

23 March 2012

The Manager
Company Announcements Office
ASX Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

COMPANY UPDATE

NeuroDiscovery Ltd is pleased to provide a Company update.

NeuroDiscovery Ltd is a neuroscience drug development Company specialist. The Company continues 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.

Status of NSL 101

In March 2010 NeuroDiscovery was assigned 100% ownership of NSL-101 from its then 100% owned subsidiary, NeuroSolutions Limited. NSL-101 has been identified as a natural product formulation that is effective in alleviating the symptoms of pain. Previous detailed electrophysiology studies demonstrated that a preparation of NSL-101 inhibits discharges from damaged nerves associated with pain.

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

Two Phase II trials of NSL-101 have been completed, 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.

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, with no adverse effects.

The Company has conducted a strategic review of the commercialisation opportunities for the product and had previously entered into discussions with a number of interested companies who could potentially take the product to market. Unfortunately none of those discussions were successfully concluded, however the Company continues to look at strategic options which may lead to a commercial outcome for the NSL-101 program.

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

Status of NSL-043

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

During 2009 the Company announced to the Australian Securities Exchange its ownership in the NSL-043 program fell from 50% to approximately 32% under the existing collaboration with Sosei with no further requirement to contribute funding for the future development of the program.

As of today, the potential percentage revenue payment share to NeuroDiscovery remains at 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.

At present Sosei has indicated it is unlikely to fund the next stage of development of NSL-043 but has been actively talking to a number of potentially interested licensing parties. None of these discussions have as yet come to a commercial conclusion.

In addition, as part of Sosei's strategic review of the NSL-043 patent portfolio Sosei has not maintained patents for NSL-043 in a relatively small number of non-core territories. This strategic review was undertaken with the full consent of NeuroDiscovery. Sosei and NeuroDiscovery concluded non-core territories add little or no value to the overall potential commercial value of the NSL-043. Not maintaining patents in non-core territories is not unusual for small to medium sized drug development companies.

Sosie and NeuroDiscovery continue active dialogue with regard to the potential of NSL-043.

New Board Appointments

Over the past two months the Board has changed with the view that this will provide new direction for the Company.

The current board is as follows;

Mr Bret Mattes – Non Executive Chairman

Mr Mattes was until recently the Chief Executive Officer of The Star Energy Group of Companies, which is an oil and gas producer and natural gas infrastructure owner, and operates the Wayang Windu geothermal electricity generation facility in West Java.

Mr Mattes is based in Indonesia.

Mr Mattes studied earth sciences, oceanography and economics at the University of Sydney, McGill University, The University of Chicago and the Rosenstiel School of Marine and Atmospheric Sciences in Miami, before joining Shell, for whom he worked for more than ten years in Europe, Scandinavia, Asia and the United States.

Mr Mattes is currently Chairman of ChemCentre WA, a provider of high quality chemical and forensic services; Chairman of New World Energy, a geothermal developer; Chairman of EcoCarbon Incorporated, a carbon markets think tank; Chairman of APGAS (set up under the auspices of the APEC Energy Working Group); a Director of The Energy Alliance; Chairman of West Australian Ballet; and founding Director of the WA State Library Foundation. He is a Director of Chandra Asri Petrochemical Tbk, a publicly listed Indonesian company. He is an Advisor on Indonesia to the University of Western Australia in Perth. He is a Director of The International Skills and Training Institute in Health, and of the National Centre for Asbestos Related Diseases in Australia.

Mr David McAuliffe – Non Executive Director

Mr McAuliffe has a long history with NeuroDiscovery Ltd and previously held the role of Executive Director of the Company until August 2010. Mr McAuliffe has over fifteen years experience in the international Life Science sector. During this time he has been involved in numerous capital raisings and technology in-licensing exercises. Mr McAuliffe has an Honours degree in Law and a Bachelor of Pharmacy degree, is The President of the Dyslexia-Speld Foundation WA (Inc) and a director of ChemCentre WA.

Mr Simon O'Loughlin – Non Executive Director

Mr O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide based medium sized specialist commercial law firm. He also holds accounting qualifications. He has extensive experience and involvement with listed public companies. He has also been involved in the listing and back-door listing of numerous companies on the ASX and National Stock Exchange.

Mr O'Loughlin is currently chairman of Avenue Resources Ltd and Kibaran Nickel Ltd and a Non Executive director of Chesser Resources Limited, Petratherm Limited, Aura Energy Limited, Probiomics Limited, Strzelecki Metals Ltd and WCP Resources Ltd.

Financial

As of today the Company has AUS\$2,444,000 in cash.

Under an investment strategy of the previous management, the Company invested in a number of ASX listed entities at a cost of \$432,759. The current market value of these investments is \$188,000.

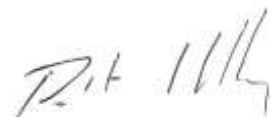
The current management does not intend to pursue this strategy and will implement a process of minimising expenditure, other than on the Company's core assets and reviewing new opportunities. The board is of the opinion this will assist in maintaining the Company's cash reserves. This strategy is reflected by recent changes to the board which brings with it significant cost savings.

The Company currently has 96,989,274 shares on issue equating to approximately \$0.025 cash backing per share.

Looking Forward

The Company has previously reviewed a number of opportunities none of which met the criteria set down by the board. However, with the recent changes to the board the Company envisages additional opportunities may present themselves and the board will keep shareholders informed of any potential developments.

Yours faithfully



**Robert Hodby
Company Secretary**

NeuroDiscovery Contact Details

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