



ASX Announcement

BrainChip Holdings Ltd Appendix 4C & Quarterly Activities Report for the Period Ended 31 March 2022

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- Cash Balance as of 31 March 2022 US\$31.2M
 - Began Volume Commercialization of AKD1000 Chips
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Sydney – 26 April 2022 – [BrainChip Holdings Ltd](#) (ASX: **BRN**, OTCQX: **BRCHF, BCHPY**), 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 March 2022.

CEO Statement

The recently ended quarter continued our drive to full commercialisation and global expansion of our Akida™ neuromorphic IP and computing platforms. From expanding international patent rights to producing commercially available PCIe boards to entering new global markets, we extended the reach of our technology and our status as leader in enabling efficient procession of all sensor modalities to support continuous learning and inference at the Edge.

Three key appointments were made during the quarter: Mr. Antonio J. Viana was appointed Chairman of the Board of Directors, Ms Pia Turcinov joined as a Non-Executive Director, and Mr. Jerome Nadal joined the Company as Chief Marketing Officer to help the Company continue its path to commercialisation and profitability.

In the coming quarter, the Company will be focused on securing additional strategic partnerships for incorporating Akida chips as part of our customers' technology offerings as well as through sales engagement in key markets worldwide.

COMMERCIAL AND OPERATIONAL UPDATE

Sales & Marketing

During the most recent quarter, the Company announced the appointment of semiconductor marketing expert Jerome Nadel as Chief Marketing Officer. An internationally experienced executive in scaling and growth-stage companies, Mr Nadel will drive corporate and product marketing to support the full commercialization of its Akida neuromorphic computing platforms.

Brainchip continued to expand the commercial reach of its Akida neuromorphic computing platforms in new geographical territories in the EMEA via expanded and formalised partnerships with Eastronics and SalesLink. Relationships with local and regional technology solutions providers and sales professionals represent an effective way to grow the global market for the Company's IP across a wide range of applications – from industrial IoT and autonomous vehicles to smart sensors that can detect and act on visual features, sound, touch, smell and taste.

Board changes

On 4 January 2022, the Company announced the appointment of Ms. Pia Turcinov as Non-Executive Director. On 1 March 2022 Mr. Antonio J. Viana was appointed as Chair of the Board of Directors after acknowledging the retirement of Mr. Emmanuel Hernandez, who has served on the BrainChip board since 2017. The Company is continuing its search for additional non-executive board members.

Engagement with global equity capital markets

Following the Company's launch of the American Depositary Receipt (ADR) program in November 2021 as a way to attract US institutional investors, BrainChip announced on 3 February 2022 that its ordinary shares had been approved for eligibility by the Depository Trust Company (DTC), making it possible to settle trades electronically in the United States among broker/dealers and the Company's US transfer agent.

LDA Capital

On 14 January 2022, BrainChip submitted a capital call notice to LDA Capital Limited and LDA Capital LLC ("LDA Capital") in accordance with the Put Option Agreement ("POA") (refer ASX announcements dated 13 August 2020 and 26 October 2020) 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. On 18 February 2022, the capital call notice was settled resulting in the Company receiving US\$16.2M (A\$22.4M).

Patents

During the quarter, BrainChip received notification from the US Patent and Trademark Office of various patents and trademarks, as a result of the Company's efforts to protect BrainChip's intellectual rights. The Company's patent portfolio comprises eight (8) patents granted in the US and one (1) patent granted in China, with a further 22 international patent applications pending in the US, Europe, Canada, Japan, Korea, Australia, Brazil, Mexico and Israel.

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.

FINANCIAL UPDATE

The Company ended the quarter with US\$31.2M in cash compared to US\$19.4M in the prior quarter.

BrainChip reported net operating cash outflows of US\$5.0M vs. US\$3.4M in the prior period. Receipts from customers for the quarter were US\$0.2M, a decrease of 81% from US\$1.1M in Q4-21.

Payments to suppliers and employees were up quarter-on-quarter, totaling US\$5.3M (Q4-21: US\$4.9M). This increase was primarily driven by increased marketing and branding expenditures; US\$0.5M final milestone payment to Socionext for the production of the Akida device (Q4-21 US\$1.0M); additional licensing fees and increased corporate costs resulting from increased shareholder activity.

Cash used for operating activities includes payments to BrainChip's Board of Directors totaling US\$290,000 as noted in item 6.1 of the accompanying Appendix 4C, comprising directors' fees for Non-Executive Directors and salaries for Executive Directors.

Net investing cash outflows for the quarter were US\$0.07M (Q4-21: US\$0.3M), primarily related to new equipment being installed in the new office in California, USA.

Cash inflows from financing activities included US\$16.1M cash receipts from the issue of shares to LDA Capital upon the submission of capital call notices in January and February 2022, and \$0.9M as a result of the exercise of Long-Term Incentive Plan ("LTIP") stock 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 March 2022

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	205	205
1.2 Payments for		
(a) research and development	(2,063)	(2,063)
(b) product manufacturing and operating costs *	(578)	(578)
(c) advertising and marketing	(834)	(834)
(d) leased assets	-	-
(e) staff costs	(802)	(802)
(f) administration and corporate costs	(1,017)	(1,017)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(14)	(14)
1.7 Government grants and tax incentives	35	35
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(5,055)	(5,055)

* \$471,000 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	(73)	(73)

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 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	(73)	(73)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	16,154	16,154
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	881	881
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(47)	(47)
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	(12)	(12)
- Funds received from shareholders on exercise of options	(19)	(19)
3.10 Net cash from / (used in) financing activities	16,957	16,957

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 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	19,367	19,367
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,055)	(5,055)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(73)	(73)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	16,957	16,957
4.5	Effect of movement in exchange rates on cash held	15	15
4.6	Cash and cash equivalents at end of period	31,211	31,211

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	31,197	19,353
5.2	Call deposits	14	14
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)	31,211	19,367

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	290
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	22	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	22	-
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)	(5,055)
8.2	Cash and cash equivalents at quarter end (item 4.6)	31,211
8.3	Unused finance facilities available at quarter end (item 7.5)	22
8.4	Total available funding (item 8.2 + item 8.3)	31,233
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.18
	<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.

26 April 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.