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31 July 2017

June 2017 Quarter Update

Highlights

- **Significant milestones achieved post quarter-end:**
 - **Appointment of Emmanuel Hernandez to Board of Directors, a 40-year technology veteran with public and private company operating and board experience.**
 - **Appointment of Thomas Stengel as Vice President of Americas Business Development, a 25-year technology veteran with experience driving revenue growth at major Original Equipment Manufacturers (OEMs).**
 - **Introduction of BrainChip Studio, an integrated software solution for pattern matching and facial classification.**
- **Collaboration in Machine Vision with Safran, a multi-billion dollar industrial technology OEM.**
- **Initial trial of Game Statistics at a major Las Vegas casino.**
- **Successful raise of US\$4.59 million (A\$6.0 million) through a share placement to institutional and sophisticated investors.**

BrainChip Holdings Ltd (ASX: BRN) ("**BrainChip**" or "**the Company**"), a leading developer of software and hardware accelerated solutions for Advanced Artificial Intelligence and Machine Learning applications, is pleased to provide an update for the quarter ended 30 June 2017 to accompany the Company's quarterly cash flow report.

Significant developments for the quarter include the collaboration with Safran (Paris, France) for Machine Vision applications and the launch of a new trial for the Game Statistics solution at a major Las Vegas, Nevada casino. This momentum was continued post the end of the quarter with the appointment of Emmanuel (Manny) Hernandez as Non-Executive Director, the appointment of Tom Stengel as Vice President of Americas Business Development and the introduction of BrainChip Studio, a commercially available software package.



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The Company will host a webcast update on Monday 7 August 2017 at 9:00 a.m. AEST. To join the webcast please register on the Company's Investor Relations page: <http://ir.brainchipinc.com/presentations>.

OPERATIONS

Appointment of Emmanuel (Manny) Hernandez

Post quarter-end, the Company announced the appointment of Silicon Valley veteran Manny Hernandez as a Non-Executive Director.

Mr. Hernandez is a highly regarded Silicon Valley technology executive with over 40 years of operating and board member experience. His professional resume includes key roles with some of Silicon Valley's largest and most successful technology companies including National Semiconductor (acquired by Texas Instruments in 2012, (US\$76.7B market cap), Cypress Semiconductor (\$US4.4B market cap) and ON Semiconductor (NASDAQ: ON) (US\$5.8B market cap). He adds world-class technology expertise that will be invaluable to BrainChip as the Company scales to meet customer demand.

Appointment of Thomas Stengel

In late July, the Company announced the appointment of Tom Stengel as Vice President of Americas Business Development.

BrainChip expanded its sales organisation with a 30-year industry veteran who brings over 15 years of video analytic domain specific expertise with major Original Equipment Manufacturers (OEM). Tom Stengel joins the Company as VP of Business Development for the Americas as the Company launches BrainChip Studio, a commercially available integrated software package for pattern and facial recognition analytics. The addition of Mr. Stengel strengthens the Company's presence in the Americas where there are immediate needs for Counter-Terrorism and Anti-Crime Civil Surveillance.

The appointment of Tom Stengel positions the Company to capitalise on targeted large addressable markets in the Americas. Anti-terrorism and anti-crime efforts in the United States, Canada and Mexico are both well funded and immediate. Mr. Stengel is responsible for customer penetration at major OEMs as well as End-Users. OEMs include equipment and system developers that would integrate BrainChip technology into their solution as either software or hardware and in the case of integrated circuit manufacturers license BrainChip's Intellectual Property (IP) for implementation in their System-on-a-Chip (SoC).



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Mr. Stengel has a proven track record of success in bringing products to market and driving growth. He will focus on equipment manufacturers, system integrators and end-users in the Homeland Security and Law Enforcement arena.

Launch of BrainChip Studio

Subsequent to the quarter end, the Company also released its first commercial software package for pattern recognition and facial classification, BrainChip Studio.

BrainChip Studio Software represents the culmination of over 10 years of advanced algorithm development using a Spiking Neural Network to extract patterns or faces and provide matching or classification for end-users. The refactored software is an “off-the-shelf” solution that provides a user-friendly interface and allows customers to develop applications quickly. The features and benefits of the solution are well-proven in Homeland Security and Law Enforcement. With a single screen-shot, users can establish a model of a pattern or a face, build a database of the models and compare those models to a database of suspects. There is no tedious and time consuming training regime and searches for a match or classification are highly efficient. BrainChip Studio allows the Company to scale many large deployments simultaneously without customisation or extensive customer support.

Collaboration with Safran

In June, BrainChip announced a collaboration with French multinational company, Safran Electrical & Power (EPA: SAF, EUR 33.98B market cap), a world leader in electrical systems for aircraft. The two companies will work together on the development of a machine vision inspection system to help control pin insertion. The system will utilise BrainChip’s neural network technology coupled with augmented reality to provide real-time inspection for in-line electrical harnesses assembly.

New Casino Trial

In late May, BrainChip announced that its Game Statistics and Game Outcome solutions has been placed in a field trial at a leading casino in Las Vegas, Nevada. This trial of Game Statistics and Game Outcome follows the successful deployment of the Game Outcome solution at the Mohegan Sun casino.



Business Development

- **Commercial Surveillance**, highlighted by engagements in the gaming industry, the Company is currently in discussions, trials or deployment with 17 casinos. As previously noted, estimates that the Total Available Market (TAM) for Game Outcome and Game Statistics is valued at US\$250M. The use case for pattern matching in the gaming industry goes well beyond Game Outcome and Game Statistics and the Company is pursuing additional revenue opportunities with new partners in the gaming industry.

Other Commercial Surveillance efforts include the Company's work with the CISCO Innovation Centre (CIIC) in Perth, Australia. The CIIC is evaluating BrainChip's advanced video analytic technologies. The goal of the ongoing project is to boost the reliability of access authorisation around sensitive areas.

- **Civil Surveillance** the growing threat of terrorism and violent crime is driving demand for real-time video analytics. This is a large and growing market which includes Homeland Security, Metropolitan Law Enforcement, Airports and Mass Transit.

The market for Civil Surveillance is large, well funded and geographically diverse. Industry estimates of installed surveillance cameras are in excess of 200M units and new camera deployments are estimated at over 25M per year⁽¹⁾. The Company serves the most challenging requirement for video analytics, including facial and pattern recognition. Low-light and low-resolution performance allows the BrainChip solution to leverage existing infrastructure and to be deployed without the need for camera upgrades. The business model in Civil Surveillance is currently on a per camera basis and ranges from US\$500 - \$5,000 depending on the complexity of the analytics.

BrainChip Studio Hardware Accelerator

The Company has previously announced that it would introduce its hardware accelerator for the BrainChip Studio software package in the third quarter of 2017. The release is on schedule and is expected in September 2017. The accelerator is a PCIe card that would be deployed at the enterprise server to support customers that would benefit from a higher density of video channels serviced by an individual server. The increased density will lower the Total Cost of Ownership (ToC) and support large-scale deployments. The accelerator is an essential component of the Company's plan to support large deployment in Civil and Commercial Surveillance.



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CORPORATE

Option and Performance Rights Issue

The Company issued 35,000,000 unlisted options during the quarter to Directors and newly appointed staff as a part of its incentive program and in order to appropriately align the interests of Directors and staff with shareholders. 4,000,000 unlisted options lapsed in accordance with their terms during the quarter.

The Company issued 1,500,000 performance rights to Robert Beachler as part of his appointment which vest subject to various time and performance-based hurdles.

Placement raising US\$4.59 million

The Company successfully raised US\$4.59 million (A\$6 million) through a share placement to institutional and sophisticated investors through the issue of 40,000,000 shares, applicants in the placement also received a free attaching unlisted option on the basis of one option for every two shares applied for.

At the end of the quarter, the Company had 848,200,426 ordinary shares on issue, of which 361,881,894 remain subject to escrow until 10 September 2017.

Quarterly Expenditure

Operating activity expenditures in the quarter were US\$1.395M down from US\$1.618M in the prior quarter primarily due lower corporate and administrative costs. The Company had approximately US\$4.45M in cash at the end of the quarter.

About BrainChip Holdings Ltd (ASX:BRN)

BrainChip is a leading provider of software and hardware accelerated solutions for Advanced Artificial Intelligence and Machine Learning applications. The Company's Spiking Neural Adaptive Processor (SNAP) can learn autonomously with a small sample set and provide real-time information, data analytics and knowledge in image and video processing applications, high frequency data streams for financial analysis and event, speech, and speaker recognition from audio sources. BrainChip's SNAP technology can quickly learn, recognise, and track events in real time from multiple sources and identify repeating patterns in complex data streams.

The Company currently provides software and hardware accelerated solutions that address high-performance requirements in Civil Surveillance, Facial Recognition, and Visual



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Inspection systems. Future solutions include audio analytics and deep learning for financial and other data intensive applications. www.brainchipinc.com.

⁽¹⁾ Statista Surveillance Survey 2014

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