



NEURODISCOVERY LIMITED

ABN 89 113 824 141

PROSPECTUS

FOR

- a pro-rata non-renounceable rights issue of up to 48,489,637 New Options (each exercisable at \$0.06 and expiring on 31 January 2012) on the basis of one New Option for every 2 Shares held on the Record Date at an issue price \$0.01 per New Option, to raise up to \$484,896.37; and
- an offer of up to 20,000,000 Placement Options (each exercisable at \$0.06 and expiring on 31 January 2012) to eligible investors at an issue price of \$0.01 per Placement Option to raise up to \$200,000.

The Rights Issue and the Placement Offer closes at 5.00pm WST on 1 March 2011.

IMPORTANT NOTICE

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser. Investment in securities offered by this Prospectus should be considered speculative.

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Summary of Important Dates*

Announcement of Rights Issue and Placement Offer	20 January 2011
Lodge Prospectus with ASIC	3 February 2011
Notice sent to shareholders	4 February 2011
Shares quoted ex-entitlement	8 February 2011
Record Date to determine Entitlements under the Rights Issue	14 February 2011
Opening Date and dispatch of Prospectus	15 February 2011
Closing Date for Rights Issue and Placement Offer	1 March 2011
Notification to ASX of undersubscriptions	4 March 2011
General Meeting and shareholder approval of Placement Options	2 March 2011
Allotment of New Options and dispatch of holding statements	7 March 2011
Allotment of Placement Options and dispatch of holding statements	7 March 2011

*These dates are indicative only. The Directors reserve the right to vary the key dates, without prior notice and subject to compliance with the Listing Rules.

IMPORTANT NOTICE

Shareholders and Placees should read this Prospectus in its entirety and, if in doubt, should consult their professional advisers before deciding whether to (in the case of Shareholders) accept their Entitlements or (in the case of Placees) apply for Placement Options. This Prospectus is dated 3 February 2011. A copy of this Prospectus was lodged with the ASIC on 3 February 2011. No responsibility for the contents of this Prospectus is taken by ASIC. No applications for New Options or Placement Options will be accepted nor will New Options or Placement Options be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult. No person is authorised to give any information or to make any representation in connection with the Rights Issue or Placement Offer described in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion and are set out in Section 5 of this Prospectus.

As with any share investments, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 3 of this Prospectus. The securities on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, Eligible Shareholders should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

Factors affecting an investment in the Company include stock market fluctuations, competition risks, exploration and development risks, foreign exchange rate fluctuations, economic risks and external market factors, additional requirements for capital, regulatory issues and government policy regarding environmental protection.

CORPORATE DIRECTORY

DIRECTORS

Kyle Haynes (Executive Director)
Neville Bassett (Non-Executive Director)
Michael Robson (Chairman)

SECRETARY

Robert Hodby

REGISTERED OFFICE

Level 9
190 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9486 7066
Facsimile: +61 8 9486 8066
Email: info@neurodiscoveryltd.com
Website: www.neurodiscoveryltd.com

AUDITORS*

Crowe Horwath Perth Audit
Level 6, 256 St Georges Terrace
PERTH WA 6000

SHARE REGISTRY*

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Telephone: +61 8 9315 2333
Facsimile: +61 8 93152233

- These parties are included for information purposes only. They have not been involved in the preparation of this prospectus.

BRIEF INSTRUCTIONS

THE RIGHTS ISSUE

For Current Shareholders

What You May Do

The number of New Options to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. You may:

- accept your Entitlement in full or part; or
- allow the whole of the Entitlement to lapse.

If You Wish To Take Up All or Part of Your Entitlement

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in the form. Forward your completed Entitlement and Acceptance Form, together with your cheque for the amount shown on the form or for such lesser amount as you wish to apply for, so as to reach the Company's share registry no later than 5:00pm WST on 2 March 2011.

Entitlements Not Taken Up

If you decide not to accept all or part of your Entitlement pursuant to the Rights Issue, you are not required to take any action. The New Options not accepted will form part of the Shortfall.

THE PLACEMENT OFFER

Participation in the Placement Offer is open to investors who have been invited to apply for Placement Options by the Company. An application for the Placement Options can only be made on the separate loose leaf application form accompanying this Prospectus entitled "Placement Option Application Form".

Investors who have been invited by the company to participate in the Placement Offer should forward their completed Placement Options Application Form, together with their cheque for the amount they wish to apply for, so as to reach the Company's share registry no later than 5:00pm WST on 1 March 2011.

Section 1 **DETAILS OF THE OFFERS**

1.1 **The Offers**

This Prospectus is for:

- (a) a pro-rata non-renounceable Rights Issue to Eligible Shareholders of up to 48,489,637 New Options (each with an exercise price of \$0.06 and an expiry date of 31 January 2012) on the basis of one New Option for every two Shares held on the Record Date at an issue price \$0.01 per New Option, to raise up to \$484,896.37 ("**Rights Issue**"). Fractional entitlements will be rounded down to the nearest whole number; and
- (b) subject to shareholder approval, an offer of up to 20,000,000 Placement Options (each with an exercise price of \$0.06 and an expiry date of 31 January 2012) at an issue price of \$0.01 per Placement Option to raise up to \$200,000 ("**Placement Offer**"). The allotment of the Placement Options pursuant to the Placement Offer is subject to shareholder approval, which will be sought at an General Meeting to be held on 2 March 2011. Until shareholder approval is obtained the application money for the Placement Options will be held in trust in a separate bank account. All application monies for the Placement Options will be returned (without interest) if the necessary shareholder approval is not obtained.

The Rights Issue and the Placement Offer will raise up to \$684,896 (less expenses which are estimated to be \$25,000).

As at the date of this Prospectus, 96,979,274 Shares are on issue.

1.2 **Purpose of the Rights Issue and Placement Offer and Use of Funds**

The funds raised will be applied towards the following:

- (a) funding the costs of the Rights Issue and Placement Offer; and
- (b) working capital.

The following table illustrates the proposed application of funds raised from the Rights Issue and Placement Offer (assuming full subscription):

Use of Funds	Amount (\$)
Expenses of the Rights Issue and Placement Offer	\$25,000
Working Capital	\$659,896
TOTAL	\$684,896

Any amounts successfully raised under the Rights Issue and Placement Offer will, after paying expenses of the Rights Issue and Placement Offer, be applied to general working capital.

1.3 **No Rights Trading**

Entitlements to New Options pursuant to the Rights Issue are non-renounceable and accordingly, Eligible Shareholders may not dispose of or trade any part of their Entitlement.

1.4 **Minimum Subscription**

There is no minimum subscription under the Rights Issue and Placement Offer.

1.5 **Opening and Closing Dates**

The Rights Issue and the Placement Offer will open for receipt of acceptances at 9.00am WST on 15 February 2011.

The Rights Issue will close at 5.00pm WST on 1 March 2011, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of the change at least 6 Business Days prior to the Closing Date.

The Placement Offer will close at 5.00pm WST on 1 March 2011 or such later date as the Directors, in their absolute discretion, may determine.

1.6 **Underwriting**

Neither the Rights Issue or the Placement Offer is underwritten.

1.7 **Entitlements and Acceptance**

Rights Issue

The number of New Options to which you are entitled is shown in the accompanying Entitlement and Acceptance Form.

In determining entitlements, any fractional entitlement will be rounded down to the nearest whole number.

Acceptance of Entitlement in Full

If you are an Eligible Shareholder and wish to take up **all** of your Entitlement under the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form.

Partial Acceptance of Entitlement

If you are an Eligible Shareholder and wish to take up **part** of your Entitlement pursuant to the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form and insert the number of New Options for which you wish to accept (being less than your Entitlement as specified on the Entitlement and Acceptance Form).

Acceptance of Terms

All applications for New Options must be made on the Entitlement and Acceptance Form. Any application will be treated as an offer from the applicant to acquire New Options on the terms and conditions set out in the Prospectus. The Directors reserve the right to reject any applications for New Options. Please ensure the completed Entitlement and Acceptance Form and your cheque is received by the Company's share registry at:

By Delivery: Security Transfer Registrars Pty Ltd 770 Canning Highway APPLECROSS WA 6153	By Post: Security Transfer Registrars Pty Ltd PO Box 535 APPLECROSS WA 6953
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not later than 5.00pm WST on 1 March 2011 or such later date as the Directors advise. Cheques should be made payable to "**NeuroDiscovery Limited – Rights Issue Account**" and crossed "Not Negotiable".

Non-Acceptance of Entitlement

If you do not wish to take up any part of your Entitlement under the Rights Issue, you are not required to take any action. If you decide not to accept all or part of your Entitlement, the New Options not accepted will be dealt with in accordance with Section 1.10.

Enquiries

If you have any queries regarding your Entitlement, please contact Robert Hodby by telephone on +61 0 407 770 183 or your stockbroker or professional adviser.

1.8 **Placement Offer**

Participation in the Placement Offer is open to eligible investors as determined by the Company to apply for Placement Options. An application for the Placement Options can only be made on the separate loose leaf application form accompanying this Prospectus entitled "Placement Option Application Form".

Investors who have been invited by the Company to participate in the Placement Offer should forward their completed Placement Option Application Form, together with a cheque made payable for the amount they wish to apply for, so as to reach the Company's share registry at:

By Delivery: Security Transfer Registrars Pty Ltd 770 Canning Highway APPLECROSS WA 6153	By Post: Security Transfer Registrars Pty Ltd PO Box 535 APPLECROSS WA 6953
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not later than 5.00pm WST on 1 March 2011 or such later date as the Directors advise. Cheques should be made payable to "**NeuroDiscovery Limited – Placement Option Issue Account**" and crossed "Not Negotiable".

1.9 Applying for Additional New Options

Eligible Shareholders may, in addition to their Entitlement, apply for additional New Options regardless of the size of their present holding. If more additional New Options are applied for than are available from the number of Options not taken up under the Rights Issue, those applications will be scaled back in a manner determined by the Company in their absolute discretion. Excess Application Money will be refunded without interest. Entitlements not taken up may become available as additional New Options.

1.10 Rights Issue Shortfall

The Directors reserve the right to separately place any New Options which are not taken up by Eligible Shareholders under the Rights Issue within 3 months after the Closing Date. Those New Options will be issued at the same issue price as offered to Eligible Shareholders under the Rights Issue.

1.11 Issue and Allotment of New Options and Placement Options

The New Options are expected to be issued and allotted by no later than 7 March 2011. The issue and allotment of the Placement Options is subject to shareholder approval which will be sought at a General Meeting to be held on 2 March 2011. If shareholder approval is obtained, the Placement Options will be issued and allotted as soon as practicable after the date on which shareholder approval is obtained.

Until the issue and allotment of the New Options and Placement Options under this Prospectus, the acceptance money will be held in trust in separate bank accounts opened and maintained for that purpose only. Any interest earned on the acceptance money will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Options or Placement Options takes place. Where no allotment is made, the amount tendered on application with the relevant Application Form will be returned in full by cheque as soon as practicable.

1.12 ASX Listing

The Company will apply within 7 days of the date of this Prospectus for official quotation of the New Options and Placement Options to be offered pursuant to this Prospectus. If approval is not granted by ASX within 3 months after the date of this Prospectus, the Company will not allot or issue any New Options or Placement Options and will repay all application monies as soon as practicable, without interest.

A decision by ASX to grant official quotation of the New Options or Placement Options is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the New Options or Placement Options now offered for subscription.

1.13 Overseas Investors

The Company is of the view that it is unreasonable to make an offer under the Rights Issue under this Prospectus to Eligible Shareholders outside of Australia and New Zealand having regard to:

- (a) the number of Eligible Shareholders registered outside of Australia and New Zealand;
- (b) the number and value of the securities to be offered to Eligible Shareholders registered outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to make Rights Issue offers under the Prospectus to Eligible Shareholders registered outside of Australia and New Zealand.

1.14 Market Prices of Shares on ASX

The highest and lowest closing market sale prices of Shares on ASX during the 3 months immediately preceding the date of this Prospectus and the respective dates of those sales were \$0.076 on 2 February 2011 and \$0.034 on 24 November 2010. The latest available market sale price of Shares on ASX immediately before the date of issue of this Prospectus was \$0.071 on 2 February 2011.

1.15 Privacy Act

The Company collects information about each applicant from an Application Form for the purposes of processing the application and, if the application is successful, to administer the applicant's security holding in the Company.

By submitting an Application Form, each applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), the ASX, the ASIC and other regulatory authorities.

If an applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

Section 2 EFFECT OF THE RIGHTS ISSUE ON THE COMPANY

2.1 Principal Effects

The principal effects of the Rights Issue and Placement Offer (assuming full subscription) are:

- (a) the Company's cash funds will increase by approximately \$684,896 less expenses of the Rights Issue and Placement Offer, which are estimated to be approximately \$25,000;
- (b) there will be 48,139,637 New Options on issue, each exercisable at \$0.06 and expiring on 31 January 2012; and
- (c) there will be 20,000,000 Placement Options on issue, each exercisable at \$0.06 and expiring on 31 January 2012.

2.2 Capital Structure

The pro-forma capital structure of the Company following the Rights Issue and Placement Offer (assuming full subscription) pursuant to this Prospectus is set out below:

Issued Capital – Shares	Number
Existing Shares	96,979,274

Issued Capital – Options	Number
New Options offered for subscription under the Rights Issue	48,139,637
Placement Options offered for subscription under the Placement Offer	20,000,000
Total New Options and Placement Options on issue after completion of Rights Issue and Placement Offer	68,139,637

2.3 Consolidated Statement of Financial Position

Set out below is a pro forma Consolidated Statement of Financial Position based on the Company's unaudited accounts as at 31 December 2010 and adjusted to reflect:

- (a) the Rights Issue of 48,139,637 New Options and the Placement Offer of 20,000,000 Placement Options to raise \$684,896;
- (b) the costs of the Rights Issue and Placement Offer of \$25,000.

Consolidated Statement of Financial Position
Pro-forma Reflecting Proposed Rights Issue and Placement Offer

NeuroDiscovery Ltd
Consolidated Group

	Unaudited	Proforma
	31 December	\$
	2010	
	\$	
CURRENT ASSETS		
Cash and cash equivalents	2,226,583	2,886,479
Trade and other receivables	202,932	202,932
Investments held for resale	180,250	180,250
Other current assets	21,345	21,345
TOTAL CURRENT ASSETS	2,631,110	3,291,006
NON-CURRENT ASSETS		
Property, plant and equipment	-	-
TOTAL NON-CURRENT ASSETS	-	-
TOTAL ASSETS	2,631,110	3,291,006
CURRENT LIABILITIES		
Trade and other payables	133,854	133,854
Interest bearing loans and borrowings	13,500	13,500
TOTAL CURRENT LIABILITIES	147,354	147,354
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	-	-
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	147,354	147,354
NET ASSETS	2,483,756	3,143,652
EQUITY		
Contributed equity	9,760,490	10,420,386
Reserves	74,966	74,966
Accumulated losses	(7,351,700)	(7,351,700)
TOTAL EQUITY	2,483,756	3,143,652

Section 3 RISK FACTORS

3.1 Introduction

This Section identifies the areas the Directors regard as the major risks associated with participation in the Rights Issue and the Placement Offer. Investors should be aware that an investment in the Company involves many risks, which may be higher than the risks associated with an investment in other companies. Intending investors should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to apply for New Options or Placement Options.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business and its involvement in the biotechnology industry. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the proposed business of the Company. The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

3.2 Risk Factors

(a) General

The New Options and Placement Options offered under this Prospectus are considered speculative, and involve investors being exposed to risk. The Directors recommend potential applicants examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for New Options or Placement Options offered pursuant to this Prospectus.

The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Company's quoted securities.

(b) Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's research and development activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;

- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

(c) Market Conditions

The market price of quoted securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(d) Uncertainty in Development Programs

Development of drugs or compounds may not result in any economically viable value being obtained by the Company.

(e) Intellectual Property Rights

Securing rights to intellectual property, and in particular patents, is an integral part of securing potential product value in the outcomes of biotechnology research and development. Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome. The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing intellectual property that circumvents such patents. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of biotechnology companies can be highly uncertain and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in biotechnology patents nor their enforceability can be predicted. There can be no assurance that any patents the Company may own or control or licence now and in the future will afford the Company commercially significant protection of the intellectual property, or that any of the projects that may arise from the intellectual property will have commercial applications. Further, there is always a risk of third parties claiming involvement in technological and medical discoveries, and if any disputes arise, they could adversely affect the Company. Although the Company will implement all reasonable endeavours to protect its intellectual property, there can be no assurance that these measures will be sufficient.

(f) Research and Development

The Company can make no representation that any of its research into or development of its intellectual property will be successful, that development milestones will be achieved, or that the intellectual property will be developed into products that are commercially exploitable. There are many risks inherent in the development of biotechnology products, particularly where the products are in the early stages of development. Projects can be delayed or fail to

demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

(g) Insurance Risk

Insurance against all risks associated with biotechnology is not always available or affordable. The Company intends to maintain insurance where it is considered appropriate for its needs; however, it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(h) Exchange Rate Risk

It is likely that any revenue will be in a foreign currency, possibly United States dollars, British pounds or Euro, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between these other currencies and the Australian dollar as determined in international markets.

(i) Regulatory Issues and Government Regulation

Products derived from the Company's research and development may be subject to numerous government regulatory approvals and controls throughout the world and these will affect both the timing and cost of bringing these products to the market. Delays or failures in obtaining regulatory approval for a product would be likely to have a serious adverse effect on the value of the Company and have a consequent impact on the financial performance of the Company. The Company's operations are also subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines relating to, amongst other things, occupational safety, laboratory practice, the use and handling of hazardous materials, prevention of illness and injury and environmental protection. There can be no assurance that future legislation will not impose further government regulation, which may adversely affect the business or financial condition of the Company.

(j) Uncertainty of Future Profitability

The Company's ability to operate profitably in the future will depend in part on its ability to commercialise its services and products with other organisations for onward sale to customers. This will depend on the ultimate demand for its services and products by consumers, which cannot be guaranteed. There is no certainty therefore that the Company can successfully commercialise its projects. Other factors that will determine the Company's profitability are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets the Company operates within, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability is uncertain. Moreover, the level of such profitability cannot be predicted.

(k) Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, it is likely that the Company will require further financing in addition to amounts raised under this Prospectus. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

(l) Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Options and the Placement Options offered under this Prospectus.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Options or Placement Options in the Company.

Section 4 ADDITIONAL INFORMATION

4.1 Legal Framework of this Prospectus

The Company is a "disclosing entity" under the Corporations Act and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules of ASX, which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its Shares.

4.2 Applicability of Corporations Act

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act, which applies to prospectuses for an offer of securities which are options to acquire quoted enhanced disclosure ("ED") securities and the securities underlie a class of securities that were quoted ED securities at all times in the 3 months before the issue of this Prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the provisions of the Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 3 months before the issue of this Prospectus.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

The New Options and Placement Options to be issued under this Prospectus are Options in respect of a class of Shares that were continuously quoted securities at all times in the 3 months before the issue of this Prospectus.

4.3 Information Available to Shareholders

The Company will provide a copy of each of the following documents, free of charge, to any investor who so requests during the application period under this Prospectus:

- (a) the Annual Financial Report of the Company for the year ending 30 June 2010; and
- (b) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Financial Report of the Company for the year ending 30 June 2010 and before the issue of this Prospectus:

Date	Description of Announcement
31/08/2010	Non-renounceable issue offer document
31/8/2010	Appendix 3B

31/8/2010	Section 708AA Notice
30/9/2010	Closure of Entitlements Issue
6/10/2010	Allotment of Entitlement Issue Securities
6/10/2010	Rights Issue Cleansing Notice under section 708AA(2)(f)
8/10/2010	Change of Director`s Interest Notice
8/10/2010	Initial Director`s Interest Notice
8/10/2010	Final Director`s Interest Notice
13/10/2010	Cancellation of Options
13/10/2010	Becoming a substantial holder
14/10/2010	Notice of Annual General Meeting/Proxy Form
26/10/2010	Appendix 4C - quarterly
19/11/2010	Internal Board Changes
24/11/2010	Results of Meeting
2/12/2010	Joint Company Secretary Appointment / Options Expiry
2/12/2010	708 PLACEMENT
3/12/2010	Appendix 3B
3/12/2010	Section 708A Secondary Trading Notice
6/12/2010	Change of Director`s Interest Notice
6/12/2010	Revised Change of Director`s Interest Notice
23/12/2010	Resignation of Company Secretary
24/12/2010	Securities Trading Policy
4/1/2011	Change of Company Address
20/1/2011	Response to ASX Query
20/1/2011	Entitlement Issue and Placement
28/1/2011	Appendix 4c - Quarterly
31/1/2011	Notice of General Meeting/Proxy Form

The documents are also available from the Company's website, www.neurodiscoveryltd.com. Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

4.4 Terms and Conditions of New Options and Placement Options

The terms and conditions of the New Options and Placement Options are as follows:

- (a) Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) The Options will expire at 5:00 pm (WST) on 31 January 2012 ("**Expiry Date**"). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.06 ("**Exercise Price**").

- (d) An Optionholder may exercise their Options in whole or part by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised (“**Exercise Notice**”); and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.
- (e) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (f) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (g) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares. The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (h) The Company will apply for quotation of the Options on ASX.
- (i) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.
- (j) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (k) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

4.5 **Rights Attaching to Shares**

The Shares to be issued pursuant to the exercise of the New Options or Placement Options will rank equally in all respects with existing Shares in the Company. Full details of the rights attaching to the Company’s Shares are set out in its Constitution, a copy of which can be inspected at the Company’s registered office during normal business hours.

The following is a summary of the more significant rights and liabilities attaching to Shares issued upon conversion of the Options. The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(b) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(c) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(d) Dividend Rights

The directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend. Subject to clause 6.5 of the Company's constitution and subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares in accordance with Part 2H.5 of Chapter 2H of the Corporations Act.

(e) Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special

resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(f) Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(g) Variation of Rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued Shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the Shares of that class.

4.6 Interest of Directors

Directors' Holdings

At the date of this Prospectus the relevant interests of each of the Directors in the Shares and Options of the Company are as follows:

Directors	Shares		Options	
	Direct	Indirect	Direct	Indirect
Kyle Haynes	1,000,000	^{1 and 2} 4,242,171	-	-
Neville Bassett	-	-	-	-
Michael Robson	-	-	-	-

Notes:

(1) 3,242,171 Shares are held by Nicole Gallin, the spouse of Kyle Haynes

(2) 1,000,000 Shares are held by Social Investments Pty Ltd, a company that Kyle Haynes is sole director and shareholder.

Remuneration of Directors

Details of remuneration provided to Directors and their associated entities during the past two financial years are as follows:

Financial year up to 30 June 2009			
Director	Directors' Fees/Salaries \$	Other Remuneration \$	Total \$
Dr Mark Treherne	54,996		54,996
David McAuliffe	50,600		50,600
Harry Karelis	1,833		1,833
Dr T Evans	26,063	2,346	28,409
John Hannaford	30,000	-	30,000
Cr Chris Moyses	165,040	-	165,040

Financial year up to 30 June 2010			
Director	Directors' Fees/Salaries \$	Other Remuneration \$	Total \$
Dr Mark Treherne	31,151	-	31,151
Dr Chris Moyses	46,784	-	46,784
Harry Karelis	30,000	-	30,000
David McAuliffe	39,600	-	39,600

Notes:

Period from 1 July 2011			
Director	Directors' Fees/Salaries \$	Other Remuneration \$	Total \$
Harry Karelis	8,065	-	8,065
David McAuliffe	3,300	-	3,300
Neville Bassett	12,500	-	12,500
Kyle Haynes	97,500	-	97,500
Michael Robson	12,500	-	12,500

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue or Placement Option Offer; or
- (c) the Rights Issue or Placement Option Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company, the Rights Issue, or the Placement Option offer.

4.7 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;

- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue or Placement Offer; or
- (c) the Rights Issue or Placement Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Rights Issue or Placement Offer.

Crowe Horwarth are the auditors to the Company. They have provided audit and review services to the Company during the last 2 years for which the Company has paid or will pay fees totalling approximately \$60,550.

Security Transfer Registrars Pty Ltd is the Company's share registry and has provided share registry services to the Company during the last 2 years amounting to approximately \$14,890.

4.8 Expenses of the Rights Issue and Placement Offer

The approximate expenses of the Rights Issue and Placement Offer are \$25,000. These expenses are payable by the Company.

Section 5 **DEFINED TERMS**

"\$" means an Australian dollar;

"**Application Form**" means the Placement Option Application Form or the Entitlement and Acceptance Form;

"**ASIC**" means the Australian Securities & Investments Commission;

"**ASX**" means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Business Day**" means every day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day;

"**Closing Date**" means 5.00pm WST on 1 March 2011;

"**Company**" means NeuroDiscovery Limited ACN (113 824 141);

"**Corporations Act**" means the *Corporations Act 2001* (Cth);

"**Directors**" means the directors of the Company;

"**Eligible Shareholder**" is a shareholder of the Company whose details appear on the Company's register of shareholders as at the Record Date;

"**Entitlement**" means the entitlement of an Eligible Shareholder to participate in the Rights Issue, as shown on the Entitlement and Acceptance Form;

"**Entitlement and Acceptance Form**" means the entitlement and acceptance form accompanying this Prospectus for use in connection with the Rights Issue;

"**GST**" means any tax, import or other duty raised on the supply of goods and services and imposed by the Commonwealth or a State or Territory of Australia;

"**Listing Rules**" means the Listing Rules of ASX;

"**New Option**" means an Option offered pursuant to the Rights Issue on the terms in Section 4.4;

"**Offer**" means an offer of securities pursuant to this Prospectus;

"**Option**" means an option to acquire one Share;

"**Placee**" means a person participating in the Placement Offer;

"**Placement Offer**" means the offer of 20,000,000 Placement Options pursuant to this Prospectus at an issue price of \$0.01 per Placement Option (each with an exercise price of \$0.06 and an expiry date of 31 January 2012) to raise up to \$200,000;

"**Placement Option**" means an Option offered pursuant to the Placement Offer on the terms in Section 4.4;

"Placement Option Application Form" means, where relevant, the Placement Option Application Form accompanying this Prospectus;

"Prospectus" means this prospectus dated 3 February 2011;

"Record Date" means 5.00 p.m. WST on 14 February 2011;

"Rights Issue" means the issue pursuant to the Prospectus of a pro-rata non renounceable rights issue of approximately 48,489,637 New Options on the basis of one New Option for every three Shares held on the Record Date at an issue price of \$0.01 per New Option (each with an exercise price of \$0.06 and an expiry date of 31 January 2012), to raise up to \$484,896;

"Share" means an ordinary fully paid share in the capital of the Company;

"Shortfall" means the New Options forming Entitlements, or parts of Entitlements, not accepted by Eligible Shareholders; and

"WST" means Western Standard Time.

Section 6 DIRECTORS' RESPONSIBILITY STATEMENT & CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Options and Placement Options pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 3 February 2011

A handwritten signature in black ink, appearing to read 'M Robson', is positioned above a horizontal line.

Michael Robson
Chairman