

March 20, 2013

Dear NeurOp Shareholder:

Your continued support and enthusiasm for NeurOp's NMDA receptor research helped us achieve many notable milestones in 2012. We continue to advance a number of promising molecules that may one day become new treatments for depression, subarachnoid hemorrhage, schizophrenia, PTSD, and Alzheimer's and Parkinson's diseases.

Depression

I am pleased to share that the progress made during the three-year research phase of our agreement with Bristol-Myers Squibb has been dramatic. BMS will now drive this late-stage preclinical program for depression and neuropathic pain from within their organization, and we look forward to the selection of a clinical candidate and the initiation of Investigational New Drug (IND) studies for these areas.

Ischemia & Traumatic Brain Injury

Our ischemia research program reached a major milestone this summer with the identification of two compounds that are now undergoing detailed animal studies. The National Institutes of Health (NIH) recognized our findings as a significant advancement, which triggered a second tranche of grant funding of close to a million dollars to study these molecules in more detail. First announced in July 2011, the NIH grant is a \$3 million, four-year award that provides annual funding to NeurOp upon successfully meeting its project budget and certain milestones. Our focus remains on moving our lead molecules as rapidly as possible toward an IND filing for the treatment of subarachnoid hemorrhage and those patients at risk of a stroke.

The identification of molecules for advanced studies for ischemia has also opened up avenues of investigation into traumatic brain injury and lessening the tragic effects for individuals exposed to blast injury. Last year, we submitted a proposal to the U.S. Department of Defense seeking funding to develop compounds that might provide neuroprotection for our soldiers when exposed to blast injury. Unfortunately, they didn't elect to fund our initial proposal; however, agency feedback was encouraging enough that we are resubmitting the proposal in the second quarter of 2013. You may recall that our compounds only target areas of the brain affected by an ischemic event, so they may preserve brain function and retain more motor, speech and cognitive function in the event of an injury, as well as speed recovery.

Schizophrenia

In early 2011, NeurOp initiated research into GluN2C and GLuN2D subunit-selective modulators that may lead to a novel class of antipsychotic drugs. Later that year we submitted a funding proposal to the National Institute of Mental Health (NIMH) for support based on our early results. In April 2012, the NIMH funded a two-year, \$700,000 research plan that allows us to further study these compounds. Our approach has also generated investment interest from major pharmaceutical companies as they look for promising science in earlier-stage research pipelines than they did in the past.

Schizophrenia affects one percent of the world's population and can have tragic consequences for the individual and those around them. The need is great for new, effective treatments, as there are a number of undesirable side effects related to current drugs. Increased tolerability will lead to better compliance and more stability in the lives of people affected by this debilitating mental illness.

NeurOp and Emory Scientists Target Cognitive and Mental Health Disorders

Just last month, we announced that NeurOp formed a three-year research collaboration with Emory University to study NMDA receptor modulation and its possible impact on several serious cognitive and mental health disorders - schizophrenia, post-traumatic stress disorder (PTSD), and Parkinson's and Alzheimer's diseases. Working together, we believe we can move more quickly toward the goal of having compounds in late-stage optimization with one or more compounds moving toward IND-enabling testing.

This collaboration combines the expertise of our scientists with Emory's NMDA receptor researchers, including its pharmacology team, led by Dr. Stephen Traynelis, and medicinal chemistry team of Dr. Dennis Liotta, who is also a member of NeurOp's board of directors.

Corporate Development

The addition of Dr. Robert Zaczek into the newly created role of chief scientific officer helped us achieve many of our milestones this year. Rob brought in-depth knowledge of neuroscience and an exemplary record of scientific achievement and drug development experience from BMS to our management team. While at BMS, he was executive director of psychiatry drug discovery and headed a multidisciplinary scientific group, which included the joint research team that currently collaborates with NeurOp on its depression and neuropathic pain programs. His teams also contributed to numerous discovery programs that led to the nomination of clinical candidates for affective disorders, schizophrenia and Alzheimer's disease.

Looking Forward

In 2013, we anticipate that the depression program will continue to rapidly progress toward clinical candidate nomination. We also expect to nominate a compound for the ischemia indication and complete the advanced preclinical testing needed to understand the doses we need to achieve in man for efficacy. We believe the schizophrenia program will also make significant progress, and we will continue to evaluate some of our compounds in controlling addiction cravings.

To reach these goals, securing the necessary funding is a top priority for us. Governmental grants help and preserve the value of your investment; however, federal and state budgets for R&D are likely to be reduced. Despite that, we have raised nearly \$11 million in funding from BMS, investors, and government and industry sources, and 90 percent of this funding is from non-dilutive sources. Securing funding to maintain and grow the company is quite challenging in today's economy and your management team is leaving no stone unturned in this endeavor. As we have in the past, we will continue to constantly monitor the bottom line and take advantage of creating strategic partnerships and outsourcing, where possible, to preserve our capital.

In conclusion

Hardly a day goes by that we don't see something in the news about untreated or undertreated mental illness and cognitive disorders. Your continued support and investment are vital to advancing our important research in these areas. Serious, incapacitating brain conditions affect millions of people, yet doctors still have a relatively small medical arsenal with which to treat them. Each year, I believe NeurOp's NMDA-centered drug research is getting closer to changing that. I look forward to updating you throughout the year on our progress.

Very sincerely yours,



George Koszalka, Ph.D.
President and Chief Executive Officer
NeurOp, Inc.

We are committed to keeping you informed of our progress. You may sign up on our website to receive our latest news through an RSS feed. We also post news to our LinkedIn page, so you may wish to follow us there.