

**COMPANY ANNOUNCEMENT
17 March 2010**

UPDATE ON NSL-043 & NSL-101 CLINICAL PROGRAMMES

- **Internal restructuring of intellectual property rights to facilitate next phase of development**
- **Commercial agreement reached with Sosei on NSL-043**

NeuroDiscovery Ltd (ASX: NDL), a specialty neuroscience services provider and drug development Company, today provides an update as to the status of the NSL-043 and NSL-101 clinical development programmes.

NSL-101

NSL-101 is a natural product formulation that the Company has been developing as an over-the-counter product for the treatment of pain.

Two Phase II trials have been conducted with this molecule where one of these trials showed the compound prevented pain associated with root planing and scaling, a dental procedure used to combat periodontitis. In the second clinical trial, for the treatment of pain caused by the extraction of wisdom teeth, the Company was unable to measure NSL-101's efficacy due to unexpected confounding factors.

The results from the periodontitis trial demonstrate that NSL-101 is a highly effective analgesic and was well tolerated. It was found to be equally effective as the local anaesthetic gel currently applied to patients but with the added benefit of no adverse effects.

The proof of concept achieved with the Phase II trial of NSL-101 in periodontitis led to a new patent filing (in the name of NeuroSolutions). This helped to protect the intellectual property position and form an important data package for discussion with third parties.

Today NeuroDiscovery Ltd has been assigned the 100% ownership of NSL-101 from its 100% owned subsidiary NeuroSolutions Ltd.

The NeuroDiscovery Board is now conducting a strategic review of the programme to determine the best commercialisation path forward.

NSL-043

On 22 December 2009 the Company announced to the Australian Stock Exchange it would not commit to a Phase II trial and as such its ownership in the NSL-043 program fell to approximately 32% under the existing Collaboration Agreement with Japanese biopharmaceutical company Sosei Corporation Ltd ("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 potential 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, the Board of NeuroDiscovery is pleased to announce it has now formally terminated the previous Collaboration Agreement and entered into an Assignment Agreement. Under the terms and conditions of this agreement NeuroSolutions will assign its approximate 32% ownership in NSL-043 to Sosei. Hence, moving forward Sosei will have 100% ownership in the programme and either internally or externally fund the next stage of development being a Phase II trial. The funding and development into Phase II is at the sole discretion of Sosei.

In return for the assignment, Sosei have also 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 Ltd.

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.

Alternatively, if Sosei itself were to develop and then sell the product and receive sales into Sosei and or any Sosei group company then the revenue calculation as above is not applied and NeuroDiscovery would be entitled to a percentage of Sosei Net Sales. For commercially sensitive reasons the percentage remains confidential.

As previously announced the Company and Sosei have successfully completed two positive Phase I trials, in addition to further pivotal pre-clinical efficacy data for NSL- 043. The agreement announced today ensures that NeuroDiscovery continues to have a significant interest in the NSL-043 program if successfully commercialised by Sosei.

NeuroDiscovery continues to own 100% of the NeuroSolutions specialist service business in the United Kingdom. During 2009 the Company has significantly reduced or ceased development activities in order to conserve cash during the global financial crisis. NeuroSolutions, being a profitable service provider, has ensured the Company has had sufficient funds to carry on activities without the need to raise additional capital from the markets. The Board continues to monitor and explore opportunities with regard to the revenue business in order to generate maximum value for shareholders.

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About NeuroDiscovery

NeuroDiscovery Ltd is an ASX listed speciality neuroscience services provider and drug development company which owns 100% of NeuroSolutions Ltd (ASX Code NDL).

About NeuroSolutions

NeuroSolutions Limited is a profitable service company, which has applied its broad spectrum expertise and drug discovery platforms to become a leading provider of specialised electrophysiological assays to the biopharmaceutical industry. Electrophysiology is a specialised technique which is used to record electrical activity in membranes, cells or tissues. NeuroSolutions' current clients include many established pharmaceutical and biotechnology companies.

In parallel to running its service business, the Company is also exploiting its in-house technologies and expertise for its own internal R&D.

Except for historical information, this news release may contain forward-looking statements that reflect the Company's current expectation regarding future events. These forward looking statements involve risk and uncertainties, which may cause but are not limited to, changing market conditions, the successful and timely completion of clinical studies, the establishment of corporate alliances, the impact of competitive products and pricing, new product development, uncertainties related to the regulatory approval process, and other risks detailed from time to time in the Company's ongoing quarterly and annual reporting.

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