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31 October 2016

## September 2016 Quarter Update

### Highlights

- **Appoints new CEO Louis DiNardo, a 35-year technology veteran with prior CEO and COO experience at both public and private growth companies.**
- **Achieved significant progress toward commercialisation with a first deployment of the Company's product in a casino gaming application.**
- **Completed the acquisition of Spikenet, which positions the Company to provide complete solutions for video and imaging applications in Civil Surveillance, Facial Recognition, Gaming and Visual Inspection.**
- **Established strategic alliances with Advisian Digital Enterprise (a part of WorleyParsons) to collaborate on several projects and T2M to support its global sales effort.**
- **September quarter cash flow reflects one-time costs associated with the Spikenet acquisition.**
- **BrainChip completed an oversubscribed placement after September 30<sup>th</sup> that raised \$5.355m.**

**BrainChip Holdings Ltd**, ("BrainChip" or the "Company") (ASX: BRN) is pleased to provide an update on the quarter ended September 30, 2016 to accompany the Company's quarterly cash flow report.

The significant developments for the quarter ended September 30, 2016, include the appointment of Louis DiNardo as the Company's Chief Executive Officer, the first commercial implementation of its technology in a casino gaming application, the completion of the Spikenet Technology SAS acquisition and the establishment of sales and marketing representatives in Australia and North America.



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### **Appointment of New CEO**

The appointment of Louis DiNardo as BrainChip's Chief Executive Officer puts the Company in a stronger position to capitalise on its core technology and compelling solutions.

Mr. DiNardo has a successful track record of growing emerging technology companies through his 35-years of experience in the industry. His management experience and background in the technology field will be invaluable in achieving the next set of commercial goals for the Company.

He has served as CEO and COO of both public and private technology companies including Exar Corporation, Intersil Corporation and Xicor Corporation. Furthermore, he sits on boards of companies that are listed on the NYSE and NASDAQ.

Mr. DiNardo also was responsible for a portfolio of investments while a partner at Crosslink Capital and Managing Director at VantagePoint Venture Partners. BrainChip's founder Peter van der Made, who acted as the interim CEO before Mr. DiNardo's appointment, will continue serving as the Company's Chief Technology Officer.

### **Commercial Casino Deployment**

The Company has commenced the first commercial implementation of its technology with a large global casino group following a successful trial in Las Vegas, NV.

The Company will roll out its Game Outcome solution, which automatically detects player and dealer errors, on baccarat tables at the Las Vegas site.

Game Outcome also is expected to be introduced at a second Las Vegas site ahead of a wider deployment of the solution to other games. The Company will receive a monthly fee for each table upon which Game Outcome is installed. This gives BrainChip the opportunity to develop a recurring revenue stream.

### **Spikenet Acquisition & Three Premier Agreements**

During the September quarter, the Company completed the acquisition of Spikenet Technology. The Spikenet acquisition provides the Company software and algorithms for video and imaging processing.



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The Company can now provide complete solutions for a variety of applications that require autonomous learning in Advanced Artificial Intelligence and Machine Learning applications. BrainChip can offer flexible deployment of its technology on a software, hardware or hybrid platform.

The Company entered a marketing agreement in the September quarter with T2M, a well-established global supplier of intellectual property and semiconductor technologies. T2M will act as a sales, marketing and integration representative of BrainChip.

In North America, the Company has an established relationship, through the Spikenet acquisition, with SN Technologies, a value added reseller focused on casino gaming and surveillance.

In Australia, the Company entered into a strategic alliance with Advisian (part of WorleyParsons) to pursue projects in the resources, infrastructure and energy markets.

### **Commentary on Cash Flow**

Cash expenditures in the quarter were materially higher than the previous quarter due to one-time costs related to strategic investments that will position the Company as a leading provider of software and hardware for markets that require Advanced Artificial Intelligence and Machine Learning.

This investment includes costs and other payments associated with the acquisition of Spikenet that amounted to a cash outflow of approximately US\$807,000 in the September quarter. This included a cash payment of US\$590,424 to certain owners of Spikenet and a partial repayment of Spikenet's debt.

Additionally, the Company has received funds of US\$354,000 from outstanding obligations since September 30, 2016.

The Company had approximately US\$1.1 million in cash at the end of the last quarter, but its cash position has been significantly bolstered after BrainChip successfully completed a share placement on 26<sup>th</sup> October to institutional and sophisticated investors.



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The placement, which was heavily oversubscribed, raised approximately \$5.355 million (before costs). Proceeds from the capital raise will be used to support operations and establish a sales and marketing effort to drive revenue growth.

### **Summary and Outlook**

The Company made significant progress in the September quarter; appointing an experienced CEO, acquiring key strategic assets, establishing its first commercial deployment and expanding its sales and marketing presence. Management's focus is to capitalise on this momentum and make investments in sales, marketing, and research and development.

The Company anticipates additional commercial agreements in casino gaming, civil surveillance and visual inspection.

*"Global interest in our products is growing. At this juncture, we have commercial engagements, trials and meaningful discussions with large casino operators, airports, schools, natural resource providers and traffic control providers amongst others,"* said Mr DiNardo.

*"We are well positioned to commercialise our technology in applications where our technology and solutions bring compelling value and drive revenue growth by winning key designs."*

Yours sincerely

A handwritten signature in black ink, appearing to read "Louis DiNardo".

**Louis DiNardo**  
**CHIEF EXECUTIVE OFFICER**



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### About BrainChip Holdings Ltd (ASX:BRN)

BrainChip Holdings Ltd, is a leading provider of software and hardware accelerated solutions for Advanced Artificial Intelligence and Machine Learning applications. The Company's Spiking Neural Networking Processor (SNAP) learns autonomously with a small sample set and provides real-time information for data analytics in image and video processing applications. The Company provides software and hardware solutions that address the high-performance requirements in Civil Surveillance, Gaming, Facial Recognition and Visual Inspection systems.

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