



Neuren Pharmaceuticals Limited
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27 September 2007

Dear Shareholder

Please find enclosed Neuren's Interim Report to 30 June 2007.

Also enclosed is the Notice of Special Meeting for shareholders to approve the acquisition of Hamilton Pharmaceuticals Inc announced 31 July 2007. The Special Meeting is to be held at 12.30 pm (NZT) on Friday 12 October 2007 in our offices on Level 1, 103 Carlton Gore Road, Newmarket, Auckland.

Hamilton's principal asset is a licence for Motiva™, or nefiracetam, a novel cyclic gamma-aminobutyric acid derivative that we intend to conduct a Phase 2 clinical trial for in post-stroke depression. It provides us with a late stage clinical compound with human efficacy data under a U.S. Investigational New Drug (IND) application, and complements our capabilities in the field of neurocognitive end points. The acquisition will also provide us with three U.S. and European-based institutional investors, two of which have agreed to invest further subject to the completion of the acquisition. Further information about Hamilton and the acquisition is set out in the enclosed Notice of Special Meeting and announcement dated 31 July.

I look forward to seeing you at the above meeting. If you are unable to attend I encourage you to register your vote by proxy 48 hours prior to the Special Meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read "Dr Robin Congreve".

Dr Robin Congreve
Chairman

Neuren to obtain late stage compound through Hamilton Pharmaceuticals acquisition

~ Two leading life science VCs to invest US\$3m in Neuren ~

Key Points:

- **Acquisition of a compound - Motiva™ - with successful safety and Phase II efficacy data in human clinical trials**
- **US Investigational New Drug (“IND”) application currently active**
- **Strengthens Neuren’s position as key player in the CNS field**
- **Two leading life science VCs to invest US\$3 million in Neuren**
- **Neuren will have one Phase III and three Phase II studies in 2008, with results expected in early 2009**

Tuesday, 31 July 2007: Neuren Pharmaceuticals (ASX: NEU) today announced that it will acquire Hamilton Pharmaceuticals (“Hamilton”) in a transaction that will provide Neuren a late stage compound with proven human efficacy and add three leading life science investors as shareholders in Neuren. The acquisition represents a major milestone for Neuren and will position the Company as a key player in the central nervous system (“CNS”) field, specialising in cognitive and psychological effects of CNS injury.

Under the binding term sheet, the acquisition is to be implemented using Neuren scrip only, with no cash payment to be made by Neuren. Neuren will acquire 100% of Hamilton, whose principal asset is Motiva™, in exchange for US\$4.4 million in Neuren ordinary shares at the average closing share price for the last five trading days (the “Purchase Share Price”) prior to today’s announcement. Two Hamilton investors, Vivo Ventures and CNF Investments, will also invest US\$3 million into Neuren.

In addition, contingent Motiva™ related milestones to Hamilton are as follows:

- Successful completion of Phase II - US\$0.5 million in warrants to purchase Neuren ordinary shares at the Purchase Share Price
- Initiation of a Phase III pivotal study - US\$0.5 million in warrants to purchase Neuren ordinary shares at the Purchase Share Price
- First filing of a New Drug Application (“NDA”) or equivalent - US\$1 million of Neuren ordinary shares at the then market share price when the milestone is reached
- First approval of NDA or equivalent - US\$2 million of Neuren ordinary shares at the then market share price when the milestone is reached

The three major venture capital investors from Hamilton, Vivo Ventures of Palo Alto, California, CNF Investments of Bethesda, Maryland and Index Ventures of Geneva, Switzerland, will become shareholders in Neuren through the transaction. These companies are leading life sciences investors with funds of more than US\$2 billion under combined management. The managers of these funds have a strong focus and experience in CNS drug development.

Upon the closing, Vivo Ventures and CNF Investments will invest US\$3 million in Neuren by way of a convertible note which will convert to ordinary shares on the same terms provided to investors in the next major fundraising.



Hamilton shareholders have unanimously approved the acquisition, and Neuren will seek approval from its own shareholders prior to completion of the transaction. The definitive legal agreement is being prepared. Ongoing operating costs for Hamilton are negligible and Neuren will not be retaining any Hamilton management.

Through the acquisition, Neuren will obtain a Phase IIb compound - Motiva™ - which is being developed for psychological and cognitive disorders resulting from stroke, traumatic brain injury, Alzheimer's and Parkinson's disease. The compound already has proven human safety and efficacy in 1,700 patients. Exclusive rights to develop and commercialise Motiva™ intellectual property in the US and EU were licensed by Hamilton from Daiichi Pharmaceutical Company in 2004.

Motiva's™ mode of action increases neurotransmitter concentrations in the cortex of the brain. The drug has clinical efficacy signals in post-stroke depression (see appendix for details). This class of compounds, called acetams, includes approved drugs with sales in excess of US\$700 million in the first half of 2007, including levetiracetam (Keppra®, UCB Pharma) and piracetam (Nootropil®, UCB Pharma). Motiva™ is protected by more than 40 issued patents, three of which have issued in the US. The broad range of activity associated with increased concentrations of cortical neurotransmitters has potential applicability to a number of CNS indications.

Motiva™ has been studied in two randomized clinical trials (RCT) which showed clinically and statistically significant efficacy of the drug. In 2006, a third trial in post-stroke patients was suspended due to poor Contract Research Organisation ("CRO") execution. Motiva's™ approved IND application from the US Food and Drug Administration remains open and there are sufficient quantities of Motiva™ available to complete a Phase II trial.

Neuren intends to conduct a larger Phase II trial of Motiva™ with a broader range of endpoints and tighter patient attributes in 2008. Neuren will thereby be conducting one Phase III trial and three Phase II trials in 2008, all focusing on cognitive and psychological effects of acute CNS injury, with results expected by early 2009.

Commenting on the pending acquisition, David Clarke, Neuren's CEO and Managing Director, said: "This is a major step forward in Neuren's strategic development. It adds an extremely promising compound to our portfolio and, at the same time, significant representation and commitment by world class life sciences investors. This transaction confirms Neuren's intent to be a significant player in the CNS sector of the global biotechnology industry."

Mr. Robert Flanagan, a managing partner of CNF Investments and Board Member of Hamilton Pharmaceuticals, said: "We are pleased to be forming this relationship with Neuren. Neuren clearly brings the capabilities and commitment not only to develop Motiva™ but also to maximise the value of their promising pipeline. We look forward to a productive and exciting association."

Appendix:

Motiva™

Motiva™ (nefiracetam) is a novel cyclic GABA derivative with a chemical name of N-(2,6-dimethylphenyl)-2-(2-oxo-1-pyrrolidinyl) acetamide. Motiva™ differs from other acetams by the addition of a substituted benzene ring, its pharmacologic profile and its behavioral effects in animal models.

Mechanism of Action

As a result of Gi/Go inhibition, N and L type voltage-gated calcium channels and components of the adenylate cyclase cascade become activated. Multiple pre-clinical studies have shown that Motiva™ induces substantial increases in cortical neurotransmitters, most notably acetylcholine and dopamine.

Animal Model Activity

Motiva™ significantly improves performance in several animal models of motivated, interactive and cognitive behavior. These include the forced swimming test, water maze test, T-maze test for food reward, and the social interaction test. Active doses are in the range of 3 to 30mg/kg. In the same dose range, Motiva™ has been shown to restore the regional glucose utilisation reductions that occur in rodent cerebral cortex following unilateral infarction.

Preclinical Toxicology

Motiva™ has been exhaustively evaluated in *in vitro* and *in vivo* toxicological studies. NOAELs were established in the 100 to 480mg/kg range in 13 week GLP rat, dog and monkey studies. Twelve month GLP evaluations in these three species identified testes and kidneys as target organs. Transient effects on activity (CNS depression) were demonstrated at high doses in acute and subchronic toxicity tests. There were no significant findings in long-term, high-dose DART, carcinogenicity and mutagenicity studies.

Clinical Safety Data

Motiva™ has been studied in over 1,700 subjects in Phase I, IIa and IIb trials conducted in the US, Japan and China.

Motiva™ was evaluated in six Phase I studies (two in the US), with 140 subjects with single doses (up to 1200mg per day) and multiple doses (up to 900mg per day). Pharmacokinetic findings showed excellent oral bioavailability, absorption unaffected by food, primary clearance by metabolism, inactive metabolites, and a half-life of 6.5 hours. Motiva™, at daily doses up to 1200mg and durations exceeding 6 months, has been found to be safe and well tolerated in all clinical studies conducted to date. A total of 100 individuals have received Motiva™ at 900mg a day or above. In most studies, the frequency and type of adverse effects in placebo and drug tested patients were indistinguishable. For example, in a placebo population (N=130), adverse effects were found in 4% of the patients, compared to a Motiva™ population (N>100) where adverse effects occurred in 5%. No laboratory evidence of cardiovascular or organ toxicity has been identified.

Clinical Efficacy Data

Multiple trials have been conducted in North America and Japan by Daiichi Pharmaceuticals.

First RCT Motiva™ Trial (Daiichi)

The first randomised controlled clinical trial to evaluate Motiva™'s efficacy in treating abulia or apathy, a dysmotivational syndrome closely associated with post-stroke depression, was



pharmaceuticals

conducted in post-stroke patients suffering from moderate to severe psychiatric symptoms. Two parallel groups of 120 patients each received either placebo or Motiva™ 150mg tid for 8 weeks. Response to treatment was rated on a scale of 0 to 4 at weeks 4 and 8. Primary analysis of the results from all patients studied revealed significant improvement with Motiva™ compared to placebo in the scale used to evaluate apathy or abulia, which was a Japanese scale that translated as “reduced spontaneity”. Results of the activities of daily living (“ADL”) scale also tended to improve (3 fold higher) on primary analysis of all patient data, but especially in those with recent stroke (within 3 months) who evidenced a clinically and statistically significant degree of benefit.

Second RCT Motiva™ Trial (Daiichi)

A second randomised controlled trial (Phase IIa) of Motiva™ was conducted in 135 patients who were suffering from post-stroke depression, with treatment initiated between 10 days to 3 months post-stroke. Three parallel groups received either placebo or Motiva™ at 600 or 900mg/day for 12 weeks. Primary analysis showed a time- and dose-dependent trend towards improvement in apathy. Data were subjected to secondary analysis which showed patients with cortical lesions demonstrating the largest benefit. These analyses demonstrated a statistically and clinically significant improvement.

In addition, the Functional Independence Measure (“FIM”), an endpoint measuring the activities of daily living, and a standard assessment of frontal lobe cognitive function, the Symbol Digit Modalities Test (“SDMT”), both improved significantly in a time- and dose-dependent fashion. These are well-recognised and accepted FDA endpoints.

Importantly, the data also showed a substantial improvement in relevant functional measures. Positive changes in FIM score indicate patient improvement in the activities of daily living, while positive changes in SDMT indicate improved frontal lobe cognitive function.

Based on the robustness of the pre-clinical and clinical data demonstrating Motiva’s™ efficacy in the treatment of apathy, Hamilton licensed the Motiva™-related intellectual property from Daiichi in order to conduct additional trials designed to replicate the results seen in the US Phase IIa trials. Hamilton met with the FDA in April 2005 in an end of Phase I/II meeting to discuss clinical and regulatory plans. Based upon positive feedback and guidance from the FDA, Hamilton subsequently initiated a limited Phase IIb feasibility study in November 2005. After disappointing execution of the trial by the CRO, the company stopped the trial in early 2006. No drug-related adverse safety or toxicity findings occurred in any of the treated patients.

Intellectual Property

Motiva™ is protected by a broad portfolio of more than 40 issued patents worldwide surrounding the use of nefiracetam, including issued US patents with coverage extending beyond 2019. The US patent portfolio includes:

- 11/406,158 (Pending) – Method of Treating Apathy (provisional 60/673,555 filed in 2005)
- 6,399,650 – Method for Improving Disturbancies of Activities of Daily Living After Stroke
- 10/487,320 – Use of Nefiracetam for treating Neurodegeneration
- 6,423,739 – Method of Aiding Cerebral Recovery Following Neurodegeneration
- 5,886,023 – Agent for Improving Dementia
- 10/450,524 (Pending) – Agent for Therapeutic and Prophylactic Treatment of Neuropathic Pain

About Vivo Ventures

Vivo Ventures (Palo Alto, California) is a life-sciences focused venture capital firm formed in 1996 with over US\$650 million under management. Vivo Ventures recently closed the Vivo Ventures Fund VI, a US\$275 million Life Science Venture Fund. With over 90 years of scientific and operational expertise in biotechnology, Vivo makes investment decisions for the Funds and helps its portfolio companies develop corporate strategy, arrange licensing agreements and strategic alliances, recruit key management personnel, and acquire new products and technology to accelerate growth. Its current portfolio includes more than 60 private and public biotechnology companies in the areas of biopharmaceuticals, specialty pharmaceuticals, and medical devices.

About CNF Investments

Established in 1997, CNF Investments (Bethesda, Maryland) is an affiliate of Clark Enterprises, Inc. a diversified investment company headquartered in Bethesda, Maryland which is one of the largest privately held companies in the Washington, DC metropolitan area with holdings in real estate; commercial, heavy and residential construction; and venture capital, private equity and other investments. CNF Investments actively invests in venture capital and private equity. CNF Investments team members Robert Flanagan and Joseph Del Guercio manage over US\$125 million in capital with current investments in pharmaceutical, biotechnology and medical device; communications; financial services; software / technology; oil and gas; and consumer products.

About Index Ventures

Index Ventures is a venture capital fund dedicated to helping top entrepreneurial teams build their companies into global leaders. Index proactively seeks out opportunities to invest in companies with products and services that drive the transformation of their industries. Managing US\$1 billion in capital, the Index team has become a major player on the VC world stage with an unrivalled network in Europe, as well as in the US. The firm has offices in Geneva and London.

About Neuren Pharmaceuticals

Neuren Pharmaceuticals (ASX: NEU) is a biopharmaceutical company developing novel therapeutics in the fields of brain injury and diseases and metabolic disorders. The Neuren portfolio consists of six product families, targeting markets with large unmet needs and limited competition. Neuren has three lead candidates, Glypromate[®] and NNZ-2566, presently in clinical trials to treat a range of acute neurological conditions, and NNZ-2591 in preclinical development for Parkinson’s and other chronic conditions. Neuren has commercial and development partnerships, including with the U.S. Army Walter Reed Army Institute of Research, Metabolic Pharmaceuticals, UCLA Medical Center and the National Trauma Research Institute in Melbourne.

For more information, please visit Neuren’s website at www.neurenpharma.com

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NOTICE OF SPECIAL MEETING

Notice is given that a Special Meeting of Neuren Pharmaceuticals Limited shareholders will be held at the Company's offices at Level 1, 103 Carlton Gore Road, Newmarket, Auckland, New Zealand, on Friday 12 October 2007 commencing at 12.30 pm (NZT). In accordance with the Constitution, the Board has fixed 21 September 2007 as the date of shareholder entitlement to notice of the Special Meeting.

BUSINESS

Ordinary Resolutions

Resolution 1 - Approval to Issue Shares to acquire Hamilton Pharmaceuticals, Inc

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

"That, for the purposes of Listing Rule 7.1 of the Listing Rules of ASX Limited and for all other purposes, and subject to the passing of all other resolutions in this Notice of Special Meeting, the Company approves and authorises the allotment and issue of 14,634,851 fully paid ordinary shares as consideration for the acquisition of Hamilton Pharmaceuticals, Inc on the terms and conditions described in the Explanatory Memorandum accompanying this Notice."

Resolution 2 - Approval of Issue of Convertible Notes

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

"That, for the purposes of Listing Rule 7.1 of the Listing Rules of ASX Limited and for all other purposes, and subject to the passing of all other resolutions in this Notice of Special Meeting, the Company approves and authorises the issue of Convertible Notes up to a maximum value of US\$3,000,000, and the issue of ordinary shares upon the conversion of the Convertible Notes, on the terms and conditions described in the Explanatory Memorandum accompanying this Notice."

Each of these resolutions is described in the attached Explanatory Memorandum which forms part of this Notice of Special Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read "R Waring".

Mr Robert Waring
Company Secretary
Neuren Pharmaceuticals Limited
27 September 2007

EXPLANATORY MEMORANDUM

1. INTRODUCTION

This Explanatory Memorandum forms part of the Notice of Special Meeting dated 27 September 2007 and has been prepared to provide shareholders with information on matters to be considered at the Special Meeting on 12 October 2007.

The purpose of this Explanatory Memorandum is to provide shareholders with information that the Board of directors of the Company ("Board") believes to be material to shareholders in deciding whether or not to approve the resolutions. At the Special Meeting, shareholders will be asked to consider resolutions approving:

1. the issue of shares to acquire Hamilton Pharmaceuticals, Inc; and
2. the issue of Convertible Notes, and the issue of ordinary shares on conversion of the Convertible Notes.

Each of the resolutions is an ordinary resolution requiring it to be passed by a simple majority of votes cast by shareholders entitled to vote on the resolution. Further information regarding each of these resolutions is set out below.

This Explanatory Memorandum is an important document, and should be read in its entirety by all shareholders.

2. RESOLUTION 1 - APPROVAL TO ISSUE SHARES TO ACQUIRE HAMILTON PHARMACEUTICALS, INC

Resolution 1 seeks shareholder approval for the allotment and issue of 14,634,851 fully paid ordinary shares pursuant to the Acquisition Agreement described below. As the acquisition is a scrip-for-scrip transaction, no funds will be raised from the issue of these shares.

None of the Directors of the Company has any personal interest in the transaction which is the subject of this Resolution. Each of the Directors voted in favour of putting the Resolution to shareholders for approval and approved the contents of this Explanatory Memorandum. The Directors unanimously recommend that shareholders vote in favour of the Resolution. The shareholders of Hamilton Pharmaceuticals, Inc. have unanimously approved the acquisition.

2.1. ACQUISITION AGREEMENT

On 30 July 2007, the Company entered into an agreement with the shareholders of Hamilton Pharmaceuticals, Inc ("Hamilton") to acquire Hamilton.

A detailed description of Hamilton and its licensed compound, Motiva™, can be found in the Company's announcement dated 31 July 2007 which is attached to the Chairman's covering letter to this Notice.

The material terms of the Acquisition Agreement related to the acquisition of Hamilton are as follows:

- 2.1.1. The Company agreed to acquire all of the outstanding shares of common stock of Hamilton from the Hamilton shareholders;
- 2.1.2. Consideration for the purchase of the Hamilton shares is US\$4,400,000 of Neuren ordinary shares, the number of Neuren ordinary shares to be issued calculated as:
 - (a) US\$4,400,000
 - (b) divided by the average closing price of shares in Neuren on the Australian Securities Exchange in the previous five trading days prior to the announcement of the acquisition and

- (c) further divided by the Australian dollar to United States dollar exchange rate quoted by the Reserve Bank of Australia at the close of the trading day prior to the announcement of the acquisition.

The average closing price of Neuren shares in the five trading days prior to announcement of the transaction was A\$0.354, and the exchange rate was one United States dollar to 0.8493 Australian dollars.

- 2.1.3. On the achievement of certain milestones, the shareholders of Hamilton receive the following further consideration:
- (a) Upon successful completion of Phase II clinical trial of Motiva™, US\$500,000 in warrants to purchase Neuren ordinary shares at A\$0.354 per share;
 - (b) Upon initiation of a pivotal Phase III clinical trial of Motiva™, US\$500,000 in warrants to purchase Neuren ordinary shares at A\$0.354 per share;
 - (c) Upon filing of a New Drug Application (“NDA”) or equivalent in the United States or western Europe, US\$1.0 million in Neuren ordinary shares at the then market share price; and
 - (d) Upon NDA or equivalent approval in the United States or Western Europe, US\$2.0 million in Neuren ordinary shares at the then market share price.

These further milestone payments are not the subject of the resolutions set out in this Notice of Special Meeting. If required, shareholder approval will be sought on achievement of each milestone.

Motiva™ is also subject to future milestone payments and royalties to Daiichi Pharmaceutical Co., Ltd., now Daiichi Sankyo Co., Ltd., pursuant to an existing license agreement between Daiichi and Hamilton.

- 2.1.4. The conditions to the Acquisition Agreement include the obtaining of approval of the shareholders of Neuren. Accordingly, if, for example, the resolutions set out in this Notice of Special Meeting are not passed by shareholders, completion of the transaction will not occur and the Acquisition Agreement may be terminated.

2.2. CLOSING

The issue and allotment of the 14,634,851 fully paid ordinary shares pursuant to the Acquisition Agreement will take place on completion of the acquisition, which is anticipated to take place on or about 15 October 2007. In any event, the issue of the shares must take place no later than 3 months after the date of this Meeting (without a waiver of the relevant listing rule requirement).

Based on currently issued Neuren ordinary shares of 131,113,810, the ordinary shares to be issued will represent 10.0% of the post-issue outstanding ordinary shares. The shares are to be issued as follows:

Hamilton shareholder	Post-issue % shareholding in Neuren
BioAsia (various investment funds associated with Vivo Ventures)	5.4%
Index Ventures	2.0%
CNF Investments LLC	2.6%

2.3. EFFECT OF ACQUISITION

The effect of the Hamilton acquisition on the Company’s unaudited financial statements is set out on a pro forma basis as at 30 June 2007 under section 4 below.

2.4. VOTING EXCLUSION

The Company will disregard any votes cast on this Resolution 1 by any person who may participate in the proposed issue and any person who may obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) and any associates of those persons (other than votes cast:

- (a) as proxy in accordance with the directions on the proxy form, for any other shareholder of the Company who is entitled to vote; or
- (b) by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.)

Accordingly, each of BioAsia, Index Ventures and CNF Investments LLC are excluded from voting on Resolution 1.

3. RESOLUTION 2 - APPROVAL OF ISSUE OF CONVERTIBLE NOTES

Resolution 2 seeks shareholder approval for the allotment and issue of Convertible Notes up to a maximum value of US\$3,000,000, and the issue of securities upon the conversion of the Convertible Notes, on the terms and conditions described below. The Company intends to use the amount raised from the issue of the Convertible Notes to fund its ongoing clinical trial activities and working capital requirements. The Convertible Notes will convert upon Neuren undertaking a capital raising of at least US\$5 million. The ordinary shares issued upon conversion of the Convertible Notes will be at the same price as those issued under the capital raising.

Two Convertible Notes will be issued, one to BioAsia (various investment funds associated with Vivo Ventures) and one to CNF Investments LLC, each with a maximum subscription price of US\$1,500,000 each. The issue price of the fully paid ordinary shares upon conversion of the Convertible Notes will be at least 80% of the average market price for Neuren's shares. The average will be calculated over the last 5 days on which sales of Neuren shares were recorded before the day on which the shares are issued.

None of the Directors of the Company has any personal interest in the transaction which is the subject of this Resolution. Each of the Directors voted in favour of putting the Resolution to shareholders for approval and approved the contents of this Explanatory Memorandum. The Directors unanimously recommend that shareholders vote in favour of the Resolution.

3.1. TERMS OF THE CONVERTIBLE NOTES

The Acquisition Agreement noted in section 2.1 above includes a commitment by two of the Hamilton shareholders, BioAsia (various investment funds associated with Vivo Ventures) and CNF Investments LLC, to invest US\$3.0 million into Neuren by way of Convertible Notes.

The material terms of the Convertible Notes ("Notes") are as follows:

- 3.1.1. The principal amount of the Notes is US\$1,500,000 each, for a total of US\$3,000,000;
- 3.1.2. The Notes bear interest at 8% per annum, compounding annually;
- 3.1.3. The Notes convert to Neuren ordinary shares on the date of, and on the same terms of issue as, the next 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;
- 3.1.4. The ordinary shares issued upon conversion of the Notes will rank equally in all respects with the then existing ordinary shares on issue;
- 3.1.5. If the Notes do not convert as noted above then they mature 270 days after issue. On maturity Neuren may elect either to repay the Note principal and accrued

- interest, or convert the Notes into Neuren ordinary shares at 50% of the average daily closing price for the five preceding trading days to the maturity date;
- 3.1.6. The noteholders may not transfer, assign, or grant any charge, security interest or other encumbrance (legal or equitable) over the Notes without the prior written consent of the Company;
- 3.1.7. The Notes do not carry any voting rights at meetings of shareholders of Neuren, and have no rights of participation in any rights issue undertaken by Neuren prior to conversion of the Notes.

3.2. CLOSING

The issue and allotment of the Convertible Notes pursuant to the Acquisition Agreement will take place on completion of the acquisition, which is anticipated to take place on or about 15 October 2007. In any event, the issue of the Convertible Notes must take place no later than 3 months after the date of this Meeting (without a waiver of the relevant listing rule requirement). The expected date for conversion of the Convertible Notes is 31 October 2007.

The Convertible Notes are expected to be issued as follows:

BioAsia (various investment funds associated with Vivo Ventures)	US\$1.5 million
CNF Investments LLC	US\$1.5 million

3.3. EFFECT OF ISSUE

The effect of the issue of the Convertible Notes on the Company's unaudited financial statements is set out on a pro forma basis as at 30 June 2007 under section 4 below.

3.4. VOTING EXCLUSION

The Company will disregard any votes cast on this Resolution 2 by any person who may participate in the proposed issue of Convertible Notes and any person who may obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) and any associates of those persons (other than votes cast:

- (a) as proxy in accordance with the directions on the proxy form, for any other shareholder of the Company who is entitled to vote; or
- (b) by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.)

Accordingly, each of BioAsia and CNF Investments LLC are excluded from voting on Resolution 2.

4. PRO FORMA BALANCE SHEET

The effect of the Acquisition Agreement, encompassing both the acquisition of Hamilton and the issue of the Convertible Notes, on the Company's balance sheet is set out below in the pro forma unaudited balance sheet as at 30 June 2007.

Hamilton's unaudited loss of approximately US\$2 million for the year ended 31 December 2006 arose predominantly from salaries and clinical trial costs, and the unaudited loss to 30 June 2007 of approximately US\$875,000 comprised largely clinical trial close out costs, employee salary and severance costs, and administrative expenses. A pro forma income statement has not been presented as Neuren does not intend to retain any of the Hamilton employees, or keep the offices of Hamilton in the United States post acquisition, and the level of clinical development costs are particular to the phase, design and location of trials being undertaken.

As the transaction has yet to be approved, the Company is unable to finalise the acquisition accounting for the transaction and these unaudited pro forma financial statements provide an indication only of the combined group as at 30 June 2007.

3.5 Effect of Hamilton Acquisition on the Pro Forma Balance Sheet

The principal effects of the acquisition of Hamilton will be to:

- (a) increase property, plant and equipment and intangible assets by approximately NZ\$67,000 and NZ\$6,066,000 respectively, being the estimated fair values of the Hamilton assets acquired;
- (b) decrease cash reserves by approximately NZ\$134,000 due to acquisition expenses; and
- (b) increase the number of ordinary shares on issue from 131,113,810 as at the date of this Notice up to 145,748,661 ordinary shares, and increase share capital by approximately NZ\$5,999,000.

3.6 Effect of the Convertible Notes issue on the Pro Forma Balance Sheet

The principal effects of the issue of the Convertible Notes will be to:

- (a) increase cash reserves by approximately NZ\$4,014,000; and
- (b) increase convertible note debt by approximately NZ\$4,014,000.

3.7 Key Assumptions to the Pro Forma Statement of Financial Position

Set out below is:

- (a) an extract from the unaudited balance sheet of the Company as at 30 June 2007; and
- (b) an unaudited pro forma balance sheet of the Company as at 30 June 2007 incorporating the effect of the Hamilton acquisition and the issue of the Convertible Notes.

The pro forma balance sheet has been prepared based on the following assumptions:

- (a) The functional currency of the Company is New Zealand dollars and the Company's financial statements are presented in New Zealand dollars. The pro forma adjustments amounts are translated from Australian dollars and United States dollars to New Zealand dollars for presentation in the following table at the rates of 1.00 Australian or United States dollar for every 1.158 or 1.338 New Zealand dollars respectively, being approximations of current exchange rates.
- (b) The Hamilton purchase consideration is 14,634,851 ordinary shares priced at A\$0.354 per share.
- (c) The cash costs of the Hamilton acquisition are estimated to amount to US\$100,000.
- (d) The fair value of property, plant and equipment to be acquired is estimated at US\$50,000.
- (e) The balance of the purchase price is to be attributed to the intellectual property acquired.

	Unaudited			Unaudited Pro forma
	As at	Hamilton	Convertible	As at
	30 June 2007	Acquisition	Note Issue	30 June 2007
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Current assets				
Cash and cash equivalents	4,506	(134)	4,014	8,386
Trade and other receivables	349			349
Income taxes receivable	6			6
Total current assets	4,861	(134)	4,014	8,741
Non current assets				
Property, plant and equipment	318	67		385
Intangible assets	9,579	6,066		15,645
Total non current assets	9,897	6,133	-	16,030
Total assets	14,758	5,999	4,014	24,771
Current liabilities				
Trade and other payables	4,538			4,538
Lease incentive – short term	15			15
Total current liabilities	4,553	-	-	4,553
Non-current liabilities				
Convertible note debt			4,014	4,014
Lease incentive – long term	68			68
Total non-current liabilities	68	-	4,014	4,082
Net assets	10,137	5,999	-	16,136
Equity				
Share capital	49,950	5,999		55,949
Other reserves	834			834
Accumulated deficit	(40,647)			(40,647)
Total equity	10,137	5,999	-	16,136
Fully Paid Ordinary Shares (number)	131,113,810	14,634,851		145,748,661

5. VOTING

5.1. How to Vote

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

1. Complete the Proxy Form and return it by facsimile or mail (to be received no later than 48 hours before meeting commencement) as directed on the Form.

OR

2. Attend the Meeting.

5.2. Persons Entitled to Vote

The persons who will be entitled to 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 21 September 2007.

5.3. 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 and vote on their behalf. A proxy need not be a shareholder of Neuren. Proxy Forms must be received at Neuren's offices, Level 1, 103 Carlton Gore Road, Newmarket, Auckland or PO Box 9923, Newmarket, Auckland, New Zealand (or facsimile +64 9 529 3941) 48 hours before commencement of the Meeting. The Proxy Form is enclosed with this Notice.