



ASX Announcement

BrainChip Holdings Ltd Quarter Update

Attendant to the Company's Appendix 4C Lodged for the December 2020 Quarter

- Cash Balance as at 31 December 2020 US\$19.1M
 - Confirms Completion of the Akida™ Production Design
 - Company Ships Akida™ Evaluation Boards
 - Company Signs First Akida™ Intellectual Property License Agreement
 - NASA places order under Akida Early Access Program
 - Announces Amendment to Financial Instrument
 - BrainChip Appoints Geoffrey Carrick as Non-Executive Director
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Sydney, Australia – 27 January 2021 – [BrainChip Holdings Ltd](#) (ASX: BRN), a leading provider of ultra-low power high performance AI technology, today provides the following update in conjunction with its Appendix 4C lodged for the quarter ending 31 December 2020.

The Company ended the December quarter with US\$19.1M in cash compared to US\$12.2M in the prior quarter. Subsequent to the quarter the Company increased its cash balance and as of 24 January 2021 had US\$21.8M on balance. Cash inflows during January included proceeds from customers for IP and EAP sales, as well as the exercise of employee and investor stock options.

During the quarter, the Company had net cash outflows from operating activities of US\$2.69M compared to US\$2.2M in the prior quarter. The increase in expenses was primarily to support the Company's validation of the Akida™ device, the development of evaluation boards to support the Early Access Program, additional sales and marketing expenses as well as public company expenses associated with a significant growth in the Company's shareholder base.

As previously announced, the Company has entered into several additional agreements for its Early Access Program (EAP) and signed its first commercial agreement for the delivery of the Akida intellectual property to a leading Japanese semiconductor company. Further cash receipts from IP and EAP customers are expected in the quarter ending March 2021.

BrainChip currently has entities in Perth Australia, Aliso Viejo 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 started in December a monthly Podcast designed to inform all constituents of the Company's progress and industry trends.

Other developments during the December ended Quarter:

26 October the Company Announces Amendment to Financial Instrument

23 November the Company Appoints Geoffrey Carrick as Non-Executive Director and Steve Liebeskind retires from the Board effective 31 December

3 December the Company Confirms Completion of the Akida™ Production Design

7 December the Company Confirms that Shipment of Evaluation Boards began in November

23 December BrainChip Signs First Akida™ Intellectual Property License Agreement and NASA places order under Akida Early Access Program.

The Company has reported payments of US\$276,000 to related parties and their associates at item 6.1 of the accompanying Appendix 4C. These payments comprise of directors' fees for Non-Executive Directors and salaries for Executive Directors.



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 2020

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	36	58
1.2 Payments for		
(a) research and development	(1,269)	(6,203)
(b) product manufacturing and operating costs	(61)	(87)
(c) advertising and marketing	(377)	(1,279)
(d) leased assets	-	-
(e) staff costs	(492)	(1,498)
(f) administration and corporate costs	(539)	(1,489)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	26
1.5 Interest and other costs of finance paid	(1)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	436
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,693)	(10,040)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(15)	(41)

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	(15)	(41)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	7,747	9,737
3.2 Proceeds from issue of convertible debt securities	-	925
3.3 Proceeds from exercise of options	2,501	10,952
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(207)	(438)
3.5 Proceeds from borrowings	-	412
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	(13)	(104)
- Funds payable to shareholders on exercise of options	(722)	-
3.10 Net cash from / (used in) financing activities	9,306	21,484

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	12,236	7,622
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,693)	(10,040)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15)	(41)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,306	21,484
4.5	Effect of movement in exchange rates on cash held	302	111
4.6	Cash and cash equivalents at end of period	19,136	19,136

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	19,096	12,200
5.2	Call deposits	40	36
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)	19,136	12,236

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	276
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	412	412
7.2 Credit standby arrangements	25	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	437	412
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.		
<p>BrainChip SAS has a secured overdraft facility with Credit Agricole, France, to the value of 20,000 Euros which incurs interest at 8.02%.</p> <p>BrainChip Inc has a US\$412k Loan from the U.S. Govt under the CARES Act Paycheck Protection Program. This is an unsecured loan with an interest rate of 1% and maturity date of April 2022. The Company has applied for loan forgiveness prior to maturity.</p>		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,693)
8.2 Cash and cash equivalents at quarter end (item 4.6)	19,136
8.3 Unused finance facilities available at quarter end (item 7.5)	25
8.4 Total available funding (item 8.2 + item 8.3)	19,161
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	7.1
<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 2021

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.