

30 July 2018

Australian Securities Exchange (ASX) Announcement

June 2018 Quarterly Update and Appendix 4C

Brain Resource Limited ("Brain Resource," "BRC" or "the Company"), a leader in the field of applying clinically-validated brain assessment and brain training to improve behavioural health outcomes, is pleased to report on its activities for the quarter ended 30 June 2018.

HIGHLIGHTS

- Achieved A\$0.78 million in cash receipts; the highest quarterly cash receipt amount in 5 years and 19% quarter-on-quarter growth;
- Added five new corporate clients, driving a A\$0.43 million increase in recurring quarterly revenue from the MyBrainSolutions ("MBS") product;
- Signed a direct, 2-year exclusive agreement with the American Association of Retired Persons ("AARP"), expected to bring a minimum of A\$675k in revenue over the length of the contract;
- Signed an agreement to expand the eligible population of The Boeing Company to 47k of its union workers, representing A\$230k of incremental annualized recurring revenue;
- Signed 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;
- Increased cumulative User Registrations by 40k during the quarter; a 7% quarter-on-quarter growth;
- Increased cumulative Brain Profiles by 43k during the quarter; an 11% quarter-on-quarter growth;
- Appointed Ajay Arora, an executive at Netflix with 20 years of experience in SaaS, user acquisition and subscriptions, to the Company's Board of Directors.

CASH FLOW

<i>For the 3 months ended</i>	FY2018			
	Sep-17	Dec-17	Mar-18	Jun-18
Cash Receipts from Customers (\$AUD)	\$410,000	\$497,000	\$658,715	\$781,134
(-) Payments to suppliers and employees	(1,313,000)	(1,290,000)	(2,819,085)	(1,284,749)
(-) MBS and Test Development	–	(250,000)	(2,108)	(1,395,518)
Total Quarterly net operational spend *	(903,000)	(1,043,000)	(2,162,478)	(1,899,132)
<i>Memo: Monthly net operational spend</i>	<i>(301,000)</i>	<i>(347,667)</i>	<i>(720,826)</i>	<i>(633,044)</i>
<i>Growth in cash receipts from customers</i>		21%	33%	19%

Cash Inflows

In the June 2018 quarter, amidst continued significant operational changes and without the benefits of the redesigned product platform (to be launched in 2H CY2018), Brain Resource increased quarterly cash receipts from A\$0.66 million to A\$0.78 million. This is a 19% quarter-on-quarter growth and the highest quarterly cash receipts amount in 5 years. The increase includes A\$0.43 million of recurring corporate sales revenue driven by the addition of five new clients in the quarter.

Cash Outflows

Continued product development, planned operational changes, hiring across technology, product, and sales, and the pay-out of long service leave to a long-tenured employee were the main drivers of the cash outflows during the past quarter. The decrease in staff costs relative to last quarter and the forecast included in the March 2018 Appendix 4C was driven by the capitalisation of wages for H2 FY2018 of A\$1.3 million recorded in the June 2018. Looking ahead to the following quarter, BRC expects this level of business expenses to continue in-line with forecast.

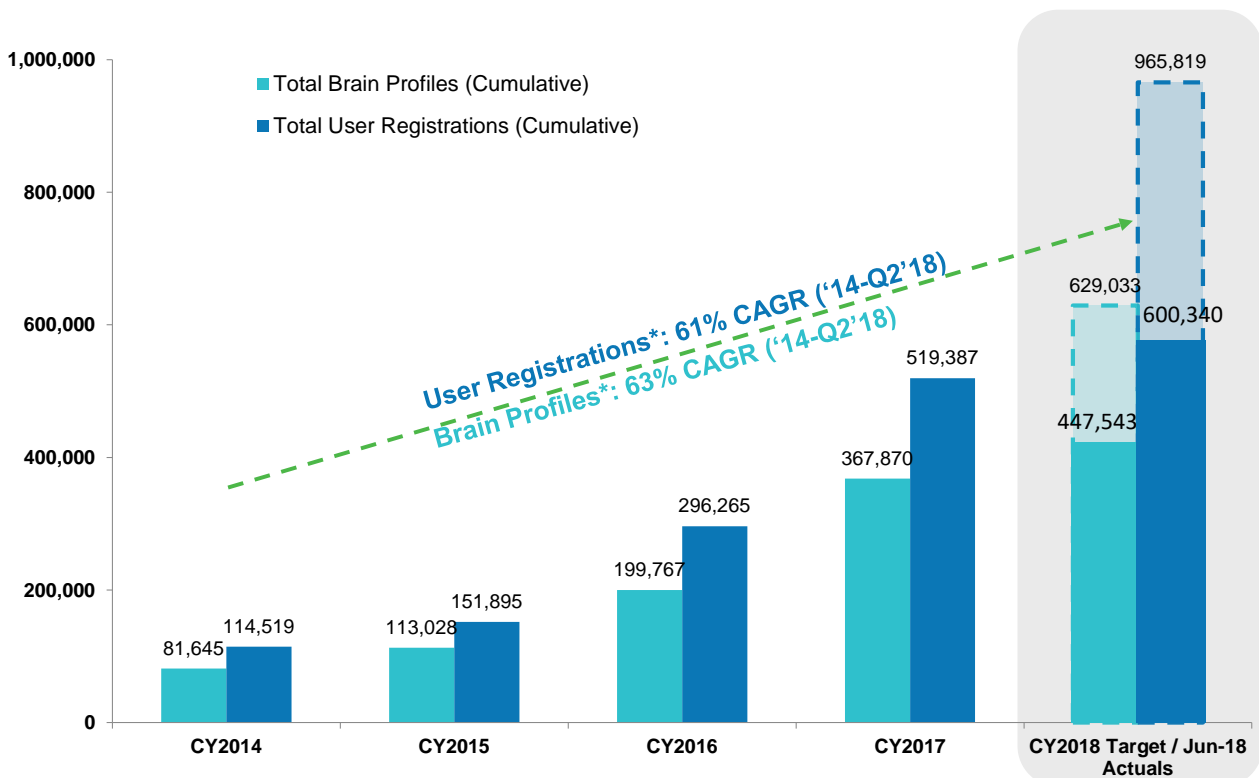
USER KPIS

User Registrations and Brain Profiles are the key user KPIS for the business because they directly reflect product adoption and use among clients, while also powering the value of the Company's proprietary database. Accordingly, in addition to growing cash receipts and revenues, Brain Resource is focused on growing user KPIS to meet its CY2018 targets.

During the June 2018 quarter:

- User Registrations increased by 41k, a 7% quarter-on-quarter growth in cumulative users and a 61% CAGR since 2014; and
- Brain Profiles increased by 43k, an 11% quarter-on-quarter 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 to be launched with the new platform in 2H CY2018 (the upgraded and rebranded MBS). Nor does it include the 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 the quarter ended 30 June 2018. User Registration figures exclude employer-pre-registered users. Brain Profiles figures include multiple assessments taken by same user. Note that the 2 historical Brain Profile figures were amended to include an additional 27k of previously unaccounted-for profiles.

BUSINESS OPERATIONS

Product and Technology

During the June 2018 quarter, the Company continued to execute against its product development roadmap making significant progress towards a 2H CY2018 launch of the new TotalBrain platform. Projects completed during the quarter include:

- Launched new client-facing Mental Fitness Report, which was very positively received by existing and new clients alike
- Completed a new UX and UI design of the assessment, results dashboard, and onboarding modules of the product
- Fundamentally re-developed the assessment, one of the most critical components of the TotalBrain platform, using best software development practices
- Continued to migrate major applications and data to the cloud

Sales and Customer Success

In order to meet the CY2018 revenue objective of US\$3.2 million, Brain Resource completed several key initiatives during the quarter:

- Signed a direct, 2-year exclusive agreement with the AARP, expected to bring a minimum of A\$675k in revenue over the length of the contract;
 - Note this contract was previously intermediated by a third party (i.e. indirect) and for a materially lower dollar value (A\$290k earned in the past two years);
- Signed an agreement to expand the eligible population of The Boeing Company to 47k of its union workers, representing A\$230k of incremental annualized recurring revenue;
- Signed 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;
- Doubled the size of the sales pipeline, increased lead flow and revenue predictability by:
 - Continued to execute against go-to-market priority areas accretive to the CY2018 revenue targets, as well as the long-term value of BRC as a SaaS business;
 - Deepened engagement with channel partners through webinars and proactive account management, and signed new sales referral agreements with select connectors in the corporate wellness and mental health space;
 - Started pre-selling the new TotalBrain platform, more specifically our mental disorder screening feature, to existing and new customers in advance of the 2H CY2018 product launch. As previously communicated, the product launch is expected to drive a material increase in sales during the second half of the year

Marketing

BRC has made significant progress in establishing the necessary marketing infrastructure required to scale a B2B SaaS business. Areas of focus in the June 2018 quarter included:

- Redefined the digital marketing program and secured outsourced talent to execute it

- Executed against CY2018 event plan, representing BRC in two marquee industry events – 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
- Continued an automated B2B prospect campaign with additional nurture tactics (webinars, social ad retargeting, highly-targeted direct mail) to shorten the sales cycle and accelerate conversion;
- Built thought leadership credibility via publications in Forbes, Real Leaders, and Thrive Global, with social amplification across Twitter, Facebook, and LinkedIn
- Added gated content functionality to current website to capture leads ahead of planned complete website overhaul in the September quarter

These initiatives resulted in over 1500 leads generated during the quarter, identifying candidates both for (i) existing MBS product sales and (ii) pre-selling of the revamped MBS/TotalBrain product.

Human Resources

During the June 2018 quarter, BRC continued to establish best-in-class HR processes in compliance with Australian and U.S. law, while fostering a culture focused on collaboration and personal well-being across the organization:

- Issued employees stock options in accordance with the Company's ESOP;
- 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;
- Rolled-out a company-wide online mindfulness program, allowing employees to de-stress with practical mind-body tools throughout the week

Corporate

On 8 May 2018, Brain Resource welcomed to its Board of Directors Ajay Arora, an executive at Netflix, a world-leading internet entertainment service. Ajay brings 20 years of experience in SaaS, user acquisition and partnerships to the Company, as it continues to build out its subscription business globally.

On 27 June 2018, the Company appointed Mr. Phillip Hains and Mr. Harvey Bui as Joint Company Secretaries, following the acceptance by the Board of Mr. Robert Waring's resignation after 18 years with BRC.

On 2 July 2018, Brain Resource completed the issuance of 74 million unlisted options under the Employee Stock Option Plan, designed to align incentives between shareholders, directors and employees for continued value generation. The employee option pool, initially approved by shareholders on 14 July 2017, will be recorded in the FY2018 accounts.

OUTLOOK

The Company is tracking very 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. All items with a 1H CY2018 timeframe have been completed and progress with 2H CY2018 deliverables is on track.

	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	Ongoing
	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	Ongoing
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 remaining 6 months 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 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 by year-end and build a solid recurring revenue base for CY2019 and beyond.

QUARTERLY INVESTOR CALL

Investors are invited to participate in Brain Resource's quarterly conference call with CEO Louis Gagnon on Wednesday, 8 August 2018.

The conference call details will be provided shortly via the ASX platform.

Louis Gagnon
 Managing Director
 Brain Resource Limited

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About Brain Resource Limited (ASX: BRC)

Brain Resource Limited is a San Francisco- and Sydney-based company at the forefront of applying clinically-validated brain assessment and brain training to improve behavioral health outcomes. The Company has developed the world's largest standardised brain database and predictive analytics, which serve as platform technology for products that benefit the behavioural health sector. BRC's SaaS-based online brain assessment and training tools, geared towards large employer and consumer groups, decrease stress, increase resilience and productivity for individual users and lead to reductions in healthcare costs for employers and insurers across the United States. For more information, please visit www.brainresource.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Brain Resource Limited

ABN

24 094 069 682

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	781	2,347
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(149)	(705)
(c) advertising and marketing	(127)	(420)
(d) leased assets	-	-
(e) staff costs	(841)	(4,064)
(f) administration and corporate costs	(135)	(1,431)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	7
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 R&D offset received	-	467
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	(1)
1.9 Net cash from / (used in) operating activities	(471)	(3,801)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(32)	(86)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	(1,396)	(1,648)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(100)	(100)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(1,528)	(1,834)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	11,211
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(894)
3.5 Proceeds from borrowings	-	(42)
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	10,275

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	8,384	1,570
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(471)	(3,801)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,528)	(1,834)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	10,275

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	231	406
4.6	Cash and cash equivalents at end of quarter	6,616	6,616

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,011	7,399
5.2	Call deposits	552	951
5.3	Bank overdrafts	-	-
5.4	Other – Term Deposit	53	34
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,616	8,384

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

406
100

Salaries of Executive Directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

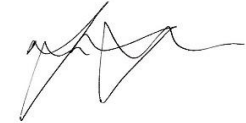
8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
N/A		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(257)
9.3 Advertising and marketing	(182)
9.4 Leased assets	-
9.5 Staff costs	(1,909)
9.6 Administration and corporate costs	(694)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(3,042)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 30 July 2018
(Director/Company secretary)

Print name: Matthew Morgan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.