



ASX Announcement

**BrainChip Holdings Ltd
Appendix 4C & Quarterly Activities Report
for the Period Ended 31 December 2021**

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- Cash Balance as at 31 December 2021 US\$19.4M
 - Completed Testing of Akida AKD1000 Production Chips
 - New CEO Appointed
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Sydney – 27 January 2022 – [BrainChip Holdings Ltd](#) (ASX: BRN, OTCQX: BRCHF), the world's first commercial producer of neuromorphic artificial intelligence chips, today provides the Quarterly Activities Report in conjunction with its Appendix 4C lodged for the quarter ending 31 December 2021.

CEO Statement

The December Quarter was another breakout quarter for BrainChip that included the granting of three additional patents, further strengthening our patent portfolio; the completion of testing for the production version of our Akida technology; and the signing of another major license agreement with a top-tier customer, MegaChips. This was our second IP license agreement and further validates our technology.

Since the conclusion of the quarter, we have welcomed another Non-Executive Director, Pia Turcinov, plus launched our PCIe production board to the market via a low-touch ecommerce model. The Company also received yet another key patent grant related to the Akida technology.

In the coming quarter, the Company will be focused on the Akida go-to-market strategy refinement and adding additional resources to our Sales and Marketing teams.

COMMERCIAL AND OPERATIONAL UPDATE

Sales & Marketing

During the period, the Company received the first batch of the Akida AKD1000 neuromorphic processor chips from Socionext America, completing functionality and performance testing of the production chips and beginning volume production. This success has allowed the Company to commence taking orders of the Akida development kits from its partners, large enterprises and

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OEMs for their own internal testing and validation. Additionally, BrainChip licensed its Akida IP to major ASIC manufacturer, MegaChips, to help it enhance and grow its technology positioning for next-generation, Edge-based AI solutions.

New CEO

On 15 November 2021, the Company announced that it had appointed Mr. Sean Hehir as Chief Executive Officer. Mr. Hehir officially joined the Company on 29 November 2021, replacing Interim CEO Peter van der Made. Mr. van der Made continues in his roles as CTO and Executive Director.

Engagement with global equity capital markets

On 3 November 2021, the Company announced the launch of its American Depositary Receipts (ADR) program. An ADR is a US trading instrument denominated in USD that allows a non-US issuer of securities to trade on a US trading system or exchange. The new ADR, ticker symbol BCHPY, represents forty (40) ASX: BRN shares. As ADRs are issued, BRN shares are accumulated in an ASX-traded custodial account. The intent of this program is to provide access to US institutional investors who are unable to invest in foreign-listed shares (ASX: BRN), US-listed foreign shares (OTCQX: BRCHF) or in shares below a certain price point. The ADRs are listed on the OTCQX and commenced trading on 4 November 2021. The Company intends to continue exploring opportunities to better access global equity markets.

LDA Capital

On 13 October 2021 BrainChip and LDA Capital Limited and LDA Capital LLC ("LDA Capital") announced The Second Amendment to the Put Option Agreement ("POA") (refer ASX announcements dated 13 August 2020 and 26 October 2020) allowing the deferral of the remaining A\$5.3M draw-down obligation ("First Minimum Draw Down Amount") until 28 February 2022, previously due 22 October 2021, while increasing the total LDA commitment under the agreement to A\$65M. The Company's minimum draw-down obligation was also increased by A\$30M.

Subsequent to the December quarter end on 14 January 2022, BrainChip submitted a capital call notice to LDA Capital in accordance with the POA to subscribe for up to 15M shares. The purpose of this capital call notice was primarily to satisfy the Company's obligation under The First Minimum Drawdown Amount to draw a minimum of A\$5.3M no later than 28 February 2022, as well as to ensure the Company will meet the liquidity requirements necessary to execute the business plan.

Patents

During the quarter, BrainChip announced that the US Patents and Trademarks Office had granted three key patents to the Company related to its Akida technology. Subsequent to the December quarter end on 19 January 2022, the Company announced the granting of an additional patent, bringing the number of Akida technology related patents issued to the Company since 2008 to a total of eight. The Company remains focused on pursuing and maintaining patent protection on all current and future developments across multiple global jurisdictions in order to retain our technological edge over the growing number of competitors in the edge AI space.

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Update to Top 20 Shareholder List

Given the recent volume of share-trading activity, the Company believes it is appropriate to provide investors with an update of our Top 20 Shareholder List. This will be lodged with the ASX as a separate document.

FINANCIAL UPDATE

The Company ended the quarter with US\$19.4M in cash compared to US\$23.9M in the prior quarter.

BrainChip reported net operating cash outflows of US\$3.4M vs. US\$4.0M in the prior period. Receipts from customers for the quarter were US\$1.1M, an increase of 83% from US\$0.1M in Q3-21.

Payments to suppliers and employees were up quarter-on-quarter, totaling US\$4.9M (Q3-21: US\$4.3M). This increase was primarily driven by the payment of US\$1.0M as a milestone payment to Socionext for the production of the Akida device (Q3-21 US\$0.8M); and cash bonuses totalling US\$0.5M awarded to employees in recognition of the achievements of the Company to date.

Cash used for operating activities includes payments to BrainChip's Board of Directors totaling US\$207,000 as noted in item 6.1 of the accompanying Appendix 4C, comprising directors' fees for Non-Executive Directors and salaries and bonuses for Executive Directors.

Net investing cash outflows for the quarter were US\$0.3M (Q3-21: US\$0.03M), primarily related to new equipment being installed in the new office in California, USA.

Cash inflows from financing activities included US\$1.2M cash receipts from the exercise of Long-Term Incentive Plan ("LTIP") stock options. The Company also remitted US\$2.1M to LTIP participants representing the funds received in Q3-21 from the sale of LTIP shares in excess of the exercise price of the underlying options.

BrainChip currently has entities in Perth, Australia; Laguna Hills, 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 maintain monthly Podcasts 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

Name of entity

BrainChip Holdings Ltd

ABN

64 151 159 812

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,097	2,523
1.2 Payments for		
(a) research and development	(1,611)	(5,323)
(b) product manufacturing and operating costs *	(1,224)	(4,526)
(c) advertising and marketing	(674)	(2,344)
(d) leased assets	-	-
(e) staff costs	(856)	(2,698)
(f) administration and corporate costs	(513)	(2,557)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	32
1.5 Interest and other costs of finance paid	(14)	(15)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	370	641
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,416)	(14,267)

* \$1,010,000 relates to third party expenses associated with the Akida device development.

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(316)	(363)

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 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	(316)	(363)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,775
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	1,255	12,197
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(36)
3.5 Proceeds from borrowings	-	-
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	(40)	(76)
- Funds received from shareholders on exercise of options	(2,056)	19
3.10 Net cash from / (used in) financing activities	(841)	14,879

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	23,940	19,136
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,416)	(14,267)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(316)	(363)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(841)	14,879
4.5	Effect of movement in exchange rates on cash held	-	(18)
4.6	Cash and cash equivalents at end of period	19,367	19,367

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	19,353	23,896
5.2	Call deposits	14	44
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)	19,367	23,940

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	207
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.

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	-	-
7.2	Credit standby arrangements	23	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	23	-
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%.		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,416)
8.2	Cash and cash equivalents at quarter end (item 4.6)	19,367
8.3	Unused finance facilities available at quarter end (item 7.5)	23
8.4	Total available funding (item 8.2 + item 8.3)	19,390
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.68
	<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.

27 January 2022

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.