cash flow report for the quarter, payments to Related Parties of approximately $75,000 comprised non-executive directors' fees.

About Neuren

Neuren is developing two new drug therapies to treat five serious neurological disorders that emerge in early childhood, none of which have any approved medicines.

The lead drug compound, trofinetide, is currently in a Phase 3 clinical trial for Rett syndrome and has completed a Phase 2 clinical trial in Fragile X syndrome. Both programs have been granted Fast Track designation by the US Food and Drug Administration (FDA). Neuren has granted an exclusive licence to ACADIA Pharmaceuticals Inc. for the development and commercialisation of trofinetide in North America, while retaining all rights outside North America.

Neuren plans to initiate Phase 2 trials of its second drug candidate, NNZ-2591, for each of Phelan-McDermid syndrome, Angelman syndrome and Pitt Hopkins syndrome in 2021.

Because of the urgent unmet need, all five programs have been granted "orphan drug" designation in both the United States and the European Union, a designation that provides incentives to encourage therapies for rare and serious diseases.

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ASX Listing Rules information
This announcement was authorized to be given to the ASX by the board of directors of Neuren Pharmaceuticals Limited, Suite 201, 697 Burke Road, Camberwell, VIC 3124

Forward-looking Statements

This announcement contains forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks and important factors that may cause the actual results, performance or achievements of Neuren to be materially different from the statements in this announcement.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
Neuren Pharmaceuticals Limited	
ABN	**Quarter ended ("current quarter")**
72 111 496 130	31 December 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(1,121)	(6,583)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(371)	(1,480)
	(f) administration and corporate costs	(177)	(770)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	36	164
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	12	591
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,621)**	**(8,078)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(6)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**(6)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	20,216
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,075)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**19,141**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	26,532	13,844
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,621)	(8,078)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(6)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	19,141
4.5	Effect of movement in exchange rates on cash held	(723)	(713)
4.6	**Cash and cash equivalents at end of period**	**24,188**	**24,188**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	229	701
5.2	Call deposits	23,959	25,831
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**24,188**	**26,532**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	75
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,621)
8.2	Cash and cash equivalents at quarter end (item 4.6)	24,188
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	24,188
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	14.9

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.