28 March 2007

Company Announcements Officer
Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

1 RENOUNCEABLE RIGHTS ISSUE TO RAISE $ 1.24 MILLION

The Directors of Brainytoys Limited (ASX Code BRT) are pleased to advise that a renounceable Rights Issue ("Rights Issue") of one (1) new share for every three (3) shares held on the Record Date of 12 April 2007, will be made to shareholders of the Company at the issue price of 8.5 cents per share. Additionally under the terms of its Convertible Note Agreement with the Company, the sole Convertible Note Holder in the Company has a right to subscribe for shares under this entitlement issue. A total amount of $1,241,885 will be raised by this Issue. The Rights Issue is expected to be fully underwritten by Patersons Securities Limited.

The Company is raising the additional capital to meet additional mould tooling outlays; purchase of further product merchandise licences; production of advertisements for television campaigns; toy fairs exhibiting; and general working capital requirements.

It is intended that the Prospectus for the Rights Issue will be lodged with ASIC and the ASX on 30 March 2007. The closing date for the acceptance of the Right is intended to be 30 April 2007.

2 Notice of Meeting for Directors Share Options

A Notice of Meeting convening an extraordinary general meeting of shareholders will shortly be despatched to shareholders. The meeting will seek shareholder approval for the proposed issue to the Company's three directors of 5.5 million share options exerciseable at 32.5 cents per share at any time prior to 31 December 2011.

Yours sincerely

GK Nicol
Company Secretary

Brainytoys Ltd
6-B Bowen Street
O'Connor WA 6163
Australia

T: (+61 8) 9331 8441
F: (+61 8) 9331 8452
E: info@brainytoys.com
W: www.brainytoys.com

ASX: BRT ABN: 28 001 894 033