

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is given that a special meeting of shareholders of Neuren Pharmaceuticals Limited (**Company** or **Neuren**) will be held at Chartered Accountants Australia and New Zealand, Level 18, Bourke Place, 600 Bourke Street, Melbourne, VIC 3000, on 6 December 2016 commencing at 3.00 pm AEST. In accordance with the Constitution, the Board has fixed 10 November 2016 as the date of shareholder entitlement to receive this notice.

BUSINESS

Resolutions

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

“That, for the purposes of Rule 7(d) of the New Zealand Takeovers Code, approval be given for the Company to make allotments to Walker Group Holdings Pty Limited, an entity associated with Mr Langley Walker, of up to 100 million ordinary shares in aggregate during the period up to and including 30 June 2017 at a subscription price equal to the volume weighted average price at which the Company’s ordinary shares are traded on the Australian Securities Exchange in the 10 trading days prior to each allotment.”

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

“That approval is given for amendments to the Company’s Constitution in the form and manner described in the Explanatory Memorandum which forms part of this Notice of Special Meeting of Shareholders.”

Notes:

Resolution 1 is to be considered as an ordinary resolution and, to be passed, requires the approval of a majority of the valid votes cast on the resolution by the shareholders entitled to vote and voting on the resolution. Walker Group Holdings Pty Limited and its associates (as that term is defined in Rule 4 of the New Zealand Takeovers Code) are prohibited by the Code from voting on Resolution 1. The Company will disregard any votes cast in relation to Resolution 1 by Walker Group Holdings Pty Limited and any of its associates.

Resolution 2 is to be considered as a special resolution and, to be passed, requires the approval of 75% or more of the valid votes cast on the resolution by the shareholders entitled to vote and voting on the resolution.

Each of these Resolutions is explained in the attached Explanatory Memorandum which forms part of this notice.

Notification in accordance with clause 30 of Schedule 4 of the Financial Markets Conduct Act 2013

The Company separately wishes to notify to shareholders that the requirements of the Financial Markets Conduct Act 2013 will apply to the Company after the effective date of 1 December 2016.

By order of the Board



Jon Pilcher
CFO & Company Secretary
Neuren Pharmaceuticals Limited
14 November 2016

EXPLANATORY MEMORANDUM

INTRODUCTION

The purpose of this Explanatory Memorandum, which forms part of the Notice of Special Meeting of Shareholders dated 14 November 2016, is to provide shareholders with an explanation of the Resolutions to be proposed and considered at the meeting on 6 December 2016 (**Meeting**) and to allow shareholders to determine how they wish to vote on these Resolutions.

RESOLUTIONS

1. To consider and, if thought fit, to pass the following resolution as an ordinary resolution: "That, for the purposes of Rule 7(d) of the New Zealand Takeovers Code, approval be given for the Company to make allotments to Walker Group Holdings Pty Limited, an entity associated with Mr Langley Walker, of up to 100 million ordinary shares in aggregate during the period up to and including 30 June 2017 at a subscription price equal to the volume weighted average price at which the Company's ordinary shares are traded on the Australian Securities Exchange in the 10 trading days prior to each allotment."

Background

The Board believes that it is prudent to increase the Company's available funding sources to provide flexibility in the period to 30 June 2017 (**Potential Allotment Period**) during which the Company expects to receive the top-line results of its Phase 2 clinical trial of trofinetide for girls aged 5 to 15 years with Rett syndrome. Mr Langley Walker, whose associated entities have been Neuren's largest shareholders since 2011, has advised the Company that one of those associated entities, Walker Group Holdings Pty Limited (**Potential Allottee**) may be interested in acquiring further shares during the Potential Allotment Period if the Board considers that it is prudent to issue shares to raise further working capital.

Resolution 1 seeks approval to allot up to a maximum of 100 million ordinary shares (**Allotment Shares**) to the Potential Allottee in one or more allotments during the period to 30 June 2017 (**Potential Allotments**) in the event that the Board considers that it is prudent to issue shares to raise further working capital and the Potential Allottee wishes to subscribe for those shares. The Board is seeking shareholder approval, as required by the New Zealand Takeovers Code (**Code**), for the Potential Allotments now to provide the Company with the flexibility to obtain additional working capital quickly should the need arise.

New Zealand Takeovers Code approval

Neuren is a code company that is subject to the Code because it has 50 or more shareholders and 50 or more share parcels.

Rule 6(1) of the Code requires that, except as provided in Rule 7 of the Code:

- (a) a person who holds or controls less than 20% of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company; and
- (b) a person who holds or controls 20% or more of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company.

One of the exceptions under Rule 7(d) of the Code is that shares may be allotted if the allotment has been approved by an ordinary resolution of the shareholders of the code company in accordance with the Code.

As at the date of this notice, the Potential Allottee and its associates are the holders of 365,342,357 ordinary shares in the Company, representing 19.83% of the Company's issued ordinary shares.

Following allotment of the maximum number of shares for which approval is sought under Resolution 1, being 100 million ordinary shares, the Potential Allottee and its associates would be the holder of 465,342,357 ordinary shares in the Company, representing 23.96% of the Company's issued ordinary shares following allotment of that maximum number. Accordingly, under the Code, the Potential Allotments require the approval of shareholders by ordinary resolution. The maximum number of shares for which approval is sought under Resolution 1 represents 5.15% of the Company's issued ordinary shares following allotment of that maximum number.

The subscription price, equal to the volume weighted average price at which the Company's ordinary shares are traded on the Australian Securities Exchange in the 10 trading days prior to each allotment of shares, will be payable to the Company before the shares are allotted. The Potential Allotments, if approved, will be permitted under Rule 7(d) of the Code as an exception to Rule 6 of the Code. The Company will disregard any votes cast in relation to Resolution 1 by the Potential Allottee and its associates.

Rule 16 of the Code requires certain information to be contained in, or accompany, this notice. In particular, Rule 16(d) requires the issue price of the Potential Allotments to be disclosed. It is not possible to disclose such information, as that information will depend on the volume weighted average price at which the Company's ordinary shares are traded on the Australian Securities Exchange in the 10 trading days prior to each allotment. Accordingly, the Company has sought, and obtained, from the Takeovers Panel, the Takeovers Code (Neuren Pharmaceuticals Limited) Exemption Notice 2016 (Exemption Notice) pursuant to which Neuren is exempted from Rule 16(d) in respect of this notice and the Potential Allottee and its associates are exempted from Rule 7(d) of the Takeovers Code to the extent that that Rule requires compliance with Rule 16(d) of the Takeovers Code. The Exemption Notice has been issued subject to the following conditions:

- (1) That this notice of meeting states that the issue price for the Allotment Shares under a Potential Allotment will be determined based on the volume weighted average price at which voting securities in Neuren are traded on the Australian Securities Exchange in the 10 trading days prior to the Potential Allotment; and
- (2) That, except for a Potential Allotment or for the purpose of accepting a full or partial offer, the Potential Allottee and its associates do not purchase or dispose of voting securities in Neuren during the period beginning on the date the exemptions in the Exemption Notice are granted and ending on the earlier of the last date on which the Potential Allottee is allotted Allotment Shares in reliance on the exemptions in the Exemption Notice, or 30 June 2017.

The information required under Rule 16 of the Code is set out in Appendix 1 to this notice.

Independent Adviser's report

In accordance with Rule 18(1) of the Code, the Company has obtained a report from an independent adviser on the merits of the proposed allotments having regard to the interests of those persons who may vote to approve the allotments. The report by Simmons Corporate Finance is enclosed with this Explanatory Memorandum.

Directors' unanimous recommendation

Bruce Hancox has declared an interest because he is a director of the Potential Allottee. Bruce has therefore abstained from making a recommendation that the Potential Allotments be approved under Rule 7(d). The other Directors unanimously recommend approval of the Potential Allotments under Rule 7(d).

Reasons for Directors' recommendation of approval of the Potential Allotments

Background

Entities associated with Mr Langley Walker have been Neuren's largest shareholders since 2011. Mr Walker has provided significant amounts of new capital to Neuren during that period and his strong support has been invaluable in enabling Neuren to progress with the development of its drug candidate trofinetide as a new therapy for two debilitating rare genetic disorders, Rett syndrome and Fragile X syndrome.

On 25 August 2016, Neuren announced that it would expand the number of subjects to be enrolled in its randomized, double-blind, placebo-controlled Phase 2 clinical trial of trofinetide for girls aged 5 to 15 years with Rett syndrome. Enrolment of girls into the trial had progressed ahead of schedule and Neuren took the opportunity to expand the trial beyond the original target of 64 completing subjects. In order to fund the expansion of the Rett syndrome trial, Neuren elected to defer further investment in certain other trofinetide development activities. On 14 November 2016, Neuren announced that enrolment into the trial had been completed and that it expects to receive top-line results in March 2017. The Directors intend that during 2017, after the top-line results of the Rett syndrome trial are received, Neuren will enter into a commercial partnering arrangement.

The Directors believe that it is prudent to increase the Company's available funding sources to provide flexibility during the important period to 30 June 2017 and Mr Walker has expressed a willingness to support that aim.

Amount, price and timing of allotments

The Company reported cash of \$6.7 million as at 30 September 2016 and received \$0.9 million in October 2016 following the exercise of share options. The Directors estimate that Neuren currently has sufficient cash reserves to fund the business through to the release of the results of the Rett syndrome trial in March 2017. As at the date of this notice, Neuren's share price is near to the bottom of its 52 week range of \$0.041 to \$0.13 per share and the Directors do not believe it is in the best interests of shareholders to issue additional shares at this time in order to increase cash reserves. However, during the period to 30 June 2017, if the Directors believe that it is in the best interests of all shareholders for Neuren to obtain additional working capital, they wish to have the ability to do so quickly and to have the option of obtaining the capital from Neuren's major shareholder. That would not be possible if the lengthy process of obtaining approval for the purposes of the Code was required at that time.

At the current share price, the amount of cash that could be received by the Company through allotment of all Allotment Shares would be approximately \$4.5 million. The Directors believe that this amount represents sufficient, but not excessive, working capital flexibility during the period. The actual amount of shares allotted within the maximum amount will be a function of how much working capital the Board believes is required and the share price at the time, whether the Potential Allottee determines to provide funding and how much funding it agrees to provide at the time, as well as whether there are any other options available that are preferable for all shareholders.

Rule 16(d) of the Code requires the issue price for the shares to be stated in this notice of meeting. The Directors do not believe it is possible to set a single fixed price for the Potential Allotments that would be

acceptable to the Potential Allottee and would also be fair and reasonable to Neuren's remaining shareholders:

- a fixed price would be unfair to the remaining shareholders if the share price at the time of a Potential Allotment was significantly higher than the fixed price; and
- if the share price at the time of a Potential Allotment was significantly lower than the fixed price, the Potential Allottee would likely not want to subscribe for any Allotment Shares.

The Board considers that a fairer outcome for all parties would be for the Potential Allotments to be made at a price set by reference to the market price of the shares at the time of the Potential Allotment without any discount to that market price. Accordingly, Neuren sought a waiver from the requirement in Rule 16(d) of the Code from the Takeovers Panel and that waiver was granted on 10 November 2016.

The price for a Potential Allotment will be equal to the volume weighted average price at which the Company's ordinary shares are traded on the Australian Securities Exchange in the 10 trading days prior to each Potential Allotment. Taking into account the volatility of the traded share price, the Directors believe that this will fairly represent the market price of the shares to be allotted at the time of allotment.

2. To consider and, if thought fit, to pass the following resolution as a special resolution: "That approval is given for amendments to the Company's Constitution in the form and manner described in the Explanatory Memorandum which forms part of this Notice of Special Meeting of Shareholders."

The Company's Constitution currently allows for meetings of shareholders to be held by shareholders constituting a quorum being assembled together at the place, time and date appointed for the meeting or, if determined by the Board, by means of audio, or audio and visual, communications by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting. To promote maximum participation by shareholders in meetings and for the purposes of efficiency and cost effectiveness, the Board would like to build into the Company's Constitution the flexibility to allow shareholders to attend and participate in meetings of shareholders by electronic means, including via an online platform. The Board proposes that the amendments outlined below be made to the Company's Constitution to align with the provisions of Schedule 1 to the New Zealand Companies Act 1993 so as to clearly allow for meetings of shareholders to be held by electronic means.

Resolution 2 seeks shareholder approval for the following amendments to the Company's Constitution, relating to the methods for holding shareholder meetings:

That clause 12.4 of the Company's Constitution be deleted and replaced with the following:

12.4 Methods of Holding Meetings: A meeting of Shareholders may be held by a quorum of the Shareholders:

12.4.1 **Assembly at appointed time and place:** being assembled together at the time and place appointed for the meeting; or

12.4.2 **Audio/Audio and Visual/Electronic Communication:** participating in the meeting by means of audio, audio and visual, or electronic communication; or

12.4.3 **Combination:** by a combination of both of the methods described in clauses 12.4.1 and 12.4.2.

A Shareholder, or the Shareholder's Proxy or Representative, may participate in a meeting by means of audio, audio and visual, or electronic communication if the Board approves those means and the Shareholder, Proxy or Representative complies with any conditions imposed by the Board in relation to the use of those means (including, for example,

conditions relating to the identity of the Shareholder, Proxy or Representative and that person's approval or authentication (including electronic authentication) of the information communicated by electronic means).

A meeting of Shareholders will only be held by the methods specified in clauses 12.4.2 or 12.4.3 if the Board so determines.

That a new clause 14.1.3 be inserted in the Company's Constitution after clause 14.1.2 as follows:

14.1.3 Participation by means of Audio, Audio and Visual or Electronic Communications: To avoid doubt, a Shareholder participating in a meeting by means of audio, audio and visual, or electronic communication is present at the meeting and part of the quorum.

That clause 14.6.3 of the Company's Constitution be deleted and replaced with the following:

14.6.3 Voting by Method Permitted by Chairperson: In the case of a meeting of Shareholders held in accordance with clause 12.4.2 or 12.4.3, unless a poll is demanded, voting at the meeting shall be by any method permitted by the chairperson of the meeting.

14.6.4 Passage of Resolution: A declaration by the chairperson that a resolution has been carried by the requisite majority shall be conclusive evidence of the fact unless a poll is demanded.

That clause 14.8 of the Company's Constitution be deleted and replaced with the following:

14.8 Poll May be Demanded Before or After Vote Taken: A poll may be demanded either before or after the vote by show of hands, voice vote or such other method as is permitted by the chairperson of the meeting is taken on a resolution.

That clause 15.2.10 of the Company's Constitution be deleted and replaced with the following:

15.2.10 Electronic Proxy: Notwithstanding the provisions of clause 15.2.8 and to the extent permitted by the Act and if approved by the Company, a Proxy may be delivered by electronic notice in the manner specified by the Company for that purpose.

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 Friday 2 December 2016. Walker Group Holdings Pty Limited and its associates are prohibited by the Code from voting on Resolution 1.

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

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

Documents received or lodged later than 3.00 pm (AEST) on Sunday 4 December 2016 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 Limited, at the address on the enclosed Proxy Form, or be lodged on-line at the registry's website, by 3.00 pm (AEST) on Sunday 4 December 2016. A representative should bring to the Meeting evidence of his or her appointment by the shareholder.

APPENDIX 1 - INFORMATION REQUIRED BY RULE 16 OF THE TAKEOVERS CODE

Rule 16
ref

- (a) The Potential Allottee is Walker Group Holdings Pty Limited, an entity associated with Mr Langley Walker. Mr Walker will become a controller of an increased percentage of shares in the Company as a result of the Potential Allotments.
- (b) (i) The maximum number of voting securities in the Company that could be allotted to the Potential Allottee is 100 million ordinary shares (**Allotment Shares**).
- (ii) The percentage of the aggregate of all existing voting securities and all voting securities that could be allotted that the Allotment Shares represent is 5.15%.
- (iii) The maximum percentage of all shares that could be held or controlled by the Potential Allottee after completion of the Potential Allotments is 6.55%.
- (iv) Auckland Trust Company Limited and Mr Langley Walker are "relying associates" of the Potential Allottee in respect of the Potential Allotments. The maximum percentage of all voting securities that will be held or controlled after completion of the Potential Allotments by the Potential Allottee and its associates (excluding those relying associates) is 6.55%.
- (v) The maximum percentage of all voting securities that will be held or controlled by the Potential Allottee and its associates after completion of the Potential Allotments is 23.96%.
- (vi) The above information was determined on 14 November 2016 (**Calculation Date**).
- (vii) The assumptions on which the particulars in this paragraph (b) are calculated include:
- i. that the number of voting securities is the number of voting securities on issue on the Calculation Date;
 - ii. that there is no change in the total number of voting securities on issue between the Calculation Date and the end of the Potential Allotment Period (other than as a result of the Potential Allotments);
 - iii. that, in relation to paragraphs (i) to (iii) above, the Potential Allottee is allotted the approved maximum number of Allotment Shares under the Potential Allotments; and
 - iv. that, in relation to paragraph (iv) above, the Potential Allottee and its associates (not including the relying associates) are allotted the maximum number of Allotment Shares; and
 - v. that in relation to paragraph (v), the Potential Allottee and its associates are allotted the maximum number of Allotment Shares.

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- (d) The issue price for the Allotment Shares will be the volume weighted average price of the Company's ordinary shares traded on the Australian Securities Exchange in the 10 trading days prior to the relevant Potential Allotment. The issue price will be payable to the Company before the shares are allotted.
 - (e) The Potential Allotments would be made to obtain additional working capital to fund the Company's business if the Board believes that it is in the best interests of all shareholders for the Company to obtain such additional working capital.
 - (f) The Potential Allotments, if approved under Resolution 1, will be permitted under Rule 7(d) of the Code as an exception to Rule 6 of the Code.
 - (g) The Potential Allottee has advised that there is no agreement or arrangement that has been, or is to be, entered into between the Potential Allottee and any other person relating to the Potential Allotments, holding or control of the voting securities to be allotted, or to the exercise of voting rights in the Company.
 - (h) The report from an independent adviser that complies with Rule 18 of the Code is enclosed with this notice.
 - (i) Bruce Hancox has disclosed an interest because he is a director of the Potential Allottee. Bruce has therefore abstained from making a recommendation that the Potential Allotments be approved under Rule 7(d). The other Directors unanimously recommend approval of the Potential Allotments under Rule 7(d) of the Code for the reasons set out in this notice.



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

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



X99999999999

PROXY FORM

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

APPOINT A PROXY

the Chairman of the Meeting (mark box)

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

Blank box for proxy name

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at 3:00pm (AEST) on Tuesday, 6 December 2016 at Chartered Accountants Australia and New Zealand, Level 18, Bourke Place, 600 Bourke Street, Melbourne, VIC 3000 (the Meeting) and at any postponement or adjournment of the Meeting.

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

VOTING DIRECTIONS

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

Resolutions

1 "That, for the purposes of Rule 7(d) of the New Zealand Takeovers Code, approval be given for the Company to make allotments to Walker Group Holdings Pty Limited, an entity associated with Mr Langley Walker, of up to 100 million ordinary shares in aggregate during the period up to and including 30 June 2017 at a subscription price equal to the volume weighted average price at which the Company's ordinary shares are traded on the Australian Securities Exchange in the 10 trading days prior to each allotment."

For Against Abstain* boxes for resolution 1

2 "That approval is given for amendments to the Company's Constitution in the form and manner described in the Explanatory Memorandum which forms part of this Notice of Special Meeting of Shareholders."

For Against Abstain* boxes for resolution 2

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

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Signature box for Shareholder 1

Signature box for Joint Shareholder 2

Signature box for Joint Shareholder 3

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

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

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STEP 1

STEP 2

STEP 3



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

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

APPOINTMENT OF PROXY

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

DEFAULT TO CHAIRMAN OF THE MEETING

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

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF A SECOND PROXY

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

To appoint a second proxy you must:

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

SIGNING INSTRUCTIONS

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

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

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

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

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

CORPORATE REPRESENTATIVES

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

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **3:00pm (AEST) on Sunday, 4 December 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

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



ONLINE

www.linkmarketservices.com.au

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



BY MAIL

Neuren Pharmaceuticals Limited
C/- Link Market Services Limited
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

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

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

For personal use only

Neuren Pharmaceuticals Limited

Independent Adviser's Report

In Respect of the Proposed Share Placements to Walker Group Holdings Pty Limited

November 2016

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report
- has no direct or indirect pecuniary or other interest in the proposed transactions considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

1. Introduction

1.1 Background

Neuren Pharmaceuticals Limited (**Neuren** or the **Company**) was incorporated in New Zealand on 17 December 2001 as Endocrinz Limited and changed its name to Neuren Pharmaceuticals Limited on 2 June 2004.

Neuren is a biopharmaceutical company that focuses on the development of therapies for brain injury, neurodevelopment disorders and neurodegenerative disorders. Its lead product is *trofinetide*, which is in Phase 2 clinical trials for use in the treatment of Rett syndrome, Fragile X syndrome, moderate to severe Traumatic Brain Injury and Concussion. The Company is also developing *NNZ-2591*, a synthetic analogue of a naturally occurring neuropeptide that is in preclinical development for the treatment of various neurodegenerative disorders. Neuren is based in Camberwell, Victoria, Australia.

The Company listed its shares on the Australian Securities Exchange (**ASX**) on 3 February 2005.

Neuren's market capitalisation as at 10 November 2016 was A\$99.5 million and its unaudited total equity was A\$7.6 million as at 30 June 2016.

1.2 Walker Placements

The Company's main shareholder is Lang Walker, who holds 365,342,357 ordinary shares through 2 entities:

- Auckland Trust Company Limited (**ATCL**) – 338,092,357 ordinary shares (18.36%)
- Walker Group Holdings Pty Limited (**WGHPL**) – 27,250,000 ordinary shares (1.48%).

The 365,342,357 ordinary shares represent 19.83% of the Company's total shares on issue.

We refer to Mr Walker, ATCL and WGHPL collectively as the **Walker Associates**. The Walker Associates have been the Company's largest shareholder since 2011.

Neuren is seeking shareholder approval to be able to raise additional capital through the potential allotment of up to 100,000,000 new ordinary shares to WGHPL (the **Walker Placements**).

The key terms of the Walker Placements are:

- the maximum number of shares that may be allotted is 100,000,000 ordinary shares
- the subscription price will be equal to the volume weighted average share price (**VWAP**) at which the Company's ordinary shares are traded on the ASX in the 10 trading days prior to each allotment of shares
- the shares may be allotted up to 30 June 2017.

1.3 Shareholding Levels

The Company's shareholders not associated with the Walker Associates (the **Non-associated Shareholders**) currently collectively hold 80.17% of Neuren's total shares on issue.

Following the Walker Placements:

- the Walker Associates will hold up to 23.96% of the Company's shares on issue
- the Non-associated Shareholders will hold at least 76.04%.

Impact of the Walker Placements on Shareholding Levels					
	The Walker Associates		Non-associated Shareholders		Total
	No. of Shares	%	No. of Shares	%	No. of Shares
Current	365,342,357	19.83%	1,476,586,658	80.17%	1,841,929,015
Walker Placements	100,000,000	100.00%	-	-%	100,000,000
Post the Walker Placements	<u>465,342,357</u>	<u>23.96%</u>	<u>1,476,586,658</u>	<u>76.04%</u>	<u>1,941,929,015</u>

1.4 Special Meeting

Neuren is holding a special meeting of shareholders on 6 December 2016, where the Company will seek shareholder approval of a resolution in respect of the Walker Placements (resolution 1 – the **Placements Resolution**).

The Placements Resolution is an ordinary resolution (which is passed by a simple majority of the votes cast).

The Walker Associates are not permitted to vote on the Placements Resolution.

The Company's shareholders will also vote on a special resolution in respect of amendments to the Company's constitution (resolution 2).

1.5 Regulatory Requirements

Rule 6 of the New Zealand Takeovers Code (the **Code**) prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights beyond 20%
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(d) of the Code, enables a person and its associates to increase their holding or control of voting rights by an allotment of shares if the allotment is approved by an ordinary resolution of the code company.

The Walker Placements will result in the Walker Associates holding or controlling up to 23.96% of the voting rights in the Company.

Accordingly, in accordance with the Code, the Non-associated Shareholders will vote at the Company's annual meeting on an ordinary resolution in respect of the allotments of shares under the Walker Placements.

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Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an allotment under Rule 7(d).

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to Rule 16(h).

As it is not possible for Neuren to disclose the price at which the Walker Placements shares will be issued at this point in time, the Company has sought, and obtained, from the Takeovers Panel the Takeovers Code (Neuren Pharmaceuticals Limited) Exemption Notice 2016 (the **Exemption Notice**).

1.6 Purpose of the Report

The Company's board of directors (the **Board**) has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the Walker Placements in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 20 September 2016 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Board for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Placements Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Walker Placements in relation to each shareholder. This report on the merits of the Walker Placements is therefore necessarily general in nature.

The Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

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2. Evaluation of the Merits of the Walker Placements

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the allotment of shares under the Walker Placements having regard to the interests of the Non-associated Shareholders.

There is no legal definition of the term *merits* in New Zealand in either the Code or in any statute dealing with securities or commercial law.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel *Guidance Note on Independent Advisers and the Takeovers Code* dated 7 September 2015
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

We are of the view that an assessment of the merits of the Walker Placements should focus on:

- the rationale for the Walker Placements
- the terms of the Walker Placements
- the prospects for Neuren without the Walker Placements
- the impact of the Walker Placements on Neuren's financial position
- the impact of the Walker Placements on the control of Neuren
- the impact of the Walker Placements on Neuren's share price
- other benefits and disadvantages to the Non-associated Shareholders and the Walker Associates of the Walker Placements
- the implications if the Placements Resolution is not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

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2.2 Summary of the Evaluation of the Merits of the Walker Placements

Our evaluation of the merits of the Walker Placements is set out in detail in sections 2.3 to 2.10.

In summary, the positive aspects of the Walker Placements are:

- the rationale for the Walker Placements is sound. Approval of the Walker Placements will provide the Company with the flexibility to raise additional equity capital (potentially in the vicinity of A\$4.8 million) to fund its near term working capital needs in an efficient and timely manner
- the terms of the Walker Placements are reasonable:
 - the size of the capital raising will provide sufficient funding flexibility in the near term
 - all shares will be issued at market value (based on the 10 day VWAP), thereby ensuring there is no transfer of value from the Non-associated Shareholders to the Walker Associates
- the Walker Placements will have a positive impact on the Company's financial position.

In summary, the negative aspects of the Walker Placements are:

- the Walker Associates' shareholding level will increase from 19.83% to up to 23.96%. This will increase the Walker Associates' ability to influence the outcome of shareholder voting, but not to a significant degree
- the dilutionary impact of the Walker Placements on the Non-associated Shareholders will result in their current collective interests in the Company reducing by up to 5%.

Other issues to note are:

- the Walker Placements are unlikely to have any material impact on Neuren's share price or the liquidity of Neuren's ordinary shares
- the Walker Placements are unlikely to have any impact on the attraction of Neuren as a takeover target
- the Walker Placements will not change Neuren's business risk profile
- the implications of the Placements Resolution not being approved by the Non-associated Shareholders are that the Walker Placements cannot proceed. If Neuren requires additional equity capital and seeks to raise it from the Walker Associates, then it will once again need to seek shareholder approval of the share placement if the proposed allotment will result in the Walker Associates' control of voting rights in Neuren increasing beyond 20%. This will incur additional costs for the Company and will not be able to be completed within a quick timeframe.

In our opinion, after having regard to all relevant factors, on balance the positive aspects of the Walker Placements outweigh the negative aspects from the perspective of the Non-associated Shareholders.

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2.3 Rationale for the Walker Placements

The Placements Resolution seeks approval to allot up to a maximum of 100,000,000 ordinary shares to WGHPL in one or more allotments during the period to 30 June 2017 in the event that the Board considers that it is prudent to issue shares to raise further working capital and WGHPL wishes to subscribe for those shares.

The Board is seeking shareholder approval for the potential allotments now to provide the Company with the flexibility to obtain additional working capital quickly should the need arise.

On 25 August 2016, Neuren announced that it would expand the number of subjects to be enrolled in its randomised, double-blind, placebo-controlled Phase 2 clinical trial of *trofinetide* for girls aged 5 to 15 years with Rett syndrome. As discussed in the accompanying notice of special meeting, enrolment of girls into the trial progressed ahead of schedule, which meant that Neuren was able to take the opportunity to expand the trial beyond the original target of 64 completing subjects, whilst still expecting to deliver top-line results in March 2017.

In order to fund the expansion of the Rett syndrome trial, Neuren elected to defer further investment in certain other *trofinetide* development activities. The Board intends that during 2017, after the top-line results of the Rett syndrome trial are received, Neuren will enter into a commercial partnering arrangement.

As at 30 September 2016, the Company reported cash of A\$6.7 million. It received A\$0.9 million in October 2016 from the exercise of 62,000,000 options. The Board estimates that Neuren currently has sufficient cash reserves to fund the business through to the release of the results of the Rett syndrome trial in March 2017.

At the Company's current 10 day VWAP of A\$0.048, the amount of cash that could be received by the Company through the Walker Placements would be approximately A\$4.8 million. The Board believes that this amount represents sufficient, but not excessive, funding flexibility during the period.

As the Company's share price at present is at a comparatively low level, the Board does not believe it is in shareholders' best interests to issue additional shares at this time in order to increase cash reserves. However, during the period to 30 June 2017, if the Board believes that it is in the best interests of all shareholders for Neuren to obtain additional working capital, it wishes to have the ability to do so quickly. That would not be possible if the relatively lengthy process of obtaining approval for the purposes of the Code was required at that time.

In our view, the rationale for the Walker Placements is sound. It provides Neuren with the flexibility to raise additional equity capital in a timely and efficient manner to fund its working capital requirements in the near term as and when it is needed. However, it does not commit the Company or the Walker Associates to a specific placement of a certain number of shares at a specific price.

In our view, Neuren currently has limited ability to raise additional capital from other sources in a timely and efficient manner:

- its financial position precludes it from raising any significant level of debt
- it has no material tangible assets that it can dispose of
- the placement of shares to one or more alternative cornerstone shareholders would, if possible, take some time to arrange.

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2.4 Terms of the Walker Placements

The key terms of the Walker Placements are:

- the maximum number of shares that may be allotted is 100,000,000 ordinary shares
- the subscription price will be the 10 day VWAP
- the shares may be allotted up to 30 June 2017.

As discussed in section 2.3, the allotment of the maximum 100,000,000 ordinary shares at the current share price would raise approximately A\$4.8 million. The Board considers this will provide sufficient funding flexibility in the near term.

The issue price for the allotment of shares will be equal to the Company's VWAP for the 10 trading days prior to each potential allotment of shares to WGHPL. In our view, this represents a fair proxy for the market value of the shares to be allotted at the time of allotment. As such, there will be no transfer of value from the Non-associated Shareholders to the Walker Associates under the Walker Placements.

2.5 Impact on Financial Position

A summary of Neuren's recent financial performance, financial position and cash flows is set out below.

Summary of Neuren Financial Results				
	Year to 31 Dec 13 (Audited) A\$000	Year to 31 Dec 14 (Audited) A\$000	Year to 31 Dec 15 (Audited) A\$000	6 Mths to 30 Jun 16 (Unaudited) A\$000
Total income	4,978	4,368	3,106	306
Loss before income tax	(10,470)	(8,316)	(14,146)	(8,241)
Loss after income tax	(10,470)	(8,316)	(13,397)	(7,378)
	As at 31 Dec 13 (Audited) A\$000	As at 31 Dec 14 (Audited) A\$000	As at 31 Dec 15 (Audited) A\$000	As at 30 Jun 16 (Unaudited) A\$000
Total assets	26,460	22,106	16,904	9,223
Total liabilities	(2,061)	(3,028)	(2,502)	(1,648)
Total equity	<u>24,399</u>	<u>19,078</u>	<u>14,402</u>	<u>7,575</u>
	Year to 31 Dec 13 (Audited) A\$000	Year to 31 Dec 14 (Audited) A\$000	Year to 31 Dec 15 (Audited) A\$000	6 Mths to 30 Jun 16 (Unaudited) A\$000
Net cash used in operating activities	(7,105)	(6,410)	(12,731)	(8,393)
Net cash (used in) / from investing activities	(14)	(34)	1	(10)
Net cash provided from financing activities	<u>26,170</u>	<u>2,209</u>	<u>7,549</u>	<u>-</u>
Net increase / (decrease) in cash held	19,051	(4,235)	(5,181)	(8,403)
Effect of exchange rate changes	198	680	999	(107)
Opening cash balance	<u>5,130</u>	<u>24,379</u>	<u>20,824</u>	<u>16,642</u>
Closing cash balance	<u>24,379</u>	<u>20,824</u>	<u>16,642</u>	<u>8,132</u>

Source: Neuren audited financial statements and 2016 half year financial report

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Neuren's total equity as at 30 June 2016 was A\$7.6 million. It had A\$9.2 million of total assets (including A\$8.1 million of cash on hand) and A\$1.6 million of total liabilities at that date.

The Walker Placements will significantly improve Neuren's financial position. For illustrative purposes, if the Walker Placements were to be fully undertaken as at 30 June 2016 at the current 10 day VWAP of A\$0.048, then Neuren's equity would increase by 63% and its equity per share would increase by 55%.

Illustrative Impact of the Walker Placements			
	Equity (A\$000)	No. of Shares (000)	Equity / Share (A\$)
Total equity as at 30 June 2016	7,575	1,841,929	0.004
Walker Placements ¹	4,800 ¹	100,000 ¹	0.048 ¹
Total equity post the Walker Placements	<u>12,375</u>	<u>1,941,929</u>	<u>0.006</u>

¹ Assumes maximum allotment of 100,000,000 ordinary shares issued at A\$0.048 per share

2.6 Impact on Control

Share Capital and Shareholders

Neuren currently has 1,841,929,015 fully paid ordinary shares on issue held by 4,629 shareholders.

The names, number of shares and percentage holding of the 10 largest ordinary shareholders as at 4 November 2016 are set out below.

Neuren's 10 Largest Shareholders		
Shareholder	No. of Shares	%
ATCL	338,092,357	18.36%
Neuren Trustee Limited (NTL)	90,000,000	4.89%
UBS Nominees Pty Limited	85,285,056	4.63%
Cameron Richard Pty Limited	70,418,018	3.82%
Essex Castle Limited	45,707,595	2.48%
HSBC Custody Nominees (Australia) Limited	34,742,142	1.89%
Citicorp Nominees Pty Limited	32,496,401	1.76%
Investment Custodial Services Limited	29,611,730	1.61%
Smithley Super Pty Limited	29,000,000	1.57%
WGHPL	27,250,000	1.48%
	<u>782,603,299</u>	<u>42.49%</u>
Others (4,619 shareholders)	1,059,325,716	57.51%
Total	<u>1,841,929,015</u>	<u>100.00%</u>

Source: Neuren

The Walker Associates collectively hold 365,342,357 ordinary shares (19.83%).

The 90,000,000 ordinary shares held by NTL represent loan funded shares which are issued to the Company's employees and consultants to link executive rewards with improvements in Neuren's financial performance and to align the interests of executives with shareholders. NTL holds the shares on trust for the executives until all vesting conditions have been satisfied and the associated loan has been settled.

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Shareholding Voting

The Walker Associates' current 19.83% shareholding level provides them with a moderate level of control over shareholder voting. While they can influence the outcome of shareholder voting, they cannot singlehandedly determine the outcome of any ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders) or singlehandedly block or pass any special resolutions (which require the approval of 75% of the votes cast by shareholders).

The Walker Placements will increase the Walker Associates' shareholding level to up to 23.96%. Even at the maximum level, the Walker Associates will still not be able to singlehandedly determine the outcome of any ordinary resolutions or special resolutions. However, we note that while a 23.96% interest is technically not sufficient to singlehandedly block a special resolution, in reality, it most likely is in a listed company with more than 4,600 shareholders (as Neuren currently has). This is because a number of shareholders in listed companies tend not to vote on resolutions and hence the relative weight of the 23.96% interest increases.

The ability for any shareholder to influence the Company's ordinary resolutions or special resolutions may be reduced by external factors such as the Company's constitution, the ASX Listing Rules and the Companies Act 1993.

Based on the above, we are of the view that the allotment of shares to the Walker Associates under the Walker Placements will increase their ability to influence the outcome of shareholder voting, but not to a significant degree.

Board of Directors

The directors of Neuren are:

- Larry Glass, executive director and chief science officer
- Bruce Hancox, non-executive director, associated with the Walker Associates
- Trevor Scott, non-executive director
- Dr Richard Treagus, executive chair.

Mr Hancox is a director of WPHGL. We understand that the other 3 directors are not deemed to be associates of the Walker Associates.

We are advised by the Company that the Walker Placements are not expected to have any impact on the composition of the Board or the level of influence that the Walker Associates have over the Board.

Operations

We are advised by the Company that the Walker Placements are not expected to have any impact on the level of influence that the Walker Associates have over the Company's operations.

2.7 Dilutionary Impact

The Walker Placements will result in the Non-associated Shareholders' current collective shareholdings in the Company being diluted.

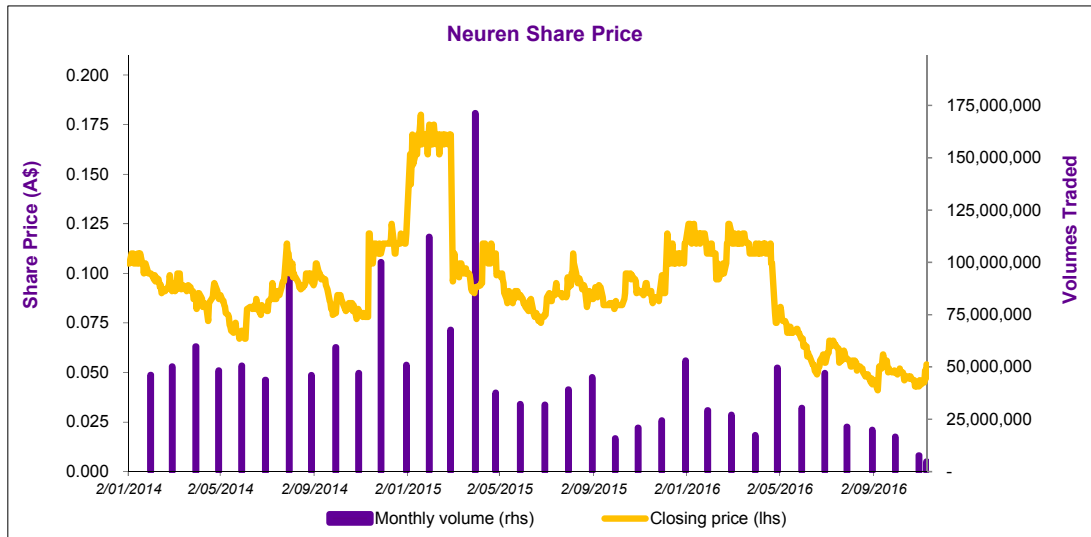
The dilutionary impact of the Walker Placements on the Non-associated Shareholders will be up to 5% if the maximum 100,000,000 ordinary shares are allotted under the Walker Placements.

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2.8 Impact on Share Price and Liquidity

Share Price

Set out below is a summary of Neuren's daily closing share price and monthly volumes of shares traded from 2 January 2014 to 10 November 2016.



Source: S&P Capital IQ

During the period, Neuren's shares have traded between A\$0.041 and A\$0.185 at a VWAP of A\$0.101.

All shares allotted under the Walker Placements will be issued at the 10 day VWAP prior to each allotment. As the shares will be issued at the then current market price, we are of the view that the Walker Placements will not have any significant impact on the Company's share price.

Liquidity

An analysis of Neuren's recent VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to the announcement of the Walker Placements is set out below.

Share Trading up to 10 November 2016					
Period	Low (A\$)	High (A\$)	VWAP (A\$)	Volume Traded (000)	Liquidity
1 month	0.043	0.054	0.047	11,304	0.6%
3 months	0.041	0.059	0.049	44,194	2.4%
6 months	0.041	0.074	0.057	137,833	7.5%
12 months	0.041	0.125	0.084	340,805	18.5%

Source: S&P Capital IQ

18.5% of Neuren's shares traded on 249 days in the year to 10 November 2016 in the range of A\$0.041 to A\$0.125 at a VWAP of A\$0.084.

The size of the pool of shares held by the Non-associated Shareholders will not change under the Walker Placements and therefore the liquidity of the Company's shares is unlikely to change in the near term.

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2.9 Other Issues

Benefits to Neuren of the Walker Associates as a Cornerstone Shareholder

The Walker Associates have been Neuren's largest shareholders since 2011 and have provided significant amounts of new capital to the Company over that period.

The Walker Placements will enhance the Walker Associates' position as an important cornerstone investor in the Company and further signals their confidence in the future prospects of Neuren.

Further Financial Commitments

The market value of the Walker Associates' holding of ordinary shares was A\$17.5 million as at 10 November 2016.

Based on Neuren's current 10 day VWAP of A\$0.048, WGHPL may be required to invest up to A\$4.8 million for the maximum 100,000,000 shares under the Walker Placements. This will increase the Walker Associates' level of investment in Neuren by 27%.

Non-associated Shareholder Approval is Required

Pursuant to Rule 7(d) of the Code, the Non-associated Shareholders must approve by ordinary resolution the Walker Placements.

The Walker Placements will not proceed unless the Non-associated Shareholders approve the Placements Resolution.

The Walker Associates will not be able to increase their shareholding in Neuren unless they comply with the provisions of the Code. They will only be able to acquire more shares in Neuren if:

- they make a full or partial takeover offer
- a share acquisition is approved by way of an ordinary resolution of shareholders
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of shareholders
- the Company undertakes a share buyback that is approved by the Company's shareholders and the Walker Associates do not accept the offer of the buyback.

The Walker Associates will not be able to utilise the *creep* provisions of the Code. The *creep* provisions enable entities that hold more than 50% but less than 90% of the voting securities in a code company to buy up to a further 5% of the code company's shares per annum.

Unlikely to Change the Likelihood of a Takeover Offer from the Walker Associates

We are not aware of any intention on the Walker Associates' part to make a takeover offer. However, if they did have such intent, an increase in their shareholding level from 19.83% to up to 23.96% is unlikely to change the likelihood of a takeover offer as the increase in their level of shareholding is not significant from a control perspective.

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Likelihood of Other Takeover Offers Does not Change

We are of the view that the increase in the Walker Associates' shareholding level from 19.83% to up to 23.96% is unlikely to reduce the attraction of Neuren as a takeover target to other parties:

- any bidder looking to fully take over the Company would need to ensure that the Walker Associates would accept its offer, irrespective of whether it held 19.83% or 23.96% of the voting rights
- any bidder looking to make a partial takeover offer for (say) 50.1% of the Company would want to ensure that Walker Associates would accept its offer to increase the chances of a successful offer, irrespective of whether the Walker Associates held 19.83% or 23.96% of the voting rights.

No Change in Business Risk

As the Walker Placements do not involve the acquisition of one or more new businesses or the disposal of part or all of Neuren's existing business, they will not change Neuren's business risk profile.

2.10 Implications if the Placements Resolution is not Approved

If the Placements Resolution is not approved, then the Walker Placements cannot proceed.

The Company had A\$6.7 million of cash reserves as at 30 September 2016 and received A\$0.9 million in October 2016 from the exercise of options. The Board considers this is sufficient to fund the business through to release of the results of the Rett syndrome trial in March 2017.

Thereafter, Neuren will need to raise additional capital. In our view, the most feasible source of additional capital will be through the issue of new ordinary shares. If the Company seeks to raise the additional capital from the Walker Associates, then it will once again need to seek shareholder approval of the share placement if the proposed allotment will result in the Walker Associates' control of voting rights in Neuren increasing beyond 20%. This will incur additional costs for the Company and the capital raising will not be able to be completed within a quick time frame.

2.11 Voting For or Against the Placements Resolution

Voting for or against the Placements Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

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3. Sources of Information, Reliance on Information, Disclaimer and Indemnity

3.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of special meeting
- the Exemption Notice
- the Neuren annual reports for the years ended 31 December, 2014 and 2015
- the Neuren half year financial report for the 6 months ended 30 June 2016
- the Neuren quarterly cash flow report for the 9 months ended 30 September 2016
- data in respect of Neuren from S&P Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Board and Neuren's legal advisers.

The Board has confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Walker Placements that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information to be provided by Neuren to the Company's shareholders is sufficient to enable the Board and the Company's shareholders to understand all the relevant factors and to make an informed decision in respect of the Walker Placements.

3.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Neuren and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Neuren. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

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3.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Neuren will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Neuren and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the notice of special meeting issued by Neuren and have not verified or approved the contents of the notice of special meeting. We do not accept any responsibility for the contents of the notice of special meeting except for this report.

3.4 Indemnity

Neuren has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Neuren has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

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4. Qualifications and Expertise, Independence, Declarations and Consents

4.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

4.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Neuren or the Walker Associates or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Walker Placements.

Simmons Corporate Finance has not had any part in the formulation of the Walker Placements or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Placements Resolution. We will receive no other benefit from the preparation of this report.

4.3 Declarations

An advance draft of this report was provided to the Board for its comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

4.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of special meeting to be sent to the Company's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons
Director

Simmons Corporate Finance Limited
11 November 2016

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