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ASX Announcement

Financial Report 1H21 Amendment

Sydney – 25 August 2021: BrainChip Holdings Ltd (ASX:BRN, OTCQX: BRCHF) attaches an amended Appendix 4D and Financial Report for the Half Year ended on 30 June 2021 which corrects the date in the Directors Declaration on page 21.

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 centre. 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 centres.

For more information contact:

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Manager Investor Relations

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

Follow BrainChip on Twitter: https://www.twitter.com/BrainChip_inc
Follow BrainChip on LinkedIn: https://www.linkedin.com/company/7792006

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APPENDIX 4D HALF-YEAR FINANCIAL REPORT

Information given to ASX under listing rule 4.2A

1. Reporting period and Functional Currency

Current reporting period:	30 June 2021
Previous corresponding reporting period:	30 June 2020
Functional Currency:	US dollars

2. Results for announcement to the market

	30 June 2021 US$	30 June 2020 US$	% change
Revenues from continuing operations	767,545	13,397	Up 5629%
Operating loss	(8,435,158)	(6,199,380)	Down 36%
Loss for the period attributable to members	(9,298,244)	(6,858,171)	Down 35%

Dividends
No dividends were paid or declared during the year ended 30 June 2021 (2020: Nil).

Loss per share	US cents per share	US cents per share
Basic loss per share	(0.55)	(0.48)
Diluted loss per share	(0.55)	(0.48)

	30 June 2021 US cents per share	30 June 2020 US cents per share
Net tangible asset		
Net tangible asset per share	0.97	0.28

Dividends or dividend distribution plan
No dividends were paid or declared during the half-year ended 30 June 2021 (2020: Nil). The Company does not operate a distribution reinvestment plan.

Additional Information

Additional Appendix 4D disclosure requirements can be found in the attached Financial Report for the half-year ended 30 June 2021.

This report is based on the interim consolidated financial statements and notes which have been reviewed by HLB Mann Judd (WA) Partnership. This report should be read in conjunction with the most recent annual financial report.

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BrainChip Holdings Ltd

ABN: 64 151 159 812

Financial Report

For the Half-Year ended

30 June 2021

Corporate Directory

Board of Directors

Emmanuel T. Hernandez	Non-Executive Director and Chair
Peter van der Made	Executive Director, Chief Technical Officer, Interim Chief Executive Officer
Geoffrey Carrick	Non-Executive Director
Antonio Viana	Non-Executive Director

Company Secretary

Kim Clark

Registered Office

Level 12, 225 George St. Sydney NSW 2000 Australia

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Facsimile**:** +61 2 9279 0664

Postal Address

GPO Box 3993, Sydney NSW 2001 Australia

Website

http://www.brainchipinc.com

Auditors

HLB Mann Judd (WA) Partnership

Level 4, 130 Stirling Street, Perth WA 6000

Telephone: +61 8 9227 7500

Share Registry

Boardroom Pty Limited

Level 12, 225 George Street Sydney NSW 2000

Telephone: +61 2 9290 9600

Facsimile**:** +61 2 9279 0664 Online: www.boardroomlimited.com.au

Securities Exchange

Australian Securities Exchange Limited

Exchange Centre, 20 Bridge St, Sydney NSW 2000

Code: BRN

OTCQX Best Market – OTC Markets Groups

Code: BRCHF

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Directors' Report

The Directors submit their report of the consolidated entity, being BrainChip Holdings Ltd ("BrainChip Holdings" or "Company") and its controlled entities ("Group"), for the half-year ended 30 June 2021.

DIRECTORS

The names and details of the Company's Directors in office during the financial period and until the date of this report are as follows:

Emmanuel T. Hernandez	Non-Executive Director and Chair
Peter van der Made	Executive Director, Chief Technical Officer, Interim Chief Executive Officer
Geoffrey Carrick	Non-Executive Director
Antonio Viana	Non-Executive Director (appointed 28 June 2021)
Louis DiNardo	Executive Director, Chief Executive Officer (resigned 15 March 2021)
Christa Steele	Non-Executive Director (resigned 21 May 2021)

PRINCIPAL ACTIVITIES

The principal activity of the Group is the development of software and hardware accelerated solutions for advanced artificial intelligence ("AI") and machine learning applications with a primary focus on the development of its Akida Neuromorphic Processor to provide a complete ultra-low power and fast AI Edge Network for vision, audio, olfactory and smart transducer applications.

DIVIDENDS

No dividends have been paid or declared by the Company during the half-year or up to the date of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The COVID-19 outbreak and the response of Governments in dealing with the pandemic continues to affect general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report, however, whilst there appears to be minimal impact on our business to date, including consideration of key judgements and estimates used in presenting the financial report, there is a possibility of an impact on our future earnings, cash flow and financial condition. It is not possible to estimate the impact of the near-term and longer effects of Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time. The financial statements have been prepared based upon conditions existing at 30 June 2021, including those which are evidenced by events occurring subsequent to that date.

In March 2021, Louis DiNardo ceased his role as Managing Director and Chief Executive Officer of BrainChip with Peter van der Made assuming the role until a replacement is appointed. The search for a new CEO has progressed and a shortlist of candidates is being interviewed and vetted as part of our due diligence process.

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REVIEW OF OPERATIONS

The financial results of the Group are presented in US dollars, unless otherwise referenced.

Although the pandemic has continued to the date of this report, there has been minimal impact on our business other than certain restrictions when meeting and working with our customers face-to-face.

During the reporting period, the Company's design and manufacturing partner, SocioNext America Inc ("SocioNext"), released our engineering layout of the production version of the Akida1000 chip to Taiwan Semiconductor Manufacturing Company (TSMC). We received the first batch of Akida AKD1000 production chips from SocioNext America in August 2021 and is now completing a program of rigorous quality assurance and performance testing prior to allocation to Early Access Program customers and the production of modules.

Operating Results

The Group made a net loss after income tax for the half-year ended 30 June 2021 of $9,298,244 (30 June 2020: $6,858,171) resulting from license revenues reported in the current period.

Revenues for the half-year ended 30 June 2021 of $767,545 increased 5629% from $13,397 in the same period a year ago.

Total expenses for the half-year ended 30 June 2021 of $9,471,476 increased 52% from $6,212,777 incurred in the half-year ended 30 June 2020. This increase was attributable to:

1) Research & development (R&D) expenses of $4,417,926 for the current period increased 27%, or $928,888 from 30 June 2020. R&D costs in the current period include $2,250,000 paid to Socionext as the next progressive payment related to the fabrication of the Akida™ device (2020: $1,525,000), and include an increase in employee expenses as the Australian and Indian offices expand, offset by an increase in R&D tax credits claimed from the relevant authorities.

2) Sales & Marketing (S&M) expenses of $1,062,668 for the current period increased 42%, or $313,134 from the comparative period as a result of increased external marketing consultants and personnel to target potential customers.

3) General & Administrative (G&A) expenses of $2,386,784 increased 68%, or $963,284 from the same period a year ago which is a result of:
   a) Increased in headcount in the administrative team resulted in higher employee-related expenses;
   b) An increase in Director remuneration in the current period due to the appointments of Ms Steele and Mr Carrick in Q4 2020;
   c) Increase legal and other professional costs; and
   d) Increased corporate costs associated with higher shareholder activity during the period.

4) Share based payment expense of $1,604,098 for the current period increased 191%, or $1,053,393 from the comparative period. Share based payments expense is non-cash and represents the value of options, restricted share units and performance rights issued to directors, employees and consultants that have been earned during the reporting period, offset by the effect of cancelled and forfeited equity instruments.

In May 2021, the Company received confirmation from the U.S. Small Business Administration, "SBA", of the forgiveness of the Payroll Protection Program loan received in the prior year as U.S. financial relief from the COVID-19 emergency. The loan forgiveness and related interest is recognised as Other Income of $413,335.

Balance Sheet and Cashflows

At the end of the half-year the Group had consolidated net assets of $19,306,973 (31 December 2020: $17,729,336), including cash and cash equivalents of $17,653,356 (31 December 2020: $19,136,425).

The unlisted options held by LDA Capital at 1 January 2021 and recognised as a derivative liability were fully exercised during the current period. The remeasurement of the derivative liability resulted in a fair value loss of $763,809 and contributed to cash inflows from financing activities of $2,031,236 to the Company.

Cash from Financing Activities also includes $3,452,512 from the exercise of options held by LTIP participants.

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SECURITIES ON ISSUE

The Company has the following securities on issue as of the date of this report:

Ordinary shares	1,659,737,144
Options over ordinary shares	128,325,907
Restricted stock units	2,462,500

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 28 July 2021, the Company announced the appointment of HLB Mann Judd (WA) Partnership ("HLB") as the auditor of BrainChip, effective until the 2022 Annual General Meeting of the Company where a resolution to appoint HLB as the official auditor will be put to shareholders. The change of auditor has occurred due to the Company reviewing its external audit function.

On 16 August 2021, the Company issued a Capital Notice to LDA Capital Limited and LDA Capital LLC (together "LDA Capital") as per the Put Option Agreement ("POA") dated 13 August 2020. The Capital Notice provided LDA Capital with irrevocable notice to subscribe for 8,750,000 shares ("Collateral Shares") on 27 August 2021.

In the period since 30 June 2021 and to the date of this report, the Company has issued 10,868,952 treasury shares under the LTIP on the exercise of 8,856,952 options (raising $1,404,675 (A$1,922,568)), and the conversion of 2,000,000 restricted stock units and 12,500 performance rights. The Company has also issued 1,500,000 share options in accordance with the Company's 2018 Long Term Incentive Plan and 125,000 restricted stock units to a consultant in accordance with the Company's constitution.

No other matter or circumstance has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

AUDITOR INDEPENDENCE

The Directors received the Independence Declaration, as set out on page 5, from HLB Mann Judd.

Signed in accordance with a resolution of the Directors.



Emmanuel Hernandez

Chair
California, USA, August 24, 2021

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of BrainChip Holdings Limited for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
24 August 2021

B G McVeigh
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2021

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	Note	30 June 2021 US$	30 June 2020 US$
Continuing operations			
Revenue from contracts with customers	3	767,545	13,397
Cost of goods sold		(144,562)	-
Gross profit		622,983	13,397
Research & development expenses	4(a)	(4,417,926)	(3,489,038)
Selling & marketing expenses	4(b)	(1,062,668)	(749,534)
General & Administrative expenses	4(c)	(2,386,784)	(1,423,500)
Share based payment expense	16(a)	(1,604,098)	(550,705)
Other income	5(a)	413,335	-
Operating loss		(8,435,158)	(6,199,380)
Finance income	6(a)	55,452	14,536
Finance expense	6(b)	(5,645)	(532,548)
Net fair value loss through profit and loss	6(c)	(763,809)	(140,779)
Loss from continuing operations before income tax		(9,149,160)	(6,858,171)
Income tax expense		(149,084)	-
Net loss for the period		(9,298,244)	(6,858,171)
Other comprehensive income / (loss)			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Remeasurement gains (losses) on defined benefit plans		(23,359)	(5,517)
Items that may be reclassified subsequently to profit or loss (net of tax):			
Exchange differences on translation of foreign operations		(95,063)	(16,765)
Other comprehensive loss for the period, net of tax		(118,422)	(22,282)
Total comprehensive loss for the period, net of tax		(9,416,666)	(6,880,453)
		US cents per share	**US cents per share**
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted loss per share	7	(0.55)	(0.48)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2021

	Note	30 June 2021 US$	31 December 2020 US$
CURRENT ASSETS			
Cash and cash equivalents	8	17,653,356	19,136,425
Trade and other receivables	9	1,099,594	907,680
Financial asset	13(c)	1,431,302	1,470,275
Inventory		78,581	54,399
Other assets		224,177	127,791
Total current assets		20,487,010	21,696,570
NON-CURRENT ASSETS			
Right-of-use assets	10	70,158	98,056
Plant and equipment		127,629	149,316
Intangible assets	11	1,677,907	1,710,642
Other assets		142,578	40,311
Total non-current assets		2,018,272	1,998,325
TOTAL ASSETS		22,505,282	23,694,895
CURRENT LIABILITIES			
Trade and other payables		1,038,361	927,271
Deferred revenue		578,515	13,441
Financial liabilities	13	-	3,500,434
Lease liabilities	12	49,997	51,136
Employee benefits liabilities		511,372	420,156
Other liabilities		717,853	635,049
Total current liabilities		2,896,098	5,547,487
NON-CURRENT LIABILITIES			
Financial liabilities	13	85,946	166,116
Lease liabilities	12	21,426	48,088
Defined benefit plan		194,839	203,868
Total non-current liabilities		302,211	418,072
TOTAL LIABILITIES		3,198,309	5,965,559
NET ASSETS		19,306,973	17,729,336
EQUITY			
Contributed equity	15(a)	108,132,090	98,741,885
Share based payments reserve		21,458,607	19,854,509
Foreign currency translation reserve		19,877	114,940
Other equity reserve		247,872	247,872
Accumulated losses		(110,551,473)	(101,229,870)
TOTAL EQUITY		19,306,973	17,729,336

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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Consolidated Statement of Cash Flows
For the half-year ended 30 June 2021

	Note	30 June 2021 US$	30 June 2020 US$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Receipts from customers		1,314,862	12,031
Grants and R&D credits received from third parties		105,784	436,610
Payments to suppliers and employees		(8,324,815)	(5,596,505)
Interest received		17,465	14,536
Interest paid		(869)	(2,645)
Net cash flows used in operating activities		(6,887,573)	(5,135,973)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for property, plant and equipment		(19,054)	(15,010)
Net cash flows used in investing activities		(19,054)	(15,010)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		5,483,748	1,989,898
Proceeds from the reduction of collateral share holdings		-	910,971
Payment of share issue costs		(21,718)	(145,293)
Payment of convertible securities costs		-	(2,833)
Proceeds from loans from third parties		-	412,300
Payment of lease liabilities		(24,216)	(82,704)
Net cash flows generated from financing activities		5,437,814	3,082,339
Net decrease in cash and cash equivalents		(1,468,813)	(2,068,644)
Net foreign exchange differences		(14,256)	(207,437)
Cash at the beginning of the financial period		19,136,425	7,622,178
Cash and cash equivalents at the end of the period	8	17,653,356	5,346,097

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2021

	Contributed equity	Share based payment reserve	Other reserves	Foreign currency reserve	Accumulated losses	Total equity
	US$	US$	US$	US$	US$	US$
At 1 January 2020	64,740,268	18,418,864	247,872	72,803	(74,383,457)	9,096,350
Loss for the year	-	-	-	-	(6,858,171)	(6,858,171)
Other comprehensive loss	-	-	-	(16,765)	(5,517)	(22,282)
Total comprehensive loss for the period	-	-	-	(16,765)	(6,863,688)	(6,880,453)
Transactions with owners in their capacity as owners						
Shares issued	3,277,030	-	-	-	-	3,277,030
Share issue costs	(149,258)	-	-	-	-	(149,258)
Share-based payment	-	550,705	-	-	-	550,705
At 30 June 2020	67,868,040	18,969,569	247,872	56,038	(81,247,145)	5,894,374

	Contributed equity	Share based payment reserve	Other reserves	Foreign currency reserve	Accumulated losses	Total equity
	US$	US$	US$	US$	US$	US$
At 1 January 2021	98,741,885	19,854,509	247,872	114,940	(101,229,870)	17,729,336
Loss for the year	-	-	-	-	(9,298,244)	(9,298,244)
Other comprehensive loss	-	-	-	(95,063)	(23,359)	(118,422)
Total comprehensive loss for the period	-	-	-	(95,063)	(9,321,603)	(9,416,666)
Transactions with owners in their capacity as owners						
Shares issued	5,974,801	-	-	-	-	5,974,801
Converted Treasury shares	3,452,514					3,452,514
Share issue costs	(37,110)	-	-	-	-	(37,110)
Share-based payment	-	1,604,098	-	-	-	1,604,098
At 30 June 2021	108,132,090	21,458,607	247,872	19,877	(110,551,473)	19,306,973

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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1. CORPORATE INFORMATION

The interim condensed consolidated financial report of BrainChip Holdings Ltd ("Company") and its controlled entities ("Consolidated Entity" or "Group") for the half-year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 25 August 2021, California, U.S.A.

BrainChip Holdings is a for-profit Company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange.

The address of the registered office is Level 12, 225 George Street, Sydney, NSW 2000, Australia.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statement has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "*Interim Financial Reporting*".

The interim condensed consolidated financial statement does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020, and considered together with any public announcements made by the Company during the half-year ended 30 June 2021 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Certain comparative expenditures have been reclassified to align with the current reporting presentation.

New standards, interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

		30 June 2021 US$	30 June 2020 US$
(a)	**Types of goods or service**		
	Product revenue	52,005	-
	License revenue	412,500	-
	Development service revenue	303,040	13,397
	Total revenue from contracts with customers	767,545	13,397
(b)	**Timing of revenue recognition**		
	Services transferred over time	355,045	13,397
	Sale of product and license transferred at a point in time	412,500	-
	Total revenue	767,545	13,397

4. EXPENSES

		30 June 2021 US$	30 June 2020 US$
(a)	**Research & development expenses**		
	Employee expenses	2,221,479	1,765,660
	Grants received	(350,248)	(196,335)
	Third party development services	2,250,000	1,525,000
	Other contractor fees	124	252,919
	Amortisation of intangible assets	32,735	32,735
	Rent expense	27,975	-
	Other expenses	235,861	109,059
	Total research & development expenses	4,417,926	3,489,038
(b)	**Selling & marketing expenses:**		
	Employee expenses	690,737	398,584
	Contractor fees	263,235	196,959
	Other expenses	108,696	153,991
	Total selling & marketing expenses	1,062,668	749,534
(c)	**General & Administrative expenses:**		
	Employee expenses	1,180,694	759,934
	Legal and professional expenses	431,171	229,768
	Corporate and listing expenses	420,224	110,819
	Travel and accommodation expenses	15,125	35,400
	Depreciation of plant & equipment	38,113	41,868
	Depreciation of right of use assets	25,067	78,201
	Office rent	55,568	15,899
	Software lease expense	114,415	73,126
	Other expenses	106,407	78,485
	Total general & administrative expenses	2,386,784	1,423,500

5. OTHER INCOME

		30 June 2021 US$	30 June 2020 US$
(a)	**Forgiveness of borrowings**		
	Forgiveness of borrowings - refer note 13(b)	413,335	-
	Total finance income	413,335	-

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6. FINANCE INCOME AND EXPENSES

		30 June 2021 US$	30 June 2020 US$
(a)	**Finance income**		
	Interest received	17,465	14,536
	Foreign exchange gain	37,987	-
	Total finance income	55,452	14,536
(b)	**Finance expense**		
	Convertible Securities interest expense	-	268,522
	Other interest expense	5,645	3,447
	Foreign exchange loss	-	260,579
	Total finance expense	5,645	532,548
(c)	**Net fair value loss through profit and loss**		
	Gain on settlement of financial asset at fair value through the profit and loss	-	(87,832)
	Net loss from financial assets and liabilities measured at fair value through the profit and loss (refer to Note 13(c))	763,809	228,611
		763,809	140,779

7. LOSS PER SHARE

	30 June 2021 US$	30 June 2020 US$
Net loss attributable to ordinary shareholders for basic and diluted earnings per share	(9,298,244)	(6,858,171)
	US cents per share	**US cents per share**
Basic and diluted loss per share	(0.55)	(0.48)
Weighted average number of ordinary shares for basic loss per share [3]	1,699,394,657	1,440,509,140
Effect of the dilution of share options and performance rights [1] [2]	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	1,699,394,657	1,440,509,140

[1] At 30 June 2021, the Company had on issue 135,557,359 (30 June 2020: 159,543,976) share options that were excluded from the calculation of diluted loss per share as they are considered anti-dilutive.

[2] At 30 June 2021, the Company had 2,450,000 restricted stock units (30 June 2020: 2,850,000) that were excluded from the calculation of diluted loss per share as they are considered anti-dilutive.

[3] Weighted average number of ordinary shares has been adjusted as a result of rights issue to institutional and sophisticated investors for all periods.

8. CASH AND CASH EQUIVALENTS

	30 June 2021 US$	31 December 2020 US$
Cash at bank and in hand	17,608,105	19,096,796
Term deposits	45,251	39,629
Total	17,653,356	19,136,425

9. TRADE AND OTHER RECEIVBALES

	30 June 2021 US$	31 December 2020 US$
Trade receivables (i)	78,963	97,716
Research tax credits	971,590	721,655
Other receivables	49,041	88,309
Total	1,099,594	907,680

(i) Trade receivables are non-interest bearing and generally on terms of 30-90 days. No allowance for expected credit loss has been recorded.

10. RIGHT-OF-USE ASSETS

	30 June 2021 US$	31 December 2020 US$
Cost	148,570	153,479
Accumulated depreciation	(78,412)	(55,423)
Total	70,158	98,056

	6 Months to 30 June 2021 US$
Movement in Right-of-Use Assets:	
Opening balance	98,056
Depreciation	(25,067)
Net foreign exchange movements	(2,831)
Closing balance	70,158

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11. INTANGIBLE ASSETS

	30 June 2021 US$	31 December 2020 US$
Patents and licenses (a)	772,449	805,184
Goodwill	905,458	905,458
	1,677,907	1,710,642
(a) At cost – patents and licenses with finite useful life	1,103,753	1,116,851
Accumulated amortisation	(331,304)	(311,667)
	772,449	805,184

	6 Months to 30 June 2021 US$
Movement in patents and licenses:	
Opening balance	805,184
Amortisation	(32,735)
Closing balance	772,449

12. LEASE LIABILITIES

	30 June 2020 US$	31 December 2020 US$
Current	49,997	51,136
Non-Current	21,426	48,088
	71,423	99,224

Movement in lease liabilities	
Opening balance	99,224
Reduction in liabilities	(24,216)
Net foreign exchange movements	(3,585)
Closing balance	71,423

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13. FINANCIAL LIABILITIES

	30 June 2021 US$	31 December 2020 US$
Current		
Borrowings (b)	-	320,678
Derivative liabilities – LDA unlisted options (c)	-	3,179,756
	-	3,500,434
Non-current		
Advances from third parties (a)	85,946	88,786
Borrowings (b)	-	77,330
	85,946	166,116
Total Financial liabilities	85,946	3,666,550

(a) Advances from third parties

Non-current advances include loans from various French government agencies which are granted without any interest and are to be repaid under certain conditions. The benefit of the government loan at a below-market rate of interest is treated as a government grant.

Movement in advances from third parties	**US$**
Opening balance	88,786
Foreign exchange movements	(2,840)
Closing balance	85,946

(b) Borrowings

In May 2021, the Company received confirmation from the U.S. Small Business Administration, "SBA", of forgiveness of the Payroll Protection Program loan of $412,300 which was received in the prior year as U.S. financial relief from the COVID-19 emergency.

Movement in borrowings

	US$
Opening balance	398,008
Interest payable	15,327
Forgiveness of borrowings	(413,335)
Closing balance	-

(c) LDA Capital Agreement

Financial Asset – Put Premium Option

The Company has not issued a further Capital Call Notice as per the Put Option Agreement (POA) with LDA Capital (dated 13 August 2020), and continues to recognise the unused 8,750,000 Collateral Shares held by LDA Capital as a derivative asset (put option premium), valued using a market based approach with reference to a 15% market placement discount. The unused Collateral Shares continue to be reported as Treasury shares (Note 15(d)).

Derivative Liabilities – LDA unlisted options

The unlisted options held by LDA Capital at 1 January 2021 and recognised as a derivative liability were fully exercised during the half year reporting periods. The remeasurement of the derivative liability resulted in a fair value loss of $763,809 and contributed to cash inflows of $2,031,236 to the Company.

Other transactions

The Company continues to recognise for the remaining commitment fee of A$290,000 (US$217,478) in Trade and other payables, which is due at closing of the second capital call. The commitment fee may be paid in shares at the Company's discretion.

13. FINANCIAL LIABILITIES (continued)

	US$
Movement in Financial asset – Put premium option	
Opening balance	1,470,275
Foreign exchange	(38,973)
Closing balance	1,431,302
Movement in Derivative liabilities – LDA unlisted options	
Opening balance	3,179,756
Re-measurement to fair value through profit or loss	763,809
Fair value of options exercise at each exercise date	(5,974,801)
Cash received on exercise of options	2,031,236
Closing balance	-

14. FINANCIAL ASSETS & LIABILITIES

Set out below is an overview of financial assets (other than cash and short term deposits) and financial liabilities held by the Group as at 30 June 2021 and 31 December 2020:

		30 June 2021 US$	31 December 2020 US$
(a)	***Financial assets at amortised cost***		
	Trade and other receivables	1,099,594	907,680
	Financial assets at fair value through profit or loss		
	Derivative asset – Put option premium	1,431,302	1,470,275
	Total financial assets	2,530,896	2,377,955
	Current	2,530,896	2,377,955
	Non-current	-	-
	Total financial assets	2,530,896	2,377,955
	Financial liabilities at amortised cost		
	Trade and other payables	1,038,361	927,271
	Financial liabilities		
	- Advances from third parties	85,946	88,786
	- Borrowings	-	398,008
	Other liabilities		
	- Grant liabilities	82,804	-
	- Deferred gain	635,049	635,049
	Financial liabilities at fair value through profit & loss		
	Financial liabilities		
	- Derivative liabilities - LDA unlisted options	-	3,179,756
	Total financial liabilities	1,842,160	5,228,870
	Current	1,756,214	5,062,754
	Non-current	85,946	166,116
	Total financial liabilities	1,842,160	5,228,870

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14. FINANCIAL ASSETS & LIABILITIES (continued)

(b) The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 30 June 2021 and 31 December 2020:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US$	US$	US$	US$
As at 30 June 2021				
Financial assets measurement at fair value				
Derivative asset - put option premium	1,431,302	-	-	1,431,302
	1,431,302	-	-	1,431,302
As at 31 December 2020				
Financial assets measurement at fair value				
Derivative asset - put option premium	1,470,275	-	-	1,470,275
	1,470,275	-	-	1,470,275
Financial liabilities measured at fair value				
Derivative liabilities – LDA Capital	3,179,756	-	3,179,756	-
	3,179,756	-	3,179,756	-

There were no transfers between levels during the financial half-year.

(c) Changes in liabilities arising from financing activities are disclosed within individual notes.

15. CONTRIBUTED EQUITY

	30 June 2021	31 December 2020
	US$	US$
(a) Ordinary Shares		
Issued and fully paid	108,132,090	98,741,885
	108,132,090	98,741,885

(b) Movements in ordinary shares on issue

	Number	US$
At 1 January 2021	1,616,591,587	98,741,885
Shares allocated on exercise of LDA Capital put option premium – refer note 13	13,145,556	5,974,801
Issue of shares to the Trustee of the BrainChip LTIP	30,000,000	-
Treasury shares issued on conversion of options	-	3,452,514
Share issue costs	-	(37,110)
At 30 June 2021	1,659,737,143	108,132,090

(c) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up the Company the holders are entitled to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

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15. CONTRIBUTED EQUITY (continued)

(d) Treasury shares

	30 June 2021 Number	31 December 2020 Number
Fully paid shares issued to LDA Capital Pty Ltd	8,750,000	8,750,000
Fully paid shares issued to Trustee of Long Term Incentive Plan ("LTIP")	12,964,859	9,495,000
	21,714,859	18,245,000

	Number
Movements in Treasury shares	
At 1 January 2021	18,245,000
Shares issued to Trust from BrainChip Holdings Ltd	30,000,000
Shares issued on exercise of performance rights	(12,500)
Shares issued on exercise of options	(26,517,641)
At 30 June 2021	21,714,859

(e) Options on issue

Unissued ordinary shares of the Company under option at 30 June 2021 are as follows:

Type	Expiry Date	Exercise Price (US$)	30 June 2021 Number	31 December 2020 Number
Options issued to LDA Capital				
Unlisted [(1)]				13,145,556
Options issued as share-based payments				
Unlisted – refer Note 16(b)	Various	Various	135,557,359	154,145,000
Total			135,557,359	167,290,556

(f) Restricted Stock Units (RSUs) on issue

Unissued ordinary shares of the Company held as restricted stock units at 30 June 2021 are as follows:

Type	30 June 2021 Number	31 December 2020 Number
Unlisted	4,462,500	4,462,500
Total	4,462,500	4,462,500

(h) Performance rights on issue

Unissued ordinary shares of the Company held as performance rights at 30 June 2021 are as follows:

Type	30 June 2021 Number	31 December 2020 Number
Unlisted	12,500	25,000
Total	12,500	25,000

(i) Movement in Performance rights

1 January	25,000
Converted to shares during the period	(12,500)
Total	12,500

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16. SHARE-BASED PAYMENTS

	30 June 2021 US$	30 June 2020 US$
(a) Recognised share-based payment expenses		
Equity instruments issued in accordance with BrainChip Long Term Incentive Plan	1,604,098	550,705
Total share-based payment expenses	1,604,098	550,705

(b) Share Options granted as share-based payments

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued as share based payments during the half-year:

	2021 Number	2021 WAEP (US$)	2020 Number	2020 WAEP (US$)
Outstanding at 1 January	154,145,000	0.117	175,068,976	0.117
Granted during the period	8,680,000	0.374	-	-
Exercised during the period	(26,517,641)	(0.126)	(15,525,000)	(0.047)
Forfeited during the period	(750,000)	(0.182)	-	-
Outstanding at 30 June	135,557,359	0.155	159,543,976	0.124
Exercisable (vested and unrestricted) at the end of the period	75,398,192	0.147	112,818,976	0.129

The weighted average remaining contractual life for the share options outstanding at 30 June 2021 is 4.23 years (31 December 2020: 3.95 years).
The weighted average fair value of options granted during the period was $0.386 (31 December 2021: $0.167)
The range of exercise prices for options outstanding at the end of the period was $0.031 to $0.464.

The above options are exercisable after vesting and at any time on or before the expiry date.

No options were granted during the period as share-based payments.

(c) Options granted, forfeited and lapsed under the Long Term Incentive Plan

Unissued ordinary shares of the Company under option at 30 June 2021 are as follows:

Grant Type	Grant Date	Expiry Date	Exercise Price (US$)	Granted during year	Exercised during year	Forfeited during year
LTIP	09/04/2021	09/04/2031	0.446	280,000	-	-
LTIP	09/04/2021	09/04/2031	0.441	3,900,000	-	-
LTIP	09/04/2021	23/04/2031	0.464	1,000,000	-	-
AGM2021	27/05/2021	27/05/2031	0.279	2,500,000	-	-
LTIP	04/06/2021	04/06/2031	0.460	1,000,000	-	-
LTIP	22/01/2016	01/02/2021	0.165	-	1,125,000	-
LTIP	28/09/2016	30/09/2021	0.172	-	12,660,974	-
LTIP	08/07/2016	10/10/2021	0.113	-	300,000	-
LTIP	01/10/2016	10/10/2021	0.205	-	100,000	-
AGM 2017	31/05/2017	01/02/2023	0.182	-	240,000	-
AGM 2017	31/05/2017	01/02/2026	0.182	-	-	750,000
LTIP	05/03/2017	13/03/2028	0.147	-	1,500,000	-
LTIP	18/03/2019	18/03/2029	0.042	-	2,800,000	-
AGM 2019	30/05/2019	30/05/2029	0.069	-	7,500,000	-
LTIP	23/09/2019	23/09/2029	0.031	-	125,000	-
LTIP	23/09/2019	23/09/2029	0.035	-	166,667	-
				8,680,000	26,517,641	750,000

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16. SHARE-BASED PAYMENTS (continued)

(d) Options pricing model

Options issued under LTIP - 2021

The fair value of the equity-settled share options granted under the LTIP is estimated as at the date of the offer of the grant using a Black Scholes Option Pricing model. The following table lists the inputs to the models used for the valuation of options during the period ended 30 June 2021:

	Number of options	Fair value at measurement date $US	Share price at Grant Date US$	Exercise price US$	Expected volatility (%)	Risk-free interest rate (%)	Expected life of options in years
Employees	280,000	0.378	0.423	0.446	100.0	1.74	10.0
	3,900,000	0.378	0.412	0.446	100.0	1.74	10.0
	1,000,000	0.415	0.463	0.467	100.0	1.69	10.0
	1,000,000	0.405	0.453	0.464	100.0	1.68	10.0
Director	2,500,000	0.395	0.428	0.280	100.0	1.72	10.0

(e) Restricted Stock Units issued during the period as share-based payments

During the period, 12,500 restricted stock units were converted to shares. No restricted stock units were issued or cancelled.

17. OPERATING SEGMENTS

For management purposes, the Group is organised into one operating segment, being the technological development of designs that can be licensed to OEM (Original Equipment Manufacturer) Customers, End Users and System Integrators based on Artificial Neural Networks.

All the activities of the Group are interrelated, and each activity is dependent on the others. Accordingly, all significant operating disclosures are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group currently derives revenue from BrainChip Inc., located in the USA, and BrainChip SAS, its France based subsidiary.

Geographically, the Group has the following revenue information based on the location of its customers and non-current assets from where its investing activities are managed.

	30 June 2021 US$	30 June 2020 US$
Revenue from external customers		
Americas	658,338	-
Asia Pacific	4,667	-
Europe, Middle East & Asia (EMEA)	104,540	13,397
Revenue from continuing operations	767,545	13,397

Customers representing more than 10% of revenues in the current year amounted to $512,502 (2020: $13,397) comprising license revenue of $412,500 and engineering services revenue of $100,002 which was earned from customer located in the Americas (2020: $13,397 of engineering services earned from a European customer).

	30 June 2021 US$	31 December 2020 US$
Non-current assets		
Oceania	24,484	-
North America	882,838	945,494
EMEA	1,110,950	1,052,832
	2,018,272	1,998,326

18. COMMITMENTS

The Group has no commitments as at 30 June 2021.

19. EVENTS AFTER BALANCE SHEET DATE

On 28 July 2021, the Company announced the resignation of Ernst & Young and the appointment of HLB Mann Judd (WA) Partnership ("HLB") as the auditor of BrainChip, effective until the 2022 Annual General Meeting of the Company where a resolution to appoint HLB as the official auditor will be put to shareholders. The change of auditor has occurred due to the Company reviewing its external audit function.

On 16 August 2021, the Company issued a Capital Notice to LDA Capital Limited and LDA Capital LLC (together "LDA Capital") as per the Put Option Agreement ("POA") dated 13 August 2020. The Capital Notice provided LDA Capital with irrevocable notice to subscribe for 8,750,000 shares ("Collateral Shares" on 27 August 2021.

In the period since 30 June 2021 and to the date of this report, the Company has issued 10,868,952 treasury shares under the LTIP on the exercise of 8,856,952 options (raising $1,404,675 (A$1,922,568)), and the conversion of 2,000,000 restricted stock units and 12,500 performance rights. The Company has also issued 1,500,000 share options in accordance with the Company's 2018 Long Term Incentive Plan; and 125,000 restricted stock units to a consultant in accordance with the Company's constitution.

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

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Director's Declaration

In accordance with a resolution of the Directors of BrainChip Holdings Ltd, I state that:

1. In the opinion of the Directors:

   (a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and

      (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the half-year ended 30 June 2021.

On behalf of the Board.



Emmanuel T. Hernandez

Chair
California, USA, August 24, 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of BrainChip Holdings Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of BrainChip Holdings Limited ("the company") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BrainChip Holdings Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

B McVeigh

B McVeigh
Partner

Perth, Western Australia
24 August 2021

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