

27 March 2014

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 2013, 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 the offices of PwC Melbourne, Freshwater Place, Level 19, 2 Southbank Boulevard, Southbank, VIC 3006, Australia at 10:30 am (AEST) on Wednesday 30 April 2014. 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](http://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 the offices of PwC Melbourne, Freshwater Place, Level 19, 2 Southbank Boulevard, Southbank, VIC 3006, Australia, on Wednesday 30 April 2014 commencing at 10.30 am (AEST). In accordance with the Constitution, the Board has fixed 21 March 2014 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 Mr Bruce Hancox 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 to issue 2,666,667 Equity Performance Rights to Jon Pilcher 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 approval be given to the Company to issue 20 million loan funded shares to Jon Pilcher on the terms and conditions outlined in the Explanatory Memorandum accompanying this notice of meeting."
4. To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:  
"That approval be given to the Company to issue 643,225 Equity Performance Rights to James Shaw on the terms and conditions outlined in the Explanatory Memorandum accompanying this Notice of Meeting."
5. To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:  
"That approval be given to the Company to issue 10 million loan funded shares to James Shaw on the terms and conditions outlined in the Explanatory Memorandum accompanying this Notice of Meeting."
6. 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 2014;  
and that the board of directors is authorised to fix the auditor's remuneration."

#### Special Resolutions

7. To consider and, if thought fit, to pass the following resolution as an **special resolution**:  
"That clause 16.1 of the Company's Constitution be amended by deleting the words "at least two of which directors shall be ordinarily resident in New Zealand" from that clause."

Neuren Pharmaceuticals Limited  
ARBN 111 496 130  
Suite 201, 697 Burke Road,  
Camberwell, VIC 3124, Australia



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 and Resolution 3 by Jon Pilcher and any of his associates. The Company will disregard any votes cast in relation to Resolution 4 and Resolution 5 by James Shaw 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

A handwritten signature in black ink, appearing to read "Jon Pilcher".

Jon Pilcher  
CFO & Company Secretary  
Neuren Pharmaceuticals Limited  
27 March 2014

## EXPLANATORY MEMORANDUM

### 1. INTRODUCTION

The purpose of this Explanatory Memorandum (which forms part of the Notice of Annual Shareholders' Meeting dated 27 March 2014) ("Meeting" or "Annual Shareholders' Meeting") is to provide shareholders with an explanation of the Resolutions to be proposed and considered at the Annual Shareholders' Meeting on 30 April 2014 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 2013 was lodged with the ASX on 27 March 2014 and is available for viewing and download from the Company's website [www.neurenpharma.com](http://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 Mr Bruce Hancox offers himself for re-election. His details are set out on page 11 of the Annual Report.

### 4. APPROVAL OF ISSUE OF EQUITY PERFORMANCE RIGHTS AND LOAN FUNDED SHARES TO CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER (ORDINARY RESOLUTIONS 2, 3, 4 AND 5)

#### 4.1. Background

On 18 August 2013, Jon Pilcher commenced employment with Neuren as Chief Financial Officer. On 25 August 2013, James Shaw commenced employment with Neuren as Chief Operating Officer. Their qualifications and experience are set out on page 11 of the Annual Report. In each of their employment agreements, the Company agreed to issue to them two forms of long-term incentive; Equity Performance Rights ("EPRs") and Loan Funded Shares. Each of these incentive plans 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 EPRs and Loan Funded Shares to Jon Pilcher and to James Shaw on 18 September 2013. Ordinarily, since they are not directors of the Company, shareholder approval would not be required in order to issue these securities. However the placement of new shares completed by Neuren in October 2013 utilised the maximum amount of new securities (15% of share capital) that can be issued each year under ASX Listing Rule 7.1 without obtaining shareholder approval. Therefore in order to be able to meet Neuren's obligations under the employment agreements as soon as possible, the Company is seeking approval from shareholders to issue the EPRs and Loan Funded Shares.

The EPRs and Loan Funded Shares to be issued to Jon Pilcher and to James Shaw are under similar terms and conditions to those that were issued to the Executive Chairman Richard Treagus, pursuant to shareholder approval at the 2013 Annual Shareholder's Meeting.

#### 4.2. Details of the Equity Performance Rights to be issued

Subject to continuous service with the Company, each EPR vests three years from the commencement date of employment. When vested, the Company will issue at no cost one new ordinary share for each EPR exercised. The issued shares shall rank equally with the Company's other issued ordinary shares and the holder shall be free to deal with the issued shares in accordance with the Company's Securities Trading Policy. The EPRs will vest automatically upon any effective change in control of the Company, control being when a person and their associates becomes the holder of greater than 50% of the ordinary share voting rights. Any unvested EPRs will expire if the holder ceases to be an employee of the Company.

The number of EPRs to be issued is specified in the table below, calculated as the Calculation Amount divided by the volume weighted average price of the ordinary shares of the Company (VWAP), over the five trading days immediately preceding the acceptance of offers of employment (Acceptance Date).

	Number of EPRs	Calculation Amount	VWAP	Acceptance date	Earliest Exercise Date
Jon Pilcher	2,666,667	A\$100,000	3.75 cents	14 May 2013	18 Aug 2016
James Shaw	643,225	A\$75,000	11.66 cents	16 Aug 2013	25 Aug 2016

If shareholders approve the resolutions, the EPRs will be issued as soon as practicable after the date of the Annual Shareholders' Meeting and in any event no more than 1 month after the meeting.

#### 4.3. Details of the Loan Funded Shares to be issued

The number of Loan Funded Shares to be issued is 20 million to Jon Pilcher and 10 million to James Shaw. The issue price is A\$0.092 per share, being the closing market price of the Company's shares on 18 September 2013, the date of the Board resolution 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 Jon Pilcher and James Shaw will be funded using a loan provided by the Company. 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 the executive 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. The executive is continuously an employee of the Company for a period of three years commencing on the day on which the Board resolves 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 the executive 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 the executive.

#### *Source of Shares and enforcement of LFSP Rules*

The Loan Funded Shares will be issued to the Trust to be held on behalf of the executive. 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 the executive 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 the executive and the Company. The Loan commences on the Issue Date and ends at the earliest of the following:

- five years from the Issue Date;
- the date the executive 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 the executive 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 the executive 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 the executive if he is entitled to them.

If shareholders approve this resolution, 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 1 month after the meeting.

#### **5. APPOINTMENT OF AUDITOR (ORDINARY RESOLUTION 6)**

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. AMENDMENT OF COMPANY CONSTITUTION (SPECIAL RESOLUTION 7)**

The Company's Constitution currently requires that at least 2 directors are ordinarily resident in New Zealand. The Board believes that this requirement is an unnecessary and unhelpful restriction on the Board composition and is no longer appropriate given the relocation of the Company's corporate office to Australia. The Board proposes that the restriction is deleted from the Constitution. The Companies and Limited Partnerships Amendment Bill 2011, if passed into legislation, will require every New Zealand Company to have at least one New Zealand resident director. It is expected that the Bill will be passed into legislation sometime during 2014. The Board will be required to comply with any requirements as to Board composition imposed by that legislation. Amendments to the Constitution must be approved by Special Resolution, which means that this resolution must be approved by a majority of at least 75% of the valid votes cast on the resolution by shareholders entitled to vote and voting on the resolution.

## 7. 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 28 April 2014.

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](http://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 10.30am on 28 April 2014 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 10.30am on 28 April 2014. 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  
Locked Bag A14  
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 554 474



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SHAREHOLDER PROXY FORM

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

STEP 1

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 (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10:30am on Wednesday, 30 April 2014, at the offices of PwC, Freshwater Place, Level 19, 2 Southbank Boulevard, Southbank, VIC 3006, Australia and at any adjournment or postponement of the meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

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 X

STEP 2

VOTING DIRECTIONS

Resolution 1

Re-election of Mr Bruce Hancox as a Director

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 2

Approve the issue of Equity Performance Rights to Jon Pilcher

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 3

Approve the issue of Loan Funded Shares to Jon Pilcher

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 4

Approve the issue of Equity Performance Rights to James Shaw

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 5

Approve the issue of Loan Funded Shares to James Shaw

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 6

Approve the reappointment of the auditor and authorise the Board to fix the auditor's remuneration

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 7

Special Resolution Amend clause 16.1 of the Company's Constitution by deleting the words "at least two of which directors shall be ordinarily resident in New Zealand"

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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\* 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.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

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).

NEU PRX401



## HOW TO COMPLETE THIS 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 a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. 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 shareholder of the Company. A proxy may be an individual or a body corporate.

### 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:

- (a) 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
- (b) 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.

## 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 on Monday, 28 April 2014**, 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](http://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  
Locked Bag A14  
Sydney South NSW 1235  
Australia



**by fax:**

+61 2 9287 0309



**by hand:**

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

**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.**

