

25 March 2015

Dear Shareholder

I am pleased to invite you to attend Neuren's Annual Shareholders' Meeting in Melbourne, for which the following documents are enclosed:

- Notice of the meeting, including explanatory statement and notes;
- a personalised proxy form;
- regarding our Annual Report for 2014, an electronic copy of which is available for download from our website:
 - a Section 209 Notice; or
 - a printed copy of the Annual Report if you have previously elected to receive a mailed copy;
- a form to elect to receive shareholder communications electronically; and
- a return envelope.

The Annual Shareholders' Meeting will be held at Chartered Accountants Australia and New Zealand, Level 3, Bourke Place, 600 Bourke Street, Melbourne, VIC 3000 at 10:30 am (AEST) on Tuesday 28 April 2015. If you are able to attend, I look forward to welcoming you and ask you please to bring the personalised proxy form with you to assist with registration and admission to the meeting.

If you are unable to attend but wish to appoint a proxy, please either lodge your proxy form online, following the instructions on the proxy form, or complete the proxy form and return it to the share registry as instructed on the form.

I encourage you also to consider electing to receive Neuren communications electronically, which can be done via the share registry website (www.linkmarketservices.com.au), or by completing the enclosed election form and returning it to Link Market Services.

Yours sincerely



Dr Richard Treagus
Chairman

NOTICE OF ANNUAL SHAREHOLDERS' MEETING

Notice is given that the Annual Shareholders' Meeting of Neuren Pharmaceuticals Limited (Company or Neuren) will be held at Chartered Accountants Australia and New Zealand, Level 3, Bourke Place, 600 Bourke Street, Melbourne, VIC 3000, on Tuesday 28 April 2015 commencing at 10.30 am (AEST). In accordance with the Constitution, the Board has fixed 23 March 2015 as the date of shareholder entitlement to receive notice of the Annual Shareholders' Meeting.

BUSINESS

Executive Chairman's address

Annual Report

To receive and consider the annual report of the Company.

Ordinary Resolutions

1. To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Dr Trevor Scott be re-elected as a director of the Company."

2. To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That approval be given to the Company for the purposes of Listing Rule 7.1 to issue 20 million loan funded shares to Dr Clive Blower on the terms and conditions outlined in the Explanatory Memorandum accompanying this notice of meeting."

3. To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That PricewaterhouseCoopers be re-appointed as auditor to:

(a) hold office from the conclusion of this meeting to the conclusion of the next annual meeting;

(b) audit the financial statements for the year ending 31 December 2015;

and that the board of directors is authorised to fix the auditor's remuneration."

Each of these Resolutions is described in the attached Explanatory Memorandum which forms part of this Notice of Annual Shareholders' Meeting.

The Company is required to disregard any votes by a person who may participate in the proposed issue of securities and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. The Company will disregard any votes cast in relation to Resolution 2 by Dr Clive Blower and any of his associates.

However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

By order of the Board



Jon Pilcher
CFO & Company Secretary
Neuren Pharmaceuticals Limited
25 March 2015

EXPLANATORY MEMORANDUM

1. INTRODUCTION

The purpose of this Explanatory Memorandum, which forms part of the Notice of Annual Shareholders' Meeting dated 25 March 2015, is to provide shareholders with an explanation of the Resolutions to be proposed and considered at the Annual Shareholders' Meeting on 28 April 2015 ("Meeting") and to allow shareholders to determine how they wish to vote on these Resolutions.

2. ANNUAL REPORT

The Company's Annual Report for the year ended 31 December 2014 was lodged with the ASX on 25 March 2015 and is available for viewing and download from the Company's website www.neurenpharma.com. Shareholders should note that they will be able to ask questions or discuss matters arising from the financial statements at the Meeting however it is not the purpose of the Meeting that the Annual Report be accepted, rejected or modified in any way.

3. ELECTION OF DIRECTORS (ORDINARY RESOLUTION 1)

The ASX Listing Rules require that an entity which has directors must hold an election of directors each year. Accordingly Dr Trevor Scott offers himself for re-election.

Trevor has been a director of Neuren since March 2002. He is the founder of T.D. Scott and Co., an accountancy and consulting firm, which he formed in 1988. He is an experienced advisor to companies across a variety of industries and has served on and chaired numerous corporate boards. Trevor is resident in New Zealand. He is a significant shareholder in Neuren, having participated personally in a number of past capital raisings.

Trevor provides a number of valuable attributes and skills to the Board. He is considered an independent director. Amongst his various business qualifications, Trevor is a Chartered Accountant and his financial expertise is important for the Board generally, as well as enabling him to chair an effective Audit Committee. He also provides a link to Neuren's significant shareholder base in New Zealand.

4. APPROVAL OF THE ISSUE OF LOAN FUNDED SHARES FOR NEUREN'S VICE PRESIDENT, PRODUCT DEVELOPMENT AND TECHNICAL AFFAIRS (ORDINARY RESOLUTION 2)

4.1. Background

On 25 August 2014, Dr Clive Blower commenced employment with Neuren as Vice President, Product Development and Technical Affairs. This appointment has supported Neuren's strategy to optimise the technical attributes, manufacturing process and commercial product supply of trofinetide as it progresses towards the final stages of development. Clive has 20 years' experience in all stages of drug development and has brought to Neuren a very broad technical pharmaceutical knowledge with extensive hands-on experience interacting with global contract manufacturers and the US Food and Drug Administration.

In his employment agreement, the Company agreed to issue to Clive 20 million Loan Funded Shares as a long term incentive. This incentive plan has been designed to support the achievement of the

Company's business strategy by linking executive reward to improvements in shareholder value and providing strong alignment between the interests of executives and shareholders.

The Board resolved to issue the Loan Funded Shares to Clive on 24 September 2014. Clive is not a director of the Company and therefore approval from shareholders under Chapter 10 of the Listing Rules is not required in order to issue the Loan Funded Shares. However, the Company is seeking approval from shareholders to issue the Loan Funded Shares for the purposes of Listing Rule 7.1 (Resolution 2), so that the Company's capacity to issue new shares is not reduced.

4.2. Details of the Loan Funded Shares to be issued

The number of Loan Funded Shares to be issued to Clive is 20 million. The issue price is A\$0.082 per share, being the closing market price of the Company's shares on 24 September 2014, the date on which the Board resolved to issue the shares.

The Loan Funded Shares will be issued under the Company's Loan Funded Share Plan ("LFSP") Rules. The purchase of the shares by Clive will be funded using a loan provided by the Company ("Loan"). The Loan initially will equal the number of Loan Funded Shares issued multiplied by the issue price. The Loan is an interest-free, limited recourse loan in accordance with the loan terms and the LFSP Rules. The Loan Funded Shares shall rank equally with the Company's other issued ordinary shares but will remain in a trust operated by the Company ("Trust") until the Vesting Conditions are met and the Loan repaid, following which Clive shall be free to deal with the issued shares in accordance with the Company's Securities Trading Policy.

Vesting Conditions of Shares

The Loan Funded Shares will vest if, and to the extent that, the following conditions are met:

- a. Clive is continuously an employee of the Company for a period of three years commencing on 24 September 2014, being the day on which the Board resolved to issue the Loan Funded Shares, ("Issue Date") and finishing on the third anniversary of the Issue Date (or such other date on which the Board makes a determination as to whether the Vesting Condition has been met) (the "Vesting Period"); and
- b. 50% of the Loan Funded Shares shall each vest where each of the following performance conditions are met:
 - i. The Total Shareholder Return ("TSR") on the Company's ASX-listed ordinary shares equals or exceeds 75% over the Vesting Period. The TSR is calculated using the average closing share price over the period of 30 consecutive trading days concluding on the Issue Date and the average closing share price over the period of 30 consecutive trading days concluding on the date on which the Vesting Period ends; and
 - ii. Within the Vesting Period, either:
 1. The Company determines to progress a product candidate to a Phase 2b or Phase 3 clinical trial following a positive Phase 2 clinical trial outcome and a national regulatory authority approves the initiation of such trial, or
 2. A material partnering or licensing transaction is concluded.

Both of these Vesting Conditions will be tested at the end of the Vesting Period.

Restrictions on Disposal of Shares

The Loan Funded Shares are subject to disposal restrictions, such that the Loan Funded Shares will continue to be held in trust and only transferred to Clive after:

- the Vesting Conditions have been satisfied; and
- any outstanding Loan balance has been repaid.

Forfeiture of Shares

The executive's rights to and interests in the Loan Funded Shares shall be automatically and immediately forfeited (expire) if he ceases to be an employee of the Company before the end of the Vesting Period, however in exceptional circumstances such as death in service the Board may decide that the Loan Funded Shares are not forfeited.

Change of Control

In the event of a change in control of the Company during the Vesting Period, control being when a person and their associates (as defined in the New Zealand Takeovers Code) becomes the holder or controller of more than 50% of the ordinary shares of the Company, the Board will decide whether any unvested Loan Funded Shares vest and, if the terms of the Loan are complied with, that those Loan Funded Shares can be transferred to Clive.

Source of Shares and enforcement of LFSP Rules

The Loan Funded Shares will be issued to the Trust to be held on behalf of Clive. On satisfaction of the conditions contained in the LFSP, the trustee of the Trust may, at its discretion, transfer the Loan Funded Shares from the Trust to Clive or dispose of the Loan Funded Shares and provide any proceeds of the disposal to him.

The full terms and conditions of the Loan will be detailed in the Loan Agreement between Clive and the Company. The Loan commences on the date that the Loan Funded Shares are issued to the Trust on trust for Clive and ends at the earliest of the following:

- five years from the Issue Date;
- the date Clive ceases to be an employee of the Company;
- the date the Loan Funded Shares are forfeited;
- the date the Board determines any of the Vesting Conditions will not be satisfied; or
- the date, other than above, that Clive and the Company agree to in writing.

The Loan is interest free and limited recourse. Limited recourse means the repayment amount will be the lesser of the outstanding Loan value and the Market Value of the Shares that are subject to the Loan. If the Shares are of lower value than the Loan balance at the time that Clive is required to repay the Loan, the Shares may be bought-back or disposed of at the discretion of the Company and the proceeds applied in full satisfaction of the Loan obligations.

The Loan must be repaid in full, and the Vesting Conditions satisfied, before the Loan Funded Shares can be transferred to the holder.

If dividends are paid by the Company on the Loan Funded Shares, the Company or the Trust will withhold and remit any applicable taxes including withholding taxes, if any are required to be withheld, and apply the after tax value of the dividends to the repayment of the Loan.

If the Loan period ends, the Company may sell or buy-back some or all of the Loan Funded Shares to satisfy the outstanding Loan balance. The proceeds from any sale or buy-back of the Loan Funded Shares will be applied to repay the outstanding Loan balance and any excess funds after costs and expenses will be remitted to Clive if he is entitled to them.

No funds will be raised until the Loan is repaid, upon which the funds will be used as working capital.

The Loan Funded Shares will be issued as soon as practicable after the date of the Annual Shareholders' Meeting and in any event no more than 3 months after the meeting.

The Company will provide financial assistance to Clive in connection with his acquisition of Loan Funded Shares under the LFSP Rules. Financial assistance will take the form of:

- a. the interest free, limited recourse loan by the Company to Clive for the subscription price for the Loan Funded Shares (being A\$1,640,000); and
- b. payment of the operating costs of the Trust.

Under section 78 of the New Zealand Companies Act 1993, prior to providing financial assistance to a person to acquire shares, the Company must send a disclosure document to shareholders that complies with section 79. This Explanatory Memorandum is such a disclosure document.

On 24 March 2015, the Board resolved to provide the financial assistance specified above to Clive. The text of the Board resolutions authorising the Company to provide financial assistance pursuant to section 78 of the New Zealand Companies Act 1993 includes as follows:

1. That the Company should provide financial assistance to Dr Clive Blower pursuant to the LFSP, such financial assistance to take the form of:
 - an interest free, limited recourse loan to Dr Blower for the amount of A\$1,640,000 to enable him to acquire 20 million Loan Funded Shares under the LSFP; and
 - payment of the operating costs of the Trust.
2. That giving the financial assistance is in the best interests of the Company and is of benefit to those shareholders not receiving the financial assistance.
3. That the terms and conditions under which the financial assistance is to be given are fair and reasonable to the Company and to those shareholders not receiving the financial assistance.
4. That, immediately after giving the financial assistance, the Company will satisfy the solvency test as defined in sections 4 and 77 of the Companies Act 1993.

The reasons for the Directors' conclusions in the resolutions concerning the giving of financial assistance in respect of the LFSP are:

- giving the assistance is in the best interests of the Company, and is of benefit to those shareholders not receiving the financial assistance, because it increases the alignment of the interests of Dr Blower and shareholders and rewards Dr Blower for the creation of shareholder wealth, and, therefore creates incentives for Dr Blower to strive to ensure that the Company performs for the benefit of all its shareholders;
- the terms and conditions are fair and reasonable to the Company and to those shareholders not receiving the assistance because the costs of providing the financial assistance are relatively small and are outweighed by the benefit of the alignment of interest that is achieved under the LFSP;
- the vesting conditions of the Loan Funded Shares are intended to encourage Dr Blower to achieve the outcomes embodied in those vesting conditions; and
- in the opinion of the directors, the provision of financial assistance under schemes of this kind is consistent with market practice in the area of executive incentive schemes currently operated in New Zealand and Australia.

5. APPOINTMENT OF AUDITOR (ORDINARY RESOLUTION 4)

The New Zealand Companies Act 1993 provides that at each Annual Shareholders' Meeting the Company must appoint an auditor and fix the auditor's remuneration. PricewaterhouseCoopers has consented to continuing as auditor.

6. HOW TO VOTE

Persons entitled to attend and vote

The persons who will be entitled to attend and vote at the Meeting are those persons (or their proxies or representatives) registered as holding Ordinary Shares on Neuren's share register at 7.00 pm (AEST) on 24 April 2015.

To vote on the resolutions to be put to the meeting follow these steps:

1. Attend the Meeting. Please bring the enclosed Proxy Form with you to assist registration at the Meeting.

OR

Complete the enclosed Proxy Form and return it to Neuren's share registry Link Market Services by facsimile or mail as directed on the Proxy Form, or lodge it on-line at the registry's website (www.linkmarketservices.com.au) in accordance with the instructions given there (you will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website)

Documents received or lodged later than 10.30 am (AEST) on 26 April 2015 will not be valid for the Meeting.

Proxies and Corporate Representatives

Shareholders entitled to attend and vote at the Meeting may appoint a proxy or representative (in the case of a corporate shareholder) to attend the meeting and vote on their behalf by completing the enclosed Proxy Form. A proxy or representative need not be a shareholder of Neuren. Proxy Forms must be received by Neuren's share registry Link Market Services at the address on the enclosed Proxy Form by 10.30 am (AEST) on 26 April 2015. A representative should bring to the Meeting evidence of his or her appointment by the shareholder.



pharmaceuticals

Neuren Pharmaceuticals Limited

ARBN 111 496 130

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Neuren Pharmaceuticals Limited
C/- Link Market Services Limited
PO Box 91976
Victoria Street West
Auckland 1142 New Zealand

BY FAX
+64 9 375 5990

BY HAND
Link Market Services Limited
Level 7, Zurich House, 21 Queen Street, Auckland

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Neuren Pharmaceuticals Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:30am (AEST) on Tuesday, 28 April 2015 at Chartered Accountants Australia and New Zealand, Level 3, Bourke Place, 600 Bourke Street, Melbourne VIC 3000 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*
1 Re-elect Dr Trevor Scott as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approve for the purposes of Listing Rule 7.1 the issue of 20 million loan funded shares to Dr Clive Blower	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-appointment of PricewaterhouseCoopers as the auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 2

i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

STEP 3

NEU PRX501A



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am (AEST) on Sunday, 26 April 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Neuren Pharmaceuticals Limited
C/- Link Market Services Limited
PO Box 91976
Victoria Street West
Auckland 1142 New Zealand



BY FAX

+64 9 375 5990



BY HAND

delivering it to Link Market Services Limited*
Level 7, Zurich House
21 Queen Street
Auckland

* in business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

