

BrainChip Holdings Ltd Appendix 4C & Quarterly Activities Report for the Period Ended 30 June 2023

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- Cash Balance as of 30 June 2023 US\$21.8M
 - US\$8.2M cash raised on completion of LDA Capital Call
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Sydney – 24 July 2023 – [BrainChip Holdings Ltd](#) (ASX: **BRN**, OTCQX: **BRCHF, BCHPY**), the world's first commercial producer of neuromorphic artificial intelligence IP, today provides the Quarterly Activities Report in conjunction with its Appendix 4C lodged for the quarter ending 30 June 2023.

CEO STATEMENT

The period from March to June 2023 saw accelerated commercial and corporate activity across the Company's global business operations and a strong focus on the development of the 2nd Generation Akida technology platform.

The Company is currently experiencing its highest ever level of commercial engagements, the volume and quality of which are improving rapidly as a larger number of customers learn about BrainChip and our 2nd Generation technology which will be available in late Q3.

BrainChip continued to expand its ecosystem partnerships during the quarter by adding Lorser Industries, CVEDIA, Teksun, Blue Ridge Envisioneering, and Quantum Ventura to its growing number of partners that are taking the unique benefits of Akida technology into both, standard products as well as defining cutting edge new solutions. These collaborations along with a growing number of ecosystem partnerships are essential elements of BrainChip's commercialisation strategy.

BrainChip announced IPro, a leader in IP sales and support in Israel, as its extended channel to serve that high-growth AI sector, and expand its reach in EMEA (Europe, Middle East, and Asia)

On 23 May, BrainChip held its Annual General Meeting in Sydney, Australia. The Company is addressing issues raised by shareholders at the meeting and will engage with key external stakeholders, including proxy advisors and institutional investors, to ensure its remuneration policies are better understood ahead of the AGM in 2024.

On 24 May, the Company announced it had been issued a US patent (US 11,657,257 "Spiking Neural Network"), which is a valuable IP asset that will block competitors from adopting BrainChip-style learning on a neuromorphic chip or a system. The patent protects a learning function of

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BrainChip's digital neuron circuit using positive and negative synapses. The issuing of this patent brings the current patent portfolio to 16 issued patents and 30 patent applications pending.

During the quarter, the Company participated in, and presented at, several major technology-focused conferences around the world, including showcasing our Edge AI Technologies at the Embedded Vision Summit at Santa Clara, California, which attracted over 1,000 delegates, and presenting a research paper at the IEEE 5th International Conference on Artificial Intelligence Circuits and Systems in Hangzhou, China. BrainChip also presented at the CVPR Conference, a pre-eminent event for computer vision and pattern recognition in Vancouver, and was on the panel at the tinyML EMEA Innovation Forum in late June in Amsterdam

BrainChip was a key sponsor and participant in the Global Semiconductor Alliance Global Leadership Summit in Tokyo on 7 June, and a sponsor of the European Executive Forum held on 14-15 June in Munich. BrainChip CEO Sean Hehir participated in a panel of industry leaders to discuss "New Silicon Design Paradigms".

BrainChip was a featured speaker in the Arm Tech Talk series that showcases industry leaders in various fields as well as an industry expert in podcasts from outlets such as IoTforall.com. BrainChip continues to be a leading speaker for Edge Impulse, a leading platform for Edge AI software development with over 200,000 active projects.

BrainChip published a major white paper entitled "BrainChip examines new approach to optimizing time-series data," which unveiled our unique Temporal Event-based Neural Networks (TENNs) technology. TENNs represents an innovative new approach to achieving greater accuracy and efficiency to complex data models on compact edge devices, including traditional time series applications such as monitoring vital signs in healthcare, denoising audio, predictive maintenance in industrial and forecasting in various verticals, but extending to spatiotemporal data applications such as video and vision.

This white paper is the latest in an ongoing series of educational white papers intended to highlight BrainChip's leadership in neuromorphic AI and Edge AI applications. The 2nd generation Akida technology platform, which will support TENNs, has been developed on the basis of extensive engagement with and feedback from our customers and emerging market need. It will significantly broaden the potential use cases, and the reach of Akida technology. The groundbreaking capabilities of TENNs are a cornerstone of our 2nd Generation platform, the development of which accelerated throughout the previous quarter, with continued feedback from potential targets.

The University of Oklahoma joined Arizona State University, Carnegie Mellon University, and the Rochester Institute of Technology in becoming the latest US educational institution to join the BrainChip University AI Accelerator Program. The program is intended to share BrainChip's technical knowledge and promote leading-edge discoveries and position students to be next-generation technology innovators and potential future Brainchip employees. Interest in our University program remains high, and we are currently reviewing Universities for inclusion from other regions of the world.

In early May, the Company released the first of its Quarterly Investor Podcasts featuring an interview between BrainChip CEO Sean Hehir and Director of Global Investor Relations Tony Dawe. The podcast addresses the more frequently asked questions asked by investors. The next Quarterly Investor Podcast will feature BrainChip Chairman Antonio J. Viana and will be released on the Company website and through social media channels in August.

In addition to the Quarterly Investor Podcast, the Company continues to deliver its series of “This is Our Mission” podcasts to address the broader thematic within the AI sector and gain the perspectives of leading figures across the technology sector. In the previous quarter, the podcasts introduced USC Professor Dr. Gaurav Sukhatme on the theme of “AI and robotics”, and leading technology innovator Geoffrey Moore on the theme of “Embracing Disruptive Innovations with technology”.

FINANCIAL UPDATE

The Company ended the June Quarter with US\$21.8M in cash compared to US\$17.7M in the prior quarter.

BrainChip reported net operating cash outflows of \$4.1M vs.\$6.3M in the prior quarter.

Cash inflow from customers in the current quarter of \$0.83M was higher than the prior quarter (US\$0.04M).

Total payments to suppliers and employees of \$5.0M in the current quarter was lower than the prior quarter (\$6.2M) due to the payment of 2022 bonuses to employees of \$0.92M and other corporate costs in Q1.

Cash used for operating activities includes payments to BrainChip’s Board of Directors totaling \$276,923 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 \$8.12M (A\$12.2M) received upon the issue of 20,756,540 shares to LDA Capital Limited and LDA Capital LLC (“LDA Capital”) after the completion of the capital call notice that was issued to LDA Capital in January 2023. A further \$0.32M of financing cash inflows resulted from 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.

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.

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 June 2023

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	828	868
1.2 Payments for		
(a) research and development	(2,455)	(5,063)
(b) product manufacturing and operating costs	(188)	(539)
(c) advertising and marketing	(1,150)	(2,161)
(d) leased assets	-	-
(e) staff costs	(693)	(1,946)
(f) administration and corporate costs	(500)	(1,481)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	127	198
1.5 Interest and other costs of finance paid	(26)	(53)
1.6 Income taxes paid	(73)	(91)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(4,130)	(10,268)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(30)	(76)

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Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 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	(30)	(76)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	8,211	8,211
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	316	957
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(33)
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	(100)	(134)
- Funds received from shareholders on exercise of options	(121)	-
3.10 Net cash from / (used in) financing activities	8,306	9,001

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 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	17,712	23,165
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(4,130)	(10,268)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(30)	(76)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	8,306	9,001
4.5 Effect of movement in exchange rates on cash held	(33)	3
4.6 Cash and cash equivalents at end of period	21,825	21,825

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	21,783	17,667
5.2 Call deposits	42	45
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)	21,825	17,712

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	277
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	687	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	687	-
7.5 Unused financing facilities available at quarter end		687
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.		
<p>BrainChip SAS has a secured overdraft facility with Credit Agricole, France, to the value of 20,000 Euros which incurs interest at 8.39%.</p> <p>BrainChip Inc has an Irrevocable Standby Letter of Credit to the value of US\$665,000 with First Republic Bank as security for the office lease. The Letter of Credit expires 31 May 2027 and incurs interest at 0.9%.</p>		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(4,130)
8.2 Cash and cash equivalents at quarter end (item 4.6)	21,825
8.3 Unused finance facilities available at quarter end (item 7.5)	687
8.4 Total available funding (item 8.2 + item 8.3)	22,512
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5
<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.

Date: 24 July 2023

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.

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