NeuroDiscovery Limited
Appendix 4E

Preliminary final report

Details of reporting period

ABN or equivalent company reference	89 113 824 141
Financial year ended ('current period')	30 June 2011
Previous corresponding period	30 June 2010

Results for announcement to the market

Financial Results				**June 2011 $**
Revenues	down	86%	to	286,731
(Loss) after tax attributable to members	down	15%	to	1,458,019
Net loss for the period attributable to members	down	15%	to	1,458,019

Dividends
The directors do not propose that NeuroDiscovery will pay a dividend

Earnings/(loss) per share	**June 2011**	**June 2010**
Basic and diluted Loss per ordinary share	(1.72) cents	(2.98) cents

Net Tangible Asset Backing	**June 2011**	**June 2010**
Net tangible asset backing per ordinary share	3.0 cents	4.5 cents

Other explanatory notes
Refer to review of operations and financial performance contained in the Directors Report.

Audit
The financial statements on which this Preliminary Financial Report is based have been audited.

The information required by listing rule 4.3A is contained in both this Appendix 4E and the attached Annual Report.

NeuroDiscovery

ABN 89 113 824 141

NEURODISCOVERY LIMITED

ANNUAL REPORT

for the year ended 30 June 2011

CONTENTS

CORPORATE DIRECTORY 1
LETTER TO SHAREHOLDERS..... 2
DIRECTORS' REPORT 3
AUDITORS' INDEPENDENCE DECLARATION 14
STATEMENT OF COMPREHENSIVE INCOME 15
STATEMENT OF FINANCIAL POSITION..... 16
STATEMENT OF CHANGES IN EQUITY 17
STATEMENT OF CASH FLOWS..... 18
NOTES TO THE FINANCIAL STATEMENTS 19
DIRECTORS' DECLARATION..... 47
INDEPENDENT AUDIT REPORT..... 48
BOARD OF DIRECTORS AND CORPORATE GOVERNANCE 50
ASX ADDITIONAL INFORMATION 55

CORPORATE DIRECTORY

This Annual Report covers both NeuroDiscovery Limited as an individual entity and the Consolidated Entity comprising NeuroDiscovery Limited and its subsidiary. The Group's presentation currency is Australian Dollars ($AUD).

A description of the Group's operations and principal activities is included in the review of operations and activities in the Directors' Report on pages 3 to 12. The Directors' Report is not part of the Financial Report.

Directors
Mr Michael Robson, *Non-Executive Chairman*
Mr Kyle Haynes, Executive Director
Mr Neville Bassett, *Non-Executive Director*

Company Secretary
Mr Robert Hodby

Registered Office
Level 9
190 St Georges Terrace
Perth WA 6000
T: +61 8 9486 7066
F: +61 8 9486 8066

Share Registry
Security Transfer Registrars Pty Limited
770 Canning Highway
Applecross WA 6153
T: +61 8 9315 0933
F: +61 8 9315 2233

Website
www.neurodiscoveryltd.com

Auditors
Crowe Horwath Perth
Level 6
256 St Georges Terrace
Perth WA 6000

Bankers
Westpac Banking Corporation
108 Stirling Highway
Nedlands WA 6009

Solicitors
Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
Perth WA 6000

Stock Exchange
ASX Limited
Level 2, Exchange Plaza
2 The Esplanade
Perth WA 6000

ASX Code
NDL – Shares
NDLO – Options

LETTER TO SHAREHOLDERS

Dear Shareholder,

On behalf of the Board of Directors of NeuroDiscovery Limited ("NeuroDiscovery" or the "Company"), I am pleased to present the Annual Report of the Company.

During the past year, the Company successfully divested its ownership of NeuroSolutions after approval was granted by shareholders in July 2010. This divestment was a significant restructure of the Company and enabled the Company to increase its working capital for its existing intellectual property and for any new opportunities, many of which have been or currently being reviewed.

The above divestment did not however affect the ownership of the Company's two drug development programmes – NSL-101 and NSL-043

The Company has continued its pursuit of the commercialisation of NSL-101. The NSL101 compound is recognised to have wide potential application in alleviating the symptoms of pain. The Company has been seeking potential partners and licensees for the future use of NSL-101. One potential use include its incorporation into other products to add its pain relieving properties to those products.

The Company also continues to liaise with Sosei Co Ltd ("Sosei") with regard to the future commercialisation of NSL-043 as we still retain a significant interest in any commercial outcome. Future potential revenues from its commercialisation is dependent upon the need for further investment by Sosei or a third party.

Both of the above programmes have the potential to increase shareholder value and their paths to successful commercialisation is comparatively short when compared to pharmaceutical preparations.

The Company also restructured the Board of Directors during the last twelve months. I take this opportunity to thank former directors Mr Harry Karelis, Dr Mark Treherne and Mr David McAuliffe for their respective roles in advancing the Company's interests during their tenures. The Company has retained the services of Mr McAuliffe as the Company continues to work towards the commercialisation of both NSL-101 and NSL-043.

On behalf of the Board of NeuroDiscovery, I wish to take this opportunity to thank my fellow Directors, the Group's management, employees and shareholders for their contributions and ongoing support of the Company as the Company continues to seek to re-build shareholder value.

Yours sincerely

Mr Michael Robson
Non-Executive Chairman

DIRECTORS' REPORT

Your Directors present their report on NeuroDiscovery Limited and Its Controlled Entities (the Group) for the financial year ended 30 June 2011.

DIRECTORS

The names of the Directors in office during the financial year and until the date of this report are as follows. All Directors were in office for the entire period unless otherwise stated.

Mr Michael Robson LLB (1st Class Hons) B.Sc (Physics) MAICD
Non-Executive Chairman (appointed 28 July 2010)

Qualifications and Experience
Mr Robson has held a number of senior management positions both in the Western Australian government and in private industry since 2001. Mr Robson is currently a director of Datamotion Asia Pacific Ltd (ASX: DMN). He is a specialist compliance and risk management consultant to the stockbroking and financial planning industries. His senior roles have included responsibility for corporate governance, corporate finance, investor relations, regulatory compliance, risk management, training, policy development and implementation and strategic planning.

During the past three years he has held the following ASX listed company directorships; Datamotion Asia Pacific Ltd, US Nickel Limited.

Interest in Shares and Options
Mr Robson currently holds no ordinary shares or options in NeuroDiscovery Limited.

Mr Kyle Haynes
Executive Director (appointed 7 October 2010)

Qualifications and Experience
Mr Haynes works as a client advisor for CPS Securities, a Perth based investment firm. Mr Haynes has worked in the finance industry for over 15 years primarily as a client advisor. He has previously been a director of a publicly listed company and brings with him a range of skills to develop our business going forward.

Interest in Shares and Options
Mr Haynes has an interest in 5,400,000 ordinary shares in NeuroDiscovery Limited.

Mr Neville Bassett B.Bus, FCA
Non-Executive Director (appointed 6 August 2010)

Qualifications and Experience
Mr Bassett is a Chartered Accountant operating his own corporate consulting business, specialising in the area of corporate, financial and management advisory services. Mr Bassett consults to a number of publicly listed companies and private company groups in a diversity of industry sectors. He is a director or company secretary of a number of public and private companies.

Mr Bassett has been involved with numerous public company listings and capital raisings. His involvement in the corporate arena has also taken in mergers and acquisitions, and includes significant knowledge and exposure to the Australian financial markets. Mr Bassett has a wealth of experience in matters pertaining to the Corporations Act, ASX listing requirements, corporate taxation and finance.

During the past three years Mr Bassett has held the following ASX listed company directorships; Vector Resources Ltd, Ram Resources Ltd, Mamba Minerals Ltd and Modena Resources Ltd.

Interest in Shares and Options
Mr Bassett currently holds no ordinary shares or options in NeuroDiscovery Limited.

Mr Harry Karelis B.Sc (Hons) MBA CFA F.Fin FAICD
Non-Executive Chairman (9 June 2009, resigned 7 October 2010)

Qualifications and Experience
Mr Karelis graduated from The University of Western Australia with Bachelors and Honours in Science majoring in Biochemistry and Microbiology as well as a Masters in Business Administration. He is a Fellow of the Financial Services Institute of Australia, a Fellow of the Australian Institute of Company Directors and has qualified as a Chartered Financial Analyst (CFA) from the CFA Institute in the United States.

Mr Karelis is the founder and Managing Director of Titan BioVentures Management Pty Ltd which is the investment manager of BioTech Capital Ltd. Mr Karelis led investments in drug discovery, regenerative medicine, medical devices and several other technology platform areas.

Prior to establishing BioTech Capital Mr Karelis worked in the financial services industry with roles in financial analysis and funds management both in Australia and overseas.

During the past three years he has held the following ASX listed company directorships; Biotech Capital Ltd, Phylogica Ltd.

Mr David McAuliffe B.Pharm LLB (Hons)
Executive Director (appointed 14 April 2005, resigned 6 August 2010)

Qualifications and Experience
Mr McAuliffe is the founder of NeuroDiscovery and has been a Director since establishment. Mr McAuliffe has over fourteen years experience in the international Life Science sector. During this time he has been involved in numerous capital raisings and technology licensing exercises. Mr McAuliffe has an Honours Degree in Law and a Bachelor of Pharmacy degree and is The President of the Dyslexia - Speld Foundation WA (Inc).

During the past three years Mr McAuliffe has held the following ASX listed company directorships; Incitive Limited.

Dr J Mark Treherne B.Sc (Hons) MPhil PhD MIoD
Non-Executive Chairman (appointed 10 August 2005, resigned 28 July 2010)

Qualifications and Experience
Dr Treherne joined NeuroSolutions as Non-Executive Chairman in March 2002 to help lead the development of NeuroSolutions as a successful neurology company providing specialist research services. Dr Treherne has been actively involved in the biopharmaceutical industry for over 25 years and is well known across Europe for his fund - raising and business development expertise. Dr Treherne was a cofounder and Chief Executive of Cambridge Drug Discovery Limited (CDD), leading the acquisition of CDD for £28 million by AiM-listed BioFocus pic (BioFocus), where he then became a Commercial Director of BioFocus, driving significant growth of its profitable services business that reached a valuation of £ 100 million on AIM.

Since leaving his full-time position at BioFocus pic in February 2002 to remain on the Board as a Non-Executive Director, Dr Treherne has now served on the Boards of over 10 private and public biopharmaceutical companies: he is currently Chairman of CyciofluidiC Limited and Bioceros BV and also on the Boards of Domain Therapeutics SA, Population Genetics Technologies Limited, Senexis Limited and Xention Limited. Dr Treherne has now helped raise more than £100 million for various biopharmaceutical businesses around the world. Dr Treherne was also formerly Chairman of ERBI Limited, which is a not-for-profit organisation that represents the biotechnology companies based around Cambridge in the East of England, which is Europe's most established biotechnology cluster.

Dr Treherne initially trained as a neuroscientist and electro physiologist at Cambridge University, before teaching at the University of Basel, Switzerland, and previously led the Neuro degeneration research group at Pfizer's main European research facility at Sandwich, UK, until 1997.

COMPANY SECRETARY

Mr Robert Hodby B.Com CPA ACIS (appointed 2 December 2010)

Qualifications and Experience
Robert Hodby holds a Bachelor of Commerce from Murdoch University and is a member of CPA Australia and Chartered Secretaries Australia. Robert provides corporate, management and accounting advice to a number of companies involved in the resource and energy industries.

Robert is the Company Secretary of Torrens Energy Limited and a Non-Executive Director of New Horizon Minerals Limited.

Mr Morgan Barron B.Com CA F.Fin
Company Secretary (appointed 26 September 2008, resigned 21 December 2010)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were:

- Development of compounds for the treatment of pain; and
- Provision of specialised electrophysiology services to the biopharmaceutical industry.

In August 2010 NeuroDiscovery disposed of its wholly owned subsidiary NeuroSolutions Limited, which is the vehicle for the provision of specialised electrophysiology services to the biopharmaceutical industry. Please refer to the discontinued operations narrative for more information (Note 14 to the Financial Statements).

No other significant changes in the nature of these activities have occurred during the financial year. The Company is currently reviewing alternative projects including those outside of the neurology and health services sector.

OPERATING RESULTS

The consolidated loss after tax for the Group for the year ended 30 June 2011 was $1,458,019 (2010: $1,712,021). The net loss of the Group predominantly related to the disposal of NeuroSolutions Limited and administration and compliance costs of an ASX listed company.

DIVIDENDS PAID OR RECOMMENDED

No dividend has been paid or recommended by the Directors since the commencement of the financial year.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS

NeuroDiscovery Ltd is a neuroscience drug development company specialist. Having sold the revenue business to a management buy out team in the UK during 2010, with settlement of the sale occurring August 2010, NeuroDiscovery retains outright and maintains a significant interest in two programmes for the treatment of pain.

The activities and developments during the year ended 30 June 2011 are presented as follows:

Drug Development Programs

NSL-101

NeuroSolutions Limited identified NSL-101 from UK-based Ampika Limited's database of medicinal plants as a natural product formulation that is effective in alleviating the symptoms of pain. Detailed electrophysiology studies demonstrated that a preparation of NSL-101 inhibits discharges from damaged nerves associated with pain. NeuroSolutions Limited took full ownership of the compound in November 2006 via a worldwide exclusive licensing agreement with Ampika Limited. This licence was subsequently assigned to NeuroDiscovery in March 2010.

NSL-101 is a natural product formulation that NeuroDiscovery intends to out-license as an over-the-counter product for the treatment of pain. As such, this project has a potentially shorter path to commercialisation compared to traditional drug programmes.

Two Phase II trials of NSL-101 were completed in 2008, both to appropriate clinical trial standards. The compound was effective in the first trial, where it prevented pain associated with root planing and scaling, a dental procedure used to combat periodontitis. In the second clinical trial, for the treatment of post-operative pain caused by the extraction of an impacted third molar ("wisdom tooth"), NeuroSolutions Limited was unable to measure NSL-101's efficacy due to unexpected confounding factors.

The results from the periodontitis trial demonstrate that NSL-101 is an effective analgesic, and this proof of concept significantly enhances its value. The study compared the analgesic efficacy and safety of NSL-101 gel with a local anaesthetic, which is the gold standard for pain prevention during scaling and root planing. This procedure is used to treat moderate to severe periodontitis-gum inflammation caused by the build-up of plaque bacteria on the teeth and is typically associated with significant pain. NSL-101 was highly effective and well tolerated. It was found to be equally effective as the local anaesthetic gel but with no adverse effects.

The wisdom tooth extraction study was unable to evaluate the analgesic efficacy of NSL-101 compared with placebo. The study was designed to ensure that patients would not experience severe pain at any time. Thus for ethical reasons, a conservative estimate of the local anaesthetic's duration was used. However, the anaesthetic lasted significantly longer than expected and this masked any analgesic effects of NSL-101, compromising the study.

The Company is currently conducting a strategic review of the commercialisation opportunities for the product and has entered into discussions with interested companies, who could potentially take the product to market.

Over the next twelve months the Company will continue to invest the required funds to ensure a successful commercial outcome is achieved for NSL-101.

NSL-043

NSL-043 was previously in development by another company in the 1990s as a treatment for a "non-pain" condition. It passed all toxicology screens and demonstrated suitability for oral use. The compound was progressed to a late clinical stage in Japan before development was ceased due to a lack of clear efficacy.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

In collaboration with Sosei Corporation NSL-043 completed two Phase I clinical trials during early 2008. The primary goal of the Phase I clinical trials were to establish the safety and tolerability of NSL-043 in humans, which they did successfully.

Due to on-going funding issues and the need to preserve the Group's cash reserves, the Company served notice to its joint development partner, Sosei, and it was unable to contribute to its share of the outstanding costs of development of NSL-043.

As such on 22 December 2009 the Company announced to the Australian Securities Exchange its ownership in the NSL-043 program fell to approximately 32% under the existing collaboration with Sosei with no further requirement to contribute funding for the future development of the programme.

Subsequent discussions with Sosei were held in order to identify a more appropriate ownership structure of this potentially very exciting pain drug. All parties recognised that to maximise the chances of successful development that a restructure of the ownership was the most appropriate strategy.

To this end, both companies formally terminated the collaboration agreement and entered into an assignment agreement. Under the terms and conditions of this assignment agreement the remaining 32% ownership in NSL-043 was assigned back to Sosei. Hence, moving forward Sosei have 100% ownership in the programme and may either internally or externally fund the next stage of development being a potential Phase II trial. The funding and development into Phase II is at the sole discretion of Sosei.

In return for the assignment, Sosei agreed that, for the life of the existing granted NSL-043 patent, a percentage of any future revenue (being all and any payments, fees, revenue and other consideration of any nature whatsoever received by Sosei and/or its Group in respect of the development, licensing, assignment, exploitation, commercialisation and/or use of and/or any other dealings whatsoever in the whole or any part of the current NSL-043 granted intellectual property) will be paid to NeuroDiscovery.

As of today, the potential percentage revenue payment share to NeuroDiscovery would be 32%. However, if additional investment occurs this future revenue share would be calculated via an agreed formula in which NeuroDiscovery's percentage of revenue is diluted. For commercially sensitive reasons the exact nature of the formula remains confidential.

Should positive results emerge from the next clinical trial there is sufficient reason to believe that there remains the potential for significant returns to NeuroDiscovery shareholders despite further dilution of percentage revenue share under the agreed formula.

Specialist Services Business

As announced on 12 August 2010 NeuroDiscovery has completed the disposal of 100% of its interest in its wholly owned subsidiary, NeuroSolutions. NeuroSolutions runs the services business activities of the Group and has been wholly owned since NeuroDiscovery's inception over five years ago.

The Board has for some time been exploring potential restructuring opportunities to identify a sustainable platform from which to generate future shareholder wealth. Consequently, as part of this restructuring an agreement was reached for the sale of the services business to a management buy-out team comprising individuals from NeuroSolutions and the University of Warwick.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Corporate and Business development

During the period there were significant changes to the board. These changes resulted from the sale of NeuroSolutions. Dr Jonathan Mark Treherne, Harry Karelis and David McAuliffe resigned following the sale. David McAuliffe remains with NeuroDiscovery as a consultant advising the Company on its drug development programs. Michael Robson, Kyle Haynes and Neville Bassett join the board providing significant Corporate and Financial experience.

On 30 August 2010 the Company announced that it was completing a Non-renounceable Rights Issue on the basis of one (1) share for every two (2) shares owned by eligible shareholders on the Record Date at an issue price of 2.5 cents per share. The offer was fully underwritten by Cunningham Peterson Sharbanee Securities Pty Ltd and the Company completed this on 5 October 2010 raising approximately $718,577 before costs from the offer.

In addition the company undertook a placement on 2 December 2010 to raise $430,000 for additional working capital.

On 20 January 2011 the Company announced a Non-renounceable Rights Issue on the basis of one (1) new option for every two (2) shares owned by eligible shareholders on the Record Date at an issue price of 1.0 cent per share. The option will be exercisable at 6 cents on or before 31 January 2012. The offer was successfully completed on 4 March 2011 raising approximately $484,896 before costs from the offer. A placement of 20,000,000 options on the same terms was undertaken at the same time raising $200,000. A further placement of 2,000,000 options on the same terms was undertaken raising $20,000.

FINANCIAL POSITION

Liquidity and Capital Resources

The consolidated cash flow statement shows that cash and cash equivalents at year ending 30 June 2011 were $2,727,474 (2010: $1,551,501).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In August 2010 NeuroDiscovery disposed of its wholly owned subsidiary NeuroSolutions, which is the vehicle for the provision of specialised electrophysiology services to the biopharmaceutical industry. Please refer to the discontinued operations narrative for more information.

No other significant changes in the Group's state of affairs occurred during the financial year.

AFTER BALANCE DATE EVENTS

No significant events occurred after balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Board of NeuroDiscovery continue to review and invest in its current assets, in particular NSL-101 and at the same time will try to identify and acquire innovative products that are complementary to NeuroDiscovery's current drug development strategy in the neurology field. In addition, the Board continues to monitor expenditure very closely.

DIRECTORS' REPORT (CONTINUED)

ENVIRONMENTAL ISSUES

The Directors are mindful of the regulatory regime in relation to the impact of the organisational activities on the environment.

There have been no known breaches by the Group during the financial year.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and Key Management Personnel of NeuroDiscovery Limited.

Remuneration Policy
The performance of the Group depends upon the quality of its Directors and Key Management Personnel.

The NeuroDiscovery broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

<u>Remuneration Structure</u>
The Board of Directors are responsible for determining and reviewing compensation arrangements for Executive Directors and the senior management team.

The Board assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to the relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Key Management Personnel. Such employees are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

To assist in achieving these objectives, the Board links the nature and amount of Executive Directors' and Key Management Personnel's emoluments to the Group's financial and operational performance. All Directors and Key Management have the opportunity to qualify for participation in the Employee Share Option Plan which currently provides incentives where specified criteria are met including criteria relating to profitability, cash flow and share price growth performance.

In addition, all Directors and Key Management Personnel may be entitled to annual bonuses payable upon the achievement of annual corporate or profitability measures.

The Group seeks to emphasise payment for results through providing various cash bonus reward schemes, specifically the incorporation of incentive payments based on achievement of approved targets.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

<u>Employment Contracts</u>
The Company has entered into a 12 month Consultancy Agreement with its Executive Director. The contract expired on 7 October 2011.

<u>The Directors of NeuroDiscovery and their positions held are as follows:</u>

- Mr Michael Robson* — Non-Executive Chairman
- Mr Kyle Haynes — Executive Director (appointed 7 October 2010)
- Mr Neville Bassett — Non-Executive Director (appointed 6 August 2010)
- Mr Harry Karelis — Non-Executive Chairman (resigned 7 October 2010)
- Mr David McAuliffe — Executive Director (resigned 6 August 2010)
- Dr J Mark Treherne — Non-Executive Chairman (resigned 28 July 2010)

*Mr Robson was appointed to the position of Chairman on 7 October 2010 on the resignation of Mr Karelis.

On resignation from the board of NeuroDiscovery Ltd, Mr McAuliffe was engaged as a contractor to the Company.

Principles Used to Determine the Nature and Amount of Remuneration

Senior Manager and Executive Director Remuneration

Objective

The Group aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- Reward Executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of Executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

Structure

Executive Directors are contracted to the Group either on a consultancy basis with remuneration and terms stipulated in individual consultancy arrangements or pursuant to an employment contract with remuneration and terms stipulated in individual employment agreements.

Company Performance

The table below shows the gross revenue, losses and earnings per share for the last three years for the Group.

	2009 $	2010 $	2011 $
Revenue	2,365,011	2,110,830	286,731
Net Loss	(440,178)	(1,712,021)	(1,458,019)
Earnings/(loss) per share (cents per share)	(0.77)	(2.98)	(1.72)

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Details of Directors and Executives Remuneration (Audited)

		Primary			Post Employment		Equity		
		Salary & Fees	Cash Bonus	Non Monetary	Superannuation	Retirement Benefits	Shares & Options	Total	Performance Related
Directors		$	$	$	Pensions $	$	$	$	%
Mr M Robson*	2011	27,500	-	-	-	-	-	27,500	-
	2010	-	-	-	-	-	-	-	-
Mr K Haynes*,	2011	157,500	45,000	-	-	-	-	202,500	-
	2010	-	-	-	-	-	-	-	-
Mr N Bassett*	2011	27,500	-	-	-	-	-	27,500	-
	2010	-	-	-	-	-	-	-	-
Dr J M Treherne*	2011	-	-	-	-	-	-	-	-
	2010	31,151	-	-	-	-	-	31,151	-
Mr D McAuliffe	2011	3,300	-	-	-	-	-	3,300	-
	2010	39,600	-	-	-	-	-	39,600	-
Mr H Karelis	2011	8,065	-	-	-	-	-	8,065	-
	2010	30,000	-	-	-	-	-	30,000	-
Dr Chris Moyses	2010	46,784	-	-	-	-	-	46,784	
Total Directors	**2011**	**268,865**	**45,000**	**-**	**-**	-	**-**	**268,865**	
	2010	**147,535**	**-**	**-**	**-**	-	**-**	**147,535**	
Other Key Management Personnel									
Prof. D Spanswick	2011	-	-	-	-	-	-	-	-
	2010	97,162	-	-	-	-	-	97,162	-

* During the year the Group made payments to Director related entities for services rendered on behalf of the Group, as detailed in Note 22.

Details of Equity-based Remuneration for the year ended 30 June 2011

No shares or options were issued to Directors or Key Management Personnel during the current or comparative financial years.

END OF REMUNERATION REPORT

DIRECTORS' REPORT (CONTINUED)

MEETINGS OF DIRECTORS

During the financial year, 10 meetings of Directors were held. Attendances by each Director during the year were as follows:

	Board Meetings	
Director	**Number eligible to attend**	**Number attended**
Mr M Robson	8	8
Mr K Haynes	5	5
Mr N Bassett	7	7
Dr J Mark Treherne	2	2
Mr D McAuliffe	3	3
Mr H Karelis	5	5

INDEMNIFYING OFFICERS OR AUDITOR

During the financial year the Company has paid insurance premiums of $12,950 (2010: $17,907) to indemnify all Directors and Executive Officers of the Company, against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or Officers of the Company, except where the liability arises out of conduct involving a lack of good faith.

The contract stipulates that the Company will insure Directors or Officers against costs incurred in defending proceedings for conduct involving:

(a) ailful breach of duty; or
(b) a contravention of Section 182 or 183 of the Corporations Act, as permitted by section 199B of the Corporations Act 2001.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors ensure that:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants.

No fees for non-audit services were paid to the external auditors during the year ended 30 June 2011 (2010: Nil).

DIRECTORS' REPORT (CONTINUED)

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

Signed in accordance with a resolution of the Board of Directors.

MICHAEL ROBSON
NON-EXECUTIVE CHAIRMAN

Perth, Western Australia, 31 August 2011

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of NeuroDiscovery Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Crowe Horwath Perth

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Signed at Perth, 31 August 2011

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ending 30 June 2011

		Consolidated	
		2011	2010
	Note	$	$
Continuing operations			
Income	2	122,831	36,489
Corporate and administrative expenses		(504,111)	(307,933)
Impairment of intangible assets	9	-	(2,085,119)
Changes in fair value of financial assets at fair value through profit or loss		(210,951)	-
Unrealised foreign exchange (loss)		(45,950)	-
Loss before income tax		(638,181)	(2,356,563)
Income tax benefit/(expense)	4	-	435,610
Loss from continuing operations		(638,181)	(1,920,953)
Profit/(loss) from discontinued operations	14	(819,838)	208,932
Loss for the year		(1,458,019)	(1,712,021)
Other Comprehensive Income		-	-
Other comprehensive income/(loss) for the period, net of tax		-	-
Total comprehensive loss for the period		(1,458,019)	(1,712,021)
(Loss) per Share			
Basic and diluted (loss) per share (cents per share)	17	(1.72)	(2.98)
Continuing Operations			
Basic and diluted (loss) per share (cents per share)	17	(0.75)	(3.35)
Discontinued Operations			
Basic and diluted earnings/(loss) per share (cents per share)	17	(0.97)	0.37

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	2,727,474	1,551,501
Trade and other receivables	6	133,998	331,904
Financial assets at fair value through profit or loss	7	141,175	-
Other current assets		27,383	35,291
TOTAL CURRENT ASSETS		3,030,030	1,918,696
NON-CURRENT ASSETS			
Plant and equipment	8	-	139,979
Intangible assets	9	-	900,000
TOTAL NON-CURRENT ASSETS		-	1,039,979
TOTAL ASSETS		3,030,030	2,958,675
CURRENT LIABILITIES			
Trade and other payables	10	104,570	347,062
Other current liabilities	11	12,315	-
TOTAL CURRENT LIABILITIES		116,885	347,062
NON-CURRENT LIABILITIES			
Deferred tax liability		-	33,886
TOTAL NON-CURRENT LIABILITIES		-	33,886
TOTAL LIABILITIES		116,885	380,948
NET ASSETS		2,913,145	2,577,727
EQUITY			
Issued capital	12	9,707,990	8,695,049
Reserves	13	855,462	74,966
Accumulated losses		(7,650,307)	(6,192,288)
TOTAL EQUITY		2,913,145	2,577,727

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2011

	Issued Capital $	Accumulated Losses $	Share Based Payment Reserves $	Option Reserve $	Total Equity $
Consolidated					
At 30 June 2010	8,695,049	(6,192,288)	74,966	-	2,577,727
Comprehensive loss for the year	-	(1,458,019)	-	-	(1,458,019)
Shares issued during the period	1,012,941	-	-	-	1,012,941
Options issued during the period	-	-	75,600	704,896	780,496
At 30 June 2011	9,707,990	(7,650,307)	150,566	704,896	2,913,145

	Issued Capital $	Accumulated Losses $	Share Based Payment Reserves $	Option Reserve $	Total Equity $
Consolidated					
At 30 June 2009	8,629,515	(4,480,267)	132,805	-	4,282,053
Comprehensive loss for the year	-	(1,712,021)	-	-	(1,712,021)
Cost of share-based payments	-	-	7,695	-	7,695
Options cancelled and expired during the period	65,534	-	(65,534)	-	-
At 30 June 2010	8,695,049	(6,192,288)	74,966	-	2,577,727

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2011

		Consolidated	
		2011	2010
	Note	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		163,900	2,139,572
Payments to suppliers and employees		(566,876)	(2,021,713)
Interest received		86,311	36,489
Net cash provided by / (used in) operating activities	24	(316,665)	154,348
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		3,083	70,896
Purchase of plant and equipment		-	(30,478)
Proceeds from sale of controlled entity net of cash disposed		(9,595)	-
Purchase of financial assets at fair value through profit or loss		(417,071)	-
Proceeds from disposal of financial assets at fair value through profit or loss		74,083	-
Proceeds from repayment of loans		71,801	-
Net cash provided by / (used in) investing activities		(277,699)	40,418
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,148,577	-
Share issue costs		(83,136)	-
Proceeds from issue of options		704,896	-
Net cash used in financing activities		1,770,337	-
Net increase / (decrease) in cash held		1,175,973	194,766
Net foreign exchange differences		-	(38,337)
Cash at beginning of financial year		1,551,501	1,395,072
Cash at end of financial year		2,727,474	1,551,501

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of NeuroDiscovery Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 31 August 2011. The financial report includes the consolidated financial statements and notes of NeuroDiscovery Limited ("NeuroDiscovery" or "the Company") and controlled entity NeuroSolutions Limited ("NeuroSolutions") (disposed on 12 August 2010 (Note 14)). The separate financial statements of the parent entity, NeuroDiscovery Ltd, have not been presented within this financial report as permitted by the Corporations Act (2001).

NeuroDiscovery is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

Basis of Preparation

The financial report is a general-purpose financial report of the Consolidated Entity consisting of NeuroDiscovery Limited and its controlled entity. The financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and the notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars.

(a) Principles of Consolidation

A controlled entity is any entity over which NeuroDiscovery Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of actual and potential voting rights are considered.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors of the Company.

The group aggregates two or more operating segments when they have similar economic characteristics.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

(c) Foreign Currency Transactions and Balances

Both the functional and presentation currency of NeuroDiscovery Limited is Australian dollars ($AUD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiary (NeuroSolutions Limited) was British Pounds (GBP).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign Currency Transactions and Balances (continued)

As at the disposal date the assets and liabilities of these overseas subsidiaries were translated into the presentation currency of NeuroDiscovery Limited at the rate of exchange ruling at that date and the income statements are translated at the weighted average exchange rates for the period. Retained earnings (accumulated losses) are translated at the exchange rates prevailing at the date of the transaction.

The exchange differences arising on the retranslation are taken directly to the Group's foreign currency translation reserve in the statement of financial position.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

(d) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment - over 3 to 15 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(e) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible Assets

Goodwill
Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intellectual Property
Intellectual property assets relate to the separately identifiable intellectual property components acquired on the acquisition of subsidiaries. Intellectual property assets have an indefinite life and are tested annually for impairment and carried at cost less accumulated impairment losses.

Research and development costs
Research and development costs during the research phase of a project are expensed as incurred.

(g) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. Where an indicator of impairment exists, the Group makes a formal assessment of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) Financial Instruments

Recognition and initial measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(h) Financial Instruments (continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss
Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.
Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Written call options on shares
A contract that will be settled by the entity (receiving or) delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument. Any consideration received (such as the premium received for a written option or warrant on the entity's own shares) is added directly to equity.

Changes in the fair value of an equity instrument are not recognised in the financial statements.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(i) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks and other highly-liquid deposits with maturities of 3 months or less, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(k) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services
Revenue from the provision of services is referenced to the stage of completion.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(l) Income Tax

The income tax expense (revenue) for the year comprises current income tax (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant tax authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income Tax (continued)

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(m) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis except for the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Earnings per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

(i) costs of servicing equity (other than dividends) and preference share dividends;
(ii) the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have not been recognised as expenses; and
(iii) other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares,

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(o) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

(i) Impairment

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Judgments

- *Intellectual Property Assets*
  The Group capitalises intellectual property assets where it is considered likely to be recoverable through the eventual development and sale of commercially viable products relating to the use of the relevant intellectual property.

(p) New Accounting Standards for Application in Current Period

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 2009-8 Amendments to Australian Accounting Standards – Group cash-settled Share-based Payment Transactions;
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues;
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments;
- AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19; and
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

The adoption of these standards did not have any impact on the amounts for the current period or prior periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

  The key changes made to accounting requirements include:
  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) New Accounting Standards for Application in Future Periods (continued)

- AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

  This Standard is not expected to impact the Group.

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:
  - clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
  - adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
  - amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
  - adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
  - making sundry editorial amendments to various Standards and Interpretations.

  This Standard is not expected to impact the Group.

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).
  This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).
  This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

  As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. INCOME

	Consolidated 2011 $	2010 $
Bank interest	113,694	33,261
Gain on disposal of financial asset at fair value through profit or loss	9,137	-
Other income	-	3,228
	122,831	36,489

3. LOSS FROM CONTINUING OPERATIONS

Loss from continuing operations includes the following specific expenses:		
Unrealised foreign exchange losses	45,950	-
Impairment of intangible assets (Note 9)	-	2,085,119

4. INCOME TAX

The prima facie tax on operating loss from ordinary activities is reconciled to the income tax as follows:

	Consolidated 2011 $	2010 $
Accounting loss before income tax from continuing operations	(638,181)	(2,356,563)
Prima facie tax on loss from ordinary activities at a tax rate of 30% (2010: 30%)	(191,454)	(706,968)
Tax effect of non-deductable items	16,354	625,336
Foreign exchange adjustments	13,785	-
Benefit of tax losses not brought to account as an asset	161,315	81,632
Movement in deferred tax balances	-	435,610
Income tax attributable to Group	-	435,610

The Group has deferred tax assets in relation to tax losses arising in Australia of $721,174 (2010: $553,741) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to the company satisfying the necessary loss recoupment tests.

5. CASH AND CASH EQUIVALENTS

	Consolidated 2011 $	2010 $
Cash at bank and in hand	477,474	602,488
Short-term bank deposits	2,250,000	949,013
	2,727,474	1,551,501

The effective interest rate on short-term bank deposits are made for varying periods of between one day and one month depending on immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates between 0.01% and 5.40%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011	2010
	$	$
Current		
Trade receivables	-	331,904
Receivable from purchaser of NeuroSolutions Ltd	110,340	-
Other	23,658	-
	133,998	331,904

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss consists of investments in listed shares. The carrying value of these investments is based on their market value as at 30 June 2011.

	Consolidated	
	2011	2010
	$	$
Balance at 1 July	-	-
Additions	426,209	-
Fair value movement	(210,951)	-
Disposals	(74,083)	-
Balance at 30 June	141,175	-

8. PLANT AND EQUIPMENT

	Consolidated	
	2011	2010
	$	$
Plant and Equipment		
Plant and equipment:		
At cost	6,315	922,050
Accumulated depreciation	(6,315)	(782,071)
Total Plant and equipment	-	139,979

a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Consolidated
	$
Balance at 1 July 2009	254,488
Additions	30,477
Disposals	(83,676)
Depreciation and amortisation expense	(61,310)
Balance at 30 June 2010	139,979
Additions	-
Disposals	(139,979)
Depreciation and amortisation expense	-
Balance at 30 June 2011	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTANGIBLE ASSETS

	Consolidated		
	Intellectual Property $	Goodwill $	Total $
As at 1 July 2009	1,143,701	1,841,418	2,985,119
Impairment of intangible asset	(1,143,701)	(941,418)	(2,085,119)
As at 1 July 2010	-	900,000	900,000
Disposal of intangible asset	-	(900,000)	(900,000)
As at 30 June 2011	-	-	-

10. TRADE PAYABLES

	Consolidated	
	2011 $	2010 $
Current		
Trade payables	104,570	83,499
Unearned revenue	-	76,774
Other payables	-	186,789
	104,570	347,062

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of 6 months.

The net of GST payable and GST receivable is remitted to the appropriate tax body on a quarterly basis.

11. OTHER CURRENT LIABILITIES

	Consolidated	
	2011 $	2010 $
Accrued expenses	12,315	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. ISSUED CAPITAL

	Consolidated	
	2011	2010
	$	$
Ordinary Shares		
Issued and fully paid	9,707,990	8,695,049

a) Ordinary Shares

	No.	No.
At the beginning of reporting period	57,486,183	57,486,183
Shares issued during year	39,493,091	-
	96,979,274	57,486,183

i. Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the company in proportion to the number and amount paid on the share hold.

ii. Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the consolidated entity's development there are no formal targets set for return on capital. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

b) Options

Includes 78,289,637 options over ordinary shares outstanding at 30 June 2011 (2010: 1,977,154). Of the total number of options on issue, there are no options (2010: 827,154) held under an Employee share option plan (ESOP) outstanding at 30 June 2011.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options issued during the year.

	No.	WAEP
Outstanding at 1 July 2009	3,992,255	$0.21
Options cancelled/expired during the year	(2,015,101)	
Outstanding at 30 June 2010	1,977,154	$0.22
Options expired during the year	(1,977,154)	$0.22
Options issued during the year	78,289,637	$0.06
Outstanding at 30 June 2011	78,289,637	$0.06
Exercisable at the end of the year	78,289,637	$0.06

The outstanding balance as at 30 June 2011 are all the same class of option with an exercise price of $0.06 each, exercisable on or before 31 January 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. RESERVES

	Consolidated	
	2011	2010
	$	$
Share-based Payment Reserve	150,566	74,966
Option Reserve	704,896	-
	855,462	74,966
Share-based Payment Reserve	150,566	74,966

Share-based Payment Reserve	
Balance at 1 July 2009	132,805
Share-based payments	7,695
Options cancelled and expired	(65,534)
Balance at 30 June 2010	74,966
Share-based payments	75,600
Options cancelled and expired	-
As at 30 June 2011	150,566

Nature and purpose of Reserve

Share-based Payment Reserve
The share-based payments reserve is used to record the value of equity benefits which may be provided:

- to employees and Directors as part of their remuneration under an Employee share option plan (ESOP);
- to Directors on terms determined by the Board and approved by shareholders; and
- to advisers and consultants as payments for services.

	Consolidated	
	2011	2010
	$	$
Option Reserve	704,896	-

Option Reserve	
Balance at 1 July 2010	-
Issue of Options	704,896
As at 30 June 2011	704,896

Nature and purpose of Reserve

Option Reserve
The option reserve is used to record the value of benefits on issue of options:
- under entitlement issue of 48,489,637 options at $0.01;
- placement issue of 22,000,000 options at $0.01.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. DISCONTINUED OPERATIONS

Neurodiscovery entered into a sale and purchase agreement on the 11 June 2010 regarding the sale of the Company's 100% interest in Neurosolutions Limited. The sale was approved by shareholder on 22 July 2010 and receipt of initial funds and transfers of shares finalised on the 12 August 2010.

Financial information relating to the discontinued operation to the date of disposal is set out below.

The financial performance of the discontinued operation to the date of sale which is included in profit/(loss) from discontinued operations per the statement of comprehensive income is as follows:

	12 August 2010 $	30 June 2010 $
Revenue	163,900	2,083,896
Expenses	(142,738)	(1,874,964)
Profit before income tax	21,162	208,932
Income tax expense	-	-
Profit attributable to members of the parent entity	21,162	208,932
Loss on sale before income tax	(841,000)	-
Income tax expense	-	-
Loss on sale after income tax	(841,000)	-
Total profit/(loss) after tax attributable to the discontinued operation	(819,838)	208,932

	12 August 2010 $	30 June 2010 $
Net cash inflow from operating activities	25,435	216,550
Net cash inflow from investing activities	3,083	22,833
Net cash (outflow) from financing activities	-	(40,597)
Net cash decrease in cash generated by the discontinuing division	28,518	198,786

	Consolidated Entity 30 June 2011 $
Cash consideration received/to be received	824,800
Carrying amount of net assets sold	(765,800)
Profit on sale before elimination of goodwill	59,000
Less: Elimination of goodwill on disposal	(900,000)
Total loss on sale of subsidiary	(841,000)
Income tax expense	-
Loss on sale of subsidiary after income tax	(841,000)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. DISCONTINUED OPERATIONS (CONTINUED)

The carrying amount of assets and liabilities as of the date of sale and 30 June 2010 are as follows:

	12 August 2010 $	30 June 2010 $
Cash	604,007	551,959
Receivables	164,057	358,092
Property Plant & Equipment	92,998	139,979
Other	102,206	-
Total Assets	963,268	1,050,030
Payables	15,108	14,891
Other	182,360	269,669
Total Liabilities	197,468	284,560
Net Assets	765,800	765,470

15. SEGMENT INFORMATION

The Group's reportable operating segments prior to disposal of NeuroSolutions Ltd were as follows:

1. Contract Business Segment (UK);
2. Research & Development Segment (UK); and
3. All Other Segments, which includes the corporate & administration segment (UK & Australia).

The Group's operating segments were determined with reference to the information used by the chief operating decision maker to make decisions regarding the Group's operations and the allocation of the Group's working capital. Due to the size and nature of the Group's business the Board as a whole has been determined as the chief operating decision maker.

The segments disclosed in the table below were identified as operating segments that met any of the following thresholds:
Segment revenue greater than 10% of combined revenue;
Segment profit or loss greater than 10% of combined profit or loss of all operating segments; and
Segment assets greater than 10% of combined assets of all operating segments.

Each of the Group's operating segments operated in separate geographical locations besides the corporate and administration segment which operates in the UK and Australia, as disclosed above.

Corporate and administration items not directly associated with operating segments are reported separately to the chief operating decision maker and included in all other segments reporting segment.

Following the disposal of NeuroSolutions Ltd in August 2010, the financial information presented to the chief operating decision maker is similar to that presented on the statement of comprehensive income and statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. SEGMENT INFORMATION (CONTINUED)

	Contract Business	Research & Development	All Other Segments			
	UK	UK	UK	AUS	Eliminations	Consolidated
30 June 2011	$	$	$	$	$	$
Segment revenue	163,900	-	-	122,831		286,731
Segment result	43,845	-	(22,683)	(692,549)		(671,387)
Unallocated expenses net of unallocated revenue						
Results from operating activities						
Less: discontinued operation	(43,845)	-	22,683	-		(21,162)
Results from continuing operations	-	-	-	(692,549)		(692,549)
Segment assets						
Segment liabilities	-	-	-	3,030,030		3,030,030
	-	-	-	(116,885)		(116,885)
Included within segment result:						
Depreciation	587	-	-	-		587
Impairment of non-current assets	-	-	-	-		-
Interest revenue	-	-	-	113,694		113,694
Income tax expense (benefit)	-	-	-	-		-
30 June 2010						
Segment revenue	2,077,569	-	-	33,261	-	2,110,830
Segment result	685,217	(67,918)	(198,593)	(3,160,221)	1,029,494	(1,712,021)
Unallocated expenses net of unallocated revenue						-
Results from operating activities						(1,712,021)
Less: discontinued operation						-
Results from continuing operations						(1,712,021)
Segment assets	1,900,146	-	49,884	1,008,645	-	2,958,675
Segment liabilities	14,891	-	2,651,439	96,388	(2,381,770)	380,948
Included within segment result:						
Depreciation	55,111	-	6,199	-	-	61,310
Impairment of non-current assets	941,419	1,143,700	-	2,888,777	(2,888,777)	2,085,119
Interest revenue	-	-	-	33,261	-	33,261
Income tax expense (benefit)	(92,500)	(343,110)	-	-	-	(435,610)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. AUDITORS REMUNERATION

	Consolidated 2011 $	2010 $
Amounts received or due and receivable by Crowe Horwath Perth for:		
• an audit or review of the financial report of the entity and any other entity in the Consolidated entity	32,500	24,450
	32,500	24,450
Amounts received or due and receivable by other auditors for:		
• an audit or review of the financial report of subsidiary	-	34,606
	32,500	59,056

17. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

		Consolidated 2011 $	2010 $
a)	Profit or loss used in calculating earnings per share		
	- Loss from continuing operations	(638,181)	(1,920,953)
	- Profit/(Loss) from discontinued operations	(819,838)	208,932
	- Loss for the year	(1,458,019)	(1,712,021)
b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	No.	No.
		84,982,423	57,486,183

Diluted EPS not disclosed as potential ordinary shares are anti-dilutive.

Diluted earnings per share

When dilutive earnings per share would result in more favourable earnings, diluted and basic earnings per share are considered equal.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Directors are not aware of any contingent liabilities or contingent assets as at 30 June 2011.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The level of financial risk and operation risk has changed significantly during the year as a result of the disposal of NeuroSolutions Ltd on 12 August 2010. This has effectively alleviated the Group from exposure to a variety of financial risks that prevailed in 2010.

The Group's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under audit, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is discussed in Note 20.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash at bank.

The details of exposures to interest rate risk of financial assets and liabilities, together with the maturity analysis are detailed in Note 20.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash at bank.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The credit risk on liquid funds is limited because the counter party is a bank with high credit rating.

Equity Price Risk
Equity price risk is the risk that the fair value of financial assets at fair value through profit or loss change as a result of the changes in market price of the underlying instruments. The exposure to equity price risk together with sensitivity analysis is disclosed in Note 20.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as and when they fall due. The Group manages liquidity risk by continually monitoring cash reserves and cashflow forecasts to ensure that financial commitments can be met when and as they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of finance leases and equity funding.

Fair values
The fair values of all financial assets and liabilities of the Group approximate their carrying values.

20. FINANCIAL INSTRUMENTS

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

Consolidated	< 1 year $	Maturity > 1 - < 5 Years $	+ 5 Years $	Total $	Weighted Average Interest Rate %
Year ended 30 June 2011					
Floating Rate					
Financial Assets					
Cash and cash equivalents	2,727,474	-	-	2,727,474	6.00
	2,727,474	-	-	2,727,474	
Year ended 30 June 2010					
Floating Rate					
Financial Assets					
Cash and cash equivalents	1,551,501	-	-	1,551,501	2.23
	1,551,501	-	-	1,551,501	

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instruments Measured at Fair Value
The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2011	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets:				
Financial assets at fair value through profit or loss:				
– investments – held-for-trading	141,175	-	-	141,175
2010				
Financial assets				
Financial assets at fair value through profit or loss:				
– investments – held-for-trading	-	-	-	-

Interest rate sensitivity

Interest rate risk sensitivity analysis:

		Effect On:		Effect On:	
Consolidated		**Profit 2011**	**Profit 2010**	**Equity 2011**	**Equity 2010**
Risk Variable	**Sensitivity***	**$**	**$**	**$**	**$**
Interest Rate	+ 1.50%	33,750	15,642	33,750	15,642
	- 1.50%	(33,750)	(15,642)	(33,750)	(15,642)

***** The method used to arrive at the possible change of 150 basis points was based on the analysis of the average change of the Reserve Bank of Australia (RBA) monthly issued cash rate over the past 5 years. It is considered that 150 basis points is a 'reasonably possible' estimate as it accommodates for the maximum variations inherent in the interest rate movement over the past five years.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower:

- profit for the year ended 30 June 2011 would increase/decrease by $7,059 as a result of the changes in fair value of financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of NeuroDiscovery Limited and the subsidiaries listed in the following table.

	Country of Incorporation	% Equity Interest	
		2011	2010
NeuroSolutions Limited	United Kingdom	-	100

NeuroDiscovery Limited is the ultimate Australian parent entity. NeuroSolutions Ltd was disposed of on 12 August 2010.

Director related entities

During the year the parent and its subsidiary made payments to Directors and their related entities for services provided. Details are disclosed at Note 22.

22. DIRECTORS AND KEY MANAGEMENT PERSONNEL

a) Remuneration of Directors and Key Management Personnel

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel for the year ended 30 June 2011.

The totals of remuneration paid to Key Management Personnel of the company and the Group during the year are as follows:

	2011 $	2010 $
Short-term employee benefits	268,865	100,751
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	268,865	100,751

The remuneration payments to Mr M Robson were made to a director-related entity, Satus Texo Pty Limited.

The remuneration payments to Mr K Haynes were made to a director-related entity, Social Investments Pty Ltd.

The remuneration payments to Mr N Bassett were made to a director-related entity, Mandevilla Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)

b) Option holdings

The number of options over ordinary shares in the Company, held during the financial year by the Directors and Executives of NeuroDiscovery Limited, including their Director related parties, are set out below.

2011	Balance at Start of Year	Granted During Year as Compensation	Exercised During Year	Other Changes During Year	Balance at End of Year	Vested and Exercisable at End of Year
Directors	**01-07-2010**				**30-06-2011**	
Dr J M Treherne[(a)]	500,000	-	-	(500,000)	-	-
Mr D McAuliffe[(b)]	500,000	-	-	(500,000)	-	-
	1,000,000	-	-	(1,000,000)	-	-

(a) Dr Treherne resigned from the Board of NeuroDiscovery on 28 July 2010. His options expired on 30 November 2010.

(b) Mr McAuliffe resigned from the Board of NeuroDiscovery on 6 August 2010. His options expired on 30 November 2010.

2010	Balance at Start of Year	Granted During Year as Compensation	Exercised During Year	Other Changes During Year	Balance at End of Year	Vested and Exercisable at End of Year
Directors	**01-07-2009**				**30-06-2010**	
Dr J M Treherne	500,000	-	-	-	500,000	500,000
Mr D McAuliffe	500,000	-	-	-	500,000	500,000
Mr J Hannaford[(a)]	150,000	-	-	(150,000)	-	-
	1,150,000	-	-	(150,000)	1,000,000	1,000,000

(a) Mr Hannaford resigned from the Board of NeuroDiscovery on 31 July 2009. His options expired on 30 November 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)

c) Shareholdings

The numbers of shares in the Company held during the financial year by each Director and Key Management Personnel of NeuroDiscovery Limited, including their personally related parties, are set out below.

Ordinary Shares

2011 Directors	Balance at Start of Year 01-07-2010	Granted During Year as Compensation	Issued During Year on Exercise of Options	Other Changes During the Year	Balance at End of Year 30-06-2011
Mr K Haynes	-	-	-	5,400,000	5,400,000
Dr J M Treherne[a]	2,808,457	-	-	(2,808,457)	-
Mr D McAuliffe[b]	3,197,018	-	-	(3,197,018)	-
Mr Harry Karelis[c]	10,033,530	-	-	(10,033,530)	-
	16,039,005	-	-	(10,639,005)	5,400,000

(a) Dr Treherne resigned from the Board of NeuroDiscovery on 28 July 2010.
(b) Mr McAuliffe resigned from the Board of NeuroDiscovery on 6 August 2010.
(c) Mr Karelis resigned from the Board of NeuroDiscovery on 7 October 2010.

Ordinary Shares

2010 Directors	Balance at Start of Year 01-07-2009	Granted During Year as Compensation	Issued During Year on Exercise of Options	Other Changes During the Year	Balance at End of Year 30-06-2010
Dr J M Treherne	2,808,457	-	-	-	2,808,457
Mr D McAuliffe	2,946,612	-	-	250,406	3,197,018
Mr Harry Karelis	10,033,530	-	-	-	10,033,530
Mr J Hannaford[a]	198,816	-	-	(198,816)	-
	15,987,415	-	-	51,590	16,039,005
Other Key Management Personnel					
Prof D Spanswick	2,654,995	-	-	-	2,654,995
	2,654,995	-	-	-	2,654,995

(a) Mr Hannaford resigned from the Board of NeuroDiscovery on 31 July 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)

All equity transactions with Directors and Key Management Personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

23. PARENT ENTITY DISCLOSURE

Financial position

	2011 $	2010 $
Assets		
Current assets	3,030,030	1,008,645
Non-current assets	-	900,000
Total assets	3,030,030	1,908,645
Liabilities		
Current liabilities	116,885	96,388
Total liabilities	116,885	96,388
Equity		
Issued capital	9,707,990	8,695,049
Accumulated Losses	(7,650,307)	(6,957,758)
Reserves	855,462	74,966
Total equity	2,913,145	1,812,257

Financial performance

	2011 $	2010 $
Loss for the year	(638,181)	(1,920,953)
Other comprehensive income	-	-
Total comprehensive loss	(638,181)	(1,920,953)

There were no commitments or contingencies as at 30 June 2011 (2010:NIL). The parent entity has not given any guarantees as at 30 June 2011 (2010:NIL)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RECONCILIATION FROM THE NET LOSS AFTER TAX TO THE NET CASH FLOWS USED IN OPERATIONS:

	Consolidated	
	2011 $	2010 $
Loss for the year	(1,458,019)	(1,712,021)
Adjustments for:		
Depreciation	-	61,310
Share based payments	-	7,695
Impairment of intangible assets	-	2,085,119
Change in fair value of financial assets at fair value through profit or loss	210,951	-
Loss on sale of subsidiary	841,000	-
Loss on sale of assets		11,122
Effects of foreign exchange	-	39,994
Change in assets and liabilities		
(Increase)/Decrease in trade and other receivables and prepayments	319,580	226,111
Increase/(Decrease) in deferred tax	-	(441,133)
Increase/(Decrease) in trade and other payables	(242,492)	(123,849)
Increase/(Decrease) in accruals	12,315	-
Cash flows used in operating activities	(316,665)	154,348

25. SHARE-BASED PAYMENTS

The following share-based payment arrangements were in existence during the current reporting period:

	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at grant date
Granted 16 March 2011[(a)]	5,250,000	16/03/2011	31/01/2012	$0.06	$0.01
Granted 16 March 2011[(b)]	1,250,000	16/03/2011	31/01/2012	$0.06	$0.01
Granted 23 May 2011[(c)]	1,300,000	23/05/2011	31/01/2012	$0.06	$0.01

(a) 4,000,000 options were issued to consultants for services related to the placement of shares announced on 2nd December 2010, 1,250,000 options were issued to consultants for services related to the entitlement issued completed in February 2011.

(b) Options were issued in lieu of cash for Company secretarial services for the period 1 April 2011 to 30 June 2011.

(c) Options were issued in lieu of cash for Company secretarial services for the period 1 December 2010 to 31 March 2011.

Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial year is $0.01. Options were priced on the issue price of the same class of option issued under the entitlement issue undertaken in March 2011.

26. EVENTS AFTER BALANCE SHEET DATE

There have been no significant events that occurred after balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. COMPANY DETAILS

The registered office of the Company is:
Level 9, 190 St Georges Tce
Perth WA 6000
Tel: (08) 9486 7066
Fax: (08) 9486 8066

The principal place of business is:
NeuroDiscovery Limited
Level 9, 190 St Georges Tce
Perth WA 6000
AUSTRALIA

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of NeuroDiscovery Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes as set out on pages 15 to 46, of the Consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards and Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as set out in Note 1;

(c) the Executive Director and Financial Officer have each declared that:

  (i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

  (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and

  (iii) the financial statements and notes for the financial year give a true and fair view.

(d) the remuneration report disclosures contained in the Director's Report comply with Australian Accounting Standard 124 *Related Party Transactions,* the Corporations Act 2001 and the Corporations Regulation 2001; and

(e) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

MICHAEL ROBSON
NON-EXECUTIVE CHAIRMAN

Perth, Western Australia, 31 August 2011

INDEPENDENT AUDIT REPORT TO MEMBERS OF NEURODISCOVERY LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of NeuroDiscovery Ltd., which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of NeuroDiscovery Ltd. is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 9 to 11 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of NeuroDiscovery Ltd. for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001.*

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Signed at Perth, 31 August 2011

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Board of Directors of NeuroDiscovery Limited (NeuroDiscovery or Company) is responsible for the Corporate Governance of the Company and is committed to applying the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles). The Board guides and monitors the business and affairs of NeuroDiscovery on behalf of the shareholders by whom they are elected and to whom they are responsible.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

THE BOARD OF DIRECTORS

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least three Directors; and
- The Board should comprise Directors with an appropriate range of qualifications and expertise; and
- The Board shall meet regularly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Name	Role	Non-Executive	Independent
Mr Michael Robson	Chairman	Yes	Yes
Mr Kyle Haynes	Executive Director	No	No
Mr Neville Bassett	Non-Executive Director	Yes	Yes

Board Responsibilities

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the Company lies with the Board and Key Management Personnel. The Board is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Company and Key Management Personnel.

The Board is responsible for ensuring the management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy statements and is designed to meet stakeholders' needs and manage business risk;
- The strategic plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;

ASX ADDITIONAL INFORMATION (CONTINUED)

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE (CONTINUED)

THE BOARD OF DIRECTORS (CONTINUED)

Board Responsibilities (continued)

- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- Management of environmental issues and concerns, and occupational health and safety; and
- The review and approval of acquisitions and disposals of business and assets, and the approval of contracts and financial arrangements within defined limits.

The Board as a whole is responsible for selecting candidates for the position of Director, and also for determining and reviewing compensation arrangements for Executive Directors and Key Management Personnel.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- The annual report which is distributed to all shareholders;
- The half-yearly report available to all shareholders; and
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.

THE ASX PRINCIPLES

The ASX principles are an important regulatory guide for listed companies reporting on their corporate governance practices. Under ASX Listing Rule 4.10.3, listed companies must disclose the extent to which they have followed ASX Principles, and if any of the recommendations have not been followed then the company must explain why not.

ASX ADDITIONAL INFORMATION (CONTINUED)

THE ASX PRINCIPLES (CONTINUED)

The requirements under ASX Listing Rule 4.10.3 apply to NeuroDiscovery and below the Company sets out and explains NeuroDiscovery's compliance with the ASX Principles.

Item	ASX Best Practice Recommendation	Comment
1.	**Lay solid foundations for management and oversight**	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	The Corporate Governance Policy includes a formal charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Executive Director. The charter also includes those tasks delegated to the Executive Director by the Board. The Chairman is responsible for leading the Board in its duties, facilitating effective discussions at Board meetings, ensuring procedures are in place to evaluate Board performance and overseeing shareholder communications. The Directors and Key Management Personnel responsible for the efficient and effective operation of the NeuroDiscovery Group, and for bringing material and other relevant matters to the attention of the Board in an accurate and timely manner.
2.	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	A majority of the Board is considered independent. An independent Director is a Non-Executive Director and: ▪ is not a substantial shareholder of the Company or an officer of, or directly or indirectly associated with, a substantial shareholder of the Company; ▪ within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment; ▪ within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee material associated with the service provided; ▪ is not a material contractual relationship with the Company or another group member other than as a Director of the Company; • has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interest of the Company; • is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.
Item	**ASX Best Practice Recommendation**	**Comment**
2.2	The chairperson should be an independent director.	The Chairperson is an independent director.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	The Chairperson and Executive Directors role are held by different individuals.
2.4	The board should establish a nomination committee.	Due to the size of the Company, a nomination committee has not been formed.
2.5	Process for evaluating the performance of the board, its committees and individual directors.	The Company's Performance Evaluation Practices Policy sets out the evaluation process for the Board, individual Directors, board committees and senior executives of the Company.

ASX ADDITIONAL INFORMATION (CONTINUED)

THE ASX PRINCIPLES (CONTINUED)

Item	ASX Best Practice Recommendation	Comment
3.	**Promote ethical and responsible decision-making**	
3.1	Establish a code of conduct as to: (a) the practices necessary to maintain confidence in the company's integrity; (b) the practices necessary to take into account legal obligations and the reasonable expectations of their stakeholders; and (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Corporate Governance Policy includes a Corporate Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment.
3.2	Establish a policy concerning trading in company securities by directors, senior officers and employees.	The Corporate Governance Policy includes a Securities Trading Policy which provides guidelines for buying and selling securities in the Company.
4.	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	Due to the size of the Company, an audit committee has not been formed The Board as a whole is responsible for the integrity of the financial reporting.
4.2	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	Due to the stage of development of the Company and resources available the board does not see the need to establish a subcommittee of the Board to review the integrity of the NeuroDiscovery Group's financial and external reporting, and as such the Board as a whole is responsible for the integrity of the reporting function. The board comprises three member the majority of whom are independent
4.3	The audit committee should have a formal charter.	The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board NeuroDiscovery has a structured six-monthly reporting process, culminating in Board sign-off and release of financial results to the market. The Executive Director and Financial Officers provide letters of assurance to the Board for each half-year and full-year result. NeuroDiscovery also releases unaudited quarterly cashflow statements to the market.
5.	**Make timely and balanced disclosure**	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	The Company has a Continuous Disclosure Policy in place designed to ensure the factual presentation of the Company's position at all times.

ASX ADDITIONAL INFORMATION (CONTINUED)

THE ASX PRINCIPLES (CONTINUED)

Item	ASX Best Practice Recommendation	Comment
6.	**Respect the rights of shareholders**	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	NeuroDiscovery aims to provide good quality, clear communication with shareholders, using available methods and technologies. NeuroDiscovery views shareholder meetings as an opportunity for shareholders to meet with and question the Board and management of NeuroDiscovery. NeuroDiscovery's external auditor attends the annual general meeting and is available to answer shareholder questions. NeuroDiscovery's website is a key source of information for NeuroDiscovery shareholders and prospective shareholders. NeuroDiscovery places Company announcements on the site immediately following confirmation of their release to the market. Further communication with shareholders occurs with the distribution of the annual report (unless shareholders have chosen not to receive these). Email is also an important method of communication for investors. Key announcements and updates can be received by email where shareholders provide their details to NeuroDiscovery or the appointed share registrar.
7.	**Recognise and manage risk**	
7.1	Establish policies on risk oversight and management of material business risk.	The Company's Corporate Governance Policy includes a Risk Management and Internal Compliance and Control Policy. Under this policy the Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies for internal compliance and internal control.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and to report to the board on whether those risks are being managed effectively.	The Executive Director is responsible for the implementation and monitoring of business risk. He is required to report to the board on a monthly basis regarding any identified risks. The risk management and internal control system is reviewed annually, at the completion of the Financial Statements reporting.
7.3	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that declaration in accordance with section 295A of the Corporations Act is founded on the Company's risk management, internal compliance and control system is operating efficiently and effectively in all material respects.	The Board will request that the relevant Directors and Company Secretary provide such a statement at the relevant time.
8.	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee.	The Board considers that the Company is not currently of a size or complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors, Executive Director and executives of the Company.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	NeuroDiscovery's Board has put in place a number of measures to implement this principle. Discussion on NeuroDiscovery's remuneration policies of Non-Executive Directors, the Executive Directors and Senior Executives of the Group and the relationship between such policy and the Company's performance is provided in the Directors' report on page 8.

ASX ADDITIONAL INFORMATION (CONTINUED)

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

SHAREHOLDINGS

The issued capital of the Company at 11 August 2011 is 96,979,274 ordinary fully paid shares. All ordinary shares carry one vote per share.

TOP 20 SHAREHOLDERS AS AT 11 AUGUST 2011

		No. of Shares Held	% Held
1	BIOTECH CAP LTD	8,823,530	9.10
2	CELAC PL	3,750,000	3.87
3	LIVINGSTON, MARGARET	3,490,750	3.60
4	GALLIN, NICOLE JOAN	3,400,000	3.51
5	GEMELLI NOM PL	3,185,000	3.28
6	SCINTILLA STRATEGIC INV L	3,000,000	3.09
7	CELUS PL	3,000,000	3.09
8	TREHERNE, JONATHAN MARK	2,808,457	2.90
9	STRONSAY PL	2,500,000	2.58
10	HONDRIS, JUSTIN	2,215,032	2.28
11	SLADE TECHNOLOGIES PL	2,000,000	2.06
12	LEE, KEVIN	1,899,995	1.96
13	GEMELLI NOM PL	1,815,000	1.87
14	SILVER KNIGHT HLDGS PL	1,500,000	1.55
15	ENERGY SOLAR CENTRAL PL	1,492,259	1.54
16	STRONG, CAMPBELL	1,090,000	1.12
17	MASEN PRO PL	1,029,411	1.06
18	HAYNES, KYLE BRADLEY	1,000,000	1.03
19	SOCIAL INV PL	1,000,000	1.03
20	JAMES, ROSALIE JUDITH	1,000,000	1.03
		49,999,434	51.55

Shares Range	No. of Holders	No. of Shares
1 – 1,000	42	6,154
1,001 – 5,000	43	151,112
5,001 – 10,000	55	508,729
10,001 – 100,000	242	9,782,776
100,001 and over	129	86,530,503
	511	96,979,274
Number holding less than a marketable parcel size of 17,857 shares at $0.0280 per share	188	1,294,965

ASX ADDITIONAL INFORMATION (CONTINUED)

Shareholders by Location	No. of Holders	No. of Shares
Australian holders	472	88,200,694
Overseas holders	39	8,778,580
	511	96,979,274

VOTING RIGHTS

In accordance with the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and on a poll every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for every share held. No class of option holder has a right to vote, however the shares issued upon exercise of options will rank pari passu with the then existing issued fully paid ordinary shares.

SUBSTANTIAL SHAREHOLDERS AS AT 11 AUGUST 2010

		No. of Shares Held	% Held
1	BIOTECH CAP LTD	8,823,530	9.10

TOP 20 OPTIONHOLDERS (LISTED) AS AT 11 AUGUST 2011

		No. of Options Held	% Held
1	HSBC CUSTODY NOM AUST LTD	5,000,000	6.39
2	ABN AMRO CLEARING	4,500,000	5.75
3	STRONSAY PL	4,500,000	5.75
4	BIOTECH CAP LTD	4,411,765	5.64
5	DOMRAN INV PL	4,400,000	5.62
6	CORP PROP SVCS PL	4,000,000	5.11
7	LIU BIN	2,756,500	3.52
8	KHALIQI, HARIS	2,599,694	3.32
9	ANNEMC PL	2,567,517	3.28
10	GEMELLI NOM PL	2,392,500	3.06
11	RED PUMA PL	2,250,000	2.87
12	CELAC PL	2,150,000	2.75
13	KMITA, LEON	1,750,000	2.24
14	LIVINGSTON, MARGARET	1,745,375	2.23
15	SCINTILLA STRATEGIC INV LTD	1,500,000	1.92
16	BAKER, SUZANN ELIZABETH	1,500,000	1.92
17	ZELLA INV PL	1,362,500	1.74
18	GEMELLI NOM PL	1,357,500	1.73
19	STRONG, MELISSA JANE	1,290,000	1.65
20	WALKER FRANCES ANNE	1,052,375	1.34
		53,085,726	67.83

ASX ADDITIONAL INFORMATION (CONTINUED)

Options Range	**No. of Holders**	**No. of Shares**
1 – 1,000	7	1,580
1,001 – 5,000	9	34,247
5,001 – 10,000	16	137,234
10,001 – 100,000	59	3,049,508
100,001 and over	79	75,067,068
	170	78,289,637

Shareholders by Location	**No. of Holders**	**No. of Shares**
Australian holders	155	72,554,215
Overseas holders	15	5,735,422
	170	78,289,637