

BrainChip Holdings Ltd Appendix 4C & Quarterly Activities Report for the Period Ended 30 September 2022

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- Cash Balance as of 30 September 2022 US\$24.6M
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Sydney – 27 October 2022 – [BrainChip Holdings Ltd](#) (ASX: **BRN**, OTCQX: **BRCHE, 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 30 September 2022.

CEO Statement

The recently ended Quarter amplified the execution of the Company's commercialisation for our Akida™ neuromorphic IP. In the Quarter, BrainChip added a seasoned AI semiconductor sales executive to fortify commercial expansion and execution.

The Company continues to benefit from its research activities as it was granted two new foundational patents related to neuromorphic AI inference and purchased key patents it previously only had licensed rights to use. BrainChip continues to build its AI and ML patent portfolio, strengthening our IP product and commercial differentiation.

In the coming quarter, the Company will focus on key sales targets and converting technical evaluations into paid licenses. In addition, the Company is accelerating development of next-generation Akida IP and products to extend our technological lead and market opportunity.

We are seeing the greatest amount of sales activity and engagement in the Company's history. However, the current global technology market has created economic dynamics that have extended evaluations, decreased budgets, and delayed introduction of new technology. These conditions have created a headwind for our prospective and current customers. We anticipate these conditions to eventually calm. We remain positive on future market penetration and broad adoption of Brainchip's technology.

FINANCIAL UPDATE

The Company ended the September Quarter with US\$24.6M in cash compared to US\$28.4M in the prior quarter.

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BrainChip reported net operating cash outflows of US\$3.8M vs.US\$2.8M in Q2-22. Receipts from customers for the quarter were US\$0.1M, a decrease of US\$1.1M from Q2-22.

Payments to suppliers and employees were consistent with the prior quarter, totaling US\$4.0 in Q3-22 versus US\$4.1M in Q2-22. In the September quarter, BrainChip incurred \$0.25M to acquire the full ownership of the IP rights to the JAST learning rules and algorithms which were previously licensed to the Company. BrainChip has restructured its sales and marketing team with the addition of Christopher Stevens as VP of Worldwide Sales to continue efforts to increase revenue and bookings.

Cash used for operating activities includes payments to BrainChip's Board of Directors totaling US\$272,400 as noted in item 6.1 of the accompanying Appendix 4C, comprising fees for Non-Executive Directors and salaries for Executive Directors.

Cash inflows from financing activities included \$0.19M as a result of the exercise of Long-Term Incentive Plan ("LTIP") stock options.

BrainChip 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 the worldwide leader in edge AI on-chip processing and learning. The company's first-to-market neuromorphic processor, Akida™, mimics the human brain to analyze only essential sensor inputs at the point of acquisition, processing data with unparalleled efficiency, precision, and economy of energy. Keeping machine learning local to the chip, independent of the cloud, also dramatically reduces latency while improving privacy and data security. In enabling effective edge compute to be universally deployable across real world applications such as connected cars, consumer electronics, and industrial IoT, BrainChip is proving that on-chip AI, close to the sensor, is the future for its customers' products, as well as the planet. Explore the benefits of Essential AI at www.brainchip.com.

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Additional information is available at:

<https://www.brainchipinc.com>

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Appendix 4C

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

Name of entity

BrainChip Holdings Ltd

ABN

64 151 159 812

Quarter ended ("current quarter")

30 September 2022

| 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 | 118 | 1,553 |
| 1.2 Payments for | | |
| (a) research and development | (1,798) | (5,595) |
| (b) product manufacturing and operating costs | (115) | (810) |
| (c) advertising and marketing | (785) | (2,588) |
| (d) leased assets | - | - |
| (e) staff costs | (740) | (2,309) |
| (f) administration and corporate costs | (538) | (2,071) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 61 | 92 |
| 1.5 Interest and other costs of finance paid | (20) | (57) |
| 1.6 Income taxes paid | (11) | (36) |
| 1.7 Government grants and tax incentives | - | 71 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (3,828) | (11,750) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (38) | (119) |

| 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 | (38) | (119) |

| | | |
|--|------------|---------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | - | 16,154 |
| 3.2 Proceeds from issue of convertible debt securities | - | - |
| 3.3 Proceeds from exercise of options | 188 | 1,286 |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | - | (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 | (78) | (170) |
| - Funds received from shareholders on exercise of options | - | (19) |
| 3.10 Net cash from / (used in) financing activities | 110 | 17,204 |

| 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 | 28,433 | 19,367 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (3,828) | (11,750) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (38) | (119) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 110 | 17,204 |
| 4.5 | Effect of movement in exchange rates on cash held | (36) | (61) |
| 4.6 | Cash and cash equivalents at end of period | 24,641 | 24,641 |

| | | | |
|------------|---|-------------------------------------|--------------------------------------|
| 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 | 24,602 | 28,392 |
| 5.2 | Call deposits | 39 | 41 |
| 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) | 24,641 | 28,433 |

| | | |
|-----------|---|-------------------------------------|
| 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 | 272 |
| 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 | Total facility amount at quarter end \$US'000 | Amount drawn at quarter end \$US'000 |
|---|--|---|
| <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> | | |
| 7.1 Loan facilities | - | - |
| 7.2 Credit standby arrangements | 20 | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | 20 | - |
| 7.5 Unused financing facilities available at quarter end | | 20 |
| 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) | (3,828) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 24,641 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | 20 |
| 8.4 Total available funding (item 8.2 + item 8.3) | 24,661 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 6 |
| <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 October 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.