



**NEUREN PHARMACEUTICALS LIMITED**

1181152 / ARBN 111 496 130

**RIGHTS ISSUE  
LETTER OF OFFER**

**Dated: 19 December 2007**

For a 1 for 2 non-renounceable rights issue by Neuren Pharmaceuticals Limited to existing Australian and New Zealand resident Shareholders of 72,369,626 ordinary shares.

**Record date: 2 January 2008**

This is an important document and you should read it carefully.  
If you have any queries or concerns you should contact the  
Company or your own legal or financial advisor.

## IMPORTANT INFORMATION

1. This Letter of Offer is dated 19 December 2007.
2. The Offer of New Shares in this Letter of Offer is only available for acceptance by Eligible Shareholders. This Letter of Offer does not constitute an offer in any place in which or to any person to whom, it would be unlawful to make such an offer.
3. No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Letter of Offer. Any information or representation that is not contained in this Letter of Offer may not be relied on as having been authorised by Neuren in connection with the Offer.
4. This is a Letter of Offer for an Offer of continuously quoted securities (as defined in the Corporations Act) of Neuren and has been prepared in accordance with section 708AA of the Corporations Act. In broad terms, section 708AA relates to rights issues by certain companies that do not require the provision of a prospectus or other disclosure document. Accordingly, the level of disclosure in this Letter of Offer is significantly less than that required in a prospectus. Eligible Shareholders should therefore rely upon their own knowledge of Neuren, refer to disclosures already made by it to ASX, and refer to their professional adviser before deciding whether to accept the Offer.
5. Eligible Shareholders will receive an Application Form with this Letter of Offer.
6. The information contained in this Letter of Offer is important and should be read in full.

## IMPORTANT DATES

Announcement of Rights Issue	19 December 2007
Lodgement Date – Letter of Offer (LOO), ASX Appendix 3B and cleansing notice lodged with ASX	19 December 2007
Ex Date – The date on which the Shares commence trading without the Entitlement to participate in the Offer	24 December 2007
Record Date for calculation of Entitlements (7.00 pm AEST)	2 January 2008
LOO, including Application Form, sent to Shareholders and lodgement of second cleansing notice – Offer opens	8 January 2008
Closing Date for receipt of acceptances, at 5 p.m. AEST	25 January 2008
Shortfall Notification Date	31 January 2008
Allotment of New Shares	1 February 2008
Expected despatch of statement of holdings for New Shares	Not later than 5 February 2008

These dates are subject to change and are indicative only. Neuren reserves the right to amend this timetable, with the consent of the Underwriter where required, including, subject to the Corporations Act and the Listing Rules, to extend the Closing Date.

## DEFINED TERMS

Words defined in the glossary “Definitions and Interpretations” at the end of this Letter of Offer are used in this Letter of Offer with an initial capital letter.

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## CHAIRMAN'S LETTER

Dear Shareholder,

Neuren Pharmaceuticals Limited ("Neuren" or the "Company") is making this pro-rata rights issue offer of up to 72,369,626 new ordinary shares to its New Zealand and Australian resident Shareholders, at A\$0.14 per New Share for Australian resident Shareholders and NZ\$0.16 per New Share for New Zealand resident Shareholders. This Offer is partially underwritten to A\$7.1 million by Taylor Collison Limited.

Approximately 37,600,000 of the New Shares are being offered to Australian resident Shareholders. Neuren is taking advantage of exemptions under Australian securities laws which mean that a prospectus or disclosure document is not required in Australia for the purpose of making the Offer to Australian resident Shareholders. The exact number of New Shares being offered to Australian resident Shareholders will be determined on the Record Date based on the offer ratio of one New Share for every two existing Shares held by Australian resident Shareholders. The terms of the Offer are the same for all Shareholders in Australia and New Zealand, including being able to apply for additional shares under the Shortfall described on page 6.

Your Entitlement to New Shares is set out in the enclosed Application Form, and instructions on how to apply for your Entitlement, and should you wish, additional New Shares in excess of your Entitlement from the Shortfall, are set out in the Letter of Offer on pages 7 to 9.

Neuren is making good progress with all of its product candidates. We have a robust product portfolio focused on psychiatric and cognitive effects of neurological injury and disease. Three of our drugs are in clinical trials for four central nervous system indications, with efficacy results expected in 2009. Following these, Neuren potentially only has to conduct 1 to 2 more pivotal trials to make a new drug application to be able to market each drug. We also have a strong preclinical pipeline in neurology, cancer and metabolic diseases presenting significant partnership and/or licensing opportunities for which we are currently in discussion.

Further details on the status of our pipeline are set out in the "Prospects" section on pages 14 to 16.

The capital raised in a fully subscribed Offer of A\$10.1 million (gross) will support completion of the first Glypromate<sup>®</sup> Phase 3 trial as well as associated overhead and corporate operating expenses. The underwritten amount of A\$7.1 million which is the minimum that will be raised under this Offer will trigger conversion of the outstanding convertible notes held by the former Hamilton Pharmaceuticals shareholders, will support Glypromate<sup>®</sup> clinical trial costs and overhead through 2008 and will allow other capital raising, joint venture and licensing opportunities currently underway to be pursued.

The Board recommends this Offer to you and thanks those Shareholders who continue to support the Company.

Yours sincerely



Chairman

## SUMMARY OF OFFER

The information set out in this section is not intended to be comprehensive and should be read in conjunction with the full text of this Letter of Offer.

### Introduction

Neuren Pharmaceuticals Limited ("Neuren" or the "Company") is offering 72,369,626 ordinary shares to the registered Australian and New Zealand resident holders of ordinary shares in the Company as at 2 January 2008 in the ratio of one new ordinary share for every two ordinary shares held at that date, at a price of A\$0.14 per New Share to Australian resident Shareholders and NZ\$0.16 per New Share to New Zealand resident Shareholders, payable on application (this "Offer"). Assuming this Offer is fully subscribed, the New Shares will represent 33.3% of Neuren's ordinary shares as at the date of this Letter of Offer. Your Entitlement to be issued New Shares under this Offer is non-renounceable – i.e., it may not be sold or otherwise transferred.

This Letter of Offer has been prepared in compliance with Australian securities laws for the purpose of making the Offer to Australian resident Shareholders only.

The New Shares will rank equally in all respects with the Company's Existing Shares. The Offer may be accepted in full or in part and there is no minimum level of Entitlement that must be accepted by a Shareholder in order to participate in the Offer. Shareholders can apply, in the "Shortfall Application" section of the Application Form, for New Shares in excess of their Entitlement that have not been taken up by other Shareholders.

The Offer is partially underwritten by Taylor Collison Limited (ACN 008 172 450) for up to 50,700,000 New Shares. A Shareholder in which Mr Trevor Scott, a director of the Company, has an interest has agreed to sub-underwrite the Offer for up to 6,570,000 New Shares.

An application will constitute an irrevocable offer by the applicant to acquire the number of New Shares specified in the application. If the full amount of the subscription monies payable for the New Shares subscribed for (the "Application Monies") is not paid on application or a cheque does not clear, an application may be rejected or an allocation cancelled.

As this Offer is partially underwritten, the Directors have not established a minimum amount which must be raised before the Directors will accept subscriptions and allot New Shares under this Offer.

Instructions on how to apply for the New Shares are set out under the headings "How much do I pay?" on pages 7 to 9 and on the Application Form itself.

### No Overseas Offers

This Letter of Offer does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer. Where this Letter of Offer has been despatched to investors domiciled outside Australia and where that country's securities code and legislation requires registration, this Letter of Offer is provided for information purposes only. Non-resident investors should consult their professional advisers as to whether any governmental or other consents are required or whether formalities need to be observed to enable them to participate in the Shortfall.

The Company is of the view that it is unreasonable to make the Offer to shareholders outside of Australia and New Zealand having regard to:

- the number of Shareholders outside of Australia and New Zealand;
- the number and value of the securities that could be offered to Shareholders outside of Australia and New Zealand;
- and

- the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to make the Offer to Shareholders outside of Australia and New Zealand (though this Letter of Offer will be sent to Shareholders outside these jurisdictions for information purposes only).

## Stock Exchange Listing

Application has been made to ASX for permission to list the securities and all the requirements of ASX relating thereto that can be complied with on or before the date of this Letter of Offer have been duly complied with. However, ASX accepts no responsibility for any statement in this Letter of Offer. If the ASX does not grant permission for quotation of the New Shares offered pursuant to this Letter of Offer within three (3) months after the date of this Letter of Offer, or such longer period as is permitted, none of the New Shares offered by this Letter of Offer will be allotted or issued. In these circumstances, the Company will repay all application monies, without interest.

## DETAILS OF THE OFFER

### What sort of investment is this?

#### *Offer*

This is an offer by Neuren of a maximum of 72,369,626 ordinary shares to the Australian and New Zealand resident registered holders of ordinary shares in the Company as at 7.00 p.m. AEST on 2 January 2008 in the ratio of one new ordinary share for every two ordinary shares held at that date, at a price of A\$0.14 per New Share to Australian resident Shareholders and NZ\$0.16 per New Share to New Zealand resident Shareholders, payable on application. Assuming this Offer is fully subscribed, the New Shares will represent 33.3% of Neuren's ordinary shares as at the date of this Letter of Offer. Your Entitlement to be issued New Shares under this Offer is non-renounceable – i.e, it may not be sold or otherwise transferred.

To the extent that there is a Shortfall, you may apply for additional New Shares (over and above your Entitlement) by a Shortfall Application. Acceptance of Shortfall Applications will be considered by the Company in its sole discretion.

Except for applications in respect of the Shortfall, registered holders of ordinary shares may not apply for New Shares in excess of the Entitlement. Application Monies for New Shares in excess of Entitlements will be refunded without interest. Refunds will be posted within seven calendar days of allotment of the New Shares.

#### *New Shares*

Each New Share issued shall rank equally in all respects with the Existing Shares in the Company at the time of issue and will provide you with the right to:

- an equal share with other ordinary shares in the Company in dividends, if any, authorised by the Board;
- attend and vote at meetings of the Company, including the right to cast one vote on a poll held at such meetings;
- receive certain Company information;
- an equal share with other ordinary shares in the Company in the distribution of any surplus assets on liquidation of the Company; and
- other rights conferred on shareholders by the Constitution and the Companies Act.

The Constitution may be viewed during normal business hours at the Registered Office of the Company (the address of which is set out on page 7 or online at the website of the Company ([www.neurenpharma.com](http://www.neurenpharma.com)) or the ASX ([www.asx.au.com](http://www.asx.au.com)).

See the section entitled "Description of Shares" on pages 18 to 20 for further information relating to the New Shares.

Application has been made to ASX for permission to list the securities and all the requirements of ASX relating thereto that can be complied with on or before the date of this Letter of Offer have been duly complied with. However, ASX accepts no responsibility for any statement in this Letter of Offer. If the ASX does not grant permission for quotation of the New Shares offered pursuant to this Letter of Offer within three (3) months after the date of this Letter of Offer, or such longer period as is permitted, none of the New Shares offered by this Letter of Offer will be allotted or issued. In these circumstances, the Company will repay all application monies, without interest.

### ***Shortfall***

The Directors reserve the right, by no later than 25 April 2008, to place any New Shares which are not taken up by holders of Existing Shares under this Offer, or which because of fractional Entitlements are not otherwise offered, to such persons and in such manner as the Directors consider equitable and in the interests of the Company, provided that the New Shares offered under the Shortfall are issued at not less than the price under the Offer and the terms and conditions of the issue of such New Shares are not materially more favourable to the persons to whom they are issued than the terms of this Offer.

An application to participate in any Shortfall may be made pursuant to this Letter of Offer by a Shareholder in Australia, although other persons may apply for the Shortfall to the extent permitted by relevant securities laws, provided that the Directors may not participate in any Shortfall.

The Directors will allocate any Shortfall in such manner as the Directors consider equitable and in the interests of the Company. The Directors do not guarantee that any Shortfall Application will be successful. In the event a Shortfall Application is not accepted (whether in whole or in part) monies in relation to the New Shares applied for and not allocated will be refunded in full without interest within 7 days of notification of the Shortfall by the Company to ASX.

The Company may at its discretion pay a commission on a Shortfall Application received, in particular in respect of applications bearing a broker stamp of a member organisation of the ASX, provided the Shortfall Application is accepted by the Directors and New Shares are subsequently allotted. The payment of any commission will be made 14 days after acceptance by the Company of a Shortfall Application.

It should also be noted that the Company has entered into an agreement in respect of the underwriting of part of the Shortfall, as described in more detail under the heading "Underwriting" below.

### ***Underwriting***

The Offer is partially underwritten by Taylor Collison Limited (ACN 008 172 450) (the "Underwriter") pursuant to an agreement between the Underwriter and the Company dated 19 December 2007. The terms of the underwrite are such that the Company may call upon the Underwriter to subscribe for, or cause the subscription for, 50,700,000 New Shares less the number of New Shares subscribed for under this Offer (including subscriptions for the Shortfall). By way of example, if subscriptions were received and accepted for 10,000,000 New Shares, the Company could call upon the Underwriter to subscribe, or cause the subscription, for 40,700,000 New Shares. If subscriptions were received in respect of 50,700,000 or more New Shares, the Company could not call upon the Underwriter to subscribe for New Shares.

A Shareholder in which Mr Trevor Scott, a director of the Company, has an interest has agreed to sub-underwrite the Offer for up to 6,570,000 New Shares.

Details of the underwriting fee payable to the Underwriter are set out on page 9, under the heading "What are the charges?".

## Who is involved in providing it for me?

### *Names and addresses*

#### *Issuer*

The issuer of the New Shares that are subject to this Letter of Offer is Neuren Pharmaceuticals Limited (NZ registered company number 1181152; ARBN 111 496 130).

#### *New Zealand Registered Office*

Neuren Pharmaceuticals Limited  
Level1, 103 Carlton Gore Road  
Newmarket, Auckland

#### *Activities*

Neuren, which was incorporated on 17 December 2001, is developing drugs for neurological disorders, metabolism and cancer. The drugs target acute indications of brain injury such as cognitive impairment resulting from cardiac surgery and traumatic brain injury, psychiatric symptoms of stroke, as well as chronic conditions such as Parkinson's and Alzheimer's diseases.

Neuren has four lead candidates; Glypromate<sup>®</sup>, Motiva<sup>™</sup> and NNZ-2566 presently in clinical development to treat four different neurological conditions, and NNZ-2591 in preclinical development for Parkinson's disease dementia and other chronic neurodegenerative conditions.

Neuren has operations in New Zealand (Auckland based head office), Australia and the United States, and is listed on the Australian Securities Exchange (ASX: NEU).

The principal activities of the Company are described in more detail in the section of this Letter of Offer entitled "Prospects" on pages 14 to 16.

No person or entity guarantees the securities offered in this Letter of Offer.

## How much do I pay?

### *Share Price*

You must apply for a specific number of New Shares and you must pay the full subscription price on application. The subscription price is A\$0.14 per New Share.

### *Acceptance of the Offer*

The number of New Shares to which you are entitled is set out in the Application Form accompanying this Letter of Offer. The number of New Shares to which shareholders are entitled will, in the case of fractional Entitlements, be rounded down to the nearest whole number. Your rights to subscribe for New Shares are non-renounceable.

This Offer may be accepted in full or in part. There is no minimum acceptance level. Shareholders can apply, on the Application Form, for an allocation of New Shares in excess of their Entitlement from the Shortfall.

Applications for New Shares must be made so as to be received no later than 5 p.m. (AEST) on Friday 25 January 2008 ("Closing Date"). The Directors reserve the right to extend the Closing Date.

To subscribe for a certain number of New Shares, you must send the total subscription payable for those New Shares (the "Application Monies"), together with a completed Application Form (accompanying this Letter of Offer), to Neuren's share registrar, Link Market Services Limited.



Any Application Monies paid by you for New Shares will be held on trust for you until the Company effects the issue to you of the relevant number of New Shares, at which time the relevant funds will be released beneficially to the Company.

Listed below are the steps to be taken if you wish to:

- accept your Entitlement in full or in part; or
- apply for additional New Shares to be allocated from the Shortfall.

***To accept all or part of your Entitlement***

Complete and sign the Entitlement & Acceptance section of the Application Form specifying the number of New Shares comprising your Entitlement you wish to accept) and send the Application Form and a cheque made payable to: "Neuren Pharmaceuticals Limited Trust Account" and crossed "Not Negotiable". All cheques must be in Australian dollars and sent with the completed Application Form to:

<b>Mail to:</b>	or	<b>Deliver in person to:</b>
The Neuren Share Offer		Link Market services Limited
Link Market services Limited		Level 12, 680 George Street
Locked Bag A14		Sydney NSW 2000 <i>(do not use this address for mailing purposes)</i>
Sydney South NSW 1235		

***To apply for additional New Shares***

If applicants wish to participate in any Shortfall that may arise under this Offer, they should complete the Shortfall Application section of the Application Form attached to this Letter of Offer. The completed Application Form together with a cheque made payable to "Neuren Pharmaceuticals Limited Trust Account" and crossed "Not Negotiable" should be sent before the Closing Date to:

<b>Mail to:</b>	or	<b>Deliver in person to:</b>
The Neuren Share Offer		Link Market services Limited
Link Market services Limited		Level 12, 680 George Street
Locked Bag A14		Sydney NSW 2000 <i>(do not use this address for mailing purposes)</i>
Sydney South NSW 1235		

The Directors will allocate any Shortfall in such manner as the Directors consider equitable and in the interests of the Company. The Directors do not guarantee that any Shortfall Application will be successful. In the event the Shortfall Application is not accepted (whether in whole or in part) monies in relation to the New Shares applied for and not allocated will be refunded in full without interest within 7 days of notification of the Shortfall by the Company to ASX.

**The completed Application Form must be received not later than 5.00 p.m. (AEST) on 25 January 2008 (or such later closing date as determined by the Company).**

Please note that if you do not accept all or part of your Entitlement in accordance with the instructions set out above, any Entitlement not accepted will form part of the Shortfall.

Please also note that post-dated cheques will not be accepted. If the full amount of the Application Monies is not paid upon application or a cheque does not clear, your application may be rejected or any allocation of New Shares made to you may be cancelled.

An application will constitute an irrevocable offer by you to acquire the number of New Shares specified, on the terms and conditions set out in this Letter of Offer and the Application Form. By submitting an application you agree to be bound by these terms and conditions and the Constitution. Applications cannot be revoked or withdrawn and Application Monies (except in the case of Entitlement over-subscription or applications to participate in the Shortfall that are not accepted by the Company) will not, therefore, be refunded. As indicated above, you should note that the Company reserves the right to extend the Offer

and that such extension may result in the dates referred to in the table on page 1 of this Letter of Offer being altered. Any such changes will be advised through the ASX companies announcements platform.

### **What are the charges?**

There are no charges payable by subscribers for the New Shares in addition to the subscription price. All expenses in respect of this Offer are being met by the Company.

As detailed on page 6, the Offer is partially underwritten by the Underwriter pursuant to an underwriting agreement between it and the Company dated 19 December 2007. A 4.0% underwriting fee and a 2.0% management fee totalling A\$425,880 plus GST (if applicable) will be payable by the Company on the underwritten amount to the Underwriter. The Company estimates that its costs in respect of the Offer will be A\$26,500 plus GST, excluding the underwriting and management fee. In addition the Underwriter will be granted 3,000,000 A\$0.25 options over ordinary shares, with a three year term, on completion of the Offer.

A Shareholder in which Mr Trevor Scott, a director of the Company, has an interest has agreed to sub-underwrite the Offer for up to 6,570,000 New Shares, for which it will receive a sub-underwriting commission of 2.5% of the amount ultimately sub-underwritten. This sub-underwriting fee is to be paid by the Underwriter from its fees noted above.

### **What returns will I get?**

#### ***Dividends***

New Shares issued as a result of this Offer will rank equally in all respects, including as to dividends and voting entitlements, with the Existing Shares on issue at the time of allotment. Shareholders will be entitled to receive or benefit from any dividends paid by the Company in respect of New Shares and to any other returns attaching to the New Shares. However, the Company is not intending to pay dividends in the foreseeable future, given that it is intended that the Company will use all available funds for its clinical development and research programmes.

#### ***Sale of New Shares***

Shareholders may benefit from any increase in the market price of their New Shares if they sell them, however the market price of the New Shares may also decline. Factors which may have an influence on the share price of Neuren ordinary shares and, consequently, on returns from the sale of New Shares include:

- prevailing share market conditions;
- general economic conditions;
- interest rate rises or reductions;
- significant changes in the operations or results of Neuren;
- a sale of a significant parcel of Neuren ordinary shares;
- a take-over offer by a third party; and
- the risks described in this Letter of Offer under the heading "What are my risks?" below.

#### ***Taxation***

Your return from the New Shares may be affected by taxes or changes to taxation laws. In certain circumstances, gains on the sale of New Shares may be taxable, however you should contact your own financial or legal adviser to seek advice concerning the tax consequences of owning or selling New Shares in view of your own particular circumstances.

#### ***No guarantee or promise***

Neither Neuren, its Directors, nor any person associated with this Offer, guarantees the New Shares or that a dividend will be paid on the New Shares or that the issue price of A\$0.14 per New Share will be recouped. No amount of returns (whether by way of dividend or return on sale or otherwise) on the New Shares is promised or guaranteed by any person. Accordingly, the dates on which, or the frequency with which, returns (if any) on the New Shares will be due and paid are unknown.

## What are my risks?

### *General risk factors*

Investments in biopharmaceutical companies can be considered speculative. Risks associated with investment in the Company include risks of a general nature relating to investment in shares and securities generally where the company invested in has a small market capitalisation together with risks particular to investment in the Company, which risks relate to the nature of its activities, being biotechnology research and development.

Investors in the Company will also be subject to normal risks relating to the general levels of economic activity and macro-economic factors beyond the control of the Company including share market conditions which may affect the share market and share prices generally. General risk factors which may have an influence on the share price are described above under the heading "What returns will I get?" and the occurrence of such events, or the specific risk factors detailed below, could result in investors in the Company being unable to recover, or receive any returns on their investment.

### *Specific risk factors*

There are a number of specific risks that may affect Neuren's operating performance and, consequently, the value of its Shares and returns on the New Shares. Key risks which may affect the value of the New Shares and returns on the New Shares are as follows:

- **Reliance on Key Personnel** – Neuren currently employs a number of key management and scientific personnel, and in part its future depends on retaining and attracting suitably qualified personnel. Failure to do so could materially adversely affect its business, operating results and financial prospects.
- **Contract Risks Generally** – Neuren operates through a series of contractual relationships with licensors, sublicensees, independent contractors, distributors and suppliers. All contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed.
- **Risk as to Technical Capacity** – Neuren intends to carry out development work using appropriately chosen scientific research organisations. As such, it will be subject to the risk that staff in those organisations may have lesser technical capacity than needed to achieve the results sought to be obtained from any development program and the results sought to be obtained may not be obtained or results apparently obtained may be inaccurate as a result of flawed research or development.
- **Intellectual Property and Proprietary Rights** – Neuren regards the content of certain of its technology as proprietary and relies primarily on a combination of copyright, patent and trade secrecy laws and employee and third party non-disclosure agreements to protect its rights. However, no assurances can be given that employees and/or third parties will not breach non-disclosure agreements or infringe or misappropriate Neuren's rights. Further, no assurance can be given that others will not challenge the ownership or validity of those proprietary rights by attacking either Neuren or patent holders from whom it has acquired licenses. Litigation may be necessary from time to time to enforce and protect Neuren's rights. Such litigation can be costly and could have adverse effects on its activities, business, operating results and financial position. It is possible that other parties may assert intellectual property infringement, unfair competition or like claims against Neuren under copyright, trade secret, patent or other laws. While Neuren is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has interests, such claims, if made, may harm, directly and indirectly, its business. If Neuren is forced to defend against claims of intellectual property infringement, whether they are with or without merit or are determined in its favour, it might face costly litigation and diversion of management's attention. As a result of such disputes, Neuren may have to develop non-infringing technology or enter into royalty or licensing agreements. Such agreements, if necessary, may be unavailable on terms acceptable to Neuren, or at all. If there is a successful claim of intellectual property infringement or unfair competition against Neuren and it is unable to develop non-infringing technology or license the infringed or similar technology or content on a timely basis, it could harm Neuren's business, operations and financial condition.
- **Technological Development** – Neuren's future success will depend in no small part on its ability to develop products that are able to compete in a global marketplace. No assurance can be given that the research and development activities will lead to the development of such products.
- **Competition** – Neuren's current and potential future competitors might include companies with significantly greater resources than those possessed by the Company. These competitors may develop products or services that are

more effective and/or cheaper than those being developed by Neuren, and as a consequence its products or services may become uncompetitive, resulting in adverse effects on revenue, margins and profitability.

- Product Development – There are many risks inherent in the development of biotechnology products. They can be subject to many failures during manufacturing and clinical trials or may fail to achieve sufficient robustness and reliability. Neuren cannot guarantee that the development work being undertaken or the milestones sought will result in the development of any products, or even if they do, that those products will be commercially successful.
- Sufficiency of Funding – Neuren has a business plan which will require a high level of expenditure until product revenue streams are established and therefore it expects to continue to incur additional net losses until then. In the future, Neuren will need to raise further financing through other public or private equity financings, collaborations or other arrangements with corporate sources, or other sources of financing to fund operations and achieve milestones. There can be no assurance that such additional financing, if available, can be obtained on terms reasonable to Neuren. In the event Neuren is unable to raise additional capital, future operations will need to be curtailed or discontinued.
- Regulatory Risks – Neuren’s operations will require approvals from regulatory authorities which may not be forthcoming or which may not be able to be obtained on acceptable terms. While Neuren has no reason to believe that all requisite approvals will not be forthcoming, investors should be aware that Neuren cannot guarantee that any requisite approvals will be obtained. A failure to obtain any approvals would mean that Neuren’s ability to develop or operate any project may be limited or restricted either in part or absolutely.
- Risk as to Profitability – Neuren’s ability to pay dividends will depend on it generating revenue and then deriving sufficient after-tax profits to be able to do so. Neuren is not presently profitable and it may not at any time be so.
- No Valuation – No formal or informal valuation has been completed of our intellectual property or assets. We make no representation as to the value of our intellectual property or assets.
- Risks Related to Liquidity – Neuren’s Existing Shares quoted on the ASX have limited liquidity. Accordingly, if Neuren successfully applies for quotation on the ASX of the New Shares, there can be no assurance that investors will have sufficient liquidity to sell their Shares through the ASX on a timely basis, at an acceptable price, or at all. As a result of the foregoing, investors may be forced to sell any New Shares acquired in connection with this offering for less than anticipated or even at a loss, or hold their New Shares for longer than anticipated.
- Generally – The possibility exists that, for a wide range of reasons, Neuren’s present strategies, plans, policies, intentions and expectations may not be able to be implemented.

#### ***Your liability and consequences of insolvency***

The New Shares allotted under this Offer will be issued fully paid and you will have no liability to Neuren for any further payment in respect of the New Shares.

If the Company becomes insolvent, you would have no obligation to pay any more money to the Company or any other person. Claims on assets of the Company, in the event of the Company being put into liquidation, that rank ahead of the claims of shareholders in the Company are:

- all creditors of the Company, both secured and unsecured; and
- those claims given priority by legislation such as claims for liquidation costs, employees’ wages and taxes.

After all such claims have been paid and made, any remaining assets will be available for distributions to the Company’s Shareholders who will rank equally among themselves. It is reasonably foreseeable that, on termination of your Shares as a consequence of the Company being put into liquidation, you will have received, in total, less than the amount you have paid for the Shares.

#### **Can the investment be altered?**

The full terms of this Offer are set out in this Letter of Offer. Those terms may be altered by the Company by an amendment to this Letter of Offer, details of which would be communicated to you and the ASX. However, those terms cannot be altered without your consent once your application for New Shares has been accepted.

The rights attaching to the New Shares are set out under the heading "What sort of investment is this?" and in the section headed "Description of Shares" on pages 18 to 20 of this Letter of Offer.

The rights conferred on the Company's Shareholders are set out in the Companies Act and the Constitution, and also the applicable Listing Rules of the ASX. Shareholders' rights may be negated, altered or added to by an amendment of the Constitution, which may be made by a special resolution of Shareholders. A special resolution requires the approval of 75% of the votes of shareholders affected by the relevant matter, to be valid.

Neuren may not take any action which would affect the rights of Shareholders without approval by special resolution of those Shareholders whose rights would be affected by the action in question.

Certain major transactions and those that would change the nature of the Company's business also require the approval of a special resolution.

### **How do I cash in my investment?**

Except as otherwise prescribed by law, you have no right to receive back from the Company the amount subscribed for the New Shares offered under this Letter of Offer, except in circumstances where the Company is being wound up, or in circumstances where the Company seeks to buy back its own Shares.

A shareholder of New Shares is entitled to sell or transfer their shares to another person by private agreement or on the ASX, subject to compliance with the Constitution and any applicable laws. In the opinion of the Company there is an established market for Neuren's ordinary shares on the ASX. Following acceptance for quotation by ASX Limited, the New Shares, like the Existing Shares, may be sold or transferred by the holder at any time on the ASX.

Sales through a broker will attract brokerage at the rates charged by that broker. The Company does not charge fees for registering share transfers.

### **Who do I contact with enquiries about my investment?**

Enquiries about this Offer may be made to:

The Chief Financial Officer

Neuren Pharmaceuticals Limited

Level 1, 103 Carlton Gore Road

Newmarket, Auckland

New Zealand

OR BY MAIL TO: PO Box 9923

Newmarket, Auckland

New Zealand

Telephone: 1 800 259 181 (within Australia) or +64 9 529 3940

Fax: +64 9 529 3941

Email: [enquiries@neurenpharma.com](mailto:enquiries@neurenpharma.com)

Enquiries about your present shareholding can be made to:

Neuren Share Registrar

Link Market Services Limited

Level 9, 333 Collins Street

Melbourne, Victoria 3000

Australia

Telephone: +61 3 9615 9800

Fax: +61 3 9615 9900

## Is there anyone to whom I can complain if I have problems with the investment?

Any complaints or problems about this Offer can be made to:

The Chairman

Neuren Pharmaceuticals Limited

Level 1, 103 Carlton Gore Road

Newmarket, Auckland

New Zealand

OR BY MAIL TO: PO Box 9923

Newmarket, Auckland

New Zealand

Telephone: 1 800 259 181 (within Australia) or +64 9 529 3940

Fax: +64 9 529 3941

Email: [enquiries@neurenpharma.com](mailto:enquiries@neurenpharma.com)

Complaints about the New Shares cannot be made to any Ombudsman in New Zealand.

## What other information can I obtain about this investment?

Other information about Neuren and the New Shares is contained or referred to in the remainder of this Letter of Offer, the Constitution, and Neuren's 2006 Annual Report and 2007 Interim Report, which contain Neuren's most recent audited financial statements for the year ended 31 December 2006 and unaudited financial statements for the six months ended 30 June 2007 respectively. Copies of the Company's annual and interim reports and financial statements and this Letter of Offer may be obtained, free of charge, from the Company's offices in Auckland (New Zealand) as listed in the Company Directory on page 21, or from the Company's website [www.neurenpharma.com](http://www.neurenpharma.com).

The Company is listed on ASX and its Existing Shares are quoted on ASX under the code "NEU". As such, the Company is a "disclosing entity" for the purposes of the Australian Corporations Act and is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company. Neuren's financial reports, corporate presentations and announcements may be viewed on the ASX website [www.asx.com.au](http://www.asx.com.au) under the security code "NEU".

All Shareholders on the relevant record dates will be entitled to receive certain information relating to the ongoing performance of the Company in accordance with the Companies Act, the Financial Reporting Act 1993 and the Listing Rules. The Shareholders will either receive this information automatically or will receive notification of their right to request this information. The information includes the Annual Report, containing the Company's audited financial statements, and the half yearly Interim Report, containing the unaudited half-year financial statements.

The Company will supply Shareholders or prospective investors with the following documents and information on request:

- a copy of this Letter of Offer; and
- a copy of any financial statements of the Company that have been registered under the Financial Reporting Act 1993 (NZ) and that are referred to in this Letter of Offer.

Such requests should be made to the Company in writing at the address specified in the Company Directory on page 21, or can be obtained from its offices as listed in the Company Directory on page 21, or from the Company's website [www.neurenpharma.com](http://www.neurenpharma.com). The Constitution is also available on request or from the Company's website.

## PROSPECTS

### Overview

Neuren is an ASX listed company developing drugs for neurological disorders, metabolism and cancer. The drugs target acute indications of brain injury such as cognitive impairment resulting from cardiac surgery and traumatic brain injury, psychiatric symptoms of stroke, as well as progressive neurological conditions such as Alzheimer's and Parkinson's diseases. We are currently enrolling patients in a randomized, double-blind, placebo-controlled Phase 3 clinical trial of one of our lead compounds, Glypromate®, to reduce cognitive impairment in patients following cardiac surgery. This trial will involve approximately 600 completed patients across 24 sites in the U.S., Australia and New Zealand. We expect enrolment to be completed by the end of 2008 and results to be available mid-2009. Approximately 70% of patients who have cardiac surgery with cardiopulmonary bypass experience cognitive decline at discharge and up to 35% of patients exhibit cognitive impairment three months after the procedure. With approximately one million cardiac surgery procedures performed annually in the U.S. and other developed countries, including approximately 800,000 coronary artery bypass graft, or CABG, procedures and 200,000 valve repair or replacements using cardiopulmonary bypass, as many as 350,000 patients per year are left with persistent cognitive impairment <sup>1</sup>.

We have also recently completed a Phase 1b clinical trial of our second product candidate, NNZ-2566, in an intravenous, or IV, formulation for traumatic brain injury, or TBI. In the U.S., approximately 1.4 million people sustain a TBI resulting in more than 50,000 deaths, 1,100,000 patients treated and released from the emergency room and 235,000 patients hospitalised <sup>2</sup>. There presently are no drugs approved for the acute treatment of TBI. The development of NNZ-2566 is being conducted in partnership with the U.S. Army Walter Reed Army Institute of Research.

We are also engaged in preclinical research and development in the treatment of metabolic disorders, such as growth hormone deficiencies, and cancers related to the functions of growth hormone.

On July 31, 2007, we executed a binding term sheet to acquire Hamilton Pharmaceuticals, Inc., a privately-held biopharmaceutical company based in the U.S., whose principal asset is Motiva™, or nefiracetam. The acquisition was completed on 15 October 2007 through the issue of 13,625,443 Neuren Shares. We intend to conduct a Phase 2 clinical trial of Motiva™ as a treatment for post-stroke psychiatric symptoms. Motiva™ has been administered to over 1,700 patients to date in previous Phase 1, 2a and 2b clinical trials in the U.S., Japan and China in which it demonstrated both safety and efficacy. Exclusive, worldwide rights to develop and commercialise Motiva™ were originally licensed by Hamilton from Daiichi Pharmaceutical Co., Ltd., now Daiichi Sankyo Co., Ltd., in 2004.

In conjunction with the acquisition of Hamilton, previous shareholders of Hamilton invested US\$3.0 million in a convertible note issued by us that will convert into our ordinary shares on the same terms as, and upon consummation of, a capital raising in which Neuren has received subscriptions for, and issued, new ordinary shares in Neuren for an aggregate of at least US\$5 million.

### Product Candidate Pipeline

Our product candidate pipeline comprises of eight families of compounds across two portfolios, one focused on the central nervous system, or CNS, and the other on growth hormones. Our CNS candidate portfolio is made up of five product families: (i) Glypromate® and NNZ-2566; (ii) Motiva™ (iii) diketopiperazines; (iv) neural regeneration peptides, or NRPs; and (v) macrocyclics. Our growth hormone candidate portfolio is composed of three product families: (i) monoclonal antibodies, or mAbs, against trefoil factors, or TFFs; (ii) human growth hormone variants; and (iii) recently licensed drug discovery and development technology focused on mAbs that target human growth hormone, or hGH, for the potential treatment of cancer.

<sup>1</sup> Based on American Heart Association statistics for valve replacement and bypass surgeries in the US in 2004 together with Neuren's estimate of an equivalent number of surgeries for the rest of the world (developed countries).

<sup>2</sup> Brain Injury Association of America.

The following table summarizes our product candidate pipeline. However, there can be no assurance that we will be able to develop, complete development or commercialise any of the following product candidates on a timely basis or at all.

Product Candidate	Indication	Stage	Status	Worldwide Commercial Rights
<b>CNS Portfolio</b>				
Glypromate®	Cognitive impairment in cardiac surgery patients	Phase 3	Enrolling	Neuren
NNZ-2566 (IV)	Traumatic brain injury	Phase 1b	Completed	Neuren
		Phase 2	Developing protocols	
NNZ-2566 (oral)	Traumatic brain injury and stroke recovery	Preclinical	Efficacy testing	Neuren
Motiva™	Post-stroke depression	Phase 2	Developing protocol	Neuren
NNZ-2591	Parkinson's disease and dementia	Preclinical	Efficacy testing	Neuren
NRPs	Peripheral neuropathy	Preclinical	Lead candidate testing	Neuren / Metabolic Pharmaceuticals
Macrocyclics	Neurodegenerative diseases	Preclinical	Discovery	Neuren
<b>Growth Hormone Portfolio</b>				
Anti-TFF mAbs	Oncology	Preclinical	Efficacy testing	Neuren
hGH variant NNZ-3006	Adult growth hormone deficiency / obesity	Preclinical	Efficacy testing	Neuren
Anti-hGH mAbs	Oncology	Preclinical	Discovery	Neuren

## Milestones and Future Objectives

Since listing on the ASX in January 2005 following the close of our initial public offering, we have accomplished a number of development milestones. These milestones are summarised below, along with some of our key future objectives through 2009. However, there can be no assurance that we will be able to achieve any of the future objectives described below on a timely basis or at all.

### 2005

- Formed collaboration with Metabolic Pharmaceuticals Limited for the development of NRPs
- Executed Cooperative Research and Development Agreement with the U.S. Army for NNZ-2566 in TBI
- Results from animal models presented by the U.S. Army at the Advanced Technology Applications for Combat Casualty Care conference confirming that NNZ-2566 significantly reduced functional deficits from severe TBI
- Initiated enrolment in our Phase 2a trial of Glypromate® in patients who underwent CABG surgery
- Received two U.S. patents for Glypromate® in Parkinson's disease



**2006**

- Announced preclinical results for oral administration of NNZ-2566 indicating significant neuroprotection at various doses
- Initiated a Phase 1a trial of IV administration of NNZ-2566 for TBI in healthy volunteers
- Received U.S. composition of matter and method of use patent for NNZ-2566 in all formulations
- Results from animal models in stroke presented by the U.S. Army at the International Neurotrauma Symposium confirming that NNZ-2566 inhibits non-convulsive seizures
- Completed and announced favourable safety and pharmacokinetic data from our Phase 2a trial of Glypromate® in patients who underwent CABG surgery
- Announced preclinical results for NNZ-3006, a novel, naturally occurring variant of human growth hormone, demonstrating its ability to reduce fat deposits in two animal models without unwanted side effects
- Announced preclinical results for NNZ-2591, an orally administered diketopiperazine, demonstrating improved performance in a preclinical animal model of learning and memory
- Announced preclinical results for anti-TFF monoclonal antibodies in vitro and for anti-TFF polyclonal antibodies in a xenograft model of breast cancer
- Filed an Investigational New Drug application, or IND, for Glypromate® with the FDA

**2007**

- Completed and announced favourable safety and tolerability data from the Phase 1a trial of IV administration of NNZ-2566 in healthy volunteers
- Initiated enrolment in our Phase 3 trial of Glypromate® to reduce cognitive impairment in patients following cardiac surgery with cardiopulmonary bypass
- Executed a license agreement with the University of Auckland for a discovery-stage anti-cancer program based on development of antibodies against human growth hormone, or hGH, in hGH-producing cancers
- Initiated enrolment in our Phase 1b trial of NNZ-2566 in healthy volunteers
- Acquired Hamilton Pharmaceuticals, incorporating Motiva™
- Completed and announced favourable safety, tolerability and pharmacokinetic data from our Phase 1b trial of NNZ-2566 in healthy volunteers

**Future Objectives<sup>3</sup>**

- Initiate a Phase 2 trial of the IV formulation of NNZ-2566 in mild-to-moderate TBI in mid-2008
- Initiate a Phase 2a trial of the IV formulation of NNZ-2566 in severe TBI in mid-2008
- Data Safety Monitoring Committee to perform interim, unblinded safety analysis of our Phase 3 trial of Glypromate® in mid-2008
- Initiate a Phase 2b trial of Motiva™ in post-stroke psychiatric symptoms in mid-2008
- Complete enrolment in our Phase 3 trial of Glypromate® in late 2008
- Complete and announce results of our Phase 3 trial of Glypromate® in mid-2009
- Complete and announce results of our Phase 2 trial of the IV formulation of NNZ-2566 in mild-to-moderate TBI in mid-2009
- Complete and announce results of our Phase 2a trial of the IV formulation of NNZ-2566 in severe TBI in mid-2009
- Complete and announce results of our Phase 2 trial of Motiva™ in post-stroke psychiatric symptoms in mid-2009

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<sup>3</sup> The successful completion of this Offer, together with further capital raising, joint venture and licensing opportunities are necessary to fund all of the future objectives noted

**PURPOSE AND EFFECT OF THE OFFER****Purpose of the Offer and Use of Proceeds**

Neuren has a number of initiatives underway both locally (Australia and New Zealand) and internationally to raise further capital for the Company through the issue of securities to new investors. The Company is also actively pursuing a number of licensing and/or joint venture initiatives to assist in the funding required to take its pipeline of lead compounds through the next stage of clinical trials. The Directors have decided that until such funding is available, the primary focus of the Company should be the completion of the current Phase 3 Glypromate<sup>®</sup> trial and that this should be funded through this Offer.

If the Offer proceeds as contemplated and is fully subscribed, the total capital raise of A\$10.1 million (gross) will support completion of the first Glypromate<sup>®</sup> Phase 3 trial as well as associated overhead and corporate operating expenses. The underwritten amount of A\$7.1 million which is the minimum that will be raised under this Offer will trigger conversion of the outstanding convertible notes held by the former Hamilton Pharmaceuticals shareholders, will support Glypromate<sup>®</sup> clinical trial costs and overhead through 2008 and will allow other capital raising, joint venture and licensing opportunities currently underway to be pursued.

As this Offer is partially underwritten, the Directors have not established a minimum amount which must be raised before the Directors will accept subscriptions and allot New Shares under this Offer.

**Capital Structure**

The following table shows the number of Existing Shares at the date of the Offer and the total number of issued Shares at the close of the Offer assuming the Offer is fully subscribed.

	<b>Ordinary Shares</b>
Existing Shares at the date of this Letter of Offer	144,739,253
Total New Shares offered	72,369,626
Total issued Shares on Close of the Offer (if fully subscribed)	217,108,879

The above table assumes that no Options are exercised prior to the Record Date. These figures, and the total issued Shares on Close of the Offer are necessarily approximate as individual Entitlements will be rounded down when calculating entitlements. There are 20,637,627 issued options over Neuren Shares at the date of the Offer exercisable at prices ranging from NZ\$0.392 (approximately A\$0.35) to A\$0.60 per share with expiry dates ranging from December 2008 to March 2010. The options do not entitle the holder to participate in the Offer.

In addition, the minimum amount to be raised under this Offer, being the underwritten amount of A\$7.1 million, will (on acceptance of subscriptions of that amount) result in the conversion at A\$0.14 per Share of the convertible notes previously issued by Neuren with a principal amount of US\$3 million. The number of Shares to be issued on conversion of the convertible notes will depend on the exact Australian dollar to United States dollar exchange rate on conversion, however approximately 25.4 million Shares are expected to be issued on conversion.

**Underwriting arrangements – effect on capital structure and control**

Of the A\$10.1 million sought to be raised under the Offer (before the costs of the Offer), the Offer is underwritten to A\$7.1 million.

This means that, for example, if Shareholders take up their Entitlements or subscribe for additional New Shares in the Shortfall up to A\$5 million, the Underwriter will subscribe for the balance of A\$2.1 million, raising a total of A\$7.1 million. Similarly if, for example, Shareholders take up their Entitlements or subscribe for additional New Shares in the Shortfall up to A\$500,000, the Underwriter will subscribe for A\$6.6 million, raising a total of A\$7.1 million.

If the Offer is fully subscribed (whether through take up of Entitlements, Shortfall and/or underwriting), it will result in the issue of approximately 72.4 million New Shares, raising approximately A\$10.1 million.

The issue of New Shares under the Offer is not expected to have any effect on the control of the Company.

## ISSUE EXPENSES

The total expenses of the issue payable by the Company, including all legal costs, accounting fees, printing costs, share registry and other costs, are estimated to be A\$26,500 plus GST, excluding the underwriting and management fee which will be A\$425,880 plus GST (if applicable), and the 3,000,000 A\$0.25 options over ordinary shares, with a three year term, to be granted to the Underwriter on completion of the Offer.

A Shareholder in which Mr Trevor Scott, a director of the Company, has an interest has agreed to sub-underwrite the Offer for up to 6,570,000 New Shares, for which it will receive a sub-underwriting commission of 2.5% of the amount ultimately sub-underwritten. This sub-underwriting fee is to be paid by the Underwriter from its fees noted above.

No brokerage is payable by any Shareholder subscribing for New Shares comprising their Entitlement. The Company may at its discretion pay a commission on a Shortfall Application received, in particular in respect of applications bearing a broker stamp at the rate of between 2.5% and 5.0%, provided the Shortfall Application is accepted by the Directors and New Shares are subsequently allotted. The payment of any commission will be made 14 days after acceptance by the Company of a Shortfall Application.

## DESCRIPTION OF SHARES

The Shares are fully paid ordinary shares and are all of the same class and rank equally in every respect. Set out below is a summary of some of the principal rights of Shareholders pursuant to the Constitution. It does not purport to constitute an exhaustive or definitive statement of the rights and liabilities of the Shareholders. Investors are accordingly encouraged to inspect the Constitution.

The rights and liabilities attaching to the Shares are also regulated by the New Zealand Companies Act, the general law and the Listing Rules of the ASX.

### Meetings of Shareholders

Each Shareholder is entitled to receive a notice of and attend and vote at general meetings of the Company and to receive all notices, reports and financial statements required to be sent to Shareholders under the Constitution, the Companies Act, the Listing Rules or other requirements.

The Company may serve a notice on the Shareholder either personally, by sending it by post addressed to the Shareholder's registered address or to the Shareholder's email address.

### Voting Rights

At a general meeting, subject to any special privileges or restrictions as to voting for the time being attached to any special class of shares, on a show of hands every Shareholder present in person or by proxy has one vote. On a poll, each Shareholder present in person or by proxy will have one vote for every Share which that Shareholder holds or represents. No Shareholder will be entitled, in respect of Shares held by that Shareholder, to exercise voting rights or to form part of any quorum by virtue of his or her holding such Shares if any call or other sum presently payable by that member to the Company in respect of such Shares remains unpaid.

Subject to the Companies Act, the general law and the Listing Rules, in the case of equality of votes, whether on a show of hands by voice or on a poll, the Chairman of that Shareholders' meeting is not entitled to a second or casting vote.

## **Dividend Rights**

The Directors, in accordance with the Companies Act, may declare dividends.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will (as regards any Shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amount paid on the Shares during any portion or portions of the period in respect of which the dividend is paid. For this purpose, no amount paid on a Share in advance of calls will be treated as paid on the share.

## **Transfer of Shares**

Shares may be transferred electronically (by an electronic transfer system approved by any statute of New Zealand) or by instrument in a form as approved by the Directors and any stock exchange upon which the Company may be listed.

There will be no restriction on the transfer of Shares except where:

- required by law, the listing rules of any stock exchange upon which the Shares may be listed; or
- where the Board in its discretion granted by the Constitution refuses to transfer the Shares.

## **Issue of Further Shares**

Subject to the Companies Act, the Listing Rules and any special rights previously conferred on the holders of any existing shares or class of shares, the Directors may issue shares at any time without the prior approval of the Company in a general meeting, to any persons on such terms and conditions and for such consideration and at such time and on such payment terms as the Directors may think fit.

Any shares may be issued in such denomination or with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions or limitations including as to distributions, voting rights and ranking as the Directors may think fit.

## **Variation of Rights**

The issue of shares ranking equally with or in priority to any existing shares will not affect the rights of the existing shares unless specifically provided for in the terms of issue of those existing shares.

## **Winding Up**

If the Company is wound up (whether the liquidation is voluntary, under supervision, or by the court) the liquidator may, with the authority of a special resolution or any other sanction required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company and whether or not the assets will consist of property of the same or different kinds, and may for such purpose set such value as the liquidator deems fair upon any of the property to be divided as aforesaid and may determine how such division will be carried out as between the members or different classes of members.

The liquidator may, with the approval of the Company by special resolution, vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the approval of the Company by special resolution will think fit, and the Company dissolved, but so that no contributory will be compelled to accept any shares or other property in respect of which there is a liability.

## Share Buy Backs

The Company may buy Shares in itself on the terms and at the times determined by the Board, to extent and in the manner permitted by the listing rules of any stock exchange upon which the shares of the Company may be listed and the Companies Act.

## Compliance with ASX Listing Rules

The Constitution was amended on 4 October 2004 to incorporate Appendix 15A of the Listing Rules of the ASX. Accordingly, the following applies:

- Notwithstanding anything contained in the Constitution, if the Listing Rules prohibit an act being done, the act shall not be done.
- Nothing contained in the Constitution prevents an act being done that the Listing Rules require to be done.
- If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision.
- If the Listing Rules require the Constitution not to contain a provision and it contains such a provision the Constitution is deemed not to contain that provision.
- If any provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

## Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of the votes cast by Shareholders present and voting at the general meeting. At least 10 business days' written notice specifying the intention to propose the resolution as a special resolution must be given.

## Number of Directors

The number of Directors, other than alternate directors, will not be less than 3 or more than 9 or such other number as is fixed by an ordinary resolution of the Company. At least 2 Directors of the Company must be ordinarily resident in New Zealand.

## Appointment and Removal of Directors

Subject to the Constitution, the Board or the Company by ordinary resolution may appoint any person as a Director either to fill a casual vacancy or as an additional Director.

The Listing Rules require that the Company hold an election of Directors by ordinary resolution each year. The Directors, other than a managing director, must not hold office (without re-election) past the third annual meeting of Shareholders following the Director's appointment or 3 years, whichever is longer. However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual meeting of Shareholders.

The Company may by ordinary resolution, subject to the Constitution, from time to time remove any Director before the expiration of his or her period of office and appoint another person in their place.

## COMPANY DIRECTORY

### Directors

Dr Robin Congreve  
Mr Tom Amos  
Dr Graeme Howie  
Mr Trevor Scott  
Dr Douglas Wilson

### Company Secretary

Mr Robert Waring

### NZ Registered and Corporate Head Office

Level 1  
103 Carlton Gore Road  
Newmarket, Auckland  
New Zealand  
Tel: +64 9 529 3940  
Fax: +64 9 529 3941

### Australian Registered Office

Level 13  
122 Arthur Street  
North Sydney NSW 2060  
Tel: +61 2 9956 8500

### Broker and Underwriter to the Offer

Taylor Collison Limited  
Level 10, 167 Macquarie Street  
Sydney NSW 2000  
Tel: +61 2 9232 1688

### Auditor

PricewaterhouseCoopers  
188 Quay Street  
Private Bag 92162  
Auckland, New Zealand

### Share Registrar

Link Market Services Limited  
Level 9, 333 Collins Street  
Melbourne, Victoria 3000  
Australia  
Tel: +61 3 9615 9800  
Fax: +61 3 9615 9900

<b>DEFINITIONS AND INTERPRETATIONS</b>
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NZ\$	refers to New Zealand dollars
A\$	refers to Australian dollars
Application Form	the combined Entitlement & Acceptance and Shortfall Application Form that accompanies this Letter of Offer for Eligible Shareholders as at the Record Date.
Application Monies	the total monies payable by an applicant at the time of subscribing for a specified number of the New Shares
ASX	ASX Limited or the Australian Securities Exchange that it operates (as the context requires).
Board	the board of Directors of the Company
Close or Closing Date	the date so described in the table on page 1 of this Letter of Offer
Companies Act	the New Zealand Companies Act 1993
Company or Neuren	Neuren Pharmaceuticals Limited (New Zealand Registered Company Number AK1181152; Australian Registered Body Number 111 496 130), including its subsidiaries.
Constitution	the constitution of the Company as amended from time to time.
Corporations Act	the Australian Corporations Act 2001 (Cth)
Director	a director of the Company
Eligible Shareholders	means those Shareholders which the Company considers eligible to participate in the Offer, including without limitation: (a) all Shareholders with registered addresses in Australia; and (b) all Shareholders whose registered address is in New Zealand, and Eligible Shareholder means any one of those Shareholders.
Entitlement	the number of New Shares to which a Shareholder with a registered address in New Zealand or Australia at 5 p.m. (AEST) on the Record Date is entitled to apply for under this Offer and as set out in the Application Form
Existing Share	a fully paid ordinary share in the Company on issue at 7 p.m. (AEST) on the Record Date
Financial Reporting Act	the New Zealand Financial Reporting Act 1993
Letter of Offer or LOO	this Letter of Offer dated 19 December 2007
Listing Rules	the listing rules of the ASX as amended from time to time and for so long as the Company is admitted to the official list of the ASX
New Shares	up to 72,369,626 new ordinary shares in the Company offered to New Zealand and Australian resident shareholders pursuant to the Offer
Offer	this offer of New Shares made by the Company as set out in this Letter of Offer
Record Date	7 p.m. (AEST) on 2 January 2008
Share	one ordinary fully paid share in the Company, be it an Existing Share or a New Share
Shareholder	a holder of Existing Shares in the Company
Shortfall	the total New Shares from Entitlements not accepted by Shareholders under this Offer
Shortfall Application	an application for an allocation of New Shares, in excess of the Entitlement, from the Shortfall
Underwriter	Taylor Collison Limited (ACN 008 172 450)