



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting ("AGM") of the members of Brain Resource Limited (the "Company" or "BRC") will be held at the Company's office at Level 12, 235 Jones Street, Ultimo on Wednesday 30 November 2011 commencing 5:30pm.

ORDINARY BUSINESS

1. To consider the accounts

To consider the Reports of the Directors and Auditors, and the Financial Report for the year ended 30 June 2011.

Explanatory note

This item of business relates to the receipt and adoption of the Company's Financial Report for the year ended 30 June 2011.

2. To elect a Director

Professor Arthur Toga retires as a Director pursuant to the Company's Constitution and, being eligible, offers himself for re-election.

Explanatory note

Professor Toga was originally appointed a Director of the Company in May 2001. Under the Company's Constitution he retires by rotation, and being eligible, wishes to stand for re-election.

3. Adoption of Remuneration Report

That the Remuneration Report for the financial year ended 30 June 2011 be adopted.

Explanatory note

The Corporations Act requires that a resolution be put to the members to adopt the remuneration report as disclosed in the Report of the Directors. The vote on this resolution is advisory only and non-binding. The resolution gives the members the opportunity to ask questions or make comments concerning the remuneration report during the meeting. Under the Corporations Act 2001, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director and CEO) must go up for re-election.

Any undirected proxies held by the Chairman of the meeting, other directors or other key management personnel or any of their closely related parties will not be voted on this resolution. Key management personnel of BRC are the Directors of BRC and those other persons having authority and responsibility for planning, directing and controlling the activities of BRC, directly or indirectly. The Remuneration Report identifies BRC's key management personnel for the financial year to 30 June 2011. Their closely related parties are defined in the Corporations Act 2001, and include certain of their family members, dependants and companies they control.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Item 3 (BRC Remuneration Report) by marking either "For", "Against" or "Abstain" on the Voting Form for that item of business.

SPECIAL BUSINESS

4. Approval of issue of Exchangeable Convertible Preference Shares and acquisition of ordinary shares in BRC

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That approval is given for the purposes of Item 7 of Section 611 of the Corporations Act and for all other purposes for:

- (i) the issue of Exchangeable Convertible Preference Shares by BRC Focus Pty Ltd, a wholly owned BRC subsidiary, for a subscription amount of AUD\$4,000,000 to the Subscriber; and
- (ii) the issue of ordinary shares in BRC Focus Pty Ltd on conversion of these Exchangeable Convertible Preference Shares to the Subscriber; and/or
- (iii) the issue of ordinary shares in Brain Resource Ltd to the Subscriber and the acquisition of a relevant interest by the OZ Group and their Associates (as defined in the Corporations Act) in the Ordinary Shares in Brain Resource Ltd upon exchange of those Exchangeable Convertible Preference Shares and upon conversion of the Convertible Bonds currently held by the CB Subscribers.”

Please see the Explanatory Statement attached. The Terms used in this Notice of Meeting have the same meaning as in that Statement.

To transact any other business that may be brought forward in accordance with the Company's Constitution.

Voting Statements

Dr Evian Gordon (Chairman and CEO) and Dan Segal (Executive Director and Chief Operating Officer), together being 18% shareholders in the Company, have informed the Company that they intend to vote the shares they hold or control in favour of Resolution 4, in the absence of a superior proposal.

Voting Exclusion Statements

In respect of Resolution 4, the Company will disregard any votes cast on those resolutions by the OZ Group, and Associates of the OZ Group, being the persons as detailed in the Explanatory Statement who may participate in the proposed issues and who are proposing to make the acquisition of a relevant interest in ordinary shares in BRC.

However the Company need not disregard any vote by any such persons if:

- it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or
- it is cast by any of them who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Proxies

To be effective, Proxy Forms must be received by the Company at its office at least 48 hours before the time for holding the meeting.

By mail or hand delivery: Level 12, 235 Jones Street, Ultimo, Sydney NSW 2007, Australia.
By facsimile: (+61) (02) 9211 2710

A shareholder entitled to attend and vote is entitled to appoint not more than two persons as his/her proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder of the Company. If more than one proxy is appointed and the appointment does not specify the proportion of the shareholder's votes each proxy may exercise, each proxy may exercise half of the votes.

Unless under power of attorney (which should have been noted by the Company) a Proxy Form by a corporation should be executed under its common seal if required by its constitution.

Dated at Sydney this 31st day of October 2011.

BY ORDER OF THE BOARD

Robert J Waring
Company Secretary

Explanatory Statement for Resolution 4

This Explanatory Statement sets out information in connection with the special business to be considered at the Brain Resource Ltd (“BRC”) Annual General Meeting to be held on 30 November 2011. BRC is seeking shareholder approval for all purposes including for the purposes of Item 7 of Section 611 of the Corporations Act in the event that the Exchangeable Convertible Preference Shares (“ECPS”) are exchanged for and the Convertible Bonds held by the CB Subscribers are converted into ordinary fully paid up BRC shares.

This Explanatory Statement accompanying the Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Statement and the Proxy Form are part of the Notice of Meeting.

The Directors of the Company have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the AGM are those who are shareholders of the Company at 4:00pm on 28 November 2011.

1. Background

Malta Trading Platform Limited (“Malta”) and Brain Resource have agreed on terms for establishing a new 50/50 joint venture company to develop an Attention Deficit Hyperactivity Disorder (“ADHD”) portal.

This initiative is seeking to capitalize on a large scale opportunity. ADHD is the most commonly diagnosed disorder of childhood, impacting more than 5 million children (or 9%) in the US.

BRC Focus Pty Ltd (“Focus”) has recently been incorporated to house this new venture. BRC Focus Pty Ltd (“Focus”) has recently been incorporated to house this new venture (BRC currently is the only shareholder with 4,000,000 ordinary shares). Focus is a website that leverages off current Brain Resource products to bring together information, objective assessment and solutions (including Brain Training) for the key issues facing children and parents with ADHD. Accordingly BRC has agreed to provide Focus with a perpetual licence to its relevant platform content for exclusive use in the ADHD parent market. Malta has agreed to provide \$4m of equity funding to Focus to fully develop, sell and market Focus. Focus will be managed by BRC.

The business case is compelling based on the market size and that there are currently no equivalent offerings to Focus. The Focus development plans remain commercial in confidence and further information will be released to the market as soon as appropriate.

2. BRC Directors and Board Recommendation

BRC continues to gain momentum as outlined in BRC’s recent Shareholder newsletter.

The ADHD opportunity has been evolving for some time and has stood out in all our reviews as one with significant potential, and well aligned with our core platforms and timeliness based on extensive market feedback. OZ Management LP recognised this potential and as part of the Convertible Bond subscription requested an option for its affiliated investment funds to fund this opportunity. The current agreements resulted for these discussions having progressed, as well as further internal work undertaken to scope this opportunity and the commencement of high level implementation planning.

Having an investor of this caliber has significant operational benefits for Brain Resource as it extends new large market opportunities. Most importantly, we have found in Och-Ziff Capital Management Group a partner that is supportive of our interest in capitalizing on the timeliness of the brain sector becoming mainstream. This agreement is further testimony to our growing relationship with Och-Ziff Capital Management Group and consolidating our leading position in the market – and now also to significantly drive this Attention Deficit Hyperactivity Disorder business opportunity.

The Board unanimously voted in favour of pursuing this new business opportunity, the structure and funding for its pursuit and to supporting this Resolution 4.

An Independent Expert's Report was commissioned by the Board and is attached to this notice. This report concerns the proposed issue contemplated under Resolution 4, and concludes that the proposed transactions are fair and reasonable to the non associated shareholders.

For these and other reasons outlined in recent ASX releases (including the Investor Newsletters lodged 1 June 2011 and 2 September 2011, the Annual Report lodged 18 August 2011 and the Convertible Bond issue dated 14 June 2011), the Board recommends that shareholders vote in favour of Resolution 4.

No BRC Director has any interest in Resolution 4. Dr Evian Gordon (Chairman and CEO) and Dan Segal (Executive Director and Chief Operating Officer), together being 18% shareholders in the Company, have informed the Company that they intend to vote the shares they hold or control in favour of Resolution 4, in the absence of a superior proposal.

3. Key BRC / BRC Focus Agreement

BRCA Focus Pty Ltd (ACN 153 459 074) was incorporated in Victoria, Australia on 4 October 2011. BRC is currently its only shareholder with 4,000,000 ordinary shares. Evian Gordon and Dan Segal are its current directors.

BRCA and Focus have entered into a perpetual licence agreement allowing Focus access to relevant BRC platform content for launching the ADHD portal for the parent market. Focus has agreed to use this content only for supply to that market and BRC has agreed to exclusive supply to Focus for that market. Further, agreements have also been entered into under which compensation is allowed to be paid for services provided by BRC Group companies. The inclusion of any iSPOT outcomes will be subject to future negotiation when applicable products are developed.

4. Key terms of the Subscription and Shareholders Agreement

For the purposes of this Explanatory Statement, the Board wishes to highlight the following terms relevant to the issue of the ECPS:

On 31 October 2011, Malta, BRC and Focus entered into a Subscription and Shareholders Agreement under which Focus agreed to issue to Malta 4,000,000 Exchangeable Convertible Preference Shares ("ECPS") at \$1.00 per share subject to conditions precedent being met. Malta is an investment vehicle controlled by OZ Management LP, an operating company of Och-Ziff Capital Management Group LLC (NYSE: OZM).

Conversion and exchange rights: Under the terms of this agreement, the ECPS will convert into ordinary Focus shares at \$1 per ECPS (subject to adjustment under certain

circumstances as summarised below) after 10 years unless the ECPS are, at Malta's election, either converted into Focus ordinary shares at an earlier time or exchanged for ordinary BRC shares.

Conversion price and exchange price and number of shares to be issued: The conversion price and exchange price of the ECPS are subject to adjustment in certain circumstances, including a range of anti-dilution clauses which could result in a variation of the maximum number of Focus ordinary shares or BRC ordinary shares that may be issued upon conversion or exchange (respectively) of the ECPS. Assuming no adjustment to the conversion price, the maximum number of ordinary Focus shares to be issued upon conversion at the initial conversion price of \$1.00 per ECPS are 4,000,000 ordinary shares, representing 50% of the total number of ordinary Focus shares currently on issue. The number of BRC ordinary shares to be issued upon exchange of the ECPS is based on an exchange price of \$0.405 per BRC share (which is the same price applicable to the previous Convertible Bond issue). Assuming no adjustment to the exchange price, the maximum number of BRC ordinary shares to be issued upon exchange is 9,876,543, being 10.8% of the total number of shares currently on issue.

Conditions precedent: No Material Adverse Change in relation to BRC, or any material adverse change in relation to the prospects of the business of Focus between the date of the Subscription and Shareholders Agreement and Completion; the initial business plan of Focus has been finalised to the satisfaction of Malta and BRC; BRC and Focus entering into a licence agreement on terms that are acceptable to both Malta and BRC; BRC obtaining the shareholder approval as described in Resolution 4 of this Notice of Meeting; and obtaining and complying with ASIC relief in respect of the application of Chapter 6D of the Corporations Act to enable the BRC ordinary shares, issued on exchange of the ECPS, to be freely transferable without a disclosure document or the need to issue a cleansing notice at the time of exchange; each of the representations and warranties provided by BRC and Malta are true and correct in all material respects at Completion; and the ASX not indicating to BRC or Focus that it will refuse to grant quotation of the BRC ordinary shares issued on exchange of the ECPS. The conditions precedent are for the benefit of Malta (other than the condition on Malta's representations and warranties) and may be waived in Malta's sole discretion.

Ranking of shares on conversion: Any shares issued upon conversion or exchange of the ECPS will rank equally in all respects with all other fully paid ordinary shares in Focus or BRC (as applicable) and in the case of exchanging into BRC shares, will be quoted on the ASX.

Governance: Malta and BRC can appoint 1 Focus director each out of a maximum of 5 directors with the remaining directors to be approved by a majority of Focus shareholders. In addition to shareholder approvals required under applicable laws, Fundamental Matters require written consent from Malta. These matters include (amongst other matters) new issues, borrowings, material departures from business plan, unusual transactions, guarantees, dividends, related party agreements, mergers and reconstructions, variation of securities rights and key contracts. Focus is to conduct its business adopting business and risk management plans, keeping appropriate books of account and having them audited.

Shareholder agreement: Focus shareholders have reciprocal first rights over any transfers of shares by the other party. BRC cannot transfer its Focus shares while Malta is an ECPS or ordinary Focus shareholder.

Events of default: Events of default under the Subscription and Shareholders Agreement include (amongst other events) a material breach of the terms of the Subscription and Shareholders Agreement, the appointment of an administrator, winding up, arrangements

with creditors, disposal of shares in breach of the agreement terms, a change in control of BRC where an external person acquired or holds more than 50% of BRC. If an event of default occurs, Malta has the right but not the obligation to require Focus to redeem or BRC to purchase the ECPS at the higher of fair market value or a price per unconverted ECPS share equal to 150% of the purchase price.

5. Terms of Exchangeable Convertible Preference Shares

The key terms of the ECPS shares are summarised as follows:

Conversion Rights: ECPS shares may be converted at any time into fully paid ordinary shares in Focus at a conversion price of \$1.00 per ordinary share with adjustments for dilutive events, including subdivision, consolidation and reclassification, bonus issues and capital distributions.

Exchange Rights: ECPS shares may be exchanged in BRC ordinary shares at an exchange price of \$0.405 per BRC ordinary share with adjustments for dilutive events, including subdivision, consolidation and reclassification, bonus issues and capital distributions.

Redemption: Focus must redeem the ECPS shares on the final maturity date of 10 years after the initial issue date by issuing ordinary shares in Focus at a redemption price of \$1.00 per ordinary share with adjustments for dilutive events.

Ranking: The ECPS shares are a separate class of shares in Focus and rank in priority to Ordinary Shares in Focus in the event of a liquidation of Focus.

Voting: ECPS shares carry the same rights to receive notices of general meetings and to attend general meetings and the same voting rights as Ordinary Shares in Focus.

Dividends: ECPS shares carry the same dividend rights as Ordinary Shares.

Cancellation: Each ECPS share is cancelled upon conversion, exchange or redemption of the ECPS Share.

Default Events: The terms of the ECPS shares define a broad range of events of default in relation to Focus or BRC including default in making payments in respect of the ECPS shares, default under the Subscription and Shareholders Agreement or the terms of issue of the ECPS shares, detailed indebtedness default events, insolvency events, change of control of BRC, BRC ordinary shares cease to be quoted on ASX or trading is suspended for 20 consecutive days or more, litigation is commenced against BRC or any of its subsidiaries which is likely to have a material adverse effect and other analogous events.

Effects of Event of Default: If an event of default occurs then an ECPS shareholder may require that the ECPS shares held by it be redeemed by Focus or purchased by BRC at a put option price of the higher of fair market value or 150% of the issue price of each ECPS share.

Negative Undertakings: The terms of the ECPS Shares require approval of ECPS shareholders (by way of an ordinary resolution) before Focus can undertake a detailed list of material matters unless approved by Malta while it holds any interest in Focus.

Pre-emptive rights: ECPS shares carry pre-emptive rights with respect to new issues of marketable securities in Focus (excluding issues under an employee share and option plan approved by the board of Focus).

Meetings: The terms of the ECPS shares specify how meetings of ECPS shareholders can be convened and held and allow ECPS shareholders to approve amendment to the terms of the ECPS shares by extraordinary resolution of ECPS shareholders.

6. Information about the proposed investor

Malta Trading Platform Limited, a company incorporated in Malta, will be subscribing for the ECPS, which are exchangeable into ordinary shares in BRC as described above.

OZ Management LP is the investment manager of the ultimate parent of Malta Trading Platform Limited and is also the investment manager of the CB Subscribers. OZ Management LP is an operating entity of Och-Ziff Capital Management Group LLC and Och-Ziff Holding Corporation is OZ Management LP's general partner. These entities together comprise the "OZ Group".

Members of the OZ Group are 'associates' of each other for the purposes of the Corporations Act and therefore their voting power is aggregated for the purposes of determining the level of voting power for which approval is sought. In addition, Associates of the OZ Group include OZ Management II LP and other funds managed by OZ Management LP or OZ Management II LP including OZ Asia Master Fund Ltd, Gordel Holdings Ltd, OZ Select Master Fund, Ltd, OZ Master Fund, Ltd, OZ ELS Master Fund, Ltd, OZ Global Special Investments Master Fund, LP and such other funds or entities managed from time to time by OZ Management LP or OZ Management II LP or their Associates.

7. Och-Ziff Managed Funds position

A conversion of the ECPS into Focus ordinary shares would result in no change in the OZ Group's holdings in BRC, maintaining their 50% interest in Focus.

Subject to any adjustments in accordance with the respective terms of issue, the OZ Group has a potential ownership interest in 34,567,901 BRC ordinary shares, representing 27.4% of the expanded capital base (BRC currently has 91,714,454 shares on issue). This comprises:

- 9,876,543 shares as a result of an exchange of the ECPS by Malta into BRC ordinary shares
- 24,691,358 shares as a result of a conversion of the Convertible Bonds held by the CB Subscribers.

The OZ Group has no voting rights in BRC until such time as the CB Subscribers elect to convert the Convertible Bonds or Malta elects to exchange the ECPS.

8. Appointment of directors of Focus

Malta is entitled to appoint one director to Focus under the agreement terms. It is proposed that Zoltan Varga will be appointed to the board of directors of Focus as a nominee for Malta.

Mr. Varga is an Executive Managing Director, the Head of Asian Investing, and a member of the Partner Management Committee for Och-Ziff Capital Management Group LLC. He is also Chairman of Och-Ziff Beijing. Mr. Varga joined Och-Ziff Capital Management Group LLC in 1998 and helps manage the firm's Asian business. Mr. Varga holds a B.A. in Economics from DePauw University.

It is also proposed that Gabriel Fong will be appointed to the board of directors of Focus as approved by a majority of the shareholders of Focus

Mr. Fong leads the Asia Private Investments group in Och-Ziff. Mr. Fong received a B.A. with honours in Economics from Cambridge University, United Kingdom.

9. Intentions of the OZ Group

The OZ Group has advised BRC of their intentions as follows:

- a) The OZ Group has no current intention to inject further capital into BRC other than as contemplated by the issue of ECPS as referred to in this Statement;
- b) There is no intention to change the business of BRC in connection with the proposed issue of ECPS;
- c) There is no intention to change the future employment of the present employees of BRC in connection with the proposed issue of Convertible Bonds as outlined in this Statement.
- d) There is no intention for the transfer of any property (other than the ECPS) to the OZ Group (or any of their Associates) in connection with the proposed issue of ECPS as outlined in this Statement.
- e) There is no intention for the Company to otherwise redeploy the fixed assets of BRC in connection with the proposed issue of ECPS as outlined in this Statement.
- f) There is no intention to change existing policies in relation to financial matters and/or dividends in connection with the proposed issue of ECPS as outlined in this Statement.

10. Other material contracts

There are no contracts or proposed contracts between the OZ Group and BRC or Focus or any of their Associates, which is conditional upon or directly or indirectly dependent on the Subscription and Shareholders Agreement.

11. Background to the specific regulatory approvals required:

Item 7 of Section 611 of the Corporations Act – allowing the OZ Group to exceed a 20% shareholding

Section 606 of the Corporations Act 2001 (Cth) prohibits the acquisition of a relevant interest in voting shares that would cause a person's voting power to increase from below 20% to more than 20%, or from a starting point that is above 20% and below 90%, subject to certain exceptions.

Item 7 of section 611 of the Corporations Act provides an exemption to the prohibition set out above if a company's shareholders approve the acquisition of a relevant interest in the voting shares in a company which would result in that person's, or another person's, Voting Power in the Company increasing to more than 20%. Under the Corporations Act a person's Voting Power in a company is the total of the votes attaching to the shares in that company in which that person has a relevant interest, and that person's associates (within the meaning of the Corporations Act) have a relevant interest. The Voting Power of a person in the Company is determined by reference to section 610 of the Corporations Act. By section 608 of the Corporations Act, in addition to being the registered holder of shares, a relevant interest in shares is also achieved by having power to exercise or control the exercise of votes or disposal of the shares. In addition, a person will be deemed to have a relevant interest in securities held by a company, if the person has over 20% Voting Power in that company.

Associates are determined as a matter of fact, for example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

The acquisition of ECPS under the proposed offer would not in itself amount to an acquisition of a relevant interest in BRC voting shares. However, an acquisition of a relevant interest in voting shares by the OZ Group would occur on the exchange of the ECPS into BRC ordinary shares or on the conversion of Convertible Bonds currently held by the CB Subscribers.

(a) Convertible Bonds

BRCA agreed to the issue and subscription of zero coupon senior unsecured Convertible Bonds with a principal value of AUD\$10,000,000 to the CB Subscribers (who are members of the OZ Group) which mature in 2016. The Convertible Bonds are convertible into fully paid ordinary shares of BRC subject to and in accordance with the terms and conditions of the Convertible Bonds. The issue of the Convertible Bonds is in two tranches of AUD\$5,000,000 each. The first tranche of Convertible Bonds was issued on or around 14 June 2011 to the CB Subscribers. The second tranche of Convertible Bonds is expected to be issued before 4 November 2011, subject to specified conditions being met. The Convertible Bonds are unlisted but the ordinary shares to be issued upon conversion of the Bonds will be quoted on the ASX.

Please refer to the 14 June 2011 ASX release (Cleansing Statement which includes the terms and conditions of the Convertible Bonds) for full details.

The CB Subscribers have the right to elect to convert the Convertible Bonds they hold into ordinary shares in BRC at any time during the period beginning on the date of issue of the Bond and ending on the Maturity Date. The number of ordinary shares in BRC to be delivered upon conversion shall be determined by dividing the principal amount of the Convertible Bond by the conversion price. Convertible Bonds can be converted in whole or in part. The initial conversion price for the Convertible Bonds is AUD\$0.405 per share, subject to adjustment for standard dilutive events including subdivision, consolidation and reclassification, bonus issues and capital distributions.

If the CB Subscribers convert their Convertible Bonds into ordinary shares in BRC, the OZ Group and their Associates will acquire a relevant interest in the voting shares in BRC.

(b) Exchangeable Convertible Preference Shares

As described in section 4 of this explanatory statement, BRC Focus intends to issue 4,000,000 exchangeable convertible preference shares to Malta Trading Platform Limited (which is a member of the OZ Group), which by their terms are exchangeable for ordinary shares in BRC.

If Malta exchanges the ECPS it holds into ordinary shares in BRC, the OZ Group and their Associates would also acquire a relevant interest in the voting shares in BRC.

(c) Voting power of the OZ Group and their Associates

The following tabulates the maximum extent of the OZ Group's (and their Associates') increase in voting power in BRC and the voting power they would obtain as a result of the conversion of all Convertible Bonds held by the CB Subscribers and exchange of all the ECPS held by Malta as required under Item 7 of section 611 of the Corporations Act.

	Principal Amount	Conversion Price	Shares issued on conversion	Cumulative total number of shares held by OZ	Relevant Interest	Cumulative total Ordinary Shares on issue*
Current					0.00%	91,714,454
CB Tranche 1	\$5,000,000	\$0.405	12,345,679	12,345,679	11.86%	104,060,133
CB Tranche 2	\$5,000,000	\$0.405	12,345,679	24,691,358	21.21%	116,405,812
ECPS	\$4,000,000	\$0.405	9,876,543	34,567,901	27.37%	126,282,355

The threshold as specified in section 606 of the Corporations Act would be surpassed on the exchange of this ECPS and also the conversion of the Convertible Bonds into BRC ordinary shares, as the OZ Group would obtain in total a relevant interest in voting shares of BRC above 20%.

Accordingly, shareholder approval is required for the OZ Group and their Associates to acquire a relevant interest in ordinary shares in BRC upon conversion of the Convertible Bonds and exchange of the ECPS. BRC is therefore seeking shareholder approval under section 611 item 7 for the OZ Group and their Associates to be able to exchange all its ECPS under the proposed offer and also to convert all the Convertible Bonds held by the CB Subscribers into BRC shares.

In order for BRC to comply with the requirements of item 7 of section 611 of the Corporations Act, BRC has provided the information required to be disclosed by ASIC Regulatory Guide 74 in this Explanatory Statement.

In addition the Directors appointed Grant Thornton to prepare the independent expert's report, in compliance with that Regulatory Guide.

The objective of commissioning this report is to provide an opinion for the benefit of Shareholders considering Resolution 4, as to whether or not the proposals in Resolution 4 are fair and reasonable to the Shareholders who are not Associates of the OZ Group. The report is attached and it is recommended that Shareholders read it in its entirety. The conclusion is that the proposed transactions are fair and reasonable to the non associated Shareholders.

Note that ASX Listing Rule 7 does not apply as there is an exemption under Listing Rule 7.2 Item 16 for "an issue of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act". Further ASX Listing Rule 10 also does not apply as under Listing Rule 10.3 an exemption is made for "An issue of securities by the entity for cash".

Glossary:

"AGM" means the annual general meeting convened by the Notice of Meeting.

"ASX" means ASX Limited.

"Associates" has the meaning given to that term under the Corporations Act.

"ASX Listing Rules" means the official listing rules of ASX.

"Board" means the current Board of Directors of the Company.

"BRC" means Brain Resource Limited ACN 094 069 682

"BRC Group" means all Brain Resource Limited ACN 094 069 682 wholly owned subsidiaries.

"CB Subscribers" are defined as the holders of the BRC Convertible Bonds.

"Company" means BRC Focus Pty Ltd ACN 153549074.

"Completion" completion of the subscription for the ECPS under the Subscription and Shareholders Agreement.

“Convertible Bonds” means the first and second tranche of senior and unsecured bonds convertible into fully paid ordinary shares in BRC issued on 14 June 2011 and proposed to be issued before 4 November 2011.

“Corporations Act” means the *Corporations Act 2001* (Cth)

“Directors” means the Directors of the Company.

“ECPS” means the exchangeable convertible preference shares proposed to be issued by Focus.

“Explanatory Statement” means the statement accompanying the Notice of Meeting.

“Focus” means BRC Focus Pty Ltd ACN 153549074.

“Independent valuation Report” means the report prepared by Grant Thornton.

“Malta” means Malta Trading Platform Limited.

“Material Adverse Change” means in relation to BRC include a profit downgrade, outbreak of hostilities or an act from a regulatory authority which could reasonably be expected to materially reduce current or potential revenue from one of the products being marketed by the BRC Group.

“Notice of Meeting” means this notice of Annual General Meeting including the Explanatory Statement.

“OZ Group” means Och-Ziff Capital Management Group LLC, Och-Ziff Holding Corporation, OZ Management LP, Malta Trading Platform Limited and the CB Subscribers”.

“Proxy Form” means the proxy form accompanying the Notice of Meeting.

“Resolutions” means the resolutions set out in the Notice of Meeting and further explained in this Explanatory Statement.

“Subscriber” means Malta Trading Platform Limited.

“Subscription and Shareholders Agreement” the subscription and shareholders agreement entered into between the Company, BRC and the Subscriber.

Brain Resource Limited

Independent Expert's Report and Financial Services Guide

27 October 2011

The Directors
Brain Resource Limited
Level 12
235 Jones Street
ULTIMO NSW 2007
Attn: Mr Dan Segal

27 October 2011

Dear Sirs

Independent Expert's Report and Financial Services Guide

Introduction

Brain Resource Limited (“BRC” or the “Company”) is primarily engaged in clinical research and the delivery of products and solutions in relation to brain health. The Company is listed on the Australian Securities Exchange (“ASX”) and had a market capitalisation of approximately A\$18.3 million as at 26 October 2011.

Och-Ziff Capital Management Group LLC (“Och-Ziff”) is a leading global institutional asset management firm with approximately US\$28.5 billion of assets under management as at 1 October 2011. On 14 June 2011, Och-Ziff, through certain investment funds controlled by Och-Ziff¹, agreed to subscribe for convertible bonds in BRC (“the Convertible Bonds”) which are convertible at the election of those investment funds into 24.7 million fully paid ordinary shares of BRC (or 21.21% of the enlarged share capital of BRC as at the date of this report) at a price of A\$0.405 (the “Proposed Bond Conversion”). The Convertible Bonds are issued in two equal tranches of A\$5 million each. The first tranche has already been drawn down by BRC.

In October 2011, BRC entered into a Subscription and Shareholders Agreement (“the Agreement”) with Malta Trading Platform Limited (“Malta”)² an investment vehicle controlled by Och-Ziff to establish and conduct a joint venture to operate a business of developing, commercialising, marketing and supply of an attention deficit hyperactivity disorder (“ADHD”) portal product (“Proposed Transaction”).

¹ Sculptor Finance (MD) Ireland Limited, Sculptor Finance (AS) Ireland Limited and Sculptor Finance (SI) Ireland Limited (collectively the “Subscribers”)

² In the remainder of this report, Malta an investment fund managed by Och-Ziff and the Subscribers, certain investment funds managed by Och-Ziff may collectively be referred to as Och-Ziff.

BRC Focus Pty Ltd (“BRC Focus”) was incorporated by BRC as a wholly owned subsidiary on 4 October 2011 for the purposes of the Proposed Transaction.

Under the terms of the Agreement, BRC Focus will issue Exchangeable Convertible Preference Shares (“ECPS”) with a face value of A\$4 million to Malta that are either:

- Exchangeable into fully paid up listed ordinary shares of BRC (“BRC Shares”) at an exchange price of A\$0.405 per share (the “Proposed Exchange”); or
- Convertible into fully paid up ordinary shares of BRC Focus (“BRC Focus Shares”) at a per share price representing 50% of the fully diluted shares of BRC Focus on issue upon conversion (the “Proposed ECPS Conversion”).

The exchange or conversion of the ECPS may take place at any time or from time to time up until the date of maturity, 10 years from the date of issue.

As part of the Proposed Transaction and upon subscription by Malta of the ECPS to be issued by BRC Focus, BRC will enter into an agreement with BRC Focus providing a perpetual, royalty free, exclusive and non-transferable licence (“BRC Licence”) to its relevant platform content for exclusive use in the ADHD parent market (the “Contributed IP”). The Contributed IP together with the A\$4 million raised from the issue of the ECPS, will be applied to the development of the new ADHD portal.

Scope of the report

Item 7 of Section 611 of the Corporations Act

If the Proposed Transaction is approved by the shareholders of BRC not associated with Och-Ziff and its associates (“Non-Associated Shareholders”), Malta elects to exchange 100% of the ECPS into BRC Shares, and all Convertible Bonds are converted, Och-Ziff and its associates will have a shareholding in BRC of 27.4% of the enlarged issued capital.

The Proposed Exchange and the Proposed Bond Conversion may take place in any order. The requirement for shareholders’ approval is triggered under Item 7 of Section 611 of the Corporations Act when the issue of BRC Shares increases Och-Ziff and its associates’ shareholding in BRC from either below 20% to more than 20%, or from a starting point between 20% and 90%.

Och-Ziff and its associates’ potential shareholding in BRC upon the Proposed Exchange and the Proposed Bond Conversion is set out below:

	Principal Amount	Conversion Price	BRС Shares issued on conversion/exchange	Cumulative total number of shares held by Och-Ziff and its associates	Relevant interest held by Och-Ziff and its associates	Cumulative total BRC Shares on issue
Current					0.00%	91,714,454
Convertible Bond Tranche 1	\$5,000,000	\$0.405	12,345,679	12,345,679	11.86%	104,060,133
Convertible Bond Tranche 2	\$5,000,000	\$0.405	12,345,679	24,691,358	21.21%	116,405,812
ECPS	\$4,000,000	\$0.405	9,876,543	34,567,901	27.37%	126,282,355

Accordingly, the Directors of BRC have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the issue of BRC Shares to Och-Ziff and its associates upon exchange of the ECPS into BRC Shares and upon conversion of the Convertible Bonds is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

When preparing the independent expert's report, Grant Thornton Corporate Finance will have regard to ASIC Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The independent expert's report will also include other information and disclosures as required by ASIC.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the issue of BRC Shares to Och-Ziff and its associates upon exchange of the ECPS into BRC Shares and upon conversion of the Convertible Bonds into BRC Shares is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

Fairness assessment

For the purposes of assessing the fairness of the Proposed Exchange, we have assumed that Malta will decide to exchange 100% of the ECPS into BRC Shares.

In forming our opinion in relation to the fairness of the Proposed Exchange and the Proposed Bond Conversion to the Non-Associated Shareholders in accordance with 611(7) of the Corporations Act, Grant Thornton Corporate Finance has compared the value per BRC Share (on a control basis) to the ECPS exchange price and the Convertible Bond conversion price, both being A\$0.405 per share.

In our assessment of the fairness of the Proposed Exchange and the Proposed Bond Conversion, we have assumed the immediate exchange of the ECPS and immediate conversion of the Convertible Bonds.

The following table summarises our assessment:

Fairness assessment	Section reference	Low A\$	High A\$
Fair market value per BRC Share (control basis)	6.1	0.328	0.381
ECPS Exchange Price/Convertible Bond conversion price	1.1	0.405	0.405
Excess of exchange/conversion price over fair market value per share (control basis)		0.08	0.02
Excess of exchange/conversion price over fair market value per share (%) (control basis)		24%	6%

Source: Calculations

The exchange/conversion price of A\$0.405 per share is higher than the value of BRC Shares on a controlling basis. Accordingly, we conclude that the Proposed Exchange and the Proposed Bond Conversion are fair to the Non-Associated Shareholders.

BCR Shareholders should be aware that our assessment of the value per BRC Share does not necessarily reflect the price at which BRC Shares will trade if the Proposed Transaction is approved. The price at which BRC Shares will ultimately trade depends on a range of factors including the liquidity of BRC Shares, macro-economic conditions, the underlying performance of the BRC business and the supply and demand for BRC Shares.

Reasonableness assessment

We note that in accordance with RG111, a transaction is reasonable if it is fair. However in our assessment of the Proposed Exchange and the Proposed Bond Conversion, we have also considered the following likely advantages and disadvantages associated with the Proposed Exchange and the Proposed Bond Conversion.

Premium for control paid for BRC Shares

Our valuation assessment of BRC is on a 100% basis and incorporates the application of a full premium for control in accordance with the requirements of RG111. However, we note that if the Proposed Exchange is approved, the Convertible Bonds are converted and Malta elects to exchange 100% of the ECPS into BRC Shares, Och-Ziff and its associates will only increase their shareholding in BRC to a maximum of 27.4%. In our opinion this does not represent a full controlling shareholding³.

Exchange price of ECPS and conversion price of the Convertible Bonds

The exchange price of the ECPS of A\$0.405 is consistent with the conversion price of the Convertible Bonds which were issued on 14 June 2011. Whilst, the issue of the Convertible Bonds is not considered to be a change of control transaction, it was undertaken in less volatile market conditions compared with the Proposed Transaction. The ASX Small Ordinaries Index has declined by approximately 8% between 14 June 2011 and 26 October 2011.

Likelihood of receiving a takeover offer in the future

In our opinion, if Och-Ziff converts the Convertible Bonds and exchange the ECPS into ordinary share capital of the Company, the likelihood of the Company receiving a takeover offer will diminish as Och-Ziff will hold a relevant interest in 27.4% of the enlarged issued capital of the Company.

Alternative transactions

If the Proposed Exchange is not approved by the Non-Associated Shareholders, the Company may seek alternative funding such as a private placement or a rights issue to fulfil its strategy in relation

³ In our opinion a shareholding above 50% of the equity capital on issue is considered to be a full controlling shareholding.

to the new ADHD portal. The potential dilution of alternative transactions may be greater for the Non-Associated Shareholders as compared with the Proposed Transaction. Rights issues and private placements for companies in the growth phase of their business cycle and with limited cash resources have been completed at a discount to the prevailing market price over the course of the last 6 to 12 months.

Furthermore, if the Proposed Bond Conversion is not approved, BRC will have to redeem the Convertible Bonds, which are not converted, upon expiry. This may represent a large funds outflow for the Company and it may require further funds to be raised to fulfil its redemption obligations under the Convertible Bonds.

Diversified operations

If the Proposed Exchange is approved and the development of the ADHD portal proceeds, BRC will be a more operationally diversified Company. BRC's potential increased opportunities for commercialisation may be to the advantage of the Non-Associated Shareholders.

Terms of the ECPS

The ECPS provide significant advantages to the Company due to the following:

- Unlike debt funding the ECPS will limit the cash outflows for the Company and it will allow BRC to dedicate the majority of the funds raised to create shareholder value; and
- Malta bears equity risk and shares in the benefits of the equity returns.

Terms of the Agreement

Under the terms of the Agreement, Malta has the right to appoint one director to the Board of BRC Focus out of a maximum of five directors. However, there are certain fundamental matters as set out in clause 5 of the Agreement that cannot be carried out or undertaken by BRC Focus without the prior written consent of Malta. The approval of these fundamental matters by Malta, effectively provide Malta with substantial influence over the operations of BRC Focus.

The Agreement also provides other punitive protection clauses to Malta in the form of anti-dilution and pre-emptive rights which reduces the marketability of BRC Focus Shares to potential investors.

Strong support from Och-Ziff

If the Proposed Exchange and the Proposed Bond Conversion are approved, Och-Ziff's interest will be further aligned with the Company and more incentivised to work towards the future success of BRC.

Diluted participation in the future growth of BRC

Non-Associated Shareholders' interest in BRC may be diluted down to a maximum of 72.6% of the voting rights as a result of Malta electing to exchange the ECPS into BRC Shares and the Subscribers electing to convert the Convertible Bonds into BRC Shares. Accordingly the Non-

Associated Shareholders may have collectively less influence and control over the future direction of the Company.

Furthermore, as previously discussed, the Proposed Transaction may potentially reduce the likelihood of a takeover offer being received as a result of the potential increased shareholdings of Och-Ziff and its associates.

Complex capital structure

If the Proposed Exchange is approved, the complexity of the capital structure of BRC will further increase as a result of the issue of A\$4 million of ECPS potentially exchangeable into 9,876,543 BRC Shares or convertible into 50% of the issued capital of BRC Focus. Companies with complex and highly dilutive capital structures tend to trade at a discount to their peers.

BRC Shareholders' position if the Proposed Exchange and the Proposed Bond Conversion are not approved

If the Proposed Exchange and the Proposed Bond Conversion are not approved, it would be the current directors' intention to continue operating the Company in line with its objectives. BRC Shareholders who retain their shares will continue to share in any benefits and risks in relation to BRC's ongoing business.

In this regard we note that Management of BRC have advised that the Company has made progress towards meeting the remaining conditions precedent for the issue of the second tranche of the Convertible Bonds to the Subscribers. Accordingly, the Company will benefit from a stronger relationship with Och-Ziff, a major global asset management firm.

Final agreements

We note that a number of the agreements underlying the Proposed Transaction are yet to be executed. In the event that the final terms of these documents differ from those detailed in this report and relied on by us, this may have a material impact on our opinion. In the event that there is a material change we will notify shareholders and consider the implications, if any, for our report.

Overall Conclusion

Based on the above, Grant Thornton Corporate Finance has concluded that the issue of BRC Shares to Och-Ziff and its associates upon exchange of the ECPS into BRC Shares and upon conversion of the Convertible Bonds is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

Other matters

Grant Thornton Corporate Finance has not provided any taxation advice in relation to the Proposed Transaction and the Proposed Bond Conversion. BRC Shareholders should consider the information contained in the Notice of Meeting and Explanatory Memorandum as well as seek their own taxation advice in relation to any potential taxation implications.

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the Proposed Exchange and the Proposed Bond Conversion is a matter for each BRC Shareholder based on their own views of value of BRC and expectations about future market conditions, BRC performance, risk profile and investment strategy. If BRC Shareholders are in doubt about the action they should take in relation to the Proposed Exchange and the Proposed Bond Conversion, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN
Partner



SCOTT GRIFFIN
Partner

27 October 2011

Financial Services Guide

i Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by BRC to provide general financial product advice in the form of an independent expert’s report in relation to the proposed transaction. This report is included in the Company’s Notice of Meeting and Explanatory Memorandum.

ii Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

iii General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

iv Remuneration

When providing the Report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from BRC a fixed fee in the range of \$30,000 to \$40,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

v Independence

Grant Thornton Corporate Finance is required to be independent of BRC in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with BRC (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

vi Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Transaction

1.1 Proposed Transaction

Brain Resource Limited (“BRC” or “the Company”) is primarily engaged in the clinical research and delivery of products and solutions in relation to brain health. BRC is listed on the Australian Securities Exchange (“ASX”) and has American Depository Receipts⁴ (“ADRs”) quoted on the United States over the counter (“OTC”) market. BRC had a market capitalisation of approximately A\$18.3 million as at 26 October 2011.

Och-Ziff Capital Management Group LLC (“Och-Ziff”) is a leading global institutional asset management firm with approximately US\$28.5 billion of assets under management as at 1 October 2011. On 14 June 2011, Och-Ziff, through certain investment funds controlled by Och-Ziff, agreed to subscribe for convertible bonds in BRC (“the Convertible Bonds”) which are convertible at the election of those investment funds into 24.7 million fully paid ordinary shares of BRC (or 21.21% of the enlarged share capital of BRC as at the date of this report) at a price of A\$0.405 (the “Proposed Bond Conversion”). The Convertible Bonds are issued in two equal tranches of A\$5 million each. The first tranche has already been drawn down by BRC.

In October 2011, BRC entered into a Subscription and Shareholders Agreement (“the Agreement”) with Malta Trading Platform Limited (“Malta”) an investment vehicle controlled by Och-Ziff to establish and conduct a joint venture to operate a business of developing, commercialising, marketing and supply of an attention deficit hyperactivity disorder (“ADHD”) portal product (“Proposed Transaction”).

Under the terms of the Agreement:

- BRC incorporated BRC Focus Pty Ltd (“BRC Focus”) on 4 October 2011 as a wholly owned subsidiary;
- BRC Focus will raise a total of A\$4 million before costs via the issue of exchangeable convertible preference shares (“ECPS”) to Malta;
- The ECPS are at Malta’s absolute discretion:
 - Exchangeable into fully paid ordinary shares in BRC (“BRC Shares”) at an exchange price of A\$0.405 per share; and/or
 - Convertible into 50% of the fully diluted ordinary shares of BRC Focus (“BRC Focus Shares”).
- The exchange or conversion of the ECPS may take place at any time and from time to time up to the date of maturity, which is 10 years from the date of issue.
- The A\$4 million raised will be applied to the development of the ADHD Portal; and

⁴ ADRs represent the ownership in the shares of a foreign company trading on US financial markets. ADRs enable US investors to buy shares in foreign companies without undertaking cross border transactions. ADRs are denominated in US dollars and pay dividends in US dollars.

- BRC's contribution to BRC Focus will be by way of providing a perpetual, royalty free, exclusive and non-transferable licence ("BRC Licence") to its relevant platform content for exclusive use in the ADHD parent market (the "Contributed IP"). The Contributed IP together with the A\$4 million raised from the issue of the ECPS, will be applied to the development the new ADHD portal.

The Board composition and Management of BRC is not expected to change as a result of the Proposed Transaction. Malta is entitled to appoint one director to the Board of BRC Focus.

If Malta elects to exchange the ECPS for BRC Shares based on the capital of BRC as at the date of this report, the Company will issue 9,876,543 ordinary shares representing approximately 9.7% of the enlarged share capital. As a consequence, Och-Ziff and its associates may potentially increase their shareholding in the Company from below 20% to above 20% or from a starting point between 20% and 90% of the enlarged share capital together with the conversion of Convertible Bonds. Accordingly, the issue of BRC Shares upon exchange of the ECPS, and upon conversion of the Convertible Bonds, is subject to the approval of BRC Shareholders not associated with Och-Ziff ("the Non-Associated Shareholders") in accordance with item 7 of section 611 of the Corporations Act.

1.2 Key terms of the Agreement

In October 2011, Malta, BRC and BRC Focus entered into the Agreement, where BRC Focus agreed to issue Malta with 4,000,000 ECPS at A\$1.00 per ECPS to raise A\$4million subject to the following conditions precedents being met:

- Approval from the shareholders of BRC in relation to item 7 of section 611 of the Corporations Act in the event the ECPS are exchanged for BRC Shares;
- Finalisation of the initial business plan of BRC Focus to the satisfaction of Malta and BRC;
- Entry into a perpetual, royalty free, exclusive and non-transferable licence to be granted by BRC to BRC Focus to allow BRC Focus to access and relevant BRC platform content for supply to the ADHD parent market;
- No material adverse change in relation to BRC, or any material adverse change in relation to the prospects of the proposed business to be conducted by BRC Focus; and
- The ASX not indicating to BRC or BRC Focus that it will refuse to grant quotation of the BRC Shares issued on exchange of the ECPS or otherwise make quotations subject to conditions that are, in the reasonable opinion of Malta, unduly onerous.

Under the terms of the Agreement, BRC and Malta have agreed to the following additional key terms:

- The maximum number of directors of BRC Focus is five, unless the Board determines otherwise. Malta has the right to appoint one director to the Board of BRC Focus;

- The shareholders of BRC Focus must use all reasonable endeavors to ensure that BRC Focus conducts its business in accordance with the business plan;
- Certain fundamental matters as set out in clause 5 of the Agreement cannot be carried out or undertaken by BRC Focus without the prior written consent of Malta. The fundamental matters include but are not limited to:
 - New issues of shares;
 - Financial accommodation;
 - Dividends declaration; and
 - Mergers, reconstructions, listing and winding-up of BRC Focus.
- BRC will pay 100% of the transaction costs incurred by BRC, BRC Focus and Malta in conjunction with the Proposed Transaction assuming the purchase of the ECPS occurs.

1.3 Terms of the ECPS

Set out below is a summary of the key terms of the ECPS issue:

ECPS Terms	
Maturity	10 years from the date of issue of the ECPS (the “Maturity Date”)
Exchange/Conversion terms	At Malta’s discretion, the ECPS are either: <ul style="list-style-type: none"> i. Exchangeable into BRC Shares; or ii. Convertible into BRC Focus Shares, at any time and from time to time until the Maturity Date. Any un-exchanged or unconverted ECPS at the maturity date will convert into BRC Focus Shares
Exchange/Conversion price	The ECPS are: <ul style="list-style-type: none"> i. Exchangeable into BRC shares at \$0.405 per share (the “Exchange Price”) and/or; ii. Convertible into BRC Focus Shares at a per share price representing 50% of the fully diluted shares of BRC Focus on issue upon conversion of the ECPS (the “Conversion Price”) assuming all ECPS are converted for BRC Focus Shares.
Anti-dilution	The Exchange Price and the Conversion Price are subject to adjustment for standard dilutive events including subdivision, consolidation and reclassification, bonus issues and capital distributions. The Conversion Price is subject to full ratchet protection for any issuance of equity securities by BRC Focus at a discount to the then applicable conversion price. Exchange Price is subject to full ratchet protection for any issuance of equity securities by BRC at a discount to 5 days VWAP. The anti-dilution clause will not apply to any shares issued by BRC Focus

	under an ESOP approved by Malta for up to 5% of the total BRC Focus Shares on issue.
Pre-emptive rights	Malta will have pro-rata pre-emptive rights in respect of any new issuances of equity, equity-linked and debt securities/instruments in BRC Focus.
Expenses	BRC shall pay for 100% of the out of pocket fees and expenses of Malta and BRC Focus arising out of the Proposed Transaction if the closing of the purchase of the ECPS occurs.

1.4 Key Terms of the BRC Licence

BRC and BRC Focus are entering into a perpetual, royalty free, exclusive and non-transferable licence agreement allowing BRC Focus limited access to relevant BRC platform content for launching the ADHD portal for the parent market. Other key terms of the BRC Licence are set out below:

- BRC Focus must reimburse BRC for any third party out-of-pocket costs and expenses incurred at a cost plus 10% basis for the supply under the BRC Licence;
- In relation to WebNeuro⁵ reports accessed and used under the BRC Licence by BRC Focus, BRC Focus must pay BRC a nominal processing fee of A\$1 per WebNeuro report;
- Other services provided by BRC to BRC Focus will be provided at cost; and
- The BRC Licence will not include any products that may arise from the iSPOT study⁶, and any such inclusion in the future will be subject to agreement between the parties as and when applicable products are developed.

1.5 Previous recent transaction with Och-Ziff and its associates

On 14 June 2011, BRC announced that Sculptor Finance (MD) Ireland, Sculptor Finance (AS) Ireland Limited and Sculptor Finance (SI) Ireland Limited (collectively the “Subscribers”) agreed to acquire A\$10 million principal amount of convertible bonds in BRC. The investment manager of the Subscribers is OZ Management LP, an operating company of Och-Ziff.

⁵ WebNeuro is an internet-based brain assessment software which provides reports of cognitive strengths and weakness based on an online assessment.

⁶ iSPOT study refers to the research and development currently being undertaken by BRC on treatment prediction products for depression and ADHD.

The key terms of the Convertible Bonds are set out in the table below:

	Tranche 1	Tranche 2
Issue date	14 June 2011	Conditions that require satisfaction before issuance: 1) appointment of CEO for Brain Resources Inc.; and 2) development of a consumer business plan for Brain Resources Inc (to be developed)
End date	14 June 2016	14 June 2016
Issue size	A\$5,000,000	A\$5,000,000
Issue price	A\$100,000	A\$100,000
Coupon	Nil	Nil
Conversion price	A\$0.405 per share	A\$0.405 per share
Conversion period	Convertible any time prior to 14 June 2016	Convertible any time prior to 14 June 2016

Source: BRC Annual Report 2011

The issue of the Convertible Bonds consists of two tranches of A\$5 million each. The first tranche was issued on 14 June 2011. The issue of the second tranche remains subject to a number of conditions precedents including the approval by the Subscribers of:

- the appointment of a Chief Executive Officer (“CEO”) for BRC’s US subsidiary; and
- the consumer business plan in the US.

Management of the Company have advised that progress has been made towards meeting these objectives.

If the Subscribers convert all of the Convertible Bonds into BRC Shares, the Company will issue 24,691,358 ordinary shares representing approximately 21.21% of the enlarged share capital. As a consequence, Och-Ziff and its associates may potentially increase their shareholding in the Company from below 20% to above 20% or from a starting point between 20% and 90% of the enlarged share capital together with the exchange of the ECPS. Accordingly, the issue of BRC Shares upon exchange of the ECPS, and upon conversion of the Convertible Bonds, is subject to the approval of BRC Shareholders not associated with Och-Ziff in accordance with item 7 of section 611 of the Corporations Act.

1.6 Och-Ziff position following the completion of the Proposed Transaction and the Proposed Bond Conversion

If the Proposed Bond Conversion and Proposed ECPS Conversion are completed, we note the following:

- Subject to any adjustments in accordance with the terms of issue of the ECPS, Och-Ziff and its associates will have a potential ownership interest in 34,567,901 BRC Shares, representing 27.4% of the enlarged capital base of BRC. This comprises:
 - 9,876,543 shares as a result of the potential exchange of the ECPS into BRC Shares; and
 - 24,691,358 shares as a result of the potential conversion of the Convertible Bonds held by the Subscribers into BRC Shares.
- Malta may elect to convert the ECPS into BRC Focus Shares to a maximum of 50% of the share capital (assuming that all ECPS are converted into BRC Focus Shares). Under these circumstances, Och-Ziff and its associates' shareholding in BRC will be a maximum of 21.2% of the enlarged share capital assuming the conversion of the Convertible Bonds.

2 Scope of the report

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and Regulatory Guide 111 "Content of expert reports" ("RG 111") issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Item 7 of Section 611 of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated shareholders. The Independent Directors (directors not associated with the proposal) may satisfy their obligations to provide such an analysis by either:

- commissioning an independent expert's report; or
- undertaking a detailed examination of the proposal themselves and preparing a report for the non-associated shareholders.

If the ECPS are exchanged for BRC Shares and the Convertible Bonds are converted into BRC Shares, Och-Ziff and its associates will increase their shareholding in the Company to 27.4% of the enlarged share capital. Accordingly, the Directors of BRC have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the issue of BRC Shares to Och-Ziff and its associates upon exchange of the ECPS into BRC Shares ("the Proposed Exchange") and upon conversion of the Convertible Bonds ("the Proposed Bond Conversion") is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

2.1 Basis of assessment

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 111, which states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. Accordingly, we have assessed the Proposed Exchange with reference to Section 640 of the Corporations Act.

RG 111 states that:

- an offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company;

- an offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
 - the offeror's pre-existing entitlement, if any, in the shares of the target company;
 - other significant shareholding blocks in the target company;
 - the liquidity of the market in the target company's securities;
 - taxation losses, cash flow or other benefits through achieving 100% ownership of the target company;
 - any special value of the target company to the offeror, such as particular technology and the potential to write off outstanding loans from the target company;
 - the likely market price if the offer is unsuccessful; and
 - the value to an alternative offeror and likelihood of an alternative offer being made.

In considering whether the Proposed Exchange and the Proposed Bond Conversion are fair to the Non-Associated Shareholders we have compared the fair market value per BRC share (on a control basis) to the exchange/conversion price of A\$0.405 per share. In considering whether the Proposed Exchange and the Proposed Bond Conversion are reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- whether the Proposed Exchange and the Proposed Bond Conversion are fair;
- the implications of Och-Ziff and its associates increasing their holding to a maximum of 27.4% of the total issued capital of BRC;
- the implications to BRC and the Non-Associated Shareholders if the Proposed Exchange and the Proposed Bond Conversion are not approved;
- other likely advantages and disadvantages associated with the Proposed Exchange and the Proposed Bond Conversion as required by RG111; and
- other costs and risks associated with the Proposed Exchange and the Proposed Bond Conversion that could potentially affect the Non-Associated Shareholders of BRC.

2.2 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 “Independence of Expert’s Reports” (“RG 112”).

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction and the Proposed Bond Conversion.

2.3 Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around 31 October 2011 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Exchange and the Proposed Bond Conversion.

This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of General Meeting and Explanatory Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Exchange and the Proposed Bond Conversion to BRC Shareholders as a whole. We have not considered the potential impact of the Proposed Exchange and the Proposed Bond Conversion on individual BRC Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Exchange and the Proposed Bond Conversion on individual shareholders.

The decision of whether or not to approve the Proposed Exchange and the Proposed Bond Conversion is a matter for each BRC Shareholder based on their own views of value of BRC and expectations about future market conditions, BRC’s performance, risk profile and investment strategy. If BRC Shareholders are in doubt about the action they should take in relation to the Proposed Exchange and the Proposed Bond Conversion, they should seek their own professional advice.

3 Profile of the mental health industry in the United States

BRCA is primarily engaged in the research and development of products and solutions related to brain health and fitness. BRC also undertakes large scale personalised medicine trials including the largest treatment marker study in depression and ADHD. The majority of the Company's revenues are earned in the United States. Accordingly this section provides a snapshot of the brain fitness industry in the U.S. and the prevalence of ADHD and depression in the U.S.

3.1 Brain Fitness

BRCA's primary market segment is the brain fitness industry in the U.S. Brain fitness is a developing industry focused on understanding the complexities of the human brain including how it functions and develops over time, and subsequently designing and creating exercises around this understanding to improve cognitive abilities and brain functionality.

The four primary consumer segments within the brain fitness industry include school systems, employers, individual consumers, and the healthcare industry (e.g. insurers and practitioners). The aging population of the U.S. is currently the greatest driver of growth in the industry, as seniors search for ways to retain mental agility and health as they age. An increasing number of companies are entering the market, offering products geared toward exercises to improve brain health. In addition to targeting adults over 50, companies are also focusing on school systems and designing brain fitness software for children with dyslexia and related learning difficulties. Furthermore, employers are starting to expand their use of brain fitness in the work place to promote and challenge intellect, efficiency, and focus among its workforce.

Recent major policy reforms in the U.S. are likely to increase the adoption of brain fitness tools in the future as the government strives for wellness initiatives and overall health reform. The focus of these reforms is to reduce future healthcare burdens by offering preventative tools and solutions. Health insurers are also increasing participation within the industry.

The availability of online databases and computerised brain fitness tools will also be a key determinant in the growth of this market. Innovative products continue to enter the digital market and include:

- Brain fitness games for seniors designed to stimulate cognitive processes;
- Assessment tests for employees designed to identify strengths and weaknesses and implement exercises to improve these areas;
- Tests designed to compare treatments for ADHD, depression, and other disorders in order to properly diagnosis and treat patients;
- Tests designed to detect early signs of Alzheimer's disease; and
- Personalised plans created for individuals to optimise cognitive and emotional health.

Although this industry is still in its infancy, the potential for growth and market acceptance is increasing. The demand for this industry, driven by an aging population and the search for

preventative health solutions to lower future healthcare burdens, should continue to rise as clinical validation continues and innovative tools enter the mainstream market.

3.2 Prevalence of ADHD and depression in the United States

A significant portion of BRC's business focuses on ADHD and depression. As such, the following section provides a brief overview of the prevalence of ADHD and depression in the U.S.

3.2.1 Attention Deficit Hyperactivity Disorder

According to the Center for Disease Control and Prevention ("CDC"), 3% to 7% of school-aged children in the U.S. have been diagnosed with ADHD, and estimates based on less restrictive criteria are as high as 16% of children. Rates of ADHD diagnosis in the U.S. increased an average of 3% per annum from 1997 to 2006, and an average of 5.5% per annum from 2003 to 2007. Boys are more than twice as likely to be diagnosed with ADHD as girls and rates of diagnosis increased at a greater rate among older teens compared to younger children.

Few studies of adult prevalence are available, but according to the Agency of Health Care Policy and Research, most adult ADHD studies estimate that the persistence of ADHD from childhood to adulthood ranges between 30% and 70% of cases. ADHD is associated with a range of negative outcomes for adults including relatively high rates of criminality, poor job performance, lower occupational and educational status, problems with social skills, and co-morbid psychiatric disorders.

A study⁷ was performed in the U.S. to provide an estimate of the cost of ADHD, considering both costs for treatment and healthcare and work loss costs of person with ADHD and/or costs imposed on immediate family members. The research focused on patients from ages 7 to 44 years and their family members under the age of 65. The findings concluded that the total excess cost of ADHD in the U.S. in 2000 was US\$31.6 billion. The cost segmentation of the illness is as follows:

- US\$1.6 billion was for ADHD treatment of patients;
- US\$12.1 billion was for all other healthcare costs of persons with ADHD;
- US\$14.2 billion was for all other healthcare costs of family members of persons with ADHD; and
- US\$3.7 billion was for the work loss cost of adults with ADHD and adult family members of persons with ADHD.

Of the total US\$31.6 billion associated with ADHD, approximately half (US\$16.3 billion) was attributable directly to persons with the disorder and half to family members of persons with the disorder. While approximately 10% of the US\$16.3 billion was directly related to the treatment of ADHD, a significant portion (approximately 75%) was attributable to the costs of treating other

⁷ Birnbaum, Kessler, Lowe, Secnik, Greenberg, Leong, Swensen. Costs of Attention Deficit-Hyperactivity Disorder in the US: Excess Costs of Person with ADHD and their Family Members in 2000, 2005.

medical conditions (e.g. anxiety disorders, depression). Adults, due primarily to the costs associated with work loss, accounted for approximately 77% of the total cost.

In addition to the direct costs measured in this study, consideration also needs to be given for other societal burdens imposed by ADHD including:

- Increased costs for school systems to customise learning curricula for ADHD students;
- Higher incidence of delinquent behaviour among those diagnosed with ADHD, adding to the costs of law enforcement and social service systems; and
- Lower income and educational disparities for those diagnosed with the condition.

The results of the study illustrate the substantial annual costs associated with ADHD in the U.S. and emphasise the need for more reliable, effective long-term treatment options. Both treated and untreated persons with ADHD impose considerable economic burdens on the healthcare system as a result of this condition. Moreover, given that a significant portion of the costs associated with ADHD is attributable to adults versus children, timely diagnosis and effective treatment of children with the disorder may help mitigate the severity of the condition; thus, lowering the future economic burden associated with the disorder.

3.2.2 Depression

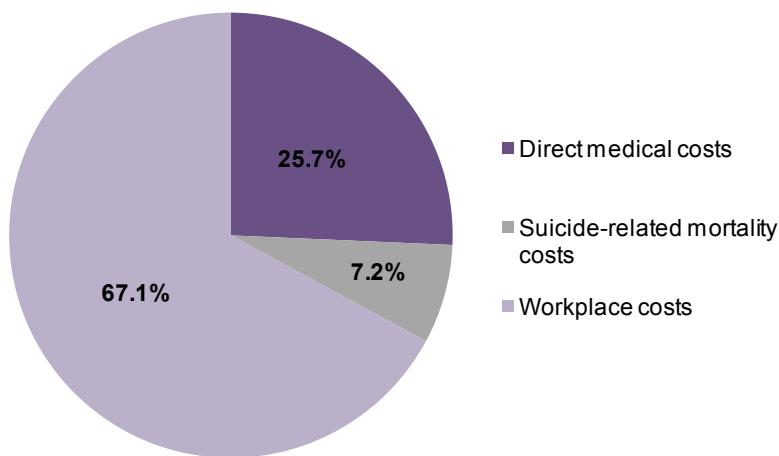
CDC analysed Behavioural Risk Factor Surveillance System (“BRFSS”) survey data from 2006 to 2008 and found that among 235,067 adults surveyed in 45 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, 9.0% met the criteria for current depression and of those, 3.4% met the criteria for major depression. Increased prevalence of depression was found in the south eastern states, where a greater prevalence of chronic conditions associated with depression was observed (e.g. obesity and stroke).

According to the BRFSS study by the CDC, the prevalence of major depression increased with age; 2.8% of individuals aged 18-24 years reported major depression in comparison to 4.6% of individuals aged 45-64 years. However, incidence declined to 1.6% among those 65 years or older. The study also found that the incidence of other depression, categorised as less severe than major depression, was highest among individuals aged 18-24 years at 8.1%.

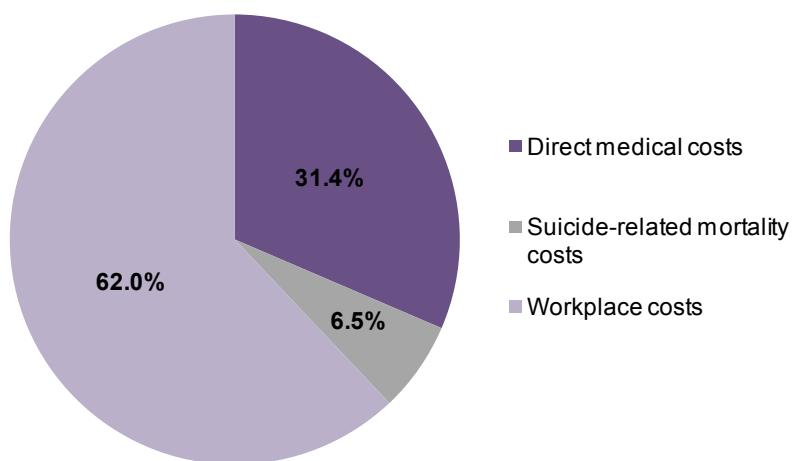
In 1990, an analysis by Greenberg et al.⁸ estimated the economic burden of depression in the U.S. to be US\$43.7 billion, including direct treatment costs, lost earnings due to depression-related suicides, and indirect workplace costs. This figure was later increased to US\$52.9 billion in a subsequent study performed by the same researchers using updated prevalence rate data from the National Comorbidity Survey. Ten years later, the same researchers updated the cost estimates using epidemiologic data and publicly available population wage, and cost information in 2000. The research found that although the treatment of depression increased by over 50%, the economic burden of depression only rose by 7%, increasing from US\$77.4 billion (inflation adjusted dollars) in 1990 to US\$83.1 billion in 2000.

⁸ Greenberg, Stiglin, Finkelstein, et al. The Economic Burden of Depression in 1990. *J Clin Psychiatry* 1993.

The following chart illustrates the segmentation of depression-related costs in 1990:



The following chart illustrates the segmentation of depression-related costs in 2000:



Direct costs increased by approximately US\$6.2 billion (inflation adjusted dollars) from 1990 to 2000, primarily as a result of an increase in sales of antidepressants over the 10 year period. Suicide-related mortality costs decreased on a relative and absolute basis over the period as a result of approximately 1,400 fewer suicides in 2000 than in 1990. Workplace costs accounted for over 60% of the economic burden in both years of the analyses, and remained relatively stable in actual costs over the decade, declining from US\$51.9 billion in 1990 to US\$51.5 billion in 2000.

4 Profile of BRC

4.1 Corporate overview

BRCA is listed on the ASX and primarily focused on the research and development of fitness products and solutions for brain health. The Company's products and services are based on its integrated human brain database (the "BRCA Database"), the first and largest of its kind in the world.

The BRCA Database is a fully integrated and standardised database consisting of over 120,000 datasets obtained through funded studies and BRCA's collaborative research networks. Data collected comprises genomic information, electrical brain and body function measures, structural and functional magnetic resonance imaging, cognitive and medical history data on subjects aged 6 to 100. Subjects include those who are healthy and those that experience a brain-related illness such as depression, brain injury, ADHD, post-traumatic stress disorder ("PTSD"), and mild cognitive impairment. An independent scientific network ("BRAINnet") oversees access to the BRCA Database for scientific purposes.

4.1.1 Current products and services

BRCA currently offers two core products and services underpinned by the BRCA database:

- **WebNeuro** – an internet based brain assessment that provides qualitative objective information about a patient's cognitive strengths and weaknesses to clinicians and other health professionals. In FY11, WebNeuro was used by 56 clinical user groups.

The WebNeuro account management portal was released in FY11 and provides users with enhanced payment register and troubleshooting features, to support the growth and adoption of WebNeuro report by users.

- **MyBrainSolutions** – an internet based brain training portal focused on enhancing workplace productivity and wellbeing. MyBrainSolutions engages the user through a series of questions and activities to holistically access the user's strengths and weaknesses before matching them to a personalised program of online brain training exercises and educational videos.

MyBrainSolutions was awarded the SharpBrains Brain Fitness Innovation Award in 2010, and recognised as a sole leader in the corporate employer sector. SharpBrains is the leading independent research body for the US brain fitness market.

Currently, MyBrainSolutions is utilised by 8 corporate employers, and covers over 110,000 employees. MyBrainSolutions charges a fixed monthly fee on a per user basis.

As an add-on to MyBrainSolutions, BRCA also offers MyCalmBeat (introductory retail price of US\$49.50). MyCalmBeat is a brain optimisation tool that monitors a user's breathing and heart rate patterns to identify the breathing rate where the user is most calm. The user is then encouraged to breathe at the identified rate regularly to help manage stress and improve performance. The product is currently being marketed direct to consumers via Google words, Linked-In and other initiatives.

In January 2008, BRC entered into an exclusive three year distribution agreement with one of US's largest health and wellbeing companies, OptumHealth. Under the agreement, BRC's WebNeuro and MyBrainSolutions were incorporated into select OptumHealth offerings in the US Managed Care market for an annual license fee which amounted to approximately US\$6 million over the three year term. The exclusive distribution licence has since expired allowing BRC to pursue multiple distribution channels.

4.1.2 Current research and studies underway

BRCA is currently engaged in the research and development of a treatment prediction product for depression and ADHD ("iSPOT") that is currently in the research phase and is the largest international study of its type. The aim of the study is to identify objective and biologically based tests and measures ("Biomarkers") which can help predict how different people with depression or ADHD will react to different medications and determine when one treatment option might be more beneficial than another.

The iSPOT Study of the first 1,000 depression and 150 ADHD patients has been completed and BRC have progressed to analysing the collected data. BRC intends to use the data collected to develop a Depression Brain Test and have requested a meeting with the US Food and Drug Administration ("FDA") termed a "Pre IDE" meeting to discuss proposed claims for acceptance. BRC intends to capitalise on the findings from its iSPOT study mainly in the following ways:

- Develop entirely new diagnostic products or add-ons such as the Depression Test;
- Use of iSPOT Biomarkers by major Pharmaceutical companies in drug development or other licencing opportunities; and
- Leverage off existing iSPOT study findings to request additional funding from Pharmaceutical companies, private foundations and the US Federal government for other iSPOT studies using BRC methodology and database. BRC received US\$18 million funding from a European Biotechnology Company for the current iSPOT depression and ADHD study.

4.2 Financial information

4.2.1 Comprehensive income

The following table summarises the audited income statements of BRC for FY09, FY10 and FY11:

BRC Statement of comprehensive income	Audited 30-Jun-09 (A\$'000s)	Audited 30-Jun-10 (A\$'000s)	Audited 30-Jun-11 (A\$'000s)
Brain training platforms	-	33	211
Clinical decision support	2,766	3,808	2,144
Treatment prediction research	3,467	3,679	2,959
Discovery research	-	98	191
Sale of equipment	85	96	30
Government grants	200	161	(75)
Revenue and other income	6,519	7,875	5,459
Cost of sales - third party commissions	(499)	(377)	(290)
Gross profit	6,019	7,498	5,169
Insurance and professional fees	(329)	(338)	(344)
Rent, supplies & office costs	(195)	(222)	(258)
Salaries and consultancy fees	(3,623)	(3,071)	(2,595)
Marketing and agent support	(112)	(412)	(396)
Communications	(92)	(98)	(120)
Travel	(190)	(210)	(153)
Foreign exchange gains/ (losses)	2,044	(523)	(1,018)
Share based payments	(59)	(55)	(51)
Other	(30)	(52)	(55)
Total expenses	(2,586)	(4,983)	(4,990)
EBITDA	3,433	2,515	179
Depreciation and amortisation	(140)	(149)	(161)
EBIT	3,293	2,365	18
Interest income	836	270	192
Finance costs	-	-	(13)
Income tax benefit/ (expense)	67	(422)	72
NPAT	4,195	2,214	269

Source: BRC annual reports

We note the following in relation to BRC's income statements:

FY10

- The increase in revenue was primarily driven by strong growth in license fees under BRC's exclusive distribution agreement with OptumHealth;
- BRC's new online brain training product, MyBrainSolutions.com ("MyBrainSolutions") commenced sales into the US employer market. BRC established contracts and commitments with five multinational firms to use MyBrainSolutions;
- Total expenses excluding foreign exchange reduced by 5% from approximately A\$5.27 million in 2009 to A\$4.99 million in 2010, despite a 202% increase in marketing and agent support expenses. This was mainly due to decreased salaries and consultancy fees as a result of a reduction in number of full time employees as part of BRC's transition from a development to a product and sales phase;
- Decrease in foreign exchange of approximately 126% was primarily due to the appreciation of the Australian dollar against the US dollar adversely impacting on BRC's US cash holdings; and

FY11

- Brain training platform revenue increased significantly with revenues driven by corporate employer contracts.
- Clinical decision support revenue declined by 44% in the year due mainly to BRC's shift from a single exclusive distributor, OptumHealth, to multiple distributors. In 2011 the exclusive distribution licence granted to OptumHealth expired and the decision was taken not to renew it. The OptumHealth licence fee contributed A\$1.7 million in FY11 compared to A\$3.3 million in FY10.
- Treatment prediction research revenues decreased by 20% in the year as the iSPOT revenues are recognised based on the stage of completion of the project. 325 fewer assessments were carried out in FY11 as recruitment levels can be highly variable.
- Discovery research relates to the use of BRC's platforms by academic researchers. For projects in which BRC has an interest in the data, the platforms are offered free of charge in exchange for access to the data generated, otherwise a fee is charged and
- Total expenses excluding foreign exchange reduced by 11% from approximately A\$4.99 million in 2010 to A\$4.44 million in 2011, due mainly to reduction in full time staff and cost of sales as part of BCR's continuing transition from a development to a product and sales phase.

4.2.2 Financial position

The audited balance sheets of BRC as at 30 June 2010 and 30 June 2011 are set out below:

BRCAudited Statement of financial position	30-Jun-10 (A\$'000s)	Audited 30-Jun-11 (A\$'000s)
Current assets		
Cash & cash equivalents	11,302	8,414
Receivables	991	433
Inventories	42	39
Other	14	15
	12,349	8,902
Non-current assets		
Plant and equipment	645	534
Intangibles	15,661	19,749
Other	3	3
	16,309	20,286
Total assets	28,658	29,187
Current liabilities		
Payables	9,202	5,113
Provisions	398	420
	9,599	5,533
Non-current liabilities		
Payables	4,949	4,449
Convertible bonds	-	3,185
Deferred tax liability	72	-
Provisions	170	180
	5,191	7,814
Total liabilities	14,791	13,347
Net assets	13,867	15,840
Equity		
Contributed equity	16,834	18,487
Accumulated losses	(3,228)	(2,959)
Other reserves	261	312
	13,867	15,840

Source: BRC annual reports

We note the following in relation to the balance sheets above:

- Increase of approximately A\$4.2 million in intangible assets relate to capitalised development costs in relation to the BRC Database and associated analysis tools;
- Reduction in current liability payables is due mainly to a reduction in unearned income from approximately A\$7.9 million in 2010 to A\$3.9 million in 2011. Unearned income relates to an exclusive research contract agreement BRC entered into in FY07 to identify diagnostic and treatment response brain biomarkers in two disorders and four drugs. The term of the research project is 15 years with payment of the contract received in advance;
- Non current payables of \$4.5 million as at 30 June 2011 relates to unearned income for the research contract mentioned above; and
- In FY11, Och-Ziff managed funds subscribed for A\$10 million of Convertible Bonds to be issued in two tranches. The first tranche of A\$5 million was issued in June 2011. The

contributed equity account was increased by approximately A\$1.7 million to account for the equity component, and non-current liabilities was increased by approximately A\$3.2 million for the fair value of the debt component of convertible bonds issued. The terms of the Convertible Bonds are set out in Section 4.3.1 below.

4.3 Capital Structure

As at 30 June 2011, BRC had on issue:

- 91,714,454 BRC Shares;
- 8,721,500 Options (“Options”); and
- Convertible Bonds comprising of two tranches:
 - 50 Convertible Bonds convertible into a maximum of 12,345,679 BRC Shares;
 - A conditional undrawn convertible bond facility for the issue of a further 50 Convertible Bonds at a price of A\$100,000 per note, convertible into a maximum of 12,345,679 BRC Shares.

4.3.1 Convertible Bonds

The key terms of the Convertible Bonds are set out in the table below:

	Tranche 1	Tranche 2
Issue date	14 June 2011	Conditions that require satisfaction before issuance: 1) appointment of CEO for Brain Resources Inc.; and 2) development of a consumer business plan for Brain Resources Inc (to be developed)
End date	14 June 2016	14 June 2016
Issue size	A\$5,000,000	A\$5,000,000
Issue price	A\$100,000	A\$100,000
Coupon	Nil	Nil
Conversion price	A\$0.405 per share	A\$0.405 per share
Conversion period	Convertible any time prior to 14 June 2016	Convertible any time prior to 14 June 2016

Source: BRC Annual Report 2011

The proceeds from the Convertible Bonds are to be used for funding general working capital and to implement a business expansion plan.

4.3.2 Options

The key terms of the BRC's Options are set out in the table below:

Grant date	Exercise price	Expiry date	Number of options
26 Oct 06	0.50	26 Oct 11	3,500,000
09 Nov 06	0.40	09 Nov 11	1,676,500
08 Mar 07	0.50	08 May 12	475,000
17 Oct 07	0.55	17 Oct 12	100,000
24 Dec 07	0.70	24 Dec 12	1,090,000
24 Nov 09	0.45	24 Nov 14	1,000,000
16 Feb 11	0.43	16 Feb 16	880,000
Total number of options			8,721,500

Source: BRC Annual Report 2011

4.3.3 BRC share ownership

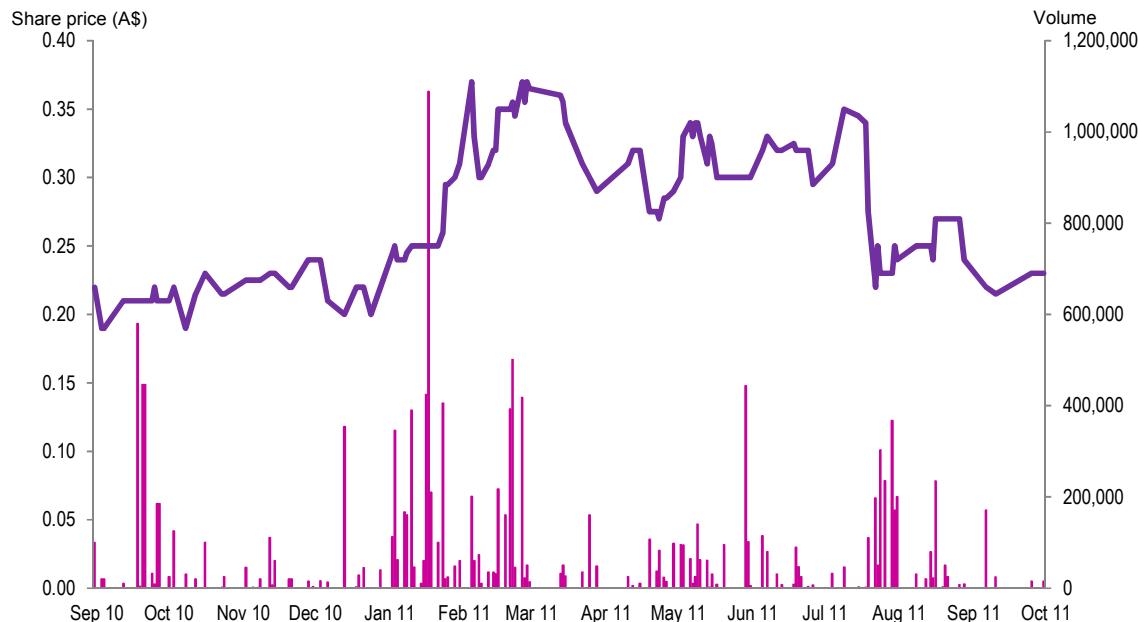
The top 10 shareholders of BRC as at 30 July 2011 are set out below:

Shareholder	No of shares	% of issued shares
Spinite Pty Ltd	16,338,231	17.8%
Dr Evian Gordon	10,427,748	11.4%
Stuttgart Pty Ltd	9,390,416	10.2%
Dan Segal	5,731,250	6.2%
Citicorp Nominees Pty Ltd	2,795,330	3.0%
Dr Chris Rennie	2,357,916	2.6%
Red Star Developments Pty Ltd	2,231,650	2.4%
Professor Peter Robinson	2,000,000	2.2%
Digue Pty Ltd	1,782,917	1.9%
HSBC Custody Nominees Ltd	1,680,000	1.8%
Total Top Ten Shareholders	54,735,458	59.7%
Other Shareholders	36,978,996	40.3%
Total	91,714,454	100.0%

Source: BRC Annual Report 2011

4.3.4 BRC share price

The daily movements in BRC's share price and trading volumes for the year to 14 October 2011 are set out below:



Source: Capital IQ

We note the following with regard to the share price history shown above:

Date	Comments
18 August 2011	BRC released their annual report for FY11 and announced a full year profit of A\$1.3 million. The share price closed at A\$0.250.
14 June 2011	BRC announced that Och-Ziff Capital Management Group have agreed to acquire A\$10 million principal amount of convertible bonds in BRC. The bonds convert at a price of A\$0.405 per BRC share, have 5 year term and no coupon payable. Full conversion would equate to approximately 21% shareholding in BRC. The share price closed at A\$0.300.
23 March 2011	BRC announced that its brain test for diagnosing and predicting subjects with attention deficit hyperactivity disorder ("iSPOT-ADHD") has completed its 150 th clinical subject acquisition which is a significant milestone for iSPOT-ADHD. The share price closed at A\$0.360.
14 March 2011	BRC announced that US communications network company Cisco Systems has launched BRC's web consumer product, www.MyBrainSolutions.com ("MyBrainSolutions") to 40,000 of its US employees. The share price closed at A\$0.370.
9 March 2011	BRC announced that US pharmaceuticals company AstraZeneca Pharmaceuticals has launched BRC's MyBrainSolutions to 4,000 of its US employees. The share price closed at A\$0.350.
7 March 2011	BRC announced that its shares were to begin trading on the US Over-The-Counter ("OTC") as ADRs. The share price closed at A\$0.350.
22 February 2011	BRC released their half-yearly report and accounts. The share price closed at A\$0.330.
31 January 2011	BRC announced that analysis for the depression Brain Test for FDA submission had begun. The Company indicated that it expected to be in a position to file for FDA approval to market the new Brain Test in April 2011. The share price closed at A\$0.250 cents.
28 October 2010	BRC released an update on its operations and announced a closing September quarter cash balance of A\$9 million. The share price closed at A\$0.215.

Source: ASX announcements

The share performance of BRC in the year to October 2011 is set out below:

BRC	Share Price			Average weekly volume 000'
	High \$	Low \$	Close \$	
Month ended				
Jan 2011	0.25	0.20	0.25	542
Feb 2011	0.37	0.24	0.31	939
Mar 2011	0.38	0.31	0.36	756
Apr 2011	0.34	0.29	0.32	250
May 2011	0.34	0.27	0.33	289
Jun 2011	0.35	0.28	0.32	458
Jul 2011	0.35	0.30	0.35	161
Aug 2011	0.35	0.22	0.25	679
Sep 2011	0.29	0.21	0.22	303
Oct 2011	0.23	0.23	0.23	75
Week ended				
12 Aug 2011	0.28	0.22	0.23	785
19 Aug 2011	0.25	0.23	0.25	738
26 Aug 2011	0.25	0.25	0.25	30
2 Sep 2011	0.29	0.24	0.29	357
9 Sep 2011	0.27	0.27	0.27	78
16 Sep 2011	0.27	0.24	0.24	16
23 Sep 2011	0.22	0.21	0.22	171
30 Sep 2011	0.22	0.22	0.22	24
7 Oct 2011	-	-	0.22	-
14 Oct 2011	0.23	0.23	0.23	15

Source: Capital IQ

5 Valuation methodologies

5.1 Introduction

In accordance with our adopted valuation approach as set out in section 2.1, our fairness assessment involves comparing the fair market value per BRC Share (on a control basis) to the exchange/conversion price of A\$0.405 per share for the purpose of section 611 (7) of the Corporations Act.

Grant Thornton Corporate Finance has assessed the value of BRC Shares using the concept of fair market value. Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- amount available for distribution to security holders on an orderly realisation of assets;
- quoted price for listed securities, when there is a liquid and active market; and
- any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.3 Selected valuation methods

5.3.1 BRC Shares

Grant Thornton Corporate Finance has selected the quoted price of listed securities as the primary approach to assess BRC's equity value. We note that whilst the Convertible Bonds were issued in June 2011, BRC is only seeking shareholders approval for their conversion into ordinary shares of BRC as at the date of this report. Accordingly, in our share price analysis, we have only considered the current share price of BRC.

We have cross-checked our valuation assessment of BRC based on the share price having regard to a desk-top DCF methodology.

6 Valuation assessment of BRC shares

6.1 Quoted securities

In our assessment of the fair market value of BRC Shares, we have had regard to the trading prices of the listed securities quoted on the ASX.

In accordance with the requirements of RG111, we have considered the listed securities' depth, liquidity, and whether or not the market value is likely to represent the underlying value of BRC.

The following table summarises the monthly trading volume of BRC Shares since September 2010:

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of outstanding shares
Sep 2010	555.32	0.2080	115.49	1.4%
Oct 2010	2,085.47	0.2104	438.71	5.1%
Nov 2010	312.17	0.2282	71.25	0.8%
Dec 2010	500.73	0.2080	104.15	1.2%
Jan 2011	1,409.01	0.2450	345.28	3.5%
Feb 2011	2,817.89	0.2633	741.97	6.9%
Mar 2011	1,966.26	0.3511	690.27	4.8%
Apr 2011	299.44	0.3059	91.59	0.7%
May 2011	924.57	0.3079	284.64	2.3%
Jun 2011	915.25	0.3131	286.54	2.3%
Jul 2011	257.10	0.3239	83.26	0.6%
Aug 2011	1,766.64	0.2427	428.70	4.3%
Sep 2011	545.80	0.2484	135.60	1.3%
Oct 2011	296.07	0.2021	59.84	0.7%

As at 27 October there were approximately 40,668,000 free float BRC Shares

Source: CapitalIQ

Based on the above table, we note the following:

- There has been a historically low level of consistent trading in BRC Shares;
- From March 2011 to July 2011, as a consequence of a series of positive news announcements, the share price of BRC increased to up to A\$0.38 cents. These positive announcements over this period included:
 - Wins of major new clients for MyBrainSolutions including Cisco Systems and Astra Zeneca;
 - The commencement of trading of BRC ADRs on the US OTC market;
 - The issue of the Convertible Bonds to the Subscribers; and
 - The 150th clinical subject acquisition for iSpot-ADHD.
- In August 2011, turmoil in the financial markets, caused by a number of factors, including the downgrade of US government debt to AA+ by Standard & Poor's and the European sovereign debt crisis, led to a major fall in the ASX all ordinaries index and consequently BRC's share price fell materially;

- Notwithstanding the level of liquidity, BRC complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of BRC; and
- In the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their investment.

Accordingly, we have relied on the trading share price in our valuation assessment of BRC. The quoted price of listed securities method is based on the efficient market hypothesis (“EMH”) which states that the share price at any point in time reflects all publicly available information and will change “almost” instantaneously when new information becomes publicly available.

Set out below is a summary of the share market prices at which BRC shares currently trade on the ASX.

VWAP	Low	High	VWAP
Prior to 27 October 2011			
5 day	0.195	0.200	0.200
10 day	0.190	0.210	0.201
1 month	0.190	0.230	0.203
2 month	0.190	0.285	0.234
3 month	0.190	0.345	0.239
6 month	0.190	0.350	0.272

Source: CapitalQ and calculations

The VWAPs set out in the tables above are based on portfolio trading and accordingly they represent the fair market value of the Company on a minority basis.

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- the ability to realise synergistic benefits;
- access to cash flows;
- access to tax benefits; and
- control of the board of directors of the company.

Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% in Australia and that the premiums vary significantly from transaction to transaction.

In selecting an appropriate control premium to apply to the BRC Shares, we have considered the following:

- BRC has developed a large body of intellectual property, the value of which has yet to be fully realised;

- An investor may consider control of BRC's intellectual property to be a strategic investment;
- The commercialisation of key products arising from BRC Database has commenced only recently;
- The Proposed Transaction has been undertaken in volatile market conditions which have materially depressed stock prices over the last two months; and
- Uncertainty surrounding the route to commercialisation, which may be reflected in BRC's share price, could be a less significant factor in a control transaction.

Based on the above factors, we have adopted a premium for control of 40% which is at the high end of range of the premiums observed in the Australian market.

Valuation summary	Low A\$	High A\$
Selected VWAP range	0.234	0.272
Control premium	40%	40%
Value per BRC Share (A\$) on a control basis	0.328	0.381

Source: CapitalQ and calculations

Based on the above table, we have assessed the fair market value per BRC Share on a control basis between A\$0.328 to A\$0.381.

6.2 Valuation cross check

6.2.1 DCF valuation

Prior to reaching our valuation conclusion we have considered the reasonableness of our valuation assessment by comparing it to the underlying value of BRC Shares assessed using the DCF methodology.

Management of BRC have prepared detailed long-term cash flow projections for the Company. These are prepared for internal use only as many of the key assumptions are by their very nature highly judgemental and are based on future events which may or may not happen. Specifically, we note that:

- the cash flows projections are hypothetical and they were primarily prepared for internal management and sensitivity testing;
- brain training revenues are in the start-up phase; and
- forecast clinical decision support revenues are based on a change in the sales distribution strategy which is yet to be fully implemented and tested in the market;

Based on the above, it is our opinion and that of Management that the cash flows projections are based on key assumptions that are by their very nature subjective and hypothetical and accordingly are “projections” rather than “forecasts”. Whilst there are techniques a valuer can employ to address the potential risks and uncertainties associated with these assumptions, the results could be potentially misleading when used to form a view in relation to the fairness of the Proposed Exchange.

We further note that RG 111 and ASIC Regulatory Guide 170 “Prospective financial information” indicate that prospective financial information which is based on hypothetical assumptions (rather than reasonable grounds) is likely to be misleading and provide limited information to investors.

As a result, we have only referred to the values implied by the DCF valuation method as a cross-check.

The DCF methodology is based on the net present value of future free cash flows and it requires an assessment of the following:

- future cash flows;
- terminal value;
- discount rate;
- surplus assets/liabilities; and
- net financial position of the Company and the market value of the Options and Convertible Bonds as at the date of the valuation.

6.2.1.1 Future cash flows

The future cash flows are based on the projections prepared by the Management of BRC. The key assumptions underlying the projections are summarised below:

- Projections are based on a change in focus of the company from product development to sales and marketing. Achieving the cash flow projections is dependent on the success of new marketing strategies, following the expansion of the US based sales and marketing team;
- Rapid growth in MyBrainSolutions is based on the deployment of a variety of marketing approaches.
- Management’s business model assumptions for MyBrainSolutions are based on: total market size of 17,000 corporate employers in the US with more than 500 employees;
- Growth is also projected for the clinical decision support revenue stream, again underpinned by new marketing strategies.
- Longer term growth in clinical decision support revenues is supported by the potential for regulatory approval of biomarkers.

- Management's business model assumptions for WebNeuro are based on total US market size based on 85 million US depression consultations per annum;

6.2.1.2 *Discount rate*

BRCA is an early stage business seeking to grow rapidly. Investors in early stage companies typically require higher rates of return than those investing in mature companies. Venture capitalists are a common source of equity capital for early stage companies. The Australian Venture Capital Guide provides indicative guidelines for required rates of return for venture capitalists:

Venture capital required rates of return	Required rates of return
Starting a new business	30.0% to 40.0%
Expanding a business, MBOs or MBIs	20.0% to 30.0%

Source: Australian Venture Capital Guide

While a low level of sales has already been achieved for BRC's products and solutions, the risk associated with BRC's projections is considered to be more closely aligned with starting a new business for the reasons set out below:

- MyBrainSolutions achieved sales of approximately A\$211,000 in FY11 and is a new product in an emerging market niche;
- Clinical decision revenues that are projected to expand, despite a decline in FY11 following the expiry of the OptumHealth licence, are reliant on unproven new distribution and marketing channels; and
- The assumption of expansion in clinical decision revenues is subject to regulatory approvals. There is significant uncertainty surrounding the timing and level of such approvals.

However, in our opinion the BRC Database and the associated intellectual property, which is unique in the world, mitigate some of the above risks and uncertainty.

Based on the above, we have assessed the net present value of the future cash flows using a discount rate between 32.5% and 35.0%. In the selection of the discount rate we have also had regard to the significant growth rate incorporated in the projections and the lack of track record of the Company.

6.2.1.3 *Terminal value*

The terminal value assesses the value of the business after the specific forecast period. The terminal value has been calculated based on a normalised FY16 free cash flow. In our assessment of the terminal value, we have assumed long term growth in line with inflation.

6.2.1.4 Tax losses

For valuation purposes, unutilised tax losses may have a value as the hypothetical purchaser of a company can use the tax losses to offset against future taxable income, subject to satisfying certain taxation rules.

We have assumed that any taxation losses held by BRC can be carried forward and offset against future profits. This is factored into the cash flow projections.

6.2.2 Net cash

With the exception of the Convertible Bonds, considered separately in section 6.2.8, BRC has no debt. The Company's cash position as at 30 September 2011 was A\$6,729,402.

6.2.3 BRC Options

BRC currently has 8,721,500 Options on issue. The value of the Options has been determined using the binomial option pricing model.

We have assessed the total value of the Options to be A\$0.3 million having regard to the following key assumptions:

- underlying share price of A\$0.25;
- risk free rate of 3.73%, based on the average yield on Australian Government Bonds; and
- assessed volatility of 100% based on the historical volatility of BRC and the life of the Options.

6.2.4 Convertible Bonds

We have estimated the fair market value of the Convertible Bonds using an equity value methodology based on the model set out by Tsiveriotis and Fernandes.⁹ This model is based on the principle that a convertible bond consist of two components, an equity component and a debt component which are subject to different risks.

The model assumes that the equity component of the Convertible Bonds follow an amended version of the Black-Scholes model based on the underlying share price. The model takes into account the possibility of an early exercise of the option embedded in the Convertible Bond and calculates the value at selected testing dates over the life of the instrument.

The debt component is discounted at the risk free rate plus an appropriate credit spread, as the principal payment requires cash settlement.

The value of the Convertible Bonds was assessed based on the following assumptions:

⁹ Tsiveriotis, K. and Fernandes, C., "Valuing convertible bonds with credit risk", Journal of Fixed Income, 95-102, September 1998

- face value of the notes A\$5 million;
- expiry date of 14 June 2016;
- conversion price of A\$0.405;
- underlying share price of A\$0.25;
- risk free rate of 3.73%, based on the average yield on Australian Government Bonds;
- market based interest rate for a bond with similar terms and risk profile assessed in the range of 15% and 20%;
- the Convertible Bonds are convertible into 12,345,679 BRC Shares; and
- assessed volatility of 100%.

Our valuation of BRC Shares does not incorporate the potential issue of the second tranche of Convertible Bonds to the Subscribers as the Company has not achieved the conditions precedent set out in Section 2.5 as yet.

Based on the above assumptions, the assessed the value of the Convertible Bonds is between A\$4.3 million and A\$4.8 million. The assessed value of the Convertible Bonds is below its face value due to the equity component of the Convertible Bonds and the nature of the Convertible Bonds being non-interest bearing.

6.2.5 Value range

A summary of the assessed value per BRC share on a control basis using the DCF methodology as a cross-check is set out below:

DCF Valuation summary	Section reference	Low A\$'000	High A\$'000
Enterprise value of BRC	6.2.1	28,419	32,119
Net Cash/ (Debt)	6.2.2	6,729	6,729
Less:			
Value of Options	6.2.3	(320)	(320)
Value of Convertible Bonds	6.2.4	(4,751)	(4,289)
Fair value of BRC on a control basis		30,078	34,239
Total number of shares on issue ('000)		91,714	91,714
Value per BRC Share (A\$) on a control basis		0.328	0.373

Source: Calculations

6.2.6 Convertible Bonds conversion sensitivity analysis

Our DCF methodology assesses the value of the BRC Shares on an undiluted basis on the Conversion Price of the Convertible Bonds compared with the current share price. However, as BRC is seeking shareholders' approval for the full conversion of the Convertible Bonds, we have

carried out a sensitivity analysis showing the impact of the dilution under the assumption that the second tranche of the Convertible Bonds is drawn down and both tranches are fully converted, as set out below:

DCF Valuation summary (Convertible Bond dilution scenario)	Section reference	Low A\$'000	High A\$'000
Enterprise value of BRC	6.2.1	28,419	32,119
Net Cash/ (Debt) ¹	6.2.2	11,729	11,729
Less:			
Value of Options	6.2.3	(320)	(320)
Fair value of BRC on a control basis		39,829	43,528
Total number of shares on issue ('000) ²		116,406	116,406
Value per BRC Share (A\$) on a control basis		0.342	0.374

Notes 1) Cash includes \$5 million on the drawdown of the second tranche of Convertible Bonds.

2) Total number of shares on issue includes 24,691,358 ordinary shares issued on conversion of both tranches of the Convertible Bonds

Source: Calculations

6.2.7 DCF sensitivity analysis

The projections include a significant level of subjective judgement and they are based on initiatives yet to be implemented and completed. Accordingly, we have conducted a sensitivity analysis on some of the key assumptions of our valuation. We have conducted sensitivity analysis on the following variables:

- Scenario 1 – projected EBIT is +/- 10%; and
- Scenario 2 – discount rate is +/- 2.5%.

Set out in the table below is a summary of our sensitivity analysis:

Sensitivity analysis	Value per BRC Share	
	Low A\$	High A\$
Grant Thornton Valuation Assessment	0.328	0.373
Scenario 1		
EBIT +10%	0.369	0.414
EBIT -10%	0.286	0.323
Scenario 2		
Discount rate +2.5%	0.294	0.328
Discount rate -2.5%	0.368	0.417

Source: Calculations

6.2.8 Conclusion

Based on the above analysis, we note that the underlying equity value based on a DCF methodology is consistent with our assessed value of BRC Shares. Accordingly, we have concluded that our adopted value of BRC Shares based on the quoted share price is reasonable.

7 Evaluation of the Proposed Exchange and the Proposed Bond Conversion

7.1 Fairness of the Proposed Exchange and the Proposed Bond Conversion

For the purposes of assessing the fairness of the Proposed Exchange and the Proposed Bond Conversion, we have assumed that Malta will decide to exchange 100% of the ECPS into BRC Shares.

In forming our opinion in relation to the fairness of the Proposed Exchange and the Proposed Bond Conversion to the Non-Associated Shareholders in accordance with 611(7) of the Corporations Act, Grant Thornton Corporate Finance has compared the value per BRC Share (on a control basis) to the ECPS exchange price and the Convertible Bond conversion price, both being A\$0.405 per share.

In our assessment of the fairness of the Proposed Exchange and the Proposed Bond Conversion, we have assumed the immediate exchange of the ECPS and immediate conversion of the Convertible Bonds.

The following table summarises our assessment:

Fairness assessment	Section reference	Low A\$	High A\$
Fair market value per BRC Share (control basis)	6.1	0.328	0.381
ECPS Exchange Price/Convertible Bond conversion price	1.1	0.405	0.405
Excess of exchange/conversion price over fair market value per share (control basis)		0.08	0.02
Excess of exchange/conversion price over fair market value per share (%) (control basis)		24%	6%

Source: Calculations

The exchange/conversion price of A\$0.405 per share is higher than the value of BRC Shares on a controlling basis. Accordingly, we conclude that the Proposed Exchange and the Proposed Bond Conversion are fair to the Non-Associated Shareholders.

BRC Shareholders should be aware that our assessment of the value per BRC Share does not necessarily reflect the price at which BRC Shares will trade if the Proposed Transaction is approved. The price at which BRC Shares will ultimately trade depends on a range of factors including the liquidity of BRC Shares, macro-economic conditions, the underlying performance of the BRC business and the supply and demand for BRC Shares.

7.2 Reasonableness of the Proposed Exchange and the Proposed Bond Conversion

We note that in accordance with RG111, a transaction is reasonable if it is fair. However in our assessment of the Proposed Exchange and the Proposed Bond Conversion, we have also considered the following likely advantages and disadvantages associated with the Proposed

Exchange and the Proposed Bond Conversion. For the purposes of our reasonableness assessment we have collectively considered the Proposed Exchange and the Proposed Bond Conversion.

Premium for control paid for BRC Shares

Our valuation assessment of BRC is on a 100% basis and incorporates the application of a full premium for control in accordance with the requirements of RG111. However, we note that if the Proposed Transaction is approved, the Convertible Bonds are converted and Malta elects to exchange 100% of the ECPS into BRC Shares, Och-Ziff and its associates will only increase their shareholding in BRC to a maximum of 27.4%. In our opinion this does not represent a full controlling shareholding¹¹.

Exchange price of ECPS and conversion price of the Convertible Bonds

The exchange price of the ECPS of A\$0.405 is consistent with the conversion price of the Convertible Bonds which were issued on 14 June 2011. Whilst, the issue of the Convertible Bonds is not considered to be a change of control transaction, it was undertaken in less volatile market conditions compared with the Proposed Transaction. The ASX Small Ordinaries Index has declined by approximately 8% between 14 June 2011 and 26 October 2011.

Likelihood of receiving a takeover offer in the future

In our opinion, if Och-Ziff converts the Convertible Bonds and exchange the ECPS into ordinary shares capital of the Company, the likelihood of the Company receiving a takeover offer will diminish as Och-Ziff will hold a relevant interest in 27.4% of the enlarged issued capital of the Company.

Alternative transactions

If the Proposed Exchange is not approved by the Non-Associated Shareholders, the Company could decide to seek alternative funding such as a private placement or a rights issue to fulfil its strategy in relation to the new ADHD portal. The potential dilution of alternative transactions may be greater for the Non-Associated Shareholders as compared with the Proposed Transaction. Rights issues and private placements for companies in the growth phase of their business cycle and with limited cash resources have been completed at a discount to the prevailing market price over the course of the last 6 to 12 months.

Furthermore, if the Proposed Bond Conversion is not approved, BRC will have to redeem the Convertible Bonds, which are not converted, upon expiry. This may represent a large funds outflow for the Company and it may require further funds to be raised to fulfil its redemption obligations under the Convertible Bonds.

¹¹ In our opinion a shareholding above 50% of the equity capital on issue is considered to be a controlling shareholding.

Diversified operations

If the Proposed Exchange is approved and the development of the ADHD portal proceeds, BRC will be a more operationally diversified Company. BRC's potential increased opportunities for commercialisation may be to the advantage of the Non-Associated Shareholders.

Terms of the ECPS

The ECPS provide significant advantages to the Company due to the following:

- Unlike debt funding the ECPS will limit the cash outflows for the Company and it will allow BRC to dedicate the majority of the funds raised to create shareholder value; and
- Malta bears the equity risk and shares in the benefits of the equity returns

Terms of the Agreement

Under the terms of the Agreement, Malta has the right to appoint one director to the Board of BRC Focus out of a maximum of five directors. However, there are certain fundamental matters as set out in clause 5 of the Agreement that cannot be carried out or undertaken by BRC Focus without the prior written consent of Malta. The approval of these fundamental matters by Malta, effectively provide Malta with substantial influence over the operations of BRC Focus.

The Agreement also provides other punitive protection clauses to Malta in the form of anti-dilution and pre-emptive rights which reduces the marketability of BRC Focus Shares to potential investors.

Strong support from Och-Ziff

If the Proposed Exchange and the Proposed Bond Conversion are approved, Och-Ziff's interest will be further aligned with the Company and more incentivised to work towards the future success of BRC.

Diluted participation in the future growth of BRC

Non-Associated Shareholders' interest in BRC may be diluted down to a maximum of 72.6% of the voting rights as a result of Malta electing to exchange the ECPS into BRC Shares and the Subscribers electing to convert the Convertible Bonds into BRC Shares. Accordingly the Non-Associated Shareholders may have collectively less influence and control over the future direction of the Company.

Furthermore, as previously discussed, the Proposed Transaction may potentially reduce the likelihood of a takeover offer being received as a result of the potential increased shareholdings of Och-Ziff and its associates.

Complex capital structure

If the Proposed Exchange is approved, the complexity of the capital structure of BRC will further increase as a result of the issue of A\$4 million of ECPS potentially exchangeable into 9,876,543 BRC Shares or convertible into 50% of the issued capital of BRC Focus. Companies with complex and highly dilutive capital structures tend to trade at a discount to their peers.

BRC Shareholders' position if the Proposed Exchange is not approved

If the Proposed Exchange is not approved, it would be the current directors' intention to continue operating the Company in line with its objectives. BRC Shareholders who retain their shares will continue to share in any benefits and risks in relation to BRC's ongoing business.

In this regard we note that Management of BRC have advised that the Company has made progress towards meeting the remaining conditions precedent for the issue of the second tranche of the Convertible Bonds to the Subscribers. Accordingly, the Company will benefit from a stronger relationship with Och-Ziff, a major global asset management firm.

Final agreements

We note that a number of the agreements underlying the Proposed Transaction are yet to be executed. In the event that the final terms of these documents differ from those detailed in this report and relied on by us, this may have a material impact on our opinion. In the event that there is a material change we will notify shareholders and consider the implications, if any, for our report.

7.2.1 Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Exchange and the Proposed Bond Conversion are reasonable to the Non-associated Shareholders.

7.3 Overall conclusion

Based on the above, Grant Thornton Corporate Finance has concluded that the issue of BRC Shares to Och Ziff and its associates upon exchange of the ECPS into BRC Shares and upon conversion of the Convertible Bonds is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

8 Sources of information, disclaimer and consents

8.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Explanatory Memorandum Notice of General Meeting;
- Subscription and Shareholders Agreement;
- Exchangeable Convertible Preference Shares Terms of Issue;
- Annual reports of BRC for FY09, FY10 and FY11;
- Releases and announcements by BRC on the ASX;
- BRC website;
- Capital IQ;
- Broker's reports; and
- Other publicly available information.

8.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to BRC and all other parties involved in the Proposed Transaction with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to BRC, its shareholders and all other parties involved in the Proposed Transaction and the Proposed Bond Conversion.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with BRC or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction and the Proposed Bond Conversion.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction and the Proposed Bond Conversion, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction or the Proposed Bond Conversion. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

8.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by BRC and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by BRC through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of BRC.

This report has been prepared to assist the directors of BRC in advising the BRC Shareholders in relation to the Proposed Exchange and the Proposed Bond Conversion. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Exchange and the Proposed Bond Conversion are fair and reasonable to the BRC Shareholders.

BRC has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by BRC, which BRC knew or should have known to be false and/or reliance on information, which was material information BRC had in its possession and which BRC knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. BRC will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

8.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of General Meeting and Explanatory Memorandum to be sent to BRC Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, *prima facie*, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Glossary

A\$ or \$	Australian dollar
ADHD	Attention Deficit Hyperactivity Disorder
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BRC	Brain Resource Limited
BRC Focus	BRC Focus Pty Ltd
BRC Focus Shares	Fully paid ordinary shares in BRC Focus
BRC Licence	Agreement between BRC and BRC Focus in relation to a perpetual, royalty free, exclusive and non-transferable licence
BRC Shares	Fully paid ordinary shares in BRC
CAGR	Compound annual growth rate
Company	Brain Resource Limited
Contributed IP	Relevant platform content for exclusive use in the ADHD parent market
Conversion Price	Convertible into BRC Focus Shares at a per share price representing 50% of the fully diluted shares of BRC Focus on issue upon conversion of the ECPS
Convertible Bonds	Convertible Bonds issued by BRC
Corporations Act	Corporations Act, 2001 (cth)
DCF	Discounted cash flow
ECPS	Exchangeable Convertible Preference Shares
EMH	Efficient Market Hypothesis
Exchange Price	Exchangeable in BRC shares at A\$0.405
FSG	Financial Services Guide
FY/HY	Financial year/Half financial year
GFC	Global Financial Crisis
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
LR	A listing rule of the Listing Rules of ASX Limited
Management	The management of BRC
Malta	Malta Trading Platform Limited
Maturity Date	10 years from the date of issue of the ECPS (the “Maturity Date”)
Non-Associated Shareholders	BRC Shareholders excluding Och-Ziff
Och-Ziff	Och-Ziff Capital Management Group LLC
OTC	Over the counter
Proposed Bond Conversion	Issue of BRC Shares to Och Ziff upon conversion of the Convertible Bonds into fully paid up listed ordinary shares of BRC
Proposed ECPS Conversion	Issue of BRC Focus Shares to Och-Ziff upon conversion of the ECPS into fully paid up ordinary shares of BRC Focus
Proposed Exchange	The issue of BRC Shares to Och-Ziff upon exchange of the ECPS into fully paid

	up listed ordinary shares of BRC
Proposed Transaction	The agreement between BRC and Och-Ziff to establish and conduct a joint venture to operate a business of developing, commercialising, marketing and supply of an ADHD portal product
Resolution	Resolution as defined in the Notice of Meeting
RG74	ASIC Regulatory Statement 74 "Acquisitions agreed to by shareholders"
RG 111	ASIC Regulatory Statement 111 "Content of expert reports"
RG 112	ASIC Regulatory Statement 112 "Independence of experts"
RG 170	ASIC Regulatory Statement 170, "Prospective financial information"
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital



FORM OF PROXY

Level 12, 235 Jones Street, Ultimo, Sydney NSW 2007
Postal Address: PO Box 737, Broadway, Sydney NSW 2007
Facsimile: (02) 9211 2710

I/We

(Full name in block letters)

of

(Address)

being a shareholder of Brain Resource Limited hereby appoint:

Name

Address

or failing that person:

Name

Address

or failing that person, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting of this Company to be held at the BRC office at Level 12, 235 Jones Street, Ultimo on Wednesday 30 November 2011 commencing at 5:30pm and at any adjournment thereof.

Proxy Voting Instructions

If you do not wish to direct your proxy how to vote, please insert X in the box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

If the Chairman of the meeting is voting as your proxy, he intends to vote any undirected proxies held on the item of business in favour of the resolution on that item of business.

If you desire to direct your proxy/proxies how to vote, please insert X in the appropriate box. If you do not direct your proxy/proxies then the proxy holder may vote as they think fit or abstain from voting.

BUSINESS	For	Against	Abstain
Resolution 1 – To consider the accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – To elect a Director – A Toga	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval of issue of Exchangeable Convertible Preference Shares and acquisition of ordinary shares in BRC	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>