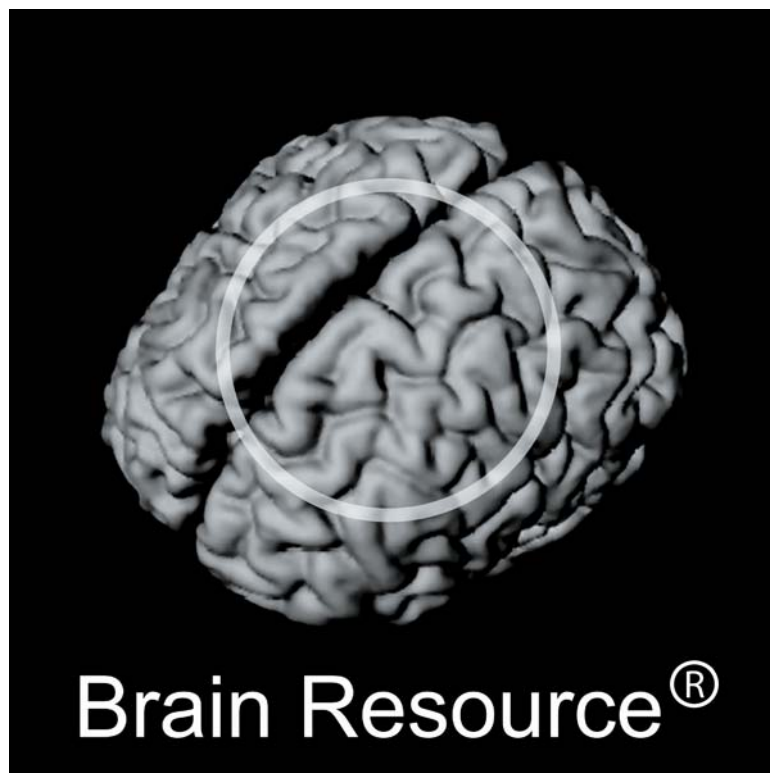


The Brain Resource Company Limited

ACN 094 069 682 / ABN 24 094 069 682



Annual Report 2005

CORPORATE DIRECTORY

THE BRAIN RESOURCE COMPANY LIMITED (ABN 24 094 069 682)

BOARD OF DIRECTORS

Evian Gordon	(Executive Chairman and CEO)
Dan Segal	(Executive Director)
Nestor Hinzack	(Non-Executive Director)
Russell Jamison	(Non-Executive Director)
Brian Joffe	(Non-Executive Director)
Paul Keating	(Non-Executive Director)
Arthur Toga	(Non-Executive Director)
Peter Wodtke	(Non-Executive Director – Executive from 1 July 2005)

COMPANY SECRETARY

Robert Waring

AUDITORS

Ernst & Young

REGISTERED AND PRINCIPAL ADMINISTRATIVE OFFICE

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SHARE REGISTRY

Registries Limited

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STOCK EXCHANGE LISTING

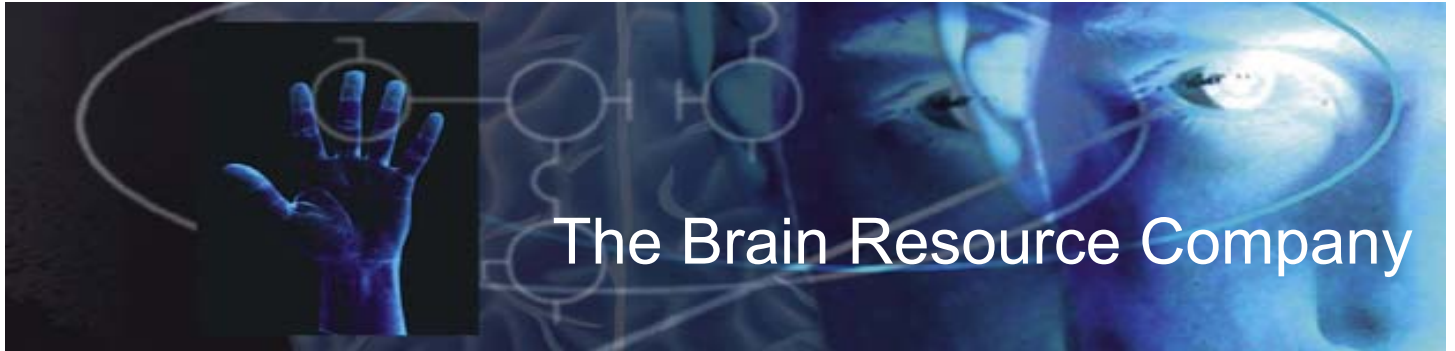
Listed on Australian Stock Exchange Limited - ASX Code: **BRC**



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Chairman's Report



1 September 2005

Dear Shareholders

We have continued to make solid progress during our fourth year of operations. The power of BRC's database continues to gain recognition and momentum, including through new users and benefiting from an increasingly favourable climate for personalised and 'evidence based' medicine.

Four developments stood out from the current year's progress, each being the first achievement of its kind for BRC:

- collaborative agreement with a pharmaceutical company;
- sale of laboratories to a pharmaceutical company;
- identification of new gene-brain function links from our database; and
- launch of a web based product.

These outcomes point to a growing depth of application, increased addressable market and enhanced acceptance of BRC. Also as a further sign of validation, BRC's database recently generated its 50th scientific publication.

We expect to continue to increase our clinical service revenues during the coming year leveraging our extensive distribution network of users, now spanning 6 countries. Our focus will however be on increasing the number of pharmaceutical trials and further harnessing our unique intellectual property. This includes an intensification of our US marketing, where Mr Peter Wodtke has taken on the executive role as CEO for our US operations.

Our established infrastructure, coupled with the uniqueness of our methodologies and intellectual property, is now well placed to begin to transform our financial position and expedite delivery of sustainable revenue and profit growth.

We remain most appreciative of shareholder support in our pursuit of this rapidly emerging global opportunity.

Yours sincerely

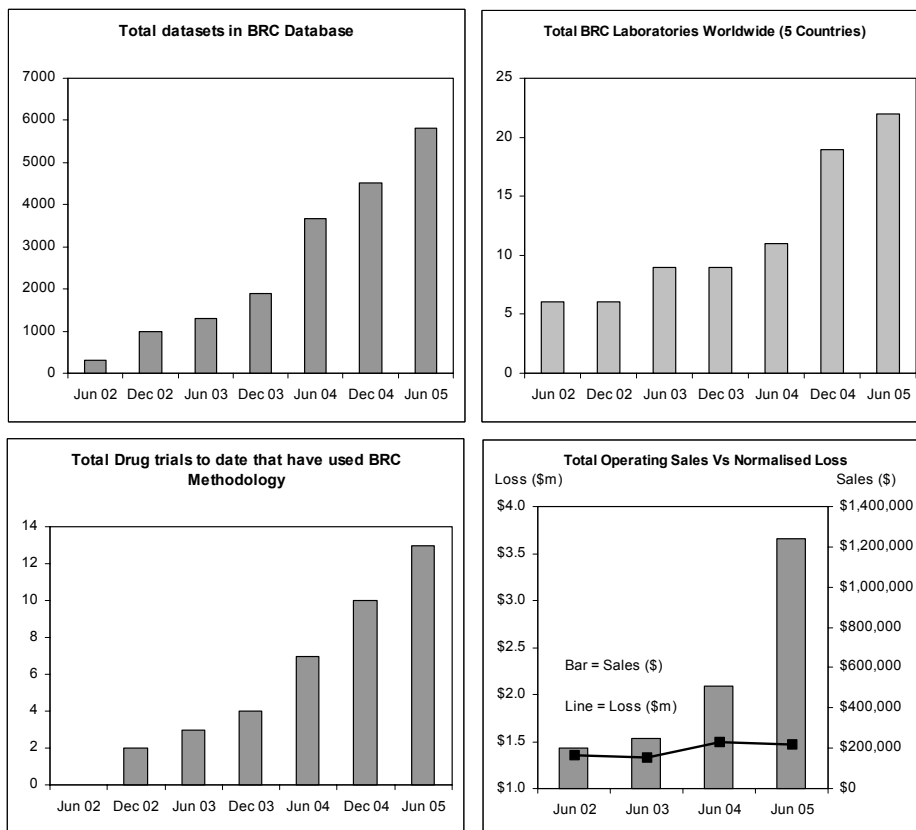
Dr Evian Gordon, Chairman of Directors

Operational Review

Highlights for the year to 30 June 2005

Progress continued during the current year, specifically:

- database now numbers around 6,000;
- close to double the number of trials that have used BRC methodology;
- doubling of BRC Laboratories;
- operating sales increased by 145%;
- pre tax loss for the second half of the year reduced 40% on the first half, with the full year normalised loss reducing by 2% (reported loss fell 25%).



- Collaborative agreement with Johnson & Johnson Pharmaceutical Research & Development to identify biomarkers associated with Depression.
- Sale of BRC Laboratories to GlaxoSmithKline Research and Development.
- BRC has now provided services to 5 of the top 10 global pharmaceutical companies.
- BRC selected to supply its cognition product to one of the biggest cardiac studies in the US (NIH funded FREEDOM Trial).
- Distribution network currently numbers more than 60 users in 6 Countries.
- Launched web-enabled and multi-lingual versions of BRC's cognitive tests.
- 50th scientific publication from the Brain Resource International Database.
- Completed proof of concept work mining BRC's Genetics database, looking at the links between genes and brain function.
- The focus for 2006 is on increasing the number of pharmaceutical trials and extending strategic alliances that capitalise on our intellectual property.

Operational Review

Introduction

BRC provides unique information about the brain for a wide range of users.

This report marks the successful completion of the fourth year of BRC's current five year plan, aimed at positioning BRC as a global leader in the provision of brain services and generation of new intellectual property about the brain:

- 2002 - establish the company and lay foundations;
- 2003 - scale the database and robustness of processing systems;
- 2004 - grow product portfolio and sales and distribution;
- 2005 - scale distribution and identifying markers for specific disorders; and
- 2006 - harness database insights into new intellectual property.

A key focus of the fifth year of our plan is to increase the number of pharmaceutical trials and harness the valuable intellectual property that has been created by BRC to grow the strength and sustainability of financial returns. This can occur both through escalated marketing and targeted partnering deals.

The following topics are covered in this operating review:

1. Market development – Personalised Medicine
2. BRC Resource
3. Current year highlights
4. Value creation and intellectual property
5. Competition and market opportunity
6. Discussion of 2005 Financial Report
7. Outlook

1. Market Development – Personalised Medicine

A sectoral shift in healthcare (drug development and treatment) is underway, aimed at improving: (1) the effectiveness of treatment by matching the right treatment to the right patient; and (2) the evidence base and efficiencies in new drug development.

The current practice of 'population based' treatment is shifting towards 'personalised medicine'. Historically, there has been a one size fits all approach to drug development and treatment. However, with our ability to increasingly tailor a treatment package to individual characteristics (e.g. genetics), a more personalised approach is now possible.

Yesterday's Medicine:



**One Size
(Dose)
Fits All**

Personalized Medicine

The **Right Dose** of
The **Right Drug** for
The **Right Indication** for
The **Right Patient** at
The **Right Time**.

The above slides, emphasising this need and the consequential benefits from a personalised approach, were extracted from a recent presentation by the US Food and Drug Administration (the most powerful body in the world governing drugs).

Operational Review

Personalised Medicine is presenting a tremendous commercial opportunity. New methods of better targeting treatment have the potential to increase the impact of treatment and deliver cost efficiencies. Patients will be more encouraged to continue taking a medication that is working – there is currently a low compliance in disorders such as depression, where finding the right drug can take time and the benefits can be slow to be realised. Cost efficiencies also result from reducing the number of clinical visits and number of drugs required through better initial matching (given healthcare now exceeds 15% of US GDP, there are growing pressures). This opportunity is becoming increasingly recognised:

“...we are on the brink of a revolution in the diagnosis and treatment of many diseases. A [personalised medicine] revolution that will accompany us over the next 50 years” Dr Franz Humer, CEO Roche, 16 March 2005.

“...industries that are integral in the world, that's the GE of the future. If you look at the contemporary themes for today [GE is a leader in]: personalised medicine, energy efficiency, advanced security systems, growth in China” Jeff Immelt, Business Week, 28 March 2005.

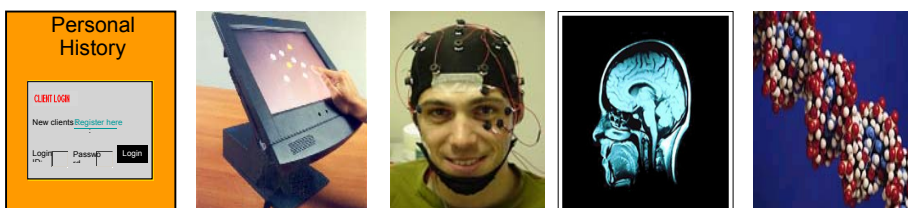
2. BRC Resource

This sectoral shift in Personalised Medicine has particular relevance to the brain where around 1 in 5 people will have a brain disturbance in their lifetime. Functional brain disorders including Attention Deficit Hyperactivity Disorder (ADHD), Depression and Alzheimer's Dementia (AD), are among the most prevalent but complex to definitively characterise and treat. Accordingly sensitive tools are required to evaluate the brain's performance and to objectively identify dysfunction.

BRC is particularly well placed to service this need through providing personalised profiles of brain-behaviour information for each client. Services include assessing the impact on the brain of new drugs and decision support for clinicians, with our methodology relevant to a wide range of disorders. New intellectual property opportunities, from harnessing the BRC resource, include identifying new treatment predictive markers and gene-brain links.

2.1 BRC's Resource

BRC has set up the world's first standardised international database on the human brain, which brings together an unprecedented breadth of data. This includes: Personal History; Cognition (memory, attention, planning, etc); Electrical Brain-Body function (speed of information processing); Brain Structure; and Genetics. The database now has more than 6,000 datasets in a number of disorders.

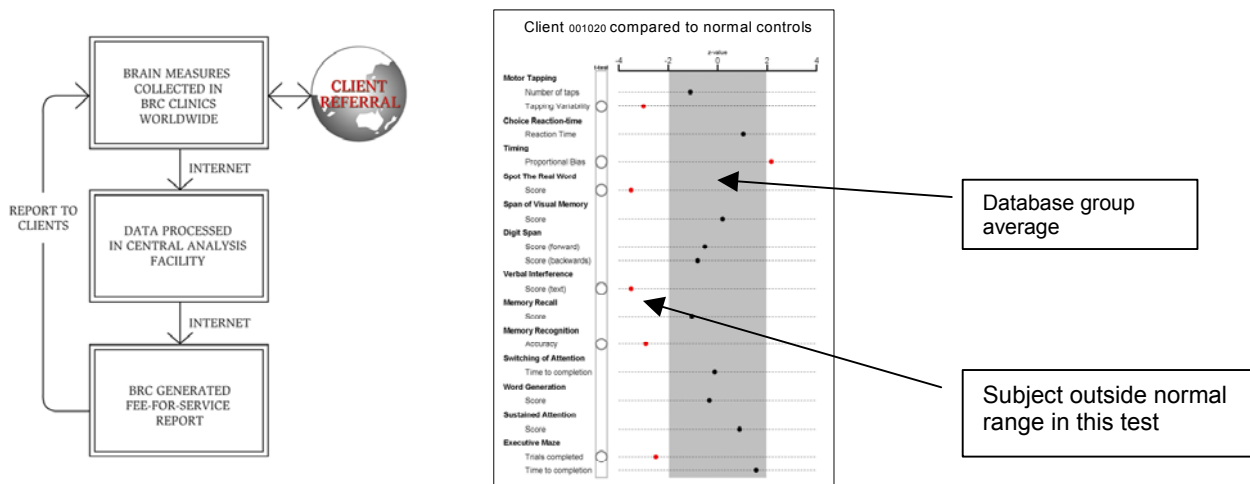


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Client Group	Dataset number
Normative	3,271
Clinical (Cognition and Electrical):	
ADHD	445
MCI / Alzheimer's Dementia	164
PTSD	70
Schizophrenia	55
Sleep Disorder	50
Head injury	43
Other (inc depression)	77
Clinical (Cognition only):	
Various disorders	1,821
Clinical Total	2,725
Total Database	5,996

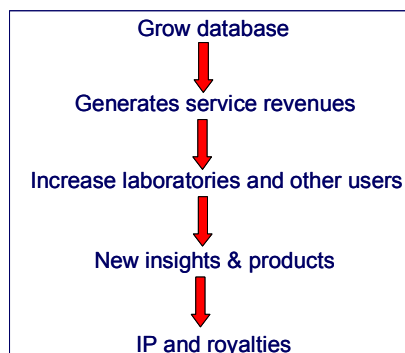
BRC's proprietary technology comprises:

- Standardised data acquisition hardware, which ensures consistency of all data acquired. BRC has developed a 'turn key' laboratory which can be easily installed anywhere in the world for data acquisition.
- Standardised data acquisition software which ensures that all subject data is acquired using the same protocols. This includes a web based component. BRC spent many years selecting, developing and computerising this battery of tests to best assess, cost and time effectively, the brain's performance.
- The data collected is sent via the internet to BRC for central processing and report generation using BRC's high throughput analysis engines. This includes comparison of the individual data to a matched reference group in the database, highlighting any statistically significant deviations, to produce personalised brain profiles (see picture below right – shaded area indicates the database group average and the dots the individual subject). In addition, data can be analysed using a range of modular proprietary analysis models included in the engine.
- BRC offers a service through its global network of laboratories to a wide range of users and is paid a fee for this data analysis and report generation (see picture below left).



Operational Review

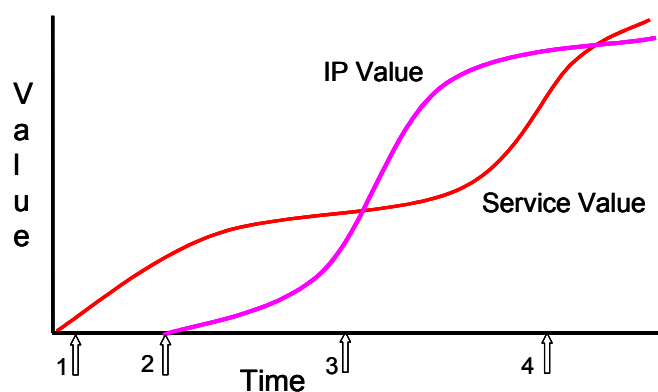
2.2 Intellectual property growth - self fueling cycle



BRC's intellectual property is driven in part through a self fueling cycle. Growth in the database drives growth in the number of users of BRC's technology, which in turn drives growth of the database. As the database gets bigger, its power escalates through the patterns in the data becoming more stable and easier to identify, increasing the likelihood of yielding new insights into:

- identifying the best brain markers of a disease;
- the dysfunctional mechanism of the disease; and
- identifying which individuals are most likely to respond to which treatments.

BRC's business model is underpinned by growing the number of users, particularly pharmaceutical trials, simultaneously with the creation of the intellectual property as this focus delivers four objectives: (i) users help validate the technology; (ii) growth in new users increases distribution, exposure and provides valuable market feedback; (iii) generates revenues to help cover costs; and (iv) the data acquired through provision of services helps to cost effectively grow the database, accelerating its ability to identify new intellectual property.



This interplay between service revenues and intellectual property is shown in the above graph. The arrows on the X-axis show: (1) early service sales help drive value as (2) the intellectual property grows and (3) helps to accelerate both returns and services. BRC is approaching (3) with its intellectual property maturing in development and acceptance.

Operational Review

Insight into the above dimensions has practical application and value, which can be realised through:

- the patenting and sale of new insights for use in new drug development; and
- new diagnostic tests for use in early identification of disease and predicting the best treatment.

The database focus is on developing this intellectual property around disorders including ADHD, Depression and AD. While our work continues on finding robust treatment predictive and diagnostic markers for these disorders, the database and methodology is also increasing in relevance for new drug development (for example see the following discussion of BRC's first collaboration), with the expectation that this can drive value through royalty and other such arrangements.

3. Discussion of current year highlights

3.1 Pharmaceutical relationships

BRC has added 6 new pharmaceutical drug and other treatment trials since June 2004, bringing the total number of agreements since commencing operations to 13. In addition, BRC's capabilities are currently being evaluated by a 14th pharmaceutical company which prior to year end purchased equipment for internal evaluation purposes. Thus to date, BRC methodologies have been used in trials with half of the top 10 companies (*italics*) by market capitalisation (as shown in the following table). A striking outcome of pharmaceutical trials is the breadth of disorders for which BRC methodology has shown itself to be applicable.

US\$billions	Mkt Cap	Sales	R&D
<i>Pfizer</i>	197	52	7.6
<i>Johnson & Johnson</i>	191	47	5.2
<i>Novartis</i>	174	28	4.2
<i>GlaxoSmithKline</i>	139	38	5.2
<i>Roche</i>	126	25	4.1
<i>Sanofi-Aventis</i>	124	35	5.0
<i>Merck & Co., Inc.</i>	68	23	4.0
<i>Wyeth</i>	61	17	2.5
<i>Lilly (Eli)</i>	61	14	2.6
<i>Bristol-Myers Squibb</i>	49	20	2.5
Total			43.0
Brain drug R&D assume 20%			8.6
<i>based on '04 financials and Aug 05 pricing</i>			

3.2 Collaboration with Johnson & Johnson

In possibly the most significant event during the current year, BRC entered into its first collaborative agreement with a pharmaceutical company in March 2005. BRC and Johnson & Johnson Pharmaceutical Research & Development (a division of Janssen Pharmaceutica NV) agreed to collaborate to identify biomarkers associated with Depression. This relationship is aimed at harnessing the power of BRC's resources to develop new drugs as opposed to merely assessing them. Preparatory work on this study commenced during the last quarter, with subject data acquisition expected to commence late in the first quarter of the 2006 financial year.

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3.3 New drug and other treatment trials include

(a) GSK buys two BRC Laboratories

BRC was selected by GlaxoSmithKline Research and Development ('GSK') to supply services to an early phase drug trial investigating cognition. As part of this agreement, GSK purchased two Brain Resource Laboratories for operation at the Guys Drug Research Unit, Quintiles, London. Insights arising from this study are expected to inform future development of drugs for cognitive related disorders. This agreement was very significant in that it was the first time a pharmaceutical company has purchased a Brain Resource Laboratory.

(b) NIH Cardiac study uses BRC

BRC was selected to supply its Brain Resource Cognition product to the US National Institutes of Health FREEDOM Trial, a landmark study of coronary revascularisation (bypass surgery) to examine the potential long term implications for patient care, including examining the effects on brain function. What this trial shows is that BRC services have relevance way beyond traditional assessments of the brain. This reflects the growing demand for 'evidence based' information about the brain, originating from far broader markets than originally anticipated .

(c) BMS studies

Two studies are currently being supported by Bristol-Myers Squibb (BMS) using BRC to help identify (i) the range of cognitive skills which are improved in patients prescribed a drug used to treat schizophrenia; and (ii) the most distinctive cognitive benefits from switching to a particular drug from other atypical anti-psychotics.

(d) Value added outcomes from BRC's pharmaceutical trials to date

While specifics remain client confidential, the following are illustrative examples:

- in one of the trials, where historically the drug was assessed using only select cognitive measures alone (this methodology being only one component of the BRC database), we saw the power of the combination of neuropsychological and electrical brain function measures to provide much greater insight into understanding individual responses to the drug.
- we are showing, through the breadth of our measures, a greater understanding of possible mechanisms for placebo responders (that is, why a subject responds to a sugar tablet rather than the drug – for example due to a heightened arousal). An understanding of this effect has importance in all drug trials.
- through our capacity to undertake trials at many BRC sites simultaneously, we are also showing across site reproducibility, addressing another key concern in drug trials.

3.4 Brain Resource Laboratory and Cognition Users

BRC's standardised methodology is currently employed in more than 66 sites in 6 countries (USA, Europe, South Africa, Australia) by a wide range of users. Of these sites, 49 contributed to revenues during the month of June 05 or were contributing to pharmaceutical trial work, or Government Grants, albeit some in small amounts for the month.

Users are able to access services through Brain Resource Laboratories, Brain Resource IBM Touchscreens and more recently using BRC's first web product. This diversity of BRC products have been developed in response to different customer

Operational Review

needs and applications. Importantly, as all products drive off the same central BRC resource and are more akin to having different interfaces to this resource, new additions are cost effective.

Worldwide Distribution



Laboratories:	Touchscreens:	Web:
4 in US	17 in US	Newly
6 in Australia	21 in Australia	launched
6 in SA	5 Israel	
3 in UK		
3 in Holland		

Full access to BRC's services is provided through Laboratories. During the year Laboratories were installed in South Africa (5 at the Netcare Hospital Group and 1 at the University of Witwatersrand), UK (2 at GSK at Guys Hospital), Holland and the US.

There are also many applications that require only the cognitive component of the database. Brain Resource's Cognitive Test battery – Brain Resource Cognition - is supplied on an IBM platform (BRC is an IBM business partner). This is now being used in more than 40 sites in addition to the Laboratories. This product was further enhanced during the year by the addition of the capability to handle many languages (thus far, it is available in English, Dutch, Spanish, German, Hebrew and Afrikaans with more to follow) due to the growing demand for this product.

We have also very recently launched a web-enabled version of Brain Resource Cognition - WEB NEURO™ – which significantly broadens BRC's market appeal and addressable market. The first version of this product is WEB NEURO Sport, aimed at helping to optimise athlete performance. It was launched in conjunction with the American Board of Sport Psychology and its Chairman, Dr. Roland A. Carlstedt.

3.5 Validation

BRC announced its 50th scientific publication from the Brain Resource International Database in July 2005.

The commercial value of the Brain Resource International Database is highly dependent on its scientific credibility. A key measure of scientific credibility is the number of scientific publications in international journals. The more publications that are accepted, the more the scientific credibility is extended and the more widespread the exposure. The scientific insights from the database have helped drive the growing number of pharmaceutical companies that use BRC's methodology.

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This 50th paper was highlighted in the high profile Science Magazine's 10 June 2005 news section. It explains why males and females may differ in their risk of depression and anxiety, and how treatments can target this difference. The database is also starting to provide answers to some of the most significant scientific questions of the next quarter century, as posed in the 125th anniversary issue of Science (July 1, 2005) – including what role does genetic variation have in our personal health (<http://www.sciencemag.org/cgi/content/full/309/5731/81>). The power of the database to identify new insights into how the brain functions with linkages to genetics is currently being explored for new intellectual property. This is discussed in the following section.

3.6 Organisational changes

Peter Wodtke, who is based in New York, has to date served as a non executive director. Given the importance of the US to BRC, he has taken on the role as BRC's Chief Executive Officer for the USA, starting 1 July 2005. We believe that this is an important first step to escalating BRC's commercial impact in that region.

We were also most pleased to announce that Brian Joffe agreed to join the Board as a non executive director. He founded and is the current Chief Executive of The Bidvest Group Limited, a South African based and listed international services, trading and distribution company with operations on three continents (Africa, Australia and the UK) and employing 82,000 people. It generates revenues of more than A\$12bn, has achieved a 26.5% annual compound growth rate in headline earnings over the last 13 years and has a market capitalisation of A\$6bn. The strength of his commercial skills and experience provide a valuable enhancement to the capabilities of the BRC Board.

3.7 Capital raising

In conjunction with this abovementioned appointment, in July 2005 BRC raised \$1.6m via a private placement of 5.9m fully paid ordinary shares representing 7.5% of the company's existing share capital. A private entity associated with Mr Joffe subscribed for around half of this and it also provided an opportunity to broaden our shareholder base with the inclusion of another Australian institutional investor and several high net worth internationally based private investors.

4. Value creation and intellectual property

We are very selective in what we patent, given our current resources. Much of the underpinnings of our methodology (database, processing engines and new analysis tools) are physically protected. That is no external parties are ever allowed access, with only the data acquisition software made available externally.

The first stage of our business has been about establishing the methodology and process development which has resulted in the following patent applications. Most recently, we decided there was value in proceeding with a full US patent application for our overall process and methodology:

Operational Review

- i) US patent application for our Collective Brain Measurement System and Method;
- ii) two Australian provisional patent applications covering methods of analysis; and
- iii) we are in the final evaluative process of patenting one of our MRI analysis tools.

As our database grows and new insights emerge, consistent with our business model, we expect to identify and patent: (i) brain patterns associated with different disorders, that is markers for disease and treatment prediction; and (ii) Gene-Brain linkages - to this end we have recently begun to evaluate our first such patent. This is potentially far more valuable than methodology patents.

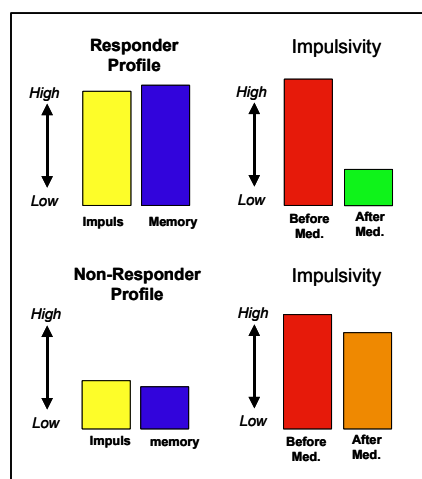
4.1 Update of treatment predictive markers

During the year, we have continued our work developing markers for predicting treatment response in children with ADHD. Our database has shown that their response to medication can be gauged from how they perform in a select combination of our test measures. We are continuing to further refine this prediction algorithm for the best combination and weightings of measures to include.

The diagram right, for example, compares responder (top half) and non responder (bottom half) profiles. Measures shown to provide an indicator of treatment response include:

- (i) assessing the degree of impulsive responsivity to information they have been told to ignore (denoted as impuls in the diagram) using BRC's neuropsychological test battery; and
- (ii) assessing electrical brain response to a memory task using BRC's electrophysiology test battery (memory in the diagram).

Those with high levels of response show a significant improvement after taking the medication (top right) and those with low levels show a negligible change (bottom right).



These are the sorts of insights we continue to make in a number of disorders, which translate into more clinicians wanting to use our services and also create patent opportunities.

4.2 BRC uniquely placed to bridge the Gene-Brain Function-Disorder Gap

Since its inception, BRC has been collecting genetic samples from subjects in the database using cheek swabs of saliva, with the selected genetic analysis undertaken to date showing clear links to brain function. While cost effective, swabs provide only a very small amount of material to work with as compared to collecting blood. The technologies for processing genetic material are however rapidly evolving, creating the opportunity for us to extract significant genetic information from our existing samples (which we have for more than 1,500 database subjects). We are currently evaluating this prospect. If it proves feasible, this would allow us to compare genetic information with brain function data (which has already been processed) using existing samples, potentially resulting in the identification of unprecedented interrelationships.

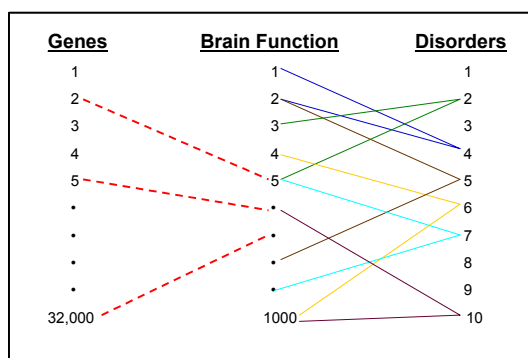
Operational Review

(a) Background

The following is a very simplistic summary to provide some insight into the potential value of this development. Genes control the body through managing structure, regulation and communication. Small variances in the genetic makeup between individuals cause individuality (the genome between individuals is 99.9% the same). While many of these variations (polymorphisms) are benign, some are associated with disease. Further variations also can cause a predisposition to disease and impact how an individual responds to drugs (that is why some drugs cause side effects in some but not in others). Being able to accurately identify this linkage between disease and genetics has massive implications for new drug development, the development of diagnostic markers and treatment.

This is not a simple problem, particularly in the brain. Genetics play a major role in brain disturbance either directly (where a gene defect causes a disturbance) or indirectly (through a genetic predisposition which is triggered by environmental factors). While many groups are currently looking at identifying the gene – brain function link, our database is uniquely positioned through its breadth and depth of data to provide unprecedented insights.

Essentially, BRC's database is an effective targeting device for where to look for these linkages (it can classify subjects and hence provide a solid platform to begin the comparisons and hunt for linkages). By comparison, other approaches include using homogenous population groups - such as the Mormon populations of Utah (Myread Genetics) and Iceland (deCode Genetics) - to reduce the risk that variations detected have nothing to do with function or disease. The first successful approach adopted in this search for gene/disease link was in breast cancer where families with a strong history were studied by looking for the genetic differences between healthy and unhealthy members, with the implication that a particular difference could be identified that was directly linked to the disease.



The solid lines in the diagram on the left reflect established links between brain function and disorders (either from the BRC database or in the scientific literature) and dashed lines the possible links to genes.

(b) Value and what is needed

BRC has the potential to develop valuable new patents from any novel linkages that are identified in the database.

Our work to date has been on selected genes and the relationships to brain function. We have looked at three known genes (APOE, BDNF and COMT) and their linkages to brain function: APOE/Alzheimer's dementia; BDNF/Memory and COMT/Executive Function. Our data has shown valuable new gene-brain function-performance insights. This information is showing how genetic disposition impacts on the brain, to increase our risk for age related memory problems and psychiatric illness.

Operational Review

We will continue with this work, but in addition are examining the feasibility of this next stage of analysis, that is to use our database to hunt for a large number of new linkages. Given the costs for processing genetic samples is substantial (primarily the cost of purchasing the analysis tools from third parties), we are currently looking for partners to help fund this endeavour. We believe that this element of the database could have significant value.

As an aside, according to Burrill & Company (a US based Life Sciences Investment Bank), the average preclinical deal during 2004 was US\$72m. These represent deals by pharmaceutical companies seeking to secure access to promising products/technologies. We believe that what we are doing has great relevance to addressing their needs (by way of context, it takes around 15 years for a new drug to go from the experimental phase to being approved for sale. The preclinical phase refers to testing of the drug in the laboratory before being allowed to be tested in humans. For every 5,000 compounds tested in this phase, only 5 will make it into clinical trials where it can be tested in humans, and only one of these 5 will gain ultimate approval for sale. The cost of getting one new drug is more than \$800m (including the costs of failures which form a substantial part). The total spent by pharmaceutical companies on drug R&D is more than US\$40bn pa with brain drugs estimated at around 20% of this).

5. Competition and market opportunity

BRC's approach, underpinned by its standardised integrated international database, remains unique. However, awareness is increasing of the problems and need for Personalised Medicine, including in the brain, and the magnitude of the opportunity. Several corporates are starting to position to capitalise on this opportunity, a development which we welcome, given: (i) the size of the opportunity is massive; (ii) at this early stage, more players will help the sectoral opportunity to mature; and (iii) BRC is well positioned.

An interesting development during the year was the deal between Boston Scientific and Aspect Medical Systems. This alliance is beginning on a path with a similar objective to that being pursued by BRC. They have recognised the need for a more evidence based approach to diagnosing and treating brain function disturbances and they are working on a methodology to do this in Depression and Alzheimer's Dementia. In some ways, what they are doing is complementary to BRC's approach, with possible synergies currently being explored.

The following extract from their press release is informative in that it quantifies the size of the opportunity BRC is pursuing.

Boston Scientific Corporation and Aspect Medical Systems today [23 May 2005] announced a strategic alliance in which Boston will provide Aspect \$25 million to fund development of new brain monitoring technology designed to aid the diagnosis and treatment of depression, Alzheimer's disease (AD) and other neurological conditions. For the estimated 18.8 million Americans suffering from depression and four million from AD, this research may signal new hope to more quickly match depression sufferers with effective pharmaceutical or device-based therapies, and to help identify AD patients in the earliest stages of disease.

"A technology that could help clinicians identify neurological disease states, as well as the first, best medication or device-based therapies for treating psychiatric illnesses, could

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profoundly impact clinical practice. The challenge is finding the best treatment to help each individual recover quickly. With depression alone, fewer than 50 percent of patients get well after their first course of antidepressant therapy, and many patients become discouraged and give up when repeated attempts at treatment prove ineffective or cause severe side effects."
Andrew Leuchter, M.D., Professor of Psychiatry UCLA.

Aspect Management provided an estimate of \$1bn pa for the market opportunity for depression monitoring alone on their analyst conference call. We concur with this number based on the following:

Brain drugs are among the fastest growing category of marketed drugs and the current sales of these drugs in the US alone is greater than US\$40bn pa. Depression is now the leading cause of disability globally and costs the US economy an estimated US\$44 billion per annum. Sales of anti depressive drugs are by far the largest of any brain drug category, with more than 18 million prescriptions filled per annum in the US alone, totalling around \$20bn. An estimated 12 million people worldwide suffer from Alzheimer's Dementia.

As an aside, as mentioned above, BRC has a collaboration with Johnson & Johnson to identify depression markers. Depression is a complex disorder which we believe requires the full breadth of our database and combined measures to identify and provide the converging evidence for the best treatment in each sub type of this disorder.

The table below shows the number of US sufferers for a range of disorders. We have applied a factor estimating the percentage of these sufferers seeking treatment and another factor for those we estimate would benefit from BRC type services. This shows a theoretical addressable market of 9 million patients per annum which could easily equate to a market worth more than \$1bn pa.

Disorders	ADHD	Alzheimers	Depression	Schizophrenia	PTSD	Total
Costs to US economy pa (\$bn)		100	44	32		176
Drugs in development 2002/3	4	26	25	12		67
Number of key drugs available	9	4	13	7		33
Number of prescriptions pa (m)	2.5	0.8	18	3.5		24.8
Number of sufferers US (m)	2	4	19	2	5	32
Assumed % of patients seeking treatment	75%	80%	45%	75%	40%	
Total treated (m)	2	3	9	2	2	17
Est. treated patients benefit from BRC type service	80%	40%	50%	40%	85%	
Addressable market pa (m)	1.2	1.3	4.3	0.6	1.7	9.1

Source : www.fda.gov / who / PhRMA/IMS/JP Morgan

6. Discussion of 2005 Financial Report

6.1 Sales revenues increased by 140% to \$1.2m

Sales (A\$)	2005	2004	Growth
Drug Trials, Collaborations and reports	526,753	313,459	
Equipment sales	711,411	192,000	
Total Sales	1,238,164	505,459	144%
Total Revenues incl. grants & interest	1,643,761	890,531	85%

Total sales increased by 144% to \$1.2m, primarily driven by the contribution from the Johnson & Johnson collaboration and Brain Resource Laboratory equipment sales to

Operational Review

new users, including GlaxoSmithKline. Also, other report revenues more than doubled to \$130,000 together with a on-going sales of IBM Touchscreens which are now starting to gain momentum, with more than 20 shipped during the current year. Equipment sales are a lead indicator of growth in report revenues.

Other revenues comprised interest and Government grants including the Federal Government's Export Market Development Grant and the NSW Government's BioBusiness Grant.

Not included above, BRC currently has drug and other trial contracts currently in progress amounting to more than \$1m.

6.2 Costs increases in line with plan

Expenses (A\$):	2005	2004	Growth
Cost of sales	649,737	377,047	72%
Depreciation and amortisation	251,446	238,945	5%
Insurance and professional fees	337,494	259,144	30%
Rent, supplies & office costs	138,112	149,512	-8%
Salaries	1,467,710	1,292,568	14%
Marketing and agent support	229,599	128,739	78%
Communications	75,901	77,729	-2%
Travel	190,469	116,147	64%
Other	137,834	98,783	40%
Total Expenses	3,478,302	2,738,614	27%
Total operating expenses*	2,577,118	2,122,632	21%
Monthly operating expenses	214,760	176,886	21%
Net cash consumption per month	115,469	115,760	No change

* Operating expenses excludes cost of sales, depreciation and amortisation.

Cost increases were in line with those previously outlined at the 2003 AGM where we stated that the operating cash burn was expected to grow to \$225,000 per month, with marketing spend driving the increase. Other increases are attributable to the natural growth of the business. Net cash consumption was virtually unchanged during the current year. We expect that our base operating costs have now plateaued, with further increases tied to specific revenue opportunities.

6.3 The normalised loss reduced by 2% (reported loss reduced 25%)

Reported Loss (A\$)	2005	2004	Change
Loss before tax	(1,834,541)	(1,848,083)	(1%)
Add: Income tax benefit	711,561	349,437	
Loss after tax	(1,122,980)	(1,498,646)	(25%)
Adjustments to reverse impact of change in accounting policy:			
Add back 05 tax offset receivable	350,000		
Normalised loss after tax	(1,472,980)	(1,498,646)	(2%)

The reported loss showed a significant decline, in part benefiting from a change of accounting policy. Please see details of this change in the attached Financial

Operational Review

Statements (the Change in accounting policy Note 1 and the Income Tax Note 4). This change effectively includes two years of tax benefits in the current year.

Removing the current year's tax benefit, effectively provides the basis for a 'like for like' comparison with the prior year, negating the benefit of the accounting policy change. Normalised losses reduced by 2%, which was a reasonable result given that BRC is still to harness the full power of the resource for new intellectual property and is still in a growth phase. (No adjustment was considered necessary for the other change in the accounting for Export Grants as this change only resulted in a comparable amount to the prior year - see Note 2 and Note 26b in the Financial Statements).

6.4 Losses reduced by 40% in the current half year

The following table shows the successive six monthly performance and the relative changes between successive periods.

Half year period ending:	31 Dec 03	30 Jun 04	31 Dec 04	30 Jun 05
Sales	129,778	375,681	445,961	792,203
Change		189%	19%	78%
Revenues	223,588	666,943	603,417	1,040,344
Change		198%	-10%	72%
Expenses	(1,182,682)	(1,555,932)	(1,749,842)	(1,728,459)
Change		32%	12%	-1%
Loss pre tax	(959,094)	(888,989)	(1,146,425)	(688,115)
Change		-7%	29%	-40%
Monthly op. expenses	(150,320)	(176,886)	(211,728)	(214,760)
Change		18%	20%	1%

The above table highlights that while expenses flattened in the most recent half yearly period, revenues (particularly drug trials) increased strongly, resulting in a 40% reduction in the pre tax loss.

6.5 Monthly capital expenditure increased by 5%

Capital expenditures increased by 5% to \$523,299. A large factor in this increase were the costs associated with our Head Office move, leasehold improvements costing around \$50,000. Factoring this one off cost, this expenditure decreased relative to the prior year, consistent with our model whereby the database growth will increasingly be funded from other sources including government grants and fee paying customers (who consent to have their data included in our database).

6.6 Cash position

In conjunction with the appointment of Brian Joffe to the Board in July 2005, BRC raised approximately \$1.6m via a private placement of 5.9m fully paid ordinary shares representing 7.5% of the company's existing share capital. This additional funding is to be used for accelerating database expansion, marketing especially in the US and working capital.

BRC is in a relatively solid financial position. Factoring the above \$1.6m together with the closing cash balance as at 30 June 2005 implied a notional cash balance of \$6.1m at balance date.

Cash flows, as flagged in our June Quarterly cash flow statement, continue to be dominated by contract revenues. Hence our cash flows remain subject to fluctuations

Operational Review

from the timing issues associated with these milestone payments. Thus, while our June 2005 quarterly cash was in net positive, we do not expect this surplus to be sustainable in the short term.

6.7 Reconciliation of Cash consumption to June 2005 including placement

The BRC resource has been constructed with relatively minimal resources as shown in the following table of source and application of funds since inception:

	To Date
Source of funds:	
IPO August 2001	5,003,006
Feb 2002 placement (at 25.0 cents per share)	1,000,000
May 2003 placement (at 26.5 cents per share)	2,250,000
Nov 03 Placement (at 45.0 cents per share)	3,812,026
Jul 05 Placement (at 30.0 cents per share)	1,634,500
Total funds raised	<u>13,699,532</u>
Less cash balance at 30 June 2005 incl Jul 05 placement	<u>6,094,700</u>
Cash consumption to 30 June 2004	7,604,832
Application of funds:	
Listing costs	584,926
Foundation IP (cash component)	210,600
Capitalised R&D	785,430
Database	930,440
Plant and equipment	754,905
Inventory	168,611
Other net operating cash*	<u>4,169,920</u>
Total	<u>7,604,832</u>
*Included in net operating cash:	
Income and other cash received including tax rebates	4,449,089
Salaries	(4,362,229)
Other expenses	(4,256,779)

7. Outlook and future opportunities

Consistent with our business plan, our 2006 focus is on:

- Continuing to grow drug trial revenues and relationships.
- Capitalising on IP to upscale, with our low cost base implying that our financials would readily transform from success.
- Our distribution network is now established in 6 countries and the focus is now on leveraging this and increasing yield.

We have continued to grow the quality of our relationships. We now need to escalate the speed of translating this quality into solid and sustainable revenue streams. The challenge is more one of timing than content. We are showing a capability of growth but we are well cognisant that dependence on large pharmaceutical companies exposes us to the long timescales under which they operate. BRC is however well placed, building on extensive work to date, to increase the number of trials in 2006.

What could also have a very significant impact is whether we are able to consummate any further strategic alliance deals, which convert the value we have built in our intellectual property, into cash returns through joint ventures, collaborations, etc. Given our current cost base, this could have significant implications.

FINANCIAL STATEMENTS AND REPORTS
YEAR ENDED 30 JUNE 2005

REPORT OF THE DIRECTORS

Your Directors submit their report for the year ended 30 June 2005.

DIRECTORS

The following persons held office as directors during or since the end of the financial year:

Dr Evian Gordon, BSc (Hons), PhD, MBBCh (Chairman and Chief Executive Officer)

Dr Gordon has over 20 years of experience in human brain research. He was the director of the Brain Dynamics Centre at Westmead Hospital and a senior lecturer in the Department of Psychological Medicine at the University of Sydney. He edited the book "Integrative Neuroscience" (Harwood Press) and has more than 160 publications.

Dan Segal, BCom, CA, BSc (Hons) MSc (Commercial Director)

Dan Segal has worked in the accounting and finance industry for more than a decade. He has previously worked for Arthur Andersen and Salomon Smith Barney where he was a Director in the Equities Research Department. He has been a member of the Institute of Chartered Accountants since 1986.

The Hon Paul Keating, (Non-Executive Director)

The Hon Paul Keating was Prime Minister of Australia from 1991 to 1996. As both Treasurer and Prime Minister, he was the driver of a period of fundamental economic reform and social re-orientation. Since leaving office, he has maintained a close interest in the policy issues with which he was associated in office.

Nestor Hinzack, BEc, FCPA, FSIA (Non-Executive Director)

Nestor Hinzack has over 30 years experience in stockbroking as a partner and director of several major stockbroking firms. His background is predominantly in research as both analyst and as a research manager, though his experience extends to corporate, institutional and private client advisory roles.

Professor Arthur Toga, PhD (Non-Executive Director and Chairman of the Scientific Advisory Committee)

Professor Toga is a Professor of Neurology and Director of the Neuroimaging Laboratory at UCLA. As co-principal investigator of The International Consortium for Brain Mapping, he has pioneered the use of databases for brain structure. He is the Editor of the journal, "Neuroimage", a leading scientific journal in the field of brain imaging.

Russell Jamison, BA, LLB (Non-Executive Director)

Russell Jamison has more than 25 years of experience as a legal practitioner in South Australia. He is the current Chairman of the Board of Victim Support Service of SA Inc.

Peter Wodtke BA (Non-Executive Director to June 2005 and Executive Director from 1 July 2005)

Peter Wodtke has extensive global experience in wide range of industries including having been the longest serving non executive director of Holcim Ltd (a Swiss based multinational).

Brian Joffe CA (SA) (Non-Executive Director)

Brian Joffe founded The Bidvest Group Limited and is its current Chief Executive. Bidvest is a South African based company, listed on the Johannesburg Securities Exchange, with international operations generating more than A\$10bn of revenues and employing 82,000. He was appointed 26 July 2005.

COMPANY SECRETARY

Robert Waring BEc, CA, FCIS, ASIA, FAICD. Robert Waring has more than 30 years experience in financial and corporate roles including 15 years in company secretarial roles for ASX listed companies. He was appointed to the position of Company Secretary in 2001.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Directors' interests in shares and options as at 30 June 2005 and at the date of this report are set out in Note 16 to the financial statements.

ACTIVITIES

The principal continuing activity of the Company is the provision of brain function analysis services.

RESULTS

The net consolidated result of operations after applicable income tax benefit was a loss of \$1,122,980 (2004: \$1,498,646).

REPORT OF THE DIRECTORS

DIVIDENDS

No dividends were paid or proposed during the year.

REVIEW OF OPERATIONS

A review of the operations of the Company during the financial year and the results of those operations are contained in the Operational Review section of this report.

CORPORATE STRUCTURE

The Brain Resource Company Limited is a company incorporated and domiciled in Australia. Three wholly owned subsidiaries BRC Operations Pty Limited, BRC IP Pty Limited and BRC Franchising Pty Limited were incorporated in November 2001 and began to act as the operating companies from that date. As of 17 March 2005, BRC Franchising Pty Limited changed its name to BRC Distribution Pty Limited.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Directors are not aware of any significant changes in the state of affairs of the Company occurring during the financial year, other than as disclosed in the operational review provided in this report.

MATTERS SUBSEQUENT TO END OF FINANCIAL YEAR

Directors are not aware of any significant matters which have arisen subsequent to the end of the financial year and which have significantly affected, or may significantly affect, the operations, the results or the state of affairs of the company in future financial years other than the following: BRC raised \$1,634,500 via a private placement on 26 July 2005 of 5,928,333 fully paid ordinary shares, representing 7.5% of the company's existing share capital.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

As the Company's business plan of commercialising brain function analysis is at an early stage it is not possible to accurately postulate likely developments and expected results other than as described in the Operational Review.

DIRECTORS' EMOLUMENTS

- i) Remuneration policy: Please refer to the report below for remuneration policy and details of Director emoluments paid in the Company and Consolidated entity during the year to 30 June 2005.
- ii) Valuation of Directors options: Directors were granted a total of 3.5 million options prior to the listing, at which time there was no market value for The Brain Resource Company Limited's shares and as such the Directors were of the view that the fair value of these options at that date of issue was negligible. One director was granted 250,000 options during the current year with an exercise price of \$0.41, which equated to the prevailing market price at the time the Board approved this issue.
- iii) Executive Officers: There are no executive officers other than the executive directors disclosed below in the remuneration report.

SHARE OPTIONS

Details of share options are disclosed in Note 13.

REMUNERATION REPORT

The Company has in place a remuneration committee, comprising two non executive directors Mr Hinzack and Mr Jamison, who review the remuneration of all Directors and executives. The Committee seeks independent external advice and market comparisons as necessary but Directors believe that the size of the Company makes individual salary negotiation more appropriate than formal remuneration policies. Remuneration levels, including participation in the Company's Share Option Scheme, are set to provide reasonable compensation in line with the Company's financial resources.

Non Executive Directors are encouraged by the Board to hold shares in the Company.

REPORT OF THE DIRECTORS

i) Remuneration Policy

To date, the Non Executive Directors have been responsible for determining and reviewing compensation arrangements for all directors. The Non Executive Directors assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. A remuneration committee was established during the year, comprising two non executive directors who reviewed the remuneration of all Directors and executives.

During the year no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

ii) Director emoluments paid in the Company and Consolidated entity during the year to 30 June 2005 :

<u>Table 1</u> (audited)	Primary Salary & Fees	Post Employment Superannuation	Other Other	Total
2005 Executive Directors:				
E Gordon	150,000	13,500	-	163,500
D Segal	125,000	11,287	-	136,287
Total	275,000	24,787	-	299,787
2005 Non-Executive Directors:				
N Hinzack	10,000	-	-	10,000
P Keating	10,000	-	-	10,000
A Toga	10,000	-	-	10,000
P Wodtke	10,000	-	3,744 [^]	13,744
R Jamison	10,000	-	-	10,000
Total	50,000	-	3,744	50,000
2004 Executive Directors:				
E Gordon	134,462	16,308*	24,696*	175,466
D Segal	125,000	11,250	-	136,250
Total	259,462	27,558	24,696	311,716
2004 Non-Executive Directors:				
N Hinzack	10,000	-	-	10,000
P Keating	10,000	-	-	10,000
A Toga	10,000	-	-	10,000
P Wodtke	9,000	-	-	9,000
R Jamison	8,300	-	-	8,300
Total	47,300	-	-	47,300

*refers to payments made to The University of Sydney under a two year arrangement which allowed Dr Gordon to retain his tenured position while working full-time at BRC as part of a two year secondment. This arrangement expired in August 2003 and Dr Gordon chose to relinquish his tenure in order to remain working full-time at BRC. Note payments to Dr Gordon under this arrangement from the University included superannuation payments at levels significantly above the statutory rate.

[^]refers to 250,000 options issued to Peter Wodtke as approved by shareholders at the 2004 Annual General Meeting on terms disclosed in note 13c.

Services provided by Non Executive Directors were under normal commercial terms and conditions. There are continuous service agreements in place with the Executive Directors which require 12 months notice to be given or the equivalent payment in lieu to be given upon termination by the company of such agreements. No other benefits have been received or are receivable by Directors. An agreement was signed with Peter Wodtke in April 2005 whereby he was to take on an executive role for 12 months starting from 1 July 2005, becoming BRC's Chief Executive Officer in the USA. The terms of this are that he is to be paid an additional A\$15,000 p.a. and commission on sales of between 2% and 6%.

REPORT OF THE DIRECTORS

iii) Directors' Shareholdings and Options as at June 2005 (Table 2 - audited)

Name	Ordinary Shares Fully Paid		Options over Ordinary Shares	
	2005	2004	2005	2004
Evian Gordon	11,356,250	11,356,250	1,000,000	1,000,000
Dan Segal	6,131,543	6,131,543	500,000	500,000
Paul Keating	575,000	575,000	1,500,000	1,500,000
Nestor Hinzack	605,000	567,500	250,000	250,000
Peter Wodtke	100,000	-	250,000	-
Russell Jamison	-	-	-	-
Arthur Toga	287,500	287,500	250,000	250,000
	19,055,293	18,917,793	3,750,000	3,500,000

See Note 13c for the terms of the above options.

No additional shares have been issued to Directors during the current year, with the only options issued being those to Peter Wodtke as approved by shareholders at the 2004 Annual General Meeting. These options have an exercise price of \$0.41 and expire on 23 November 2009. Messrs Hinzack and Wodtke both purchased shares in the market during the current year (these purchases in compliance with the Company's Corporate Governance Principles).

Shares and options held by Directors included those held by the Directors and their director-related entities, including the spouses of such directors and relatives of such Directors. All shares and options, excluding those under Employee Share Option Scheme, were issued or granted on terms no more favorable than to other shareholders or option holders.

Post balance date and prior to his appointment as a Director of the Company, Mr Brian Joffe subscribed for 2.88m ordinary fully paid shares as part of the Company's 26 July 2005 placement.

Evian Gordon and Dan Segal were the only Executive Directors and both have employment contracts which took effect on 28 August 2001. The contracts set out a base salary and that 12 months notice is required for termination. There are no contracts in place which provide for any variable remuneration, including bonuses or commissions from the Company.

MEETINGS OF DIRECTORS

During the year to 30 June 2005 the Company's Directors held 4 Board meetings. E Gordon, D Segal, P Keating, R Jamison and N Hinzack were in attendance at all of the meetings and P Wodtke attended 2 of the meetings. A Toga and P Wodtke are both resident in the USA and while A Toga did not attend any of the formal Board meetings, both were kept up to date with the company's activities through regular email and telephone briefings.

Directors, Messrs D C Segal and N D Hinzack are members of the Company's Audit Committee. The Committee reviews the Company's financial systems, accounting policies, half-year and annual financial statements. There were two Audit Committee meetings during the current year and both Directors attended both meetings.

EMPLOYEES

There were 43 people working for the consolidated entity, based on the June 2005 payroll, being a mixture of full time staff, consultants, permanent part time and casuals (2004:32). This equated to around 22 full time equivalent employees (2004:18).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has paid a premium in respect of a contract insuring all the Directors against a liability incurred as an officer for certain costs or expenses to defend legal proceedings. The insurance contract prohibits the disclosure of the total amount of the premiums and a summary of the nature of the liabilities. The Company has not otherwise, either during or since the end of the financial year, indemnified or agreed to indemnify an officer of the company or any related body corporate against a liability incurred as such an officer.

REPORT OF THE DIRECTORS

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is not aware of any specific requirements, as issued by the relevant environmental protection authorities, with which it has to comply.

AUDITOR INDEPENDENCE

The Directors have received a declaration of independence which is included on the following page.

Signed in Sydney on 1 September 2005 in accordance with a resolution of the Directors.

A handwritten signature in black ink that reads "Dr Evian Gordon". The signature is written in a cursive style with a horizontal line underneath the name.

Dr Evian Gordon
Chairman of Directors

AUDITOR INDEPENDENCE



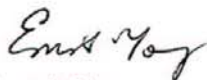
■ Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

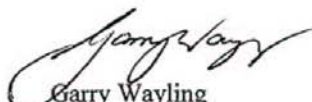
GPO Box 2646
Sydney NSW 2001

■ Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock
Exchange 10172

Auditor's Independence Declaration to the Directors of The Brain Resource Company Limited

In relation to our audit of the financial report of The Brain Resource Company Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.


Ernst & Young


Garry Wayling
Partner
1 September 2005

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW)

STATEMENT OF FINANCIAL PERFORMANCE

Year ended 30 June	Note	Consolidated		BRC	
		2005 \$	2004 \$	2005 \$	2004 \$
REVENUE FROM ORDINARY ACTIVITIES	2	1,643,761	890,531	-	-
Cost of equipment and third party drug trial costs	3	(649,737)	(377,047)	-	-
Depreciation and Amortisation	3	(251,446)	(238,935)	-	-
Insurance and Professional fees		(337,494)	(259,144)	-	-
Rent, supplies & office costs		(138,112)	(149,512)	-	-
Salaries		(1,467,710)	(1,292,568)	-	-
Marketing and agent support		(229,599)	(128,739)	-	-
Communications		(75,901)	(77,729)	-	-
Regulatory approvals		(38,410)	(3,734)	-	-
Travel		(190,469)	(116,147)	-	-
Other		(99,424)	(95,059)	708	(240)
Provision for non recovery	3	-	-	(1,100,000)	(1,500,000)
TOTAL EXPENSES		(3,478,302)	(2,738,614)	(1,099,292)	(1,500,240)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX BENEFIT		(1,834,541)	(1,848,083)	(1,099,292)	(1,500,240)
INCOME TAX BENEFIT RELATING TO ORDINARY ACTIVITIES	4	711,561	349,437	-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX BENEFIT	14	(1,122,980)	(1,498,646)	(1,099,292)	(1,500,240)
NET LOSS ATTRIBUTABLE TO MEMBERS OF THE BRAIN RESOURCE COMPANY LIMITED		(1,122,980)	(1,498,646)	(1,099,292)	(1,500,240)
Share issue costs		-	(179,724)	-	(179,724)
TOTAL REVENUE, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF THE BRAIN RESOURCE COMPANY LIMITED		-	(179,724)	-	(179,724)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF THE BRAIN RESOURCE COMPANY LIMITED		(1,122,980)	(1,678,370)	(1,099,292)	(1,679,964)
Basic loss per share (cents per share)	15	(1.4)	(2.0)		
Diluted loss per share (cents per share)	15	(1.4)	(2.0)		

The accompanying notes form an integral part of this Statement of Financial Performance.

STATEMENT OF FINANCIAL POSITION

At 30 June	NOTE	Consolidated		BRC	
		2005 \$	2004 \$	2005 \$	2004 \$
CURRENT ASSETS					
Cash assets	22	4,460,200	5,845,833	4,735	4,985
Receivables	6	615,113	216,052	-	-
Inventories	7	168,612	175,464	-	-
TOTAL CURRENT ASSETS		5,243,925	6,237,349	4,735	4,985
NON-CURRENT ASSETS					
Receivables	6	120,880	150,880	8,042,410	9,141,452
Plant and equipment	8	368,933	365,326	-	-
Intangibles	9	2,179,473	2,190,167	-	-
Other	10	788,833	529,253	300	300
TOTAL NON-CURRENT ASSETS		3,458,119	3,235,626	8,042,710	9,141,752
TOTAL ASSETS		8,702,044	9,472,975	8,047,446	9,146,737
CURRENT LIABILITIES					
Payables	11	549,171	240,982	4,043	4,043
Provisions	12	133,819	89,959	-	-
TOTAL CURRENT LIABILITIES		682,990	330,941	4,043	4,043
TOTAL NON-CURRENT LIABILITIES		-	-	-	-
TOTAL LIABILITIES		682,990	330,941	4,043	4,043
NET ASSETS		8,019,054	9,142,034	8,043,402	9,142,694
EQUITY					
Contributed equity	13	13,348,856	13,348,856	13,348,856	13,348,856
Accumulated losses	14	(5,329,802)	(4,206,822)	(5,305,454)	(4,206,162)
TOTAL EQUITY		8,019,054	9,142,034	8,043,402	9,142,694

The accompanying notes form an integral part of this Statement of Financial Position.

STATEMENT OF CASH FLOWS

Year ended 30 June	Note	Consolidated		BRC	
		2005 \$	2004 \$	2005 \$	2004 \$
CASH FLOWS FROM OPERATIONS					
Receipts from customers		1,514,853	562,239	958	166,287
Payments to suppliers and employees		(3,005,511)	(2,422,044)	(250)	-
Income tax received		360,603	720,733	-	-
Interest received		267,721	247,603	-	-
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	22	(862,334)	(891,469)	708	166,287
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of plant and equipment		(126,416)	(64,518)	-	-
Database additions		(117,943)	(197,262)	-	-
Research and development		(278,940)	(235,876)	-	-
Loans to subsidiaries			-	(958)	(5,155,520)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(523,299)	(497,657)	(958)	(5,155,520)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		-	3,991,750	-	3,991,750
Payment of share issue costs		-	(179,724)	-	(179,724)
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	3,812,026	-	3,812,026
Net increase/(decrease) in cash held		(1,385,633)	2,422,901	(250)	(1,177,207)
Add opening cash brought forward		5,845,833	3,422,932	4,985	1,182,192
CLOSING CASH CARRIED FORWARD	22	4,460,200	5,845,833	4,735	4,985

The accompanying notes form an integral part of this Statement of Cash Flows.

NOTES TO AND FORMING PART OF THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention using the accounting policies described below and do not take account of changes in either the general purchasing power of the dollar or in the prices of specific assets.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act (2001) which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the following. Prior to the current year, Export Market Development grants and Research and Development tax offsets have both been recognised on a receipts basis. Given the associated expenses have been recognised on an accruals basis, this has effectively resulted in the expenses being recognised in the accounts a year earlier than the associated, albeit indirect, benefit.

BRC now has experience in successfully applying for this grant and tax offset. Given this increase in confidence, from the current year the policy has been amended to recognise these benefits on an accrual basis. The impact of this change was to recognise a \$400,000 receivable in the current year, made up of grant income of \$50,000 and an Income Tax Benefit of \$350,000. Thus there is a one off benefit shown in the June 2005 Statement of Financial Performance, from being positively impacted by including both the 2004 (receipts) and 2005 (accrual) benefits.

Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising The Brain Resource Company Limited (the parent company) and all entities that The Brain Resource Company limited controlled from time to time during the year and at reporting date.

Three wholly owned subsidiaries BRC Distribution Pty Limited, BRC IP Pty Limited and BRC Operations Pty Limited were incorporated in November 2001 to conduct all operations of the group allowing The Brain Resource Company Limited (BRC) to act as the non operating holding company henceforth.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control. Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Foreign Currency

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the report date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the report date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTES TO AND FORMING PART OF THE ACCOUNTS

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts stated at nominal amount.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Receivables

Receivables, including amounts due from related parties, are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Plant and equipment

Plant and equipment is included at cost. Depreciation is provided on a diminishing value basis on all plant and equipment at rates calculated to write off the cost, less estimated residual value at the end of the useful lives of the assets, over those estimated useful lives. The majority of the assets, comprising primarily computer equipment and software, are being depreciated over a three year period (2004: three years).

Intangibles

The software and associated licences purchased prior to 30 June 2001 were capitalised at their purchase price (being cash paid and the fair value of shares issued). Amortisation of this asset, which commenced in August 2001, was on a diminishing value basis over a five year period. The unamortised balance is reviewed annually at each balance date with any excess over the recoverable amount written off to the Statement of Financial Performance. The estimated lifetime of this asset was increased to a ten year period effective 1 January 2003. Depreciation of the databases and database protocols will commence when a finite lifetime can be accurately assessed or when the value of the database is believed to begin to erode.

Development Costs

Development costs are expensed as incurred except to the extent that future benefits are expected, beyond reasonable doubt, to equal or exceed those costs and any future costs necessary to give rise to the benefits. Amortisation of capitalised development costs will commence from the time these assets begin to generate revenues. Also see discussion in revenue recognition note below in regard to the capitalised element of government grants used to fund development. Where research costs are incurred, they are expensed in the period.

Recoverable Amounts of Non-Current Assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount. The recoverable amounts of all non-current assets have been determined using net cash flows which have been discounted to their present values.

Payables

Liabilities for trade creditors are recognised for amounts to be paid in the future for goods and services received, whether billed or not billed to the entity. Trade creditor liabilities are carried at cost and are normally settled on 30 day terms.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

NOTES TO AND FORMING PART OF THE ACCOUNTS

Share issue costs

The Brain Resource Company Limited bore the costs in relation to the placement of shares in November 2003. These costs amounting to \$179,724 have been charged against equity in the Statement of Financial Position at 30 June 2004.

Financial Instruments included in Equity

Ordinary share capital bears no special terms or conditions affecting capital entitlements of the shareholders. Ordinary share capital is recognised at the fair value of the consideration received by the entity. Details of shares issued and the terms and conditions of options outstanding over ordinary shares at balance date are set out in note 13, 16 and 25.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Interest is recognised when the control of a right to receive is obtained.

a) Drug Trials

Drug trials are typically: contract based; payments to BRC tied to achieving agreed milestones; and the absence of any direct creation of new intellectual property owned by BRC. These milestones can include equipment set-up, completing a selected number of subjects, etc. Revenues are only recognised where the milestones have been met or where the stage of completion can be reliably measured. Expenses are recognised when incurred. Where payments are received in advance, this is recorded as unearned income until such time as the work to which the payment relates has been undertaken.

b) Drug Development and collaborations

Drug Development and collaborations are distinguished from Drug Trials by the project directly creating new valuable intellectual property which is owned in whole or in part by BRC. Project costs in this instance are capitalised or expensed in accordance with the Development Costs note above. Any payments received by BRC from the collaborating partner for participating in the collaboration are recognised as revenues reflecting the relative stage of project progress and expenditures incurred.

c) Government grants

i) Export Market Development Grants and subsidies under the New South Wales Department of State and Regional Development's High Growth BioBusiness Program have been recognised on a receipts basis in other income in the year to 30 June 2004 and on an accrual basis in the year to 30 June 2005. See the change in accounting policy note above.

ii) BRC is an industry partner to Academic Institutions in several Government Australian Research Council Linkage grants. These grants are awarded to the Academic Institution with BRC matching the Government's contribution to the R&D project. These projects use BRC methodologies and are an important mechanism for growing the database and the scientific outcomes, essential for commercialising our services, in a cost effective way. BRC retains the rights to commercialise any emergent outcomes and also retains ownership to a negotiated percentage of any emergent intellectual property. Valuation of any emergent intellectual property to be created in these projects is however difficult to accurately assess, particularly in the early stages.

BRC's contribution to the project is both in cash and in-kind, with the Government contributing only cash. In kind contributions include access to BRC's analysis tools, database, equipment, employee time, etc. All in-kind contributions made by BRC (in-kind or non cash contributions are the major component of BRC's contribution) are expensed. Where BRC supplies services to the project which are beyond the scope of the in-kind contribution, the project is invoiced for these services with this included in revenues. Revenues are only recognised where the right to be compensated for the work to be undertaken and the stage of completion can be reliably measured. The receivable is recognised when invoices for work undertaken are rendered. Where cash is received in advance, this is recorded as unearned income until such time as the work to which the grant relates has been undertaken.

The Company's motivation for undertaking these projects is that there is a high likelihood that valuable intellectual property will be created, with long term benefits. Accordingly, reflective of this potential, the cash contributions made by BRC are capitalised in development costs as the future benefits are expected beyond

NOTES TO AND FORMING PART OF THE ACCOUNTS

reasonable doubt to equal or exceed this contributed component. As mentioned above, this component is the smaller part of BRC's contribution.

d) Interest on sales which include deferred payment terms is recognised as income on receipt.

Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the accounts and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of being realised.

Research and Development tax offsets are refundable tax offsets equivalent to the value of deductions available under the R&D Tax Concession provisions (that is BRC gets a cash rebate with the associated loss carry forward extinguished). See change in accounting policy for the timing of recognising this benefit.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except: where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages, salaries and annual leave. Liabilities arising in respect of wages, salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories: wages and salaries, non-monetary benefits, annual leave and other leave benefits; and other types of employee benefits are recognised against profits on a net basis in their respective categories. The value of the equity-based compensation scheme described in note 25 is not being recognised as an employee benefits expense.

Leases

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal installments over the lease term.

Earnings per share

In accordance with the revised AASB 1027, basic earnings per share is calculated as net loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element, outstanding during the financial year.

Diluted earnings per share is calculated as the net loss attributable to members, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. Potential ordinary shares are only dilutive in calculating earnings per share when the conversion to ordinary shares would decrease (increase) net profit (loss) per share.

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2005 \$	Consolidated 2004 \$	BRC 2005 \$	BRC 2004 \$
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities:				
Drug Trials, Collaborations and Reports	526,753	313,459	-	-
Sale of equipment	711,411	192,000	-	-
Government grants (incl. EMDG and NSWBio)	137,876	137,469	-	-
Revenue from non-operating activities:				
Interest received - other persons/corporations	267,721	247,603	-	-
Total revenues from ordinary activities	1,643,761	890,531	-	-
3. EXPENSES				
Cost of sales (equipment and third party drug trial expense)	649,737	377,047	-	-
Depreciation of non current assets:				
Plant and equipment	122,808	92,339	-	-
Amortisation of non current assets:				
Intangibles assets	128,638	146,596	-	-
Total Amortisation and Depreciation	251,446	238,935	-	-
Operating lease costs	83,725	82,530	-	-
Annual leave	43,860	54,522	-	-
Superannuation contributions	125,120	97,832	-	-
Provision for non recovery*		-	1,100,000	1,500,000
Net Foreign Currency Loss (Gain)	18,775	(11,448)	-	-
* The provision for non recovery in the parent entity reflect losses incurred in subsidiaries thereby ensuring that the assets of the parent entity do not exceed those of the consolidated entity.				
4. INCOME TAX				
Prima facie income tax (credit) on operating (loss) at 30%	(550,362)	(554,425)	(75)	(72)
Add: Current year future income tax benefit in respect of tax losses – not recognised	550,362	554,425	75	72
Less: Tax benefit receivable – Research and Development tax concession:				
Current year (see change of accounting policy)	(350,000)	-	-	-
Prior year	(361,561)	(349,437)	-	-
Income tax benefit recognised	(711,561)	(349,437)	-	-

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2005 \$	Consolidated 2004 \$	BRC 2005 \$	BRC 2004 \$
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The R&D Tax Concession is a Commonwealth Government initiative to increase the level of R&D being conducted by Australian companies. It enables companies to deduct up to 125% of eligible expenditure incurred on R&D activities from assessable income when lodging their tax returns. BRC has benefited from claiming the R&D Tax Offset (that is a refundable tax offset), equivalent to the value of the deduction available under the R&D Tax Concession provisions.

The Company has not recognised estimated unconfirmed income tax benefits of \$916,685 (2004: \$577,829). A benefit will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,
- The Company continues to comply with the conditions for deductibility imposed by the law, and
- No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

No franking credits are available for subsequent years (2004: nil).

The Brain Resource Company Limited and its 100% owned subsidiaries have not yet determined whether to form a tax consolidated group for income tax purposes.

5. AUDITORS' REMUNERATION

Total amounts receivable by the current auditors of the Company for:

Audit of the Company's accounts	42,560	32,265	-	-
	42,560	32,265	-	-

6. RECEIVABLES

Current

Sale of reports, equipment & drug trials	193,189	182,255	-	-
Provision for Doubtful Debts	(6,000)	-	-	-
Advances to laboratories for database acquisition	15,924	16,997	-	-
Income tax rebates receivable	350,000	-	-	-
Export Market Development Grant Receivable	50,000	-	-	-
Other receivables	12,000	16,800	-	-
	615,113	216,052	-	-

Non Current

Sale of equipment receivable	139,880	150,880	-	-
Provision for Doubtful Debts	(19,000)	-	-	-
Amounts owing by controlled entities	-	-	12,642,410	12,641,452
Less Provision for non recovery (see note 3)	-	-	(4,600,000)	(3,500,000)
	120,880	150,880	8,042,410	9,141,452

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2005 \$	Consolidated 2004 \$	BRC 2005 \$	BRC 2004 \$
a) Terms and Conditions				
i) Certain equipment sales disclosed in Non Current Assets above were supplied under sale agreements which provided for deferred payment terms of around three years, tied to laboratory performance, which are interest bearing at 6% pa. Interest receivable has not been accrued.				
ii) Current debtors typically have repayment terms of between 14 to 30 days or 30 days after achievement of milestones.				
7. CURRENT INVENTORIES				
Laboratory hardware – at cost	64,047	69,242	-	-
Laboratory software – at cost	24,993	19,692	-	-
INTEG NEURO IBM Kiosks – at cost	63,665	97,298	-	-
Other – at cost	15,907	12,995	-	-
Provision for obsolescence	-	(23,763)		
	168,612	175,464	-	-
8. PLANT AND EQUIPMENT				
Plant and equipment	663,803	537,385	-	-
Less Accumulated depreciation	(294,870)	(172,059)	-	-
	368,933	365,326	-	-
Carrying amount at beginning	365,326	393,148	-	-
Additions	126,418	64,519	-	-
Depreciation expense	(122,811)	(92,341)	-	-
	368,933	365,326	-	-
9. INTANGIBLES				
Database	988,744	870,800		
Software and associated licences at cost	2,079,350	2,079,350	-	-
Less Accumulated amortisation	(888,621)	(759,983)	-	-
	1,190,729	1,319,367		
	2,179,473	2,190,167	-	-
10. OTHER ASSETS				
Development costs	785,430	506,491	-	-
Deposits	3,403	22,762	-	-
Other financial assets – Investments in controlled entities:				
BRC Operations Pty Limited	-	-	100	100
BRC IP Pty Limited	-	-	100	100
BRC Franchising Pty Limited	-	-	100	100
	788,833	529,253	300	300

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2005 \$	Consolidated 2004 \$	BRC 2005 \$	BRC 2004 \$
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Development costs capitalised in the current year	278,940	235,876	-	-
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Development costs relate to the work done on the simulation models, analysis tools and central processing engines included in note 9.

The above subsidiaries are all 100% owned by The Brain Resource Company Limited and were incorporated in Australia.

11. PAYABLES

Current

Trade creditors	264,235	204,541	4,043	4,043
Unearned income	225,229	2,642	-	-
Other creditors	59,707	33,799	-	-
	549,171	240,982	4,043	4,043

a) Terms and Conditions

Trade creditors and other creditors are non interest bearing and are normally settled on 30 day terms.

12. PROVISIONS

Employee provisions	133,819	89,959	-	-
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13. CONTRIBUTED EQUITY

(a) Share capital

Ordinary shares fully paid – opening balance	13,348,856	9,536,830	13,348,856	9,536,830
Issued during the year	-	3,991,750	-	3,991,750
	13,348,856	13,528,580	13,348,856	13,528,580
Deduct share issue costs	-	(179,724)	-	(179,724)
Ordinary shares fully paid – closing balance	13,348,856	13,348,856	13,348,856	13,348,856
	Number	Number	Number	Number
Number of ordinary shares – opening balance	78,861,121	69,990,566	78,861,121	69,990,566
Issued during the year	-	8,870,555	-	8,870,555
Number of ordinary shares - closing balance	78,861,121	78,861,121	78,861,121	78,861,121

(b) Shares issued during the prior year

In November 2003, the company made a placement of 8,870,555 shares at 45.0 cents per share. This followed two earlier placements (May 2003, 8,490,566 shares at 26.5 cents each and February 2002, 4,000,000 shares at 25.0 cents each). The purpose of these funds was to increase the working capital of the company and the establishment of a sales and marketing team to support the next stage of development.

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2005 \$	Consolidated 2004 \$	BRC 2005 \$	BRC 2004 \$
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(c) Share options

Particulars of options granted over unissued shares:

Number of Options	Exercise price Cents per share	Expiry Date	Holders (note ESOP refers to the Employee Share Option Plan)
5,425,000	25	28 Aug 06	Directors, Scientific Advisory Committee & Tricom Equities.
1,900,000	28	8 May 07	Foundation BRC Laboratories and two key consultants.
338,000	25	17 April 08	23 eligible staff under the ESOP.
80,000	40	7 Aug 08	16 eligible staff under the ESOP.
30,000	50	18 Nov 08	3 eligible staff under the ESOP.
150,000	60	15 Mar 09	1 eligible staff under the ESOP.
7,923,000	Total Issued to June 2004		
391,500	50	21 Jul 09	32 eligible staff under the ESOP.
300,000	41	23 Nov 09	2 eligible staff (including Peter Wodtke's issued in accordance with shareholder approval at the 2004 AGM).
400,000	40	23 Mar 10	20 eligible staff under the ESOP
1,091,500	Total issued during year to June 2005		
9,014,500	Total issued as at June 2005		

- i) There were no shares issued during the year ended 30 June 2005 by virtue of the exercise of options.
- ii) Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

(d) Terms and Conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

14. ACCUMULATED LOSSES

Balance at the beginning of year	4,206,822	2,708,176	4,206,162	2,705,922
Operating loss after income tax expense	1,122,980	1,498,646	1,099,292	1,500,240
Balance at the end of year	5,329,802	4,206,822	5,305,454	4,206,162

15. EARNINGS PER SHARE

Basic and diluted earnings per share was (1.4) (2004: (2.0)) cents per share. The net loss used in the calculation of EPS was \$1,122,980 (2004: \$1,498,646). The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share is 78,861,121 (2004: 75,555,928). Note, were the dilutive shares to have been factored, this would have reduced the net loss per share.

16. REMUNERATION OF DIRECTORS AND EXECUTIVES

The company has applied the exemption under Corporations Amendments Regulation 2005 which exempts listed companies from providing remuneration disclosures in relation to their specified directors and specified executives in their annual financial reports in accordance with Accounting Standard AASB 1046

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2005 \$	Consolidated 2004 \$	BRC 2005 \$	BRC 2004 \$
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"Director and Executive Disclosures by Disclosing Entities". These remuneration disclosures are provided in the Directors' Report designated as audited.

17. RELATED PARTY DISCLOSURES

(a) Directors

The following persons held the position of director of The Brain Resource Company Limited during all or part of the last two financial years:

Evian Gordon	Appointed 8 August 2000	Arthur Toga	appointed 16 May 2001
Dan Segal	Appointed 8 August 2000	Russell Jamison	appointed 5 August 2003
Paul Keating	Appointed 16 May 2001	Peter Wodtke	appointed 8 September 2003
Nestor Hinzack	Appointed 16 May 2001		

(b) Ultimate parent

The Brain Resource Company Limited is the ultimate parent company. All subsidiaries are wholly owned.

18. AGREEMENTS WITH ACADEMIC INSTITUTIONS

The Company is a party to agreements with academic institutions including University of Sydney, Flinders University and University of New South Wales allowing access fixed blocks of time in respect of select researchers associated with BRC and covering the ARC Linkage Grants.

19. FINANCIAL REPORTING BY SEGMENT

The Company operates predominantly in the one industry, namely commercialisation of brain function analysis, and in Australia.

20. CONTINGENT LIABILITIES

There are no contingent liabilities.

21. EXPENDITURE COMMITMENTS

a) Capital expenditure commitments

Estimated capital expenditure contracted for at balance date, but not provided for, payable not later than one year amounted to \$nil (2004: \$nil).

b) Operating lease expenditure commitments – this commitment relates to head office premises.

Minimum lease payments:

- not later than one year amount to \$140,000 (2004: \$nil)
- later than one year but not later than five years - \$350,000 (2004: \$nil)

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2005 \$	Consolidated 2004 \$	BRC 2005 \$	BRC 2004 \$
22. STATEMENT OF CASH FLOWS				
Reconciliation of net cash outflow from operating activities to operating loss after income tax				
Operating profit after tax	(1,122,980)	(1,498,646)	(1,099,292)	(1,500,240)
Depreciation and amortisation	251,446	238,935		-
Provision for non recovery	-	-	1,100,000	1,500,000
(Increase) decrease in inventories	30,609	34,009		-
Increase (decrease) in creditors	59,694	49,833		-
(Increase) decrease in receivables	(394,058)	255,476		187,127
(Increase) decrease in other assets	19,363	202		
Increase (decrease) in other payables	248,494	(49,563)		(20,600)
Increase (decrease) in provisions	45,098	78,285		-
Net cash inflow (outflow) from operating activities	(862,334)	(891,469)	708	166,287

(b) For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. The Company does not have any unused credit facilities. Cash balance comprises:

Cash Assets	4,460,200	5,845,833	4,735	4,985
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23. SUBSEQUENT EVENTS

BRC raised \$1,634,500 via a private placement on 26 July 2005 of 5,928,333 fully paid ordinary shares, representing 7.5% of the company's existing share capital. There were no other material subsequent events post June 2005.

24. NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Net Fair Value

The carrying amount of financial assets and liabilities represents the fair value. The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and trade creditors: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Long-term loans receivable: The fair values of long-term loans receivable are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements.

Interest Rate Risk

Interest rates applicable to cash financial assets were around 5.2% (2004: 5.3%) with maturities of less than 1 year. All other balances are non interest-bearing.

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2005 \$	Consolidated 2004 \$	BRC 2005 \$	BRC 2004 \$
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Credit Risk

The consolidated entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position.

25. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

i) Superannuation is provided for employees in accordance with the legislative requirements.

ii) Employee share incentive scheme. As disclosed in the 4 June 2001 Prospectus, an employee share scheme has been established where The Brain Resource Company Limited may grant options over the ordinary shares to directors, executives and certain members of staff of the consolidated entity. The purpose of the Plan is to reward the Directors, the Executive Directors and Employees for their contribution to the Company, and to provide them with an incentive to contribute to the future growth of the Company, thereby increasing shareholder value. The options are issued for a term of 5 years and are exercisable up to 35% on the first anniversary of the date of grant, 80% on the second anniversary and 100% on the third anniversary. The options cannot be transferred and will not be quoted on the ASX. The issue price is at the discretion of management but can not be less than 80% of the weighted average Market Price of fully paid Shares sold in the ordinary course of trading on the ASX during the month before the Offer Date.

	Number of options	Exercise price
Balance at 30 June 2004	598,000	
- granted 21 July 2004	391,500	50 cents
- granted 23 November 2004	300,000	41 cents
- granted 23 March 2005	400,000	40 cents
Balance at 30 June 2005	<u>1,689,500</u>	
Exercisable at 30 June 2005	361,400	

26. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

The Brain Resource Company Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS), which will be applicable for the financial year ended 30 June 2006. The company had previously conducted initial assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, the company provided necessary resources to address each of the areas in order of importance. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, the company's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when the company prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the preliminary 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the company; (b) potential amendments to AIFRS and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2005 \$	Consolidated 2004 \$	BRC 2005 \$	BRC 2004 \$
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a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Consolidated 30 June 05	Consolidated 1 July 2004	BRC 30 June 05	BRC 1 July 04
Total Equity under AGAAP		8,019,054	9,142,034	8,043,402	9,142,694
<i>Adjustment to accumulated losses (net of tax):</i>					
Write back of amortisation	(i)	128,638	-	-	-
Recognition of share based payment expense	(ii)	(38,086)	(6,289)	(38,086)	(6,289)
Accounting Policy change	(iii)	-	417,243	-	-
		8,109,606	9,552,988	8,005,316	9,136,405
<i>Adjustment to other reserves (net of tax):</i>					
Recognition of share-based payment expense	(ii)	38,086	6,289	38,086	6,289
Total Equity under AIFRS		8,147,692	9,100,871	8,043,402	9,142,694

b) Reconciliation of net profit under AGAAP to that under AIFRS

	Notes	Consolidated 30 June 05	BRC 30 June 05
Net Loss as reported under AGAAP		(1,122,980)	(1,099,292)
Write back of amortisation	(i)	128,638	-
Less share based payments	(ii)	(31,797)	(31,797)
Accounting Policy change	(iii)	(417,243)	-
Net Loss after Tax under AIFRS		(1,443,382)	(1,131,089)

(i) Under AASB 138 'Intangible Assets' the company has reassessed the designation of its intangible assets. Whereas currently the company has separately identified components of development expenditure and treated different aspects differently the interpretation reached under AIFRS is that the Brain database of the company should be treated as a single integrated asset for presentation, amortisation and impairment testing. As the Brain database is still in its development phase it is considered not to be available for use until it operates in the manner intended by management and so any amortisation will not commence until future periods. As the business is still in early stage of commercialization, management are still evaluating whether the asset has a finite or indefinite useful life. It is considered that amortisation, if any, will commence after the database is capable of being used as a diagnostic test to identify a disorder, or as a predictor of treatment response. The immediate impact of this reassessment of the definition and basis of the Brain database is any amortisation recorded up to 30 June 2004 will not be reversed under AASB 1 'First Time Adoption of Australian Equivalents to International Financial Reporting Standards'. However, amortisation in the year to 30 June 2005 will be reversed as the asset has not yet reached its intended use. The Brain database as an intangible asset will be subject to impairment testing in the future either annually or when an indicator of impairment arises.

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2005 \$	Consolidated 2004 \$	BRC 2005 \$	BRC 2004 \$
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- (ii) Under AASB 2 'Share Based Payments', the company would recognise the fair value of options granted to employees as remuneration as an expense on a pro rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share based payments are not recognised under AGAAP. The above calculation only factors options granted after 7 November 2002 and vesting after 1 January 2005.
- (iii) As disclosed in Note 1 under AGAAP the company changed its accounting policy in 2005 to record grants and tax benefits from research and development tax offsets from a cash basis to accrual basis. Under AIFRS these items would have been recorded in prior years under an accrual basis. Therefore the change to AIFRS is reflected in the reconciliation statements above by reduced current year earnings and increased retained earnings at 1 July 2004.
- (iv) Management has decided to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* which permits entities not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005.
- (v) No adjustments to deferred tax balances will be expected on adoption of AASB 112 *Income Taxes*.

DIRECTORS' DECLARATION


In accordance with a resolution of the Directors of The Brain Resource Company Limited, I state that:

(1) In the opinion of the Directors:

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

On behalf of the Board.



Dr Evian Gordon
Chairman of Directors

Sydney, 1 September 2005

INDEPENDENT AUDIT REPORT



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Australia

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Exchange 10172

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Sydney NSW 2001

Independent audit report to members of The Brain Resource Company Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for The Brain Resource Company Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report and the additional disclosures at Table 1 and Table 2 included in the directors report designated as audited ('the additional disclosures') that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report and the additional disclosures.

Audit approach

We conducted an independent audit of the financial report and the additional disclosures in order to express an opinion on them to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report and the additional disclosures are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report and the additional disclosures present fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the additional disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW)

INDEPENDENT AUDIT REPORT



We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the additional disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration [a copy of which is attached to the directors' report].

Audit opinion

In our opinion, the financial report and the additional disclosures included in the directors' report designated as audited of The Brain Resource Company Limited are in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of The Brain Resource Company Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Garry Wayling'.

Garry Wayling
Partner
Sydney
1 September 2005

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of The Brain Resource Company Limited (BRC) is responsible for corporate governance and strives for high standards in this regard. In doing so, the Board draws on relevant best practice principles, particularly those issued by the ASX Corporate Governance Council in the guidance document "Principles of Good Corporate Governance and Best Practice Recommendations" issued in March 2003, requiring disclosure of: (1) the extent to which the recommendations have been followed; (2) which recommendations have not been followed; and (3) reasons for not doing so. The Board has now assessed these recommendations and the following sets out our position relative to each of these 10 principles:

Principle 1: Lay solid foundations for management and oversight

BRC's Board (five non-executive directors plus the Executive Chairman/CEO, Commercial Director and US CEO) has a small management team reporting to it through its executive directors. This allows for the open dialogue consistent with an emerging company of our size and type. Accordingly, the Company has not yet formalised those functions reserved to the Board and those delegated to management. This matter is under review.

Principle 2: Structure the Board to add value

This principle is strongly endorsed by BRC. We have paid special attention to the composition of the Board since inception in 2001 and in particular have sought to build a Board with a common vision, outlook and belief in what we are doing but with divergent relevant experience. We are of the view that our current structure meets these and our overall objectives. We have also ensured that we have always had a majority of independent directors. Five of the BRC's eight directors are currently non-executives.

BRC currently does not comply with a the recommendation that the Chairman should not also be the Chief Executive Officer. Given the nature of our operations and current stage of development, we do not see the added benefit in separating this role at this stage. BRC does not have a Board nomination committee. None of the non-executives have undertaken "material" consultancy work for the Company within the past three years. Where this occurs in future, this will be appropriately disclosed. Each Director of the Company has the right to seek independent professional advice at the expense of the Company (requires the prior approval of the Chairman but will not be unreasonably withheld).

Principle 3: Promote ethical and responsible decision-making

BRC has a current policy concerning trading in its securities by Directors and Executives who must consult with the Chairman or the Commercial Director before dealing in BRC shares. Purchases or sales of BRC shares may not be carried out other than in the "window", being the period commencing two days, and ending 30 days, following the date of announcement of the Company's annual or half yearly results or a major announcement leading, in the opinion of the Board, to an informed market. The Company has adopted recently a formal code of conduct which reflects the Company's size and the close interaction of individuals throughout the organisation.

Principle 4: Safeguard integrity in financial reporting

The Executive Chairman/CEO and the Commercial Director state in writing to the Board that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards.

BRC current Audit committee, comprising Messrs Segal and Hinzack, meets with the Company's external auditors at least once during each half-year prior to the finalisation of the financial statements and prior to the signing of the Audit Report. As an added safeguard, Mr Hinzack as Chairman of the Audit Committee also holds a private meeting each half-year with the external auditors and reports back to the Board on this meeting. This structure does not meet the ASX's guidance for the committee in that it includes an executive director and it only has two members. This is being reviewed by the Company but alternatives are limited due to size constraints based on the availability and relevant experience of Sydney based directors.

Principle 5: Make timely and balanced disclosure

The Board is very aware of the ASX's continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure to the market. Written systems have been implemented to ensure compliance with ASX Listing Rule disclosure requirements and to ensure

CORPORATE GOVERNANCE STATEMENT

accountability at a senior management level for that compliance. A regular review takes place to ensure compliance with ASX Listing Rule 3.1A.

Principle 6: Respect the rights of shareholders

All significant information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Written policies have been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market. These written policies and procedures are designed to ensure appropriate communication with and participation by shareholders.

Principle 7: Recognise and manage risk

At this stage, no formal policy is in place. Clearly as the business grows, this will need to be reviewed with policies on risk oversight and management of risk implemented. The Audit Committee has been expanded in 2005 to include risk management and the arrangements are reviewed by the full Board of directors, senior management and the Audit and Risk Management Committee collectively. Also, risk matters are now included as an agenda item at each Board meeting and the CEO and CFO will periodically report to the Board in writing on risk management.

Principle 8: Encourage enhanced performance

A remuneration committee has been established during the prior year, comprising two non executive directors Mr Hinzack and Mr Jamison, who review the remuneration of all Directors and executives. The Committee will seek independent external advice and market comparisons as necessary. Directors believe that the size of the Company makes individual salary negotiation more appropriate than formal remuneration policies. There has been no formal performance evaluation of the Board during the past financial year, although its composition was reviewed and it has been expanded from seven members to eight members. The matter is still being examined.

Principle 9: Remunerate fairly and responsibly

The Company's Remuneration Committee determines remuneration levels on an individual basis. Directors believe that the size of the Company makes individual salary negotiation more appropriate than formal remuneration policies. In accordance with Corporations Act requirements, the Company discloses the fees or salaries paid to all directors. Non-executive directors are remunerated by way of fees and they are not provided with retirement benefits. This Committee will seek independent external advice and market comparisons as necessary.

Principle 10: Recognise the legitimate interests of stakeholders

The Company has adopted a formal code of conduct to guide compliance with legal and other obligations. The Board of Directors continues to review the code and the Company's situation to determine if its code is the most appropriate and effective operational procedures

Functions of the Board

The functions of the Board include:

- Ensuring that the Company conducts itself with the highest ethical standards. All directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company;
- overseeing and monitoring organisational performance, after assessing the risks of the business and the achievement of the Company's strategic goals and objectives on behalf of the shareholders by whom they are elected and to whom they are accountable;
- review and approval of corporate strategies, the annual budget and financial and business plans;
- monitoring financial performance, including approval of the annual and half-year financial reports and liaison with the Company's auditor;
- appointment of, and assessment of the performance of, the Chief Executive Officer and the other members of the senior management team;
- ensuring that there are effective management processes in place and approving major corporate initiatives; and
- enhancing and protecting the reputation of the Company.

SHAREHOLDER INFORMATION

On 26 July 2005, BRC issued 5,928,333 fully paid ordinary shares by way of a private placement, raising \$1.6m. Information relating to shareholders at 12 August 2005 (per ASX Listing Rule 4.10).

Substantial Shareholders (includes indirect interests):	Number of Shares
Evian Gordon	11,356,248
Stuttgart Pty Limited	10,156,882
Queensland Investment Corporation	6,980,374
Dan Segal	6,131,543

Distribution of Shareholders

Number of ordinary shares held	Number of Holders	Ordinary Shares	Percentage
1 - 1,000	8	4,280	0.005
1,001 - 5,000	77	255,557	0.301
5,001 - 10,000	223	1,864,870	2.199
10,001 - 100,000	178	6,057,438	7.144
100,001 - and over	77	76,607,309	90.350
	563	84,789,454	100.000

At the prevailing market price of 33 cents per share, there were 10 shareholders with less than a marketable parcel of \$500.

Top 20 Shareholders of Ordinary Shares	Number of Shares	% Shares Issued
ASSOCIATE PROFESSOR EVIAN GORDON	11,356,248	13.4%
STUTT GART PTY LTD	9,490,566	11.2%
QUEENSLAND INVESTMENT CORPORATION	6,980,374	8.2%
DAN SEGAL	5,731,250	6.8%
FERBROS NOMINEES (PTY) LIMITED	2,880,000	3.4%
TRICOM NOMINEES PTY LIMITED	2,231,650	2.6%
THE UNIVERSITY OF SYDNEY	2,012,500	2.4%
DR CHRIS RENNIE	2,012,499	2.4%
TRICOM NOMINEES PTY LTD	1,955,577	2.3%
THE WESTERN SYDNEY AREA HEALTH	1,792,700	2.1%
ANZ NOMINEES LIMITED	1,686,000	2.0%
AMP LIFE LIMITED	1,665,000	2.0%
COGENT NOMINEES PTY LIMITED	1,588,000	1.9%
PROFESSOR JIM WRIGHT	1,437,500	1.7%
PROFESSOR PETER ROBINSON	1,437,500	1.7%
KING'S COLLEGE LONDON	1,437,500	1.7%
LINK TRADERS (AUST) PTY LTD	1,420,229	1.7%
CARDY & COMPANY PTY LIMITED	1,305,064	1.5%
NATIONAL NOMINEES LIMITED	1,294,000	1.5%
KRZYSZTOF KOZEK	1,150,000	1.4%
Total	60,864,157	
Total Fully Paid Shares and Quoted on the ASX	84,789,454	

SHAREHOLDER INFORMATION

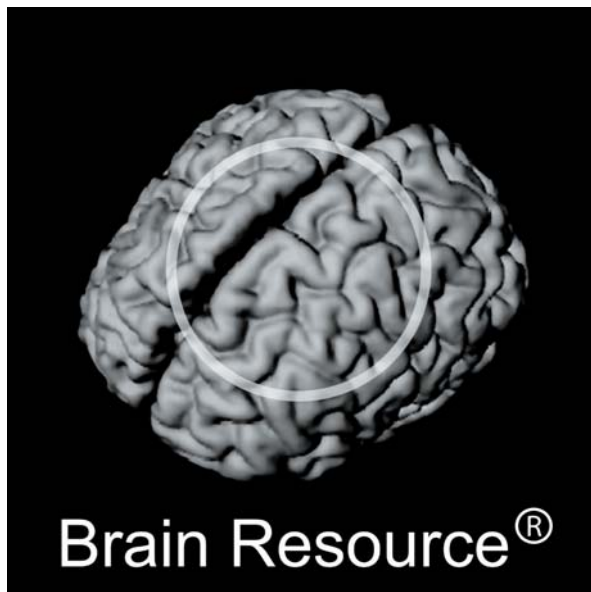
Unquoted Options

The Company has 9,014,500 options on issue (or 11.4% of the total shares on issue) comprising:

- 1) 5,425,000 with an exercise price of 25 cents and which expire on 28 August 2006 issued to founding directors, scientific advisory committee and underwriter. The parties holding more than 20% of these options are Paul John Keating 1,500,000 options (27.65%) and Tricom Equities Limited 1,175,000 (21.65%).
- 2) 1,900,000 with an exercise price of 28 cents and which expire on 8 May 2007 – issued to foundation clinic franchisees as well as two key consultants. Currently, 1,900,000 of these have vested with 200,000 remaining subject to performance hurdles and 250,000 having lapsed unexercised. There is one party holding more than 20% of these options: Richard Clark 1,250,000 options.
- 3) 338,000 options were issued during the June 2003 year to 23 eligible staff under the Employee Share Option Plan. The options have an exercise price of 25 cents and which expire on 17 April 2008.
- 4) 260,000 options were issued during the current year to 6 eligible staff under the Employee Share Option Plan – 80,000 of these have an exercise price of 40 cents and which expire on 7 August 2008, 30,000 of these have an exercise price of 50 cents and which expire on 18 November 2008 and 150,000 of these have an exercise price of 60 cents and which expire on 15 March 2009.
- 5) 391,500 options were issued to 32 eligible staff and new scientific advisory committee member under the Employee Share Option Plan with an exercise price of 50 cents and which expire on 20 July 2009.
- 6) 250,000 options were issued with shareholder approval at the 2004 AGM to Peter Wodtke with an exercise price of 41cents and which expire on 23 November 2009. A further 50,000 options were issued to an eligible staff member on the same terms.
- 7) 400,000 options were issued to 20 eligible staff under the Employee Share Option Plan with an exercise price of 40cents and which expire on 23 Mar 2010.

Voting rights

There are no restrictions on voting rights. On a show of hands every shareholder present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a shareholder holds shares which are not fully paid, the number of votes to which that shareholder is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.



30 June 2005

The Brain Resource Company Limited

ASX CODE: BRC