

3 February 2011

Dear Shareholder

## **PRO-RATA NON-RENOUNCEABLE ENTITLEMENTS ISSUE**

### **Overview**

On 20 January 2011 NeuroDiscovery Limited ("**NeuroDiscovery**" or "**the Company**") announced a pro-rata non-renounceable Entitlements issue to shareholders.

NeuroDiscovery Limited wishes to advise shareholders of this new pro-rata non-renounceable option issue.

NeuroDiscovery invites shareholders who are registered at 5.00pm WST on 11 February 2011 ("**Registered Shareholders**" at the "**Record Date**") to participate in a pro-rata non-renounceable Entitlements issue on the basis of one (1) new option in the Company ("**options**") for every two (2) Shares held, at an issue price of \$0.01 per Option ("**Entitlements Issue**").

The Entitlements Issue will result in the issue of up to approximately 48,489,637 new Options ("**Entitlements Issue Options**") and if fully subscribed will raise up to approximately \$484,896 before costs of the offer. A placement issue of a further 20,000,000 new Options is being done in conjunction with this issue to raise a further \$200,000.

A prospectus relating to the Entitlements Issue ("**Prospectus**") was lodged with the Australian Securities and Investments Commission ("**ASIC**") and ASX Limited ("**ASX**") on 3 February 2011 and the Prospectus will be mailed to shareholders on or about 15 February 2011. The Prospectus will not constitute an offer in any place in which or to any person to whom it would be unlawful to make such an offer. Accordingly, it is the responsibility of non-resident applicants to obtain all necessary approvals for the allotment and issue to them of securities pursuant to the Prospectus.

Shareholders may view the Company's ASX releases on the ASX website [asx.com.au](http://asx.com.au) (ASX code: NDL) and information on the Company and its projects (including ASX releases) at [www.NeuroDiscoveryltd.com](http://www.NeuroDiscoveryltd.com)

### **Use of Proceeds**

Proceeds from the Entitlements Issue will be applied for additional working capital for the company.

## Capital Structure

The capital structure of the Company following completion of the Offer is summarised below:

<b>Shares</b>	<b>Number</b>
Shares on issue at the date of the Offer	96,979,274
Total Shares on issue at completion of the Offer	96,979,274
<b>Options</b>	<b>Number</b>
Options to be issued pursuant to private placement (as announced to ASX on 20 January 2011)	20,000,000
New Options as part of this offer	48,489,637
Total Options on issue at completion of the Offer	68,489,637

## Timetable

The Entitlements Issue is proposed to be conducted according to the following indicative timetable:

Announcement of Entitlements Issue	20 January 2011
Lodgment of Prospectus & Appendix 3B	3 February 2011
Notice of Entitlements Issue sent to Shareholders	4 February 2011
Ex Date (date from which Shares commence trading without the entitlement to participate in the Entitlements Issue)	8 February 2011
Record Date (date for determining entitlements of eligible shareholders to participate in the Entitlements Issue)	14 February 2011
Prospectus dispatched to Shareholders (expected date of dispatch of Prospectus, entitlement and acceptance forms)	15 February 2011
Entitlements Issue opens	15 February 2011
Closing Date* (5.00pm WST)	1 March 2011
Notification of under-subscriptions to Underwriter and ASX	4 March 2011
Allotment of Options and Dispatch of Holding Statement**	7 March 2011

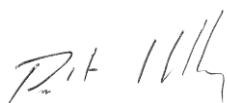
*\*\* All of the abovementioned dates are indicative only and may be subject to change. The Company reserves the right, in conjunction with the Underwriter, to amend this timetable including, subject to the Corporations Act 2001 and the ASX Listing Rules, to extend the closing date.*

As soon as practicable following the Record Date NeuroDiscovery will dispatch a Prospectus and also a personalised Entitlement and Acceptance Form to Registered Shareholders. If you are eligible and wish to participate in the Entitlements Issue, it will be necessary for you to complete this personalised Entitlement and Acceptance Form and return it, with the appropriate application monies to the companies share registry before 5.00pm WST on the anticipated closing date of 1 March 2011.

In calculating entitlements under the Entitlements Issue, fractions will be rounded down to the nearest whole number.

Full details of the Offer will be contained in the Prospectus that will be mailed to all shareholders who are registered on the record date. Shareholders who are eligible to participate should read the Prospectus carefully.

If you have any questions in relation to the Entitlements Issue, please do not hesitate to contact the Company on **0402 843 499 or 0407 770 183**.



Robert Hodby  
**Company Secretary**