BRAINZ™
www.brainz.com
ARBN 116 829 675

ASX Announcement

Asset Sale Announced

8 October 2008: BrainZ Instruments Limited (ASX:BZI) ("BrainZ") announces that it has entered into an Asset Purchase Agreement with Natus Medical Incorporated ("Natus"), a Delaware USA Corporation (NASDAQ: BABY).

The Asset Purchase Agreement is subject to approval by the shareholders of BrainZ, and also requires that Natus assume the obligations of BrainZ under various distribution and customer agreements on terms reasonably acceptable to the parties, including obligations in respect of express product warranties and existing product support and maintenance obligations.

Under the Asset Purchase Agreement, Natus will acquire essentially all the trading assets of BrainZ, including Products, Intellectual Property and brand. BrainZ will retain its cash as well as the responsibilities related to its employees.

On closing of the Asset Purchase Agreement, Natus will pay BrainZ NZ$1.3 million in cash. In the interim period before closing, BrainZ will continue to deliver services to customers as usual, and transitional plans will be made to ensure minimal customer disruption.

The date for a BrainZ shareholders meeting to consider the Asset Purchase Agreement will be announced in the near future, along with an Explanatory Statement and Notice of general meeting providing further information in relation to the proposed transaction.
The Board of BrainZ unanimously recommends that shareholders vote in favour of the transaction.

Tru-Test Corporation Limited has advised BrainZ that it intends to vote in favour of the transaction.

A break fee of NZ$100,000 is payable by BrainZ to Natus in the event that the shareholder approval is not obtained or if the Asset Purchase Agreement is terminated if the Board of BrainZ changes its unanimous recommendation supporting the proposal. The break fee obligation was required by Natus as a condition of entering into the Asset Sale Agreement.

Inquiries:

Richard Smith
Chief Executive Officer
BrainZ
+1 443 280 2920

Damian Pethica
Chairman
BrainZ
+ 64 9 978 8896

About BrainZ
BrainZ (ASX: BZI) is a New Zealand based medical technology company specializing in the research, development, manufacturing and sale of bedside brain monitoring technology. The BRM3 Brain Monitor, BrainZ's second generation product, is a bedside tool that assists in the detection of brain injury and seizure activity in neonates. It has been specifically designed to assist intensive care staff with clinical decision-making in conjunction with other clinical data and in the direction of care on a day-to-day basis.

The BRM3 has received regulatory approval in most major markets and is in use in over 20 countries worldwide. BrainZ dominates the local Australian and New Zealand markets via direct sales channels. BRM2 monitors are also installed in over 40 leading US hospitals. BrainZ has an exclusive agreement with GE Healthcare, a leading supplier of patient monitoring systems, for the distribution of BRM3 Brain Monitors in the North American, European, Middle East and Asian markets.

BrainZ Instruments was established in 2001 to commercialize pioneering neonatal brain research from the Auckland University's Liggins Institute.