April 14, 2014

Dear NeurOp Shareholder:

Within the last year, NeurOp has witnessed both financial challenge and significant scientific progress. Most importantly, our NMDA receptor drug discovery effort has matured from being exclusively engaged in early-stage preclinical work to one that maintains cutting-edge target validation and lead identification, while moving selected development candidates through late-stage studies that lead to clinical testing.

Our development candidates are aimed at areas of significant medical need, with initial clinical targets of treatment-resistant depression and subarachnoid hemorrhage. We have also made progress and remain engaged in efforts to identify additional applications for NMDA receptor modulators, such as controlling craving in addiction, improving cognitive function in Alzheimer's disease, and motor performance in Parkinson's disease.

Depression

The beginning of 2013 signaled the internalization of the depression program by Bristol-Myers Squibb. This marked the end of a productive three-year research phase of our agreement with BMS where NeurOp played a central role. In November 2013, BMS announced a major change in their research strategy that led to the discontinuation of many preclinical and clinical CNS programs. Our depression program was continued, however, and BMS remains committed to this late-stage preclinical program for depression and neuropathic pain. Lead optimization efforts have led to the identification and selection of a single lead molecule, as well as potential backups. BMS expects to elevate the lead to advanced-lead status this quarter and is expecting to declare it a clinical candidate later this year. We look forward to clinical candidate nomination and the initiation of studies to support Investigational New Drug (IND) filing with the FDA.

Ischemia & Addiction

Our ischemia research program identified a development candidate in 2013, and pre-IND studies have begun. NIH funding to complete large-scale synthesis and advanced toxicology studies was delayed until the end of the first quarter of 2014. This delay, which added seven additional months to our development timeline, was due to a multitude of issues, including the government shutdown in October, a lengthy review of the program's data, and the bureaucracy of clearing funds through the NIH. However, the acceptance of NP10679 by the NIH as a development candidate was a major milestone for NeurOp, and we are on track to deliver an IND in 2015. The initial target for this therapy is prevention of ischemic damage and its consequences in persons receiving surgical treatment for subarachnoid hemorrhage.

The identification of multiple advanced compounds for ischemia has provided opportunities to study additional therapeutic applications. We have initiated investigation of our compound's ability to influence addiction, specifically lessening the cravings associated with nicotine and opiate addiction, in collaboration with a leading researcher at Medical University of South Carolina. We are working toward a proposal to support advanced research in this area to better understand the value of applying our compounds to prevention of drug abuse and addiction.

Leveraging the NMDA Platform

Last year we told you about a NeurOp-Emory University collaborative research program to discover modulators of two subunits of the NMDA receptor beyond GluN2B (i.e. GluN2C and GluN2D). Rationale exists that supports the idea that subunit-selective modulators of these subunits may provide a novel class of antipsychotic drugs, as well as new treatments for Parkinson's and Alzheimer's diseases.

Our effort in this area was curtailed in the latter part of 2013 due to budget constraints. We are hopeful that recent interest by a major pharmaceutical organization to fund this research will lead to a research

collaboration agreement in the near future and allow resumption of NeurOp's GluN2C and GluN2D programs.

Looking Forward

In 2014, we anticipate that the depression program will reach the first milestone with BMS and trigger a payment to NeurOp. We also expect to complete critical pre-IND studies for NP10679, our compound for the ischemia indication, and advance this compound to the 28-D toxicology studies needed for filing an IND by end of 2015.

Meeting these objectives will require securing additional funding. Earlier this year, we raised $170,000 via convertible debt. The round was funded by members of the existing board and Mario Family Partners. Seeking additional funding is a top priority. Importantly, the current government grants do not cover the entire development costs of the NP10679 program, which is a key component of value generation for the company.

In 4Q 2013, we made a difficult decision and reduced our research staff to conserve our cash. Our value position is best improved by focusing the available cash on our development programs. We are also closely monitoring any developments at BMS that will indicate a change in priority in the depression program.

In this time of reduced federal and state budgets for R&D, we are looking at more traditional routes to fund our advancing development programs. We have raised over $11.5 million in funding from BMS, investors, government and industry sources, and almost 90 percent of this funding is non-dilutive. These funds provided the compounds and intellectual property that have built the value of NeurOp to what it is today. With our compounds moving into the clinic, the cost of these programs is projected to rise significantly, and we will be prepared to meet this challenge.

In Conclusion

The scientific news around modulating the NMDA receptor continues to be very positive. Recently, four new reports were published in scientific peer-reviewed journals that build on previous work documenting the beneficial effects of modulating the NMDA receptor for treating depression and suicidal ideation. Together, the studies represent robust clinical evidence showing a significant rapid and sustained response to treatment, usually within hours of starting the therapy. There is a critical unmet medical need for faster-acting and more effective therapies for treatment-resistant depression and suicidal ideation associated with both unipolar and bipolar depression. NeurOp's approach of NMDA modulation may lead to treatments that meet this need.

Each year, we move our programs closer to the clinic while also seeking new potential areas of interest. I believe NeurOp's NMDA-centered drug research is getting closer to achieving our goal of introducing novel approaches to treating both mood and neurodegenerative disorders that are such a burden to so many in our society. 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.