BRAIN RESOURCE LIMITED

ABN 24 094 069 682

2017 ANNUAL REPORT

BRAIN RESOURCE LIMITED

ABN 24 094 069 682

BOARD OF DIRECTORS

Evian Gordon	(Executive Chairman)
Matthew Morgan	(Non-Executive Director)
Stephen Koslow	(Non-Executive Director)

COMPANY SECRETARY

Robert Waring

REGISTERED AND PRINCIPAL ADMINISTRATIVE OFFICE

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AUDITORS

Ernst & Young

STOCK EXCHANGE LISTING

Listed on Australian Securities Exchange – ASX Code:	**BRC**
American Depository Receipt quoted on OTC market – Code:	**BRRZY**

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CHAIRMAN'S LETTER & OPERATIONAL REVIEW

8 September 2017

Dear Shareholders

On behalf of the Board of Directors of Brain Resource Limited, I am pleased to present our Annual Report for the financial year ended 30 June 2017 (FY17).

Over the course of FY17, we continued to receive strong validation of our MyBrainSolutions Employer product in the United States supported by a 33% annual increase in revenues ($1.6m in FY17 compared to $1.2m in FY16) for that segment. This growth was driven by an increase in our number of corporate clients by 17 over the course of the year, providing a recurring revenue base that is contracted for the immediate future.

Given the significant traction we have had in U.S. Employer market for a number of years and strong business relationships with channel partners and large corporates we have developed to-date, we have made it our top commercial priority going forward.

To that end, I am pleased to report the Company has attracted several high-calibre individuals to its management suite to execute on that vision. Louis Gagnon, a tech-industry veteran with 25 years of experience at Amazon, TPG, and Monster.com, was appointed CEO in May 2017. Louis was subsequently joined by Emil Vasilev, a former private equity professional at Corsair Capital, as Director of Finance & Operations, Matt Mund, the former CMO and CPO of Monster.com (NYSE:MWW, recently acquired by Randstad (AMS:RAND), as COO, and Marcel Legrand, formerly of Vertical Knowledge and Monster.com, as Head of Revenue and Corporate Development.

Under the leadership of CEO Louis Gagnon, the Company will focus on executing on the existing scientific and commercial assets developed over a number of years, with an updated product experience and enhanced consumer value proposition. The product under development will position Brain Resource as the first consumer brain optimisation platform in the world. Leveraging the MyBrainSolutions digital brain assessment and the Brain Resource International Database, the platform is being set up to: (i.) assess and benchmark an individual's brain, (ii.) screen for the seven most common mental health disorders, (iii.) refer employees to their Employee Assistance Programs (a benefit program that assists employees with personal and work-related problems that may impact their job performance, health, mental and emotional well-being), and (iv.) prescribe a personalised brain practice. The brain practice is envisioned to include not only our existing brain training modules, but also restorative mind-body practices, enabling users to create a habit out of their training. The expanded Brain Resource team has already begun work on product development, as well as other areas of the business, including sales and marketing, operations, finance, and the general implementation of best practices across functions.

Existing client growth coupled with the expanded product are likely to increase further sales in 2018. The current top four opportunities are:

- Further penetration of Kaiser Permanente: Kaiser is fully subsidizing the use of MyBrainSolutions by their base of 20,000 insured companies, covering 11 million employees across the U.S.
- Further penetration of Boeing: we have the opportunity to expand to Boeing's international employees, union employees and spouses and dependents, potentially doubling our user base associated with the account

- Further penetration of American Association of Retired Persons ("AARP"): given that we are the main brain solution for their 38 million members through the brain health brand StayingSharp, we are seeking further engagement and a reimbursement model that is mutually more effective
- Execution and further penetration of TEVA ADHD opportunity: we have started implementing a pilot for TEVA, a leading global generic pharmaceutical manufacturing company, in their Israeli home market with the potential for international expansion

With our primary focus on MyBrainSolutions, we are actively exploring strategic alternatives for our iSPOT Depression and ADHD assets. There is an ongoing effort to complete test developments, FDA claims and find aligned license and distribution partners for the iSPOT Tests. There are 10 genetics and major pharmaceutical companies that we are systematically targeting in this regard.

As we have outlined previously, we have shifted our strategic priorities within the addiction / clinical business from adding new clients to harvesting existing clients with minimal spend on sales and marketing.

During FY16 we welcomed Dr Barbara Van Dahlen, the Founder and President of Give an Hour Foundation and one of TIME's Magazine 100 Most Influential People in the World, as an advisor. Barbara brings a wealth of experience and an extensive network in the mental health space across government organizations and corporates in the United States.

In essence, there is now a confluence of product innovation with best practice implementation, that augers well for scaling this business – occurring at a time when brain wellbeing and mental health have become unambiguously mainstream.

Yours sincerely

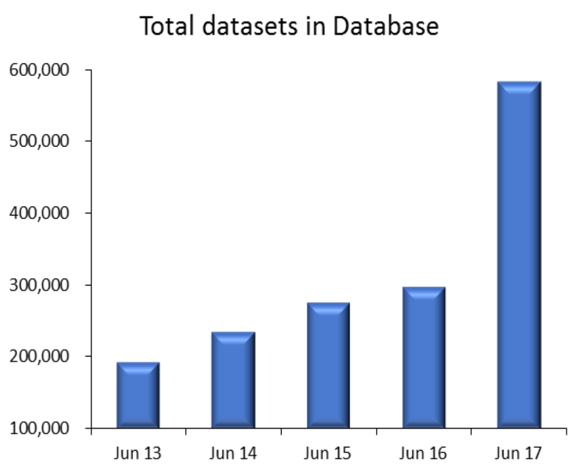
Dr Evian Gordon

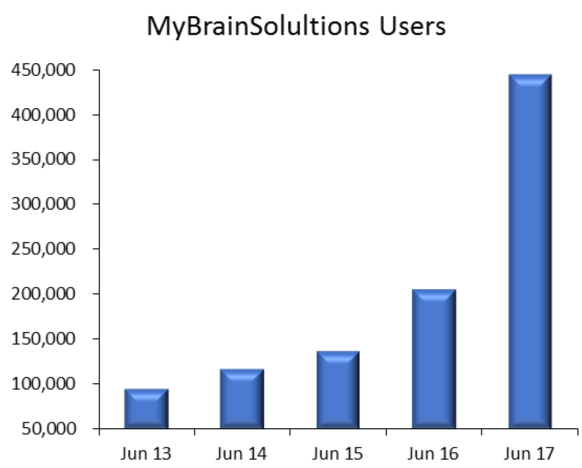
Dr Evian Gordon
Chairman of Directors

Operational Review for the Financial Year to 30 June 2017

HIGHLIGHTS

- Strategic focus on MyBrainSolutions Employer segment
- Evaluating alternatives for the iSpot assets and harvesting current clinician customers without additional sales or marketing spend
- 33% increase in FY17 MyBrainSolutions Employer revenues to $1.6m and a 115% annual increase in new users to 445,000 as of 30 June 2017, representing a 5-year CAGR of 66%
- At the same time, the Company's database assets have continued to grow to more than 584,000 datasets in FY17, representing a 5-year CAGR of 32%
- The Kaiser Permanente channel referring relationship gaining steam with 10+ new employer customers added in FY17
- Actionable opportunity to double our penetration of the Boeing account by offering our products to their international employees, union employees and spouses and dependents





1 MYBRAINSOLUTIONS EMPLOYER

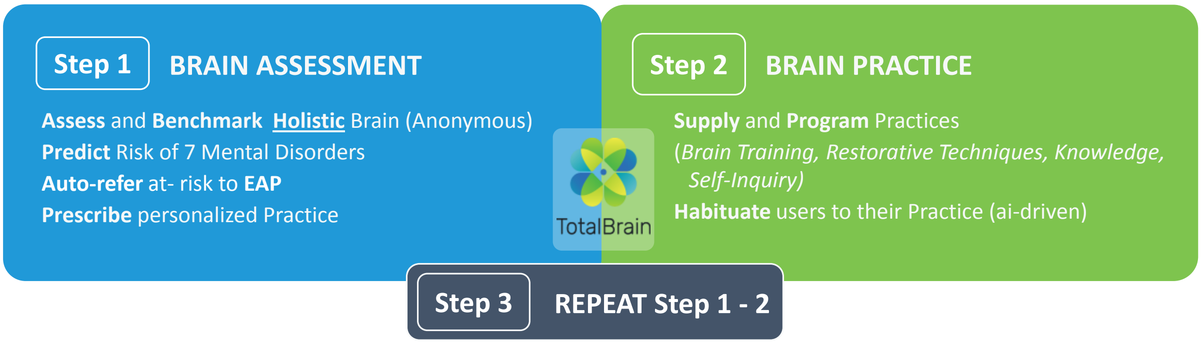
Brain Resource has built a strong franchise in the Employer market by providing MyBrainSolutions as a tool for building employee resilience, stress reduction and improved performance driving productivity gains and health care cost savings.

Notable achievements for FY17 were:

- The Kaiser Permanente channel referring relationship is gaining sales momentum; throughout FY17 we added 10+ new employer customers
- We are now in our third year with Boeing and we are pursuing expansion of the product availability to their international employees, union employees and spouses and dependents which would double our Boeing user base
- After a successful Pacific Gas & Electric Company (California) pilot, they have extended their contract for an additional 10K employees for $46K annually
- Current pipeline of more than 40 prospects covering more than 600,000 employees
- Client retention rates over 90%

- The second half of FY17 was dedicated to the development of a brand new version of the MyBrainSolutions mobile and desktop product, which upon its recent release, has received positive early feedback and increased user adoption and engagement

Under the leadership of CEO Louis Gagnon, the Company will focus on repositioning Brain Resource to become the first consumer brain optimisation platform in the world, enabled by the tremendous scientific and commercial assets the Company already owns. The platform, to be branded as "TotalBrain," is being set up to: (i.) assess and benchmark an individual's brain, (ii.) screen for the seven most common mental health disorders, (iii.) refer employees to their Employee Assistance Programs, and (iv.) prescribe a personalized brain practice. The brain practice is envisioned to include not only our existing brain training modules, but also restorative mind-body practices, enabling users to create a habit out of their training.



In doing so, we will be directly addressing the pain points of thousands of large U.S. employers and insurers who are grappling with the following problems:

- 20% of employees are affected by mental disorders[1] like Stress, Anxiety, and Depression which alone, costs $44B in healthcare, absenteeism, disengagement, productivity loss[2]
- <5% use Employee Assistance Programs (EAP)[3] and 45% of disorders go untreated[4]
- 76% are disengaged from corporate wellness programs[5] that impact Mind and Body With such facts, it is not surprising that Mental Health and Wellness cost $210B/year[6] in the U.S. alone

We are planning to address these urgent client needs by leveraging our current commercial relationships and focusing on prioritized execution. We have eight signed contracts with reseller / channel partners, who cover a total of 196 million lives across the United States. We plan to deepen our penetration with all of them over time in a disciplined, strategic manner.

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[1] National Institute of Mental Health, http://www.nimh.nih.gov/health/statistics/prevalence/any-mental-illness-ami-among-adults.shtml
[2] U.S. Centers for Disease Control & Prevention, https://www.cdc.gov/workplacehealthpromotion/health-strategies/depression/evaluation-measures/index.html
[3] National Business Group on Health, http://blog.businessgrouphealth.org/blog/eap-effectiveness/
[4] Gallup Research, http://www.gallup.com/businessjournal/168995/why-workplace-wellness-program-isn-working.aspx
[5] Mental Illness Policy Org., https://mentalillnesspolicy.org/consequences/percentage-mentally-ill-untreated.html
[6] HealthAffairs (May 2016), http://content.healthaffairs.org/content/early/2016/05/13/hlthaff.2015.1659.full.pdf+html; IBISWorld, https://www.ibisworld.com/industry/corporate-wellness-services.html (Calculated)

B2B (people reach)

- Kaiser Permanente (11M)
- aetna (46M)
- Mercer (26M)
- Humana (13M)
- Jiff (5M)

B2C (people reach)

- AARP (40M)
- sharecare (50M)

Select Customers

- Boeing
- accenture
- Nationwide
- Cerner
- TIAA
- Citrix
- Nike

2 Consumer Market

Our primary focus for consumer is growing content provision agreements.

2.1 AARP/Sharecare

Our content agreement with Sharecare continued this past year for the AARP and their 38 million members. The account has so far generated around $100K for the first six months in 2017 and negotiations for a broader agreement directly with AARP in 2018 have begun. This includes but is not limited to a large licensing agreement of our full suite of MyBrainSolutions assets. The brain health brand powered by AARP (StayingSharp) has generated over 224,000 registrations to-date, with 120,000 users completing our customized brain health assessment via either a mobile or a desktop device. Last month, the decision makers at AARP were thrilled to see a live demo of our newly-launched product, and the progress we have made in content development. This will help drive forward a larger, direct relationship commencing in mid-2018.

2.2 BrainSpan

Our relationship with BrainSpan, LLC is seeing an uptick in activity due to their relationship with the Cleveland Clinic. Last year, BrainSpan integrated our mobile web cognitive test with their Brain Health Blood Spot Test. To-date, they have generated more than 3,700 registrations and 3,192 assessments have been completed. BrainSpan is a brain health analytics company founded by leading scientists, physicians, and neurotechnology experts. The BrainSpan platform tracks and analyses key functional and structural biomarkers associated with optimal brain health. BrainSpan's science-driven platform delivers nutritional and lifestyle interventions that empower people to optimize the health, performance, and longevity of their brain.

2.3 Adjunctive Therapy

In addition to the above content provision pathway to market, we also are pursuing opportunities for making our content available for Consumers for use as an Adjunctive Therapy (also becoming increasingly termed as Digital Therapy).

Adjunctive therapy in this case refers to tailoring MyBrainSolutions to provide benefits for use as a complement to treatment or for use by specific consumer or untreated groups who have a high need for behaviour change, for example reducing stress in anxiety or enhancing focus in ADHD.

Earlier this year, Brain Resource entered a pilot program with Teva Pharmaceuticals, solidifying a digital therapeutics content license relationship for their suite of ADHD generic drugs. Our ADHD focused exercises and games will be made available to their ADHD patients in Israel on their website portal. As part of the agreement, Teva agrees to pay a 50% royalty on any revenue generated by the ADHD portal. Israel is a test market, which if it performs well, will open the door to a broader reaching global deal with Teva International down the road.

Teva Pharmaceutical Industries Ltd. (NYSE and TASE: TEVA) is a leading global pharmaceutical company with over $21B in annual revenue that delivers high-quality, patient-centric healthcare solutions used by approximately 200 million patients in 100 markets every day. Headquartered in Israel, Teva is the world's largest generic medicines producer, leveraging its portfolio of more than 1,800 molecules to produce a wide range of generic products in nearly every therapeutic area.

3 iSPOT Diagnostic and Treatment Prediction Tests

We are actively exploring strategic alternatives for our differentiated iSPOT Depression and ADHD assets. There is an ongoing effort to complete test developments, FDA claims and find aligned license and distribution partners for the iSPOT Tests. These are 10 genetics and major pharmaceutical companies that we are systematically targeting in this regard.

3.1 Depression Genetics

The iSPOT Genetics Test that we have developed based on the first 1000 iSPOT–Depression study patients provides predictions, for particular subgroups of who will and who will not respond to the three drugs tested in the iSPOT study (escitalopram, sertraline, venlafaxine-XR / branded names are Lexapro, Zoloft and Effexor). We are currently having discussions with potential partners to undertake the replication study (the 700 subject data has already been collected) and commercialise the test at a low cost to us. There are a number of genetics companies that generate reimbursement for providing a test about side effects and optimizing dose with antidepressants. iSPOT is unprecedented in predicting potential personalised treatment response.

3.2 Depression Cognition Test

We have now optimised our test and replicated the results for one of the three drugs in our iSPOT-Depression study. That is, we can predict who will and will not respond to sertraline. If we continue down this path, we would aim for a final completion of this, our first iSPOT FDA submission, in 2018.

3.3 ADHD Cognition Test

We are also finalising our iSPOT-ADHD analysis of both a diagnostic and treatment prediction test for patient response to Methylphenidate (Ritalin). Assuming this work completes as expected and our findings replicate, we should be in a position to then file an FDA submission in 2018, if aligned with our overall company strategy at the time of completion. This more rapid potential submission is possible as the ADHD work leverages the many learnings from the above Depression test including the analysis, FDA submission process and the submission template.

3.4 Publications

The iSPOT study has to date led to 31 publications in reputable scientific journals (for detail see http://www.brainresource.com/ispot.html). The continued product development and on-going publications are facilitating credibility and discussions with a range of parties interested in licencing these first tests to predict treatment in depression and ADHD. The publications demonstrate the objective treatment prediction tests are possible in Depression. The final treatment prediction algorithms will be patented before publication.

4 Addiction

As we have outlined previously, we have shifted our strategic priorities within the addiction / clinical business from adding new clients to harvesting existing clients with minimal spend on sales and marketing. This has been reflected in the 30% decline in FY17 revenue coming from that business line.

5 MyBrainSolutions usage

To-date there has been approximately 445,000 registered users of MyBrainSolutions. Around 240,000 new users were added during FY17, an annual growth rate of 115%. This translated into increase usage of the site. Around 157,000 users undertook the assessment in FY17, representing year-over-year growth of 62%.

We are in a strong competitive position including based on:

- Decades of development
- Brand awareness from our many years in the markets
- Major name long term clients
- Science validation from our Brain database which is the largest in the world and which underpins all content

- Run the world's largest Depression study (commenced in 2007, cost $18 million, now submitting to the FDA)
- ISO certified platform
- Products and platform that have withstood due diligence, ranging from science to security, by a very wide range of clients ranging from pharmaceutical companies to corporates (most recently by Boeing).

6 FINANCIALS

6.1 CORRECTION TO APPENDIX 4E LODGED ON 31 AUGUST 2017

The Appendix 4E lodged on 31 August 2017 contained some errors in respect of the % change in various measures from the prior financial year as compared to the current financial year. The column at the far right of the following table includes the corrected % changes.

	June 2017 $A '000	June 2016 $A '000	Change	Change - Corrected
Revenue from ordinary activities including other income	2,411	2,947	(18%)	
EBITDA loss pre foreign exchange gain, notional interest cost, share of loss of joint venture and non-cash impairment loss	(1,861)	(2,393)	22%	
Profit / (loss) from ordinary activities before income tax attributable to members	(10,283)	(3,869)	166%	(166%)
Profit / (loss) from ordinary activities after income tax attributable to members	(9,869)	(4,025)	45%	(145%)
Net profit / (loss) for the period attributable to members	(9,869)	(4,025)	45%	(145%)

6.2 REVENUES

Year to 30 June	2017	2016	Change
MyBrainSolutions Employer	1,621,979	1,218,305	33%
MyBrainSolutions Clinical	400,216	601,885	(34%)
Other Clinical Reports	197,978	246,692	(20%)
Treatment Prediction Research	28,755	735,871	(96%)
Discovery Research	120,393	97,411	24%
Equipment sales	31,628	9,993	217%
Joint Venture management fee	243	1,225	(80%)
Interest received - other persons/corporations	10,369	35,902	(71%)

Total revenues from ordinary activities	2,411,561	2,947,284	(18%)

Over the course of FY17, we have focused our efforts on growing the employer-centric business of MyBrainSolutions. The 30% growth in the revenues from this segment were not sufficient to offset the decline in our legacy treatment prediction research and clinical revenue. More specifically:

a) MyBrainSolutions Employer: this segment has continued to show significant promise, as highlighted by the 30% revenue growth in the segment. As discussed, this is an area of priority for us going forward.

b) Clinical: declines in MyBrainSolutions Clinical (34%) and Other Clinical Reports (20%) year-over-year were reflective of our de-prioritization of these legacy products.

c) Treatment Prediction Research: iSPOT revenues are tied to the stage of completion of the contract (based on a range of factors including spend and recruitment levels). Given the study was virtually finished as of June 30 2016, there has been no revenue in FY17.

6.3 Expenses

Year to 30 June	2017	2016	Change
Cost of equipment and third party drug trial expense and product customization	(171,437)	(725,007)	76%
Depreciation and amortisation	(514,711)	(455,614)	(13%)
Insurance and professional fees	(492,324)	(480,416)	(2%)
Rent, supplies and office costs	(261,747)	(338,650)	23%
Salaries and consultancy fees	(2,567,940)	(2,753,203)	7%
Marketing and agent support	(159,731)	(370,017)	57%
Communications	(267,244)	(251,301)	(6%)
Travel	(131,992)	(291,516)	55%
Foreign Exchange (Losses)/ Gains	(50,139)	99,041	NA
Share-based payments	(106,281)	(63,670)	(67%)
Finance Costs	(990,949)	(975,549)	(2%)
Share of loss of Joint venture	(103,104)	(143,346)	28%
Impairment of Intangible Assets	(6,762,465)	-	NA
Other expenses	(114,234)	(67,093)	(70%)
Total Expenses	**(12,694,298)**	**(6,816,341)**	**(86%)**
Total Expenses, excl. impairment of intangible assets	(5,931,833)	(6,816,341)	13%

Total expenses (excluding impairment of intangible assets) decreased by 13% compared to the prior year, driven primarily by:

1. Cost of sales - the $553,570 decrease was driven by the reduction in the cost of equipment related to the iSpot study, which was substantially completed as of 30 June 2017, in addition to a decline in product customizations for the MBS business
2. Salaries – the 7% decline in this expense item reflected the tail end of the savings associated with our rationalisation program undertaken in FY16. At the time of writing, we have 20 full time

equivalents, of which 12 are in the U.S. and 8 in Australia. The new members of the management team in the U.S. hired recently have been working without cash compensation since the beginning of their official engagements with the Company.

3. Marketing expenses decreased in line with our more conservative spending budget, including more targeted conference appearances and client marketing campaigns leveraging existing resources
4. Non-cash expenses – A one-time charge of $6.7m reflecting the impairment of BRC's intangible assets, based on testing conducted in mid-FY17. The impairment was recognised to reflect specific components of the assets that are no longer of significant value to the Company, including early tools developed to acquire and analyse data, elements related to pharmaceutical trials and older platforms replaced by online solutions. As a result, the intangible assets have been written down to reflect their fair value. The 15% increase in the Depreciation and amortization expenses was driven by the shortening of the accounting life of the intangible assets associated with MyBrainSolutions from 15 to 7 years, effective mid-FY17. 67% increase in Share-based payment costs due to the employee stock options issued to the new CEO Louis Gagnon at the end of FY17
5. Note that the costs presented are net of the capitalisation of expenditures associated with iSPOT and MyBrainSolutions. The capitalised amount in the current period amounted to around $0.7m (2016:$2.1m)

6.4 LOSS AFTER TAX

Year to 30 June	2017	2016	Change
EBITDA pre interest income, impairment expenses, foreign exchange gain, notional interest cost and share of loss of joint venture	(1,871,718)	(2,429,491)	23%
Impairment of Intangible Assets	(6,762,465)	–	NA
Foreign exchange gain	(50,139)	99,041	NA
Finance cost (notional interest)	(990,949)	(975,549)	(2%)
Share of loss of joint venture	(103,104)	(143,346)	28%
Depreciation and amortisation	(514,711)	(455,614)	(15%)
Interest income	10,349	35,902	(71%)
Loss before tax	**(10,282,737)**	**(3,869,057)**	**(166%)**
Loss after tax	(9,868,954)	(4,025,097)	(145%)

The main item driving the year-over-year loss increase was the one-time charge related to the Impairment of the Company's intangible assets.

6.5 CASH FLOW

Year to 30 June	2017	2016	Change
Cash Flows from Operations			
Receipts from customers	2,419,341	1,990,251	22%
Payments to suppliers and employees	(4,687,074)	(5,225,219)	10%
R&D tax incentive	723,169	1,158,089	(38%)
Interest received	10,369	34,503	(70%)
Net Cash Flows Used in Operations	(1,534,195)	(2,042,376)	25%
Net Cash Flows from Investing Activities			
Purchases of plant and equipment	(4,753)	(74,297)	94%
Development of database and analysis tools	(708,486)	(2,160,998)	67%
Net Cash Flows Used in Investing Activities	(713,239)	(2,235,295)	68%
Cash Flows From Financing Activities			
Net Proceeds from issue of Ordinary shares	1,288,785	2,938,750	(56%)
Repayments of Borrowings to Joint Venture	(209,378)	(329,271)	36%
Net Cash Flows From Financing Activities	1,079,407	2,609,479	(59%)
Net Decrease in Cash & Cash Equivalents Held	(1,168,027)	(1,668,192)	30%
Add opening cash & cash equivalents brought forward	2,790,014	4,335,284	
Exchange rate adjustments	(51,790)	122,922	NA
Closing Cash & Cash Equivalents Carried Forward	1,570,197	2,790,014	(44%)

The reduction in cash used in operating activities reflected a 22% increase in cash receipts and a 10% decrease in payments to suppliers and employees offset by a 38% decrease in R&D tax refunds associated with iSpot and product customization expenses.

The operating cash flows reflect the Company's expense rationalization efforts commenced in FY16, including a reduction in spend not aligned with the strategic focus on MyBrainSolutions in areas of marketing, product development and sales. As a result, we have been able to reduce out average monthly cash burn to $265,000 per month. We are focused on maintaining this disciplined approach to expenses through FY18, while also targeting uplift in revenues from the Employer segment as highlighted earlier in this report.

7 CAPITALISATION TABLE

Statement of Shareholdings as at 18 August 2017

Rank	Shareholder	Number of Shares	% Holding
1	HSBC Custody Nominees (Australia) Limited	14,168,589	8.5%
2	Stuttgart Pty Ltd	13,339,735	8.0%
3	HSBC Custody Nominees (Australia) Limited – A/C 3	13,133,846	7.9%
4	Dr Evian Gordon	11,240,248	6.7%
5	Gleneagle Securities (Aust) Pty Ltd	11,208,136	6.7%
6	UBS Nominees Pty Ltd	8,695,676	5.2%
7	HSBC Custody Nominees (Australia) Limited-GSCO ECA	6,439,634	3.9%
8	Mr Dan Segal	5,944,870	3.6%
9	Spinite Pty Ltd <Rosenbaum Family S/F A/C>	5,500,000	3.3%
10	DBPC Group Finance Pty Ltd <DBPC Group Finance A/C>	5,250,000	3.1%
11	Segal Super Pty Ltd <Segal Super Fund A/C>	3,895,000	2.3%
12	Mr Christopher John Rennie	2,482,916	1.5%
13	Red Star Developments Pte Ltd	2,231,650	1.3%
14	Spinite Pty Ltd	2,212,096	1.3%
15	Digue Pty Ltd (Ammed Super Fund A/C>	2,187,500	1.3%
16	Merrill Lynch (Australia) Nominees Pty Limited	2,021,090	1.2%
17	Arch 2000 Management Pty Ltd <Arch 2000 S/F A/C>	2,000,000	1.2%
18	Navigator Australia Ltd <MLC Investment Sett A/C>	1,917,312	1.2%
19	Prof Peter Alexander Robinson	1,682,917	1.0%
20	Zandane Pty Ltd <Hinzack Super Fund A/C>	1,452,839	0.9%
	Total of Top 20 Holdings	117,004,054	70.1%
	Other Holdings	50,136,150	29.9
	Total Fully Paid Ordinary Shares quoted on the ASX *	**167,140,204**	**100.0%**

* Includes 1,125,000 shares issued on 2 August 2017.

Summary of Funds Raised Since Incorporation to August 2017

	$
IPO Aug 2001 (at 25.0 cents per share)	5,003,006
Feb 2002 Placement (at 25.0 cents per share)	1,000,000
May 2003 Placement (at 26.5 cents per share)	2,250,000
Nov 2003 Placement (at 45.0 cents per share)	3,812,026
Jul 2005 Placement (at 30.0 cents per share)	1,634,510
Jun 2006 Placement (26.5 cents per share)	1,499,900
Feb 2013 Placement (30.0 cents per share)	1,000,000
Aug 2013 Placement (30.0 cents per share)	2,000,000
Aug/Sep 2014 Placement / SPP (25.0 cents per share)	8,058,500
Nov 2015 Placement / SPP (20.0 cents per share)	3,109,500
Apr 2017 Placement / SPP (at 8.0 cents per share)	1,321,500
Aug 2017 Placement (at 8.0 cents per share)	90,000
Option exercises	322,136
Total Funds Raised through ordinary equity	**$31,101,078**
Convertible Bonds	10,000,000
Exchangeable Convertible Preference Shares	4,000,000
Total Funds Raised	**$45,101,078**

8 OUTLOOK

We look forward to maintaining our execution focus on the MyBrainSolutions Employer business from a product development and sales execution standpoint. We aim to release a new version of the mobile and desktop product in alignment with the vision of the new CEO Louis Gagnon and expanded management team, while gearing up our sales and marketing efforts to support its adoption across our growing customer base.

REPORT OF THE DIRECTORS

Your Directors submit their report for the year ended 30 June 2017.

DIRECTORS

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

Dr Evian Gordon, BSc (Hons), PhD, MBBCh (Chairman and Executive Director)
Dr Gordon has over 30 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. Dr Gordon edited the book "Integrative Neuroscience" and has more than 200 publications. Appointed a Director on 8 August 2000.

Mr Matthew Morgan, MBA, B Com, B App Sc (Non-Executive Director)
Mr Morgan is the Principal of Millers Point Company (Millers), an advisory firm. He worked as a venture capitalist at Queensland Investment Corporation for 7 years and has over 10 years of executive management experience in private equity-funded portfolio companies. He serves as Executive Chairman of Sensera Limited (ASX SE1), a non-executive Director and Head of Audit Committee for Leaf Resources Limited (ASX LER) and has formerly held Directorships with Diversa Limited (acquired by OneVue Limited), Bluechip Limited and 3D Medical Limited. Appointed a Director on 1 March 2016.

Dr Stephen Koslow BS, PhD (Non-Executive Director)
Dr Koslow served as the inaugural Director of the Neuroscience Research Branch at the National Institute of Mental Health, including initiating the multi-Agency Human Brain Project. Dr Koslow has 90 publications in referred journals, 20 invited chapters in books and has edited 16 books, including "Databasing the Brain". He has been a key part of Brain Resource since our inception and formally a consultant since 2008. Appointed a Director on 1 March 2016.

Mr Dan Segal, BCom, ACA, BSc (Hons) MSc (Chief Operating Officer)
Mr 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. Mr Segal has been a member of Chartered Accountants since 1986. Ceased to be a Director on 13 October 2016.

COMPANY SECRETARY

Mr Robert Waring, BEc, ACA, FCIS, ASIA, FAICD
Mr Waring has more than 40 years of experience in financial and corporate roles, including more than 25 years in company secretarial roles for ASX-listed companies. He is a director of Oakhill Hamilton Pty Ltd, a company that provides secretarial and corporate advisory services to a range of listed and unlisted companies. Mr Waring is also the Company Secretary of ASX-listed companies Aeris Environmental Ltd, Vectus Biosystems Limited, Nanosonics Limited and Xref Limited. Appointed as Company Secretary on 13 March 2001.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Directors' interests in shares and options as at 30 June 2017 and at the date of this report are set out in the Remuneration Report.

ACTIVITIES

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

REPORT OF THE DIRECTORS

RESULTS

The net consolidated result of operations after applicable income tax expense was a $9,868,954 loss (2016: $4,025,097 loss).

DIVIDENDS

No dividends were paid or proposed during the year (2016: $nil).

REVIEW OF OPERATIONS

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

CORPORATE STRUCTURE

Brain Resource Limited (the 'Company') is a company incorporated and domiciled in Australia. It acts as the holding company for five wholly owned Australian subsidiaries: BRC Operations Pty Ltd; BRC IP Pty Ltd; BRC Distribution Pty Ltd; BRC International Pty Ltd; BRC Development Pty Ltd; and one wholly owned USA subsidiary: Brain Resource, Inc., a California USA company. BRC Operations Pty Ltd wholly owns two international subsidiaries: MyBrainSolutions, Inc. a Delaware USA company and Brain Resource Europe Limited, a company incorporated in Ireland. BR also has an interest in a joint venture, PoweringUpMBS Pty Ltd. Together, these companies form Brain Resource Limited (the 'Group').

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO END OF FINANCIAL YEAR

There were no matters that have arisen in the period subsequent to the end of the financial year.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

It is not possible to accurately postulate likely developments and expected future results other than as described in the Operational Review.

DIRECTORS' EMOLUMENTS

i) Remuneration policy: Please refer to the report below for remuneration policy and details of Directors' emoluments paid by the Company and Consolidated entity during the year to 30 June 2017.
ii) Executive Officers: There are no executive officers other than the executive directors disclosed below in the remuneration report.

SHARE OPTIONS

As at the date of this report, there were 1,787,000 unissued ordinary shares under options. Details of share options are disclosed in the remuneration report and at Notes 13(c) and 25. During the financial year, employees and executives have not exercised any options to acquire fully paid ordinary shares in Brain Resource Limited.

REMUNERATION REPORT (Audited)

i) Remuneration Policy

A remuneration committee has previously been in place, comprising of two non-executive directors who periodically reviewed the remuneration of all Directors and executives (up until April 2017 except for the executive directors, the Company had no other executives). There is a fixed fee policy for all non-executive directors, which was reviewed by the Board of Directors. The Committee sought independent external advice and market comparisons as necessary. Remuneration levels, including participation in the Company's Employee Share Option Scheme, are set to provide reasonable compensation in line with the Company's financial resources. Equity options issued are subject to operationally relevant performance conditions (including sales and timeliness of project delivery targets). The remuneration committee has not met during the current or previous year and there have been no changes to remuneration for existing directors and executives in that period. In the past, there has been no direct correlation between the Company’s performance and the remuneration received by employees, however, refer to the table below for remuneration for new executives.

The remuneration policy of Brain Resource Limited has been designed to align the new executive’s objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Brain Resource Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

During the year no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest. No additional shares or options were issued to Directors during the current year.

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of the Key Management Personnel (KMP) of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

	Position Held as at 30 June 2017 and any Change during the Year	Contract Details (Duration and Termination)	Proportions of Elements Related to Performance (Other than Options Issued)		Proportions of Elements of Remuneration Not Related to Performance
			Non-Salary Cash-based Incentives %	Shares/Units %	Fixed Salary/Fees %
Group KMP					
Dr E Gordon	Executive Chairman	No Fixed Term. 12 month’s notice required to terminate. Entitled to 100% of gross salary	0%	0%	100%
Mr M Morgan	Non-Executive Director	No Fixed Term. No notice required to terminate. Entitled to 0% of gross fees	0%	0%	100%
Dr S Koslow	Non-Executive Director	No Fixed Term. No notice required to terminate. Entitled to 0% of gross fees	0%	0%	100%
Mr L Gagnon	Chief Executive Officer Commenced 23 May 2017	No Fixed Term. No notice to terminate*. Entitled to 100% of gross salary, medical insurances and pro-rata portion of annual bonus.	0%**	0%**	0%**

Mr E Vasilev	Director of Finance and Operations Commenced 24 May 2017.	No Fixed Term. 1 month's notice required to terminate. Entitled to X% of gross salary	0%	0%	100%
Mr D Segal	Resigned as Executive Director on 13 October 2016.	-	0%	0%	100%

* Subject to the Company reaching a funded position to execute on its growth plans, the notice period will increase from no notice period to 12 months' notice and the company will continue to pay standard US employee benefits.

**No amounts of remuneration were paid during the year, other than a grant of options – refer below

The employment terms and conditions of all KMP are formalised in contracts of employment.

Changes in Executives Subsequent to year-end

On 3 August 2017, Mr Matthew Mund commenced as Chief Operating Officer.

On 3 August 2017, Mr Marcel Legrand commenced as Head of Revenue and Corporate Development.

Remuneration Expense Details for the Year Ended 30 June 2017

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

Table of Benefits and Payments for the Year Ended 30 June 2017

		Short-term Benefits	Post-employment Benefits	Long –term Benefits		Equity-settled Share-based Payments	
		Salary, Fees and Leave $	Pension and Superannuation $	Incentive Plans $	LSL $	Options/Rights $	Total $
Dr E Gordon	2017	257,892	1,425	-	-	-	259,317
	2016*	257,642	2,266	-	-	-	259,908
Mr M Morgan	2017	30,000	-	-	-	130	30,130
	2016	10,000	-	-	-	-	10,000
Dr S Koslow	2017	26,667	-	-	-	130	26,797
	2016	8,955	-	-	-	-	8,955
Mr L Gagnon	2017***	-	-	-	-	137,845	137,845
Mr E Vasilev	2017	33,333	-	-	-	-	33,333
Mr N Hinzack	2016	13,200	1,254	-	-	-	14,454
Mr D Segal	2017**	217,720	20,683	-	-	-	238,403
	2016*	242,202	23,009	-	-	-	265,211
Total KMP	2017	565,612	22,108	-	-	138,105	725,825
	2016	531,999	26,979	-	-	-	558,526

* Note: As part of overall company cash management, both Executive Directors (note Mr Segal resigned as a Director on 13 October 2016) have informally elected since 2013 to receive reduced amounts with the remaining balance accrued as part of payables (See Note 11). In 2016 E Gordon received a reduced amount of $251,138 and D Segal a reduced amount of $185,000 in cash. The payables include the balance of unpaid salaries – refer to note 11.

** Included in short-term benefits for Mr D Segal in 2017 is $136,986 of unused annual leave, paid out upon termination after 15 years of service.

*** Initially, the CEO remuneration is equal to 5,000,000 vested options, exercisable for 5 years at $0.08 per share. There will be no notice period and no cash remuneration and standard US employee benefits will be paid by the Company.

The CEO is eligible to receive additional 5 year options. The total number of options equals up to 8% of the fully diluted share capital of the Company including the initial grant of 5,000,000 options. The exercise prices will range from $0.08 to $0.16 per share and will vest over a 3-year period. The options will be issued subject to the successful funding of the Company to fully execute the business plan.

Subject to the Company reaching a funded position to execute on its growth plans, the CEO role will then receive a base salary of USD 300,000 per annum with an annual bonus pool of up to 100% of the base salary against annually agreed performance based milestones. At this time, the notice period will increase from no notice period to 12 months' notice and the company will continue to pay standard US employee benefits.

If prior to the adequate capitalisation of BRC, the Company executes a sale of the business the CEO is eligible to receive a fee of 5% of the sale proceeds.

Note that the Accounting Standard AASB2: Share Based Payments defines 'grant date' as "…when the entity and the counterparty have a share understanding of the terms and conditions of the agreement….if that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained".

Shareholder approval of the issue of options is only required when options are issued to a director.

The calculations and disclosures in respect of Mr Gagnon's option package have been performed on the basis that shareholder approval will not be required and that therefore the 'grant date' is considered to have been 24 May 2017.

On 24 May 2017, 5,000,000 vested options were issued to Mr Gagnon (Tranche 1) exercisable for 5 years at $0.08 per share. Mr Gagnon has agreed not to exercise any portion of the vested options until the earliest to occur of: (a) the convertible bond (refer note 28) is no longer outstanding or modified in such a manner that the conversion rights pursuant to the bond could not be triggered by Mr Gagnon's, exercise of the option, (b) the holder(s) of the convertible bond waive the conversion right in respect to Mr Gagnon's exercise of any options, (c) the Company directly or indirectly grant or issue any new equity at a price below AUD $0.194, (d) if a recapitalisation is not consummated by October 31, 2017, then immediately prior to the sale of all of the Company's assets (or a sale of all of the outstanding shares or merger transaction ultimately resulting in a liquidity event) or change of control, or (e) April 30, 2018.

Mr Gagnon is eligible to receive additional 5 year options. The total number of options equals up to 8% of the fully diluted share capital of the company, including the initial grant of 5,000,000 options.

Eligibility for the additional grant of options depends upon consummation of a recapitalisation of the company, with recapitalisation being defined as an equity financing of the company of an estimated amount of AUD $13,000,000 together with recapitalisation of the company's existing convertible debt, with an anticipated closing date before 31 October 2017. Based on the assumption that the recapitalisation occurs at a capital raising price of $0.085 and a convertible bond conversion price of $0.085, Mr Gagnon will be entitled to an additional 43,891,827 options as follows: 19,445,913 options with a strike price of $0.08 vesting at the recapitalisation date (Tranche 2); 8,148,638 options with a strike price of $0.12, vesting 12 months after grant date (being 24 May 2018) (Tranche 3); 8,148,638 options with a strike price of $0.16, vesting 24 months after grant date (being 24 May 2019) (Tranche 4); 8,148,638 options with a strike price of $0.16, vesting 36 months after grant date (being 24 May 2020) (Tranche 5). Subject to meeting the various conditions above, and subject to the agreement whereby Mr Gagnon has agreed not to exercise until the earlier of a series of events (referred to above), Mr Gagnon may exercise vested options at any time prior to the fifth anniversary of 24 May 2017 but such exercise period shall be shortened to 90 days following separation.

Refer to Note 13(c) for information about how these options have been valued.

Securities Received that Are Not Performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments.

The terms and conditions relating to options and bonuses granted as remuneration during the year to KMP are as follows:

	Remuneration Type	Grant Date	Grant Value $	Reason for Grant	Percentage Vested/Paid during the Year %	Percentage Forfeited during Year %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment	Range of Possible Values Relating to Future Payments
				Note 1					
Dr E Gordon	-	-	-	-	-	-	-	-	-
Mr M Morgan	Options	21 Dec 2016	$130	(a)	100%	0%	0%	21 Dec 2021	n/a
Dr S Koslow	Options	21 Dec 2016	$130	(a)	100%	0%	0%	21 Dec 2021	n/a
Mr L Gagnon	Options	24 May 2017	$393,445	(b)	35%	0%	65%	(b)	n/a
Mr D Segal	-	-	-	-	-	-	-	-	-

Note 1(a) The options were issued under the terms of the Company's Employee and Director Share Option Plan following shareholder approval at the Company's 29 November 2016 AGM, as a key component of their remuneration in order to retain their services and to provide incentive linked to the performance of the company.

Note 1(b) Refer Table of Benefits and Payments for the Year Ended 30 June 2017 above for details of the remuneration package agreed with Mr Gagnon.

All options were issued by Brains Resource Limited and entitle the holder to one ordinary share in Brain Resource Limited for each option exercised.

There have not been alterations to the terms or conditions of any grants since grant date.

Options and Rights Granted as Remuneration

	Balance at Beginning of Year	Grant Details			Exercised		Lapsed	Balance at End of Year
		Issue Date	No.	Value $	No.	Value $	No.	
Group KMP				Note 1	Note2			
Dr E Gordon	-	-	-	-	-	-	-	-
Mr M Morgan	-	21/12/16	250,000	$130	-	-	-	250,000
Dr S Koslow	-	21/12/16	250,000	$130	500	$1	-	249,500
Mr L Gagnon	-	24/5/17	48,891,827*	$393,445	-	-	-	48,891,827
Mr E Vasilev	-	-	-	-	-	-	-	-
Mr D Segal	-	-	-	-	-	-	-	-
			49,391,827	$393,705	500	$1	-	49,391,327

	Balance at End of Year	Vested			Unvested
		Exercisable	Unexercisable	Total at End of Year	Total at End of Year
Group KMP					
Dr E Gordon	-	-	-	-	-
Mr M Morgan	250,000	-	-	-	250,000
Dr S Koslow	249,500	-	-	-	249,500
Mr L Gagnon	48,891,827*	-	5,000,000	5,000,000	43,891,827
Mr E Vasilev	-	-	-	-	-
Mr D Segal	-	-	-	-	-
	49,391,327	-	5,000,000	5,000,000	44,391,327

* On 24 May 2017, 5,000,000 vested options were issued to Mr Gagnon (Tranche 1) exercisable for 5 years at $0.08 per share. Mr Gagnon has agreed not to exercise any portion of the vested options until the earliest to occur of: (a) the convertible bond (refer note 28) is no longer outstanding or modified in such a manner that the conversion rights pursuant to the bond could not be triggered by Mr Gagnon's, exercise of the option, (b) the holder(s) of the convertible bond waive the conversion right in respect to Mr Gagnon's exercise of any options, (c) the Company directly or indirectly grant or issue any new equity at a price below AUD $0.194, (d) if a recapitalisation is not consummated by October 31, 2017, then immediately prior to the sale of all of the Company's assets (or a sale of all of the outstanding shares or merger transaction ultimately resulting in a liquidity event) or change of control, or (e) April 30, 2018.

Mr Gagnon is eligible to receive additional 5 year options. The total number of options equals up to 8% of the fully diluted share capital of the company, including the initial grant of 5,000,000 options.

Eligibility for the additional grant of options depends upon consummation of a recapitalisation of the company, with recapitalisation being defined as an equity financing of the company of an estimated amount of AUD

$13,000,000 together with recapitalisation of the company's existing convertible debt, with an anticipated closing date before 31 October 2017. Based on the assumption that the recapitalisation occurs at a capital raising price of $0.085 and a convertible bond conversion price of $0.085, Mr Gagnon will be entitled to an additional 43,891,827 options as follows: 19,445,913 options with a strike price of $0.08 vesting at the recapitalisation date (Tranche 2); 8,148,638 options with a strike price of $0.12, vesting 12 months after grant date (being 24 May 2018) (Tranche 3); 8,148,638 options with a strike price of $0.16, vesting 24 months after grant date (being 24 May 2019) (Tranche 4); 8,148,638 options with a strike price of $0.16, vesting 36 months after grant date (being 24 May 2020) (Tranche 5). Subject to meeting the various conditions above, and subject to the agreement whereby Mr Gagnon has agreed not to exercise until the earlier of a series of events (referred to above), Mr Gagnon may exercise vested options at any time prior to the fifth anniversary of 24 May 2017 but such exercise period shall be shortened to 90 days following separation.

Note 1 The fair value of options granted as remuneration as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.

Refer Table of Benefits and Payments for the Year Ended 30 June 2017 above for details of the remuneration package agreed with Mr Gagnon.

Note 2 All options exercised resulted in the issue of ordinary shares in Brain Resource Limited on a 1:1 basis. All persons exercising options paid the applicable exercise price.

Description of Options/Rights Issued as Remuneration

Details of the options granted as remuneration to those KMP listed in the previous table are as follows:

Grant Date	Issuer	Entitlement on Exercise	Dates Exercisable	Exercise Price	Value per Option at Grant Date	Amount Paid/Payable by Recipient
				$	$	$
Dr E Gordon	-	-	-	-	-	-
Mr M Morgan	Brain Resource Limited	1:1 Ordinary Shares in Brain Resource Limited	Refer Note 13 (c)	$0.20	$0.0029	-
Dr S Koslow	Brain Resource Limited	1:1 Ordinary Shares in Brain Resource Limited	Refer Note 13 (c)	$0.20	$0.0029	-
Mr L Gagnon	Brain Resource Limited	1:1 Ordinary Shares in Brain Resource Limited	Refer Note 13 (c)	$0.08 $0.08 $0.12 $0.16 $0.16	$0.015 $0.015 $0.007 $0.004 $0.004	- - - - -
Mr E Vasilev	-	-	-	-	-	-
Mr D Segal	-	-	-	-	-	-

Option values at grant date were determined using the Black-Scholes method. Refer to note 13(c) for more details.

Details relating to service and performance criteria required for vesting have been provided in the Cash Bonuses, Performance-related Bonuses and Share Based Payments table above.

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

There has been no increase in Executive Directors' salaries since 1 January 2012. There is a continuous service agreement in place with the Executive Director, E Gordon, which sets out a base salary and requires 12 months' notice to be given or the equivalent payment in lieu to be given upon termination by the Company of such agreements. No other benefits either short term or long term have been received or are receivable by Directors. No long term benefits or termination benefit payments were made to Directors during the year.

iii) Value of Directors' options awarded, exercised and lapsed during the year: refer tables above

iv) Directors' Shareholdings and Options as at 30 June:

Name	Ordinary Shares Fully Paid		Options over Ordinary Shares	
	2017	2016	2017	2016
E Gordon	12,206,248	12,206,248	-	-
M Morgan	187,310	-	250,000	-
S Koslow	94,250	-	249,500	-
D Segal (resigned 13 Oct 2016)	6,534,264	6,534,264	-	-
N Hinzack (resigned 30 Jun 2016)	1,177,239	1,177,239	-	-
A Toga (resigned 1 Mar 2016)	287,500	287,500	-	-
	20,486,811	20,205,251	499,500	-

Shares held by Directors include those held by the Directors and their director-related entities. All shares and options, excluding those under Employee Share Option Scheme, were issued or granted on terms no more favourable than to other shareholders or option holders.

MEETINGS OF DIRECTORS

The following table sets out the number of Directors' meetings and Committee meetings held during the financial year, and the number of meetings attended by each Director (while they were a Director):

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Number of meetings held	5	2	0
Number of meetings attended			
Evian Gordon	5	** 1	-
Stephen Koslow	5	-	0
Matthew Morgan	5	2	0
Dan Segal	* 2	* 1	-

REPORT OF THE DIRECTORS

The Audit Committee reviews the Company's financial systems, accounting policies, half-year and annual financial statements.

* D Segal had ceased to be a Director for two of the Board meetings and one of the Audit Committee meetings held during the financial year.

** E Gordon was only a member of this Committee for one of these meetings.

EMPLOYEES

There were 17 full time equivalent employees (2016:30) working for the consolidated entity during the year, being a mixture of full time staff, permanent part time and casuals with 7 (2016:16) based in the United States. There were around 19 full time equivalent employees at year end.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

CORPORATE GOVERNANCE

The Group's Corporate Governance Statement and ASX Appendix 4G are released to ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Compliance Manual can be found on the Company's website at http://www.brainresource.com/investors.html .

AUDITOR INDEPENDENCE

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

Signed in Sydney on 8 September 2017 in accordance with a resolution of the Directors.

Dr E Gordon

Dr Evian Gordon
Chairman of Directors

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of Brain Resource Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit*;* and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Brain Resource Limited and the entities it controlled during the financial year.

Ernst & Young

Lisa Nijssen-Smith
Partner
8 September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June	Note	Consolidated 2017 $	Consolidated 2016 $
REVENUE AND OTHER INCOME	2	2,411,561	2,947,284
Cost of equipment and third party drug trial expense	3	(171,437)	(725,007)
Depreciation and amortisation	3	(514,711)	(455,614)
Insurance and professional fees		(492,324)	(480,416)
Rent, supplies and office costs		(261,747)	(338,650)
Salaries and consultancy fees		(2,567,940)	(2,753,203)
Marketing and agent support		(159,731)	(370,017)
Communications		(267,244)	(251,301)
Travel		(131,992)	(291,516)
Foreign Exchange (Losses)/ Gains	3	(50,139)	99,041
Share based payments		(106,281)	(63,670)
Finance Costs		(990,949)	(975,549)
Share of loss of Joint venture		(103,104)	(143,346)
Impairment of Intangible Assets	9	(6,762,465)	-
Other		(114,234)	(67,093)
TOTAL EXPENSES		(12,694,298)	(6,816,341)
LOSS BEFORE INCOME TAX		**(10,282,737)**	**(3,869,057)**
Income tax benefit / (expense)	4	413,783	(156,040)
LOSS AFTER INCOME TAX	14	**(9,868,954)**	**(4,025,097)**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF BRAIN RESOURCE LIMITED		**(9,868,954)**	**(4,025,097)**
Basic loss per share (cents per share)	15	(6.45)	(2.84)
Diluted loss per share (cents per share)	15	(6.45)	(2.84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Consolidated	
At 30 June		**2017**	**2016**
	NOTE	$	$
CURRENT ASSETS			
Cash & cash equivalents	21	1,570,197	2,790,014
Trade and other receivables	6	473,189	714,138
Inventories	7	-	10,156
Other current assets	10	25,620	30,560
TOTAL CURRENT ASSETS		**2,069,006**	**3,544,868**
NON-CURRENT ASSETS			
Plant and equipment	8	167,856	208,420
Intangible assets	9	22,420,786	29,551,716
Investment in joint venture	29	1,270,462	1,373,566
Other non-current assets	10	14,766	13,364
Deferred tax assets	4	-	2,231,917
TOTAL NON-CURRENT ASSETS		**23,873,870**	**33,378,983**
TOTAL ASSETS		**25,942,876**	**36,923,851**
CURRENT LIABILITIES			
Payables	11	688,657	1,055,566
Interest-bearing loans	30	712,968	922,346
Provisions	12	698,914	969,168
TOTAL CURRENT LIABILITIES		**2,100,539**	**2,947,080**
NON-CURRENT LIABILITIES			
Convertible Bond	28	7,566,701	6,579,740
Provisions	12	17,089	18,896
Deferred tax liabilities	4	911,506	3,557,206
TOTAL NON-CURRENT LIABILITIES		**8,495,296**	**10,155,842**
TOTAL LIABILITIES		**10,595,835**	**13,102,922**
NET ASSETS		**15,347,041**	**23,820,929**
EQUITY			
Contributed equity	13	37,516,453	36,227,668
Accumulated losses	14	(22,834,351)	(12,965,397)
Other Reserves	14	664,939	558,658
TOTAL EQUITY		**15,347,041**	**23,820,929**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June	Note	Consolidated 2017 $	2016 $
CASH FLOWS FROM OPERATIONS			
Receipts from customers		2,419,341	1,990,251
Payments to suppliers and employees		(4,687,074)	(5,225,219)
R&D tax incentive		723,169	1,158,089
Interest received		10,369	34,503
NET CASH FLOWS USED IN OPERATING ACTIVITIES	21	**(1,534,195)**	**(2,042,376)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(4,753)	(74,297)
Development of database and analysis tools		(708,486)	(2,160,998)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(713,239)**	**(2,235,295)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Proceeds from issue of Ordinary shares		1,288,785	2,938,750
Repayments of Borrowings to Joint Venture		(209,378)	(329,271)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**1,079,407**	**2,609,479**
Net decrease in cash & cash equivalents held		**(1,168,027)**	**(1,668,192)**
Add opening cash & cash equivalents brought forward		2,790,014	4,335,284
Exchange rate adjustments		(51,790)	122,922
CLOSING CASH & CASH EQUIVALENTS CARRIED FORWARD	21	**1,570,197**	**2,790,014**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the shareholders of Brain Resource Limited				
	Ordinary Shares (Note 13) $	Equity component of Convertible Bonds $	Accumulated Losses (Note 14) $	Employee Share Options (Note 14) $	Total Equity $
Consolidated					
As at 30 June 2015	27,550,252	3,316,266	(8,940,300)	494,988	22,421,206
Loss for the year	-	-	(4,025,097)	-	(4,025,097)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	(4,025,097)	-	(4,025,097)
Transactions with owners in their capacity as owners:					
Issue of Ordinary share	2,938,750	-	-	-	2,938,750
Re-Issue of convertible bond –equity component (net)	-	2,422,400	-		2,422,400
Share based payments	-	-	-	63,670	63,670
As at 30 June 2016	30,489,002	5,738,666	(12,965,397)	558,658	23,820,929
Loss for the year	-	-	(9,868,954)	-	(9,868,954)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	(9,868,954)	-	(9,868,954)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares	1,288,785	-	-	-	1,288,785
Share based payments	-	-	-	106,281	106,281
As at 30 June 2017	31,777,787	5,738,666	(22,834,351)	664,939	15,347,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Brain Resource Limited (the Company) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 8 September 2017. Brain Resource Limited (the parent) is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities of Brain Resource Limited and its subsidiaries (the Group) are described in the Directors' Report.

(a) Basis of preparation

The financial report is a general-purpose financial report, prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has also been prepared on a historical cost basis, with the exception of share based payments which are recorded at fair value.

The financial report is presented in Australian dollars.

New Accounting Standards and Interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period.

Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards, International Financial Reporting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2017. These major new standards are outlined in the table below.

Standard	Effective date for the Group	Impact on the financial report
AASB 9 Financial Instruments AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.	1 July 2018	The potential impact to financial instruments accounting is yet to be assessed.

Standard	Effective date for the Group	Impact on the financial report
IFRS 15 Revenue Recognition In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	1 July 2018	The Group will need to use more judgement in applying requirements in revenue recognition. The potential impact to revenue recognition is yet to be assessed and the transition method has not been decided.
AASB 16 Leases During February 2016, the AASB issued AASB16 Leases, which replaces the existing leases guidance in AASB 117 Leases. AASB 16 incorporates the requirements of IFRS 16 Leases issued by the IASB. AASB 16 provides a single model for accounting for leases by lessees. Leases other than low value and short-term leases must be recognised on the balance sheet of lessees. The lessee will recognise an asset, reflecting its right to use the underlying asset, and a liability, in respect of its obligation to make lease payments. Expenses in respect of leases will include amortisation of the right-of-use asset and interest expense in respect of the lease liability. Lessors will continue to account for leases as either operating or finance leases, consistent with current practice. For operating leases, the underlying asset remains on the lessor's balance sheet. For finance leases, the underlying asset is derecognised and a lease receivable is recognised.	1 July 2019	The Group will need to use more judgement in applying requirements in lease accounting. The potential impact to lease accounting is yet to be assessed.

(b) Statement of compliance

This financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board. This financial report also complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Research & development costs – development costs are only capitalised by the Group when the feasibility of completing the intangible asset is valid and likely to result in a saleable asset.

(ii) Impairment of intangible assets - the Group determines whether intangibles are impaired at least on an annual basis. The assumptions used in the estimation of recoverable amount and the carrying amount of intangibles is discussed in Note 9.

(iii) Share-based payment transactions - the Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, using the assumptions detailed in Note 13(c).

(iv) Deferred tax assets – deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(v) Taxation - The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

(vi) Estimation of useful lives of assets - The estimation of the useful lives of assets has been based on historical experience and judgement. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

(vii) Fair value of convertible bonds - The interest rate used to determine the fair value of the convertible bond is based on the interest rate for a fixed loan with similar characteristics to the convertible bond.

(d) Summary of significant accounting policies

(i) Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group as at and for the year ended 30 June each year.

The Group is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Brain Resource Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

(ii) Foreign currency translation
Both the functional currency and presentation currency of the Group is Australian Dollars (AUD). Transactions denominated in currencies other than AUD are initially recorded at the exchange rates ruling at the date of each transaction. Monetary assets denominated in currencies other than AUD are retranslated at the rate of exchange ruling at the balance sheet date, and the income statements are translated at the weighted average exchange rates for the year. Non-monetary items that are measured in terms of historical cost in a currency other than AUD are translated using the exchange rate ruling at the date of the initial transaction.

(iii) Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash on bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(iv) Trade and other receivables
Trade receivables, which generally have 30 – 60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. The government grant receivable for R&D tax incentives is recognised to the degree that the Group can reliably estimate that R&D expenditure for the full year will fall within the eligibility requirements. Advances in Other receivables are provided as an advance contractual payment generally covering the payable expected to accrue over a 60-90 day period. Trade and other receivables with maturity greater than 12 months after balance sheet date are classified as non-current.

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

(vi) Plant and equipment
Plant and equipment is included at cost. Depreciation is provided on a diminishing value basis on all plant and equipment at rates calculated to write off the cost, less estimated residual value at the end of the useful lives of the assets, over those estimated useful lives. The majority of the assets, comprising primarily computer equipment and software, are being depreciated over a three to ten year period. Refer to Note 1d (viii) for recoverability of assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(vii) Intangible assets
Intangible assets are capitalised at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Intangible assets with indefinite lives or assets not yet available for use are tested annually for impairment, either individually or at the cash generating unit level. Finite life assets are tested where indicators of impairment exist. Research costs are charged against profits in the period in which the expenditure is incurred. Development costs are capitalised in the period in which the expenditure is incurred where the future benefits are expected to at least equal these costs.

The Brain Resource International Database and associated analysis tools ('BRID') is treated as a single integrated asset for presentation and impairment testing. Amortisation of components of BRID that are ready for use are calculated on a straight line basis over 7 years.

(viii) Recoverable amount of assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs of disposal and does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value is determined by the directors based on an assessment of the price that would be received to sell the BRID in an orderly transaction between market participants at the measurement date. This assessment has used a categorisation of data types, including the number of datasets within each data type in the BRID. It also takes into account prices to set up data analysis platforms as well as prices for data acquisition, which includes subject recruitment and other costs to acquire the relevant data.

(ix) Trade and other payables

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(x) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(xi) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

a) Treatment prediction research is typically contract based, with payments to Brain Resource tied to achieving agreed milestones, and do not necessarily lead to the creation of new intellectual property owned by Brain Resource. Milestones can include equipment set-up and completing testing on a selected number of subjects. Revenues are only recognised where the milestones have been met or where the stage of completion can be reliably measured. Accordingly, where payments are received in advance, this is recorded as unearned income until such time as the work to which the payment relates has been completed.
b) Revenues from all other sources are recognised at the time of delivery.

(xii) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). There is currently an Employee Share Option Plan (ESOP) in place which provides benefits to all employees, including senior executives and directors. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Brain Resource ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described above. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xiii) Income tax
Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income.

Deferred income tax liabilities are recognised for all taxable temporary differences except: when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets, against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxable authority.

R&D tax offsets are refundable tax offsets equivalent to the value of deductions available under the R&D Tax Concession provisions (that is a qualifying company is eligible for a cash rebate and the associated carry forward loss extinguished) and are applied to the capitalised amounts of the expenditure to which they relate.

Brain Resource Limited and its subsidiaries are taxed on a stand-alone basis.

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

Employee benefit expenses and revenues arising in respect of the following categories: wages and salaries, non-monetary benefits, annual leave and other leave benefits; and other types of employee benefits are recognised against profits on a net basis in their respective categories. Long service leave is provided for employees with an assumption made over the likelihood of that employee achieving their tenth anniversary.

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

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

(xvi) Earnings per share
Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible non-cumulative redeemable preference shares). Potential ordinary shares are treated as dilutive when and only when their conversion to ordinary shares would decrease earnings per share or increase the profit per share from continuing operations.

(xvii) Interest income
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(xviii) Contributed equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(xix) Goods and Services Tax (GST)
Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities are classified as operating cash flows and are included in receipts from customers or payments to suppliers, as appropriate.

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xx) Convertible bonds
The component of the convertible bonds that exhibit characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible

bond and this amount is carried as a long-term liability using the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Interest on the liability component of the convertible bonds is recognised as an expense in profit or loss. Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(xxi) Investment in joint venture

The Company has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions that are Fundamental Matters (defined as including 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). The financial statements of the joint venture are prepared for the same reporting period as the Company. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

The Company's investment in the joint venture is accounted for using the equity method. Under the equity method, the investment in the joint venture is carried on the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the joint venture. The income statement reflects the Company's share of the results of operations of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the "share of profit / (loss) of a joint venture" in the income statement.

Applicable to Parent Company Only

(xxii) Investment in subsidiaries

Investment in subsidiaries is recorded at cost less any provision for impairment.

(e) Going Concern

The Group's financial statements have been prepared and presented on a going concern basis.

To ensure the current business plan remains fully funded beyond the next 12 months will require an improved operational performance and a capital raising to supplement the Company's cash resources.

Events expected to positively impact during this period include that the Company has: appointed Louis Gagnon, a seasoned global business leader, to the role of CEO; secured Emil Vasilev, a former private equity professional, as Director of Finance and Options; employed Matthew Mund as Chief Operating Officer; and Mr Marcel Legrand as Head of Revenue and Corporate Development. Also, the Company is currently undertaking discussions to convert outstanding debt to equity and subsequently raise capital to fund operations. Such capital would be used to grow revenue from the MBS business, align the product and consumer value proposition and 'go to market' efforts, expand the executive team with a focus on new product development, data science and sales and marketing staff and to execute on B2B2C strategy by growing the Company's customer base with both a new go to market approach and updated product set.

Other possibilities that may positively impact the period include: progress with an FDA approval of at least one of the iSPOT tests, a potential licence deal relating to iSPOT study outcomes and the successful exploitation of the content license agreement entered into with Teva Pharmaceutical Industries for the territory of Israel (entered into in April 2017).

While the Directors believe the going concern basis is appropriate and remain confident about the events above occurring, there is some risk. In the event that the performance of the Company does not improve sufficiently or a capital raising (nor any other positive development) does not occur at a requisite level prior to the end of the calendar year, this will require a further curtailment to the Company's current business plan to realign with residual resources.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern, and may have to realise its assets and extinguish its liabilities other than in the normal course of business.

30 June	Consolidated 2017 $	Consolidated 2016 $

2. REVENUE AND OTHER INCOME

MyBrainSolutions Employer	1,621,979	1,218,305
MyBrainSolutions Clinical	400,216	601,885
Other Clinical Reports	197,978	246,692
Treatment Prediction Research	28,755	735,871
Discovery Research	120,393	97,411
Equipment sales	31,628	9,993
Joint Venture management fee	243	1,225
Interest received - other persons/corporations	10,369	35,902
Total revenues from ordinary activities	**2,411,561**	**2,947,284**

3. EXPENSES

Cost of equipment and third party drug trial expense	171,437	725,007
Depreciation & Amortisation:		
Plant and equipment	35,931	78,017
Intangibles	478,780	377,597
Total Depreciation and Amortisation	514,711	455,614
Operating lease costs (minimum lease payments)	232,971	334,015
Superannuation contributions	177,552	251,878
Bad debt expense	-	7,245
Net Foreign Currency Loss / (Gain)	50,139	(99,041)

4. INCOME TAX

a) Income tax expense

Current income tax:		
Deferred tax:		
Relating to origination and reversal of temporary differences	(413,783)	152,534
Income tax (benefit)/expense reported in statement of comprehensive income	(413,783)	152,534

b) Income tax expense reconciliation

Accounting loss before income tax	(10,282,737)	(3,869,057)
At Company's statutory income tax rate of 27.5% (2016: 30%)	(2,827,753)	(1,160,717)
Additional income tax based on rate of 35% for US company	(54,910)	(89,066)
Permanent differences from R&D refund	79,023	(91,667)

30 June	Consolidated 2017 $	Consolidated 2016 $
Tax losses not recognised as DTA	264,586	700,229
Prior year (over) / under provisions	187,080	405,453
Prior year adjustment for MBS	-	184,369
Historical temporary difference in relation to intangible assets	-	158,570
De-recognise US tax losses to 30 June 2015	2,200,000	-
Effect of reduction in tax rate in Australia from 30% to 27.5%	(293,674)	-
Other	31,865	45,363
Income tax (benefit) / expense	(413,783)	152,534
c) Deferred tax assets / (liabilities)		
Losses carried forward	8,533,270	8,688,725
Intangibles	(5,516,697)	(8,114,081)
Convertible Bond Extension	(669,157)	(1,038,171)
Tax losses not recognised as DTA	(3,144,220)	(700,231)
Investment in JV	(349,377)	(412,040)
Provisions	196,966	296,419
Foreign exchange	10,597	(29,712)
Other	27,112	(16,198)
Net deferred tax liabilities	(911,506)	(1,325,289)
Reflected in the statement of financial position as follows:		
Deferred tax assets	-	2,231,917
Deferred tax liabilities	(911,506)	(3,557,206)
Deferred tax liabilities, net	(911,506)	(1,325,289)
Reconciliation of deferred tax liabilities, net:		
Opening balance as of 1 July	(1,325,289)	(131,076)
Losses carried forward	518,755	535,212
Tax losses not recognised as DTA	(264,586)	(700,229)
De-recognise US tax losses to 30 June 2015	(2,200,000)	-
Effect of reduction in tax rate in Australia from 30% to 27.5%	293,674	-
Intangibles	1,666,849	(488,980)
Foreign exchange	48,045	206,992
Convertible Bonds Interest	271,414	273,904
Other	79,632	17,061

30 June	Consolidated 2017 $	Consolidated 2016 $
Net deferred tax benefit/(expense) charged to Statement of Comprehensive Income	413,783	(156,040)
Convertible Bond Extension	-	(1,038,173)
Net deferred tax expense charged to equity	-	(1,038,173)
Closing balance as at 30 June	(911,506)	(1,325,289)

Brain Resource, Inc., incorporated in California USA has carry-forward unused tax losses of $9.0m as at 30 June 2017 (2016: $8.4m). The Company recognised deferred tax assets in respect of these tax losses as at 30 June 2017 of $nil (2016: $2.2m). The losses remain available to offset future income, but the directors have chosen not to recognise a deferred tax asset in respect of them, until as expected the operation become profitable.

The Company concluded that the deferred tax asset relating to carry-forward unused tax losses in Australia is recoverable, within the requisite timeframes, based on budget estimates for future taxable income as approved by the Company's Board of Directors.

No franking credits are available for subsequent years (2016: nil). Brain Resource Limited and its subsidiaries have not formed a tax consolidated Group for income tax purposes.

5. AUDITOR'S REMUNERATION

The auditor of Brain Resource Limited is Ernst & Young. Amounts received or due and receivable by Ernst & Young (Australia) for:

Half year review	70,190	35,000
Full year audit	130,000	98,000
	200,190	**133,000**

6. TRADE AND OTHER RECEIVABLES

Trade Receivables	347,341	352,830
Advances	138	4,030
Government grant receivable for R&D tax incentives	125,000	250,000
Other receivables	710	107,278
	473,189	**714,138**

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $nil (2016: $7,245) has been recognised by the Group.

30 June	Consolidated 2017 $	Consolidated 2016 $

(b) Trade Receivables Ageing

Receivables past due but not considered impaired are: Consolidated $143,542 (2016: $101,562). Each of these amounts have been reviewed and the Company is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due. At 30 June, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI*	+90 days PDNI*	+90 days CI*
2017 Consolidated	347,341	204,340	7,042	39,134	-	96,825	-
2016 Consolidated	352,830	217,960	33,307	60,266	-	41,297	-

*Past due not impaired (PDNI) and Considered Impaired (CI).

There were no related party receivables.

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

Brain Resource only trades with credit worthy third parties. Credits limits are set depending on the type of client involved, which range from large multinationals to individual clinicians. Balances are monitored on a regular basis with the result that there is only very limited exposure to bad debts.

7. INVENTORIES

	2017	2016
Laboratory hardware – at cost	-	10,156
	-	10,156

8. PLANT AND EQUIPMENT

	Consolidated $
At 1 July 2015, net of accumulated depreciation	313,739
Additions	74,296
Depreciation expense	(135,188)
Depreciation expense capitalised to Intangible	(44,427)
At 30 June 2016, net of accumulated depreciation	**208,420**
At 1 July 2016, net of accumulated depreciation	208,420
Additions	4,753
Depreciation expense	(35,931)
Depreciation expense capitalised to Intangible	(9,386)
At 30 June 2017 net of accumulated depreciation	**167,856**

30 June	Consolidated 2017 $	Consolidated 2016 $
At 30 June 2016:		
Cost	1,214,985	
Accumulated depreciation	(1,006,565)	
Net Carrying Value	**208,420**	
At 30 June 2017:		
Cost	1,099,553	
Accumulated depreciation	(931,697)	
Net Carrying Value	**167,856**	

9. INTANGIBLE ASSETS – INTERNATIONAL DATABASE AND ASSOCIATED ANALYSIS TOOLS

Development cost at 1 July	31,894,619	30,449,245
Accumulated amortisation	(2,342,903)	(1,965,306)
Net Carrying Amount at 1 July	29,551,716	28,483,939
Additions – internal development	708,486	2,083,360
Less R&D tax incentive	(598,171)	(637,986)
Less amortisation charge	(478,780)	(377,597)
Less impairment charge	(6,762,465)	-
Net Carrying amount at 30 June	**22,420,786**	**29,551,716**

The intangible asset is tested for impairment and the recoverable amount is based on the higher of value in use or fair value less costs of disposal. Fair value is determined by the directors based on an assessment of the price that would be received to sell the Brain Resource International Database (BRID) in an orderly transaction between market participants at the measurement date. This assessment has used a categorisation of data types, including the number of datasets within each data type in the BRID. It also takes into account prices to set up data analysis platforms as well as prices for data acquisition, which includes subject recruitment and other costs to acquire the relevant data (including acquisition costs, use of hardware, processing, etc).

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Upon review of the business assets, it has been determined that certain aspects of the BRC technology are no longer in use which has triggered an impairment of $6.7m during the year. The impaired assets, being level 2 instruments have been written down to their fair value less costs to dispose of $nil. Further, the Directors deemed it appropriate to accelerate the amortisation of MBS assets. In doing so, the useful life of MBS assets has been reduced from 15 years to 7 years, effective 31 December 2016, leaving a net book value of $0.2m.

No impairment loss was recognised in the 2016 financial year. The intangible additions above include an accrual for costs incurred and unpaid at year end to the value of $0 (2016: $92,935).

30 June	Consolidated 2017 $	Consolidated 2016 $
10. OTHER ASSETS		
Current		
Prepayments	25,620	30,560
Non-Current		
Deposits	14,766	13,364
11. PAYABLES		
Trade Creditors	93,384	292,325
Unearned income (a)	-	84,794
Other creditors	446,533	254,249
Employee Entitlements	148,740	424,198
	688,657	**1,055,566**

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

Fair value - Due to the short term nature of these payables, their carrying value is assumed to approximate fair value.

The $148,740 of employee entitlements owing as at 30 June 2017 was owed to the executive director, E. Gordon. The $424,198 owing as at 30 June 2016 included amounts owing to both Executive directors at the time, E. Gordon ($165,165) and D. Segal ($259,033). D. Segal resigned as a director on 13 October 2016. The other creditors owing as at 30 June 2017 of $446,533 included $368,317 owing to D. Segal.

a) Unearned Income

In the 2007 financial year, Brain Resource entered into a Research Contract to identify diagnostic and treatment prediction markers. The terms of this agreement includes that the contracted work is being done on an exclusive basis, the project intellectual property is legally owned by the contracting party, the project is to be completed within 15 years, payment for the contract was received in advance but with the condition that this advance is proportionately refundable in the event that Brain Resource fails to complete the project or parts thereof and Brain Resource has been granted a worldwide long term license in respect of the project intellectual property (that is, IP disposed of and also any emergent new IP arising from the project) at an agreed royalty rate. The Research Contract also specifically included the sale of pre-existing intellectual property rights and preliminary findings owned by Brain Resource pertaining to the project. Notwithstanding this legal sale, no sale or disposal is deemed to have occurred from an accounting viewpoint. Accordingly the value of the disposed asset remains in Intangibles, described in Note 9, as described before the transaction occurred. Brain Resource will separately monitor this disposed asset, from the rest of the Intangibles, for any indicators of impairment.

30 June	Consolidated 2017 $	Consolidated 2016 $

12. PROVISIONS

Current Employee provisions	698,914	969,168
Non-Current Employee provisions	17,089	18,896

Out of the total liability, 62% relate to balances owing to the executive directors (2016: 62%).

13. CONTRIBUTED EQUITY

(a) Share Capital

Ordinary shares authorised and fully paid (see note b)	31,777,787	30,489,002
Convertible Bond – Equity Component (see note f)	5,738,666	5,738,666
Ordinary shares fully paid – closing balance	**37,516,453**	**36,227,668**

(b) Shares Issued

During the current and prior year, no shares were issued as a consequence of option exercises.

Number of ordinary shares – opening balance	149,495,954	133,948,454
Issued during the year	16,519,250	15,547,500
Number of ordinary shares - closing balance	166,015,204	149,495,954

Note: During FY17, 11,395,000 shares were privately placed at 8 cents per share and 5,123,750 shares were issued as part of a share purchase plan offered to all shareholders and 500 shares were issued at 20 cents upon conversion of options (FY16: 15,000,000 shares were privately placed to at 20 cents per share and 547,500 shares were issued as part of a share purchase plan offered to all shareholders) with the funds to be used for working capital.

In accordance with the terms of issue of the Convertible Bonds and Exchangeable Convertible Preference Shares previously issued to Och-Ziff managed entities, this pricing reduced the conversion / exchange price from 30 cents per share to 19.4 cents per share. This has the impact of increasing the number of shares in the Company that may be issued on conversion or exchange of those securities.

(c) Share Options

Particulars of options granted over unissued shares:

Number of Options outstanding at 30 June 2017	Exercise price Cents per share	Expiry Date	Grant Date
755,000*	36.0	26 Mar 19	26 Mar 14
1,290,000*	37.5	14 Apr 20	14 Apr 15
500,000**	20.0	21 Dec 21	21 Dec 16
5,000,000**	8.0	24 May 22	24 May 17
19,445,913**	8.0	24 May 22	24 May 17
8,148,638**	12.0	24 May 22	24 May 17
8,148,638**	16.0	24 May 22	24 May 17
8,148,638**	16.0	24 May 22	24 May 17
51,436,827			

30 June	Consolidated 2017 $	Consolidated 2016 $

*Of the 1,970,000 options granted with an exercise price of 36.0 cents, 1,215,000 were forfeited during the year leaving 755,000 outstanding; and of the 3,310,000 options granted at 37.5 cents, 2,020,000 were forfeited during the year, leaving 1,290,000 outstanding.

**On 24 May 2017, 5,000,000 vested options were issued to Mr Gagnon (Tranche 1) exercisable for 5 years at $0.08 per share. Mr Gagnon has agreed not to exercise any portion of the vested options until the earliest to occur of: (a) the convertible bond (refer note 28) is no longer outstanding or modified in such a manner that the conversion rights pursuant to the bond could not be triggered by Mr Gagnon's, exercise of the option, (b) the holder(s) of the convertible bond waive the conversion right in respect to Mr Gagnon's exercise of any options, (c) the Company directly or indirectly grant or issue any new equity at a price below AUD $0.194, (d) if a recapitalisation is not consummated by October 31, 2017, then immediately prior to the sale of all of the Company's assets (or a sale of all of the outstanding shares or merger transaction ultimately resulting in a liquidity event) or change of control, or (e) April 30, 2018.

Mr Gagnon is eligible to receive additional 5 year options. The total number of options equals up to 8% of the fully diluted share capital of the company, including the initial grant of 5,000,000 options.

Eligibility for the additional grant of options depends upon consummation of a recapitalisation of the company, with recapitalisation being defined as an equity financing of the company of an estimated amount of AUD $13,000,000 together with recapitalisation of the company's existing convertible debt, with an anticipated closing date before 31 October 2017. Based on the assumption that the recapitalisation occurs at a capital raising price of $0.085 and a convertible bond conversion price of $0.085, Mr Gagnon will be entitled to an additional 43,891,827 options as follows: 19,445,913 options with a strike price of $0.08 vesting at the recapitalisation date (Tranche 2); 8,148,638 options with a strike price of $0.12, vesting 12 months after grant date (being 24 May 2018) (Tranche 3); 8,148,638 options with a strike price of $0.16, vesting 24 months after grant date (being 24 May 2019) (Tranche 4); 8,148,638 options with a strike price of $0.16, vesting 36 months after grant date (being 24 May 2020) (Tranche 5). Subject to meeting the various conditions above, and subject to the agreement whereby Mr Gagnon has agreed not to exercise until the earlier of a series of events (referred to above), Mr Gagnon may exercise vested options at any time prior to the fifth anniversary of 24 May 2017 but such exercise period shall be shortened to 90 days following separation.

Note:

- A summary of all options granted is as follows:

	ESOP*	Non-ESOP	Total
Options outstanding as at 1 July 2015	9,260,000	-	9,260,000
Granted	-	-	-
Forfeited	-	-	-
Exercised	-	-	-
Expired	(880,000)	-	(880,000)
Options outstanding as at 30 June 2016	8,380,000	-	8,380,000
Granted	-	49,391,827	49,391,827
Forfeited	(3,235,000)	-	(3,235,000)
Exercised	-	(500)	(500)
Expired	(3,100,000)	-	(3,100,000)
Options outstanding as at 30 June 2017	2,045,000	49,391,327	51,436,727
Options exercisable as at 30 June 2016	5,834,500	-	5,834,500
Options exercisable as at 30 June 2017	1,787,000	-	1,787,000

* Employee Share Option Plan

- The weighted average remaining contractual life for the share options outstanding at 30 June 2017 is 4.79 years (2016: 2.3 years).
- Unamortized value of options outstanding at 30 June 2017 was $302,727 (2016: $94,197).
- The weighted average fair value of share options granted during 2017 was $0.01. This was estimated at the date of the grant using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. In respect of the 500,000 options granted to directors, these included: 21 Dec 2016 grant date, the then prevailing $0.10 share price, 5-year term, no dividends, 5.5% interest rate and 20% volatility.
- In respect of the 48,891,827 granted to Mr Gagnon, these included 24 May 2017 grant date, the then prevailing $0.065 share price, 5 year term, no dividends, 2.39% interest rate and 30% volatility (an estimate based on historical share price changes). Note that the fair value of the 5,000,000 options granted and vesting on 24 May 2017 was not adjusted for the restriction in relation to exercising them agreed to by Mr Gagnon as described above. Also as noted above, the fair value of the remaining 43,891,827 options was performed assuming a 5 year period starting on 24 May 2017 and ending 24 May 2022- this value was not adjusted for the term of the agreement that requires recapitalisation to occur before the options are issued to Mr Gagnon.

  In determining the expense relating to Mr Gagnon's options, the directors considered that there is an 80% likelihood of the vesting condition for Tranche 2 being met, 75% for Tranche 3, 70% for Tranche 4 and 65% for Tranche 5.
- The expense recognised for equity-settled share-based payment transactions during the year was $106,282 (2016: $63,670) made up of $48,259 in respect of options issued in prior years, $261 in respect of the 500,000 options granted to directors, $137,845 in respect of the 48,891,827 options

granted to Mr Gagnon, less $80,083 written back in respect of expenses recognised in prior periods for options that have now been forfeited.

- The weighted average exercise price for the share options issued during 2017 was $0.11, expired during the financial year is $0.37 (2016: $0.43), exercisable at 30 June 2017 is $0.37 (2016: $0.39) and outstanding at 30 June 2017 is $0.12 (2016: $0.39).
- The Brain Resource Limited employee share scheme was established to grant options over the ordinary shares to directors, executives and certain members of staff of the consolidated entity. The purpose of the Plan is to reward the directors, the executive directors and employees for their contribution to the Company, and to provide them with an incentive to contribute to the future growth of the Company, thereby increasing shareholder value. The options are issued for a term of 5 years and generally vest and are exercisable over three years (35% on the first anniversary of the date of grant, 80% on the second anniversary and 100% on the third anniversary). The options cannot be transferred and will not be quoted on the ASX. The issue / exercise price is at the discretion of management but cannot be less than 80% of the weighted average market price of fully paid shares sold in the ordinary course of trading on the ASX during the month before the Offer Date. All options are issued under the terms of the Plan, with the exception of those issued to Mr Gagnon.
- Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

(d) Terms and Conditions of Contributed Equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(e) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. In this regard, management constantly monitors capital requirements and market conditions to ensure that a capital structure is maintained that provides the lowest cost of capital available.

(f) Convertible Bond

Convertible bonds issued – Face value	10,000,000	10,000,000
Less: Allocation to Debt	(6,539,427)	(6,539,427)
Equity component	3,460,573	3,460,573
Deferred tax	(1,038,173)	(1,038,173)
Previous allocation to Equity	3,316,266	3,316,266
Net Convertible Bond Equity	**5,738,666**	**5,738,666**

The terms and conditions for the Convertible Bond are disclosed in Note 28 of this report.

30 June	Consolidated 2017 $	Consolidated 2016 $

14. ACCUMULATED LOSSES AND RESERVES

Accumulated Losses:		
Balance at the beginning of year	12,965,397	8,940,300
Loss for the year	9,868,954	4,025,097
Balance at the end of year	**22,834,351**	**12,965,397**
Reserves:		
Balance at the beginning of year	558,658	494,988
Cost of share based payments	106,281	63,670
Balance at the end of year	**664,939**	**558,658**

Nature and Purpose of Reserves: Employee equity benefits reserve - used to record the value of equity benefits provided to employees and directors as part of their remuneration.

15. EARNINGS PER SHARE

Basic loss per share was 6.44 cents per share (2016: 2.84). The net loss used in the calculation of EPS was $9,864,047 (2016: loss of $4,025,097). The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share is 153,110,193 (2016: 141,743,502). All Options on issue were non-dilutive.

The Convertible bonds as described in Note 28 are considered to be potential ordinary share but are not dilutive in the current year (2016: were not dilutive). The weighted average number of shares used to determine the diluted earnings per share was 153,110,193 (2016: 141,743,502).

16. DIRECTORS REMUNERATION

Compensation of Key Management personnel of the Group	**2017**	**2016**
	$	**$**
Short-term employee benefits	565,612	531,999
Post-employment benefits	22,108	26,979
Share-based payment	138,105	-
Total compensation paid to key management personnel	**725,825**	**558,978**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

17. RELATED PARTY DISCLOSURES

(a) Directors

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

Evian Gordon	Appointed 8 August 2000	Matthew Morgan	Appointed 1 March 2016
Dan Segal	Appointed 8 August 2000 / Resigned 13 October 2016	Stephen Koslow	Appointed 1 March 2016
Nestor Hinzack	Appointed 16 May 2001 / Resigned 30 June 2016	Arthur Toga	Appointed 16 May 2001 / Resigned 1 March 2016

Refer to Remuneration Report for details of remuneration paid and note 11 and 12 for amounts owing to Evian Gordon.

(b) Ultimate parent

The consolidated financial statements include the financial statements of Brain Resource Limited and its subsidiaries. Brain Resource Limited is the ultimate parent company and directly owns 100% of each of the subsidiaries ordinary shares apart from MyBrainSolutions, Inc. and Brain Resource Europe which are 100% owned by BRC Operations Pty Ltd and PoweringUpMBS Pty Ltd which is 50% owned by Brain Resource Limited. There are no sales to or purchases from related parties. There are no amounts owing to/by related parties other than as disclosed in Note 30.

Name	$ Investment	Incorporation (i)
BRC Operations Pty Limited	A$100	Australia
BRC IP Pty Limited	A$100	Australia
BRC Distribution Pty Limited	A$100	Australia
BRC International Pty Limited	A$100	Australia
BRC Development Pty Limited	A$100	Australia
Brain Resource, Inc.	US$1	USA
MyBrainSolutions, Inc.	US$100	USA
Brain Resource Europe Limited	€1	Ireland

(i) The Group operates in one industry; developing and commercialising brain health products delivered through the My Brain Solutions platform, as is predominately based in Australia and the United States.

(ii) There have not been any changes to the ownership of the subsidiaries during the year.

18. AGREEMENTS WITH ACADEMIC INSTITUTIONS

The Company is or has been party to numerous agreements with academic institutions.

19. FINANCIAL REPORTING BY SEGMENT

The Company develops and commercialises brain health products, primarily delivered to a range of users through the one MyBrainSolutions platform. The Company's Operating Segment has been determined based on internal management reporting structure and the nature of its assets. It reflects the business level at which financial information is provided to management for decision making. On this basis it is concluded that the Company operates in one industry, and is predominantly in Australia and United States.

30 June	Consolidated 2017 $	Consolidated 2016 $

20. CONTINGENT LIABILITIES

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

21. STATEMENT OF CASH FLOWS

Reconciliation of net cash inflow/(outflow) from operating activities to operating (loss) after income tax:

	2017	2016
Operating loss after tax	(9,868,953)	(4,025,097)
Depreciation and amortisation	514,711	537,444
Unrealised foreign exchange (gains)/losses	51,790	(122,922)
Impairment charge	6,762,465	-
R&D tax incentive	598,169	637,986
Share based payments expense	106,281	63,670
Share of loss in joint venture	103,104	143,346
Finance costs	987,081	953,326
(Increase)/decrease in inventories	10,156	8,338
Increase/(decrease) in trade creditors	(198,941)	(72,572)
(Increase)/decrease in receivables	228,186	398,921
Increase/(decrease) in deferred tax assets	2,231,917	-
Increase/(decrease) in deferred tax liability	(2,645,700)	156,140
(Increase)/decrease in other assets	25,568	(5,972)
Increase/(decrease) in other payables	(167,968)	(682,507)
Increase/(decrease) in provisions	(272,061)	(32,477)
Net cash inflow/(outflow) from operating activities	**(1,534,195)**	**(2,042,376)**

For the purpose of the Cash Flow Statement, cash & cash equivalents includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. Cash balance comprises:

	2017	2016
Cash & cash equivalents	1,570,197	2,790,014

22. EXPENDITURE COMMITMENTS

a) Capital expenditure commitments

Estimated capital expenditure contracted for at balance date, but not provided for, payable not later than one year amounted to $nil (2016: $nil).

b) Operating lease expenditure commitments.

Minimum lease payments – Office Premises:

- not later than one year amount to $43,500 (2016: $82,850)
- later than one year but not later than five years - $nil (2016: $42,458)

Minimum lease payments – Server Hosting:

- not later than one year amount to $216,000 (2016: $120,000)
- later than one year but not later than five years - $72,000 (2016: $130,000)

23. SUBSEQUENT EVENTS

There are no significant events that have occurred subsequent to 30 June 2017 that may affect either the Group's operations or results of those operations or the Group's state of affairs.

24. NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Recognised financial instruments

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

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

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

Convertible bonds: The fair value of the convertible bond was estimated using an interest rate for an instrument with similar debt terms but without the conversion option. This estimate was based on an interest rate of 15% for the $10,000,000 Convertible Bonds.

Long-term loans receivable: The fair values of long-term loans receivable are estimated based on an assessment of recoverability of the loan.

25. EMPLOYEE SHARE BASED PAYMENT PLAN

As discussed in Note 13(c), while all option issues follow the terms of the Employee Share Option Plan, the following options were issued by the Plan.

	Number of options	Exercise price
- granted 26 March 2014	1,970,000	36 cents
- granted 14 April 2015	3,310,000	37.5 cents
- granted 21 December 2016	500,000	20 cents
	5,780,000	
Exercisable at 30 June 2017	1,787,000	

26. RISK EXPOSURES AND RESPONSES

Primary responsibility for identification and control of financial risks rests with the overall Board. Risk matters are discussed at each Board meeting. The Audit Committee includes risk management and the arrangements are reviewed by the Board of Directors.

The Group's principal financial instruments comprise cash and short-term deposits. The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Interest rate and Cash Deposit Risk

Interest rates applicable to cash financial assets were around 0.4% (2016: 0.4%) with maturities of less than 1 year. All other balances are non-interest-bearing.

The Group's exposure to market interest rates relates primarily to the short term deposits. The Board has formed the view that these funds be held in either bank deposits or AAA short term bonds. Currently holdings are in cash deposits with the National Australia Bank. Based on an average cash balance, constant currency weightings and an average interest rate, a +/-10% increase in interest rates would have equated to a change in the after tax result of around -/+ 0% (2016: -/+0%).

Foreign currency risk

At 30 June 2017 total cash and cash equivalents were held in Australian Dollars and United States Dollars in a ratio reflective of current expectations of future expenditures. The Board has adopted the policy to align currency holdings with planned future expenditures, ensuring that the Group's overall purchasing power is maintained during periods of currency volatility. The largest currency exposure is to the US$/A$ exchange rate. The cash balances were held in the ratio of around 90% A$ and 10% US$. The Group also has transactional currency exposures from both sales and purchases in currencies other than the functional currency. US Dollars dominate revenues and in that regard, a +/-10% appreciation in the AUD/USD rate would have impacted the 2017 after tax result by around +/- 4% (2016: +/- 4%).

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility, including through accessing new equity funding and also the use of convertible bonds. The Convertible Bonds have four years remaining of their term at 30 June 2017. Assuming that these Convertible Bonds remain unconverted at the end of their term, this implies that the Company would have a high concentration of risk with respect to financing this repayment at that time. All Trade creditors and other payables and interest bearing loans have a maturity profile of being repayable within six months (2016: within six months).

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 30 June 2017	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Interest-bearing loans and borrowings	712,968	-	-	-	-	712,968
Convertible bond	-	-	-	10,125,000	-	10,125,000
Trade and other payables	595,273	93,384	-	-	-	688,657
	1,308,241	**93,384**	**-**	**10,125,000**	**-**	**11,526,625**

30 June	Consolidated 2017 $	Consolidated 2016 $

Year ended 30 June 2016	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	$000	$000	$000	$000	$000	$000
Interest-bearing loans and borrowings (other than convertible preference shares)	922,346	-	-	-	-	922,346
Convertible bond	-	-	-	6,579,740	-	6,579,740
Trade and other payables	678,447	377,119	-	-	-	1,055,566
	1,600,793	**377,119**	**-**	**6,579,740**	**-**	**8,557,652**

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note. The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. Risk limits are in place and receivable balances are regularly monitored with the result that the Group's exposure to bad debts is not significant.

27. PARENT ENTITY INFORMATION

Information relating to Brain Resource Limited, the parent entity	Parent 2017 $	Parent 2016 $
Current assets	1,507	1,817
Total assets	24,052,373	32,179,873
Current liabilities	-	-
Total liabilities	8,602,373	7,617,912
Issued capital	37,516,453	36,227,668
Retained earnings	(22,731,392)	(12,224,365)
Reserves	664,939	558,658
Total Shareholder equity	15,450,000	24,561,961
Loss of the parent entity	(10,507,027)	(1,166,524)
Total comprehensive loss of the parent entity	(10,507,027)	(1,166,524)

Contingencies

The parent company has not entered into any guarantees in relation to the debts of its subsidiaries. As at 30 June 2017, the parent company does not hold any contingent liabilities or contractual commitments for the acquisition of property, plant or equipment (2016: $nil)

30 June	Consolidated 2017 $	Consolidated 2016 $
28. CONVERTIBLE BONDS (CB)		
Non-Current - Convertible bonds – Carrying Amount	7,566,701	6,579,740
Non-Current - Convertible bonds – Fair Value	7,566,701	6,579,740

(a) Terms and Risk exposures: On 14 June 2011, Brain Resource Limited agreed to issue $10,000,000 of zero coupon unsecured Convertible bonds (100 bonds with a face value of $100,000 each), convertible at the option of the bond holder into ordinary shares at any time prior to 14 June 2016 at an adjusted conversion price of $0.25 per share.

(b) On 9 June 2016, Brain Resource Limited and the Bond holders agreed to extend the Convertible Bonds maturity date by 4 years to 14 June 2020 and amend certain other terms of the Convertible Bonds. Details of these changes, including the effect on the Company and the changes to the terms and conditions of the Convertible Bonds, were set out in a Notice of Extraordinary General Meeting of Shareholders (including an Explanatory Statement and an Independent Expert Report) issued by the Company on 27 April 2016 ("Notice of Meeting") and were approved by shareholders at the Extraordinary General Meeting held on 1 June 2016.

(c) A summary of the changes is:

- The final maturity date of the CBs has been extended from 14 June 2016 to 14 June 2020.
- The CBs remain interest-free for the first two years of the extension (that is for two years until 14 June 2018). They will then carry a coupon requiring payment of interest as follows:
    - interest will be 5% per annum for the second last year of the CBs (i.e. from 15 June 2018 to 14 June 2019); and (ii) interest will be 7.5% per annum for the last year of the CBs (i.e. from 15 June 2019 to the maturity date of 14 June 2020).
    - Interest will be payable annually in arrears in cash. However CB Holders will be entitled to make a 'payment in kind' election and instead capitalise the interest such that it is added to the outstanding principal of the bonds.
    - On conversion of the CBs during any year to which interest applies, CB Holders will be entitled to convert accrued interest at the same time (and at the same conversion price) as the converted principal. Alternatively, accrued interest on the converted principal will be payable in cash.
- The CBs are secured by way of a senior, secured first-priority ranking over all of the assets of the BRC Group. Specifically (i) each wholly-owned subsidiary of the Company guarantees the Company's obligations under the CBs, either by confirming the existing guarantee provided by the subsidiary at the time of issue of the CBs, or entering into a new deed poll of guarantee; and (ii) the Company and each wholly-owned subsidiary will enter into a general security deed granting first-ranking security over all of their assets in support of the Company's obligations under the CBs as issuer and of each subsidiary's guarantee obligations.
    - Each CB Holder will be able to enforce the guarantees and security in the event of default by the Company in discharging its obligations under the CBs. The Company will have the obligation to ensure that any new subsidiaries of the Company accede to the security package, and grant equivalent guarantees and security.
    - The security will be affected via the establishment of a security trust, with the security granted in favour of the security trustee on behalf of CB Holders from time-to-time.

- The CBs already include extensive provisions under which the conversion price of the CBs can be adjusted from time-to-time. As noted above, as a result of these provisions the conversion price has recently been reduced. A new express obligation is included in the terms of the CBs under which, any time the conversion price is reduced in the future: (i) the Company will be obliged to seek further shareholder approvals, so as to ensure that CBs Holders are lawfully able to convert their CBs in full (the reduced conversion price meaning the number of shares to be issued would increase); and (ii) the CBs Holders will be entitled to immediately redeem their CBs should such approvals not be obtained.
    - In practice, the Company has to-date sought (and obtained) these approvals each time the conversion price has been adjusted downwards.
    - There are a number of other minor consequential changes to the terms of the CBs to reflect the introduction of the coupon and the security package summarised above, and to delete redundant references to future issues of CBs.

See the Cleansing Notice dated 9 June 2016 for further detail. Other than as set out in the Notice of Meeting referred to above, there is no change in the effect of the offer of the Convertible Bonds on the Company from that set out in the Cleansing Notices dated 14 June 2011 and 2 November 2011.

(d) The fair value of the liability portion of the convertible bond was estimated using an interest rate for an instrument with similar debt terms but without the conversion option. This estimate was based on an interest rate of 15% for the $10,000,000 Convertible Bonds.

29. INVESTMENT IN JOINT VENTURE

The Company has a 50% equity interest in a joint venture company, PoweringUpMBS Pty Ltd ("PUP", formerly known as BRC Focus Pty Ltd), established to develop a new Attention Deficit Hyperactivity Disorder product. PUP is a private entity that is not listed on any public exchange.

PUP has issued 4 million Exchangeable Convertible Preference Shares (ECPS) to Malta Trading Platform Limited (an investment vehicle controlled by Och-Ziff Capital Management Group LLC) at a subscription price of $4 million. Brain Resource owns 4 million ordinary shares in PUP and has contributed a perpetual licence to its relevant platform content for exclusive use in the ADHD parent market.

The value of this equity interest in the joint venture was effectively based on the price paid by Malta.

The ECPS issue terms included that Malta can elect to convert the ECPS into ordinary PUP shares at a conversion price of $1 per ECPS or exchange into ordinary Brain Resource Limited shares at an exchange price of 20 cents. Any unconverted ECPS will automatically convert into ordinary PUP shares at $1 per ECPS after 10 years. There are no other redemption terms other than those included within default events and a range of anti-dilution adjustments as disclosed in our Cleansing Notice issued on 14 December 2011 and also the 2011 Notice of Annual General Meeting. The following is a broad summary of the rights and liabilities which are attached to the ECPS:

- Conversion Rights: ECPS may be converted at any time into fully paid ordinary shares in PUP 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.

30 June	Consolidated 2017 $	Consolidated 2016 $

- Exchange Rights: ECPS may be exchanged in the Company's ordinary shares at an exchange price of $0.20 per ordinary share in the Company with adjustments for dilutive events, including subdivision, consolidation and reclassification, bonus issues and capital distributions. Note this exchange price was amended in accordance with the terms of the ECPS post the most recent share placement by Brain Resource Limited described elsewhere in this report.
- Ranking: The ECPS are a separate class of shares in PUP and rank in priority to ordinary shares in PUP in the event of a liquidation of PUP.
- Voting: ECPS carry the same rights to receive notices of general meetings and to attend general meetings and the same voting rights as ordinary shares in PUP.
- Dividends: ECPS carry the same dividend rights as ordinary shares.
- Cancellation: Each ECPS is cancelled upon conversion or exchange of the ECPS.
- Default Events: The terms of the ECPS define a broad range of events of default in relation to PUP or the Company, including default in making payments in respect of the ECPS, default under the Subscription and Shareholders Agreement or the terms of issue of the ECPS, detailed indebtedness default events, insolvency events, change of control of the Company, the Company's ordinary shares cease to be quoted on ASX or trading is suspended for 20 consecutive days or more, litigation is commenced against the Company 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 holder may require that the ECPS held by it be redeemed by PUP or purchased by the Company at a put option price of the higher of fair market value or 150% of the issue price of each ECPS.
- Negative Undertakings: The terms of the ECPS require approval of ECPS holders (by way of an ordinary resolution) before PUP can undertake a detailed list of material matters unless approved by Malta while it holds any interest in PUP.
- Pre-emptive rights: ECPS carry pre-emptive rights with respect to new issues of marketable securities in PUP (excluding issues under an employee share and option plan approved by the board of PUP).
- Meetings: The terms of the ECPS specify how meetings of ECPS holders can be convened and held and allow ECPS holders to approve amendment to the terms of the ECPS by extraordinary resolution of ECPS holders.

Brain Resource has joint control, as defined under AASB 11, and accordingly the investment is accounted for as a joint venture using Equity Accounting.

The following table illustrates summarised financial information of the Company's investment:

The joint venture's statement of financial position:

Current Assets	731,569	957,613
Non-Current Assets	1,809,363	1,804,358
Current Liabilities	-	(14,480)
Non-Current Liabilities	-	-
Equity	2,540,932	2,747,491
Proportion of the Group's ownership:	50%	50%

30 June	Consolidated 2017 $	Consolidated 2016 $
Carrying amount of investment	1,270,462	1,373,566
The Joint Venture's Revenue and Profit:		
Revenue	10	177
Interest income	4,205	22,299
Expenses	210,422	309,168
(Loss)	(206,207)	(286,692)
Group's share of (loss) for the year	(103,104)	(143,346)

The joint venture has no contingent liabilities or capital commitments as at 30 June 2017.

30. INTEREST-BEARING LOANS

	Consolidated 2017 $	Consolidated 2016 $
Interest-bearing loans	712,968	922,346

The loan is repayable on demand to PoweringUpMBS Pty Ltd, a joint venture in which the Company has a 50% interest. The interest rate applicable to this loan equates to the interest income derived on these funds in the hands of the Group.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

(a) the financial statements and notes of the Company and the consolidated entity are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2017 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

  (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2017.

Signed on behalf of the Board by:

Dr Evian Gordon
Chairman of Directors

Sydney, 8 September 2017

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INDEPENDENT AUDITOR'S REPORT
To the Members of Brain Resource Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Brain Resource Limited (the Company), including its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(e) in the financial report, which indicates the existence of a material uncertainty relating to cash flow generation and raising of capital. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern. Our opinion is not modified in respect of this matter.

Building a better working world

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of intangible assets

Why significant	How our audit addressed the key audit matter
As at 30 June 2017, the Group's consolidated statement of financial position included $22.4m of intangible assets. As disclosed in Note 9 in the financial report, these assets relate to Brain Resource International Database. The Directors, with the assistance of an external valuations expert, have assessed the intangible assets for impairment at balance date. This assessment was considered a key audit matter as it involved critical accounting estimates and assumptions, specifically related to the valuation of the assets using various methods, including; • Replacement cost; • Cost to acquire; • Cost to replicate, and; • Discounted cash flows These estimates and assumptions are summarised in Note 9 and may be impacted by the performance of the Group, the commercialisation of the software and the potential approval from the Food and Drug Administration in the United States of America, which are all future events. The accuracy of the estimates and assumptions used are dependent on the final outcome of the factors above.	To address this matter, we: ‣ assessed whether the methodology used by the Directors, in conjunction with their valuations expert, met the requirements of Australian Accounting Standard AASB136 *Impairment of Assets;* ‣ assessed the competence and independence of the expert to assist in preparing a valuation of the assets; ‣ assessed the appropriateness of the underlying assumptions used in the valuation by considering stakeholder expectations of assumptions, observable market data and the historical accuracy of the Group's forecasting; ‣ evaluated the sensitivity analysis performed by the Group focusing on areas where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount and therefore indicate impairment; and ‣ evaluated the adequacy of the disclosures relating to intangible assets in the financial report, including those made with respect to judgements and estimates.

2. Capitalised Development Costs

Why significant	How our audit addressed the key audit matter
As at 30 June 2016, the Group had capitalised development costs with a net book value of $22.4m. In accordance with Australian Accounting Standard AASB 138 *Intangible Assets*, an intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate technical feasibility, intention to complete the asset, how the asset will generate future economic benefits and its ability to be measured reliably. This was considered a key audit matter due to the magnitude of the balance in relation to total assets and the judgements and complexity involved in determining which costs meet the criteria in AASB138 for capitalisation.	To address this matter, we: ▸ tested whether the capitalised development costs model used was mathematically accurate; ▸ considered the impact of assumptions applied in the model and then tested on a sample basis, costs capitalised to underlying evidence including employment contracts, payroll reports and invoices from external suppliers, to assess the nature and eligibility of development costs for capitalisation as an intangible asset under AASB 138; ▸ considered the appropriateness of amortisation periods with reference to the expected life of underlying assets, and; ▸ considered the adequacy of the disclosures in the financial report.

Information Other than the Financial Statements and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 25 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Brain Resource Limited the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Lisa Nijssen-Smith
Partner
Sydney
8 September 2017

SHAREHOLDER INFORMATION

INFORMATION RELATING TO SHAREHOLDERS AS AT 18 AUGUST 2017

Substantial Shareholders (includes indirect interests)	Number of Shares
Och-Ziff Capital Management Group LLC	27,785,377
Spinite Pty Limited	16,711,311
Evian Gordon	12,206,249
Stuttgart Pty Limited	9,339,735

Distribution of Shareholders

Number of ordinary shares held	*Number of Holders*	*Ordinary Shares*	*Percentage*
1 - 1,000	19	2,084	0.0
1,001 - 5,000	71	208,446	0.1
5,001 - 10,000	92	792,726	0.5
10,001 - 100,000	185	7,546,364	4.5
100,001 - and over	139	158,590,584	94.9
	506	**167,140,204**	**100.0**

At the prevailing market price of 7 cents per share, there were 103 shareholders with **less than a marketable parcel** of $500.

Statement of Shareholdings as at 18 August 2017

The names of the 20 largest holders of fully paid ordinary shares are listed below:

Rank	Shareholder	Number of Shares	% Holding
1	HSBC Custody Nominees (Australia) Limited	14,168,589	8.5%
2	Stuttgart Pty Ltd	13,339,735	8.0%
3	HSBC Custody Nominees (Australia) Limited – A/C 3	13,133,846	7.9%
4	Dr Evian Gordon	11,240,248	6.7%
5	Gleneagle Securities (Aust) Pty Ltd	11,208,136	6.7%
6	UBS Nominees Pty Ltd	8,695,676	5.2%
7	HSBC Custody Nominees (Australia) Limited-GSCO ECA	6,439,634	3.9%
8	Mr Dan Segal	5,944,870	3.6%
9	Spinite Pty Ltd <Rosenbaum Family S/F A/C>	5,500,000	3.3%
10	DBPC Group Finance Pty Ltd <DBPC Group Finance A/C>	5,250,000	3.1%
11	Segal Super Pty Ltd <Segal Super Fund A/C>	3,895,000	2.3%
12	Mr Christopher John Rennie	2,482,916	1.5%
13	Red Star Developments Pte Ltd	2,231,650	1.3%
14	Spinite Pty Ltd	2,212,096	1.3%
15	Digue Pty Ltd (Ammed Super Fund A/C>	2,187,500	1.3%
16	Merrill Lynch (Australia) Nominees Pty Limited	2,021,090	1.2%
17	Arch 2000 Management Pty Ltd <Arch 2000 S/F A/C>	2,000,000	1.2%
18	Navigator Australia Ltd <MLC Investment Sett A/C>	1,917,312	1.2%
19	Prof Peter Alexander Robinson	1,682,917	1.0%
20	Zandane Pty Ltd <Hinzack Super Fund A/C>	1,452,839	0.9%
	Total of Top 20 Holdings	117,004,054	70.1%
	Other Holdings	50,136,150	29.9
	Total Fully Paid Ordinary Shares quoted on the ASX	**167,140,204**	**100.0%**

Unquoted Options

The Company has 7,544,500 options on issue (or 4.5% of the total shares on issue) comprising:

- 499,500 options to two Directors with an exercise price of 20.0 cents and which expire, if unexercised, on 29 November 2021;
- 755,000 options to 11 staff members and contractors with an exercise price of 36.0 cents and which expire, if unexercised, on 26 March 2019;
- 1,290,000 options to 15 staff members and contractors with an exercise price of 37.5 cents and which expire, if unexercised, on 14 April 2020; and
- 5,000,000 options to the Chief Executive Officer, Louis Gagnon, with an exercise price of 8.0 cents and which expire, if unexercised, on 24 May 2022.

Voting Rights

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

Convertible Bonds (CB)

The Company has 100 CB of $100,000 each issued to entities controlled by Och-Ziff Capital Management Group LLC. The principal terms are zero coupon, convertible into ordinary securities in accordance with the terms and conditions of the convertible bonds at a conversion price of $A0.194 per ordinary share. On conversion of a CB into ordinary shares, new shares will be issued that rank equally with the ordinary shares then on issue. The CB do not participate in dividends paid on ordinary shares. However, interest is payable in this event in accordance with the bond terms of issue. The CB are not shares, they are not listed and they do not entitle holders to vote at general meetings of the Company.

Exchangeable Convertible Preference Shares (ECPS)

A subsidiary of the Company (PoweringUpMBS Pty Ltd (PUP)) has issued 4 million ECPS at $1 each to entities controlled by Och-Ziff Capital Management Group LLC. The principal terms are that each ECPS may either be converted at any time into fully paid ordinary shares in PUP at a conversion price of A$1.00 per ordinary share or exchanged in the Company's ordinary shares at an exchange price currently of $A0.194 per ordinary share in the Company.

Were the CBs to be converted and the ECPS exchanged this would, subject to any potential future dilutive events, result in 72,164,948 shares of the Company being issued.

Restricted Securities and On-Market Buy-Back

In accordance with ASX Listing Rule 4.10.14, the Company advises that it has no restricted securities or securities subject to voluntary escrow that are on issue. In accordance with ASX Listing Rule 4.10.18, the Company advises that there is no current on-market buy-back.

Item 7 of section 611 of the Corporations Act

A summary of the issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act, which have not yet been completed, are set out in detail in the Company's Notice of Extraordinary General Meeting released to the ASX on 29 April 2016 and relate to the possible conversion of the abovementioned CB and ECPS held by Och-Ziff Capital Management Group LLC.

Summary of Funds Raised Since Incorporation to August 2017

	$
IPO Aug 2001 (at 25.0 cents per share)	5,003,006
Feb 2002 Placement (at 25.0 cents per share)	1,000,000
May 2003 Placement (at 26.5 cents per share)	2,250,000
Nov 2003 Placement (at 45.0 cents per share)	3,812,026
Jul 2005 Placement (at 30.0 cents per share)	1,634,510
Jun 2006 Placement (26.5 cents per share)	1,499,900
Feb 2013 Placement (30.0 cents per share)	1,000,000
Aug 2013 Placement (30.0 cents per share)	2,000,000
Aug/Sep 2014 Placement / SPP (25.0 cents per share)	8,058,500
Nov 2015 Placement / SPP (20.0 cents per share)	3,109,500
Apr 2017 Placement / SPP (at 8.0 cents per share)	1,321,500
Aug 2017 Placement (at 8.0 cents per share)	90,000
Option exercises	322,136
Total Funds Raised through ordinary equity	**31,101,078**
Convertible Bonds	10,000,000
Exchangeable Convertible Preference Shares	4,000,000
Total Funds Raised	**45,101,078**

Notes

BRAIN RESOURCE LIMITED

ABN 24 094 069 682

BOARD OF DIRECTORS

Evian Gordon	(Executive Chairman)
Matthew Morgan	(Non-Executive Director)
Stephen Koslow	(Non-Executive Director)

COMPANY SECRETARY

Robert Waring

REGISTERED AND PRINCIPAL ADMINISTRATIVE OFFICE

Suite 1106, Level 11, 100 William Street, Woolloomooloo Sydney NSW 2011 Australia
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Facsimile: +61 (0) 2 9331 1404
Email: info@brainresource.com
Website: http://www.brainresource.com

SHARE REGISTRY

Boardroom Pty Limited
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Telephone: +61 (0) 2 9290 9600
Facsimile: +61 (0) 2 9279 0664
Email: enquiries@boardroomlimited.com.au
Website: www.boardroomlimited.com.au

AUDITORS

Ernst & Young

STOCK EXCHANGE LISTING

Listed on Australian Securities Exchange – ASX Code:	**BRC**
American Depository Receipt quoted on OTC market – Code:	**BRRZY**

30 June 2017

Brain Resource Limited

ABN: 24 094 069 682
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