

Appendix 4D

Half-year Report
31 December 2012

NEURODISCOVERY LTD

ABN 89 113 824 141

Results for announcement to the market

Financial Results	% change	\$ change	December 2012 \$	December 2011 \$
Revenue	Down 8	Down 7,339	90,346	97,685
Profit (Loss) after tax attributable to members	Down 23	Down 45,632	(150,048)	(195,680)
Net Profit (Loss) for the period attributable to members	Down 23	Down 45,632	(150,048)	(195,680)

Dividends
It is not proposed that NeuroDiscovery Ltd pay a dividend.

Net Tangible Asset Backing	December 2012	June 2012
Net tangible asset backing per ordinary security	2.41 cents	2.56 cents

Other explanatory notes
Refer to the Director's Report for an explanation of the operational and financial results of the Company.

The information required by listing rule 4.2A is contained in both this Appendix 4D and the attached half-year report. This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the company.

NEURODISCOVERY LIMITED

ABN 89 113 824 141



FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

NEURODISCOVERY LIMITED

CORPORATE DIRECTORY

Directors

Mr Bret Mattes
Mr David McAuliffe
Mr Simon O'Loughlin

Auditors

Crowe Horwarth Perth
Level 6
256 St Georges Terrace
Perth Western Australia 6000

Company Secretary

Mr Robert Hodby

Bankers

Westpac Banking Corporation
Level 3/ 25 Cantonment Street
Fremantle WA 6160

Registered Office

Unit 16, 589 Stirling Highway
Cottesloe WA 6011
Telephone : (08) 9486 7066
Facsimile : (08) 9486 8066

Solicitors

Steinepreis Paganin
Level 4 Next Building
16 Milligan Street
Perth Western Australia 6000

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross Western Australia 6153
Telephone : (08) 9385 3552
Facsimile : (08) 9383 4113

Stock Exchange

ASX Limited
Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

Website

www.neurodiscoveryltd.com

ASX Code

NDL

NEURODISCOVERY LIMITED

DIRECTORS' REPORT

Your Directors present their report together with the financial report of NeuroDiscovery Limited ("NeuroDiscovery" or "the Company") for the half-year ended 31 December 2012 and the Independent Review Report thereon.

Directors

The names of Directors who held office during or since the end of the half-year are as below:

Name	Position
Mr Bret Mattes	Non-Executive Chairman
Mr David McAuliffe	Executive Director
Mr Simon O'Loughlin	Non-Executive

Unless otherwise indicated, all Directors held their position as a Director throughout the entire half-year and up to the date of this report.

Results from Operations

The net loss for the half-year ended 31 December 2012 was \$150,048 (2011: \$195,680).

Review of Operations

The principal activities of the Company are the development of the following compounds for the treatment of pain with two programmes currently under development:

- (1) NSL-101, which is a natural product formulation that the Company intends to out-licence as an over-the-counter product for the treatment of pain having successfully completed a Phase II trial; and
- (2) NSL-043, which, in collaboration with Sosei Corporation (Sosei) since 2005 and during 2008 completed two successful Phase I trials. Recently Sosei assigned the Chinese rights to NSL-043 to Beijing Tide Pharmaceutical Co. Ltd (Beijing Tide). Beijing Tide seeks to commercialise NSL-043 as a treatment for neuropathic pain, initially by conducting a Phase II trial. Sosei and the Company retain a significant commercial interest on any successful trial/s and subsequent sale or licensing deal.

NSL-101

NeuroSolutions Limited (the former UK subsidiary of the Company) 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. 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 the Company in March 2010.

Two Phase II trials of NSL-101 were completed in 2008, both to appropriate clinical trial standards. The Company is currently conducting a strategic review of the commercialisation opportunities for the product, which has not been established as feasible, and has entered in and out of discussions with interested companies for that purpose.

Over the next twelve months the Company will continue to invest funds for NSL-101 through either additional clinical trials studies and patent filings or licensing / trade sale.

Currently there are no patent filings for NSL 101.

NSL-043

NSL-043 was being developed as an oral product in the treatment of neuropathic pain, under a 50:50 Collaboration Agreement and Development Plan with Sosei Group Corporation, a listed Japanese biotechnology company.

NEURODISCOVERY LIMITED DIRECTORS' REPORT (CONT'D)

NSL-043 completed two Phase I clinical trials. The primary goal of these Phase I clinical trials was to establish the safety and tolerability of NSL-043 in humans, which they did successfully.

Following that success, and for financial reasons alone, the Company announced on 17 March 2010 it had terminated a Collaboration Agreement with Sosei and entered into an Assignment Agreement with respect to all the intellectual property for NSL-043.

Under the terms and conditions of the agreement, Sosei agreed that, for the life of the granted patent/s and in any or all jurisdictions where they are maintained, approximately 32% 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, commercialization and/or use of and/or any other dealings whatsoever in the whole of any part of the current NSL-043 granted intellectual property) would be paid to the Company. The percentage entitlement remains the same today.

On 13 Aug 2012 Sosei informed the Company it had assigned the intellectual property rights to a Chinese pharmaceutical company, Beijing Tide which plans to develop NSL-043 for the Chinese market. In return Sosei maintains a potentially significant interest in any potential commercial outcome of any clinical trial/s success, and as such the Company would also benefit to the extent of its current agreement with Sosei. No assignment fee or any other fee has been paid to Sosei at this stage.

Beijing Tide intends to conduct a proof of principle Phase II clinical trial at its sole discretion with respect to financing and clinical design.

Corporate and Business development

NeuroDiscovery continues to seek to identify and acquire innovative products that are complementary to the NeuroDiscovery's current drug development strategy. In addition the company has actively investigated new opportunities outside of the biotechnology field, including resource projects, to enhance shareholder value in the near term.

The Board continues to monitor expenditure very closely.

Events Subsequent to Balance Date

No matter or circumstance has arisen since 31 December 2012 that has significantly affected or may significantly affect:

- (a) the Company's operations in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the Company's state of affairs in future financial years.

Auditors' Independence Declaration

In accordance with section 307C of the Corporations Act 2001, we have obtained a declaration of independence from our auditors Crowe Horwath, a copy of which appears on page 3.

This Report is signed in accordance with a resolution of the Board of Directors.



David McAuliffe
Executive Director

Dated at Perth, Western Australia this 4th February 2013



AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of NeuroDiscovery Limited for the half-year ended 31 December 2012, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Crowe Horwath Perth

CROWE HORWATH PERTH

PHILIPPA HOBSON

PHILIPPA HOBSON
Partner

Signed at Perth, 4 February 2013

NEURODISCOVERY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 31 December 2012

	Notes	31 December 2012 \$	31 December 2011 \$
Continuing operations			
Other income	2	90,346	97,685
Employment expenses		(109,200)	(160,531)
Occupancy		(9,073)	(3,000)
Finance & legal expenses		(55,866)	(15,385)
Other Administration expenses		(53,703)	(46,885)
Other expenses	3	(12,552)	(67,564)
		<hr/>	<hr/>
Loss before income tax (expense)/benefit		(150,048)	(195,680)
		<hr/>	<hr/>
Income tax (expense)/benefit		-	-
		<hr/>	<hr/>
Loss for the period attributable to members of the entity		<u>(150,048)</u>	<u>(195,680)</u>
		<hr/>	<hr/>
Other comprehensive income(expense)		-	-
Other comprehensive income(expense) for the period, net of tax		-	-
		<hr/>	<hr/>
Total comprehensive loss for the period attributable to members of the entity		<u>(150,048)</u>	<u>(195,680)</u>
		<hr/>	<hr/>
Loss per share			
Basic (loss) per share (cents per share)		(0.15)	(0.20)
Diluted (loss) per share (cents per share)		(0.15)	(0.20)

The accompanying notes form part of these financial statements.

NEURODISCOVERY LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

	31 December 2012 \$	30 June 2012 \$
Current Assets		
Cash and cash equivalents	2,274,641	2,411,646
Trade and other receivables	8,386	5,372
Financial assets at fair value through profit or loss	74,420	79,750
Other current assets	17,054	24,565
Total Current Assets	<u>2,374,501</u>	<u>2,521,333</u>
Non Current Assets		
Plant and equipment	1,920	2,229
Total Non Current Assets	<u>1,920</u>	<u>2,229</u>
Total Assets	<u><u>2,376,421</u></u>	<u><u>2,523,562</u></u>
Current Liabilities		
Trade and other payables	18,051	7,280
Other current liabilities	25,643	33,507
Total Current Liabilities	<u>43,694</u>	<u>40,787</u>
Total Liabilities	<u>43,694</u>	<u>40,787</u>
Net Assets	<u><u>2,332,727</u></u>	<u><u>2,482,775</u></u>
Equity		
Issued capital	9,708,590	9,708,590
Other reserves	855,462	855,462
Accumulated losses	(8,231,325)	(8,081,277)
Total Equity	<u><u>2,332,727</u></u>	<u><u>2,482,775</u></u>

The accompanying notes form part of these financial statements.

NEURODISCOVERY LIMITED
STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2012

	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserves \$	Option Reserve \$	Total Equity \$
Total Equity as at 1 July 2012	9,708,590	(8,081,277)	150,566	704,896	2,482,775
Comprehensive income					
Comprehensive loss for the period	-	(150,048)	-	-	(150,048)
Total comprehensive income for the year	9,708,590	(8,231,325)	150,566	704,896	2,332,727
Total equity as at 31 December 2012	9,708,590	(8,231,325)	150,566	704,896	2,332,727
Total Equity as at 1 July 2011	9,707,990	(7,650,307)	150,566	704,896	2,913,145
Comprehensive income					
Comprehensive loss for the year	-	(195,680)	-	-	(195,680)
Total comprehensive income for the year	9,707,990	(7,845,987)	150,566	704,896	2,717,465
Transactions with owner in their capacity as owner, and other transfers					
Shares issued during the period on exercise of options	600	-	-		600
Total transactions with owner in their capacity as owner, and other transfers	600	-	-		600
Total equity as at 31 December 2011	9,708,590	(7,845,987)	150,566	704,896	2,718,065

The accompanying notes form part of these financial statements.

NEURODISCOVERY LIMITED
STATEMENTS OF CASH FLOWS
for the half-year ended 31 December 2012

	31 December 2012 \$	31 December 2011 \$
Cash flows from operating activities		
Receipts from customers	-	-
Payments to suppliers and employees	(227,640)	(224,960)
Interest received	63,187	75,363
Net cash flows used in operating activities	(164,453)	(149,597)
Cash flows from investing activities		
Proceeds from sale of controlled entity net of cash disposed	-	96,497
Purchase of financial assets at fair value through profit or loss	-	(423,780)
Proceeds from disposal of financial assets at fair value through profit or loss	27,448	329,376
Net cash from/(used) in investing activities	27,448	2,093
Cash flows from financing activities		
Proceeds from issue of shares	-	600
Net cash from financing activities	-	600
Net (decrease) in cash and cash equivalents	(137,005)	(146,904)
Cash and cash equivalents at beginning of financial period	<u>2,411,646</u>	<u>2,727,474</u>
Cash and cash equivalents at end of financial period	<u>2,274,641</u>	<u>2,580,570</u>

The accompanying notes form part of these financial statements.

NEURODISCOVERY LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the half-year ended 31 December 2012

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods.

NEURODISCOVERY LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the half-year ended 31 December 2012

	31 December 2012 \$	31 December 2011 \$
2. Other Income		
Interest received	55,676	73,506
Realised gain on disposal of financial assets at fair value through profit or loss	-	24,179
Unrealised fair value gain on financial assets at fair value through profit or loss	34,670	-
	90,346	97,685
3. Expenses		
Net foreign exchange loss	-	1,656
Realised loss on disposal of financial assets at fair value through profit or loss	12,552	-
Unrealised fair value loss on financial assets at fair value through profit or loss	-	65,908
	12,552	67,564

4. Segment Reporting

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information. The Company does not have any customers, and all the Company's assets and liabilities are located within Australia.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

5. Dividends

There are no dividends paid or payable during the half year.

6. Contingent Assets and Liabilities

There have been no changes in contingent assets and liabilities since the last annual reporting date.

7. Subsequent Events

No other matter or circumstance has arisen since 31 December 2012 that has significantly affected or may significantly affect:

- (a) the Company's operations in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the Company's state of affairs in future financial years.

**NEURODISCOVERY LIMITED
DIRECTORS' DECLARATION**

The Directors' of the Company declare that:

- 1) The financial statements and notes, as set out on pages 4 to 9 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulation 2001; and
 - b) giving a true and fair view of the Company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.
- 2) 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.

This declaration is made and signed in accordance with a Resolution of the Board of Directors and is signed for and on behalf of the Board of Directors by:



David McAuliffe
Executive Director

Perth, Western Australia, 4th February 2013



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NEURODISCOVERY LIMITED

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of NeuroDiscovery Limited (the company), which comprises the statement of financial position as at 31 December 2012, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of NeuroDiscovery Limited's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of NeuroDiscovery Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of NeuroDiscovery Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Crowe Horwath Perth

CROWE HORWATH PERTH

PH

PHILIPPA HOBSON
Partner

Signed at Perth, 4 February 2013