

Dear Verva Shareholder

We are pleased to report that several corporate and scientific milestones have been achieved during the past few months:

- On 19 October, 2011, Verva and the Medical Research Commercialisation Fund (MRCF) executed an AUD 500,000 subscription agreement. This extension to the recent Series A investment was approved by Verva shareholders at the AGM held 29 April 2011.
- On 15 August, 2011, Verva closed enrollment in the VVP808 clinical study at 76 participants. Enrollment to the study took longer than anticipated; however, **final clinical safety and efficacy data are expected in April, 2012**. Pharmaceutical companies worldwide are looking for new, safer insulin sensitizers to treat diabetes and there is significant interest in the outcomes of the VVP808 clinical trial.
- Novel analogues of VVP808 (**VVP100X**) have been created by Verva scientific collaborators that are more active and selective than VVP808 in cell models of diabetes. These molecules have received a positive review by an external expert and the MRCF investment will allow the company to advance VVP100X molecules to **efficacy and safety testing in animals in 2012**.
- Our collaborators at the Metabolic Research Unit of Deakin University have identified several potential molecular targets of VVP808 in diabetes.
- Isis Pharmaceuticals, Inc. (which licensed aspects of Verva's FGFR intellectual property in 2009) announced in January that the FGFR₄^{Rx} obesity technology had been added to its formal development pipeline.

We look forward to the results of our clinical trial and continued advancement of our preclinical programs over the next 12 months. Diabetes and obesity are extraordinary international health problems and we are committed to building a strong portfolio of novel diabetes and obesity therapies that will enable us to deliver a meaningful return for Verva shareholders.



Ian Nisbet, PhD (Board Chair)



Vince Wachter, PhD (CEO)

Business:*

Verva Pharmaceuticals Ltd ("Verva") is a virtual, clinical-stage pharmaceutical company developing novel therapies to treat diabetes and obesity.

History:

Verva was formed in December, 2007 when ChemGenex Pharmaceuticals Ltd. (CXS) divested its diabetes-focused subsidiary Autogen Research Ltd., which then acquired obesity company Adipogen Pharmaceuticals Pty Ltd. CXS shareholders received an *in specie* distribution of Verva shares, which resulted in Verva having over 4,000 shareholders.

Financing:

Verva is a public but unlisted entity and, since formation, has been financed entirely by private equity investments from cornerstone investors QBF Pty Ltd., GBS Venture Partners Ltd. (and affiliates) and Uniseed as described below:

Dec'07: AUD 2.75M (Convertible Note)

May'09: AUD 2.00M (Series A; Note converted)

Apr'11: AUD 2.00M (Series A extension)

Oct'11: AUD 0.50M (Series A extension)

Verva completed a fully-subscribed, voluntary buyback of 10% of the Company's ordinary share capital in December 2009. These shares were purchased for AUD 0.01 each.

Directors:

Ian Nisbet, PhD
Andrew Baker, PhD
Michael Cowley, PhD
John Kurek, PhD
Katherine Nielsen, PhD

Affiliation:

Chair; Independent
GBS Venture Partners
Independent
Uniseed
QBF

Observer:

Chris Nave, PhD Brandon Capital/MRCF

Company Secretary:

Matthew Murphy MPR Group

CEO:

Vince Wachter, PhD
AUS (0448) 871 479 • USA (760) 271 4783
vwacher@vervapharma.com

Registered Office:

c/- MPR Group Pty Ltd.
HWT Tower, Level 19
40 City Road
Southbank VIC 3006
Australia

* Annual reports, technical presentation, press releases and management biographies are available at www.vervapharma.com

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VVP808: A New Treatment for Type 2 Diabetes

Verva's lead product candidate **VVP808** is an **insulin sensitizer** which makes diabetic liver cells more responsive to insulin and reduces hepatic glucose production. The active ingredient of VVP808 has previously been marketed in North America as an oral treatment for glaucoma. VVP808 is not structurally or mechanistically related to existing insulin sensitizers Avandia® (GSK) and Actos® (Takeda), so it is not expected to have the side-effects observed for these products. Avandia® and Actos® were multi-billion dollar products before safety concerns limited their use and there has been significant pharma interest in identifying new insulin sensitizers to replace these products.

Although enrollment is now closed in the VVP808-002 clinical study, the last patients on study continue to receive treatment. In parallel with completion of the VVP808-002 study, Verva is evaluating the prospects for development of a VVP808 dosage form in light of potential regulatory requirements for approval of VVP808 as a diabetes therapy. A possible dosage form for a VVP808 product is a fixed-dose combination with the first-line diabetes therapy metformin. The next stages of clinical testing will require elaboration of the best doses of VVP808 to use in diabetes treatment and identification of potential added-value benefits such as weight loss and improved safety.

VVP100X: Next Generation VVP808 Analogues

Preclinical studies have shown that VVP808 exerts its anti-diabetic effect through a mechanism different to its known glaucoma mode-of-action. Verva, in collaboration with the Metabolic Research Unit of Deakin University, is utilizing mechanistic and structural knowledge derived from studies with VVP808 to (i) identify the VVP808 diabetes molecular target; and (ii) develop proprietary, next-generation insulin sensitizers (**VVP100X**) with selective action at the VVP808 diabetes molecular target. VVP100X molecules are expected to have improved efficacy and stronger composition-of-matter intellectual property protection than VVP808, providing a longer term value proposition. The VVP100X program is at an early stage, so clinical testing of a VVP100X product is not anticipated for at least 2-3 years and will require significant additional funding.

Verva Directors' Compensation

Verva is an unlisted public company, financed by a small number of sophisticated institutional investors. Verva operates on a very disciplined budget that directs the majority of its cash to clinical, technical and intellectual property programs. In recognition of our cash flow priorities and the potential Verva opportunity, since their appointment to the Verva Board, Chairman Dr. Ian Nisbet, and independent Director Professor Michael Cowley have agreed to accept 50% of their Directors' compensation in cash, with the balance to be paid in Verva stock options. Likewise, Dr. Andrew Baker has agreed to accept all of his compensation in options. In accordance with the shareholder-approved Employee Stock Option Plan (ESOP) Verva has granted 2,805,813 options to Dr. Nisbet, 717,766 options to Prof. Cowley and 946,146 options to Dr. Baker in payment of outstanding compensation up to 30 September 2011. All options have an exercise price of AUD 0.047 and an expiry date of 5 years from the date of grant. Further options may be issued to Directors in the future as part of their compensation for on-going service.

Verva Fat Blockers (FGFR)

Verva has shown that blockade of FGF receptors (FGFRs) inhibits human fat cell formation *in vitro*. In 2009, aspects of the Verva FGFR intellectual property were licensed to California-based Isis Pharmaceuticals, Inc. (NASDAQ: ISIS), who have identified antisense oligonucleotides (ASOs) that reduce body fat and body weight in obese mice and prevent weight and fat gain in lean mice placed on a high fat diet. In January 2011, Isis announced that the FGFR_{4Rx} program had entered their formal development pipeline. Under the license agreement, Verva collaborates with Isis on patent prosecution and is eligible for future product development milestones and royalties.

Verva Value Proposition and Strategy

Verva is committed to developing a strong portfolio of potential therapies for the treatment of diabetes and obesity. The key elements of the Verva value proposition are identified in the milestone table below.

VVP808 Diabetes Target Identified <i>In Vitro</i>	Q4'11
VVP808 Clinical Data	Q2'12
VVP808 Diabetes Target Preclinical Relevance <i>In Vivo</i>	Q2'12
VVP100X Preclinical Efficacy <i>In Vivo</i>	Q3'12
FGFR _{4Rx} Obesity program	*

*Progress dependent on partner

Success in the VVP808 clinical trial is central to Verva's overall value proposition. In addition to providing a potential product opportunity in itself, clinical success will provide validation for our diabetes target and VVP100X discovery programs and will highlight the utility of the Gene Expression Signature (GES) diabetes discovery and diagnostic platform used to discover VVP808.

Contingent on prevailing market conditions and success in our technical programs, it is Verva's intention to leverage our portfolio to effect a strategic transaction or liquidity event in 2012 that will enable advancement of our product portfolio and deliver a meaningful return to Verva shareholders.

SUBSCRIBE to receive all Verva communications electronically by sending an e-mail to verva@vervapharma.com with the name of the registered shareholder along with the Holding Statement number (if known). Help us help the environment and save money for our development programs