



Neuren Pharmaceuticals Ltd  
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4 December 2009

Dear Shareholder

In this past year, Neuren has made significant progress in the development of its lead candidate drug, NNZ-2566, aimed at traumatic brain injury (TBI). It has opened an IND with the FDA for a Phase II clinical trial, it has received Fast Track designation, it has completed protocols and site recruitment and preparation for the trial and it has further developed its relationship with the US Army which now provides considerable funding and scientific support. In addition, key patents underlying the Company's rights to the molecule and its use have issued in the US and Europe.

Following approval of the attached resolutions, Neuren will be able to make its contribution to the trial through to completion and beyond as well as continuing to develop other parts of its pipeline through partnerships, joint ventures and out-licensing. While we have emphasized the NNZ-2566 TBI program in our fundraising and internal development efforts, we also remain mindful of the inherent value of the other components of our pipeline and look forward to having the resources necessary to recognize their commercial potential.

With the confirmed and ongoing support of the US Army in an amount substantially in excess of the capital raising that you are being asked to approve, Neuren will be able to complete a trial which, if successful, will fundamentally alter the landscape of TBI treatment and add significant shareholder value.

SpringTree Special Opportunities Fund has already invested A\$550,000 by way of a note convertible into shares and options. It has also agreed to invest in a further series of notes, also converting into shares and options, on a monthly basis. The first of these notes is for A\$400,000 followed by 10 monthly investments of a minimum of A\$100,000 and then 13 of A\$60,000. All of these may be increased to A\$250,000 per month by agreement with the Company. The funding arrangement with SpringTree can be terminated at any time by the Company if this source of funding no longer meets shareholder and Company needs.

A precondition of the SpringTree transaction was that the Company should raise further funds of at least US\$1,000,000. This has been achieved with the Company receiving commitments amounting to US\$1,350,000 through the placement of shares and options with a group of New Zealand investors including one of the directors of the Company, Mr Trevor Scott, and two major US investors. This means that, including the minimum commitment from SpringTree, the Company will have in excess of A\$4 million over the next 24 months to support the NNZ-2566 program and other corporate expenses in addition to the non-dilutive funding of the US Army.

The resolutions you are being asked to pass will enable the Company to issue the shares and options to allow draw down of the initial tranches of the SpringTree transaction and the other funding. Later shareholder approval will be sought to allow the Company to repay notes issued as part of the ongoing SpringTree commitment.

The Company also has been delighted to recently announce the appointment of John Holaday as a director and shareholders will be asked to ratify that appointment. We believe that Dr Holaday's experience in neuroscience, military medicine, drug development and corporate finance will add significant value to Neuren.

We are also taking the opportunity of refreshing the Employee Share Option Plan and including directors in that plan.

The board of Neuren and I thank you for your continued support as a shareholder and recommend the attached resolutions for your approval.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Congreve', written over a light grey rectangular background.

Dr Robin Congreve  
Chairman



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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 2, 57 Wellington Street, Freemans Bay, Auckland, New Zealand, on Tuesday 22 December 2009 commencing at 10.30 am (NZT). In accordance with the Constitution, the Board has fixed 1 December 2009 as the date of shareholder entitlement to notice of the Special Meeting.

### BUSINESS

#### Ordinary Resolutions

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

"That Dr John Holaday be appointed as director of the Company."

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

"That, for the purposes of Listing Rule 7.4 of the Listing Rules of ASX Limited and for all other purposes, the issue to SpringTree Special Opportunities Fund, LP on 18 November 2009 of:

- a. A convertible note of A\$550,000;
- b. 5,900,000 unlisted options over fully paid ordinary shares; and
- c. 14,070,669 fully paid ordinary shares;

all on the terms and conditions outlined in the Explanatory Memorandum accompanying this Notice of Meeting, be ratified."

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

"That for the purposes of Listing Rules 7.1 and 7.3 of the Listing Rules of ASX Limited and for all other purposes, the Company approves and authorises the issue to SpringTree Special Opportunities Fund, LP of:

- a. 14,100,000 options over fully paid ordinary shares; and
- b. 7,000,000 fully paid ordinary shares.

all on the terms and conditions outlined in the Explanatory Memorandum accompanying this Notice of Meeting, be approved."

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

"That, for the purposes of Listing Rule 10.11 of the Listing Rules of ASX Limited and for all other purposes, the proposed issue to Mr Trevor Scott and his associated parties of up to a maximum of 20,997,375 ordinary shares at an issue price of A\$0.0381 each and 20,997,375 options over ordinary shares with an exercise price of A\$0.0457, is approved."

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

"That, for the purposes of Listing Rule 7.1 and 7.3 of the Listing Rules of ASX Limited and for all other purposes, the issue of up to a maximum of 21,400,000 ordinary shares at an issue price of no less than A\$0.0381 each and 21,400,000 options over ordinary shares with an exercise price of no less than A\$0.0457 per option, to sophisticated and professional investors and/or clients of brokers and other advisers engaged by the Company, is approved."

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

"That for the purpose of ASX Listing Rule 7.2, exception 9, ASX Listing Rule 10.14 and all other purposes, approval be given to the Company to issue options under the Share Option Plan and to amend the Share Option Plan to enable the granting of options to directors on the terms and conditions outlined in the Explanatory Memorandum accompanying this Notice of Meeting."

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

"That, for the purposes of Listing Rule 7.4 of the Listing Rules of ASX Limited and for all other purposes, the issue of 1,600,000 fully paid ordinary shares in the Company on 25 September 2009 to KTA Capital, LLC on the terms and conditions outlined in the Explanatory Memorandum be ratified."

### **Voting Exclusions**

The Company will disregard any votes cast:

- (a) in relation to Resolution 2, by the persons who participated in the issue and their associates;
- (b) in relation to Resolution 3, by the persons who may participate in the proposed issue 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, and their associates;
- (c) in relation to Resolution 4, by Mr Trevor Scott and any of his associates;
- (d) in relation to Resolution 5, by the persons who may participate in the proposed issue 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, and their associates;
- (e) in relation to Resolution 6, by a director of the Company and any of their associates;
- (f) in relation to Resolution 7, by the persons who participated in the issue and their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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 'Rob Turnbull', written in a cursive style.

Mr Rob Turnbull  
Chief Financial Officer  
Neuren Pharmaceuticals Limited  
4 December 2009

## EXPLANATORY MEMORANDUM

### 1. INTRODUCTION

This Explanatory Memorandum forms part of the Notice of Special Meeting dated 4 December 2009 and has been prepared to provide shareholders with information on matters to be considered at the Special Meeting on 22 December 2009.

The purpose of this Explanatory Memorandum is to provide shareholders with an explanation of the resolutions to be proposed and considered at the Special Meeting on 22 December 2009 and to allow shareholders to determine how they wish to vote on these resolutions.

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 – APPOINTMENT OF DR JOHN HOLADAY AS DIRECTOR

On 25 November 2009 the Company announced that Dr Holaday had been appointed a director of the Company. This appointment was made pursuant to the Company's Constitution to fill a casual vacancy on the Board, however the Board would like to take this opportunity for shareholders to formally elect Dr Holaday.

Dr Holaday has 40 years of experience as a scientist, executive manager of biotechnology and biopharmaceutical companies, and banker. He is currently CEO of QRxPharma, a listed specialty pharmaceutical company specializing in pain and CNS diseases. Dr Holaday, a veteran life-science entrepreneur, has built five public and private biopharmaceutical companies over the past 21 years and raised more than US\$450 million in capital. Dr Holaday founded EntreMed in 1992 and served as its Chairman, President and CEO until his retirement in 2003 and was the co-founder, director, Scientific Director and SVP of Medicis Pharmaceutical Corporation. He was the founder and Chief of the Neuropharmacology Branch at the Walter Reed Army Institute of Research for 21 years. Dr Holaday has received numerous honors and awards, including induction into Ernst and Young's Entrepreneur of the Year 2006 Hall of Fame. He holds over 60 US and foreign patents, has published more than 200 scientific articles and reviews, and edited five books.

### 3. RESOLUTION 2 - RATIFICATION AND APPROVAL OF PREVIOUS ISSUE OF SECURITIES TO SPRINGTREE SPECIAL OPPORTUNITIES FUND, LP

#### 3.1. General

On 18 November 2009 the Company entered into a Convertible Loan Agreement (the "Agreement") with SpringTree Special Opportunities Fund, LP ("SpringTree") for convertible loan funding of up to A\$6.7 million over two years.

The proceeds from the issue of convertible notes under the Agreement will be used to support Neuren's contribution to the Phase 2 trial of NNZ-2566 in Traumatic Brain Injury and for working capital purposes.

SpringTree is a fund managed by SpringTree Global Investors, LLC, a New York-based asset management company that makes debt and equity investments in public companies around the world.

On entering into the Agreement the Company issued:

- a. A convertible note of A\$550,000;
- b. 5,900,000 unlisted options over fully paid ordinary shares with an exercise price of A\$0.0445 per option; and
- c. 14,070,669 fully paid ordinary shares, comprising:
  - 6,000,000 ordinary shares issued as security ("Initial Collateral Shares" – see also section 4.1 below); and
  - 8,070,669 ordinary shares issued in lieu of a cash commitment fee of A\$201,000.

Further terms of the Agreement are explained in sections 4 and 5 below.

### **3.2. ASX Listing Rule 7.4**

ASX Listing Rule 7.4 provides that an issue of equity securities without approval of shareholders under Listing Rule 7.1 is treated as having been made with approval for the purposes of Listing Rule 7.1 if:

- a. the issue of securities did not breach Listing Rule 7.1; and
- b. holders of ordinary securities subsequently approve the issue.

Broadly speaking, ASX Listing Rule 7.1 prevents a listed company from issuing securities in excess of 15% of its issued capital at any point in time unless shareholders approve.

The effect of Resolution 2 is that the Company will be able to refresh its 15% issuing capacity under ASX Listing Rule 7.1 with effect from the date of the Special Shareholders' Meeting.

### **3.3. Technical Information required by ASX Listing Rule 7.5**

In compliance with ASX Listing Rule 7.5, the following information is provided

- a. ASX Listing Rule 7.5.1: The number of securities allotted.
  - One non-interest bearing convertible note with a principal amount of A\$550,000 maturing 18 November 2011;
  - 14,070,669 fully paid ordinary shares; and
  - 5,900,000 unlisted options in the Company.

An indication of the maximum number of securities that would be issued under the convertible note can be obtained if one assumes that the relevant conversion price is \$0.04823, which represents 130% of the average of the Volume Weighted Average Prices per share of the Company's ordinary shares quoted on the ASX ("VWAPs") for the twenty (20) business days immediately prior to the execution date of the Agreement. Based on this assumption, the maximum number of securities that would be issued on conversion of the convertible note is 11,403,691 ordinary shares and 11,403,691 options. A greater number of shares and options will be issued on conversion of the convertible note if the price equivalent to 90% of the lowest of the VWAPs during the twenty (20) business days immediately prior to the date the note holder elects to have the convertible note, or part thereof, repaid is less than \$0.04823.

- b. ASX Listing Rule 7.5.2: Issue price of securities
  - The convertible note was issued at the face value of A\$550,000;
  - 6,000,000 ordinary shares were issued at a price of A\$Nil per share (see also section 4.1 below);
  - 8,070,669 ordinary shares were issued in lieu of a cash commitment fee of A\$201,000, representing a price of A\$0.0249 per share;
  - 5,900,000 options exercisable at a price of A\$0.0445 each were issued at a price of A\$Nil per option;

c. ASX Listing Rule 7.5.3: Terms of securities

(i) Convertible note

The convertible note has the following terms:

- The convertible note does not bear interest;
- The convertible note, or part thereof, shall convert to new ordinary shares in the Company determined by dividing the principal amount, or part thereof to be converted, by the lesser of:
  - a. 130% of the average of the Volume Weighted Average Prices per share of the Company's ordinary shares quoted on the ASX ("VWAPs") for the twenty (20) business days immediately prior to the execution date of the Agreement; and
  - b. 90% of the lowest of the VWAPs during the twenty (20) business days immediately prior to the date the note holder elects to have the convertible note, or part thereof, repaid;
- The convertible note, or part thereof, shall also convert into a number of options in the Company determined as one option for each new ordinary share issued on conversion of the convertible note with an exercise price of 120% of the per share price at which the convertible note converts (as noted above) and have a 48 month term. These options otherwise have the same terms as the options described in section 3.3(c)(iii) below;
- The note holder may, subject to shareholder approval or the Company's ability to make an issue under ASX Listing Rule 7.1, convert the convertible note or any part thereof to new ordinary shares and options at any time or times within the twenty-four (24) months after the execution date of the Agreement chosen by the note holder at any time, in amounts of no less than A\$50,000 (or where the balance of the Note owed by the Company to the Investor is less than A\$50,000, in the amount equal to such balance) by provision of one (1) business day prior written notice to the Company;
- The ordinary shares issued upon conversion of the convertible note will rank equally in all respects with the then existing ordinary shares on issue;
- The convertible note does not carry any voting rights at meetings of shareholders of the Company, and has no rights of participation in any rights issue undertaken by the Company prior to conversion of the convertible note.

(ii) Ordinary shares

The ordinary shares rank equally with all other existing ordinary shares of the Company on issue.

(iii) Options

The options have the following terms:

- Each option is exercisable into one new ordinary share;
- Exercisable at any time prior to expiry on 18 November 2013;
- Exercise price A\$0.0445 per option;
- The options do not entitle the option holder to participate in any new issue of ordinary shares by the Company prior to exercise of the options;
- Any new ordinary shares issued pursuant to the exercise of the options shall have attached to them the same rights, privileges, limitations and conditions as the existing ordinary shares in the Company at the exercise date, except as to rights to any dividend declared prior to the exercise date;
- Except in the case of a capital reorganisation of the Company, the option holder has no right to a change in the exercise price of the options, or a change in the number of ordinary shares over which the options can be exercised. If between the date of issue of the options and the earlier of the 18 November 2013 and the date on which all of the options are exercised, all or any of the Company's ordinary shares are subdivided, consolidated, or otherwise reorganised, the number of options held by the option holder at such time shall be reduced or increased (as the case may require) in proportion to such subdivision, consolidation or reorganisation. To the extent necessary the rights of the option holder will be changed at the time of the reorganisation to comply with the ASX Listing Rules applying to the reorganisation of capital.



- The terms of the options must at all times comply with the ASX Listing Rules. Should there be any inconsistency between the terms of the options and the ASX Listing Rules, then the ASX Listing Rules will prevail.
- d. ASX Listing Rule 7.5.4: Name of allottees  
SpringTree Special Opportunities Fund, LP.
- e. ASX Listing Rule 7.5.5: Intended use of the funds raised  
The funds raised from the issue of the securities will be used to support Neuren's contribution to the Phase 2 trial of NNZ-2566 in Traumatic Brain Injury and for working capital purposes.
- f. ASX Listing Rule 7.5.6: Voting exclusion statement  
A voting exclusion statement is included in the Notice accompanying this Explanatory Statement.

### 3.4. Director's Recommendation

The directors of the Company recommend that shareholders approve this Resolution to approve the issue of securities to SpringTree.

## 4. RESOLUTION 3 - APPROVAL FOR ISSUE OF SECURITIES TO SPRINGTREE SPECIAL OPPORTUNITIES FUND, LP

### 4.1. General

On 18 November 2009 the Company entered into a Convertible Loan Agreement (the "Agreement") with SpringTree Special Opportunities Fund, LP ("SpringTree") for convertible loan funding of up to A\$6.7 million over two years.

The proceeds from the issue of convertible notes under the Agreement will be used to support Neuren's contribution to the Phase 2 trial of NNZ-2566 in Traumatic Brain Injury and for working capital purposes.

The initial securities which could, on 18 November 2009, be issued to SpringTree on execution of the Agreement under the 15% limit set out in ASX Listing Rule 7.1 are set out in section 3 above. The further securities noted below that are due to SpringTree under the Agreement are conditional on the shareholder approval sought in this resolution.

In addition, the obligation for SpringTree to provide convertible note funding beyond the A\$550,000 already advanced is conditional upon shareholder approval being granted by the passing of this resolution, and the Company raising new capital amounting to US\$1 million as noted in sections 5 and 6 below. Accordingly, if shareholders do not approve this resolution, or the Company is unable to meet the condition for raising new capital amounting to US\$1 million, then the Agreement may be terminated by SpringTree or future funding postponed until the Company is able to issue the relevant securities. Alternatively, the Company may be required to repay in cash the principal amount plus 10% of the convertible note funding already advanced, and also the cash value of options which would have been issued on conversion of that convertible note.

By this resolution the Company seeks shareholder approval to issue to SpringTree:

- a. 14,100,000 unlisted options over fully paid ordinary shares with an exercise price of A\$0.0445 per option; and
- b. 7,000,000 fully paid ordinary shares (as the "Subsequent Collateral Shares") as security.

The Collateral Shares (both Initial and Subsequent) are to be issued as security for all loan amounts to be made to the Company and in consideration of SpringTree entering into the Agreement and agreeing to make the loan to the Company. On termination of the Agreement SpringTree, subject to any necessary shareholder approvals, in its discretion, can request the Company cancel the Collateral Shares for nil consideration (as discharge

of the security represented by the Collateral Shares) or purchase the Collateral Shares for an amount equal to 92.5% of the lowest daily volume weighted average price per share in the month immediately prior to termination of the Agreement.

#### **4.2. Technical Information required by ASX Listing Rule 7.3**

In compliance with ASX Listing Rule 7.3, the following information is provided

- a. ASX Listing Rule 7.3.1: Maximum number of securities to be issued pursuant to Resolution 3
  - 7,000,000 fully paid ordinary shares ; and
  - 14,100,000 unlisted options in the Company.
- b. ASX Listing Rules 7.3.2 and 7.3.7: Date of issue and allotment of securities

The ordinary shares and options will be issued and allotted on one date within three months of the date of this Special Meeting.
- c. ASX Listing Rule 7.3.3: Issue price of securities
  - 7,000,000 ordinary shares at a price of A\$Nil per share (see also section 4.1 above); and
  - 14,100,000 options exercisable at a price of A\$0.0445 each were issued at a price of A\$Nil per option;
- d. ASX Listing Rule 7.3.4: Name of allottees

SpringTree Special Opportunities Fund, LP.
- e. ASX Listing Rule 7.3.5: Terms of securities

The ordinary shares shall rank equally with all other existing ordinary shares of the Company on issue.

The options shall have the same terms as set out in 3.3(c)(iii) above except that the expiry date of the options shall be 48 months from the date of issue.
- f. ASX Listing Rule 7.3.6: Intended use of the funds raised

The funds raised from the issue of the securities and the exercise of the options will be used to support Neuren's contribution to the Phase 2 trial of NNZ-2566 in Traumatic Brain Injury and for working capital purposes.
- g. ASX Listing Rule 7.3.8: Voting exclusion statement

A voting exclusion statement is included in the Notice accompanying this Explanatory Statement.

#### **4.3. Director's Recommendation**

The directors of the Company recommend that shareholders approve this Resolution to approve the issue of securities to SpringTree.

#### **5. RESOLUTION 4 - APPROVAL TO ISSUE ORDINARY SHARES AND OPTIONS TO MR TREVOR SCOTT AND ASSOCIATES**

As set out in sections 3 and 4 above, the future obligations of SpringTree under the Agreement are conditional upon the Company raising new capital amounting to US\$1 million. Mr Scott and associates have agreed to assist the Company in meeting this condition by subscribing for up to US\$750,000 of new capital on terms similar to those obtained by SpringTree under the Agreement. The price at which ordinary shares are proposed to be issued to Mr Scott and associates is 130% of the lowest of the volume weighted average prices per share of the Company's ordinary shares quoted on the ASX for the twenty (20) business days immediately prior to the execution date of the Agreement. The proposed option exercise price is determined as 120% of the ordinary share issue price noted above.

ASX Listing Rule 10.11 requires shareholder approval be obtained for the Company to issue securities to a related party. Mr Scott is a related party by virtue of being a Director of Neuren. Accordingly, shareholder approval is sought pursuant to ASX Listing Rule 10.11 for the issue of ordinary shares and options to Mr Trevor Scott and/or his associates.

In compliance with Listing Rule 10.13 shareholders are advised as follows:

- a. The ordinary shares and options are to be issued to Mr Trevor Scott and/or his associates;
- b. The total number of securities which may be allotted is up to 20,997,375 ordinary shares and 20,997,375 options;
- c. The ordinary shares and options will be issued on one date within one month of the date of this Special Meeting. The ordinary shares and options are expected to be allotted on or about 22 December 2009;
- d. The ordinary shares will be issued at A\$0.0381 each. The options will have an exercise price of A\$0.0457 per option and will be issued for A\$nil;
- e. The shares are fully paid ordinary shares that rank pari passu in all respects with the Company's existing fully paid ordinary shares, and the ordinary shares issued on the exercise of the options will rank pari passu in all respects with the Company's existing fully paid ordinary shares at the time of exercise;
- f. The options will have the issue and exercise prices noted above, an expiry date of 48 months from their issue, and will otherwise have the same terms and conditions as described in section 3.3(c)(iii) above;
- g. A voting exclusion statement is included in the Notice accompanying this Explanatory Statement; and
- h. The Company intends to apply the funds raised towards support Neuren's contribution to the Phase 2 trial of NNZ-2566 in Traumatic Brain Injury and for working capital purposes.

## **6. RESOLUTION 5 - APPROVAL OF FUTURE PRIVATE PLACEMENT**

As noted above and also set out in sections 3 and 4 above, the future obligations of SpringTree under the Agreement are conditional upon the Company raising new capital amounting to US\$1 million. As noted above Mr Scott and associates have agreed to assist the Company in meeting this condition by subscribing for up to US\$750,000 of new capital on terms similar to those obtained by SpringTree under the Agreement.

By this resolution the Company seeks the approval of shareholders to undertake a placement of ordinary shares to sophisticated and professional investors identified by the Company and/or clients of brokers and other advisers engaged by the Company, in order to satisfy the US\$1 million condition under the Agreement and provide additional working capital for the Company.

The securities the subject of this resolution have been priced at no less than those proposed for the issue to Mr Scott and associates set out under section 5 above. The maximum number of securities that can be issued pursuant to this resolution is 21,400,000 ordinary shares and 21,400,000 options.

The issue and allotment of the securities the subject of this Resolution will take place by the date 3 months after the date of approval of this Resolution. It is anticipated that these securities will be issued and allotted at one time. Any new ordinary shares issued and allotted will have the same terms as existing ordinary shares of the Company and will rank pari passu with existing ordinary shares from the time of issue and allotment. Any options issued and allotted shall have, and be issued on, the same terms as set out in section 5 above. The prospective investors will not include any shareholder of the Company who has voted in favour of Resolution 5. Funds raised from the issue of these ordinary shares and options will be applied to support Neuren's contribution to the Phase 2 trial of NNZ-2566 in Traumatic Brain Injury and for working capital purposes.

## 7. RESOLUTION 6 – APPROVAL OF SHARE OPTION PLAN

The approval of shareholders is sought for the continued operation of the Company's existing Share Option Plan pursuant to the provisions of ASX Listing Rule 7.2 Exception 9. The Share Option Plan was established in March 2004, and amended and approved by shareholders in May 2006. Currently, 1,320,000 options are outstanding under the Share Option Plan with exercise prices ranging from NZ\$0.392 to NZ\$0.472.

The following options have been issued under the Employee Share Option plan since its last approval by shareholders:

- 720,000 options with an exercise price of NZ\$0.392, expiring 31 March 2010
- 600,000 options with an exercise price of NZ\$0.472, expiring 31 March 2010

It is necessary for shareholders to approve the Share Option Plan every three years in order to ensure that securities issued under the Share Option Plan are issued as an exception to ASX Listing Rule 7.1. Broadly speaking, Listing Rule 7.1 prevents a listed company from issuing securities in excess of 15% of its issued capital at any point in time unless shareholders approve.

Listing Rule 7.2 Exception 9 exempts securities issued under an employee incentive plan being counted for the purposes of Listing Rule 7.1. Approval of this resolution means that the company will be able to issue up to 15% of its issued capital without shareholder approval in addition to securities issued under the Share Option Plan.

In addition, to provide the Company with the ability to conserve operating cash, in addition to being able to award options to incentivise, it proposes to amend the terms of the Share Option Plan to include directors.

The following is a summary of the terms of the Share Option Plan which are otherwise unchanged:

- Under the Share Option Plan, options may be offered to participants by the Remuneration and Audit Committee.
- The maximum number of options that may be outstanding under the Share Option Plan is equivalent to 15% of the number of ordinary shares on issue at any point in time.
- No payment is required for the grant of options under the Share Option Plan.
- Subject to any adjustments referred to below, each option is an option to subscribe for one ordinary share.
- Upon the exercise of an option by a participant, each ordinary share issued will rank equally with other ordinary shares of the Company.
- Options issued under the Share Option Plan may not be transferred unless the Remuneration and Audit Committee determines otherwise.
- The options are not quoted on the ASX.
- The options do not entitle the option holder to participate in any new issue of ordinary shares by the Company prior to exercise of the options;
- Subject to the Listing Rules, if between the issue date and the exercise date in respect of any Option:
  - (a) the Company makes or announces any bonus issue of ordinary shares or other securities, or makes or announces any rights issue, or other offer to holders of ordinary shares to take up ordinary shares or other securities;
  - (b) any consolidation or subdivision of ordinary shares, share buyback, amalgamation, or other reconstruction of or adjustment to the ordinary shares or the share structure of the Company, of any nature whatsoever, occurs or is announced; or
  - (c) any offer is made for the acquisition of ordinary shares;

the Company may make such arrangements, or alterations to the terms of options as are necessary to ensure that so far as possible after the occurrence of the event referred to in paragraphs (a), (b) or (c) above, participants and the Company are left in the same overall economic position as if that event had not occurred. Such arrangements or alterations may without limitation include adjustments to the number of ordinary shares to be issued upon exercise of options, permitting participants to exercise options earlier than would otherwise have been the case,

or arranging for participants to participate in any offer or issue of securities made by the Company. No such arrangement or alteration shall be made if that arrangement or alteration would cause a breach of the Listing Rules.

- To the extent necessary the rights of the option holder will be changed at the time of a reorganisation to comply with the ASX Listing Rules applying to the reorganisation of capital.
- The vesting period, exercise price, and expiry date are determined by the Remuneration and Audit Committee at the time of offer of the options.
- Each option shall lapse and cease to be available for exercise where the participant who is the holder of that option ceases to be an employee or consultant, provided that the Company may, subject to such conditions as it sees fit, determine that options held by a participant who has:
  - (a) ceased to be an employee or consultant by reason of injury, ill health, redundancy, retirement or otherwise shall not lapse;
  - (b) died shall not lapse and may be transferred to a personal representative of that participant.

Should shareholders approve this amendment to the Share Option Plan to include directors, then any issue to directors under the Share Option Plan also requires shareholder approval pursuant to ASX Listing Rule 10.14 before the options may be issued. This resolution also seeks this approval pursuant to ASX Listing Rule 10.14 for the 12 month period following the date of the Special Shareholders' Meeting.

#### **7.1. Technical Information required by ASX Listing Rule 10.15**

- a. ASX Listing Rule 10.15.2: Maximum number of securities to be issued to directors pursuant to Resolution 6

- up to 20,000,000 unlisted options in the Company.

- b. ASX Listing Rule 10.15.3: Issue price of securities

The exercise price of each option issued shall be A\$0.034 per option. The options themselves will be issued for \$nil.

- c. ASX Listing Rule 10.15.4: Persons who received options since last approval

As this is the first approval of its type sought by the Company, no options have been previously issued to Directors under the Share Plan.

- d. ASX Listing Rule 10.15.4A: Persons entitled to participate

The directors at the date of the enclosed Notice of Meeting shall be entitled to participate, namely:

- Dr Robin Congreve;
- Mr Trevor Scott;
- Dr Graeme Howie;
- Dr Doug Wilson; and
- Dr John Holaday.

- e. ASX Listing Rule 10.15.5: Voting exclusion statement

A voting exclusion statement is included in the Notice accompanying this Explanatory Statement.

- f. ASX Listing Rule 10.15.6: Terms of any loan in relation to the share option plan

No loan applies to the grant of options or their exercise.

- g. ASX Listing Rule 10.15.7: Date of issue of securities

Any issue of the options will be within 12 months of the date of this Special Shareholders' Meeting.

## **8. RESOLUTION 7 - RATIFICATION AND APPROVAL OF PREVIOUS ISSUE OF ORDINARY SHARES TO KTA CAPITAL, LLC**

1,600,000 fully paid ordinary shares in the Company were issued on 25 September 2009 to KTA Capital, LLC ("KTA") in lieu of payment of the fee of US\$40,000 due under a financial advisory services agreement between the Company and KTA. The deemed issue price per ordinary share was A\$0.029. These ordinary shares rank pari passu with and are on the same terms as ordinary shares currently on issue, and are quoted on the ASX.

ASX Listing Rule 7.4 is relevant to this resolution. These ordinary shares were issued within the 15% of capital issued in the previous 12 months limit under Listing Rule 7.1, without the need for shareholder approval. The effect of shareholders passing Resolution 7 by ratifying the issue of the ordinary shares pursuant to ASX Listing Rule 7.4 will be to restore the Company's ability to issue securities within that limit, to the extent of the 1,600,000 ordinary shares issued.

## **9. VOTING**

### **9.1. 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.

### **9.2. 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 December 2009.

### **9.3. 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 2, 57 Wellington Street, Freemans Bay, Auckland or PO Box 9923, Newmarket, Auckland, New Zealand (or facsimile +64 9 361 7981) 48 hours before commencement of the Meeting. The Proxy Form is enclosed with this Notice.

<name>  
<address 1>  
<address 2>  
<address 3>  
<address 4>  
<address 5>

**All correspondence to:**  
Neuren Pharmaceuticals Limited  
PO Box 9923, Newmarket  
Auckland, New Zealand  
Facsimile +64 9 361 7981  
Enquiries (within Australia) 1 800 259 181  
(outside Australia) +64 9 529 3940  
www.neurenpharma.com

**Appointment of Proxy**

**SRN:** <shareholder no.>

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

The Chairman of the Meeting (mark with an "X") **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Special Shareholders' Meeting of Neuren Pharmaceuticals Limited to be held at the Company's offices, Level 2, 57 Wellington Street, Auckland, New Zealand on 22 December 2009 at 10.30 am (NZT) and at any adjournment of that meeting.

If the Chairman is appointed as your proxy, or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of resolution 6, please place a mark in the box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of resolution 6 and that votes cast by him for resolution 6 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on resolution 6 and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

**The Chairman of the Meeting intends to vote undirected proxies in favour of the resolutions.**

**Voting directions to your proxy – please mark  X to indicate your directions**

		For	Against	Abstain*
Resolution 1	Appointment of Dr John Holaday as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of issue of securities to SpringTree	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval to issue securities to SpringTree	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to issue securities to Mr Scott and associates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval to issue securities to sophisticated and professional investors and/or clients of brokers and other advisers engaged by the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval and amendment of Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Ratification of issue of ordinary shares to KTA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you mark the Abstain box 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.

**Appointing a second Proxy**

↳We wish to appoint a second proxy

Mark with an "X" if you wish to appoint a second proxy. **AND**  % **OR**  State the percentage of your voting rights or the number of securities for this Proxy Form.

**PLEASE SIGN HERE**

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Individual/Trustee/Sole Director and Company Secretary	Director/Trustee	Director/Trustee

		/ /
<b>Contact Name</b>	<b>Contact Daytime Telephone</b>	<b>Date</b>

## How to complete the Proxy Form

### 1 Your Address

This is your address as it appears on the Company's share register. If this information is incorrect, please make the correction on this form and lodge it in accordance with the instructions below.

**Please note, you cannot change ownership of your securities using this form.**

### 2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the Company. Do not write the name of the Company or the registered securityholder in the space.

### 3 Votes on Resolutions

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

### 4 Appointment of a Second Proxy

You may appoint a second proxy to attend the meeting and vote on a poll. If you wish to appoint a second proxy, you may copy this form and complete and lodge the additional Proxy Form.

To appoint a second proxy you must:

- (a) Indicate that you wish to appoint a second proxy by marking the box;
- (b) On each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities 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
- (c) Return both forms together to the Company in accordance with the lodgement instructions below.

### 5 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 or Trust: where the holding is in more than one name or by Trustees of a Trust, all of the securityholders or trustees should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company. 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 Company Secretary (or the company does not have a Company Secretary), this form must be signed by that person. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by the signatory.

### 6 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the Meeting at 10.30 am (NZT) on Tuesday, 22 December 2009. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Documents may be lodged:**

IN PERSON Level 2, 57 Wellington Street, Freemans Bay, Auckland, New Zealand

BY MAIL PO Box 9923, Newmarket, Auckland, New Zealand

BY FACSIMILE +64 (9) 361 7981