



9 April 2010

The Manager
Company Announcements Office
Australian Securities Exchange Ltd
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

DISPATCH OF NOTICE TO SHAREHOLDERS

Please find the attached copy of the notice sent to shareholders today with respect to the non-renounceable entitlement issue of options.

Yours faithfully,

Mathew Walker
Director

For further information please contact:

James Robinson, Company Secretary, BrainZ Instruments Limited, Tel: + 61 (8) 6460 4960



9 April 2010

Dear Shareholder,

NON-RENOUCEABLE ENTITLEMENT ISSUE

On 7 April 2010, Brainz Instruments Limited (**Company**) lodged a prospectus (**Prospectus**) with the Australian Securities & Investments Commission (**ASIC**) in relation to a non-renounceable entitlement issue of 1 option to acquire a fully paid ordinary share in the capital of the Company (**Option**) for every 2 fully paid ordinary shares in the capital of the Company (**Shares**) held by shareholders of the Company holding Shares as at the Record Date (as set out in the timetable below) (**Eligible Shareholders**) at an issue price of 0.5 cents per Option to raise up to approximately \$187,500 (**Offer**). Fractional entitlements will be rounded down to the nearest whole number.

All of the Options offered under the Prospectus are exercisable at 20 cents each on or before 31 May 2011. All of the Shares issued upon the future exercise of the Options offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. The Prospectus contains further information regarding the rights and liabilities attaching to the Shares and the full terms and conditions attaching to the Options.

Offer to Australia and New Zealand investors only

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Options these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Options will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Availability of Prospectus

The Prospectus together with a personalised entitlement and acceptance form will be sent to Eligible Shareholders on the date set out in the timetable below. Instructions on how and when to apply under the Offer are set out in the Prospectus. The Prospectus is an important document and should be read in its entirety before deciding whether to accept an entitlement. If after reading the Prospectus you have any questions you should consult your stockbroker, accountant or other professional adviser.

The Prospectus has also been lodged with ASX and is available on the ASX website at www.asx.com.au and on the Company's website at www.brainzinstrumentsltd.com.

Use of Funds

The funds raised by the Offer will be used for general working capital and to meet the anticipated expenses of the Offer.

Application for quotation

The Company has applied to ASX for quotation of the Options to be issued pursuant to the Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Options and will repay all application monies within the time prescribed under the Corporations Act, without interest.

Timetable

The timetable in respect of the Offer is set out below:

Lodgement of Appendix 3B with ASX	30 March 2010
Lodgement of Prospectus with the ASIC and ASX	7 April 2010
Notice sent to Shareholders	On or before 9 April 2010
Ex date	12 April 2010
Record Date for determining Entitlements	5.00pm (WST) on 16 April 2010
Prospectus despatched to Shareholders	20 April 2010
Closing Date*	5.00pm (WST) on 5 May 2010
Securities quoted on a deferred settlement basis	6 May 2010
ASX notified of under subscriptions	7 May 2010
Despatch of holding statements	10 May 2010

** The directors of the Company may extend the Closing Date by giving at least 6 business days notice to ASX prior to the Closing Date. As such the date the Shares and Options are expected to commence trading on ASX may vary. Shareholders should also note that as a result of the proposed change in nature and scale of activities which remains subject to Shareholder approval ASX has indicated that the Company's securities will be suspended from trading on the day of the general meeting of Shareholders to be held on or about 10 May 2010 and will remain suspended until such time as the Company has satisfied Chapters 1 and 2 of the ASX Listing Rules.*

Capital Structure

The effect of the Offer on the capital structure of the Company, assuming all Options offered under the Prospectus are issued, is set out below.

Shares

	Number
Shares currently on issue	75,000,000
Shares offered pursuant to the Offer	NIL
Total Shares on issue after completion of the Offer¹	75,000,000

¹ As announced on 26 March 2010, the Company is proposing a change in nature and scale of its activities subject to obtaining Shareholder approval at a general meeting to be held on or about 10 May 2010. As a result the Company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules, which will include, amongst other things, raising additional capital at 20 cents per Share. The details of the placement of shares are not yet known and the Company will make a further announcement once these details have been determined, however, the Company will be seeking Shareholder approval at a general meeting to be held on or about 10 May 2010 for the issue of up to a further 25,000,000 Shares to raise up to an additional \$5,000,000.

Options

	Number
Options currently on issue	NIL
Options (listed) (exercise price 20 cents / expiry date 31 May 2011)	37,500,000
Total Options on issue after completion of the Offer¹	37,500,000

¹ As announced on 30 March 2010, the Company will also be undertaking a placement of 37,500,000 Options, on the same terms as those issued under the Offer, to raise a further \$187,500. This issue of Options is subject to shareholder approval which is intended to be sought at the general meeting of Shareholders to be held on or about 10 May 2010 as such these Options will not be issued prior to the completion of the Offer.

Enquiries

If you have any questions about applying for securities under the Prospectus, please contact James Robinson at the Company on +61 8 6460 4960.

Yours faithfully



MATHEW WALKER
DIRECTOR

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