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19 December 2007

Dear Optionholder

Neuren Pharmaceuticals Limited – Non-renounceable Rights Issue

On 19 December 2007 Neuren Pharmaceuticals Limited (“Neuren”) announced on ASX Limited a 1 for 2 non-renounceable rights issue (“Rights Issue”) of ordinary shares at A\$0.14 per New Share (or NZ\$0.16 per New Share for New Zealand resident shareholders) would be offered to Australian and New Zealand resident shareholders recorded on the share register on 2 January 2008 (“Record Date”). A copy of this announcement is available on the ASX website www.asx.com.au or from Neuren’s website www.neurenpharma.com.

The Company has entered into an underwriting agreement with respect to the rights issue whereby Taylor Collison Limited has agreed to underwrite the issue of 50.7 million shares, ensuring that the issue will raise a minimum of \$7.1 million before costs.

The underwritten amount of A\$7.1 million will support Glypromate® clinical trial costs and overhead through 2008. The full A\$10.1 million will support completion of the Glypromate® Phase 3 trial as well as associated overhead and corporate operating expenses. The Glypromate® Phase 3 trial is proceeding to plan.

Neuren has a number of licensing and joint venture initiatives underway both locally and internationally to assist in the funding required to ensure that the Company’s pipeline of other lead compounds moves through to the next stage of clinical trials during CY08. The Directors have decided that until such funding is available, the primary focus of the Company will be the completion of the current Phase 3 Glypromate® trial.

A shortfall facility has also been included in the Offer for those who wish to subscribe for more than their entitlement.

Neuren will seek quotation on the ASX of the New Shares issued pursuant to the Rights Issue.

The key information and dates are set out below for your information.

Summary of Key Information

Type of offer	Non-renounceable rights issue of approximately 72.4 million shares to Australian or New Zealand resident shareholders on the Record Date.
Offer price	A\$0.14 (or NZ\$0.16 for New Zealand Resident shareholders)
Offer ratio (Entitlement)	1 New Share for every 2 Existing Shares at the Record Date of 2 January 2008
Underwriter and underwriting and management fee	Taylor Collison Limited has agreed to underwrite the Rights Issue to A\$7.1 million for a total underwriting and management fee of A\$425,880

Proposed Timetable

Announcement of Rights Issue	19 December 2007
"Ex" Date	24 December 2007
Record Date	2 January 2008
Letter of Offer (and NZ Investment Statement and Prospectus) mailing date	8 January 2008
Offer closes	25 January 2008
Despatch date – issue of New Shares	5 February 2008

This timetable is indicative only and may be subject change, subject to the ASX Listing Rules.

Under the terms of the options that you currently hold there is no entitlement to participate in the Rights Issue. To be eligible to participate, you will need to exercise your options and ensure you are registered as a shareholder on or before 2 January 2008.

It should be noted that the exercise of your options is not compulsory. However if you want to participate in the Rights Issue, it will be necessary for you to exercise all or part of your options. If you wish to exercise your options and participate in the Rights Issue please contact the Chief Financial Officer at Neuren on +64 (9) 529 3999 or by email to enquiries@neurenpharma.com **on or before** Friday, 21 December 2007, as you will need to pay the exercise price and be noted on the share register before the Record Date of 2 January 2008.

Before deciding whether to exercise any or all of your options you should consider the terms of the Rights Issue carefully, and if in any doubt, consult with your professional adviser.

Yours sincerely



Mr Rob Turnbull
Chief Financial Officer