BRAINYTOYS LIMITED
ABN 28 001 894 033

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5 January 2005

Company Announcements
Australian Stock Exchange Limited
20 Bond Street
SYDNEY NSW 2000

WAIVER FROM LISTING RULE 14.7

I advise that Brainytoys Limited has had its application for a waiver from Listing Rule 14.7 approved by the ASX.

The following is the Decision by the ASX.

1. Based solely on the information provided, Australian Stock Exchange Limited ("ASX") grants Brainytoys Limited ("the Company") a waiver from listing rule 14.7 to the extent necessary to permit the Company to issue 25,000,000 shares and 12,500,000 options exercisable at 5 cents each on or before 30 June 2009 to Mr Alex Aguero, as approved by shareholders on 15 October 2004, by no later than 15 February 2005, on condition the terms of this waiver are immediately released to the market.

2. ASX has considered listing rule 14.7 only and makes no statement as to the Company's compliance with other listing rules.

BASIS FOR DECISION

Listing rule 14.7

Underlying Policy

1. If a notice of meeting states that an entity will do something that the listing rules require it to do, the entity must do that thing – supporting listing rule requirements.

Present Application

2. Approval given on 15 October 2004 to issue securities as consideration for acquisition-funds also to be raised under a prospectus – acquisition issue conditional on prospectus issue going ahead – prospectus fundraising approved by shareholders at a later meeting – acquisition securities to have been issued by 15 January 2005 – prospectus offer for the purposes of reinstatement to close on 28 January 2005 – 3 month periods for the acquisition and prospectus issues do not coincide – company's securities suspended before shareholder approval, an will remain suspended until completion of fundraising and requirements of chapters 1 and 2 of the listing rules – waiver granted to permit securities for acquisition to be issued by 15 February 2005 – price and number of securities offered to vendor remains as approved by shareholders – extension of time not a material departure from transaction approved by shareholders in context of a company under a long term suspension from quotation.

For more information, contact Jay Stephenson on 08 9228 0703.

JAY STEPHENSON
COMPANY SECRETARY