



22 November 2006

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

ADDRESS BY ALEX AGUERO
MANAGING DIRECTOR
To the BRAINYTOYS ANNUAL GENERAL MEETING
22 NOVEMBER 2006

Thank you Mr Chairman

Our Company is now well positioned to move into the commercial and revenue generating phase of its operations.

The key components of this phase are:

- Our ongoing Product Development and Manufacture program;
- Marketing and Distribution; and
- Licensing.

Later in my address, I will cover future product development initiatives in the electronic content field, specifically mobile phone products.

Product Development and Manufacture

Brainytoys has developed over 50 toy and game product lines in the following toy industry segments.

- 1 Remote control/robotic toys
- 2 Electronic toys
- 3 Electronic games
- 4 Board games
- 5 Construction kits
- 6 Collectables
- 7 Activity kits
- 8 Die-cast vehicles
- 9 Plush & dolls
- 10 Publishing
- 11 Animation & multimedia
- 12 Educational products & toys

A feature of our product range is that many of these product lines can be developed into multiple product versions.

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This process is clearly demonstrated with our MemoToys™ line, which is currently being developed using multiple high-value properties, including the recently announced “Wiggles” and “Thomas & Friends” Licensed versions.

Further Licences are planned for this line.

This development highlights the very significant value-creation template that Brainytoys has developed.

Specifically, it shows:

1. How a number of Brainytoys' individual product lines can be developed in multiple forms as products, creating a value-multiplier factor;
2. That Brainytoys' products are innovative enough to attract the very highest premium Licence Brands.

Brainytoys has selected and prioritised a number of these product lines for production and marketing.

Our first products will start coming out of the production lines over the next few weeks and we will be making further announcements to the market with regards to this program.

This process will continue on an ongoing basis, as resources permit and as further products are selected for production.

Brainytoys is now ready to start delivering a constant flow of products to its customers and over the next twelve to eighteen months, we expect to have a range of 20 to 30 products selling in world markets.

Marketing and Distribution

We have received strong expressions of interest in our products from key world markets, including the US, UK, Japan, China as well as Australia and New Zealand, some of which came to us unsolicited.

Accordingly, as our Chairman stated, in line with the Company's product release timetable commencing January 2007 and coinciding with industry Trade Fairs, specifically the Hong Kong Toy Fair in January, the New York Toy Fair in February and the Australian Toy Fair in March, we anticipate an emerging healthy demand for our toys and games, and are confident of moving strongly into cash flow during the second calendar quarter of next year.

To facilitate the commercialisation process Brainytoys has signed three marketing and distribution agreements with established industry participants Modern Brands Pty Ltd, based in Australia, Enertec Enterprises Ltd, based in Hong Kong and Reveal Entertainment, Inc., based in the US.

These agreements give us access to distribution channels comprising, in aggregate terms, over 20,000 outlets world-wide, including major retailers, specialty stores, independent stores, specialty chains and schools, (mainly in the US and Europe, and with a strong presence in the Australian and New Zealand markets through Modern Brands);



DISTRIBUTION PARTNERS ►	ENERTEC	REVEAL ENTERTAINMENT	MODERN BRANDS
REGIONS COVERED ►	US CANADA UK FRANCE AUSTRALIA NEW ZEALAND SOUTH AMERICA	US	AUSTRALIA NEW ZEALAND
CLIENTS SERVICED ►	Wal-Mart, KB, JC Penney, Hastings, Asda, Gadget Shop, Empire Stores, Auchan, Intermarche, Tandy, Dick Smith, Kmart, Toys R Us, Target, Big W	Barnes & Noble, Calendar Club, LTD Commodities, Amazon.com, Toys R us, J C Penney, 2,700 outlets comprising national, regional and independent toy, games and specialty retail stores.	14,000 schools in Australia and New Zealand, 2,000 independent retail accounts, all toy and game chains and all major mass-market retailers in Australia and New Zealand. Modern Brands also publishes over 1,000,000 Catalogues per annum.
TOTAL RETAIL STORES ►	20,000+		

Licensing

Securing the premium pre-school “Wiggles” and “Thomas & Friends” licenses, as announced to the market in October, through Modern Brands, for application to our innovative technology products was a coup for our Company.

It is rare indeed for a company such as ours to gain access to these licences, and we are grateful to Modern Brands for their support in achieving this outcome.

In order to engage with this market more fully, Brainytoys announced in June this year the appointment of USA-based Mr Rand Brenner as a specialist Licensing and Marketing consultant.

Mr Brenner has helped the Company spearhead the expansion of licensed property product development.

He brings over 20 years experience in marketing consumer products and services, entertainment licensing, sales, advertising, and promotions.

As you will have read in our Annual Report, Mr Brenner has developed licensing and promotional agreements with Fortune 1000 companies including Hewlett Packard, Kellogg's, Bandai America, Hasbro, Quaker Oats, Pepsi, and others.

More specifically relevant to Brainytoys' business, Mr Brenner's experience also includes the licensing of theatrical, animation, and television and publishing properties at Warner Bros. Consumer Merchandise division.



Among the high level licensing programs Mr Brenner was involved in managing were: The motion pictures Batman, Batman II, and animated programs such as Looney Tunes (i.e. Bugs Bunny) and Tiny Toon Adventures (a Steven Spielberg-Warner Bros. creation).

Mr Brenner was formerly Vice President of Licensing and Merchandising for Saban Entertainment, one of the largest independent producers of children's television programming.

Key among the properties he licensed was the Mighty Morphin' Power Rangers TV show (a worldwide licensing phenomenon) and two Power Rangers Movies (produced in conjunction with 20th Century Fox Film Corporation).

Mr Brenner also has extensive advertising experience that includes account management with Ogilvy & Mather Advertising, where he managed Mattel's Hot Wheels brand, and at NW Ayer Advertising, where he supervised the media planning for several consumer products accounts including Yamaha Electronics, Toshiba (Computers) and Host International Restaurants.

We have concluded negotiations for the acquisition of a number of important toy licensing agreements, subject to final legal documentation, for specific application to the US markets that will facilitate enhanced product penetration and exploitation of the Company's product portfolio.

These successful negotiations have been largely facilitated and undertaken by Mr Brenner and I offer my thanks on our behalf for his sterling efforts.

We will be making further announcements to the markets in the coming weeks relating to these agreements.

Future products

Brainytoys has determined that the Company has substantial opportunities to extend some of its current physical toy and game product lines into the electronic content market, specifically by developing mobile phone products – an area with huge revenue and profit potential.

Brainytoys is aggressively pursuing these opportunities as they have the potential to deliver significant value to the Company.

Brainytoys is working on three key projects in this area.

Brainytoys has already initiated discussions with a number of mobile phone content distribution companies operating in Australia, the US and China to develop these opportunities further.

I conclude by reaffirming my opening statement; that our company is now well positioned to move into the commercial and revenue generating phase of its operations and we are looking forward with a great degree of confidence and enthusiasm that the company will reward its shareholders handsomely from the revenue our growing product portfolio is expected to generate.



I take this opportunity to thank all our stakeholders and shareholders for their continuing support.

I pay particular thanks to:

My development team – our artists Bradley and Jocelyn and our R&D Project officer Claire for their amazing creativity, versatility, flexibility, expertise, and considerable dedication.

Stephen and Catherine, our senior management team, for their unswerving and boundless support of me and our corporate and creative efforts, and for their intelligence, expertise, and skill in progressing our placement into this industry.

My past Board of Directors for their commitment to the aims of our business model.

I also pay a special thanks to my current Chairman and Board members for their advice, commitment, and support in carrying this work forward to a successful and beneficial result for all of us.

And to all of them for their unselfish time often given above the call of duty.

Thank you for your attention and support.

ENDS

22 November 2006

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