Brain Resource Limited

Consolidated Financial Report

30 June 2018

Brain Resource®

Brain Resource Limited

ABN 24 094 069 682

Board of Directors

Evian Gordon (Executive Chairman)
Louis Gagnon (Managing Director)
Matthew Morgan (Non-executive Director)
Stephen Koslow (Non-executive Director)
Ajay Arora (Non-executive Director)

Contact Information

Email: info@brainresource.com
Website: http://www.brainresource.com

Share Registry

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

Auditors

Grand Thornton

Stock Exchange Listing

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

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30 September 2018

Dear Shareholders,

On behalf of the Board of Directors of Brain Resource Limited (the "Company" or "BRC"), I am pleased to present our Annual Report for the Financial Year ended 30 June 2018 (FY2018).

Financial Year 2018 was a year of major transformation for Brain Resource.

During the first half of the year, our team was mainly focused on executing the complex restructuring of the company's balance sheet and securing funding necessary to pursue the Company's growth objectives. In December 2017, this culminated in the successful recapitalisation of the business, conversion of convertible securities to equity, and removal of the secured interest over the Company's assets. During the second half of the year, our focus shifted to the revamp of our value proposition and the building of a scalable business operation. Key initiatives included:

- (i.) complete product overhaul and transition from MBS to Total Brain brand successfully executed on 12 September 2018, ahead of plan;
- (ii.) business infrastructure overhaul and migration of all platforms to the cloud;
- (iii.) process re-engineering across all business functions;
- (iv.) new positioning as a Brain Performance Monitoring and Training Platform;
- (v.) MBS product redevelopment and new product development to support new positioning;
- (vi.) several marquee new client contracts, including a direct contract with the American Association of Retired Persons ("AARP"), an expansion of the number of users with The Boeing Company, and an exclusive software and data license agreement with Neurocare;
- (vii.) exclusive agreement and distribution relationship with Transformational Leadership for Excellence ("TLEX") Institute for collaboration on mind-body training content to be incorporated in the Total Brain product;
- (viii.) completion of "GWAS" data acquisition and validation of a genetic test for the iSpot depression study to be completed in the fall of 2018, while exploring strategic avenues.

These initiatives have already started yielding results with our MyBrainSolutions ("MBS") employer product in the United States showing a 28% annual increase in revenues ($2.1m in FY2018 compared to $1.6m in FY2017). The MBS segment is also the primary driver behind the 8.5% annual growth we experienced in the total revenue of the Company, reversing the -17% growth in FY2017. At the same time, User Registrations and Brain Profiles grew 40% and 58%, respectively, on an annual basis.

These positive results were achieved without the benefit of the redesigned Total Brain product. We expect that in the months following the successful re-brand and launch which occurred on 12 September 2018, we will experience a very significant increase in new contracts and revenues. We have already seen early evidence of this momentum with our current sales pipeline, which has tripled in size during the second half of CY2018. Part of the increase was driven by commitments from existing customers to buy our new Total Brain Screening product which is expected to have a very material impact on their average order size.

Meanwhile, the macro tailwinds behind our business continue to accelerate. Optimal Brain Performance Monitoring and Training positioning is fast gaining traction with corporates, payers and consumers. It addresses the mainstream problem of Brain Hacking, by virtue of which always-on technologies induce people to feel, think and connect sub-optimally. The same tech-driven trends also accelerate the growth of undiagnosed mental health issues. There are 44 million Americans who currently suffer from a mental health condition, half of whom, while undiagnosed and untreated, are costing an incremental $8,000 per person per year. At the same time, 50% of teenagers and 27% of adults are addicted to their devices. A Brain Performance Monitoring and Training Solution which includes the world's first non-stigmatizing mental condition screening tool represents an opportunity for social and monetary returns that is unprecedented. The long-standing content differentiation of BRC's standardised database and platform, coupled with the exceptional innovation, implementation discipline, and commercial experience that Louis Gagnon and the new team have forged into Total Brain, will be transformative for our business over the coming year.

Yours sincerely,

Dr. Evian Gordon, PhD

Chairman of Board of Directors

Brain Resource Limited

Operational Review

30 June 2018

Brain Resource®

Operational Review for the fiscal year ended to 30 June 2018

1 HIGHLIGHTS

- During FY2018, Brain Resource delivered positive financial results amidst a year of significant changes for the business:
  - 28% annual growth in revenue from the MyBrainSolutions employer segment
  - 8.5% annual growth in total revenue, reversing negative growth from FY2017 of -17%, despite a -33% decline in non-core revenue
  - 20-30% quarterly growth in cash receipts over 3 consecutive quarters, including the highest quarterly cash receipt amount in 5 years in the June quarter
- As of 30 June 2018, the Company grew cumulative User Registrations to 600k, representing 40% annual growth and a 4-year CAGR of 61%, while the cumulative number of Brain Profiles increased to 447k, representing 58% annual growth and 4-year CAGR of 63%
- BRC executed several large new client contracts:
  - Direct, 2-year agreement with the American Association of Retired Persons, expected to bring a minimum of A$675k over the length of the contract;
  - Agreement to expand the eligible population of The Boeing Company to 47k of its union workers, representing A$230k of annualized recurring revenue;
  - A 4-year, A$150k exclusive agreement with Neurocare, a global operator of mental health clinics, to license BRC's proprietary EEG software and data.
- BRC completed multiple operational initiatives across each business function:
  - Aligned corporate and functional planning and established best practices in sales and customer success, human resource management, financial reporting, and marketing automation
  - De-risked and modernised the MBS infrastructure, including migrations of systems and data to best of breed cloud-based solutions
  - Recruited, hired and onboarded 15 people to double the size of our team, with key hires across engineering, product, marketing, sales and operations
  - Executed an exclusivity agreement with the Transformational Leadership for Excellence Institute for collaboration on mind-body training content to be provided by TLEX and integrated into the new Total Brain product by the end of CY2018
  - Successfully completed product overhaul and transition from MBS to Total Brain brand on 12 September 2018, ahead of plan
- Brain Resource completed a share placement of A$10 million and converted A$14 million in debt securities in December 2017, removing the security interest over the Company's assets and all debt from its balance sheet
  - A Share Purchase Plan of A$1.25 million was also completed in January 2018, enabling eligible shareholders to invest in BRC under similar terms to the December 2017 placement

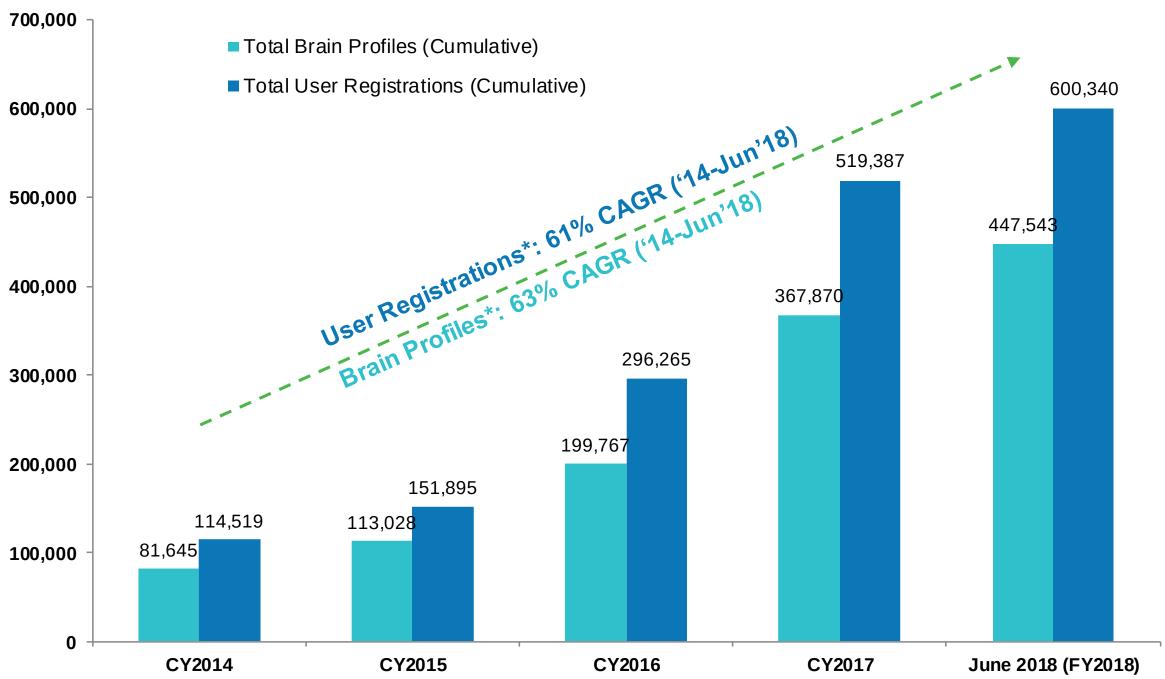
2 BUSINESS OPERATIONS

2.1 USER KPIS

User Registrations and Brain Profiles are the key user KPIs for the business today because they directly reflect product adoption and usage among clients, while also underpinning the value of the Company's proprietary database. As such, growing user KPIs is a top priority for Brain Resource, along with growing revenue and cash receipts. During FY2018:

- User Registrations increased by 171k, a 40% year-on-year growth in cumulative users and a 61% CAGR since 2014; and
- Brain Profiles increased by 165k, a 58% year-on-year growth in cumulative profiles and a 63% CAGR since 2014.

This growth was achieved without the benefit of a redesigned product experience or additional functionalities launched with the new platform on 12 September 2018 (the upgraded and rebranded MBS). The figures also exclude any uplift expected from the launch of the direct partnership with AARP and several large opportunities in BRC's sales pipeline.



* Represents cumulative actual figures through 30 June 2018. User Registration figures exclude employer-pre-registered users. Brain Profiles figures include multiple assessments taken by same user. Note that the historical Brain Profile figures were amended to include an additional 27k of previously unaccounted-for profiles.

2.2 PRODUCT AND TECHNOLOGY

FY2018 was a year of significant transformation for Brain Resource's product and technology. Not only is the lead product being redeveloped but the infrastructure and automated processes required to achieve a highly scalable Software as a Service (SaaS) based business have been upgraded to ensure the product, the data security, and the connectivity are in place to service an increase in the number of users and data sets, consistent with the Company's sales objectives. Key accomplishments included:

- Successfully executed against an aggressive product roadmap and successfully delivered the new product in desktop and mobile versions on 12 September 2018, ahead of previously-communicated timelines;
    - Launched new client-facing Brain Performance Report, which has received very positive feedback from existing and new clients to-date;
    - Completed a new user experience (UX) and user interface (UI) design of the brain assessment, results dashboard, and onboarding modules of the product;
    - Fundamentally re-developed the brain assessment, one of the most critical components of the new Total Brain platform;
- De-risked and modernised the Company's IT infrastructure, including migrations of systems and data from hosted operations to best of breed cloud-based solutions, while re-architecting the full technology stack to support BRC's big data and analytics ambitions at scale;
- Reimagined the MyBrainSolutions product as a scalable, user-centric software platform for brain performance monitoring, screening and training;
- Executed an exclusivity agreement with the Transformational Leadership for Excellence Institute for collaboration on mind-body training content, including restorative practices, practical wisdom, and meditation, to be provided by TLEX and integrated into the new Total Brain product by the end of CY2018;
    - TLEX Institute is a leader in well-being and leadership training in the corporate sector, having taught courses to 200+ large organisations across the globe, including American Express, Amazon, Microsoft and Intuit.

2.3 Sales and Customer Success

During FY2018, Brain Resource has completely overhauled its Sales and Customer Success function, driven by two primary objectives: (i.) accelerate CY2018 revenue while renovating and broadening the product offering, and (ii.) maximise long-term value for the business and its shareholders with a focus on recurring revenue and scalability.

The first part of the year was focused on building out business infrastructure, best-in-class processes, and developing a go-to-market strategy in alignment with the new vision for the Total Brain product. Key accomplishments include:

- Executed a channel partner enablement plan to revive BRC's existing channel relationships with insurers and human resource consultancies;
- Developed new go-to-market priorities, including opportunities with new channel partners, affinity groups, Employee Assistance Programs, and Health Risk Assessment providers;
- Implemented a CRM/pipeline solution and corresponding financial forecasting processes;
- Revamped the compensation incentive plans for internal and external sales and signed new sales referral agreements with key industry connectors;
- Developed and executed on a comprehensive customer success campaign for all existing clients with a focus on expanding the share of wallet, retention, and improved satisfaction rates in advance of the new product launch.

These initiatives started to yield positive results in the second half of FY2018 through a significant increase in the set of pipeline opportunities (3x growth during 2H FY2018), and the execution of several large new contracts:

- Direct, 2-year agreement with the American Association of Retired Persons, expected to bring a minimum of A$675k in revenue over the length of the contract, double the amount of the previous contract with AARP that was intermediated by a third party (i.e. indirect);
- Agreement to expand the eligible population of The Boeing Company to 47k of its union workers, representing A$230k of incremental annualized recurring revenue;
- 4-year, A$150k exclusive agreement with Neurocare, a global operator of mental health clinics, to license BRC's proprietary EEG software and data.

2.4 Marketing

On the marketing front, BRC has made notable progress in establishing the infrastructure required to scale a B2B SaaS business. Accomplishments include:

- Acquired 1750+ new B2B leads by leveraging industry events, lead lists, content syndication, and social media advertising targeting and, channel and reseller partners engagement;
  - Represented BRC in several marquee industry events, including the HLTH "Future of Healthcare" Conference in Las Vegas, the largest conference for health innovation, and the National Wellness Institute Conference in Minneapolis, generating 100+ direct B2B sales leads;
- Developed an automated B2B prospect marketing campaign with a variety of nurture tactics, including webinars, social ad retargeting and highly-targeted direct mail, enabling shortened sales cycle and accelerated conversion;
- Developed a wide range of high-quality marketing materials to enable Sales and Customer Success, including sales presentations and scientific case studies;
- On track to execute complete rebrand of MyBrainSolutions to Total Brain in September 2018, including an overhaul of the MBS website and all marketing collateral;
- Published unique thought leadership content in Forbes, Real Leaders, and Thrive Global, with social amplification across Twitter, Facebook, and LinkedIn.

2.5 Human Resources

During FY2018 quarter, BRC successfully recruited, hired and onboarded 15 people to double the size of our team. Following the recapitalisation in December 2017, key hires were made across engineering, product, sales, marketing, and operations. The Company's executive team was expanded with the addition of Chief Marketing Officer, Matt Resteghini (ex-Monster), Vice President of User Experience, Pablo Sanchez (ex-TiVo and Yahoo), and Director of Human Resources, Meredith Haase (ex-Monster), all of whom have brought needed expertise and leadership in their respective areas. The Company has also been successful in identifying several high-profile advisors and a Board Director to support the business in its new form, including:

- Ajay Arora, an executive at Netflix, contributing 20 years of experience in SaaS, user acquisition and subscriptions to the Company's Board of Directors;
- Barbara Van Dahlen, President of Give an Hour Foundation and one of Time Magazine's 100 Most

Influential People in the World in 2012;
- Patrick Manzo, ex-Chief Privacy Officer of Monster;
- Christopher Dolan, CTO of ANSWR and Director of Data Platforms at Sonos.

In addition, Brain Resource has established best-in-class HR processes, while fostering a culture focused on collaboration and personal well-being across the organisation. Key accomplishments include:

- Developed a new company mission, values and strategic framework;
- Rolled out KPI-driven incentive plans including a new Employee Stock Option Plan;
- Commenced the implementation of a HRIS software system and overhauled legacy systems and policies;
- Rolled out a discretionary time off policy for US employees, limiting company liability for paying out long-term unused balances;
- Launched quarterly in-person retreats to align on business strategy, team interdependencies, and learn practical tools for personal well-being;
- Developed an online meditation program, allowing employees to de-stress with practical mind-body tools throughout the week.

2.6 Clinical Business

BRC's clinical business refers to the segment of our company that sells directly to psychologists, psychiatrists and other medical clinics. With its current focus on the US corporate sector through MyBrainSolutions and given the fact that clinics currently use a different product platform, the Company has taken an opportunistic approach to the clinical business seeking out only large potential clients on an ad-hoc basis. BRC continues to harvest its existing book of business with minimal spend on product, sales and marketing, which has been reflected in the -18% decline in revenue from this business line during FY2018.

2.7 iSPOT Diagnostic and Treatment Prediction Tests

While the Company's current business plan is focused on the development of the corporate market, BRC continues to explore strategic alternatives to maximize shareholder value from the iSpot assets. As previously communicated, Brain Resource has commenced a targeted outreach process to engage potential commercial partners for iSpot with the help of a New York-based healthcare investment bank retained in late April 2018. Meanwhile, the scientific team has completed the initial GWAS-based scientific analysis in July 2018, as planned. The preliminary indications stemming from the acquisition of genetics data, which includes 850,000 genetic variants or "SNPs" on 1,000 patients with depression, have been promising. Further replication work is currently underway to confirm these findings.

3. Financials

3.1 Revenues

Revenue and other income from operating activities

Twelve Months Ended 30 June, $A	**FY2018**	**FY2017**	**% Change**
MBS - Corporate	1,341,690	1,243,020	8%
MBS - Affinity	504,008	188,512	167%
MBS - All Other	249,354	207,474	20%
Clinical	478,421	581,167	(18%)
Discovery	35,517	120,393	(70%)
Treatment prediction research (iSPOT)	–	28,755	(100%)
Other revenues	(1,358)	31,628	(104%)
Interest received	8,155	10,612	(23%)
Total revenues and other income from operating activities	**$2,615,787**	**$2,411,561**	**8.5%**
Memo: MBS Revenue	*2,095,052*	*1,639,006*	*28%*
Memo: Non-core Revenue	*520,735*	*772,555*	*(33%)*

The 28% annual growth in revenue from the MyBrainSolutions segment was the primary driver behind the 8.5% growth in total revenue, reversing the -17% growth rate from FY2017, despite continuing declines in non-core segment revenue (-33%), time devoted to execute the December 2017 capital raise, and significant resources devoted to the operational transformation of the business during FY2018.

These positive results were achieved without the benefit of the redesigned Total Brain product. Management expects that in the months following the re-brand and launch on 12 September 2018, the Company will experience a significant increase in new contracts and revenues, the early evidence for which has already been seen in the current sales pipeline, which has tripled in size during the second half of CY2018.

3.2 EXPENSES

Expenses from operating activities			
Twelve Months Ended 30 June, $A	**FY2018**	**FY2017**	**% Change**
Cost of sales	(122,207)	(171,437)	(29%)
Depreciation and amortisation	(90,650)	(514,711)	(82%)
Insurance and professional fees	(1,188,791)	(492,324)	141%
Rent, supplies and office costs	(286,609)	(261,747)	9%
Salaries and consultancy fees	(3,626,641)	(2,567,940)	41%
Marketing and agent support	(274,468)	(159,731)	72%
Communications	(399,773)	(267,244)	50%
Travel	(236,458)	(131,992)	79%
Foreign exchange (losses) / gains	(14,855)	(50,139)	(70%)
Share based payments	(1,206,097)	(106,281)	1035%
Finance costs	(523,353)	(990,949)	(47%)
Share of loss of Joint venture	(42,238)	(103,104)	(59%)
Loss on conversion of Convertible Bond	(3,166,358)	-	NA
Issue of options on conversion of Convertible Bond	(1,660,510)	-	NA
Impairment of goodwill / intangible assets	(13,568,240)	(6,762,465)	101%
Other	(156,219)	(114,234)	37%
Total Expenses	**($26,563,467)**	**($12,694,298)**	**(109%)**
Memo: Total Cash Expenses	*(6,134,947)*	*(4,052,415)*	51%
Memo: Total Non-cash Expenses	*(20,428,520)*	*(8,641,883)*	136%

Total expenses increased by $13.9 million (109%) to $26.6 million due to the $11.8 million (136%) increase in non-cash, non-recurring expenses during the period.

Total cash expenses increased by $2.1 million (51%), driven by:

- $1.1 million (41%) increase in Salary and consultancy fees due to the doubling of the team in FY2018, and reflecting headcount restraint during the FY2017 period including the 6 months of work for no cash pay by the new management team prior to execution of the capital raising transaction in December 2017;
- $0.7 million (141%) increase in Insurance and professional fees due to one-off expenses related to the recapitalisation in December 2017, including legal, consultancy and capital raising fees.

Total non-cash expenses increased by $11.3 million (144%) during the period, driven by non-recurring items related to:

- $1.1 million increase in Share based payments, driven by the issuance of employee stock options,
- $3.2 million Loss on Conversion of Convertible Bond and $1.7 million in expense due to the Issue of Options on Conversion of Convertible Bond related to the capital raising transaction and conversion of all the outstanding convertible debt by Och Ziff in December 2017,
- $6.8 million (101%) increase in Impairment of goodwill / intangible assets driven by the impairment of BRC's intangible assets, including Brain Resource International Database and iSpot, following the impairment assessment of those assets. The assessment, performed by management and the Directors on an annual basis, calculates a recoverable amount based on the higher of the value in use or the fair value less costs of disposal methods. In addition, several supporting valuation methodologies are employed to validate the results, including public comparables in the internet software industry. Upon completion of the assessment, and referencing the market capitalization of the Company as of 30 June 2018, it was determined that the intangible assets are impaired by $8

million. Note that since the intangible assets related to the iSpot study did not produce revenue in the current year, no direct iSpot-related revenue was included in the value assessment. If in future periods the Company generates revenue from those assets, thereby increasing the valuation of the intangible assets, the impairment loss can be reversed in part or in full.

3.3 LOSS AFTER TAX

Loss after Tax

Twelve Months Ended 30 June, $A	FY2018	FY2017	% Change
EBITDA*	(4,889,631)	(1,871,981)	161%
Impairment of Goodwill / Intangible Assets	(13,568,240)	(6,762,465)	101%
Loss on conversion of Convertible Bond	(3,166,358)	-	NA
Issue of Options on Conversion of Convertible Bond	(1,660,510)	-	NA
Foreign Exchange (Losses) / Gains	(14,855)	(50,139)	(70%)
Finance Costs (notional interest)	(523,353)	(990,949)	(47%)
Share of loss of Joint venture	(42,238)	(103,104)	(59%)
Depreciation and amortisation	(90,650)	(514,711)	(82%)
Interest income	8,155	10,612	(23%)
Loss before tax	**(23,947,680)**	**(10,282,737)**	**133%**
Taxes	846,340	413,783	105%
Loss after tax	**(23,101,340)**	**(9,868,954)**	**134%**

** EBITDA pre-FX, notional interest cost, share of loss of JV and non-cash impairment and other losses*

The $3.0 million (161%) reduction in EBITDA was driven by the $2.1 million (51%) increase in cash expenses, including the $1.1 million (41%) increase in Salaries and consultancy fees and $0.7 million (141%) increase in Insurance and professional fees, as well as the $1.1 million increase in non-cash Share-based payments expense related to the issuance of employee stock options. The corresponding $13.2 million (134%) increase in the Loss after tax was further impacted by the $11.8 million (136%) increase in the Company's non-cash, non-recurring expenses, including the $3.2 million Loss on Conversion of Convertible Bond, the $1.7 million in expense due to the Issue of Options on Conversion of Convertible Bond related to the capital raising transaction and conversion of all the outstanding convertible debt by Och Ziff in December 2017, and the $6.8 million (101%) increase in Impairment of goodwill / intangible assets driven by the impairment of BRC's intangible assets.

3.4 CASH FLOW

Cash Flow from Operating Activities			
Twelve Months Ended 30 June, $A	**FY2018**	**FY2017**	**% Change**
Receipts from customers	2,276,786	2,419,341	(6%)
Payments to suppliers and employees	(6,630,416)	(4,687,074)	41%
R&D rebate received	466,929	723,169	(35%)
Interest received	8,155	10,369	(21%)
Net Cash Flow Used in Operating Activities	**($3,878,546)**	**($1,534,195)**	**153%**

Cash Flow From Investing Activities			
Twelve Months Ended 30 June, $A	**FY2018**	**FY2017**	**% Change**
Purchases of plant and equipment	(94,303)	(4,753)	NM
Payment for subsidiary net of cash acquired	(1,646,395)	(708,486)	132%
Development of database and analysis tools	18,154	–	NA
Loans made to related parties	(102,553)	–	NA
Net Cash Flow Used in Investing Activities	**($1,825,097)**	**($713,239)**	**156%**

Cash Flow From Financing Activities			
Twelve Months Ended 30 June, $A	**FY2018**	**FY2017**	**% Change**
Proceeds from issue of ordinary shares	10,460,567	1,288,785	NM
Other expenses from issue of ordinary shares	(84,496)	(209,378)	(60%)
Net Cash Flow Used in Financing Activities	**$10,376,071**	**$1,079,407**	**NM**
Net (decrease) / increase in cash and cash equivalents held	**4,672,428**	**(1,168,027)**	**(500%)**
Add opening cash and cash equivalents brought forward	1,570,197	2,790,014	(44%)
Effect of movement in exchange rates on cash held	373,347	(51,790.00)	NM
Closing Cash and Cash Equivalents Carried Forward	**$6,615,972**	**$1,570,197**	**321%**
Memo: Average Monthly Cash Consumption	*(475,304)*	*(187,286)*	*154%*

Average monthly cash consumption for the 12 months ended 30 June 2018 was $475,304 compared to $187,286 in the prior year, reflecting the aggressive expansion of the business, doubling of the team, as well as overhaul of business infrastructure and processes following the recapitalisation in December 2017.

The Company's closing cash balance as of 30 June 2018 was $6.6 million.

4. OUTLOOK

The Company is tracking well against the CY2018 objectives released to the market on 7 February 2018, summarized below. During the first half of CY2018, BRC has focused significant resources on establishing business processes in accordance with best B2B SaaS practices within all functional areas, hiring top talent, while also fundamentally revamping the product. The Company has invested in the necessary IT and business infrastructure to rapidly grow a SaaS based business. All items with a 1H CY2018 timeframe have been completed and progress with 2H CY2018 deliverables is on track. The main product deliverable – the overhaul of the MBS platform and rebrand to Total Brain was successfully launched on 12 September 2018, ahead of plan.

	Objective	Timeframe	Status
FINANCIAL & USER KPIs	2x CY18 revenue to US$3.2mm (from US$1.6mm in CY17)	CY-18	Ongoing
	75%+ Recurring SaaS-based revenue (from 60% in CY17)	CY-18	Ongoing
	2x Total User Registrations (from 223k in CY17)*	CY-18	Ongoing
	2x Total Brain Profiles (from 131k in CY17)*	CY-18	Ongoing
PRODUCT	Upgrade MBS value proposition, new features & UX	CY-18	✓
	Transition to scalable cloud-based software infrastructure	Q2-18	✓
	Complete iSPOT GWAS Testing and Validation and explore Strategic Options	Q2-18	✓
	Rebrand MBS to TotalBrain	Q3-18	✓
CORPORATE	Enable sale of unmarketable parcel share	Q1-18	✓
	Appoint 3 New Advisors & 1 New Board Director	Q1-18	✓
	Complete hiring plan	Q1-18	✓
	Increase media engagement and PR	CY-18	Ongoing

*User Registrations defined as total individuals who create a registration in Brain Resource system. Brain Profiles defined as number of total assessments captured.

With proper business infrastructure in place, the Company's focus for the balance of the calendar year is to continue its quarter-on-quarter growth in cash receipts, User Registrations and Brain Profiles. This will in-turn enable a successful delivery against BRC's calendar year-end revenue and User KPI objectives. Given the ongoing positive sales momentum and the launch of the new product platform in 2H CY2018, the Company is well-positioned to achieve its targets and build a solid recurring revenue base for CY2019 and beyond.

5. CAPITALISATION TABLE

#	Shareholder	# Shares	% Holding
1	HSBC Custody Nominees (Australia) Ltd.	146,914,757	27.7%
2	HSBC Custody Nominees (Australia) Ltd.-GSCO	56,439,634	10.6%
3	Buttonwood Nominees Pty Ltd.	19,010,630	3.6%
4	Stuttgart Pty Ltd.	17,604,735	3.3%
5	Morgan Stanley Australia Securities (Nominee)	16,606,440	3.1%
6	CS Third Nominees Pty Ltd.	12,956,480	2.4%
7	Dr. Evian Gordon	11,240,248	2.1%
8	Gleneagle Securities (Aus) Pty Ltd.	11,000,000	2.1%
9	UBS Nominees Pty Ltd.	10,250,000	1.9%
10	DBPC Group Finance Pty Ltd.	10,250,000	1.9%
11	JP Morgan Nominees Aaustralia Ltd.	9,542,586	1.8%
12	Red Star Developments Pty Ltd.	6,655,429	1.3%
13	Spinite Pty Ltd.	5,500,000	1.0%
14	Mr. Dan Segal	4,731,250	0.9%
15	Mr. Louis Gagnon	4,159,225	0.8%
16	HSBC Custody Nominees (Australia) Ltd.-A/C 2	3,753,393	0.7%
17	Ceyx Holdings Pty Ltd.	3,500,000	0.7%
18	Arch 2000 Management Pty Ltd.	3,300,000	0.6%
19	Segal Super Pty Ltd.	3,270,000	0.6%
20	Mr. David Yett	3,190,394	0.6%
	Top 20 Holdings	**359,875,201**	**67.7%**
	Other Holdings	171,384,667	32.3%
	Fully Paid Ordinary Shares quoted on ASX	**531,259,868**	**100.0%**

Transaction	$ Amount
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
Dec 2017 Placement (at 6.0 cents per share)	10,097,181
Jan/Feb 2018 SPP – incl. shortfall (at 6.0 cents per share)	1,250,000
Option exercises	322,136
Total Funds Raised through ordinary equity	**42,448,259**
Convertible Bonds	10,000,000
Exchangeable Convertible Preference Shares	4,000,000
Total Funds Raised	**56,448,259**

Brain Resource Limited

Report of the Directors

30 June 2018

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 Louis Gagnon, MSC, BBA (Executive Director and Chief Executive Officer)
Mr Gagnon has been the Chief Executive Officer (CEO) of BRC since 23 May 2017. Louis has 25 years' worth of experience as a high-growth global digital business leader, most notably at Amazon's subsidiary Audible, where he served as Chief Product and Marketing Officer. Prior to working with BRC, Louis was an Advisor to TPG Capital following a short CEO assignment to turn around portfolio company Ride.com. His other past roles include Chief Product and Marketing Officer at Yodle and Senior VP of Global Products at Monster Worldwide. Appointed a Director on 27 December 2017.

Mr Matthew Morgan, MBA, B Com, B App Sc (Non-Executive Director)
Mr Morgan is the Principal of Millers Point Company, an advisory business to emerging companies with high growth or turnaround objectives. He is a former venture capitalist and is experienced in capital raisings, mergers and acquisitions and has held executive positions in a variety of private equity funded organisations. He was the first Australian to be awarded a Kauffman Fellowship and was the co-founder of Diversa Ltd (ASX: DVA) a financial service business acquired by OneVue Holdings Ltd (ASX: OVH). He is currently a non-executive Chairman of ASX listed company Sensera Limited (ASX: LER) and a non-executive director at Leaf Resources Limited (ASX: LER). He Chairs the Audit and Risk Committee for both Companies. 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 Ajay Arora, MBA, MSEE, B.Eng (Non-Executive Director)
Mr Arora is currently a Director of Product Innovation at Netflix, a world-leading internet entertainment service. He has spent the last 20 years in management roles within the most successful digital subscription businesses in the world, with a primary focus on user acquisition and partnerships. Mr Arora was previously VP of Product Management at Imgur, a top 100 global web destination for image sharing, where he led the product, design and data teams. He also led global product management for Audible, Inc., an Amazon company specialising in spoken audio, where he oversaw mobile and desktop experiences, and led the integration of Audible into Amazon's Kindle and Echo product lines. Appointed a Director on 8 May 2018.

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. Ceased to be Company Secretary on 27 June 2018.

Mr Phillip Hains, CA, MBA (Joint Company Secretary)
Mr Hains brings almost 30 years of experience in corporate secretarial, accounting and general management through his firm The CFO Solution, a boutique professional services firm for listed companies. Mr Hains is currently a Director and Treasurer of the Australian Outward Bound Foundation. Mr Hains holds an MBA from RMIT and received his Public Practice Certificate from the Institute of Chartered Accountants in 1998. Appointed Joint Company Secretary on 27 June 2018.

Mr Harvey Bui, ACCA, B Com (Joint Company Secretary)
Mr Bui is a qualified chartered accountant with 10 years of experience in providing accounting finance and corporate compliance advisory services to a wide range of businesses from not-for-profit organisations to multinational ASX/NASDAQ listed companies, along with experience in auditing and assurance, having started his career with Ernst & Young in 2008. Mr Bui is also a member of The CFO Solution. Appointed Joint Company Secretary on 27 June 2018.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Directors' interests in shares and options as at 30 June 2018 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 performance monitoring, training and screening services.

RESULTS

The net consolidated result of operations after applicable income tax expense was a $23,101,340 loss (2017: $9,868,954 loss).

DIVIDENDS

No dividends were paid or proposed during the year (2017: $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 six wholly owned Australian subsidiaries: BRC Operations Pty Ltd; BRC IP Pty Ltd; BRC Distribution Pty Ltd; BRC International Pty Ltd; BRC Development Pty Ltd; PoweringUpMBS Pty Ltd (wholly owned from 14/12/17) 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. Up until 14 December 2017 BRC had an interest in a joint venture, PoweringUpMBS Pty Ltd, which was subsequently 100% acquired. 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

On 24 July 2018, the Company announced that it has partnered with the TLEX institute (Transformational Leadership for Excellence) which offers tools for well-being, adaptive leadership and creativity, to create the first end-to-end brain performance monitoring and training platform.

The exclusive partnership will allow the MyBrainSolutions product (to be rebranded TotalBrain) to bring greater emotional and mental agility to its customers by merging cutting-edge brain research with ancient wisdom and meditation provided by TLEX in its soon to be launched upgraded product.

On 19 September 2018, the Company announced the release of a significant upgrade, expansion to its technological platform and the brand repositioning of legacy “MyBrainSolutions” to “Total Brain”: the worlds first Brain Performance Monitoring and Training Platform.

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 Group during the year to 30 June 2018.
ii) Executive Officers: The executive officers other than the executive directors are disclosed below in the remuneration report.

SHARE OPTIONS

As at the date of this report, there were 254,534,140 unissued ordinary shares under option. 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 is in place, comprising two non-executive directors who periodically reviewed the remuneration of all Directors and executives. There is a fixed fee policy for all non-executive directors, which was reviewed by the Board of Directors. The Committee used 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) and vest over 3 years.

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 Key Management Personnel (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 became 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. For details of shares and options issued to Directors during the current year, see elsewhere in this Remuneration Report.

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.

			Performance % of Remuneration (ex. Options)		Non-performance % of Remuneration
Group KMP	Position at 30 June 2018 / Change during period	Contract Details (Duration and Termination)	Non-salary Cash-based Incentives	Shares/Units	Fixed Salary/Fees
Dr E Gordon	Executive Chairman	No Fixed Term. 1 month's notice required to terminate. Entitled to 75% of of gross salary	28%	0%	72%
Mr M Morgan	Non-Executive Director	No Fixed Term. No notice to terminate. Entitled to 0% of gross fees	70%	0%	30%
Dr S Koslow	Non-Executive Director	No Fixed Term. No notice to terminate. Entitled to 0% of gross fees	0%	0%	100%
Mr A Arora	Non-Executive Director	No Fixed Term. No notice to terminate. Entitled to 0% of gross fees	0%	0%	0%
Mr L Gagnon	CEO / Managing Director	No Fixed Term. 1 month notice to terminate. Entitled to 12 mos. of gross salary, medical insurances and pro-rata portion of annual bonus	0%	0%	100%
Mr M Mund	COO	No fixed term. No notice required to terminate. Entitled to 6 months of gross salary, medical insurances and pro-rata portion of annual bonus	0%	0%	100%
Mr E Vasilev	Director of Finance & Operations	No fixed term. No notice required to terminate. Entitled to 6 months of gross salary, medical insurances and pro-rata portion of annual bonus	0%	0%	100%

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

Changes in Executives Subsequent to year-end

There were no changes to executives subsequent to year end.

Remuneration Expense Details for the Year Ended 30 June 2018

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 2018

Group KMP	Year	Short-term Benefits		Post-employment Benefits	Long –term Benefits		Equity-settled Share-based Payments	Total
		Salary, Fees & Leave	Cash Bonus	Pension & Superannuation	Incentive Plans	LSL	Options/Rights*****	
Dr E Gordon	2018*	388,735	135,727	12,894	-	-	-	537,356
	2017	257,892	-	1,425	-	-	-	259,317
Mr M Morgan	2018**	55,000	127,463	-	-	-	100,937	283,400
	2017	30,000	-	-	-	-	130	30,130
Dr S Koslow	2018	45,464****	-	-	-	-	141	45,605
	2017	26,667	-	-	-	-	130	26,797
Mr A Arora	2018	-	-	-	-	-	-	-
Mr L Gagnon	2018	208,350	-	-	-	-	454,093	662,443
	2017	-	-	-	-	-	137,845	137,845
Mr M Mund	2018	173,625	-	-	-	-	238,496	412,121
Mr E Vasilev	2018	203,389	-	-	-	-	95,549	298,938
	2017	33,333	--	-	-	-	-	33,333
D Segal	2017***	217,720	-	20,683	-	-	-	238,403
Total KMP	**2018**	**1,074,563**	**263,190**	**12,894**	**-**	**-**	**889,216**	**2,239,863**
	2017	**565,612**	**-**	**22,108**	**-**	**-**	**138,105**	**725,825**

* Included in salaries, fees and leave for Mr E Gordon is a payment of $100,000 for unused annual leave, reduced from an amount owing to him of $308,234. The $135,727 amount that has been recorded as a cash bonus paid to Mr E Gordon was previously held on the statement of financial position in relation to unpaid salary for the period from October 2012 to June 2016.

** Included for Mr M Morgan is a $127,463 fee for recapitalisation services, which was subsequently reinvested in the December 2017 capital raising – refer to the next table for details

*** 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.

**** Mr Koslow directors fees are $36,000 per annum. 2018 includes a catch-up payment from 2017.

*****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:

Group KMP	Remuneration Type	Grant Date	Grant Value	Reason for Grant (Note 1)	% Vested / Paid during the Year	% Forfeited during Year	% Remaining Unvested	Expiry Date for Vesting or Payment	Range of Possible Values for Future Payments
Dr E Gordon	Cash bonus & Super	14-Dec-17	$148,621	See prior table	-	-	-	-	-
Mr M Morgan	Shares & Options	14-Dec-17	$127,463	(a)	100%	-	-	14-Dec-18	-
	Options	14-Dec-17	$127,182	(b)	50%	-	50%	10-Jan-23	-
Dr S Koslow	-	-	-	-	-	-	-	-	-
Mr A Arora	-	-	-	-	-	-	-	-	-
Mr L Gagnon	Options	22-May-17	$227,406	(b)	69%	-	31%	22-May-22	-
Mr M Mund	Options	16-Jul-17	$250,733	(c)	57%	-	43%	16-Jul-22	-
Mr E Vasilev	Options	17-May-17	$98,203	(c)	82%	-	18%	17-May-22	-

Note 1(a) Under the terms of the services agreement between Mr Matthew Morgan and the company, he was entitled to be paid $US100,000 ($A127,463 – paid by way of issuance of 2,124,234 6 cent shares and 708,078 1 year options) and to be issued with 4,000,000 options (valued at $127,182) upon completion of the recapitalisation of the company, which was achieved on 14 December 2017.

Note 1(b) Refer to the information in the table “Options and Rights Granted as Remuneration” for information about Mr Gagnon’s option package.

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

All options were issued by Brain 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. Refer to the following table for more information.

Options and Rights Granted as Remuneration

Group KMP	Balance at Beginning of Year	Grant Details			Exercised		Lapsed	Balance at End of Year
		Issue Date	No.	Value (Note 1)	# (Note 2)	Value $	#	
Dr E Gordon	-	-	-	-	-	-	-	-
Mr M Morgan	250,000	14/12/17*	4,000,000	$127,182	-	-	-	4,250,000
Dr S Koslow	249,500	-	-	-	-	-	-	249,500
Mr A Arora	-	- **	-	-	-	-	-	-
Mr L Gagnon	48,891,827	22/5/17***	12,574,084	$227,406	-	-	-	61,465,911
Mr M Mund	-	16/7/17****	30,732,957	$250,733	-	-	-	30,732,957
Mr E Vasilev	-	17/5/17****	6,530,754	$98,203	-	-	-	6,530,754
Total	**49,391,327**		**53,837,795**	**$703,524**	**-**	**-**	**-**	**103,229,122**

Group KMP	Balance at End of Year	Vested		Unvested	Total at End of Year
		Exercisable	Unexercisable	Total at End of Year	
Dr E Gordon	-	-	-	-	-
Mr M Morgan	4,250,000	2,250,000	-	2,250,000	2,000,000
Dr S Koslow	249,500	249,500	-	249,500	-
Mr L Gagnon	61,465,911	42,643,941	-	42,643,941	18,821,970
Mr M Mund	30,732,957	17,366,479	-	17,366,479	13,366,477
Mr E Vasilev	6,530,754	5,353,836	-	5,353,836	1,176,917
Total	**103,229,120**	**67,863,756**	**-**	**67,863,756**	**35,365,364**

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.

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.

* Under the terms of the services agreement between Mr Matthew Morgan and the company, he is entitled to be issued with 4,000,000 options upon completion of the recapitalisation of the company, which was achieved on 14 December 2017. 2,000,000 of the options will be fully vested on the date of issue, with 1,000,000 to vest 12 months after the issue date and a further 1,000,000 to vest 24 months after the date of issue, subject to Mr Morgan remaining engaged by the company. These options can be exercised for up to 4,000,000 shares in BRC and will have an exercise price of $0.10 and an exercise period of 5 years.

Other options terms are as specified in the Company's ESOP rules, which were approved by shareholders at the EGM held on 14 July 2017.

These options were issued on 10 January 2018.

** Mr Arora has been offered 1,920,810 options under the Company's Employee Share Option Plan. The options have a life of five years and vest over a 3-year period with 25% upfront, and the remaining 75% in equal increments of 25% over the following 3 years on each annual anniversary of the date of issue, subject to Mr Arora remaining engaged by the company. The Exercise prices of the options are as follows: Upfront: A$0.08, year 1: A$0.12, year 2: A$0.16, year 3: A$0.16. Options can only be issued to Directors if approved by shareholders, and this approval will be sought at the 2018 AGM.

*** Eligibility for the additional grant of options (in addition to the 5,000,000 granted on 22 May 2017) depended 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 occurred at a capital raising price of $0.085 and a convertible bond conversion price of $0.085, Mr Gagnon would have been 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 22 May 2018) (Tranche 3);
- 8,148,638 options with a strike price of $0.16, vesting 24 months after grant date (being 22 May 2019) (Tranche 4);
- 8,148,638 options with a strike price of $0.16, vesting 36 months after grant date (being 22 May 2020) (Tranche 5).

Subject to meeting the various conditions above, and subject to the agreement whereby Mr Gagnon had 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 22 May 2017 but such exercise period shall be shortened to 90 days following separation.

Now the recapitalisation of the company has occurred, the number of options to be issued has been adjusted to reflect the finalised terms and conditions of the conversion of the convertible bond and the recapitalisation, such that the total number of options equals 8% of the fully diluted share capital of the company.

With the previously estimated number of options bracketed, Mr Gagnon was entitled to an additional 56,465,911 options as follows:

- 28,232,956 (previously 19,445,913) options with a strike price of $0.08 vesting at the recapitalisation date (Tranche 2);

- 9,410,985 (previously 8,148,638) options with a strike price of $0.12, vesting 12 months after grant date (being 22 May 2018) (Tranche 3);
- 9,410,985 (previously 8,148,638) options with a strike price of $0.16, vesting 24 months after grant date (being 22 May 2019) (Tranche 4);
- 9,410,985 (previously 8,148,638) options with a strike price of $0.16, vesting 36 months after grant date (being 22 May 2020) (Tranche 5).

**** On 16 July 2017, the company agreed to issue Mr Matthew Mund 2,000,000 options for $0.08, fully vested on that date, exercisable for 5 years.

Mr Mund was eligible to receive additional 5 year options. The total number of options equalled up to 4% of the fully diluted share capital of the company, including the initial grant of 2,000,000 options. Eligibility for the additional grant depended upon consummation of the 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 of 31 October 2017. Based on the recapitalisation and conversion of the convertible debt that occurred on 14 December 2017, Mr Mund was entitled to an additional 28,732,956 options as follows:

- 15,366,478 options with a strike price of $0.08 vesting at 14 December 2017;
- 4,455,493 options with a strike price of $0.12, vesting 12 months after grant date (being 16 July 2018);
- 4,455,493 options with a strike price of $0.16, vesting 24 months after grant date (being 16 July 2019);
- 4,455,493 options with a strike price of $0.16, vesting 36 months after grant date (being 16 July 2020).

Mr Mund may exercise vested options at any time prior to the fifth anniversary of 16 July 2017 but such exercise period shall be shortened to 90 days following separation.

The issue date of these options was the date when all the offers under the ESOP were accepted and the board resolved to issue the options (which occurred on 29 June 2018). However, note that the accounting standard AASB 2: Share Based Payments provides that the 'grant date' is "…when the entity and the counterparty have a shared 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.

***** On 17 May 2017, the company agreed to issue Mr Emil Vasilev 1,500,000 options for $0.08, fully vested on that date, exercisable for 5 years.

Mr Vasilev was eligible to receive additional 5 year options. The total number of options equalled up to 0.85% of the fully diluted share capital of the company, including the initial grant of 1,500,000 options. Eligibility for the additional grant depended upon consummation of the 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 of 31 October 2017. Based on the recapitalisation and conversion of the convertible debt that occurred on 14 December 2017, Mr Vasilev was entitled to an additional 5,030,753 options as follows:

- 3,265,377 options with a strike price of $0.08 vesting at 14 December 2017;
- 588,459 options with a strike price of $0.12, vesting 12 months after grant date (being 17 May 2018);
- 588,459 options with a strike price of $0.16, vesting 24 months after grant date (being 17 May 2019);

- 588,459 options with a strike price of $0.16, vesting 36 months after grant date (being 17 May 2020).

Mr Vasilev may exercise vested options at any time prior to the fifth anniversary of 17 May 2017 but such exercise period shall be shortened to 90 days following separation.

The issue date of these options was the date when all the offers under the ESOP were accepted and the board resolves to issue the options (which occurred on 29 June 2018). However, note that the accounting standard AASB 2: Share Based Payments provides that the 'grant date' is "…when the entity and the counterparty have a shared 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.

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:

Group KMP	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 Ltd	1:1 Ordinary Shares	Refer Note 13 (c)	$0.10	$0.033	-
				$0.10	$0.033	-
				$0.10	$0.033	-
Dr S Koslow	-	-	-	-	-	-
Mr A Arora	-	-	-	-	-	-
Mr L Gagnon	Brain Resource Ltd	1:1 Ordinary Shares	Refer Note 13 (c)	$0.08	$0.015	-
				$0.08	$0.015	-
				$0.12	$0.007	-
				$0.16	$0.004	-
				$0.16	$0.004	-
Mr M Mund	Brain Resource Ltd	1:1 Ordinary Shares	Refer Note 13 (c)	$0.08	$0.012	-
				$0.08	$0.012	-
				$0.12	$0.006	-
				$0.16	$0.003	-
				$0.16	$0.003	-
Mr E Vasilev	Brain Resource Ltd	1:1 Ordinary Shares	Refer Note 13 (c)	$0.08	$0.018	-
				$0.08	$0.018	-
				$0.12	$0.009	-
				$0.16	$0.005	-
				$0.16	$0.005	-

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, other than those noted at Note 17.

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

Directors' Shareholdings and Options as at 30 June:

Name	Ordinary Shares Fully Paid		Options over Ordinary Shares	
	2018	2017	2018	2017
E Gordon	13,018,749	12,206,248	-	-
M Morgan	3,417,152	187,310	5,138,889	250,000
S Koslow	94,250	94,250	249,500	249,500
L Gagnon (appointed on 27 Dec 17)	4,159,225	-	62,173,987	5,000,000*
A Arora (appointed on 8 May 18)	-	-	-	-
D Segal (resigned 13 Oct 2016)	N/A	6,534,264	N/A	-
Total	**20,689,376**	**19,022,072**	**67,562,376**	**5,499,500**

*Refer to the notes of the previous table, 5,000,000 options issued, 48,891,827 granted

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. All changes from 2017 to 2018 were due to additions.

End of Remuneration Report (Audited)

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):

Name	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
# Meetings held	**4**	**2**	**-**
Evian Gordon	4	2	-
Stephen Koslow	4	-	-
Matthew Morgan	4	2	-
Louis Gagnon	2	-	-
Ajay Arora	-	-	-

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

EMPLOYEES

There were 24 full time equivalent employees (2017:17) working for the consolidated entity during the year, being a mixture of full time staff, permanent part time and casuals with 17 (2017:7) based in the United States. There were around 29 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, Grant Thornton, 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 Grant Thornton 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 the 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

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Grant Thornton. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Grant Thornton received or are due to receive the following amounts for the provision of non-audit services:

Independent Experts Report	$35,000

AUDITOR INDEPENDENCE

The Directors have received a declaration of independence from the auditor, which is included on page 79.

Signed in Sydney on 28 September 2018 in accordance with a resolution of the Directors.

Dr Evian Gordon
Chairman of Directors

Brain Resource Limited

Consolidated Financial Statements & Notes

30 June 2018

Brain Resource

Consolidated Statement of Comprehensive Income

		Consolidated	
Year ended 30 June	**Note**	**2018**	**2017**
REVENUE AND OTHER INCOME	**2**	**2,615,787**	**2,411,561**
Cost of equipment and third party drug trial expense	3	(122,207)	(171,437)
Depreciation and amortisation	3	(90,650)	(514,711)
Insurance and professional fees		(1,188,791)	(492,324)
Rent, supplies and office costs		(286,609)	(261,747)
Salaries and consultancy fees		(3,626,641)	(2,567,940)
Marketing and agent support		(274,468)	(159,731)
Communications		(399,773)	(267,244)
Travel		(236,458)	(131,992)
Foreign exchange (losses)/ gains	3	(14,855)	(50,139)
Share based payments	13(c)	(1,206,097)	(106,281)
Finance costs		(523,353)	(990,949)
Share of loss of joint venture		(42,238)	(103,104)
Loss on conversion of Convertible Bond	28	(3,166,358)	-
Issue of Options on conversion of Convertible Bond	28	(1,660,510)	-
Impairment of goodwill / intangible assets	3	(13,568,240)	(6,762,465)
Other		(156,219)	(114,234)
TOTAL EXPENSES		**(26,563,467)**	**(12,694,298)**
LOSS BEFORE INCOME TAX		**(23,947,680)**	**(10,282,737)**
Income tax benefit / (expense)	4	846,340	413,783
LOSS AFTER INCOME TAX	14	**(23,101,340)**	**(9,868,954)**
Other Comprehensive Income		-	-
Items that may be reclassified subsequently to profit and loss			
when specific conditions are met:			
Exchange differences on translating foreign operation, net of tax		395,053	-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF BRAIN RESOURCE LIMITED		**(22,706,287)**	**(9,868,954)**
Basic loss per share (cents per share)	15	(6.38)	(6.45)
Diluted loss per share (cents per share)	15	(6.38)	(6.45)

Consolidated Statement of Financial Position			
Year ended 30 June		**Consolidated**	
	Note	**2018**	**2017**
CURRENT ASSETS			
Cash and cash equivalents	21	6,615,972	1,570,197
Trade and other receivables	6	1,317,206	473,189
Inventories	7	-	-
Other current assets	10	28,783	25,620
TOTAL CURRENT ASSETS		**7,961,961**	**2,069,006**
NON-CURRENT ASSETS			
Plant and equipment	8	221,636	167,856
Intangible assets	9	14,659,278	22,420,786
Investment in joint venture	29	-	1,270,462
Other non-current assets	10	11,800	14,766
Deferred tax assets	4	-	-
TOTAL NON-CURRENT ASSETS		**14,892,714**	**23,873,870**
TOTAL ASSETS		**22,854,675**	**25,942,876**
CURRENT LIABILITIES			
Payables	11	489,476	688,657
Interest-bearing loans	31	-	712,968
Employee benefits	12	488,495	698,914
TOTAL CURRENT LIABILITIES		**977,971**	**2,100,539**
NON-CURRENT LIABILITIES			
Convertible Bond	28	-	7,566,701
Employee benefits	12	29,884	17,089
Deferred tax liabilities	4	65,165	911,506
TOTAL NON-CURRENT LIABILITIES		**95,049**	**8,495,296**
TOTAL LIABILITIES		**1,073,020**	**10,595,835**
NET ASSETS		21,781,655	15,347,041
EQUITY			
Contributed equity	13	58,080,521	37,516,453
Accumulated losses	14	(40,197,025)	(22,834,351)
Reserves	14	3,898,159	664,939
TOTAL EQUITY		**21,781,655**	**15,347,041**

Consolidated Statement of Cash Flows

Year ended 30 June		Consolidated	
	Note	**2018**	**2017**
CASH FLOWS FROM OPERATIONS			
Receipts from customers		2,276,786	2,419,341
Payments to suppliers and employees		(6,630,416)	(4,687,074)
R&D tax incentive		466,929	723,169
Interest received		8,155	10,369
NET CASH FLOWS USED IN OPERATING ACTIVITIES	21	**(3,878,546)**	**(1,534,195)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(94,303)	(4,753)
Payment for intangible assets		(1,646,395)	(708,486)
Cash acquired in acquisition of subsidiary	30	18,154	-
Loans made to related parties		(102,553)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(1,825,097)**	**(713,239)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of ordinary shares		10,460,567	1,288,785
Repayments of borrowings to joint venture		(84,496)	(209,378)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**10,376,071**	**1,079,407**
Net decrease in cash & cash equivalents held		**4,672,428**	**(1,168,027)**
Add opening cash & cash equivalents brought forward		1,570,197	2,790,014
Exchange rate adjustments		373,347	(51,790)
CLOSING CASH & CASH EQUIVALENTS CARRIED FORWARD	21	**6,615,972**	**1,570,197**

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)	Share Based Payment Reserve (Note 14)	Foreign Currency Translation Reserve	Reserves – Subtotal	Total Equity
As at 30 June 2016	**30,489,002**	**5,738,666**	**(12,965,397)**	**558,658**	**-**	**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	106,281
As at 30 June 2017	**31,777,787**	**5,738,666**	**(22,834,351)**	**664,939**	**-**	**664,939**	**15,347,041**
Loss for the year	-	-	(23,101,340)	-	-	-	(23,101,340)
Other comprehensive income	-	-	-	-	395,053	395,053	395,053
Total comprehensive loss for the year	-	-	(23,101,340)	-	395,053	395,053	(22,706,287)
Transactions with owners in their capacity as owners:							
Issue of ordinary shares	26,302,734	-	-	-	-	-	26,302,734
Share based payments	-	-	-	2,838,167	-	2,838,167	2,838,167
Transfer on settlement of convertible bond (note 28)	-	(5,738,666)	5,738,666	-	-	-	-
As at 30 June 2018	**58,080,521**	**-**	**(40,197,025)**	**3,503,106**	**395,053**	**3,898,159**	**21,781,655**

Brain Resource®

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Brain Resource Limited (the Company) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 28 September 2018. 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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2018. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 July 2018, and the adoption of this standard is not expected to significantly impact the financial statements on the basis that the main financial assets recognised represent cash and cash equivalent and trade receivables that do not carry a significant financing

Note 1. Significant accounting policies (continued)

component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price. Both asset classes will continue to be measured at face value. Other financial asset classes are not material to the group. Financial liabilities of the group are not impacted as the group does not carry them at fair value.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise 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. Commonly referred to as the 5-step approach, the standard requires:

(i) identification of contracts (either written, verbal or implied) with a customer;
(ii) identification of the separate performance obligations within the contract;
(iii) determination of the transaction price adjusted for the time value of money excluding credit risk;
(iv) allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and
(iv) recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. Under AASB15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The group derives its revenue primarily from ‘software-as-a-service’ subscriptions, where customers subscribe to access the platform, content, database and associated support services. Under the current revenue recognition standard AASB 118 'Revenue', software-as-a-service revenue is recognised over the service period.

The group will adopt this standard from 1 July 2018 and management's assessment of the new standard is as follows:

Note 1. Significant accounting policies (continued)

Revenue stream	Assessment
Software-as-a-Service	The focus of management's assessment was to first to evaluate its standard subscription and support services against each of the 5-steps noted above, with regards to any other specific guidance in the standard. Secondly, management has additionally assessed any unique performance obligations and/or pricing arrangements within its material contracts to determine the appropriate treatment for these.
Value-added services	Management's assessment was to evaluate the revenue stream against the 5-steps noted above, with a focus on the specific performance obligations to determine the appropriate treatment under the standard.

Management have completed their evaluation of the group's material contracts against the 5-step approach noted above, and based on this evaluation have determined that, other than additional disclosures required, the implementation of AASB 15 from 1 July 2018 is not expected to have a significant financial impact on the group.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a lease liability will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A 'right of use' asset corresponding to the lease liability will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019. Information on the undiscounted amount of the group's operating lease commitments under AASB 117, the current leasing standard, is disclosed in note 30. The group is considering the available options for transition. To date, work has focused on the identification of the provisions of the standard which will most impact the group. Management will subsequently carry out a detailed review of the contracts to assess the financial reporting impacts.

Note 1. Significant accounting policies (continued)

(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 indefinite life intangibles are impaired at least on an annual basis and where impairment indicators are present for finite life intangibles. 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 Black Scholes 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 statement of profit or loss and other comprehensive income 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

The Group's consolidated financial statement are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of Brain Resource Inc., a subsidiary of the ultimate parent company, Brain Resource Limited, was changed from Australian dollars to US dollars, prospectively from 1 July 2017. The functional currency was changed coinciding with the appointment of an all-US based management team.

The Group used the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at an average exchange rate across the period. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(iii) Cash and cash equivalents
Cash and short-term deposits in the statement of financial position 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 reporting 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 statement of profit or loss and other comprehensive income. 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, with the remaining amortisation period being 6.5 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 reporting 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 reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

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 wholly 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 is 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 high quality 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 increase loss per share or decrease 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. Note that the convertible bonds were all converted during the year.

(xxi) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(xxii) Investment in joint venture
Up until 14 December 2017 the Company had an interest in a joint venture, which was a jointly held entity, whereby the venturers had a contractual arrangement that established joint control over the economic activities of the entity. The agreement required 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 were prepared for the same reporting period as the Company. Adjustments were made where necessary to bring the accounting policies in line with those of the Group.

The Company's investment in the joint venture was accounted for using the equity method. Under the equity method, the investment in the joint venture was 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 statement of profit or loss and other comprehensive income reflected the Company's share of the results of operations of the joint venture.

After application of the equity method, the Group determined whether it is necessary to recognise an additional impairment loss on its investment in its joint venture. The Group determined at each reporting date whether there was any objective evidence that the investment in the joint venture was impaired. If this was the case, the Group calculated 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 statement of profit or loss and other comprehensive income.

On 14 December 2017, the Company became the sole owner of the joint venture company.

Applicable to Parent Company Only

(xxiii) 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.

This report adopts the going concern basis of accounting, which contemplates the realisation of assets and the discharge of liabilities and commitments in the ordinary course of business.

In financial year 2018, the Group recorded a loss of $23,101,340 and cash outflows from operations of $3,878,546. Prima facie, these circumstances represent a material uncertainty regarding the Group's ability to continue as a going concern.

In financial year 2018 the Company restructured the organisation including removing a secured interest over the assets of the Company, converting all securities to ordinary shares and options over ordinary shares and raising capital to undertake a material product upgrade for the Company's lead product. The capital will also be used to fund the go to market plan to sell the upgraded product which is to be launched early in the 2019 financial year.

Management understands that its current commitment to fund the ongoing growth and commercialisation objectives and to continue as a going concern may require funds to be raised. This requirement for funds is dependent upon the revenue generated from the sale of the Company's lead product MyBrainSolutions which is to be upgraded and relaunched as Total Brain and the commercialisation of the Company's iSPOT database which the Company has engaged an investment bank to advise on the potential sale and licensing options.

The Directors have a reasonable expectation that they will be able to raise sufficient funds in the equity markets to provide adequate levels of working capital to fund the Company's strategic goals. They believe therefore that the Company continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of this report. On this basis the Directors believe that the going concern basis of presentation is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not have the ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, it would impact on the Company's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

2. REVENUE AND OTHER INCOME

	2018	2017
MBS – Corporate	1,341,690	1,243,020
MBS – Affinity	504,008	188,512
MBS – All Other	249,354	207,474
Clinical	478,421	581,167
Discovery	35,517	120,393
Treatment prediction research (iSPOT)	-	28,755
Total revenues	2,608,990	2,369,321
Other revenues	(1,358)	31,628
Interest received	8,155	10,612
Total other income	6,797	42,240
Total revenues and other income from ordinary activities	**2,615,787**	**2,411,561**

Note that comparatives have been adjusted to match current year disclosures. There has been no effect on prior year revenue or profit.

3. EXPENSES

	Note	2018	2017
Cost of equipment and third party drug trial expense		122,207	171,437
Depreciation & Amortisation:			
Plant and equipment		36,819	35,931
Intangibles		53,831	478,780
Total Depreciation and Amortisation		90,650	514,711
Operating lease costs (minimum lease payments)		148,619	232,971
Superannuation contributions		211,670	177,552
Bad debt expense		30,057	-
Net Foreign Currency Loss / (Gain)		14,855	50,139
R&D expenditure recognised as an expense		84,647	214,672
Impairment of Intangibles	9	8,487,143	6,762,465
Impairment of Goodwill	30	5,081,097	-
Total Impairment of Goodwill & Intangibles		13,568,240	6,762,465

4. INCOME TAX

a) Income tax expense

	2018	2017
Current income tax:		
Deferred tax:		
Relating to origination and reversal of temporary differences	(846,340)	(413,783)
Income tax (benefit)/expense reported in statement of comprehensive income	(846,340)	(413,783)

b) Income tax (benefit)/expense reconciliation

Accounting loss before income tax	(23,947,680)	(10,282,737)
At Company's statutory income tax rate of 27.5%	(6,585,612)	(2,827,753)
Additional income tax based on rate of 35% for US company	568	(54,910)
Permanent differences from R&D refund	564,054	79,023
Tax losses not recognised as DTA	497,884	264,586
Prior year (over) / under provisions	(117,980)	187,080
De-recognise US tax losses to 30 June 2015	-	2,200,000
De-recognise Australian tax losses	3,823,635	-
Effect of FX movement on translation	204,236	-
Effect of reduction in tax rate in Australia from 30% to 27.5%	-	(293,674)
Share-Based Payments	788,317	-
Investment in JV	(23,219)	-
Other	1,777	31,865
Income tax (benefit) / expense	(846,340)	(413,783)

c) Deferred tax assets / (liabilities)

Losses carried forward	9,575,542	8,533,270
Intangibles	(3,648,185)	(5,516,697)
Convertible Bond Extension	-	(669,157)
Tax losses not recognised as DTA	(6,063,700)	(3,144,220)
Investment in JV	-	(349,377)
Provisions	142,554	196,966
Foreign exchange	(204,235)	10,597
Other	132,859	27,112
Net deferred tax liabilities	(65,165)	(911,506)

Reflected in the statement of financial position as follows:		
Deferred tax assets	-	-
Deferred tax liabilities	(65,165)	(911,506)
Deferred tax liabilities, net	(65,165)	(911,506)
Reconciliation of deferred tax liabilities, net:		
Opening balance as of 1 July	(911,506)	(1,325,289)
Losses carried forward	1,042,272	518,755
Tax losses not recognised as DTA	(2,919,480)	(264,586)
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	1,868,512	1,666,849
Foreign exchange	(214,832)	48,045
Investment in JV	349,377	-
Convertible Bond Extension	669,157	-
Convertible Bonds Interest	-	271,414
Other	51,334	79,632
Net deferred tax benefit/(expense) charged to Statement of Comprehensive Income	846,340	413,783
Net deferred tax expense charged to equity	-	-
Closing balance as at 30 June	(65,165)	(911,506)

Brain Resource, Inc., incorporated in California USA has carry-forward unused tax losses of $11.2m as at 30 June 2018 (2017: $9.0m). The Company recognised deferred tax assets in respect of these tax losses as at 30 June 2018 of $nil (2017: $nil). The losses remain available to offset future income tax, but the directors have chosen not to recognise a deferred tax asset in respect of them, until it is demonstrated that the realisation of the deferred tax is more likely than not.

The Australian based companies have carry-forward unused tax losses of $21.6m as of 30 June 2018 (2017: $19.6m). The Company concluded that $3.5m of 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 (2017: 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 Grant Thornton (2017: Ernst & Young). Amounts received or due and receivable by Grant Thornton (2017: Ernst & Young (Australia)) for:

	2018	2017
Half year review	25,000	70,190
Full year audit	85,000	130,000
Other Services (Independent Expert Report)	35,000	-
	145,000	**200,190**

6. TRADE AND OTHER RECEIVABLES

	2018	2017
Trade Receivables	634,836	347,341
Provision for doubtful debts	(19,002)	-
Advances	360	138
Government grant receivable for R&D tax incentives	525,000	125,000
Other receivables	176,012	710
	1,317,206	**473,189**

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. Trade receivables with an initial carrying value of $30,057 (2017: $0) were impaired and fully provided for.

(b) Trade Receivables Ageing

Receivables past due but not considered impaired are: $158,383 (2017: $143,542). 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*
2018 Consolidated	634,836	457,451	68,352	46,076	-	43,955	19,002
2017 Consolidated	347,341	204,340	7,042	39,134	-	96,825	-

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

There were related receivables of $102,553 (2017: $0). Refer Note 17 for more information.

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. Credit 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

Laboratory hardware – at cost	-	-
	-	-

8. PLANT AND EQUIPMENT

	Consolidated $
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**
At 1 July 2017, net of accumulated depreciation	167,856
Additions	94,103
Depreciation expense	(40,323)
At 30 June 2018 net of accumulated depreciation	**221,636**
At 30 June 2017:	
Cost	1,099,553
Accumulated depreciation	(931,697)
Net Carrying Value	**167,856**
At 30 June 2018:	
Cost	1,193,656
Accumulated depreciation	(972,020)
Net Carrying Value	**221,636**

9. INTANGIBLE ASSETS – INTERNATIONAL DATABASE, iSPOT AND ASSOCIATED TOOLS

	2018	2017
Development cost at 1 July	24,345,155	31,894,619
Accumulated amortisation	(1,924,369)	(2,342,903)
Net Carrying Amount at 1 July	22,420,786	29,551,716
Additions – internal development	1,646,395	708,486
Less R&D tax incentive	(866,929)	(598,171)
Less amortisation charge	(53,831)	(478,780)
Less impairment charge	(8,487,143)	(6,762,465)

Net Carrying amount at 30 June	**14,659,278**	**22,420,786**
Made up of:		
Development Cost	25,124,621	24,343,155
Accumulated amortisation	(1,978,200)	(1,924,369)
Provision for impairment	(8,487,143)	-
	14,659,278	**22,420,786**

The intangible assets are tested for impairment as a single Cash Generating Unit (CGU), as the individual assets do not currently generate largely independent cash flows.

In the 2018 financial year, the intangible assets have been tested for impairment and the recoverable amount is the higher of value in use or fair value less costs of disposal. Fair value is determined by the Directors and management based on an assessment of the price that would be received to sell the intangibles of Brain Resource, including the Brain Resource International Database (BRID) and iSPOT in an orderly transaction between market participants at the measurement date.

The approach and key assumptions used in the assessment of fair value is predominantly based on references to the market capitalisation of the Company as at the reporting date and the Consolidated Group's other assets and liabilities. This assessment has been further validated using alternate valuation techniques including:

- A revenue discounted cash flow approach – MBS Corporate, MBS Affinity and MBS All Other revenue generated by the business in the current year, projected to grow at the same annual rate (28%) as compared to the prior year and using a discount rate of 50%.
- A revenue multiple approach – utilising a revenue multiple (average of 8 times revenue) as per the internet software industry comparatives for listed companies. As the elements of the BRID collected through the iSPOT studies did not produce any revenue in the current year (and did not meet the revenue targets included in the prior year valuation), management determined not to include any such revenues.

Upon review of its assets, it has been determined, that the intangible assets are impaired by $8,487,143. As the valuation is based on a combination of observable market data and unobservable inputs, the valuation has been considered to be level 2 in the fair value hierarchy. The impaired assets, have been written down to their fair value of $14,659,278.

The company is actively exploring alternative revenue streams for its differentiated ISPOT depression + ADHD assets. It should be noted that where, in future periods, the Company generates revenue from those assets thereby increasing the valuation of the intangible assets, the impairment loss can be reversed.

In the prior financial year, the recoverable amount of the intangible assets were determined based on the value in use approach.

10. OTHER ASSETS

Current

	2018	2017
Prepayments	28,783	25,620
Non-Current		
Deposits	11,800	14,766

11. PAYABLES

	2018	2017
Trade Creditors	318,626	93,384
Unearned income	29,398	-
Other creditors	141,452	446,533
Employee Entitlements	-	148,740
	489,476	**688,657**

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 other creditors owing as at 30 June 2017 of $446,533 included $368,317 owing to D. Segal. D. Segal resigned as a director on 13 October 2016.

12. EMPLOYEE BENEFITS

	2018	2017
Current employee benefits	488,495	698,914
Non-Current Employee benefits	29,884	17,089

Out of the total liability, 24% relate to balances owing to the executive directors (2017: 62%).

13. CONTRIBUTED EQUITY

(a) Share Capital

	2018	2017
Ordinary shares authorised and fully paid (see note b)	60,328,245	33,141,063
Transaction costs accounted for as a deduction from equity	(2,247,724)	(1,363,276)
Convertible Bond – Equity Component (see note f)	-	5,738,666
Ordinary shares fully paid – closing balance	**58,080,521**	**37,516,453**

(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	166,015,204	149,495,954
Issued during the year	365,244,664	16,519,250

Number of ordinary shares - closing balance	531,259,868	166,015,204

Note: During FY2018, 1,125,000 shares were issued to Matthew Morgan and Evian Gordan at 8 cents per share and 175,000,000 shares were placed at 8 cents to the holder of the convertible bond (refer note 28 for more information), 168,286,348 were placed at 6 cents to sophisticated and institutional investors and 20,833,316 were issued at 6 cents as part of a share purchase plan to enable small shareholders to invest at the same price as investors in the large placements, with funds to be used for working capital.

The relevant accounting standards require the value of the share capital raised in exchange for the conversion of the convertible bond to be valued at fair value. The share price on the day that the 175,000,000 shares were issued in exchange for the convertible bond was 9 cents, with the resulting impact on the statement of comprehensive income being $1.75m.

Note: During FY17, 11,395,000 share were privately placed at 8 cents per shares 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 with the funds to be used for working capital.

(c) Share Options

Particulars of options granted over unissued shares

# Options Outstanding at 30 June 2018	Exercise price (Cents)	Expiry Date	Grant Date	# Options Outstanding at 30 June 2018	Exercise price (Cents)	Expiry Date	Grant Date
630,000*	36.0	26-Mar-19	26-Mar-14	4,000,000	10.0	10-Jan-23	14-Dec-17
915,000*	37.5	14-Apr-20	14-Apr-15	50,000,000	10.0	15-Dec-22	15-Dec-17
499,500	20.0	29-Nov-21	21-Dec-16	56,095,783	8.0	19-Dec-18	19-Dec-17
5,000,000	8.0	22-May-22	22-May-17	4,000,000	12.0	10-Jan-21	19-Dec-17
4,765,377	8.0	17-May-22	17-May-17	1,920,810	8.0	7-Jan-23	8-Jan-18
588,459	12.0	17-May-22	17-May-17	1,920,810	12.0	7-Jan-23	8-Jan-18
1,176,918	16.0	17-May-22	17-May-17	3,841,620	16.0	7-Jan-23	8-Jan-18
17,366,478	8.0	16-Jul-22	16-Jul-17	3,159,681	8.0	18-Dec-18	2-Feb-18
4,455,493	12.0	16-Jul-22	16-Jul-17	300,000	8.0	23-Feb-23	24-Feb-18
8,910,986	16.0	16-Jul-22	16-Jul-17	300,000	8.0	27-Feb-23	28-Feb-18
8,951,563	8.0	24-Jul-22	24-Jul-17	2,202,862	8.0	31-Mar-23	1-Apr-18
2,650,521	12.0	24-Jul-22	24-Jul-17	1,905,833	12.0	31-Mar-23	1-Apr-18
5,301,042	16.0	24-Jul-22	24-Jul-17	2,796,916	16.0	31-Mar-23	1-Apr-18
480,202	8.0	6-Aug-22	7-Aug-17	1,905,833	24.0	31-Mar-23	1-Apr-18
480,202	12.0	6-Aug-22	7-Aug-17	146,484	8.0	12-Jun-23	13-Jun-18
960,404	16.0	6-Aug-22	7-Aug-17	146,484	12.0	12-Jun-23	13-Jun-18
28,232,956	8.0	22-May-22	22-May-17	146,484	16.0	12-Jun-23	13-Jun-18
9,410,985	12.0	22-May-22	22-May-17	146,484	24.0	12-Jun-23	13-Jun-18
18,821,970	16.0	22-May-22	22-May-17				
Total				**254,534,140**			

*Of the 1,970,000 options granted with an exercise price of 36.0 cents, 1,165,000 were forfeited during FY2017 and 175,000 during the current year leaving 630,000 outstanding; and of the 3,310,000 options granted at 37.5 cents, 2,070,000 were forfeited during FY2017 and 325,000 during the current year, leaving 915,000 outstanding.

Note: a summary of all options granted is as follows:

	ESOP*	Non-ESOP	Total
Options outstanding as at 1 July 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**	**51,436,327**
Reclassification**	48,891,827	-48,891,827	**-**
Granted	86,004,250	117,593,563	**203,597,813**
Forfeited	-500,000	-	**-500,000**
Exercised	-	-	**-**
Expired	-	-	**-**
Options outstanding as at 30 June 2018	**136,441,077**	**118,093,063**	**254,534,140**
Options exercisable as at 30 June 2017	1,787,000	-	**1,787,000**
Options exercisable as at 30 June 2018	**75,522,719**	**115,315,283**	**190,838,002**

* Employee Share Option Plan

** Of the 49,391,327 options granted during 2017, only 5,500,000 were issued, leaving 43,891,827 unissued. (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…" The Company's ESOP was amended on 14 July 2017, and all of these options have now been issued and are subject to the terms of the ESOP.)

The 43,891,827 reclassified options relate to Mr Gagnon's options package. On 22 May 2017, 5,000,000 vested options were issued to Mr Louis Gagnon (Tranche 1) exercisable for 5 years at $0.08 per share. Mr Gagnon agreed not to exercise any portion of the vested options until the earliest to occur of: (a) the convertible bond was 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 waived the conversion right in respect of Mr Gagnon's exercise of any options, (c) the Company directly or indirectly granted or issued any new equity at a price below AUD $0.194, (d) if a recapitalisation was 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.

Also, Mr Gagnon was eligible to receive additional 5 year options. The total number of options equalled up to 8% of the fully diluted share capital of the company.

Eligibility for the additional grant of options depended 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 occurred at a capital raising price of $0.085 and a convertible bond conversion price of $0.085, Mr Gagnon would have been 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 22 May 2018) (Tranche 3);

8,148,638 options with a strike price of $0.16, vesting 24 months after grant date (being 22 May 2019) (Tranche 4);

8,148,638 options with a strike price of $0.16, vesting 36 months after grant date (being 22 May 2020) (Tranche 5).

Subject to meeting the various conditions above, and subject to the agreement whereby Mr Gagnon had 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 22 May 2017 but such exercise period shall be shortened to 90 days following separation.

Now the recapitalisation of the company has occurred, the number of options to be issued has been adjusted to reflect the finalised terms and conditions of the conversion of the convertible bond and the recapitalisation, such that the total number of options equalled 8% of the fully diluted share capital of the company.

With the previously estimated number of options bracketed, Mr Gagnon was entitled to an additional 56,465,911 options as follows:

28,232,956 (previously 19,445,913) options with a strike price of $0.08 vesting at the recapitalisation date (Tranche 2);

9,410,985 (previously 8,148,638) options with a strike price of $0.12, vesting 12 months after grant date (being 22 May 2018) (Tranche 3);

9,410,985 (previously 8,148,638) options with a strike price of $0.16, vesting 24 months after grant date (being 22 May 2019) (Tranche 4);

9,410,985 (previously 8,148,638) options with a strike price of $0.16, vesting 36 months after grant date (being 22 May 2020) (Tranche 5).

- The weighted average remaining contractual life for the share options outstanding at 30 June 2018 is 3.27 years (2017: 4.79 years).
- The value of options granted, yet to be expensed at 30 June 2018 was $108,064 (2017: $302,727).
- The weighted average fair value of share options granted during 2018 was $0.0157. 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, as set out in the following table:

Details	# of options	Grant Date	Prevailing Share Price	Term	Dividends	Interest Rate	Volatility	Other Notes
Grant to Mr M Morgan	4,000,000	14/12/17	$0.10	5 Years	None	2.56%	36.90%	Note 1
Grant to Mr L Gagnon*	61,465,911	22/5/17	$0.07	5 Years	None	2.39%	30.00%	Note 2
Grant to Mr E Vasilev	6,530,753	17/5/17	$0.07	5 Years	None	2.72%	30.00%	Note 3
Grant to Mr M Mund	30,732,956	16/7/17	$0.06	5 Years	None	2.72%	30.00%	Note 4
Grant on conversion of convertible bond	50,000,000	14/12/17	$0.09	5 Years	None	2.39%	30.00%	
Grant of option to corporate advisors	4,000,000	14/12/17	$0.09	1 Year	None	2.39%	30.00%	
Grant under ESOP	16,903,126	24/7/17	$0.08	5 Years	None	2.68%	30.50%	Note 5
Grant under ESOP	1,920,810	8/1/18	$0.06	5 Years	None	1.81%	37.40%	Note 5
Grant under ESOP	7,683,238	8/1/18	$0.06	5 Years	None	1.81%	37.40%	Note 5
Grant under ESOP	300,000	24/2/18	$0.06	5 Years	None	1.78%	37.40%	Note 5
Grant under ESOP	300,000	28/2/18	$0.06	5 Years	None	1.79%	29.70%	Note 5
Grant under ESOP	8,811,440	1/4/18	$0.05	5 Years	None	2.03%	37.40%	Note 5
Grant under ESOP	585,938	13/6/18	$0.04	5 Years	None	2.06%	31.50%	Note 5

Note 1: In determining the expense relating to Mr Morgan's options, the directors considered that there is a 100% likelihood of the vesting condition for tranche 1 (2,000,000 options vested on 14/12/17), 100% for tranche 2 (1,000,000 options vesting on 14/12/18) and 80% for tranche 3 (1,000,000 options vesting on 14/12/19).

Note 2: The fair value of the 5,000,000 options granted and vesting on 22 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 56,465,911 options was performed assuming a 5 year period starting on 22 May 2017 and ending 22 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 a 100% likelihood of the vesting condition for Tranche 2 being met, 100% for Tranche 3, 80% for Tranche 4 and 75% for Tranche 5.

Note 3: In determining the expense relating to Mr Vasilev's options, the directors considered that there is a 100% likelihood of the vesting condition for Tranche 1 being met (1,500,000 options vested on 14 December 2017), 100% for Tranche 2 (3,265,377 vested on 14 December 2017), 100% for Tranche 3 (588,459 vested on 17 May 2018), 80% for Tranche 4 (588,459 vesting on 17 May 2019) and 75% for Tranche 5 (588,459 vesting on 17 May 2020).

Note 4: In determining the expense relating to Mr Mund's options, the directors considered that there is a 100% likelihood of the vesting condition for Tranche 1 being met (2,000,000 options vested on 14 December 2017), 100% for Tranche 2 (15,366,478 vested on 14 December 2017), 100% for Tranche 3 (4,455,493 vesting on 16 July 2018), 80% for Tranche 4

(4,455,493 vesting on 16 July 2019) and 75% for Tranche 5 (4,455,493 vesting on 16 July 2020).

Note 5: In determining the expense relating to options issued under the ESOP, the directors considered that there is a 100% likelihood of the vesting condition for options vesting on grant being met, 90% for tranches vesting 1 year from grant, 80% for tranches vesting 2 years from grant, 70% for tranches vesting 3 years from grant and 60% for options vesting 4 years from grant.

- The expense recognised for equity-settled share-based payment transactions during the year was $2,866,607 (2017: $106,282) made up of a) $1,660,550 in respect to the cost of options issued on 14 December 2017, b) $1,121,343 in respect of expenses for employee's options, c) $28,440 in respect of the SPP bonus share issue and c) $56,314 in respect of ESOP (the total of a), b) and c) being $1,206,097).
- The weighted average exercise price for the share options issued during 2018 was $0.10, exercisable at 30 June 2018 is $0.09 (2017: $0.37), outstanding at 30 June 2018 is $0.11 (2017: $0.12) and no options expired during the financial year.
- 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. On 14 July 2017, the scheme was amended such that the definition of Employee was expanded to include any other person determined by the Board from time-to-time to be an employee for the purposes of the Plan. The reason for this change was to provide a clear ability for options to be issued under the Plan to contractors. The purpose of the Plan is to reward the directors, the executive directors, employees and relevant contractors 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 over four years (25% on each of the first, second, third and fourth anniversary of the date of grant). 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 that were issued to directors, executives, employees and contractors are issued under the terms of the Plan, with the exception of those issued to Mr Morgan.
- 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

	2018	2017
Convertible bonds issued – Face value	-	10,000,000
Less: Allocation to Debt	-	(6,539,427)
Equity component	-	3,460,573
Deferred tax	-	(1,038,173)
Previous allocation to Equity	-	3,316,266
Net Convertible Bond Equity	**-**	**5,738,666**

The terms and conditions for the now converted Convertible Bond are disclosed in Note 28 of this report. Note that the Convertible Bond was converted to equity on 14 December 2017, whereby the bondholder (or their related parties) purchased 125,000,000 shares at $0.08 and were also issued with 50,000,000 5 year options with a strike price of $0.10.

The relevant accounting standards require the value of the share capital raised in exchange for the conversion of the convertible bond to be valued at fair value. The share price on the day that the 175,000,000 shares were issued in exchange for the convertible bond was 9 cents, with the resulting impact on the statement of comprehensive income being $1.75m.

14. ACCUMULATED LOSSES AND RESERVES

Accumulated Losses:

	2018	2017
Balance at the beginning of year	22,834,351	12,965,397
Loss for the year	23,101,340	9,868,954
Transfer of equity component of convertible bond (note 28)	(5,738,666)	-
Balance at the end of year	**40,197,025**	**22,834,351**
Reserves:		
Balance at the beginning of year	664,939	558,658
Cost of share based payments	2,838,167	106,281
Movement in foreign currency translation reserve	395,053	-
Balance at the end of year	**3,898,159**	**664,939**

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; Foreign Currency Translation Reserve – used to record exchange differences.

15. EARNINGS PER SHARE

Basic loss per share was 6.38 cents per share (2017: 6.44). The net loss used in the calculation of EPS was $23,101,340 (2017: loss of $9,868,954). The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share is 362,265,256 (2017: 153,110,193). All Options on issue (being 190,838,002 exercisable and 63,696,138 non-exercisable as at 30 June 2018) were non-dilutive, however they will be potentially dilutive in future years.

The Convertible bonds as described in Note 28 were considered to be potential ordinary shares but are not dilutive in the current year as they were converted in the current year (2017: were not dilutive). The weighted average number of shares used to determine the diluted earnings per share was 362,265,256 (2017: 153,110,193).

16. KEY MANAGEMENT PERSONNEL REMUNERATION

Compensation of Key Management personnel of the Group	2018	2017
Short-term employee benefits	1,337,753	565,612
Post-employment benefits	12,894	22,108
Share-based payment	889,216	138,105
Total compensation paid to key management personnel	**2,239,863**	**725,825**

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
Stephen Koslow	Appointed 1 March 2016	Louis Gagnon	Appointed 27 December 2017
Ajay Arora	Appointed 8 May 2018	Dan Segal	Resigned 13 October 2016

(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. Note also that PoweringUpMBS Pty Ltd was 50% owned by Brain Resource Limited up until 14 December 2017 at which point it became wholly owned. (refer to note 29 for more information). 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 17(b)(iii) and Note 30.

Name	% Investment 2018	% Investment 2017	Incorporation (i)
BRC Operations Pty Limited	100%	100%	Australia
BRC IP Pty Limited	100%	100%	Australia
BRC Distribution Pty Limited	100%	100%	Australia
BRC International Pty Limited	100%	100%	Australia
BRC Development Pty Limited	100%	100%	Australia
PoweringUpMBS Pty Ltd	100%	50%	Australia
Brain Resource, Inc.	100%	100%	USA
MyBrainSolutions, Inc.	100%	100%	USA
Brain Resource Europe Limited	100%	100%	Ireland

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

(ii) With the exception of the increase in ownership of PoweringUPMBS Pty Ltd from 50% to 100%, there have not been any changes to the ownership of the subsidiaries during the year.

(iii) Loans to directors – In June 2018, the Company entered a short-term interest-free loan agreement with Mr Gagnon for $US59,954 and other employees for $US14,546. Mr Gagnon and the employees subsequently purchased shares in BRC. The Company has agreed with Mr Gagnon and the employees that the loans will be repaid in the first quarter of 2018.

18. AGREEMENTS WITH ACADEMIC INSTITUTIONS

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

19. FINANCIAL REPORTING BY SEGMENT

The Group develops and commercialises brain health products, primarily delivered to a range of users through the one MyBrainSolutions platform. The Group'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 Group operates in one industry, and is predominantly in Australia and United States.

20. CONTINGENT LIABILITIES

The Group is not aware of any contingent liabilities at the end of the year up to 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:

	2018	**2017**
Operating loss after tax	(23,101,340)	(9,868,953)
Depreciation and amortisation	90,650	514,711
Bad and doubtful debts	30,057	-
Unrealised foreign exchange (gains)/losses	14,855	51,790
Impairment charge	13,568,240	6,762,465
R&D tax incentive	466,929	598,169
Share based payments expense	2,866,607	106,281
Share of loss in joint venture	42,238	103,104
Finance costs	516,941	987,081
Loss on conversion of convertible bond	3,166,358	-
Non-cash payment to supplier	90,386	-
(Increase)/decrease in inventories	-	10,156
Increase/(decrease) in trade creditors	225,242	(198,941)
(Increase)/decrease in receivables	(341,464)	228,186
Increase/(decrease) in deferred tax assets	-	2,231,917
Increase/(decrease) in deferred tax liability	(846,341)	(2,645,700)
(Increase)/decrease in other assets	(197)	25,568
Increase/(decrease) in other payables	(470,083)	(167,968)
Increase/(decrease) in provisions	(197,624)	(272,061)

Net cash inflow/(outflow) from operating activities	**(3,878,546)**	**(1,534,195)**

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

Cash & cash equivalents *	6,615,972	1,570,197

* Included in the balance as at 30 June 2018 is a $25,000 term deposit, over which the Company has granted a guarantee in respect of its Sydney premises.

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 (2017: $nil).

b) Operating lease expenditure commitments -

Minimum lease payments – Office Premises:
- not later than one year amount - $53,689 (2017: $43,500)
- later than one year but not later than five years - $54,782 (2017: $nil)

Minimum lease payments – Server Hosting:
- not later than one year amount - $58,280 (2017: $216,000)
- later than one year but not later than five years - $nil (2017: $72,000)

23. SUBSEQUENT EVENTS

There are no significant events that have occurred subsequent to 30 June 2018 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 (which was converted on 14 December 2017) 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.

Date	Number of options	Exercise price	Date	Number of options	Exercise price
- granted 26 March 2014	1,140,000	36 cents	- granted 14 December 2017	9,410,985	12 cents
- granted 14 April 2015	1,375,000	37.5 cents	- granted 14 December 2017	18,821,970	16 cents
- granted 24 May 2017	5,000,000	8 cents	- granted 14 December 2017	28,232,956	8 cents
- granted 1 July 2017	588,459	12 cents	- granted 8 January 2018	1,920,810	8 cents
- granted 1 July 2017	1,176,918	16 cents	- granted 8 January 2018	1,920,810	12 cents
- granted 1 July 2017	4,765,377	8 cents	- granted 8 January 2018	3,841,620	16 cents
- granted 16 July 2017	2,000,000	8 cents	- granted 2 February 2018	381,901	8 cents
- granted 16 July 2017	4,455,493	12 cents	- granted 24 February 2018	300,000	8 cents
- granted 16 July 2017	8,910,986	16 cents	- granted 28 February 2018	300,000	8 cents
- granted 16 July 2017	15,366,478	8 cents	- granted 1 April 2018	2,202,862	8 cents
- granted 24 July 2017	500,000	8 cents	- granted 1 April 2018	1,905,833	12 cents
- granted 24 July 2017	2,650,521	12 cents	- granted 1 April 2018	2,796,916	16 cents
- granted 24 July 2017	5,301,042	16 cents	- granted 1 April 2018	1,905,833	24 cents
- granted 24 July 2017	8,451,563	8 cents	- granted 13 June 2018	146,484	8 cents
- granted 7 August 2017	480,202	8 cents	- granted 13 June 2018	146,484	12 cents
- granted 7 August 2017	480,202	12 cents	- granted 13 June 2018	146,484	16 cents
- granted 7 August 2017	960,404	16 cents	- granted 13 June 2018	146,484	24 cents
Total Granted				**138,131,077**	
Exercisable at 30 June 2018				**79,522,719**	

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% (2017: 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 and Citibank. 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% (2017: -/+0%).

Foreign currency risk

At 30 June 2018 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 10% A$ and 90% 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 2018 after tax result by around +/- 9% (2017: +/- 4%).

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility, including through accessing new equity funding. All Trade creditors and other payables and interest bearing loans have a maturity profile of being repayable within six months (2017: 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 2018	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	$000	$000	$000	$000	$000	$000
Trade and other payables	236,122	253,354	-	-	-	489,476
Total	**236,122**	**253,354**	**-**	**-**	**-**	**489,476**

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
Total	**1,308,241**	**93,384**	**-**	**10,125,000**	**-**	**11,526,625**

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	2018	2017
Current assets	1,197	1,507
Total assets	21,974,397	24,052,373
Current liabilities	-	-
Total liabilities	192,742	8,602,373
Issued capital	58,080,520	37,516,453
Retained earnings	(39,801,971)	(22,731,392)
Share-based payment reserve	3,503,106	664,939
Total Shareholder equity	21,781,655	15,450,000
Loss of the parent entity	(31,609,245)	(10,507,027)
Total comprehensive loss of the parent entity	(31,609,245)	(10,507,027)

Contingencies

The parent company has not entered into any guarantees in relation to the debts of its subsidiaries. As at 30 June 2018, the parent company does not hold any contingent liabilities or contractual commitments for the acquisition of property, plant or equipment (2017: $nil)

28. CONVERTIBLE BONDS (CB)

	2018	2017
Non-Current - Convertible bonds – Carrying Amount	-	7,566,701
Non-Current - Convertible bonds – Fair Value	-	7,566,701

(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 were:

- The final maturity date of the CBs was extended from 14 June 2016 to 14 June 2020.
- The CBs remained interest-free for the first two years of the extension (that is for two years until 14 June 2018). They then carried a coupon requiring payment of interest as follows:
    - interest was 5% per annum for the second last year of the CBs (i.e. from 15 June 2018 to 14 June 2019); and (ii) interest was 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 was payable annually in arrears in cash. However, CB Holders were entitled to make a 'payment in kind' election and instead capitalise the interest such that it was added to the outstanding principal of the bonds.
    - On conversion of the CBs during any year to which interest applies, CB Holders were 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 was payable in cash.
- The CBs were 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 were to 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 was able to enforce the guarantees and security in the event of default by the Company in discharging its obligations under the CBs. The Company had the obligation to ensure that any new subsidiaries of the Company acceded to the security package, and grant equivalent guarantees and security.
    - The security was 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 included extensive provisions under which the conversion price of the CBs could be adjusted from time-to-time. As noted above, as a result of these provisions the conversion price had recently been reduced. A new express obligation was included in the terms of the CBs under which, any time the conversion price was to be reduced in the future: (i) the Company was obliged to seek further shareholder approvals, so as to ensure that CBs Holders were 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 were 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 were 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 was 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.

(e) The Convertible Bond was converted on 14 December 2017 on the terms included in the Notice of Extraordinary General Meeting announced on 15 November 2017. As at 14 December 2017, just before the bond was converted, the Company was carrying a liability of $8,083,642 in respect of the bond. The Company agreed to convert the bond in exchange for the issuance of 125,000,000 shares placed at $0.08. The company's share price on 14 December 2017 was $0.09. The difference between the carrying value of the bond liability ($8,083,642) and the non-cash assets transferred (the issue of 125,000,000 ordinary shares at their fair value of $0.09, being $11,250,000) of $3,166,358 was recognised as an expense in the statement of profit or loss and comprehensive income.

The conversion was part of the overall re-capitalisation of the group, whereby the Company announced on 25 October 2017 that it had secured a $10,000,000 investment by way of a placement of ordinary shares to fund the Company's aggressive growth plans in the USA. The fundraising was conditional on shareholder approval of a capital restructure whereby the convertible bond (CB) holders (CB Holders) in Company and the Exchangeable Convertible Preference Share (ECPS) holders (ECPS Holders) in PoweringUpMBS Pty Ltd were to convert and exchange all of their rights and interest in the CB's and ECPS's into ordinary shares in the Parent Company (Brain Resource Limited) and the Company would also issue options to entities nominated by the CB Holders and ECPS Holders. The value of the options issued were $1,660,510.

29. INVESTMENT IN JOINT VENTURE

Up until 14 December 2017, the Company had 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 had 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 and Brain Resource owned 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 could 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 would automatically convert into ordinary PUP shares at $1 per ECPS after 10 years. There were 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 were attached to the ECPS:

- Conversion Rights: ECPS could 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.
- Exchange Rights: ECPS could 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 the 30 June 2016 report.

- Ranking: The ECPS were a separate class of shares in PUP and ranked in priority to ordinary shares in PUP in the event of a liquidation of PUP.
- Voting: ECPS carried 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 carried the same dividend rights as ordinary shares.
- Cancellation: Each ECPS was to be cancelled upon conversion or exchange of the ECPS.
- Default Events: The terms of the ECPS defined 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 occurred then an ECPS holder could 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 required 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 carried 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 specified how meetings of ECPS holders could be convened and held and allowed ECPS holders to approve amendment to the terms of the ECPS by extraordinary resolution of ECPS holders.

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

On 14 December 2017, the Company applied for an additional 4,000,000 $1 ordinary shares in PoweringUpMBS Pty Ltd. At the same time, the owner of all the other shares in PoweringUpMBS Pty Ltd, such shares being exchangeable convertible preference shares, redeemed them for $4,500,000 in exchange for ordinary shares and options in Brain Resource Limited. At this point , PoweringUpMBS Pty Ltd became a 100% wholly-owned subsidiary of Brain Resource Limited. Refer to Note 30 for more information.

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

The joint venture's statement of financial position:

	14 Dec 17	30 Jun 17
Current Assets	18,654	731,569
Non-Current Assets	2,437,836	1,809,363
Current Liabilities	-	-
Non-Current Liabilities	-	-
Equity	2,456,490	2,540,932
Proportion of the Group's ownership:	50%	50%
Carrying amount of investment at 14 Dec 17 / 30 Jun 17	1,228,245	1,270,466

The Joint Venture's revenue and profit for the 5.5 months ended 14 December 2017 / 12 months ended 30 June 2017	14 Dec 17	30 Jun 17
Revenue	1,131	4,215
Expenses	85,607	210,422
(Loss)	(84,476)	(206,207)
Group's share of (loss) for the year	(42,238)	(103,104)

The joint venture had no contingent liabilities or capital commitments as at 14 December 2017.

30. Interest in Subsidiaries

Acquisition of Controlled Entities

As noted at Note 29 above, on 14 December 2017, the Company acquired an additional 4,000,000 $1 ordinary shares in PoweringUpMBS Pty Ltd, which occurred at the same time that PoweringUpMBS Pty Ltd redeemed all of its other shares on issue, leaving PoweringUpMBS Pty Ltd a wholly-owned subsidiary of the Company. The acquisition was a part of the overall re-capitalisation of the group, whereby the Company announced on 25 October 2017 that it had secured a $10,000,000 investment by way of a placement of ordinary shares to fund the Company's aggressive growth plans in the USA. The fundraising was conditional on shareholder approval of a capital restructure whereby the convertible bond (CB) holders (CB Holders) in the Company and the Exchangeable Convertible Preference Share (ECPS) holders (ECPS Holders) in PoweringUpMBS Pty Ltd were to convert and exchange all of their rights and interest in the CB's and ECPS's into ordinary shares in the Parent Company (Brain Resource Limited) and the Company would also issue options to entities nominated by the CB Holders and ECPS Holders. PoweringUPMBS Pty Ltd then became a 100% wholly owned subsidiary of Brain Resource Limited.

Purchase consideration:

Issue of 4,000,000 ordinary shares in Brain Resource Limited	4,500,000
Prior investments in PoweringUpMBS Pty Ltd	1,228,224
Less:	
Cash	18,154
Financial Assets	628,473
Other Assets	500
Identifiable assets acquired and liabilities assumed	647,127
Goodwill	5,081,097
Impairment Charge *	5,081,097

The fair value of the Company's equity interest in PoweringUpMBS Pty Ltd held just before 14 December 2017 was $1,228,224. No gain or loss was recognised as a result of remeasurement.

The fair value of the shares issued as consideration was determined by reference to the share price of the Company on 14 December 2017, being $0.09 (50,000,000 shares at $0.09 = $4,500,000).

The reason for the difference between the fair value of the 2nd 50% of PoweringUPMBS Pty Ltd and the consideration paid was that the ECPS holders had the right to exchange for ordinary shares at their principal value ie $4,000,000 in either Brain Resource Limited or PoweringUpMBS Pty Ltd. Brain Resource Limited effectively was required to ‘pay’ that amount to affect the transaction in accordance with the rights of the ECPS holders.

The amount of revenue and profit of PoweringUpMBS Pty Ltd included in the Consolidated Statement and Profit and Loss and Other Comprehensive Income for the 12 months ended 30 June 2018 was $124 and $124 respectively.

The amount of revenue and loss of the consolidated Group that would have been included in the Consolidated Statement and Profit and Loss and Other Comprehensive Income if the acquisition of PoweringUpMBS Pty Ltd had occurred on 1 Jul 2017 was $2,616,918 and $23,185,774 respectively.

* The Company made the decision that as part of the recapitalisation of the business to focus on selected core assets and deprioritise non-core assets. As such the Company has taken the view that the value of the assets in PoweringUPMBS Pty Ltd, which are involved in ongoing commercialisation efforts, but which are yet to deliver material outcomes for the Company, are to be impaired now at the time of recapitalisation to reflect management and resourcing priorities.

This decision arose over the March 2018 quarter after new management were able to review the current status of the commercialisation efforts and the resources required. Furthermore, the intangible assets in PoweringUPMBS Pty Ltd rely on the use of database assets which are also held on the statement of financial position of the group.

31. INTEREST-BEARING LOANS

	2018	2017
Interest-bearing loans	-	712,968

The loan was repayable on demand to PoweringUpMBS Pty Ltd, a joint venture in which the Company had a 50% interest up until 14 December 2017 when it became a wholly-owned subsidiary. The interest rate applicable to this loan equates to the interest income derived on these funds in the hands of the Group.

Brain Resource Limited

Directors Declaration

30 June 2018

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 2018 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 (as stated in Note 1(b)); 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 2018.

Signed on behalf of the Board by:

Dr E Gordon

Dr Evian Gordon
Chairman of Directors

Level 18, 145 Ann Street
Brisbane QLD 4000

Correspondence to:
GPO Box 1008
Brisbane QLD 4001

T +61 7 3222 0200
F +61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

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) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b 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 statements, which outlines the current uncertainties the Group faces in relation to going concern. The Group incurred a net loss of $23,101,340 during the year ended 30 June 2018, which, when combined with the items stated in Note 1(e), indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and 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.

Key audit matter	**How our audit addressed the key audit matter**
Group restructure including conversion of convertible bond, issue of share based payments to Och-Ziff (Note 28 Convertible Bonds) and acquisition of PoweringUpMBS including conversion of Exchangeable Convertible Preference Shares (ECPS) (Note 29)	
During the year a restructure was completed which extinguished the debt in the group, removing the variability of conversion price in the convertible bond, and removing the security interest held over the group's assets. The simplified group structure resulted in a single class of equity securities on issue. This restructure included various transactions settled via equity instruments in the parent entity, Brain Resources Limited. The key transactions were as follows: 1) Conversion of the Convertible Bond held by Och-Ziff Group into 125,000,000 ordinary shares. This has been accounted for as an extinguishment of an existing instrument under AASB 132 *Financial Instruments: Presentation*. 2) Acquisition of the remaining 50% of the joint venture PoweringUpMBS Pty Ltd, resulting in it becoming a 100% owned subsidiary of Brain Resources Limited. This was completed via conversion of the 4,000,000 ECPS in PoweringUpMBS held by Och-Ziff Group, in exchange for the issue of 50,000,000 ordinary shares in Brain Resource Limited. This has been accounted for as a step acquisition in line with AASB 3 *Business Combinations*. 3) The Group issued 50,000,000 share options to Och-Ziff Group as part of the restructure transaction, with further options issued to KMP, which have been accounted for in line with AASB 2 *Share Based Payments*. Under AASB 3 *Business Combinations*, an entity must appropriately recognise and measure the identifiable assets and liabilities assumed as part of any business combination and determine what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This will include any calculated gain or loss recognised under AASB 132 *Financial Instruments: Presentation*, upon extinguishment of the convertible bond and ECPS. Significant judgement was required by management in determining the fair value of the assets and liabilities acquired with further complexity involved in establishing the fair value of the consideration granted, particularly in establishing the value of the share based payments issued as part of the recapitalisation. This area is a key audit matter due to the complexity of the interlinked transactions and the significant judgements and estimates required in determining the appropriate accounting treatment, including determining the fair values of net assets acquired and estimating fair value of the consideration granted.	Our procedures included, amongst others: • Obtaining an understanding of the transaction through review of the related contract documents; • Reviewing and assessing management's accounting entries with reference to the acquisition agreements to ensure compliance with the relevant standards; • Reviewing and assessing management's identification of identifiable intangible assets and valuation of assets and liabilities acquired; • Recalculating the fair value of the purchase consideration for each of the transactions and the resulting effect on the financial statements; • Evaluating the work of management's experts, including consultation with our internal valuation specialist; • Evaluating the treatment of the share based payments arrangements entered into by the Group against the requirements of AASB 2 *Share based payments*; • Evaluating the inputs used in the calculation of the value of the options, and the mathematical accuracy and appropriateness of the model used; and • Assessing the adequacy of the disclosures relating to these transactions in the financial report.

Key audit matter	How our audit addressed the key audit matter
Intangibles impairment (Note 9)	
The Group has internally generated intangible assets primarily consisting of research databases and technology platforms, totalling $23,146,421 prior to impairment at 30 June 2018. *AASB 136 Impairment of Assets* requires that an entity shall assess at least annually whether there is any indication that an asset may be impaired. If any indication exists, the entity shall estimate the recoverable amount of the asset. Irrespective of whether indicators exist, where the intangible assets are not yet available for use or have an indefinite useful life, an impairment test is required annually. This area is a key audit matter due to the inherent subjectivity involved in Management's judgements in estimating the recoverable amount as part of evaluating potential impairment.	Our procedures included, amongst others: • Obtaining Management's impairment model and assessing the methodology used by Management against the requirements of Australian Accounting Standard AASB 136 *Impairment of Assets*; • Assessing Management's determination of the Group's cash generating units (CGUs) based on our understanding of the business; • Considering the appropriateness of use of the Value in Use (VIU) or Fair Value Less Costs to Sell (FVLCTS) approach to determine fair value, and Management's decision to utilise the FVLCTS approach; • Evaluating the appropriateness of key assumptions and inputs used by Management in determining fair value; • Considering the appropriateness of, and cross checking the calculation of the value of the assets as calculated by Management using alternate valuation techniques; and • Evaluating the adequacy of the disclosures relating to intangible assets, impairment and fair value in the financial report.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 on 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 to 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 20 to 28 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Brain Resource Limited, for the year ended 30 June 2018, 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Cameron Smith

CDJ Smith
Partner – Audit & Assurance

Brisbane, 30 September 2018

Level 18, 145 Ann Street
Brisbane QLD 4000

Correspondence to:
GPO Box 1008
Brisbane QLD 4001

T +61 7 3222 0200
F +61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Brain Resource Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Brain Resource Limited for the year ended 30 June 2018, I declare that, 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 audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Cameron Smith

CDJ Smith
Partner - Audit & Assurance

Brisbane, 30 September 2018

Brain Resource Limited

Shareholder Information

30 June 2018

Brain Resource®

INFORMATION RELATING TO SHAREHOLDERS AS AT 26 SEPTEMBER 2018

Substantial Shareholders	Number of Shares	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	146,914,757	27.7%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	56,439,634	10.6%

Distribution of Shareholders

Number of ordinary shares held			*Number of Holders*	*Ordinary Shares*	*Percentage*
1	-	1,000	21	2,335	0.0
1,001	-	5,000	11	36,538	0.0
5,001	-	10,000	64	598,783	0.1
10,001	-	100,000	246	11,104,068	2.1
100,001	-	and over	265	519,518,144	97.8
			607	**531,259,868**	**100.0**

At the prevailing market price of 4.3 cents per share, there were 101 shareholders with **less than a marketable parcel** of $500.

Statement of Shareholdings as at 26 September 2018
The names of the 20 largest holders of fully paid ordinary shares are listed below:

#	Shareholder	# Shares	% Holding
1	HSBC Custody Nominees (Australia) Ltd.	146,914,757	27.7%
2	HSBC Custody Nominees (Australia) Ltd.-GSCO	56,439,634	10.6%
3	Buttonwood Nominees Pty Ltd.	19,010,630	3.6%
4	Stuttgart Pty Ltd.	17,604,735	3.3%
5	Morgan Stanley Australia Securities (Nominee)	16,606,440	3.1%
6	CS Third Nominees Pty Ltd.	12,956,480	2.4%
7	Dr. Evian Gordon	11,240,248	2.1%
8	Gleneagle Securities (Aus) Pty Ltd.	11,000,000	2.1%
9	UBS Nominees Pty Ltd.	10,250,000	1.9%
10	DBPC Group Finance Pty Ltd.	10,250,000	1.9%
11	JP Morgan Nominees Aaustralia Ltd.	9,542,586	1.8%
12	Red Star Developments Pty Ltd.	6,655,429	1.3%
13	Spinite Pty Ltd.	5,500,000	1.0%
14	Mr. Dan Segal	4,731,250	0.9%
15	Mr. Louis Gagnon	4,159,225	0.8%
16	HSBC Custody Nominees (Australia) Ltd.-A/C 2	3,753,393	0.7%
17	Ceyx Holdings Pty Ltd.	3,500,000	0.7%
18	Arch 2000 Management Pty Ltd.	3,300,000	0.6%
19	Segal Super Pty Ltd.	3,270,000	0.6%
20	Mr. David Yett	3,190,394	0.6%
	Top 20 Holdings	**359,875,201**	**67.7%**
	Other Holdings	171,384,667	32.3%
	Fully Paid Ordinary Shares quoted on ASX	**531,259,868**	**100.0%**

Unquoted Options

The Company has 254,534,140 options on issue (or 47.9% of the total shares on issue) comprising:

Number of Options	Exercise price (Cents)	Expiry Date
59,255,464	8.0	19-Dec-18
630,000	36.0	26-Mar-19
915,000	37.5	14-Apr-20
4,000,000	12.0	10-Jan-21
499,500	20.0	21-Dec-21
4,765,377	8.0	17-May-22
588,459	12.0	17-May-22
1,176,918	16.0	17-May-22
33,232,956	8.0	22-May-22
9,410,985	12.0	22-May-22
18,821,970	16.0	22-May-22
17,366,478	8.0	16-Jul-22
4,455,493	12.0	16-Jul-22
8,910,986	16.0	16-Jul-22
8,951,563	8.0	24-Jul-22
2,650,521	12.0	24-Jul-22
5,301,042	16.0	24-Jul-22
480,202	8.0	7-Aug-22
480,202	12.0	7-Aug-22
960,404	16.0	7-Aug-22
50,000,000	10.0	15-Dec-22
1,920,810	8.0	7-Jan-23
1,920,810	12.0	7-Jan-23
3,841,620	16.0	7-Jan-23
4,000,000	10.0	10-Jan-23
300,000	8.0	23-Feb-23
300,000	8.0	27-Feb-23
2,202,862	8.0	31-Mar-23
1,905,833	12.0	31-Mar-23
2,796,916	16.0	31-Mar-23
1,905,833	24.0	31-Mar-23
146,484	8.0	12-Jun-23
146,484	12.0	12-Jun-23
146,484	16.0	12-Jun-23
146,484	24.0	12-Jun-23
254,534,140		

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.

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.

Summary of Funds Raised Since Incorporation to 26 September 2018

Transaction	$ Amount
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
Dec 2017 Placement (at 6.0 cents per share)	10,097,181
Jan/Feb 2018 SPP – incl. shortfall (at 6.0 cents per share)	1,250,000
Option exercises	322,136
Total Funds Raised through ordinary equity	**42,448,259**
Convertible Bonds	10,000,000
Exchangeable Convertible Preference Shares	4,000,000
Total Funds Raised	**56,448,259**

Brain Resource®

Consolidated Financial Report

30 June 2018

Level 11, 100 William Street
Sydney NSW 2000, Australia
+61 2 9213 6600

investor@brainresource.com
www.brainresource.com

ASX: BRC | ABN 24 094 069 682