



September 2017 Quarter Update

Highlights:

- **BrainChip Studio Software Introduced as Commercially Available on 17 July 2017.**
- **BrainChip Accelerator Introduced as the First Neuromorphic Hardware Solution for Facial and Pattern Recognition on 10 September 2017.**
- **Appointment of Ryan A. Benton as CFO of BrainChip Inc. on 15 August 2017 and subsequent appointment as CFO of BrainChip Holdings Ltd in October 2017.**
- **Post Quarter-End, BrainChip selected to provide Video Analytics in a new large-scale French municipal deployment.**
- **Post Quarter-End, BrainChip reaches Agreement with Shareholders to Escrow 403 million Ordinary Shares.**
- **Post Quarter-End, BrainChip Completed a Capital Raise of AU\$21.5M to support the ongoing Development of AKIDA™ Neuromorphic Processor Unit, with broad-reaching general purpose applications.**

Sydney – 31 October 2017 BrainChip Holdings Ltd (“BrainChip” or the “Company”) (ASX: BRN), a leading developer of software and hardware accelerated solutions for advanced Artificial Intelligence (AI) and Machine Learning applications, is pleased to provide an update for the quarter ended 30 September 2017 to accompany the Company’s quarterly cash flow report.

Significant developments for the quarter include the release of the Company’s BrainChip Studio Software, the BrainChip Accelerator, and the appointment of Ryan A. Benton as Senior Vice President and Chief Financial Officer.

Positive momentum continued post end-of-quarter, with the announcement that BrainChip was selected to provide its AI-powered object search and facial recognition technology in a new large-scale municipal deployment of video surveillance and video analytics, a project with a value of more than US\$1.2 million. Additionally, the Company has expanded its served markets to include the automotive industry and has shipped its first BrainChip Accelerator to a major European car manufacturer for evaluation in Advanced Driver Assisted Systems (“ADAS”) and Autonomous Vehicle (“AV”) application.



Mr Benton's appointment to BrainChip Holdings Ltd as Chief Financial Officer was formalised post the end of the reporting period.

The Company expects that the first deployment of its product in the Lockport School District will commence during November 2017. It is also pleased to advise the the successful conclusion of a trial of its Game Statistics software at a major Las Vegas Casino.

OPERATIONS

Provision of AI Video Analytics for a Large-Scale Municipal Project

Post quarter-end, BrainChip was selected to provide its AI-powered object search and facial recognition technology in a new large-scale municipal deployment of video surveillance and video analytics. The deployment encompasses over 4,000 cameras across several towns and cities in France. BrainChip's technology will be used on selected cameras to protect specific high-value areas, including hospitals, schools, and first-responder sites.

The project has a potential value of more than US\$1.2 million and will be deployed in 11 pilot locations during Q4 2017 and Q1 2018, with broader deployments to follow later in 2018.

BrainChip won this project through a system integrator – an important part of the Company's sales model. By using system integrators, BrainChip can gain access to a greater number of end-customers without the use of additional sales and marketing resources.

Launch of BrainChip Accelerator

During September 2017 and following the successful launch of BrainChip Studio, the Company announced the release of its hardware acceleration board, BrainChip Accelerator, the world's first commercial hardware acceleration of neuromorphic computing.

BrainChip Accelerator is an 8-lane, PCI-Express add-in card that increases the speed and accuracy of the object recognition function of the BrainChip Studio software by up to six times, while increasing the simultaneous video channels of a system to 16 per card. The card is very low-power and can be installed easily within existing video surveillance systems without upgrading power systems or thermal management.



BrainChip Studio helps law enforcement and intelligence organisations rapidly identify objects embedded in large amounts of archived or live streaming video. By processing multiple video streams simultaneously, the BrainChip Accelerator add-in card enables these organisations to search increasing amounts of video faster than has previously been done and with a higher probability of object recognition and lower total cost of ownership.

Appointment of Ryan A. Benton as CFO

During August 2017, the Company announced the appointment of Ryan A. Benton as Senior Vice President and Chief Financial Officer of BrainChip Inc., the US subsidiary of BrainChip Holdings Ltd. Subsequent to the end of the quarter, Mr Benton was formally appointed as CFO of BrainChip Holdings Ltd.

Mr Benton brings extensive financial, operating and strategic skills to the Company and his experience as a global public company CEO and CFO will be invaluable to BrainChip as the Company continues to commercialise its products and drive revenue growth.

Prior to joining BrainChip, Mr Benton served as Chief Executive Officer at Exar Corporation (NYSE: EXAR) which was recently acquired by MaxLinear Corporation (NASDAQ: MXL) for approximately US\$700 million. Previously, Mr Benton served as Chief Financial Officer at Exar.

Leading Award for BrainChip Studio

In August 2017, BrainChip won the *Security Today's* New Product of the Year Award 2017 in the Video Analytics category for its BrainChip Studio software suite. This prestigious award honours outstanding products considered to be noteworthy in their ability to improve security.

CORPORATE

Agreement with Major Stakeholders to Escrow Ordinary Shares

On 22 September 2017, 361 million ordinary shares held by seven major shareholders were released from mandatory escrow. Post quarter-end, BrainChip announced that it reached agreements with those major shareholders to escrow 403 million ordinary shares, conditional upon shareholder approval.



These agreements highlight the support and confidence of the Company's major shareholders.

BrainChip will hold an Extraordinary General Meeting to approve the escrow, with the escrow taking effect and commencing upon the date Shareholder approval is received. The Company has lodged the Notice of Meeting with ASIC for approval and expects to be in a position shortly to issue the Notice and call the meeting.

Capital Raise

Post quarter-end the Company successfully completed a fund raising of AU\$21.5 million ("Placement"). The Placement participants included over 20 institutional investors and added significant new diversity to the Company's share register. The proceeds of the Placement will be used to fund the Company's ongoing expenses to drive sales and marketing of existing products as well as development of the AKIDA™ Neuromorphic Processor Unit .

Quarterly Cash Flows

Operating activity cash flows in the quarter were an outflow of US\$1.844 million, compared with US\$1.365 million in the June 2017 quarter. The increase in cash outflows was due primarily to higher research and development expenses and higher marketing and administrative costs associated with the launch of BrainChip Studio and Accelerator. The Company had US\$2.615 million in cash at the end of the quarter.

Outlook

Going forward, BrainChip anticipates that sales growth will continue with existing customers, new original equipment manufacturers, system integrators and partners. This capital efficient commercialisation strategy is expected to accelerate sales and will reduce the capital required to build a large direct sales force.

The Company is also focused on the development of its AKIDA™ Neuromorphic Processor Unit. AKIDA™ is expected to be a leader in the emerging neuromorphic computing field, with multiple applications including surveillance, cyber security, financial technology and autonomous vehicles.



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 has developed a revolutionary new spiking neural network technology that can learn autonomously, evolve and associate information just like the human brain. The technology, which is proprietary, is fast, completely digital and consumes very low power. The Company provides software and hardware solutions that address the high-performance requirements in Civil Surveillance, Gaming, Facial Recognition and Visual Inspection systems. www.brainchipinc.com.

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