

Brain Resource Ltd

ABN 24 094 069 682

Consolidated Financial Report And Appendix 4D

Half-Year Ended 31 December 2010

This Financial Report on the consolidated Group constitutes the Appendix 4D required by the Australian Stock Exchange. It should be read in conjunction with the Annual Report for the Year Ended 30 June 2010 and any recent public announcements and is lodged with the Australian Stock Exchange under listing rule 4.2A

Brain Resource Ltd

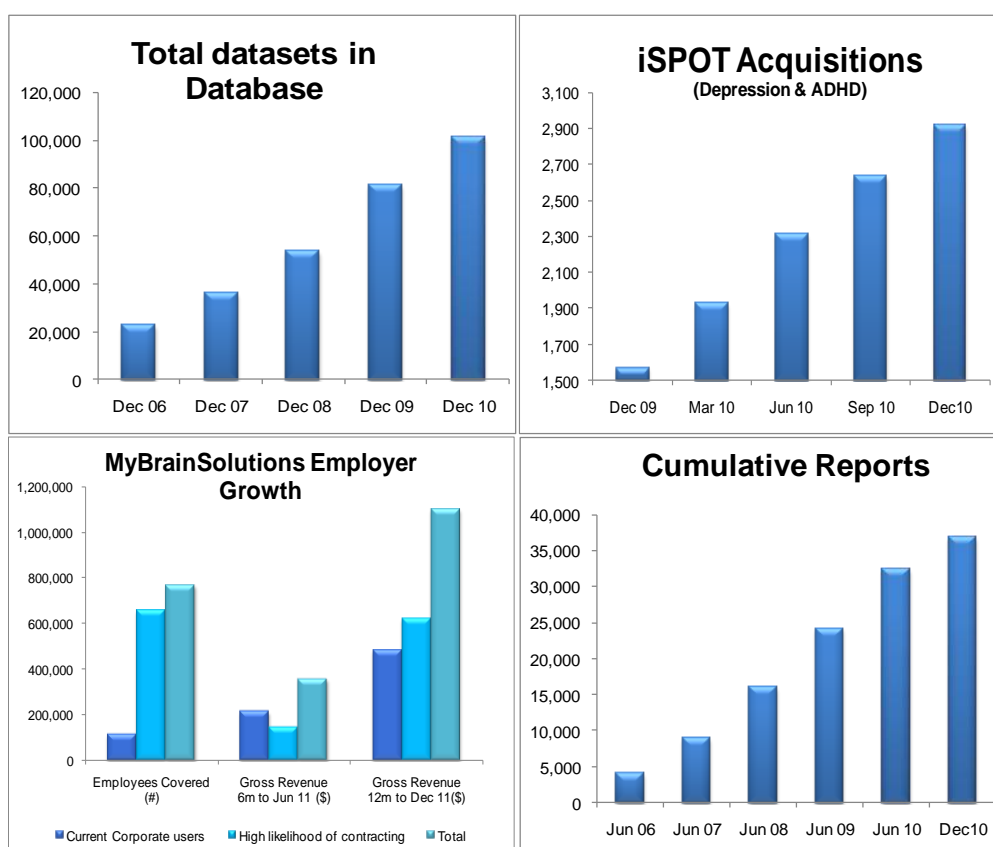
Level 12, 235 Jones Street, Ultimo, Sydney, NSW 2007 Australia,
Phone: +61 2 9211 7120 Fax: +61 2 9211 2710
Email: investor@brainresource.com URL: brainresource.com



Operational Review for the 6 months to 31 December 2010

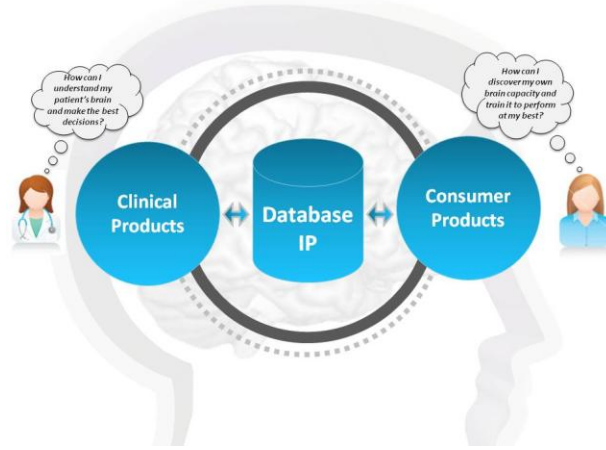
Major recent transformative milestones

- The last 6 months has delivered two transformative milestones that are expected to generate significant near term outcomes:
 - 1,000th Depression subject acquisition in the iSPOT study to determine the best Test to predict who is most likely to respond to which antidepressant. Analysis, patents and FDA submission preparation have all commenced.
 - The web Consumer product, www.MyBrainSolutions.com, has successfully penetrated the US Employer sector, with 6 current corporate users covering 100,000 employees, and now has a growing pipeline of prospective users covering more than 500,000 employees.
- Half year profit of \$1.4m excluding foreign exchange losses or \$0.6m including these losses, revenues of \$3.8m and a cash balance of \$7m.



Brain Resource Summary

The Brain Resource business is developing and selling brain health products to both Clinical and Consumer markets. These scalable web based products have been shaped by key insights from Brain Resource's core Intellectual Property: a new platform for brain health (including the world's largest brain database of over 100,000 datasets and international studies in Depression and ADHD such as iSPOT).



Brain Resource currently sells two web products:

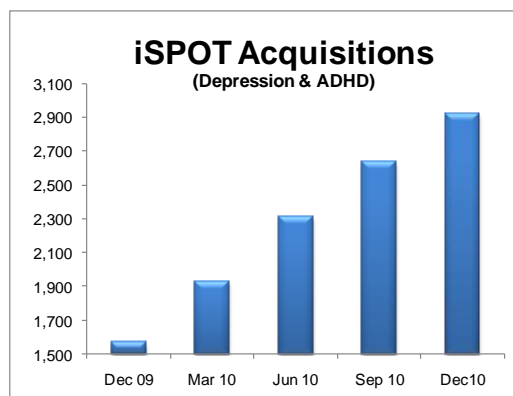
- (1) a Clinical product (WebNeuro) that assesses the clients brain strengths and weaknesses and suggests the best treatment option for each individual; and
- (2) a Brain Training product (MyBrainSolutions) that brings together a range of games and brain insights that have been shown over the past two decades to help change behaviour (such as master stress, boost memory, positivity and productivity).

Brain Resource has, to date, supplied its products to 30 multinational companies and hundreds of clinicians, 250 researchers, benefitting more than 50,000 end users.

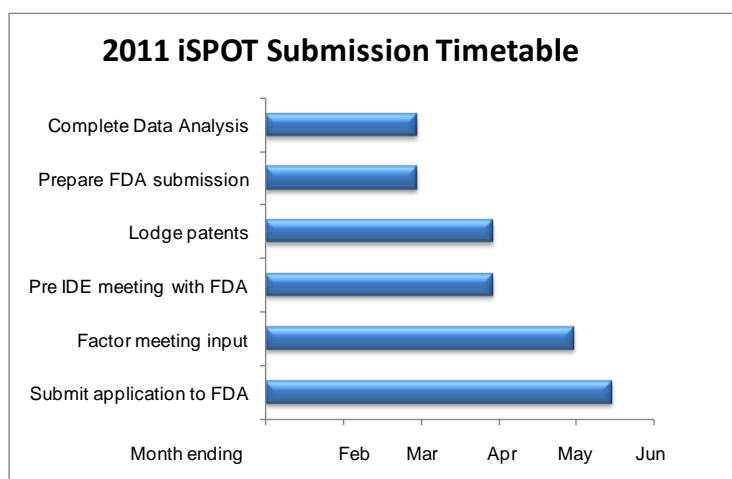
1. Growing intellectual property – FDA filing imminent

iSPOT, the largest objective “Personalized Medicine” study on Depression in the world, completed its 1,000th Depression subject acquisition during December 2010.

Patients were recruited from 20 Brain Resource Laboratories in the US, Europe and Australasia.



The analysis of these 1,000 Depression subjects is now underway. Our pilot data and preliminary analysis support the expectation that the data will support a new Brain Test for diagnosing and predicting treatment response in Depression. The following sets out our planned timetable for gaining FDA approval for this test.



Given the many uncertainties in this process, the above timing should be taken as indicative only. There are however two important factors that may assist the process:

- 1) The methodology, as used in iSPOT, has already been the subject of an FDA submission. We have had an FDA 510K approval in place since October 2005 (FDA Number: K050192).
- 2) The iSPOT protocol and analysis has been shaped by previous meetings and discussions with key opinion leaders, including at the FDA (the US Food and Drug Administration).

The next meeting with the FDA is planned to be within the next 10 weeks. This meeting (termed a Pre IDE meeting), is expected to shape the final aspects of our submission and determine the exact FDA application pathway that will be followed. The above timeline assumes our Pre IDE meeting will not require any major changes to our submission and whatever issues are raised can be resolved in a matter of weeks. We further expect to gain clarity on the approval timetable post this next meeting.

Were this FDA approval to be obtained, the importance of the first such approval for clinical practice cannot be underestimated.

There are two immediate ways to monetize the iSPOT outcomes:

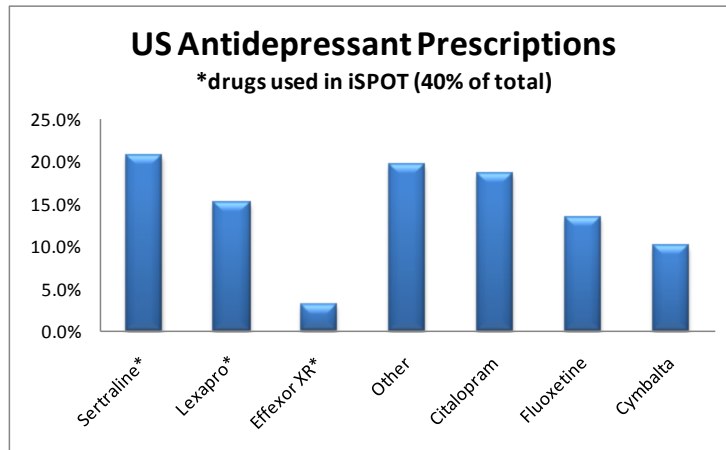
1.1 Clinical

An FDA approved marketing claim would significantly increase the addressable market for our clinical decision support products. The FDA itself has best expressed this need for objective Depression Brain Tests as part of its Critical Path Initiative. This need stems from:

- Studies have shown a less than 1 in 3 chance of getting the right treatment first time for Depression.

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- Depression results in more than 85m clinical visits and costs the US more than \$83bn p.a.
- 212 million antidepressant prescriptions in the US in 2009 (\$12bn sales value).
- The 3 drugs used in Brain Resource's iSPOT treatment prediction study constitute approximately 40% of antidepressant prescriptions in the US (as shown in the following figure):



- US Health Reform prioritises preventative screening for Depression and has also significantly broadened those covered for mental health.

1.2 Strategic potential

This patent and FDA filing will provide a further concrete demonstration of Brain Resource's unique intellectual property. Significant marketing of Brain Resource's new platform for predicting treatment response and drug discovery will then target appropriate Pharmaceutical Companies.

The potential value of iSPOT Markers are illustrated by the following three Pharmaceutical company deals that have occurred in the last 2 months:

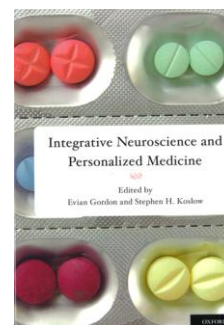
- Eli Lilly paid \$300m (plus \$500m if milestones met) for Avid Radiopharmaceuticals Alzheimer's Dementia Test (a contrast agent used with positron emission tomography to detect beta-amyloid plaque, a pathology linked with Alzheimer's).
- Takeda licensed Zinfandel's Brain Test (based on the TOMM40 gene) for identifying those at high risk of developing Alzheimer's. Zinfandel is being paid \$9m upfront, with an additional \$78 million for development milestones.
- GE and Johnson & Johnson recently teamed to look for Brain Tests that identify people who are just beginning to develop Alzheimer's.

Note that none of the above has FDA approval and also that Depression impacts more people than Alzheimer's Dementia.

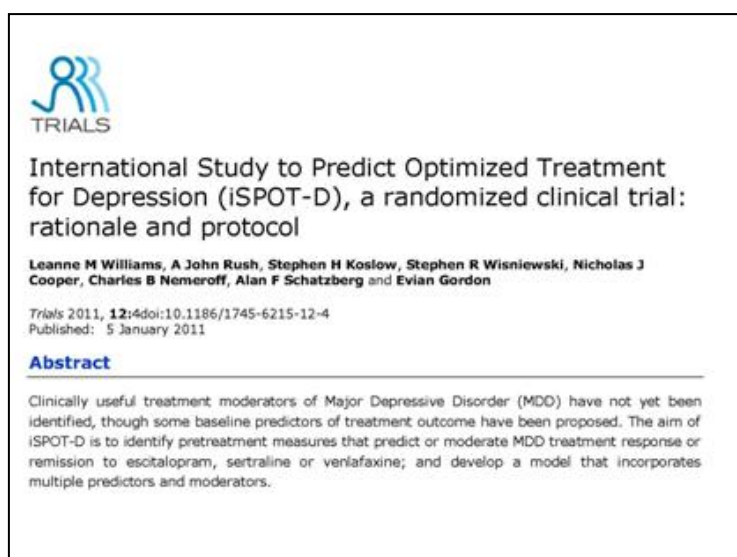
As a further note, Brain Resource has a strategic plan to systematically mine several other studies that are likely to yield new brain tests. This includes the iSPOT ADHD study which has now recruited ~50% of the subjects, and a multi year 100 subject Alzheimer's Dementia study that recently been completed.

1.3 Key Opinion Leader publications

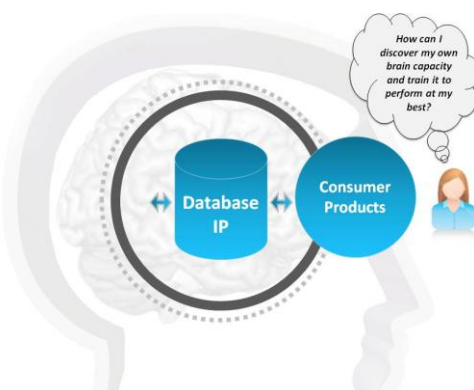
This timing of the above iSPOT milestone coincided with the December 2010 publication (Oxford University Press) of the book that emerged from Brain Resource's Washington conference titled: "Integrative Neuroscience and Personalized Medicine". Contributors include Key Opinion Leaders from Academia, Industry and Clinicians and the focus is on encouraging objective test based Personalized Medicine as the pathway to better Healthcare. This focus supports Brain Resource methodology, the clinical value and timeliness of this iSPOT study and the current 1,000 patient analysis.



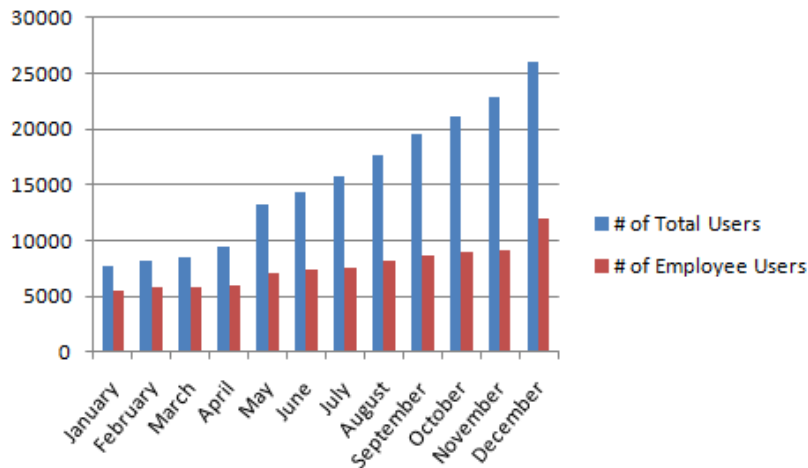
Note that the first iSPOT publications have now also been accepted, including the following published in the journal *Trials* – see abstract below:



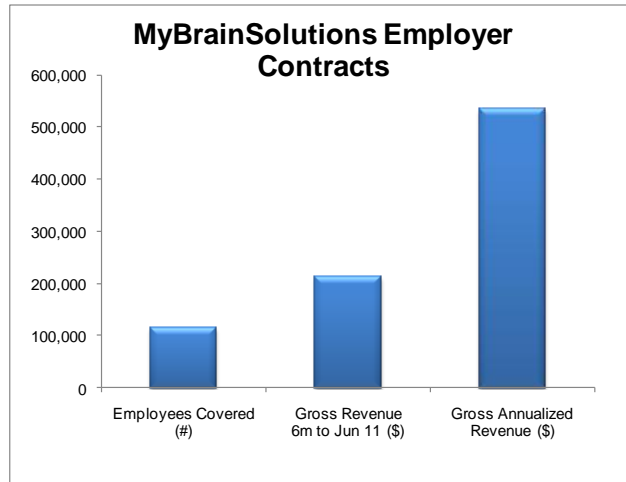
2. Consumer product – www.MyBrainSolutions.com



There has been significant commercial impact over the last 6 months, primarily due to inroads made in the US Employer sector. MyBrainSolutions is now part of the everyday working life of over thousands of employees from large multinational companies, including several in the fortune 100 list.



There are six Employers currently using (or about to use) MyBrainSolutions, covering more than 100,000 employees. The annualised revenues below assumes all contracts to have been in place for a full 12 month period.



The majority of the contracts have been through the ongoing revenue share relationship with OptumHealth (which went non exclusive from January 1, 2011, allowing marketing direct or using other channel partners). Brain Resource has already signed the first direct contract with a multinational company.

2.1 Recognition of the value of MyBrainSolutions

- The user experience among US clients has been showcased at the most prominent symposia. The clients include:
 - Nationwide uses MyBrainSolutions as a differentiator in their wellness programs. Kathleen Hearath, VP Health & Productivity, presented the benefits to Nationwide employees, at 2010's National Business Group on Health meeting in Washington:

"We've also been using it as a differentiator with our Wellness and smoking programs. What better way to lose weight or quit smoking if you know what motivates your brain ... what we started hearing was, this is more than just fun, this really made a difference."

- Wynn Pott, North American Benefits Lead, Accenture also presented the benefits of MyBrainSolutions at the above meeting:
“We’re seeing across the chart improvements including in ability to manage stress and life concerns. And user satisfaction was off the charts. I’ve never seen a satisfaction survey that we’ve put out come back so high ... 98%.”
- SharpBrains Annual Brain Fitness Innovation Awards (Nationwide’s use of MyBrainSolutions won Silver Prize) and recognition by SharpBrains as a leading vendor in the brain training sector, and sole leader in the employer sector (“State of the Brain Fitness Market Report, 2010” – SharpBrains)
- Published user productivity gains from training. Productivity improvements equating to 12 hours additional work time gained from just 4 hours of training in a 30 day period. (*Neuroleadership* Journal Publication in press).

2.2 Growth strategies

Further revenue growth is being driven through the following initiatives:

- Leverage existing customer relationships to up-sell additional services and products.
- Acquire new employer contracts through direct sales.
- Establish new distributor relationships (Health plans, wellness companies).
- Direct to consumer campaigns.

In establishing relationships with existing customers, they have been very open to our additional products and services that can further connect their existing wellness initiatives with the brain. These currently include:

MyCalmBeat stress reduction product: This is a cost-effective way to reduce employee stress. It is sold direct to consumer for \$50, or is offered to the employee population using a Per Employee Per Month fee.

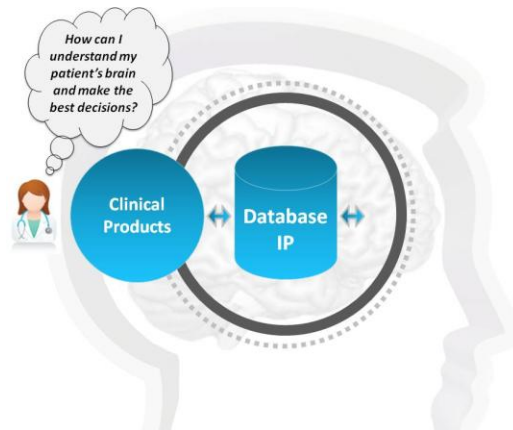
Webinars: The MyBrainSolutions platform provides a broad set of tools that can be used to boost key functions, including:

- Stress mastery
- Memory
- Positivity
- Resilience and Productivity
- Effective Communication
- Creative Thinking



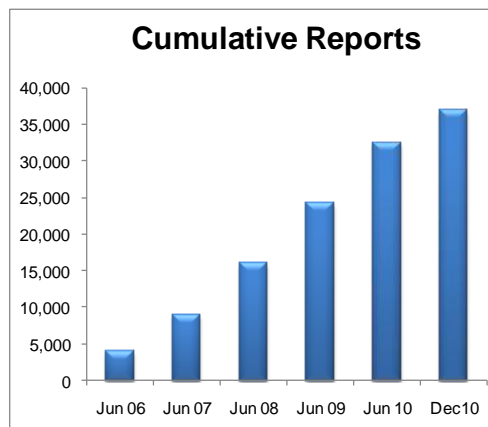
A series of Webinars are provided to employees to further boost their engagement and train these new brain habits. Participants are then given a “30 Day Challenge” and a guide as to how best to use MyBrainSolutions training to achieve their Goal topic identified in the webinar (with pricing around \$125 per employee attending each Webinar).

3. Clinical products - WebNeuro



WebNeuro is the web Assessment and Clinical Decision Support Report for Adults and Children, for use by clinicians. Using a patient completed 40 minute online assessment, Brain Resource provides a Report in minutes to the clinician. This report provides a rapid overview of the patient's cognitive strengths and limitations, which increases the objectivity of diagnosis and treatment decisions.

Brain Resource currently has more than 150 clinical users of its assessment and Clinical products, generating around 8,000 reports per annum. This includes IntegNeuro, the computer touchscreen product precursor of WebNeuro (used by some clinicians and in numerous Pharmaceutical trials). Being online and not touchscreen based, WebNeuro is a vastly more scalable product.



WebNeuro currently includes versions in multiple languages for:

- Depression;
- Anxiety
- ADHD (also flags Learning Disorder)
- Schizophrenia
- Traumatic Brain Injury and Post Traumatic Stress Disorder;
- Mild Cognitive Impairment and Alzheimer's disorder.

3.1 Growth Strategies

Apart from the impetus that an FDA approval could provide to our existing products, Brain Resource has a specialist Medicare Consultant who is selling the targeted use of WebNeuro in several US State Medicaid systems (the US Government funded health plan covering low income families). The first of these formal submissions has recently

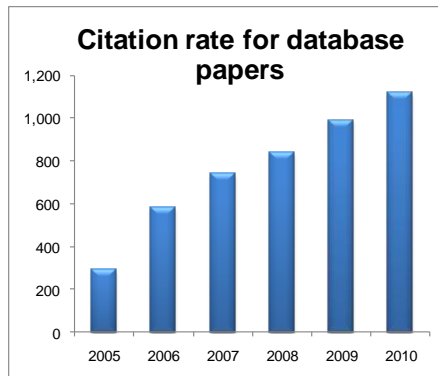
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made progress. Were this contract to conclude, and at the levels of coverage discussed, it would have a material impact on our business. Equally significant, success in one State bodes well for success in our other State submissions.

US Health Reform is expected to increase demand for products like WebNeuro, in turn increasing reimbursement prospects. Note that WebNeuro falls under existing reimbursement codes and does not require new coverage codes to be created for reimbursement and our users are being reimbursed.

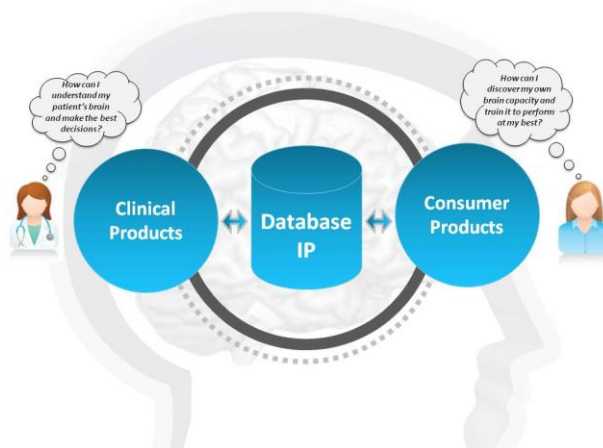
3.2 IP grounded in scientific research

Customers of Brain Resource products want to know that the research underpinnings are endorsed by the broader scientific and healthcare community. There are now more than 265 scientists across 16 countries using aspects of Brain Resource methodology (through BRAINnet.net) to carry out their research and they are publishing outcomes in scientific journals. Having this endorsement in place is a key success factor in user uptake. One indicator of endorsement is 'citation' rate, that is, the number of times that published research on Brain Resource tests is being referred to by other leading scientists. The following graph shows this growing impact and endorsement.



4. Outlook

Brain Resource currently sells two highly scalable web products: (1) a Clinical product (WebNeuro) that assesses the clients brain strengths and weaknesses and suggests the best treatment option for each individual; and (2) a Brain Training product (MyBrainSolutions) that brings together a range of games and brain insights that have been shown over the past two decades to help change behaviour (such as master stress, boost memory, positivity and productivity).

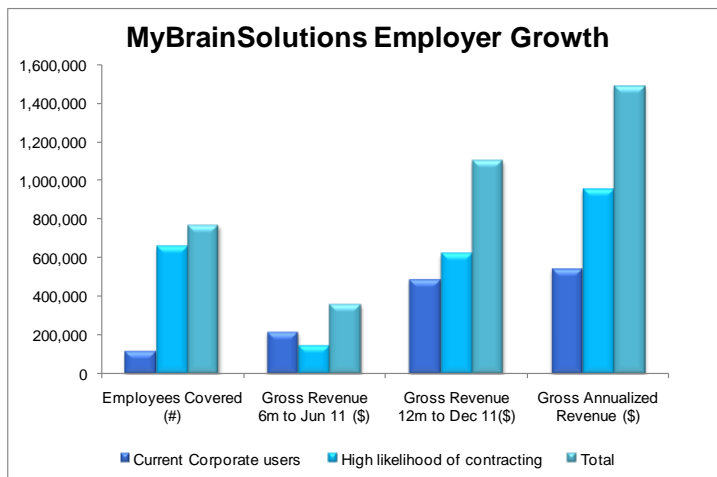


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Industry trends, US Health Reforms that increase reimbursement and Brain Resource initiatives are a timely confluence for growth. Both the Clinical and Consumer web products are now established in the US market. Marquee clients have presented the product benefits at various symposia which is further helping to cascade growth. There is also the increasing realisation by clients that unless the brain is working effectively, nothing else matters.

There are two streams of specific value creation :

- *Growing Intellectual Property* – given the imminent filing of our Depression brain test submission with the FDA, an approval would significantly increase the addressable market for our Clinical products.
- *Sales growth of our existing Consumer and Clinical products* – the following graph shows Employers in our current sales pipeline that have been qualified as highly likely to convert, an additional 8 Employers covering 650,000 employees. It also factors current contracted sales from our first upsell, MyCalmBeat, as discussed above. There is also an additional 20 Employers currently being processed in our sales pipeline.



The following summarises our business model assumptions: MyBrainSolutions growth is tied to the number of Employers that purchase the product and WebNeuro the number of healthcare providers using the product.

Product:	MyBrainSolutions	WebNeuro
Revenue model:	Employers pay Per Employee Per Month (PEPM)	Medical Practitioners pay per patient use
Selling Price:	Industry av. PEPM ~40 cents. Upsells: MyCalmBeat \$50 per unit and Brain Training courses \$125 per employee	~\$25 per report, increasing coverage and reimbursement opportunities from US Health Reform
EBIT margins:	~30%	~40%
US Market size:	17,000 employers with >500 employees	85m US depression consults pa employees
Near term targets:	1-2 new employers per month (achieved 1 per month to date)	1 contract with any of Medicaid, Health Plan or Managed Care provider

We are currently adding to our US team of talented sales and marketing professionals to ensure we keep pace with the levels of demand.

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5. Financials

5.1 Revenues

The sales from our products excluding Personalized Medicine solutions grew 5%. Note that the timing of payments under MyBrainSolutions contracts meant that they had not yet meaningfully impacted period end revenues.

6 months to 31 December	2010	2009	Change
Clinical Decision Support	1,896,685	1,881,210	1%
Brain Training (newly launched)	51,417	n/a	n/a
Discovery (newly launched)	85,234	16,047	431%
Personalized Medicine Solutions	1,647,998	1,917,434	(14%)
Equipment sales	25,577	13,771	86%
Product revenues	3,706,911	3,828,462	(3%)

- Clinical Decision Support: We have been transitioning growth in reports to our on-line solutions, WebNeuro. While overall Report Growth was minimal at around 4% to ~4,400 reports for the half, WebNeuro Reports almost doubled during the current period, and are now 20% of the total reports. The contribution from our partnership with OptumHealth, however remained the dominant component of Clinical revenues, this the last period of the current licence arrangement.
- MyBrainSolutions for Brain Training: This is a newly launched product, with early revenues coming from our first Employer contracts.
- Discovery: This is a newly launched offering to academics who want to access our services for research.
- Personalized Medicine Solutions: iSPOT revenues are tied to the stage of completion of the contract (based off a range of factors including spend and recruitment levels). Recruitment levels can vary substantially between periods with factors internal (we can ramp up or slow down particular sites) and also external (eg weather). While there were fewer acquisitions than in the previous corresponding period, around 17% less, this variability remains well within our trial plans, as shown above with the planned FDA filing.

5.2 Other sales

6 months to 31 December	2010	2009	Growth %
Total Sales	3,706,911	3,828,462	(3%)
Government export grant (EMDG)	-	100,000	nm
Interest received	126,275	106,118	19%
Total revenues and other income	3,833,186	4,034,580	(5%)

The Export Market Development Grant in the prior period is only available for a discrete number of claims, our quota now exhausted.

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5.3 Expenses

6 months to 31 December	2010	2009	Growth %
Cost of sales - third party costs & commissions	190,823	233,983	(18%)
Depreciation and amortisation	96,049	51,026	88%
Corporate (insurance, legal, accounting, listing)	203,240	213,922	(5%)
Office (rent, supplies & miscellaneous)	124,190	98,554	26%
Salaries and consultancy fees	1,411,580	1,545,065	(9%)
Marketing and agent support	200,965	193,095	4%
Communications	56,370	49,424	14%
Travel	85,760	101,108	(15%)
Foreign exchange losses / (gains)	852,924	732,170	16%
Share based payments	19,306	25,724	(25%)
Other	25,733	12,324	109%
Total expenses / (gains)	<u>3,266,940</u>	<u>3,256,395</u>	<u>0%</u>
Total expenses (excluding foreign exchange losses / gains)	<u>2,414,016</u>	<u>2,524,225</u>	<u>(4%)</u>

Total expenses (excluding foreign exchange gains / losses) fell by around 4%. Brain Resource employed an average of around 38 full time equivalents (June 2010:44) for the period. This number was around 35 at year end, with this reduction a consequence of our overall evolution from a development to a product/sales and US focus. The depreciation increase reflected the first contribution from MyBrainSolutions.

Foreign exchange movements were significant. The loss arose from the significant devaluation of the US\$ and its impact on our US\$ holdings. Note our policy is to hold cash deposits in currencies aligned with planned future expenditures, thereby ensuring constant purchasing power. Thus this loss is offset by the future reduction in US\$ expenditures.

iSPOT explanatory note:

Note that costs are net of the capitalisation of expenditures associated with iSPOT. The amount capitalised for iSPOT in the 6 months to 31 December 2010 amounted to around \$1.6m (2009:\$1.9m), this includes salaries (both direct and allocated), direct site expenditures and allocated overhead.

The current Personalized Medicine Solutions Revenue includes around \$1.6m (2009: \$1.8m) from the iSPOT contract. Brain Resource's accounting policies (compliant with Australian equivalents to International Financial Reporting Standards) distinguish Marker development from Drug trials. In Marker development, Brain Resource retains a right to use and significantly benefit from the Intellectual Property created during the collaboration. Payments received from a collaborating partner for participating in the collaboration and undertaking the work are recognised as revenues, reflecting the relative stage of project progress. The associated costs are capitalised to the extent that the future benefits are expected to at least equal those costs with any excess expensed as incurred, this consistent with our policy for the treatment of Intangible Assets. Capitalised amounts are reviewed periodically to

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ensure that there is no impairment and also to determine an appropriate sales linked amortisation point. Accordingly, iSPOT's impact on accounting profit is significant.

5.4 Profit before foreign exchange

6 months to 31 December	2010	2009	Growth %
Profit (Loss) after tax and excluding foreign exchange gains / losses	1,419,170	1,510,355	(6%)
Profit (Loss) after tax	566,246	778,185	(27%)

Foreign exchange losses as mentioned above have had a significant impact on the results for both periods. The fall in profit, was mainly due to the lower contribution from the iSPOT trial to revenues. These revenue are tied to the progress with the contract and the subject recruitment levels.

5.5 Cash flow

6 months to 31 December	2010	2009
Net cash flows from operating activities	(1,704, 595)	1,462,214
Net cash flows from investing activities (09 excludes the sale of bonds)	<u>(1,803,942)</u>	<u>(2,835,609)</u>
Increase (decrease) in free cash flow	(3,508,537)	(1,373,395)
Closing cash	6,928,016	14,672,976
Total net monthly cash usage (excludes impact of foreign currency gains/losses)	584,756	228,899

MyBrainSolutions revenues from our current 6 major US employer contracts (covering over 100,000 employees) is still to impact and will begin contributing in coming quarters, as will Clinical Decision Support revenue channel initiatives. Note that the ongoing deterioration of the USD (and our policy of holding cash in currencies aligned with future expenditures) continued to impact. Investing cash flows reflected an expedited closing the first phase of the iSPOT study, discussed above, and a consolidation of MyBrainSolutions.

We are reviewing our cash position to ensure that we remain optimised. As a note regarding our capital management efficiencies, the entire business has been built off \$15.5m of raised funds (no funds have been raised since 2006).

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Appendix 4D - Half Year Report for the six months ended 31 December 2010

Results for announcement to the market

				\$A
Product and equipment revenues	decreased	3%	to	3,706,911
Total revenues	decreased	5%	to	3,833,186
Profit before tax and excluding foreign exchange gains/losses	decreased	6%	to	1,419,170
Profit for the period attributable to members	decreased	27%	to	566,246

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil

NTA backing	Current period	Previous corresponding 6 month period ended 31 December 2009
Net asset backing per ordinary share (cents per share) - including Databases and associated intangible assets	15.8	13.5
Net tangible asset backing per ordinary share (cents per share) – excluding Databases and associated intangible assets	(3.64)	(1.04)

- **Commentary on results for the period:** Refer to the Operational Review attached to this half-year financial report.
- **Accounts:** The report is based on the attached half-year financial report, which has been reviewed.
- **Changes in control over entities:** There were no entities over which control has been gained or lost during the period.
- **Details of dividends and dividend reinvestment plans:** No dividends have been declared or proposed.
- **Details of associates or joint ventures:** N/A
- **Foreign Entities:** N/A
- **Details of audit disputes or audit qualification:** N/A

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ACN 094 069 682

Half-Year Financial Report

For the six months ended 31 December 2010

Brain Resource Ltd

Directors' Report

Your Directors present their report on the Consolidated Entity consisting of Brain Resource Ltd (BRC or the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

Directors

The following persons were Directors of the Company during the whole of the half-year and up to the date of this report:

Dr Evian Gordon – Chairman and Chief Executive Officer;
Dan Segal – Executive Director and Chief Operating Officer;
Nestor Hinzack – Non Executive Director;
Russell Jamison – Non Executive Director;
Paul Keating – Non Executive Director; and
Arthur Toga – Non Executive Director.

Activities

The principal activity of the Company is developing and selling brain health products.

Review and Results of Operations

See attached Operational Review.

Auditors' Independence Declaration

An independence declaration from our auditors, Ernst & Young, is included on page 26 of our financial report.

Signed in accordance with a resolution of the directors.



Dr Evian Gordon, Chairman of Directors

Sydney, 22 February 2011

Brain Resource Ltd

Condensed Statement of Comprehensive Income

Six months ended 31 December	Note	Consolidated	
		2010 \$	2009 \$
Continuing Operations:			
Revenue and other income	2	3,833,186	4,034,580
Expenses	2	<u>(3,266,940)</u>	<u>(3,256,395)</u>
Profit from continuing operations before income tax expense		566,246	778,185
Income tax expense		<u>-</u>	<u>-</u>
Net profit from continuing operations for the period		566,246	778,185
Other comprehensive Income		<u>-</u>	<u>-</u>
Other Comprehensive Income for the period, net of tax		<u>-</u>	<u>-</u>
Total Comprehensive Income for the period attributable to members of Brain Resource Ltd		<u>566,246</u>	<u>778,185</u>

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:

Basic earnings (loss) per share (cents per share)	0.6	0.8
Diluted earnings (loss) per share (cents per share)	0.6	0.8

Earnings per share for profit attributable to the ordinary equity holders of the parent:

Basic earnings (loss) per share (cents per share)	0.6	0.8
Diluted earnings (loss) per share (cents per share)	0.6	0.8

Brain Resource Ltd

Statement of Financial Position

As at	Consolidated	
	31 Dec 2010 \$	30 Jun 2010 \$
CURRENT ASSETS		
Cash and cash equivalents	7 6,928,016	11,301,862
Trade and other receivables	781,291	990,524
Inventories	29,954	42,167
Other current assets	10,323	14,129
TOTAL CURRENT ASSETS	7,749,584	12,348,682
NON-CURRENT ASSETS		
Plant and equipment	606,132	645,364
Intangible assets	8 17,790,198	15,661,072
Other non-current assets	6,364	2,893
TOTAL NON-CURRENT ASSETS	18,402,694	16,309,329
TOTAL ASSETS	26,152,278	28,658,010
CURRENT LIABILITIES		
Trade Creditors	868,632	620,611
Unearned Income	6,318,303	7,942,597
Other Creditors	491,371	638,633
Provisions	408,373	397,510
TOTAL CURRENT LIABILITIES	8,086,679	9,599,351
NON CURRENT LIABILITIES		
Unearned Income	3,365,958	4,949,225
Deferred tax liability	71,772	71,772
Provisions	175,017	170,362
TOTAL NON CURRENT LIABILITIES	3,612,747	5,191,359
TOTAL LIABILITIES	11,699,426	14,790,710
NET ASSETS	14,452,852	13,867,300
EQUITY		
Contributed capital	3 16,834,052	16,834,052
Accumulated losses	(2,661,911)	(3,228,157)
Other reserves	280,711	261,405
TOTAL EQUITY	14,452,852	13,867,300

Statement of Cash Flows

Six months ended 31 December	Consolidated	
	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	436,288	3,737,273
Payments to suppliers and employees	(2,343,434)	(2,436,601)
Interest received	202,571	161,542
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(1,704,595)	1,462,214
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of plant and equipment	(40,488)	(70,463)
Sales / (purchases) of financial assets (Govt Bond)	-	4,084,680
Development of database and analysis tools	(1,763,454)	(2,765,146)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,803,942)	1,249,071
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	-
NET CASH INFLOWS FROM FINANCING ACTIVITIES	-	-
Net (decrease) / increase in cash and cash equivalents held	(3,508,537)	2,711,285
Add opening cash and cash equivalents brought forward	11,301,862	12,678,304
Net Foreign Exchange Differences	(865,309)	(716,613)
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	7 6,928,016	14,672,976

Brain Resource Ltd

Statement of Changes in Equity

Consolidated	Attributable to the shareholders of Brain Resource Ltd			
	Ordinary Shares	Retained Earnings	Other Reserves	Total
	\$	\$	\$	\$
At 1 July 2009	16,834,052	(5,441,662)	206,300	11,598,690
Profit (Loss) for the period	-	778,185	-	778,185
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	778,185	-	778,185
Share based payments	-	-	25,724	25,724
Balance at 31 December 2009	16,834,052	(4,663,477)	232,024	12,402,599
At 1 July 2010	16,834,052	(3,228,157)	261,405	13,867,300
Profit (Loss) for the period	-	566,246	-	566,246
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	566,246	-	566,246
Share based payments	-	-	19,306	19,306
Balance at 31 December 2010	16,834,052	(2,661,911)	280,711	14,452,852

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(a) Corporate information

This general purpose financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The financial report of Brain Resource Ltd (the Company) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 22 February 2011. Brain Resource Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities of the Group are described in the Directors Report.

Brain Resource Ltd half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by Brain Resource Ltd and its controlled entities during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(b) Basis of accounting

The half-year financial report has been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(c) Summary of significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June.

(d) Changes in accounting policy

The following amending standards have been adopted from 1 January 2010.

- AASB 2009-8 Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] effective 1 January 2010
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] effective 1 January 2010
- AASB 127 Consolidated and Separate Financial Statements (revised 2008) effective 1 July 2009
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5] effective 1 July 2009
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 effective 1 July 2009

The adoption of these standards had no effect on the financial position or performance of the Company.

Brain Resource Ltd

2. PROFIT / LOSS FROM ORDINARY ACTIVITIES

The profit / loss from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

Six months ended 31 December	Consolidated	
	2010 \$	2009 \$
(i) Revenue and other income from operating activities:		
Revenue:		
Clinical Decision Support	2,033,336	1,897,257
Personalized Medicine Solutions	1,647,998	1,917,434
Equipment sales	25,577	13,771
Other income:		
Government grant	-	100,000
Interest received - other persons/corporations	126,275	106,118
Total revenues and other income from ordinary activities	3,833,186	4,034,580
(ii) Expenses from operating activities:		
Equipment and direct third party drug trial costs	190,823	233,983
Depreciation of plant and equipment	35,373	43,412
Amortisation of intangibles	60,676	7,615
Insurance and professional fees	203,240	213,922
Rent, supplies & office costs	124,190	98,554
Salaries and consultancy fees	1,411,580	1,545,065
Marketing and agent support	200,965	193,095
Communications	56,370	49,423
Travel	85,760	101,108
Share based payments	19,306	25,724
Other	25,733	12,324
Expenses (Gains)	2,414,016	2,524,225
Foreign Exchange Losses / (Gains)	852,924	732,170
Total Expenses (Gains)	3,266,940	3,256,395

Brain Resource Ltd

3. CONTRIBUTED EQUITY

	Consolidated	
	31 Dec 10	30 Jun 10
Share capital	Number	Number
Number of ordinary shares – opening balance	91,714,454	91,714,454
Additions	-	-
Number of ordinary shares- closing balance	91,714,454	91,714,454
	\$	\$
Ordinary shares fully paid – opening balance	16,834,052	16,834,052
Additions	-	-
Ordinary shares fully paid – closing balance	16,834,052	16,834,052

4. CONTINGENT ASSETS AND LIABILITIES

The Company is not aware of any contingent assets or liabilities neither at the end of the half-year nor at the date of this report.

5. FINANCIAL REPORTING BY SEGMENT

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

6. SUBSEQUENT EVENTS

There have not been any material subsequent events that have or will affect the results of Brain Resource Ltd and its controlled entities.

7. CASH AND CASH EQUIVALENTS

Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	Consolidated	
	31 Dec 10	31 Dec 09
Cash at bank and in hand	4,086,926	3,689,381
Short-term deposits	2,841,090	10,983,595
	6,928,016	14,672,976

8. INTANGIBLES

	Consolidated	
	31 Dec 2010	30 Jun 2010
Brain Resource International Database and associated analysis tools	17,790,198	15,661,072

9. SHARE BASED PAYMENTS

In accordance with shareholder approval at the 2009 AGM, 1,000,000 options to subscribe for ordinary shares were issued on 30 November 2009 at an exercise price of 45 cents and an expiry date of 24 November 2014.

Brain Resource Ltd

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Brain Resource Ltd, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the 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.

On behalf of the Board

A handwritten signature in black ink that reads "Dr E Gordon". The signature is written in a cursive, flowing style.

Dr Evian Gordon, Chairman of Directors

Sydney, 22 February 2011



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
www.ey.com/au

Auditor's Independence Declaration to the Directors of Brain Resource Ltd

In relation to our review of the financial report of Brain Resource Ltd for the half-year ended 31 December 2010, 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

Ernst & Young

J K Haydon

J K Haydon
Partner

Date: *22 February 2011*



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To the members of Brain Resource Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Brain Resource Ltd, which comprises the statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Brain Resource Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included on page 26.



Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

J K Haydon

J K Haydon
Partner
Sydney

Date: *22 February 2011*