

BrainChip Holdings Ltd June 2020 Quarter Update

- Cash Balance as of 30 June 2020 US\$5.35M
- Akida Wafer Fabrication Completed
- Early Access Program successfully launched
- Appointments of Professor Simon J. Thorpe and Professor Barry J. Marshall to the Scientific Advisory Board

Sydney, Australia – 29 July 2020: BrainChip Holdings Ltd (**ASX: BRN**), a leading provider of ultra-low power, high performance edge AI technology, provides the following update for the quarter ending 30 June 2020 to accompany the Company's Appendix 4C lodged with the ASX.

The Company ended the June quarter with US\$5.35M in cash. Cash inflows, excluding the sale of securities, were \$823,000 including a forgivable loan from the U.S. government of US\$412,000 and a research and development rebate from the French government of US\$403,000. Cash outflows for operating activities for the June quarter were US\$1.87M.

Subsequent to quarter-end, BrainChip, through its manufacturing partner SocioNext, completed assembly and received packaged Akida™ devices which are now being tested and prepared for installation in evaluation boards that will be distributed to Early Access Program (EAP) customers.

Other developments during the June ended Quarter:

- 16 April 2020 BrainChip completed a placement of ordinary shares with gross proceeds of AU\$3.12M.
- 23 April 2020 the Company received US\$412,000 from the U.S. government Paycheck Protection Program as a forgivable loan.
- 5 May 2020 BrainChip appoints Simon J. Thorpe to the Scientific Advisory Board. Professor Thorpe is well known for his developments in neuromorphic technology.
- 25 May 2020 Company enters into a Proof of Concept Agreement with The Ford Motor Company.



- 9 June 2020 BrainChip enters into a Joint Development Agreement with Valeo a Tier-1 automotive supplier.
- 24 June 2020 Company announces completion of debt agreement and retirement of collateral shares.
- 2 July 2020 BrainChip announced completion of wafer fabrication for the Akida™ Neuromorphic System-on-Chip (NSoC).
- 23 July 2020 Company Appoints Barry J. Marshall to its Scientific Advisory Board (SAB). Professor Marshall is a Nobel Prize Laureate in Physiology and Medicine.

The Company has reported payments of US\$224,000 to related parties and their associates at item 6.1 of the accompanying Appendix 4C. These payment comprise of directors fees for Non-Executive Directors and salaries for Executive Directors.

The Company continues to maintain strict cost control policies and employees are working from home as state and federal guidelines in the U.S. and France prescribe. The Company's engineering teams are working seamlessly through the robust infrastructure that was put in place before COVID19. Engagements with customers, while challenged by a lack of direct meetings, are productive through voice and video conferencing.

This announcement was authorised for release by the BRN Board of Directors.

About BrainChip Holdings Ltd (ASX: BRN)

BrainChip is a global technology company that has developed a revolutionary advanced neural networking processor that brings artificial intelligence to the edge in a way that existing technologies are not capable. The solution is high performance, small, ultra-low power and enables a wide array of edge capabilities that include local training, learning and inference. The Company markets an innovative event-based neural network processor that is inspired by the spiking nature of the human brain and implements the network processor in an industry standard digital process. By mimicking brain processing BrainChip has pioneered a spiking neural network, called Akida, which is both scalable and flexible to address the requirements in edge devices. At the edge, sensor inputs are analyzed at the point of acquisition rather than transmission to the cloud or a datacenter. Akida is designed to provide a complete ultra-low power and fast AI Edge Network for vision, audio, olfactory and smart transducer applications. The reduction in system latency provides faster response and a more power efficient system that can reduce the large carbon footprint data centers.

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Additional information is available at <https://www.brainchipinc.com>.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

BrainChip Holdings Ltd

ABN

64 151 159 812

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8	12
1.2 Payments for		
(a) research and development	(1,104)	(3,831)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(241)	(611)
(d) leased assets	-	-
(e) staff costs	(308)	(623)
(f) administration and corporate costs	(229)	(533)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	14
1.5 Interest and other costs of finance paid	(2)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	403	436
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,469)	(5,139)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(8)	(15)

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(8)	(15)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,990	1,990
3.2 Proceeds from issue of convertible debt securities	415	925
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(145)	(162)
3.5 Proceeds from borrowings	412	412
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(27)	(80)
3.1 Net cash from / (used in) financing activities	2,645	3,085

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,709	7,622
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,469)	(5,139)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8)	(15)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,645	3,085
4.5	Effect of movement in exchange rates on cash held	469	(207)
4.6	Cash and cash equivalents at end of period	5,346	5,346

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	5,324	3,680
5.2	Call deposits	22	29
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,346	3,709

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	224
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Item 6.1 comprises the payment of Non-Executive Director's fees and the salaries of Executive Directors.</p>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	412	412
7.2 Credit standby arrangements	22	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	434	412
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>BrainChip SAS has a secured overdraft facility with Credit Agricole, France, to the value of 20,000 Euros which incurs interest at 8.02%.</p> <p>BrainChip Inc has received a US\$412k Loan from the U.S. Govt under the CARES Act Paycheck Protection Program. This is an unsecured loan with an interest rate of 1% and maturity date of April 2022. The Company will apply for loan forgiveness prior to maturity.</p>		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,469)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,346
8.3 Unused finance facilities available at quarter end (item 7.5)	22
8.4 Total available funding (item 8.2 + item 8.3)	5,368
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.7
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: n/a	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: n/a	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

29 July 2020

Date:

Board of Directors

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.