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ASX Announcement

BrainChip Holdings Ltd Quarter Update

Attendant to the Company's Form 4C Lodged for the September 2020 Quarter

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Sydney, Australia – 29 October 2020 – BrainChip Holdings Ltd (ASX: BRN), a leading provider of ultra-low power high performance AI technology, today provides the following update in conjunction with its Form 4C lodged for the quarter ending 30 September 2020.

The Company ended the September quarter with US$12.2M in cash. Subsequent to the quarter the Company increased its cash balance and as of 26 October had a cash balance of US$20.3M. Cash inflows included proceeds from the Put Option Agreement with LDA Capital as well as the exercise of employee and investor stock options.

During the quarter the Company had operating expenses of US$2.2M compared to US$1.9M in the prior quarter, excluding a cash in-flow of US$403,000 from a research and development refund associated with the Company's operations in France. The increase in expenses was primarily to support the Company's validation of the Akida™ device and development of evaluation boards to support the Early Access Program as well as public company expenses associated with a significant growth in the Company's shareholder base.

As previously announced, the Company has entered into several agreements for its Early Access Program (EAP) including The Ford Motor Company, Valeo, Vorago Technologies and the National Aeronautics and Space Administration (NASA). The EAP provides engineering samples, evaluation boards and dedicated support to manufacturers that will evaluate the groundbreaking Akida neuromorphic processor. Fees to participate in the EAP are intended to cover the Company's expenses related to participants individual requirements.

Other developments during the September ended Quarter:

2 July 2020 - AkidaTM Neuromorphic System-on-Chip (NSoC) wafer fabrication completed;

13 August 2020 - Company enters into an equity draw agreement with LDA Capital to provide the Company with up to A$29 million in committed equity capital over the next 12 months which may be extended by the parties for a further 12 months;

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17 August 2020 - BrainChip Inc and Magik Eye Inc. partner to combine best of AI with 3D Sensing for Total 3D Vision Solution;

14 September 2020 - BrainChip confirms validation of the AkidaTM Neural Processor;

14 September 2020 –Christa Steele appointed to the Board of Directors and Manny Hernandez remains as Chair;

20 September 2020 – Company announced it has established a Software Development Center in Hyderabad, India; and

21 September 2020 – BrainChip qualified for S&P/ASX All Technologies Index.

The Company has reported payments of US$233,000 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.

BrainChip currently has entities in Perth Australia, Aliso Viejo California (United States), Toulouse France and Hyderabad India. The Company continues to maintain strict cost controls as well as adhering to travel restrictions and precautionary measures related to the COVID-19 pandemic. The Company will continue to update the market on material events and has announced a monthly Podcast designed to inform all constituents of the Company's progress and industry trends.



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

About Brainchip Holdings Ltd (ASX: BRN)

BrainChip is a global technology company that is producing a groundbreaking neuromorphic processor that brings artificial intelligence to the edge in a way that is beyond the capabilities of other products. The chip is high performance, small, ultra-low power and enables a wide array of edge capabilities that include on-chip training, learning and inference. The event-based neural network processor is inspired by the spiking nature of the human brain and is implemented in an industry standard digital process. By mimicking brain processing BrainChip has pioneered a processing architecture, 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 through transmission via the cloud to a data center. 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 of data centers.

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

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Name of entity

BrainChip Holdings Ltd

ABN	**Quarter ended ("current quarter")**
64 151 159 812	30 September 2020

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (9 months) $US'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	10	22
1.2	Payments for		
	(a) research and development	(1,103)	(4,934)
	(b) product manufacturing and operating costs	(26)	(26)
	(c) advertising and marketing	(291)	(902)
	(d) leased assets	-	-
	(e) staff costs	(383)	(1,006)
	(f) administration and corporate costs	(417)	(950)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	16
1.5	Interest and other costs of finance paid	-	(3)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	436
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,208)**	**(7,347)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(11)	(26)

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Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (9 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**	**(11)**	**(26)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,990
3.2	Proceeds from issue of convertible debt securities	-	925
3.3	Proceeds from exercise of options	8,451	8,451
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(69)	(231)
3.5	Proceeds from borrowings	-	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)		
	- Reduction in leases	(11)	(91)
	- Funds payable to shareholders on exercise of options	722	722
3.10	**Net cash from / (used in) financing activities**	**9,093**	**12,178**

Consolidated statement of cash flows		Current quarter $US'000	Year to date (9 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	5,346	7,622
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,208)	(7,347)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(26)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,093	12,178
4.5	Effect of movement in exchange rates on cash held	16	(191)
4.6	**Cash and cash equivalents at end of period**	**12,236**	**12,236**

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	12,200	5,324
5.2	Call deposits	36	22
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)**	**12,236**	**5,346**

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	233
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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7.	**Financing facilities** *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.*	**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.

BrainChip SAS has a secured overdraft facility with Credit Agricole, France, to the value of 20,000 Euros which incurs interest at 8.02%.

BrainChip Inc has 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.

8.	**Estimated cash available for future operating activities**	**$US'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,208)
8.2	Cash and cash equivalents at quarter end (item 4.6)	12,236
8.3	Unused finance facilities available at quarter end (item 7.5)	22
8.4	Total available funding (item 8.2 + item 8.3)	12,258

8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	5.5

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.

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

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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.

Date: .....

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.

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