Zacks Small-Cap Research

June 13, 2012

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Brain Resource (BRRZY-OTC)

BRRZY: Initiating Coverage

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	06/12/2012
Current Price (06/12/12)	$1.05
Target Price	**$3.50**

OUTLOOK

Brain Resource's iSPOT studies are the world's largest clinical trial to predict treatment response in depression and ADHD through the identification of relevant biomarkers. Findings will be used to develop the first companion diagnostics for treatment of depression and ADHD, both of which are currently medicated using the inefficient and often ineffective trial-and-error approach. Discussions with FDA relative to the regulatory pathway are ongoing. Assuming FDA approval and subsequent launch (2014?), these products are expected to be the long-term driver of BRRZY's revenue. If however, there are delays with FDA approval relative to our current assumptions, this could present significant risk to our outlook. In the meantime, BRRZY will look to grow the customer bases and related revenue of its two current web-based brain health products.

We are initiating coverage of Brain Resource with a $3.50 per ADR price target and Outperform rating.

SUMMARY DATA

52-Week High	**N/A**
52-Week Low	**N/A**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**0**
Shares Outstanding (mil)	**18.3**
Market Capitalization ($mil)	**19.3**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**N/A**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPADR	**105**
P/E using 2012 Estimate	**15.3**
P/E using 2013 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**N/A,**
Type of Stock	**N/A**
Industry	**Med-Outp/Hm Cre**

ZACKS ESTIMATES

Revenue
(in '000 of $AUD)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2011					5,534 A
2012					4,147 E
2013					6,304 E
2014					11,302 E

Earnings per ADR
(in $US)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2011					0.01 A
2012					0.07 E
2013					0.00 E
2014					0.09 E

Zacks Projected EPADR Growth Rate - Next 4 Years % **49**

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COMPANY

Brain Resource is a San Francisco headquartered company focused on improving brain health. The company has established the first and largest standardized and integrated international human brain database which it leverages to provide products for the consumer, employer, and clinical markets. The company notes that their products have benefitted more than 50k end-users and have been utilized by more 30 multi-national corporate employers and hundreds of clinicians and researchers since the company's founding over a decade ago.

Brain Resource has two businesses anchored off the same proprietary technology: Personalized Medicine Diagnostics and Brain Health Solutions. They expect to be the first company to lodge a brain biomarker based diagnostic with the FDA for personalized treatment prediction and also are the first company to penetrate U.S. corporates with a brain health offering.

The currently commercialized products include two web-based products, WebNeuro and MyBrainSolutions. **WebNeuro**, currently used by insurance providers and clinicians, offers objective reports assessing cognitive strengths and weaknesses to help physicians make more informed decisions regarding patient care. Brain Resource notes that WebNeuro currently has more than 250 users and generated almost 11k reports in fiscal 2011 (6/30/2011). **MyBrainSolutions** online brain training, chiefly targeting the corporate employer market, aims to increase employee performance and productivity. Per Brain Resource, MyBrainSolutions has over 50k users and has been accessed more than 300k times. In the company's half-year report (ending December 2011), they list key goals for 2012/2013 , including increasing the user base of its products to 1 million users and a five-fold increase of revenue from their web-products (excluding licensing income, web-based revenue was ~$650k in 2011). *NOTE: All figures throughout this report are in Australian dollars (AUD). At the time of publication of this report the $U.S./$AUD exchange rate was approximately 1/1.00*

Brain Resource expects growth in MyBrainSolutions to come from an increase in the number of channel partners and employer clients. Meanwhile, WebNeuro's functionality is expected to be substantially enhanced with the inclusion of biomarkers related to depression and ADHD. This will be the catalyst to driving growth of the personalized medicine business, Brain Resource's major focus and the area that is expected to be the impetus to the company's long-term revenue and earnings growth.

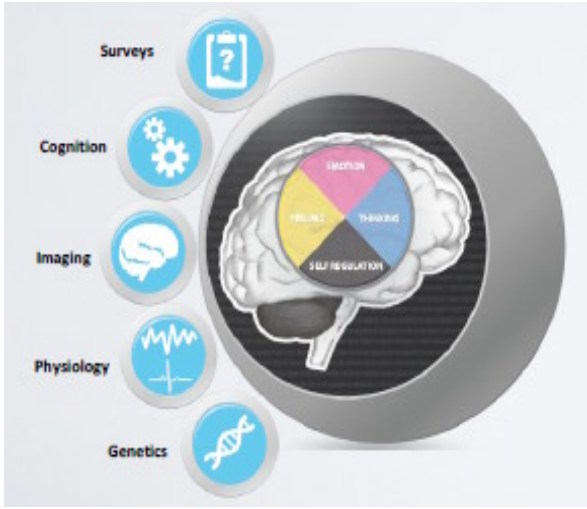
Findings from the iSPOT trial will be used to develop these depression and ADHD biomarkers. iSPOT is the world's largest clinical trial to predict treatment response in depression and ADHD. iSPOT-D (for depression) has enrolled over 1,700 patients and analysis started on the first 1,000 patients. Data from iSPOT-D was presented at two major U.S. medical conferences during 2011, including an invitation-only presentation at The American Conference of Neuropsychopharmacology in December and more recently formed a panel of presentations at NCDEU in Arizona. iSPOT-A (for ADHD), has enrolled approximately 500 patients to-date. Brain Resource is planning to submit study outcomes to the FDA for approval (likely via PMA) of a depression and an ADHD test in the near-to-mid term (discussions with the FDA regarding the regulatory approval pathway are ongoing).

Aside from progress with iSPOT, other recent highlights include the sale of $10MM in convertible bonds to a large institutional investor, Och-Ziff Capital Management, the establishment of a joint-venture for the ADHD product which included a $4MM equity contribution from the JV partner (controlled by Och-Ziff), and an agreement with Aetna whereby the insurer will distribute the company's web-products.

Database Drives Product Ideation…

Dr. Evian Gordon, Chairman and CEO of Brain Resource, as well as a founder of company, was the visionary behind building a large, robust and dynamic database of studies on the human brain. Dr. Gordon has over 25 years of experience in brain research which includes the establishment of the Brain Dynamics Center at Westmead Hospital (Sydney, Australia) in 1986. He pioneered the field of "integrative neuroscience" which uses standardized methods to collect and aggregate information about the brain, body and patient cognition. This information, including demographics, brain function (measured by EEG/ERP), cognition, brain structure (measured by MRI), and genomics (measured by lab testing of cheek swab) is housed in the company's "Brain Resource International Database" (BRID) and is the basis behind the algorithms powering the company's brain products.

Brain Resource International Database



SOURCE: Brain Resource

The uniqueness of the company's database has not only to do with it being the largest human brain standardized data repository in the world, but also that it is a perpetual work in progress and is open-access to scientists throughout the world. In 2003 Brain Resource helped to set up an indpendent 501c3 non-profit foundation called "BRAINnet" (Brain Research And Integrative Neuroscience Network) affording access (for non-commercial purposes) to researchers which often use the datasets in studies and in compiling manuscripts for independent publication. BRAINnet (www.brainnet.net) currently has 317 participating researchers from 23 countries with over 250 outcomes published on various topics including major depressive disorder (MDD), ADHD, schizophrenia, and Alzheimer's, among others. The list of publications continues to grow, at a rate of approximately one per week and includes some of the most well-respected journals in brain research including The Journal of Neuroscience, Neuropsychopharmacology, Molecular Psychiatry, The American Journal of Psychiatry, and Biological Psychiatry.

The open-access nature of the database has had desired effect of facilitating more and more publications related to the data - and, as publications are typically viewed as the litmus test for credibility in medical science, additional publications should continue to garner further support for the company's research methodology and, ultimately, the effectiveness and utility of their products.

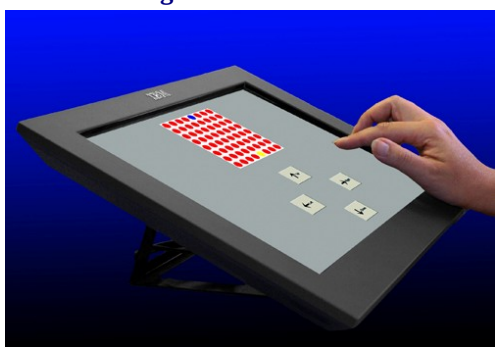
However, development and commercialization of products for mainstream consumer and clinical use was not at the forefront of Brain Resource's strategy initially following the company's IPO in 2001. Instead, at that time the company was focused on building its fledgling database through clinical data gathered at its own and third-party laboratories and leveraging the related findings to help pharmaceutical companies design better and more efficient clinical trials of CNS drugs. The company's pharmaceutical client list included some of the majors, namely Pfizer (PFE), Eli Lilly (LLY), Glaxo (GSK) and Merck (MRK), among others. It was during this period that Brain Resource's initial product, **IntegNeuro**, was developed to help drug companies determine whether development-stage drug candidates were showing the desired effect and to aid in the go/no-go (i.e. - continue development?) decision. Use included a large multi-center study by AstraZeneca for schizophrenia (see http://www.astrazeneca-us.com/about-astrazeneca-us/newsroom/4372268?itemId=4372268).

Brain Resource then shifted focus to the commercial marketplace, expanding their product offerings and their target markets. This included further optimization of IntegNeuro and involved developing a web-based version called **WebNeuro** which is sold into the clinical practice market and, most recently, the launch of **MyBrainSolutions** for the corporate brain-health market. Further commercialization of these two offerings, along with development of products for companion diagnostics of CNS drugs (initially depression and ADHD) using the iSPOT study data, is Brain Resource's current focus.

PRODUCTS

Clinical Decision Support

IntegNeuro touch screen



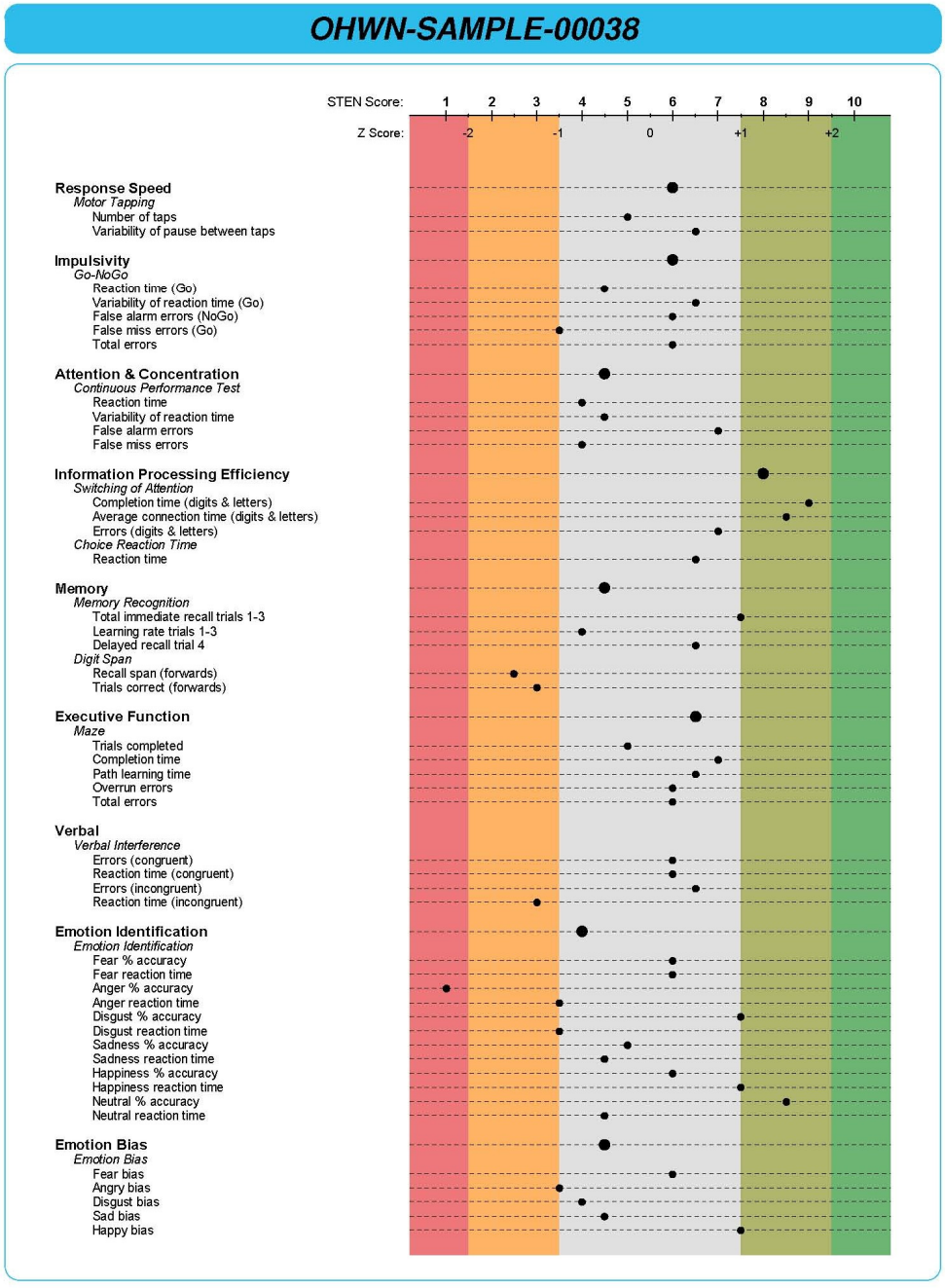
Brain Resource's Clinical Decision Support products currently encompass IntegNeuro and WebNeuro which are sold internationally. IntegNeuro is a computer touch-screen product. WebNeuro is essentially similar to IntegNeuro but is web-based, affording more scalability. IntegNeuro is largely being phased out with the majority of Clinical Decision Support revenues now coming from sales of WebNeuro.

Per Brain Resource, both versions of the product are used to provide clinical users with an objective assessment of their patient's cognitive strengths and weaknesses to aid in clinical decision-making. It is a 30-minute online assessment that can be completed at a clinician's office, following which the results are compiled and processed on Brain Resource's servers ("Brain Resource Processing

Engine") and within minutes a report is generated for the clinician to use for treatment decisions. It, however, does not make any diagnostic claims (the proposed enhancements to the product and follow-on products supported by the iSPOT trial data, are expected to include FDA-approved diagnostic claims).

The WebNeuro report compares an individual's scores on cognitive tasks performed to that of a closely matched normative peer group average from the BRID database.

WebNeuro Report



SOURCE: Brain Resource

Clinical Decision Support Opportunity

Total Addressable Mental Health Clinicians in the United States in FY2010

(Statistics compiled from the American Psychological Association, American Association of Neurologists, and the Wall Street Journal.)

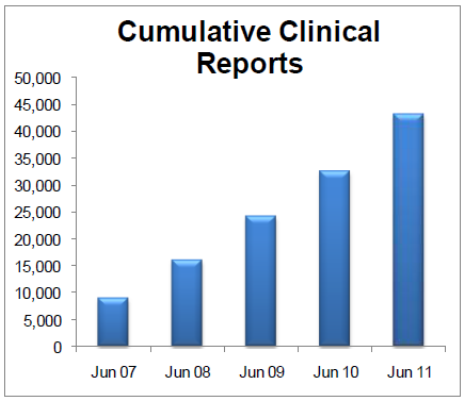
	Number, 2010 – 2011
Psychologists	93000
Psychiatrists	30000
Neurologists	17000
Primary Care Practitioners	353,000
Total	493,000
Major Health Insurance Providers	37
Health Insurance Plans	1300

Market Opportunity…

Brain Resource characterizes the target market for their Clinical Decision Support products as the 500k providers of mental health in the U.S. including psychiatrists, neurologists, psychologists, employee assistance counselors and primary care physicians.

WebNeuro is reimbursable by some health care plans through already established procedural codes for neuropsychological administration and report interpretation. Brain Resource currently charges clinicians around $25 per WebNeuro report. Brain Resources notes that as of December 2011 there were about 56 user groups of WebNeuro, up from just 13 a year earlier and average revenue per WebNeuro user was approximately $1,300. During 2011 almost 11k reports were generated (growth of ~ 30% from 2010) from the Clinical Decision Support products (IntegNeuro and WebNeuro combined) from 150 users. The focus for growth of the Clinical Decision Support products is almost exclusively with WebNeuro, which being web-based offers significantly more scalability than IntegNeuro's touch screen system.

Growth in Clinical Reports



The product also continues to be enhanced with additional functionality - the most recent of which was the introduction of "WebNeuro Account Management Portal" which helps streamline the registration and payment process and provides additional troubleshooting and report support. The major catalyst to growth of this product, however, is expected to come from the inclusion of the iSPOT study biomarkers which is expected to convert the product into a treatment predictive diagnostic for depression and ADHD (discussed in more detail later).

Other potential catalysts to growth are the U.S. health care reform measures, including the Patient Protection and Affordable Care Act ("Obamacare") and the Mental Health Parity and Addiction Equity Act (MHPAEA). Obamacare, assuming it is upheld by the Supreme Court or not otherwise rescinded in the future, is expected to expand access to health coverage to as many 30 million people. Meanwhile, MHPAEA, which was enacted in October 2008, mandates that any insurance plan covering 50 or more employees that provides coverage for both medical and mental health, provide benefits for mental health that are not more restrictive than (i.e. - that are in parity with) those benefits for medical health. MHPAEA may increase affordable access to mental health treatment - although insurers have actively exploited loopholes including offering plans that only provide for medical but not mental health coverage (if the plan does not offer both, they are not subject to the MHPAEA provisions).

Brain Training Platform

Brain Resource's Brain Training Platform business is still largely in its infancy with both the MyBrainSolutions and MyCalmBeat products recently launching.

MyBrainSolutions incorporates integrative neuroscience and insights from the BRID database into a web-based interactive training module to aid in brain training and optimization. It is used primarily by corporate employers to increase employee performance and productivity as well as individual consumers. The proposed benefits of MyBrainSolutions hinge on the premise that with proper training, certain brain processes can be optimized. MyBrainSolutions focuses specifically on the processes involved with emotion, feeling, thinking and self-regulation. Unlike other brain training programs that focus only on cognition with a more generic set of exercises, MyBrainSolutions training programs are individualized based on the person's profile and target not only thinking, but also other highly interconnected processes (i.e. - emotion, feeling, etc.) which can affect cognition.

Similar to WebNeuro, MyBrainSolutions is a web-based program. A user signs up, logs in and completes the assessment. The assessment includes a variety of interactive tasks and games that help the user learn about certain traits (emotion, feeling, etc.) and then provides training exercises to improve upon brain performance and behavioral aspects such as emotional expressions and social interaction skills.

MyBrainSolutions: Exercise on picking up on emotional cues to enhance social interactions

Overview



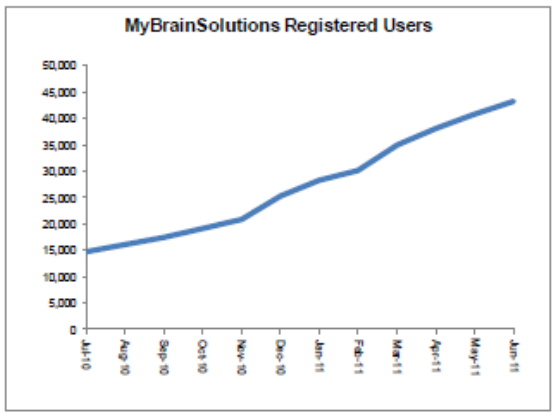
Have more effective social interactions by enhancing your ability to read nonverbal emotion cues (facial expressions). e-Motion Faces trains your perception of nonverbal facial expressions. You can enhance your everyday social interactions by becoming more tuned into these subtle & crucial emotional cues. Being effective at picking up emotion cues enhances our social skills and thereby our wellbeing and performance. It allows us to react quickly to these cues in our environment, and to understand the emotions expressed by others.

Market Opportunity…

As the major current target market for MyBrainSolutions is corporate employees, the theoretical opportunity for the product is enormous. According to U.S. census data, there are over 60 million Americans working for firms with 500 or more employees - we note, however, that the realistically attainable market for the product is only a fraction of this.

Brain Resource charges corporate employers on a per-employee, per month basis and individual consumers a fee of $10 per month. While the specific corporate fee has not been publicly disclosed, the company notes in public filings that current average annual billing per corporate customer is approximately $50k and corporate contracts are typically maintained for years.

Growth in MyBrainSolutions user base



Brain Training Platform revenue was $211k in fiscal 2011 (ending June 30, 2011), up from $33k in 2010 (MyBrainSolutions launched during 2010). Revenue through the first six months of fiscal 2012 was $233k, up from $51k in the same period 2011. The company notes that as of December 31, 2011 there were approximately 100k U.S. employees with access to MyBrainSolutions through their corporate employer wellness programs and that the list of major corporate customers included Nationwide Insurance, Accenture, AstraZeneca and Cisco. They cite that the product is consistently used by over 10% of employees that have access to it. Other growth milestones for MyBrainSolutions in 2011 included surpassing two million total uses by over 50k unique users and it being used to-date for about seven million total minutes. User growth of MyBrainSolutions increased by 18% in the six months ending December 31, 2011 with usage up by 40%.

Of significance, the company has made meaningful progress since the expiration of an exclusive distribution license agreement with OptumHealth (a division of the UnitedHealth Group) in 2010. The company has since transitioned to non-exclusive relationships including the December 2011 contract to supply Aetna Life Insurance. Aetna is one of the leading health care benefits companies in the U.S., serving 36 million people, which provides significant new reach for Brain Resource's product. Aetna is offering MyBrainSolutions to all their behavioral health customers with payment based on usage (per member/employee per month). Brain Resource has trained more than 100 of Aetna's sales personnel.

Relative to Aetna's interest in MyBrainSolutions, Louise Murphy, head of Aetna Behavioral Health, noted, "There are strong linkages between brain health and overall health and well-being. The addition of MyBrainSolutions into our industry leading portfolio of products provides our members with a fun and engaging way to improve their health and wellness." Hyong Un, MD, Chief Psychiatric Officer for Aetna Behavioral Health, added, "Clinical evidence clearly demonstrates the correlation between brain health and physical health. MyBrainSolutions' unique approach uses the latest knowledge about the interconnected nature of the brain to provide integrative training that helps people regulate their emotions, thoughts, and feelings."

Discussions are also underway with three other potential health care channel partner companies that in total cover 30 million lives.

Potential near-term catalysts for growth of the product include the recent launch of related smart-phone applications, an independent market analysis by SharpBrains citing MyBrainSolutions as a leading vendor in the brain training sector (and sole leader in the Corporate Employer group), and a recent published study of 5,000 employees showing a 14% improvement in workplace productivity, and new distribution agreements. In addition to Aetna, the most recent distribution agreement came with the signing of Keas. Keas is an employee wellness program which (per the company's website), "combines the best of social media and online games to create happier healthier, more engaged employees." Brain Resource notes that Keas has a current user base of approximately 100k.

Another potential contributor to the Brain Training Platform business is **MyCalmBeat**, an individual breathing rate monitor that aims to improve calmness by calculating an individual's personal "best" breathing rate and then allowing the person to train to breath at that rate. The goal is to help employees deal with stress and improve their focus. Brain Resource began rolling out MyCalmBeat in 2011 for about $50 per unit as an upsell to MyBrainSolutions customers. 500 MyCalmBeats were sold during the three months ending December 31, 2011 and over 700 sold to-date.

ADHD JV

Brain Resource formed a 50/50 joint venture with Malta Trading Platform Limited, an investment vehicle controlled by Och-Ziff Capital Management, to develop an ADHD portal. The portal is currently under development and targeting a mid-year launch. It is expected to bring together a distilled parent tool kit, targeted information, objective assessment and a children's website for brain training, levering MyBrainSolutions content. Malta has contributed $4 million to the JV in exchange for 4 million exchangeable convertible preferred shares. For its share, Brain Resource provided the JV with a perpetual license to its ADHD related database content (which has been accounted for as an equity investment in the JV).

TREATMENT PREDICTION

There is no current test for depression in clinical practice today. Nor is anything measured in the course of diagnosis, treatment selection and monitoring. Depression is currently defined by rating of patient responses to a standardized list of 17 questions with treatment selection largely relying on a trial-and-error approach. This approach often misses the mark, with history and clinical studies showing the probability of getting the right treatment for depression, the first time, at around one in three. Further exacerbating the issue is that depression medications are most often (62% of the time, according to a recent study) prescribed by primary care (i.e. - non-specialist) physicians to patients which often have not had a psychiatric diagnosis (~72% of anti-depressant prescriptions are written without a psychiatric diagnosis).

The International Study to Predict Optimized Treatment (iSPOT) is largest personalized medicine study in the world. Its goal is to identify objective tests of who will respond best to which medication in depression (iSPOT-D) and ADHD (iSPOT-A). iSPOT-D and iSPOT-A studies are identifying markers (a measure that links an aspect of brain performance to whether a treatment will work for a particular person) based on behavior, cognition, psychophysiological, neuroimaging and genetics measures. These markers are then expected to be used to develop various depression and ADHD tests. Unlike the current trial-and-error approach to deciding which depression or ADHD medicine will work most effectively for each patient, the tests developed through iSPOT are expected to provide more objective information at the outset of diagnosis to better determine which medication will provide the greatest benefit for each individual patient (i.e. - personalized medicine).

These tests could also have potential utility in clinical drug trials, helping to target enrollment to only those patients most likely to benefit from the drug candidate being tested as well as in aiding new drug development.

The potential usefulness of diagnostic marker tests for psychiatric diseases was included in the FDA's March 2006 "Critical Opportunities List" which discusses specific opportunities, that if implemented, can help improve clinical trials and medical therapy. The identification of biomarkers for specific disease categories was listed as a significant opportunity. Specifically for diagnostic markers for neuropsychiatric diseases, the report notes;

"Today, diagnosis of psychiatric disorders is based on symptom presentation. For example, there are no diagnostic tests to distinguish an initial presentation of depression from the onset of bipolar disorder or other conditions, or to differentiate various subsets of the autism currently joined under the rubric of pervasive developmental disorders. Identification of such markers would improve clinical trials by making it possible for sponsors to enroll only those patients with the target condition. Similarly, any successful treatments could better target a patient's disease in clinical practice. If specific aspects of mental disorders could be better quantitated, sponsors could test therapies targeted to a particular patient's constellation of symptoms. For example, now that the MATRICS test battery for assessing cognitive impairment in schizophrenia has been developed, we expect to see applications for drugs targeted to improving the cognitive component of this disease. Such targeting would both improve the efficiency of trials and serve to better individualize therapeutic approaches."

Key opinion leaders involved in iSPOT include Dr. John Rush from Duke University, the princiipal investigator of the STAR*D study (the last large depression study funded by NIMH), Dr. Alan Schatzberg from Stanford University, and Dr. Steve Koslow, the former head of the NIMH Human Brain Project. U.S. study sites include the universities of Stanford, Miami, Cornell, and Ohio with sites also in Australasia and Europe.

Depression and ADHD Test Market Opportunity…

While both ADHD and depression are conditions that ripe with criticism of being over-diagnosed and over-medicated to the financial benefit of physicians and drug manufacturers, there's little to suggest that the market for diagnosing and treating these disorders is not going to continue to grow. Potential demand for Brain Resource's treatment response tests could come from;

- Depression is a big and growing market with the majority of patients not adequately treated with medications. About 19 million U.S. adults (~10%) and 15% of the populations of most developed countries suffer from depressive disorders. Depending on the study cited, antidepressants work for only 30%-45% of clinically depressed patients. Antidepressants have also been linked to serious risks including suicide, violence and psychosis - as such, the trial-and-error approach to antidepressant therapy can be dangerous. There are approximately 85 million clinical visits per year related to depression.
- Similar as with diagnosis of depression, there is no sure, fail-proof test to determine whether someone has ADHD. Instead, it typically involves a multi-step process and many other issues such as anxiety, depression and certain types of learning disabilities can have similar symptoms and make accurately diagnosing ADHD difficult. The current DSM measures (discussed below) to diagnose ADHD has been criticized as being unscientific and unreliable. Trial-and-error approach to treatment of ADHD is also common practice. In 2010 doctors wrote ~52 million prescriptions for ADHD drugs valued at approximately $7 billion.
- Clinical trials can be exorbitantly expensive, especially with CNS drugs which may require large enrollment in order to show significance in efficacy (as a high percentage of patients may not respond to the drug being evaluated). The ability to target trials to those patients most likely to respond could potentially meaningfully limit the otherwise large patient enrollment roster, thereby reducing the study costs. Such as test would also potentially help drug companies make more informed and earlier "go/no-go" decisions during drug development, aiding in the determination of whether the candidate is having the desired effect and deciding on whether development should be continued, modified or abandoned altogether.
- Personalized medicine using a companion diagnostic helps determine which patients are most likely to respond to which drugs. Companion diagnostics are already widely used with certain cancer drugs such as Erbitux. for example, the FDA now requires that a test be done to determine whether a colon cancer patient has a mutation of the K-RAS gene (which has shown to be indicative of a poor response to Erbitux) before Erbitux treatment is commenced. The vast majority of the ~30 biomarkers that the FDA currently considers "valid" relate to oncology. However, given the poor response to depression drugs and the hit-and-miss approach to treatment of ADHD and depression (along with the potentially dangerous risks of this approach), it's possible that companion diagnostics for these disorders could become commonplace in the future. Brain Resource believes insurance companies and other third-party payers could use their tests to help ensure better patient outcomes and reduce medication costs. If the FDA were to mandate such a test for either depression or ADHD (while not likely to be a near term event, in our opinion), the opportunity for Brain Resource could be very significant.

  One potential hurdle with a companion diagnostic such as the tests that Brain Resources is developing for prescribing decisions for depression and ADHD is that drug manufacturers may view this as more of a threat than as a benefit. If it provides better decision-making information and reduces the trial-and-error approach to depression and ADHD treatment, theoretically this could reduce the number of (ineffective) prescriptions written. If this results in less revenue for big pharma, which has enormous influence in medical care, drug companies will not be quick to embrace these tests. Brain Resource acknowledges this view but believes that their companion diagnostic tests could actually increase drug sales. The company notes that while there will be

lost sales in some instances for some drugs, these sales may be recouped by; A) new patients entering the market that had not sought treatment previously due to skepticism about the drug being effective, B) patients switching from other drugs with no predicted benefit and C) increased compliance from those patients that are benefitting from the drug. Also important is that all the drugs covered by iSPOT are now generic - as such, big pharma would have little concern relative to the impact a companion diagnostic might have on sales of these specific three drugs.

iSPOT-D

Major depressive disorder occurs in about 15% of the population and is the fourth most disabling medical condition worldwide and is expected to become the second most disabling condition within the next decade. MDD is often chronic with antidepressant medication typically effective in less than 50% of sufferers and only ~ one-third attaining remission within the first eight weeks. Part of the issue of the lack of effectiveness of antidepressants is that current diagnostic techniques fail to consistently provide useful patient baseline measures that can be used to reliably recommend one medication over another. Brain Resource has identified what it believes are clinically relevant markers and measures to do just this and has incorporated these into the iSPOT-D trial. iSPOT-D uses a variety a measures including molecular (genetic variants), brain imaging (structural and functional scans), physiological (EEG, heart rate, skin conductance) cognitive and emotional behavior, and self-reported experiences. iSPOT-D patients are randomized to one of three depression medications and these biomarkers are used to predict the clinical response to the drugs.

iSPOT-D Protocol…

Per an open access published article of the study protocol; Brain Resource's International Study to Predict Optimized Treatment - in Depression (iSPOT-D) is designed to evaluate a range of potentially useful moderators and/or predictors within a group of representative outpatients with nonpsychotic MDD. iSPOT-D is a 'practical trial' in that it aims to mirror clinical practice in a representative spectrum of outpatients (to enhance generalizability). In addition to symptoms, iSPOT-D analyzes a range of outcomes including function, adverse events, and side effect burden. The primary aims of iSPOT-D are to:

1) Identify overall predictors of treatment outcome (response or remission) after up to eight weeks of antidepressant medication (ADM) treatment with escitalopram (Lexapro), sertraline (Zoloft) or venlafaxine (Effexor XR) - these three active ingredients hold ~40% market share of the U.S. antidepressant market
2) Identify moderators of treatment outcome (response or remission) after up to eight weeks of ADM treatment
3) Develop a model to incorporate the effects of multiple predictors or moderators on response and remission
4) Conduct a replication study that utilizes the second half of the sample to replicate and confirm the results of the analyses of the first half

Secondary aims include determining predictors and moderators of (1) treatment response according to MDD subtype and (2) symptom severity over time within the primary study period (baseline to week 8) and over the more exploratory follow-up period of 12 to 52 weeks.

In addition, a brain imaging sub-study is assessing 10% of participants and matched controls with magnetic resonance imaging (MRI) and diffusion tensor imaging (DTI) under rest conditions, and functional MRI under task conditions, to evaluate neuroanatomical and neural circuitry measures for diagnostic sensitivity and state versus trait-like effects from baseline to week 8.

iSPOT-D is a multicenter, international, randomized, prospective, open-label trial. It is expect to enroll over 2,000 MDD outpatients (ages 18-65) from primary or specialty care practices (672 per treatment arm; 672 age-, sex- and education-matched healthy controls). Study-eligible patients are ADM naïve or willing to undergo a one-week wash-out of any non-protocol ADM, and cannot have had an inadequate response to protocol ADM. Baseline assessments include symptoms; distress; daily function; cognitive performance; electroencephalogram and event-related potentials; heart rate and genetic measures. A subset of these baseline assessments are repeated after eight weeks of treatment. Outcomes include the 17-item Hamilton Rating Scale for Depression (primary) and self-reported depressive symptoms, social functioning, quality of life, emotional regulation, and side-effect burden (secondary). Participants may then enter a naturalistic telephone follow-up at weeks 12, 16, 24 and 52. The first half of the sample will be used to identify potential predictors and moderators, and the second half to replicate and confirm.

Status…

The study commenced enrollment in December 2007 and is ongoing. As of December 2011 iSPOT-D had enrolled over 1,700 patients. Analysis is underway including extraction of biomarkers from the first 1,000 patients. This data is expected to be submitted for publication within the next few months. Brain Resource noted in their December 31, 2011 half-year report they had hoped to submit for FDA approval of an iSPOT depression and ADHD test sometime during 2012. However, subsequent to the half-year report, on May 7, 2012, Brain Resource announced that they had "received feedback from the FDA in response to our pre-IDE submission in regards to a test to predict optimized treatment for depression based on our international iSPOT study. This feedback was generally positive. We now have a clearer idea with respect to the regulatory path forward to complete the marketing submission. As such, we remain firmly on track to develop and obtain FDA marketing approval in the United States for a personalized predictive test in psychiatry. Our next steps include to provide the further information and clarifications requested by the FDA and to follow this up with a face-to-face meeting to discuss further prior to submission. We anticipate having this meeting within the coming months."

As the May 2012 press release does not provide specifics on the feedback from the FDA and this being the first such filing of its kind with the FDA with no well laid-out regulatory pathway, it's difficult to gauge what the agency will be looking for in a regulatory submission or what the timelines for filing or ultimate approval might be. Brain Resource did note in the press release, however, that despite the uncertainty, they remain "firmly on track to develop and obtain FDA marketing approval in the United States for a personalized predictive test in Psychiatry." We, however, think this potentially means that there may be a certain amount of ambiguity from the agency relative to what needs to be included in an eventual filing that reduces the likelihood that a regulatory submission for an iSPOT depression test happens by 2012 year-end. Until there's more clarity, we use the general assumptions that a PMA filing for both an iSPOT depression and ADHD test happens in 2013 and both tests launch somewhere around mid-2014. However, as we have no specific insight, our assumptions and related timelines are highly subject to change depending on Brain Resource's ongoing discussions with the FDA and the resultant outcomes.

The iSPOT tests, if approved, will essentially be a robust enhancement to WebNeuro, leveraging all the infrastructure that the company has developed including HIPAA compliant clinician portals to deliver the product. Adding the iSPOT Biomarker based algorithms will transform the product into an FDA-approved diagnostic (for which Brain Resource can specifically market the tests for) for use in treatment response prediction. Targeted use will be to help clinicians decide which, if any, of the three drugs used in iSPOT-D that an individual patient is most likely to favorably respond to. All three of these drugs are now generic and are widely prescribed.

Brain Resource also expects to pursue, through a partner (discussions are underway), the development of a molecular assay (which would use a saliva sample). The combination of the assay, which would provide patient genetic information, with cognitive information from the web-based test will form the basis for a companion diagnostic. This companion diagnostic could be marketed to 1) third-party payers as a way to reduce costs from ineffective prescriptions from the trial-and-error approach and 2) directly to drug manufacturers for clinical trial enrollment purposes.

Development, including identification of a partner, for such an assay is still very much in the planning stages. It's also not clear at the moment whether Brain Resource would look to file for FDA approval of both the genetic test as well as the iSPOT cognitive test together or file the cognitive test first. Again, until we know more, we assume the cognitive test gains FDA approval ahead of any genetic test. Initially, the genetic assay would likely be in ASR (analyte speceific reagent) format and processed through a CLIA lab. ASR tests do not require FDA approval but also can not be marketed for specific indications.

Presentations…

Brain Resource recently presented on iSPOT at three major conferences. These presentations mark the beginning of the company's active campaign to publicize the virtues of the findings from the iSPOT studies. Brain Resource also recently published two papers on iSPOT, with two more in submission and another four being prepared.

In early December 2011 at the American Conference of Neuropsychopharmacology, an invitation-only meeting. The presentation was the opening panel session that included David Kupfer (Chair of the DSM-V Taskforce that is launching the new diagnostic manual used by all clinicians, industry and academics), Bruce Cuthbert (Director of the US National Institute of Mental Health□s Division of Adult Translational Research and Treatment Development) and Alan Schatzberg (Kenneth T Norris Jr. Professor of Psychiatry at Stanford University (and former Chair of ACNP and the American Psychiatry Association, APA).

In January 2011 Dr. Evian Gordon presented at the Personalized Medicine World Conference at Stanford University. The main feature of the presentation was to demonstrate the power of the iSPOT methodology for identifying biomarkers and translating them into having both clinical and drug development utility.

In early June 2012, the first major outcome findings were presented at the NCDEU Meeting, a premier scientific meeting sponsored by the American Society of Clinical Psychopharmacology. Recognizing the significance, iSPOT has been allocated its own panel session on the first session on the first day titled "Identifying Biomarkers for Personalizing the Treatment of Depression – Implementation of Study Design and Initial Results in Subtype, Mechanism and Psychological Fields: An iSPOT-D Report". It comprises four presentations and a general discussion covering the iSPOT-D trial design and initial results (Dr. Evian Gordon), anxiety subtype and its relationship to treatment response in depression (Prof Amit Etkin, Stanford), functional Magnetic Resonance Imaging results (Prof Leanne Williams, Stanford/Sydney) and the influence of emotion regulation strategies and treatment response (Prof Kateri McRae, Denver).

iSPOT-A

Attention-deficit hyperactivity disorder is a neurobehavioral condition typically starting in childhood and persisting into adulthood. The disorder is characterized by difficulty in maintaining attention and excessive hyperactivity which often results in impaired learning and impaired functioning in social settings. ADHD is the most commonly diagnosed neurobehavioral disorder among children with trends in diagnosis indicating its prevalence is increasing (although there is some debate whether the increase in diagnosis has to do with an actual increase in prevalence or other factors including possible historical under-diagnosis or over-diagnosis over the most recent current years). The actual prevalence of the disorder is unknown, although various estimates and surveys indicate anywhere from 3 million to 6 million children aged 4-17 years have ADHD. According to the National Survey of Children's Health, the percentage of children aged 4-17 years with a parent-reported ADHD diagnosis increased from about 8% in 2003 to almost 10% in 2007 (~+22%). Combined with the estimated nine million adults (most often which are diagnosed during childhood) that have ADHD, the disorder affects as many as 15 million Americans.

Similar to the difficulties with diagnosing depression, there is no sure, fail-proof test to determine whether someone has ADHD. Instead, it typically involves a multi-step process and many other issues such as anxiety, depression and certain types of learning disabilities can have similar symptoms and make accurately diagnosing ADHD difficult.

The American Psychiatric Association's Diagnostic and Statistical Manual-IV, Text Revision (DSM-IV-TR) is typically used to help mental health clinicians in diagnosing ADHD (as well as a number of other psychiatric disorders). The manual is organized into a five-part axis system, with the first axis incorporating clinical disorders, the second covering personality and intellectual disabilities, and the remaining axes covering related medical, psychosocial and environmental areas. While the manual is widely used to diagnose ADHD in the U.S., there are criticisms of it including that it does not use a scientific system and that it incorporates the thinkings of only a few influential psychiatrists. Many also question the validity and reliability of its underlying categories, measures, methods and diagnostic capabilities. Sales of the manual by the American Psychiatric Association generate over $5 million in revenue - which skeptics also cite as controversial. A fifth edition of the DSM manual is currently being prepared and is due for publication in May 2013 which is expected to include some minor changes related to ADHD diagnosis.

iSPOT-A Protocol…

The goals of multi-site iSPOT-A study are 1) to identify brain, genetic and cognitive markers of ADHD and 2) to use these markers to predict treatment response to short and long-acting methylphenidate in children and adolescents diagnosed with ADHD. Estimated enrollment is 1,344 (672 treatment, 672 -, sex- and education-matched healthy controls).

The primary outcome is to determine whether these brain, genetic and cognitive markers "normalize" with drug treatment in ADHD at six weeks. Secondary outcome is to determine whether the identified markers of treatment prediction are also predictive of functional outcome over 6-12 months.

We note that while methylphenidate is the active ingredient in some of the most widely prescribed ADHD medications including Ritalin and Concerta (both available generic), there are other ADHD drugs which also command significant market share including Adderall / Adderall XR (amphetamine salts) and Vyvanse (lisdexamphetamine dimesylate). Vyvanse has been well received following its launch only a few years ago while Adderall / XR were widely successful for Shire Pharma and are both now available generic.

Status…

As of December 31, 2011 Brain Resource noted that approximately 500 patients had been enrolled to-date in iSPOT-A and analysis had begun on the first 250 patients. As noted earlier, Brain Resource is having ongoing interaction with the FDA relative to the pathway to follow for submission of the iSPOT depression and ADHD tests.

FINANCIALS *(all figures in AUD. At the time of publication of this report, $US/$AUD exchange rate was ~ 1/0.97)*

Cash / Cash Flow
Cash and equivalents balance was $13.6 million as of the most recent reporting period (12/31/2011), compared to $8.4 million at 6/30/2011. The $5.2 million increase over this six month period was a result of the sale of the $5 million second tranche (the initial $5 million was sold in June 2011) of convertible bonds to Och-Ziff Capital Management, the aforementioned $4 million investment from Malta in the JV, $1.7 million used in operating activities, and $2.2 million used in investing activities.

For the twelve months ending 12/31/2011, cash used in operating and investing activities were $2.8 million and $4.5 million, respectively.

Cash used in investing activities largely relates to expenses of the iSPOT studies - since these studies are directly related to the development of specific products, the appropriate accounting treatment is to capitalize these expenses - which will then begin to amortize (straight-line over 25 years) after the products are commercialized (the accumulate intangibles balance was ~$22 million at 12/31/2011). As such, the best gauge of operating cash burn is to combine cash used in operations with cash used in investing activities.

Another nuance that is important to recognize is that BRRZY was paid upfront (in 2007) by their collaboration partner for the iSPOT studies, which was recorded as unearned income. This unearned income bleeds through to revenue (Treatment Prediction Research revenue) based on the stage of completion of the contract. As all of this revenue is non-cash (while the related expenses are mostly cash), it can have the effect of creating a large difference between EBITDA and cash from operations. As an example, $4.8 million of unearned income ran through revenue in the twelve months ending 6/30/2011 and over that period cash from operations was ($2.8 million) while EBITDA was approximately $255k.

Debt
In June and August 2011 Brain Resource sold to Och-Ziff $10 million in aggregate of five-year, zero-coupon convertible bonds. The bonds are convertible at the option of the holder into common shares at $0.405/share (50% premium to-market) until June 2016. Per IFRS, the convertibles were carried partly as debt and the convertible option as equity.

In October 2011 Malta Trading Platform (investment vehicle controlled by Och-Ziff) agreed to contribute $4 million to the Focus JV in exchange for 4 million exchangeable convertible preferred shares (ECPS). The preferred shares are convertible into Focus (JV) shares at $1/share or into Brain Resource common at $0.405/share. All remaining exchangeable convertible shares automatically convert into Focus shares after 10 years. Assuming Och-Ziff opted to exercise all conversion options related to the zero-coupon bonds and these ECPS convertibles, they would control ~27% of the common shares of Brain resource.

The $4 million investment by Malta in the Focus joint-venture is currently being carried on Brain Resource's balance sheet (as cash and a loan). Upon receipt in October 2011, the funds were placed in a 6-month term deposit (expiring April 2012) paying 6% interest.

Revenue
Total revenue fell from $8.2 million in fiscal 2010 (6/30/2010) to $5.6 million in fiscal 2011. The $2.6 million drop in revenue was mostly a result of a decrease in contribution (from $3.3 million in 2010 to $1.7 million in 2011) of licensing revenue from OptumHealth. OptumHealth, a leading health management company providing services to 60 million Americans, had an exclusive license to distribute WebNeuro. The licensing arrangement concluded in January 2011 and, with it, the related licensing revenue to Brain Resource (expiration of this deal with OptumHealth allows BRRZY to distribute WebNeuro via non-exclusive arrangements).

The drop in WebNeuro revenue due to these licensing fees rolling off, was not indicative of the growth in demand for the product, however, with the number of WebNeuro reports increasing from less than 8k in 2010 to almost 11k in fiscal 2011. There was also a negative impact from foreign exchange translation. Through the first six months of fiscal 2012 (ending 12/31/2012) almost 7k WebNeuro reports had been generated, an increase of almost 50% from

the year earlier period. Brain Resource expects continued growth in WebNeuro reports and related revenue as the company ramps up its sales efforts and targets larger clinics, which is being facilitated by the expansion of the company's sales force.

BRRZY also recorded less revenue related to the collaboration agreement with the iSPOT studies during 2011 ($2.9 million in 2011 vs. $3.5 million in 2010). Recognition of this iSPOT collaboration revenue (again, it's non-cash) can be somewhat irregular period-to-period and can be highly dependent on patient recruitment levels in any particular period. As of 12/31/2011 there was $6.8 million unearned income remaining related to the iSPOT collaboration, $4.3 million of which was considered short-term (i.e. - expected to be recognized to revenue over the following 12 months). For simplicity purposes, our model assumes the $4.3 million is recognized equally in the six month periods ending 6/30/12 and 12/31/2012.

Meanwhile, the Brain Training products, which just got off the ground during 2010, generated $211k in revenue in 2011, up from just $33k in 2010. Brain Training products revenue growth is expected to come from new corporate contracts, including the likes of Aetna.

Pre-tax Income
Pre-tax income fell from $2.7 million in fiscal 2010 to $198k in fiscal 2011. While a portion of this is reflective of the decrease in revenue, a large part (i.e. - ~$500k) is due to BRRZY's exposure to foreign exchange movements, most notably the $US/$AUD exchange rate.

BRRZY holds cash deposits in currencies proportional to the amount of planned expenditures of that currency which helps to hedge their risk exposure from a cash (i.e. - non-accounting basis) standpoint but they remain exposed on a translational basis. As BRRZY's assets are recorded in $AUD, if the $US weakens versus the $AUD, the portion of cash held in $US depreciates on a translational basis.

MILESTONES / OUTLOOK

Milestones…
Brain Resource has outlined several performance and strategic milestones that they hope to hit in the near-to-mid term including,

- **iSPOT-related FDA filings**: make FDA premarket approval (PMA) filing for depression and ADHD products being developed from iSPOT studies. The products, if approved, will be marketed to clinicians and essentially be a robust enhancement to WebNeuro, providing an FDA-approved claim (for which Brain Resource can specifically market the product for) for use in treatment response prediction. Target use for depression will be to help clinicians decide which, if any, of the three drugs used in iSPOT-D that an individual patient is most likely to favorably respond to. All three of these drugs are now generic and are widely prescribed.

- **Molecular assay:** pursue, through a partnership, the development of a molecular assay. The assay will further enhance the depression and ADHD diagnostics by providing patient genetic information. Processing of the tests would be handled by a CLIA lab partner. The combination of the assay, which would provide patient genetic information, with cognitive information from the web-based test will form the basis for a companion diagnostic. This companion diagnostic could be marketed to 1) third party payers as a way to reduce costs from ineffective prescriptions from the trial-and-error approach and 2) directly to drug manufacturers for clinical trial enrollment purposes.

- **Distribution of Brain Health Solutions Products:** BRRZY has made good headway signing on new distribution partners (most notably, with Aetna) for their web-based products since the exclusive license with OptumHealth ended. A recent contract with Keas adds to their growing list of customers which already included Cisco and Nationwide. Brain Resource has beefed up their sales force in San Francisco and appointed Dr. Gregory Bayer as the CEO for U.S. operations with a strong focus towards bringing on additional distribution partners and corporate contracts to grow these parts of their business. Dr. Bayer recently served as the CEO of OptumHealth Behavioral Solutions, a division of United Health Group, serving 43 million members. Under his leadership, the behavioral health business doubled revenues to over $2 billion, entered new markets and achieved a leading market position both domestically and internationally.

- **ADHD portal:** BRRZY hopes to have the JV ADHD portal up and running in the coming months which is expected to be marketed to a range of users (which may include individuals, clinicians or both).
- **New Consumer Products:** BRRZY expects to continue to look to roll-out new consumer products. The latest were MyCalmBeat which has been well received and new smartphone applications.

Outlook…
We model revenue of $4.2 million in fiscal 2012, including $2.1 million in the second half ($1.6 million of which is related to iSPOT study revenue). We model earnings per ordinary share of approximately $0.01 in 2012, which equates to earnings per ADR of approximately U.S.$0.07. Excluding the initial $2.0 million gain related to the JV, our 2012 EPS and EPADR estimates are approximately ($0.01) and U.S.($0.04).

Our financial model reflects a stronger ramp in web products revenue beginning in 2013 which hinges on the assumptions that BRRZY continues to score valuable corporate contracts for its Brain Training products, increased utilization by current accounts and greater distribution reach. We also model some income contribution from the ADHD portal beginning in fiscal 2013. We look for 2013 EPS and EPADR of $0.00 and U.S.$0.00.

Our current assumption is that the iSPOT depression and AHDH products receive FDA approval and launch sometime in calendar 2014 (as noted earlier, our timeline is highly subject to change and dependent on Brain Resource's ongoing discussions with the FDA and the resultant outcomes) which is the main catalyst to driving revenue from that point forward.

VALUATION

We currently model EPADR to grow from approximately U.S.$0.07 in 2012 to approximately U.S.$0.32 in 2016, a CAGR of ~49% which incorporates a variety of assumptions, many of which are based on a number of highly uncertain unknowns. Not the least of which is if and when the iSPOT products receive FDA approval and launch. If revenue stalls or grows more slowly than what we model or BRRZY does not realize leverage in operating expenses to the degree that we assume, our EPADR estimates could prove liberal. As we feel an investment in BRRZY is not without significant risk, using a typical 1.0x PEG ratio does not fairly account for the amount of uncertainty. Instead we apply a 20x P/E multiple to our estimated 2016 EPADR and discount this back at 15% per year to value Brain Resource which results in price per ADR of approximately U.S. $3.50.

The current $U.S./$AUD exchange rate is approximately 1/1.00. The ordinary shares currently trade at approximately AUD$0.21, which equates to a value per ADR of approximately U.S.$1.05. We feel fair value of the ADR's is closer to U.S.$3.50 and are initiating coverage with an Outperform rating.

RISKS

- Brain Resources products address a market that is still in its infancy with still relatively minimal adoption from corporate and clinical customers. While this presents an opportunity from a growth perspective, it presents material risk that adoption could wane or grow more slowly than the company anticipates
- Significant uncertainty relative to FDA approval pathway and potential timelines of iSPOT products. While the products could still be commercialized without FDA approval, they could not be marketed for specific indications which would likely reduce their appeal. As these iSPOT products are the main driver of our modeled revenue growth beginning in fiscal 2012, regulatory delays relative to our assumptions could likely mean revenue will underperform our current model
- Uncertainty regarding reimbursement. While Brain Resource's due diligence (including discussions with third party payers) suggests iSPOT related depression and ADHD tests would have at least some level of insurance reimbursement, the degree and amount of any reimbursement is an unknown. Sufficient reimbursement will be key to maximizing use of the tests. Our current assumptions are that third-party payers see enough value in

these tests (not only from improved patient care, but also from cost-savings (i.e. - less trial-and-error means less wasted $ from ineffective Rx)) to provide sufficient reimbursement

- Our model assumes continued progress with scoring new corporate contracts for and increased utilization of MyBrainSolutions. As the product is relatively new, there's very little history to use to gauge the potential ramp in sales. If revenue growth of MyBrainSolutions stalls, our model (especially through 2013) could prove optimistic

- Brain Resource can no longer count on revenue from the OptumHealth licensing fee for WebNeuro. While inclusion of the iSPOT markers is expected to drive revenue in later years, through 2013 our model assumes BRRZY's beefed up sales and marketing efforts translates into more clinicians adopting the product in the near-term. If this does not happen, revenue in 2012 and 2013 could fall short of our expectations

- Despite having active and passive hedges to reduce their exposure to fluctuations in foreign exchange, earnings remain at risk to movements in the $U.S./$AUD exchange rate

- Although cash position is currently healthy, the company is at risk of needing additional capital if product revenue does not materially grow and cash burn decrease

FINANCIAL MODEL

Brain Resource Limited

	2011 A	1H 2012 (A)	2H 2012 (E)	2012 E	2013 E	2014 E	2015 E	2016 E
Revenue	$5,534.1	$2,060.6	$2,086.0	$4,146.6	$6,304.0	$11,302.0	$19,920.0	$27,110.0
YOY Growth	-	*-44.4%*	*14.2%*	*-25.1%*	*52.0%*	*79.3%*	*76.3%*	*36.1%*
Cost of Goods Sold	$290.5	$204.7	$187.7	$392.4	$315.2	$452.1	$597.6	$813.3
Gross Income	$5,243.6	$1,855.9	$1,898.3	$3,754.1	$5,988.8	$10,849.9	$19,322.4	$26,296.7
Gross Margin	-	*90.1%*	*91.0%*	*90.5%*	*95.0%*	*96.0%*	*97.0%*	*97.0%*
SG&A	$4,077.5	$2,301.0	$2,452.0	$4,753.0	$5,687.0	$7,920.0	$11,600.0	$14,855.0
% SG&A	*73.7%*	*111.7%*	*117.5%*	*114.6%*	*90.2%*	*70.1%*	*58.2%*	*54.8%*
Other Expense, net	$1,073.1	($81.2)	($315.0)	($396.2)	$70.0	$80.0	$90.0	$100.0
Operating Income	$93.1	($363.9)	($238.7)	($602.7)	$231.8	$2,849.9	$7,632.4	$11,341.7
Operating Margin	*1.7%*	*-17.7%*	*-11.4%*	*-14.5%*	*3.7%*	*25.2%*	*38.3%*	*41.8%*
Total Other Income, net	$104.7	$1,893.9	($80.0)	$1,813.9	($140.0)	($210.0)	($180.0)	$0.0
Pre-tax Income	$197.7	$1,529.9	($318.7)	$1,211.2	$91.8	$2,639.9	$7,452.4	$11,341.7
Taxes (benefit)	($71.8)	$0.8	$0.0	$0.8	$0.0	$396.0	$1,341.4	$2,268.3
Tax Rate	*-36.3%*	*0.1%*	*0.0%*	*0.0%*	*0.0%*	*15.0%*	*18.0%*	*20.0%*
Net Income	$269.5	$1,529.2	($318.7)	$1,210.4	$91.8	$2,243.9	$6,111.0	$9,073.4
Net Margin	*4.9%*	*74.2%*	*-15.3%*	*29.2%*	*1.5%*	*19.9%*	*30.7%*	*33.5%*
EPADR ($U.S.)	$0.01	$0.08	($0.02)	$0.07	$0.00	$0.09	$0.24	$0.32
YOY Growth	-	-	-	-	-	-	*151.4%*	*37.9%*
EP Ordinary share ($AUD)	$0.00	$0.02	($0.00)	$0.01	$0.00	$0.02	$0.05	$0.06
Ordinary shares o/s	91,714	91,714	91,714	91,714	110,000	120,000	130,000	140,000
Diluted ADR O/S	18,343	18,343	18,343	18,343	22,000	24,000	26,000	28,000

Brian Marckx, CFA

Other than EPADR which is in $U.S., all figures are in $AUD

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BOARD OF DIRECTORS

Dr Evian Gordon
Chairman and Chief Executive Officer
Dr Gordon has over 25 years of experience in human brain research. He was the director of the Brain Dynamics Centre at Westmead Hospital and a senior lecturer in the Department of Psychological Medicine at the University of Sydney. He edited the book “Integrative Neuroscience” and has more than 200 publications. BSc (Hons), PhD, MBBCh.

Dan Segal
Director, Chief Operating Officer
Dan Segal has worked in the accounting and finance industry for more than a decade. He has previously worked for Arthur Andersen and Salomon Smith Barney where he was a Director in the Equities Research Department. He has been a member of the Institute of Chartered Accountants since 1986. BCom, CA, BSc (Hons) MSc.

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

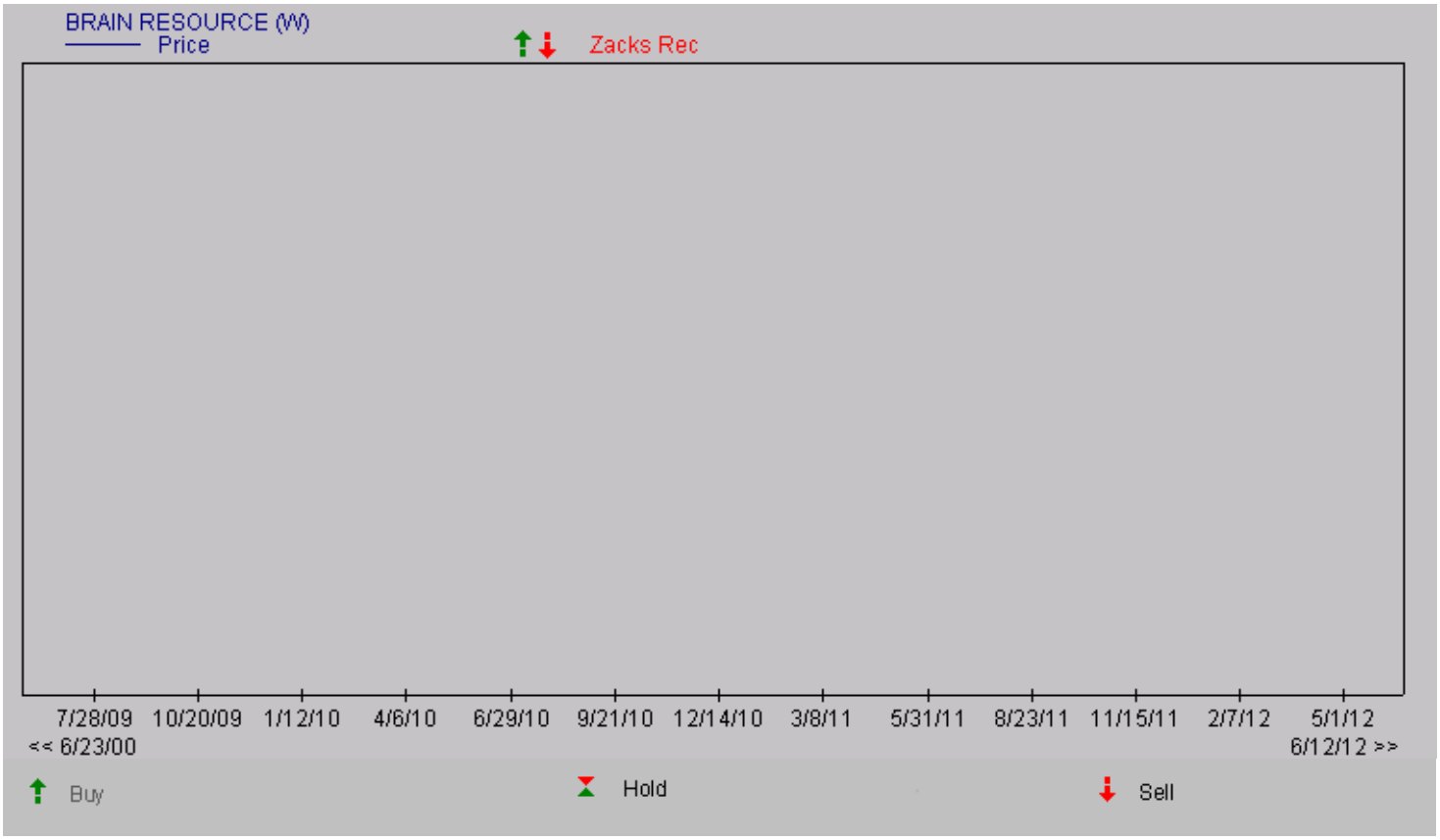
Professor Arthur Toga
Non-Executive Director and Chairman of the Scientific Advisory Committee
Professor Toga is a Professor of Neurology and Director of the Neuroimaging Laboratory at UCLA. As co-principal investigator of The International Consortium for Brain Mapping, he pioneered the use of databases for brain structure. He is Founding Editor of “Neuroimage”, a leading scientific journal in the field of brain imaging. PhD.

Russell Jamison
Non-Executive Director
Russell Jamison has practiced as a Barrister, Solicitor and Notary Public for the past 30 years. He is the author of a legal text book and manages his own business with over 50 employees. BA, LLB.

The Hon Paul Keating - *Advisor to the Board*
The Hon Paul Keating was Prime Minister of Australia from 1991 to 1996. As both Treasurer and Prime Minister, he was the driver of a period of fundamental economic reform and social re-orientation. He resigned from the Brain Resource Board on 6 April 2011 but remains an advisor to the Board.

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